

Recent developments: The Middle East and North Africa (MNA) region entered 2023 with solid but slowing growth momentum. Oil-exporting economies, who enjoyed decade-high growth and low unemployment last year, have announced oil production cuts. Oil-importing economies faced several challenges, most notably high inflation, with growth slowing markedly into 2023.

With the boon from high oil prices for oil exporters fading and global demand wavering, oil production growth has slowed rapidly from double digit rates in late 2022. Saudi Arabia saw output growth slow from double digit rates in mid-2022 to 3.9 percent in the first quarter of 2023, supported by non-oil activities. In Qatar, economic growth slowed in early 2023 following decade-high growth in the final quarter of 2022 assisted by the FIFA World Cup tournament.

Oil-importing economies saw adverse conditions continue into 2023 with median consumer price inflation reaching levels not seen in over a decade during the first half of the year. In the Arab Republic of Egypt, limited access to foreign currency and shift to a more flexible exchange rate saw the pound lose about half its value between the start of 2022 and May 2023. Rising costs, difficulties securing imported inputs, and slowing global demand weighed on activity, with industrial production (excluding oil) contracting in the year to January. In Morocco, the persistent drought and high inflation are weakening growth, with unemployment rising to above its pandemic peak in March 2023.

Outlook: Growth in MNA is expected to slow to 2.2 percent in 2023, with downward revisions from January projections for both oil exporters and importers. Growth in the region is expected to rebound in 2024, to 3.3 percent, as inflation and global headwinds subside, and oil production rises.

Growth in oil exporters is forecast to slow to 2.0 percent in 2023, a significant downgrade from what was expected only six months ago, before rebounding to 3.2 percent in 2024. Announced oil production cuts in 2023 which are expected to be phased out in 2024 account for much of the revision. In Saudi Arabia, oil production cuts are expected to result in stagnant industrial output and exports, with growth slowing from 8.7 percent in 2022 to 2.2 percent in 2023 and a contraction in the oil sector this year. Growth prospects in Iraq and the United Arab Emirates saw a similar downgrade in 2023 and an upgrade in 2024.

Oil-importing economies continue to face domestic headwinds, thus, growth in these economies is projected to decelerate to 3.4 percent in 2023, a 0.7 percentage point downgrade from January. In Egypt, growth is projected to slow to 4.0 percent in FY2022/23 (July-June) constrained by policy tightening, severe currency depreciation, and higher production costs. In Morocco, growth is expected to pick up to 2.5 percent in 2023 from 1.1 percent the previous year supported by resilience in tourism and the automotive industry. Adverse weather will postpone the normalization of agricultural output after consecutive years of drought.

Risks: Risks to the forecast remain predominantly to the downside with the balance of risks skewed significantly more to the downside for oil importers than oil exporters. Oil-importing economies are vulnerable to significant shifts in market sentiment given their higher government debt levels and lower foreign exchange reserves. Oil-exporting economies remain highly dependent on oil revenues, and any global push to hasten the green energy transition could leave these economies exposed to an unexpected drop in fossil fuel demand.

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Middle East and North Africa Forecasts

(Annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
GDP at market prices (average 2010-19 US\$)						
Algeria	-5.1	3.4	3.2	1.7	2.4	2.1
Bahrain	-4.6	2.7	4.9	2.7	3.2	3.1
Djibouti	1.2	4.8	3.0	4.4	5.4	5.9
Egypt, Arab Rep. ^a	3.6	3.3	6.6	4.0	4.0	4.7
Iran, Islamic Rep. ^a	1.9	4.7	2.9	2.2	2.0	1.9
Iraq	-12.0	1.6	7.0	-1.1	6.0	3.7
Jordan	-1.6	2.2	2.5	2.4	2.4	2.4
Kuwait	-8.9	1.3	7.9	1.3	2.6	2.4
Lebanon ^b	-21.4	-7.0	-2.6	-0.5
Libya ^b	-29.8	31.4	-1.2
Morocco	-7.2	7.9	1.1	2.5	3.3	3.5
Oman	-3.4	3.1	4.3	1.5	2.8	2.6
Qatar	-3.6	1.5	4.6	3.3	2.9	3.1
Saudi Arabia	-4.3	3.9	8.7	2.2	3.3	2.5
Syrian Arab Republic ^b	-0.2	1.3	-3.5	-5.5
Tunisia	-8.8	4.4	2.5	2.3	3.0	3.0
United Arab Emirates	-5.0	4.4	7.9	2.8	3.4	3.4
West Bank and Gaza	-11.3	7.0	3.9	3.0	3.0	3.0
Yemen, Rep. ^b	-8.5	-1.0	1.5	-0.5	2.0	..

Source: World Bank.

Note: e = estimate; f = forecast. World Bank forecasts are frequently updated based on new information and changing (global) circumstances. Consequently, projections presented here may differ from those contained in other Bank documents, even if basic assessments of countries' prospects do not significantly differ at any given moment in time.

a. Refers to fiscal year. Please see regional annex for details on fiscal year reporting.

b. Forecasts for Lebanon (beyond 2023), Libya (beyond 2022), the Syrian Arab Republic (beyond 2023), and the Republic of Yemen (beyond 2024) are excluded because of a high degree of uncertainty.