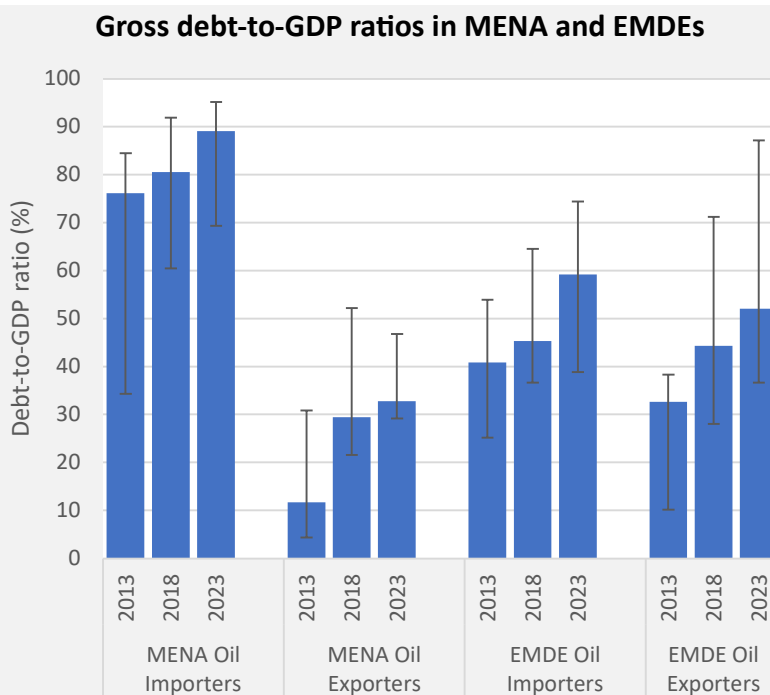


March 28, 2024

## SPOTLIGHT

**Rising Debt Levels in MENA Oil Importers.** Even before the COVID pandemic, debt-to-GDP ratios were on the rise in MENA. By 2019, 16 out of the 19 MENA economies had a higher debt-to-GDP ratio than they did in 2013, with the median economy’s debt-to-GDP ratio increasing by more than 23 percentage points (pps). The pandemic exacerbated this trend, as declines in revenue and pandemic support spending increased financing needs for many countries. Among oil-importing economies, the median country experienced a net increase of almost 10 pps between 2019 and 2023, as rising commodity prices and tepid growth contributed to persistent fiscal deficits. Moreover, these increases in debt-to-GDP ratios imply that debt stocks grew faster than real GDP growth and inflation. Even in countries that have recently grown relatively robustly with high inflation levels, such as Egypt, the debt-to-GDP ratio has remained stubbornly high, increasing from 86 percent in 2019 to 95 percent in 2023. By contrast, most MENA oil exporters experienced a net decline in their debt-to-GDP ratios between 2019 and 2023, with the 2022 oil price spike boosting revenues and greatly improving fiscal balances.



Note: EMDE = Emerging Market and Developing Economies.

Source: World Bank Staff calculations based on Macro Poverty Outlook forecasts accessed on March 25th, 2024.

Note: MENA oil exporters include Algeria, Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE.

MENA oil importers include Djibouti, Egypt, Jordan, Morocco, Tunisia, and West Bank and Gaza. EMDE oil exporters include Angola, the Republic of Congo, Azerbaijan, Equatorial Guinea, Gabon, Kazakhstan, Malaysia, Mexico,

Nigeria, South Sudan, and Sudan. EMDE oil importers include all other EMDEs where data is available. Group averages are GDP-weighted. Intervals denote interquartile range.

## MACRO NEWS AND DATA TABLE

<b>Egypt</b>	To combat persistently high levels of inflation, the government announced this week that it aims to reduce the prices of essential goods by 15 to 20 percent, with further reductions of up to 30 percent expected after the Eid al-Fitr holiday. The government is working to lower production costs for businesses by offering subsidies on energy and raw materials. The government is also trying to guarantee sufficient supply in the market, by clearing the backlog of imports at Egypt's ports (due to the shortage of foreign exchange before the recent depreciation of the pound on March 6th) and increasing the strategic reserves of essential commodities by 20 percent – by increasing imports and raising the local procurement prices for commodities such as wheat. Egyptian banks have reportedly provided enough financial support to cover all pending import requests for essential commodities, resulting in the immediate release of food commodities, medicines, feed, and production necessities, with Egypt clearing goods valued at over USD 14.5 billion at ports between January and mid-March. The government noted that these measures should lower the prices on a wide range of goods, including sugar, grains, rice, wheat, flour, pasta, tea, dairy, cheese, butter, meat, oils, and electronics and engineering products.
<b>Morocco</b>	Growth of the manufacturing sector (excluding oil refining) accelerated to 8.0 percent y/y in Q4 2023, driven by increases in the chemical and automotive sectors of 22.2 percent and 21.6 percent, respectively. The manufacture of computer, electronic, and optical products also increased in Q4, by 25.9 percent, while food and clothing manufacturing declined by 6.5 and 4.0 percent, respectively. For the year, the manufacturing industry excluding oil refining increased 2.0 percent y/y in 2023.
<b>Saudi Arabia</b>	The private sector added 1.1 million jobs in 2023 (a 11.6 percent y/y increase) according to Al Eqtisadiyah, a financial daily newspaper. Around 700 thousand new jobs were in the construction, transportation, and storage sectors, while manufacturing added 35,700 jobs in the private sector.

Sources: National authorities, EmergingMarketWatch, Haver Analytics, EIU, Bloomberg, World Bank, IMF.

## CHART PACK

2024 consensus forecasts for the MENA region remained mostly unchanged in March.

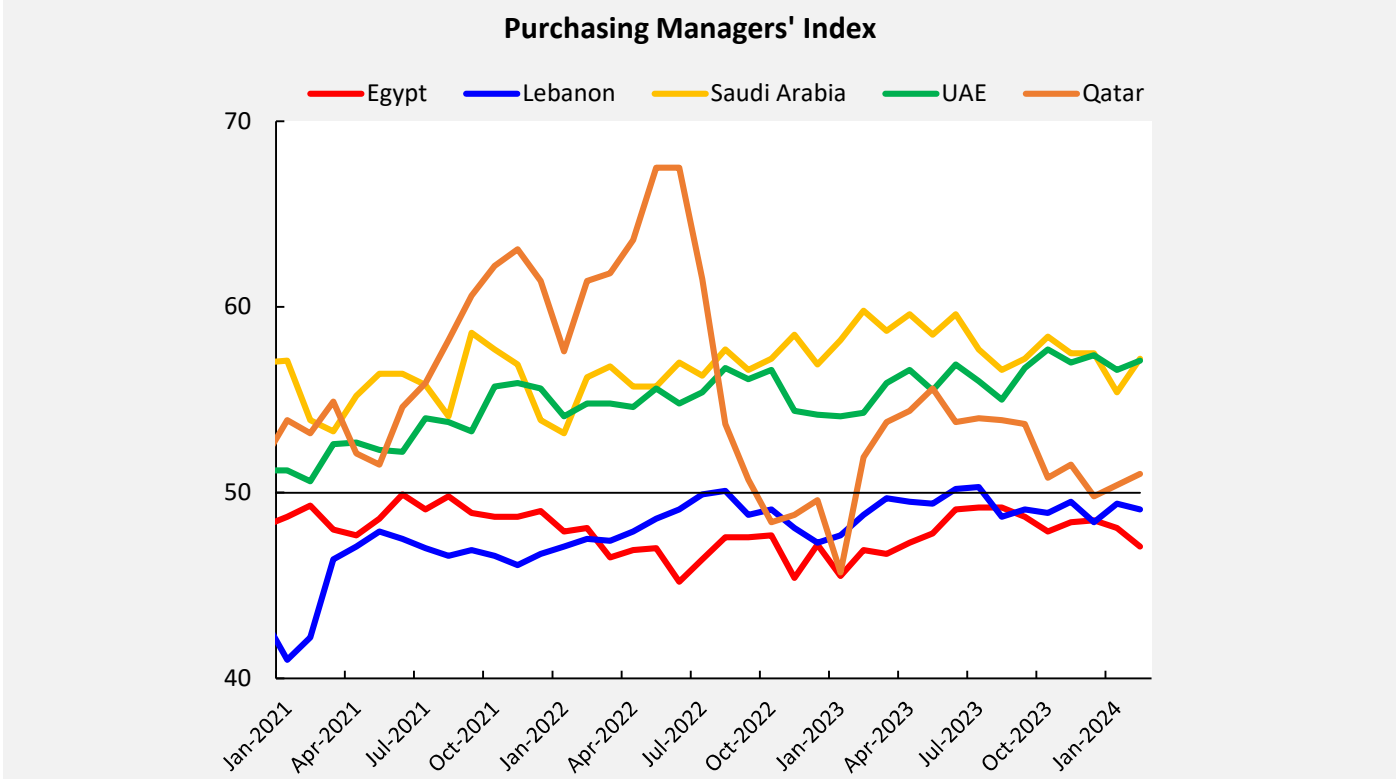
Country	2024				2025			
	March Forecast	1m Forecast Change	3m Forecast Change	12m Forecast Change	March Forecast	1m Forecast Change	3m Forecast Change	12m Forecast Change
MENA	2.9	0.0	-0.3	-0.5	3.7	0.1	0.0	0.4
GCC	2.8	0.1	-0.4	-0.5	4.0	0.1	0.0	0.9
Bahrain	2.8	0.0	0.0	0.0	2.7	0.0	0.0	0.3
Kuwait	1.9	0.3	-0.4	-0.8	3.3	0.2	-0.3	0.7
Oman	2.4	0.0	-0.2	0.0	2.8	0.1	0.0	0.5
Qatar	2.3	0.0	-0.2	-0.3	3.4	-0.2	-0.6	-1.6
KSA	2.6	0.0	-0.6	-0.7	4.4	0.1	0.1	1.7

UAE	3.7	0.1	0.0	0.0	4.0	0.1	0.0	0.5
<b>OEC</b>	<b>2.9</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.5</b>	<b>3.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>
Algeria	2.5	0.1	0.1	0.0	2.5	0.1	0.0	0.2
Iran	2.6	0.1	-0.1	-0.4	2.7	0.1	0.1	0.0
Iraq	3.0	-0.2	-0.1	-0.4	3.4	0.1	0.0	0.2
Libya	7.2	-0.2	-0.5	-2.4	7.1	-0.1	-0.1	0.2
Yemen	2.2	0.3	0.2	-2.3	3.7	0.1	0.0	-0.5
<b>OIC</b>	<b>3.2</b>	<b>-0.1</b>	<b>-0.3</b>	<b>-0.7</b>	<b>3.7</b>	<b>0.0</b>	<b>-0.2</b>	<b>-0.3</b>
Djibouti	5.1	0.0	0.0	0.0	4.6	-0.3	-0.2	-0.2
Egypt	3.5	-0.1	-0.4	-1.0	4.2	0.0	-0.2	-0.4
Jordan	2.4	0.0	-0.2	-0.2	2.5	0.0	0.0	-0.3
Lebanon	1.9	-0.2	-0.3	-1.7	2.8	-0.1	-0.7	-1.2
Morocco	3.1	0.0	0.0	-0.1	3.5	0.1	0.0	0.1
Tunisia	1.8	-0.1	-0.3	-0.9	2.3	0.0	-0.3	-0.7

Source: Consensus Focus Economics GDP Growth Forecasts, March 2024, February 2024, December 2023, March 2023; and MNACE Staff Calculations.

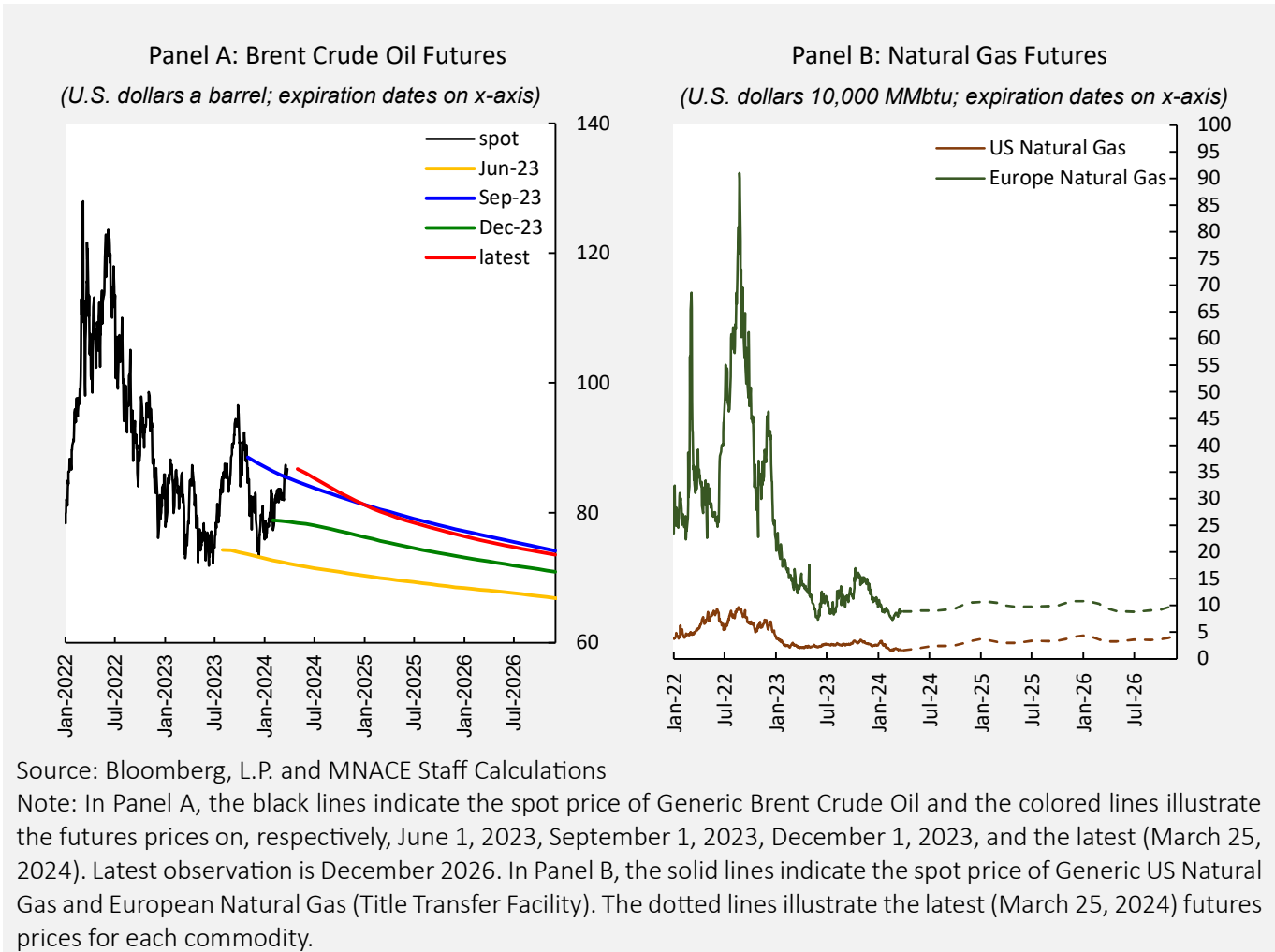
Note: Forecasts Change refers to the direct difference between forecasts made in March 2024 and the reference months. Egypt's 2024 forecast is a calendar year transformation: the average of the FY2024 and FY2025 forecasts. Egypt's 2025 forecast is a calendar year transformation: the average of the FY2025 and FY2026 forecasts. For reference, FY2024 starts in July 2023 and ends in June 2024. MENA and other category averages are weighted growth rates using previous year GDP levels as the weights.

**PMI surveys continue to indicate strong activity in the non-oil private sector in GCC countries, while private-sector economic activity deteriorated at a faster pace in both Egypt and Lebanon.**



Source: Bloomberg, L.P.  
 Note: Markit PMI for Non-Oil Private Sector, seasonally adjusted, retrieved through Bloomberg and Trading Economics. Last observations are from February 2024.

Oil prices are up 5.5% since the last update, at USD 86.75 per barrel on March 25, 2024. Oil futures indicate generally higher medium-term prices compared to June and December 2023, with end-2026 futures trading at USD 73.55 per barrel. US natural gas prices are down 8.2%, at USD 1.62 per 10,000 MMBtu, while European prices are up 11.8%, at USD 8.89 per 10,000 MMBtu.



Very little net change in exchange rate levels since the previous update.

Country	Latest Close	1M % Change	3M % Change	6M % Change	1Y % Change
Algeria	134.5	-0.1%	-0.3%	2.1%	1.0%
Bahrain	0.4	0.0%	0.0%	0.0%	0.0%
Djibouti	177.8	-0.1%	-0.1%	0.1%	0.1%

Egypt*	47.4	-34.8%	-34.9%	-34.8%	-34.8%
Iran*	42,000.0	0.0%	0.0%	0.0%	0.0%
Iraq*	1,310.0	0.0%	0.0%	0.0%	0.0%
Jordan	0.7	0.0%	0.1%	0.1%	0.2%
Kuwait	0.3	0.0%	-0.1%	0.4%	-0.5%
Lebanon*	89,476.4	0.1%	-83.2%	-83.2%	-83.2%
Libya*	4.8	0.0%	-0.6%	0.8%	-0.6%
Morocco	10.1	-0.4%	-1.8%	1.8%	1.9%
Oman	0.4	0.0%	0.0%	0.0%	0.0%
Qatar	3.6	0.0%	-0.1%	-0.1%	0.6%
Saudi Arabia	3.8	0.0%	0.0%	0.0%	0.2%
Syria*	13,400.0	-1.5%	-5.2%	-18.7%	433.6%
Tunisia	3.1	0.1%	-1.1%	1.7%	-0.5%
United Arab Emirates	3.7	0.0%	0.0%	0.0%	0.0%
West Bank and Gaza	3.6	-0.4%	-1.1%	4.4%	-1.7%
Yemen	250.3	0.0%	0.0%	0.0%	-0.1%

Source: Bloomberg L.P., the Central Bank of Syria, and MNACE Staff Calculations.

Note: Official exchange rates vis-à-vis the USD expressed in local currency as of March 25, 2024. Countries with multiple exchange rates are highlighted with an asterisk. 1M, 3M, 6M and 1Y change refer to the appreciation or depreciation of the currency against the US Dollar: a positive value indicates an appreciation of the local currency, and a negative value indicates a depreciation. For West Bank and Gaza, the new Israeli shekel is used as the local currency.

Iraq's headline inflation fell to 0.4% y/y in January and Lebanon's slowed to 123.2% in February (from 177.3% in January) – while inflation in the West Bank and Gaza continued its upward trajectory in February, reaching 27.2% y/y for headline inflation and 43.6% y/y for food inflation.

Country	Date of Latest Inflation Data	Headline Inflation		Food Inflation	
		M/M Inflation	Y/Y Inflation	M/M Inflation	Y/Y Inflation
Algeria	January-24	0.0%	6.4%	-0.4%	7.2%
Bahrain	January-24	0.3%	0.8%	2.0%	6.8%
Djibouti	January-24	0.2%	7.8%	2.3%	6.7%
Egypt	February-24	10.7%	36.0%	14.3%	47.2%
Iran	February-24	1.4%	35.8%	-2.2%	38.9%
Iraq	January-24	0.4%	0.4%		
Jordan	February-24	0.1%	1.6%	-0.2%	1.6%
Kuwait	February-24	0.3%	3.4%	0.6%	5.0%
Lebanon	February-24	1.1%	123.2%	1.6%	103.3%
Morocco	February-24	-0.8%	0.3%	-2.2%	-0.5%
Oman	February-24	0.1%	0.0%	0.3%	1.1%
Qatar	February-24	0.2%	2.7%	0.8%	6.6%

Saudi Arabia	February-24	0.1%	1.8%	-0.2%	1.3%
Tunisia	February-24	0.6%	7.5%	0.5%	10.1%
UAE (Dubai)	February-24	0.5%	3.4%	0.1%	3.1%
West Bank and Gaza	February-24	8.2%	27.2%	10.7%	43.6%

Source: Haver Analytics and National Statistics Offices; MNACE Staff Calculations.

Note: National Statistics Offices Consumer Price Indices (CPI) releases, as of March 25, 2024. M/M inflation is seasonally adjusted, except for Djibouti, Iraq, Lebanon and West Bank and Gaza due to missing data. The values for M/M headline and food inflation for the UAE indicate quarter-on-quarter non-seasonally adjusted inflation rates.

No changes in policy rates since the last edition following monetary policy meetings in Morocco, Qatar, Tunisia, and the UAE.

Country	Last Decision Meeting	Policy Rate	Latest as of March 25, 2024	1M Change	3M Change	6M Change
Bahrain	7/26/2023	Policy Rate	6.25	--	--	--
Egypt	3/6/2024	O/N Lending	28.25	6.00	8.00	8.00
Iraq	1/31/2024	Policy Rate	7.50	--	--	--
Jordan	7/30/2023	Main Rate	7.50	--	--	--
Kuwait	7/27/2023	Discount Rate	4.25	--	--	--
Morocco	3/19/2024	Main Rate	3.00	--	--	--
Oman	12/13/2023	Repo Rate	6.00	--	--	--
Qatar	3/20/2024	O/N Lending	6.25	--	--	--
Saudi Arabia	7/26/2023	Repo Rate	6.00	--	--	--
Tunisia	3/22/2024	Policy Rate	8.00	--	--	--
UAE	3/20/2024	O/N Deposit	5.40	--	--	--

Source: National Central Bank websites.

Note: Central Bank Policy Rates, as of March 25, 2024.

Oman's monthly unemployment rate decreased in February 2024 to 3.3 percent from 3.7 percent in January 2024.

Country	Date of Latest Unemployment Rate Available	Unemployment Rates				
		Total	Male	Female	Nationals	Non-Nationals
Egypt	Q4-2023	6.90	4.60	17.70		
Iran	Q4-2023	7.60	6.20	14.20		
Jordan	Q4-2023	17.60	16.20	23.00	21.40	11.90
Morocco	Q4-2023	13.30	11.90	18.60		
Oman	February 2024	3.30	1.60	10.20		
Qatar	Q4-2023	0.13	0.08	0.36	0.51	0.10

Saudi Arabia	Q3-2023	5.10	2.50	13.70	8.60	1.50
Tunisia	Q4-2023	16.40	13.80	22.20		
West Bank and Gaza	Q3-2023	24.10	20.10	40.80		

Source: Haver Analytics and MNACE Staff Calculations.

Note: Latest Unemployment Data available as of March 25, 2024.

Egypt's capital market index continued to lose ground following the recent large depreciation of the pound, while the Tunisia and Bahrain indices saw net increases of more than 5%.

Country	1M % Change	3M % Change	6M % Change	1Y % Change
Bahrain	5.1%	13.7%	14.2%	15.6%
Egypt	-34.1%	-24.7%	-10.8%	9.5%
Kuwait	-0.4%	8.8%	8.1%	1.1%
Jordan	2.2%	5.0%	5.6%	-4.5%
Morocco	-1.1%	4.5%	10.4%	27.9%
Oman	1.4%	0.7%	-1.5%	-2.4%
Qatar	-3.4%	-5.2%	-1.8%	-2.5%
Saudi Arabia	-1.3%	4.8%	14.2%	13.5%
Tunisia	5.4%	5.8%	7.3%	2.3%
United Arab Emirates	1.1%	1.2%	-4.3%	5.2%

Source: Morgan Stanley Capital International (MSCI) indices obtained from Bloomberg L.P. and MNACE Staff Calculations.

Note: Equity Markets Performance as of March 25, 2024. The MSCI Country Equity indices are market capitalization-weighted indices aggregating the performance of companies representing 85% of each market, mainly consisting of large- and mid-cap companies. These indices are quoted in the USD.

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