

June 2021

Recent developments: Most economies in the region experienced their sharpest contractions in decades in 2020, and the economic damage done by the pandemic remains particularly evident in the transport and tourism sectors. The resurgent virus has forced renewed mobility restrictions in many economies. However, the economic implications of rising infections have so far been limited.

Despite continued pandemic-related disruptions, rising oil prices have generally supported activity in oil exporting economies. In the Islamic Republic of Iran, both the oil and non-oil sectors rebounded in the second half of Fiscal Year 2020/21, which ended in March. In Saudi Arabia, additional oil production cuts deepened the contraction in the oil sector but was offset by improving growth momentum in the non-oil sector. Several oil importing economies experienced a resurgence of COVID-19 cases in early 2021, clouding the economic recovery in the Arab Republic of Egypt, Jordan, Lebanon, and Tunisia.

Governments have taken further policy steps in 2021 to address the effects of the pandemic. Saudi Arabia launched an instant payment system, extended guarantees and forbearance measures, and loosened working rules for expatriates. Egypt raised the minimum wage for public sector employees, extended a moratorium on charges on most financial transactions, and undertook further measures to boost lending. The United Arab Emirates took steps to encourage foreign ownership.

Outlook: Output in the region is expected to grow by 2.4% in 2021, stronger than initially forecast, but below the previous decade average—ending 2019. The region should benefit from the recent rebound in oil prices, stronger external demand, and less economic disruptions from COVID-19 outbreaks. As vaccinations rise, mobility restrictions ease, oil production cuts taper, and damage to balance sheets reverse, growth should accelerate further to 3.5 percent in 2022. The outlook is, however, uncertain and depends on the course of the pandemic and vaccination availability and take-up.

In oil exporters, higher oil prices will support growth and government revenue recoveries. Oil prices are expected to average \$62 per barrel in 2021 and 2022. Saudi Arabia is forecast to grow 2.4% this year and 3.3% in the next, reflecting positive pandemic developments, higher oil prices and tapering oil production cuts, and the start of a new government investment program. The Islamic Republic of Iran is expected to recover to 2.1% in 2021 and 2.2% in 2022 as a rise in industrial production outweighs continued suppressed demand for services amid high cases of COVID-19.

The pandemic is expected to continue to be a drag on economic growth among oil importing economies. In Egypt, growth is forecast to slow to 2.3% in FY2020/21, reflecting damage to tourism, manufacturing, and oil and gas extractives from the pandemic, before strengthening again in FY 2021/22. In Morocco, output is expected to rebound to 4.6% in 2021 as drought conditions fade, policy remains accommodative, and domestic mobility restrictions ease.

Economies beset by fragility, conflict, and violence face mixed prospects. In Libya, the creation of an interim unity government and the lifting of the oil blockade is expected to restore economic activity to close to 2019 levels. In Iraq, output is forecast to expand as oil production rebounds but won't be enough to reverse a substantial rise in poverty rates. In Lebanon, further contraction is expected in 2021.

Risks: Risks are tilted to the downside and are related to the possibility of resurgence of COVID-19 cases, delays in vaccination rollout, weaker oil prices in the context of limited economic diversification, higher agricultural prices and food insecurity, and conflict and social unrest. Limited economic diversification continues to present risks as oil demand is expected to remain below pre-pandemic levels through 2023. Social unrest

and conflict are recurring downside risks to region. The intersection of higher food prices, fragility and conflict, political risk and resurgent outbreaks of COVID-19 pose significant economic and social risks to the region.

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Middle East and North Africa Forecasts

(Annual percent change unless indicated otherwise)

	2018	2019	2020e	2021f	2022f	2023f
GDP at market prices (average 2010-19 US\$)						
Algeria	1.2	0.8	-5.5	3.6	2.3	1.6
Bahrain	2.0	1.9	-5.4	3.3	3.2	3.2
Djibouti	8.4	7.8	0.5	5.5	6.0	6.2
Egypt, Arab Rep.^a	5.3	5.6	3.6	2.3	4.5	5.5
Iran, Islamic Rep.^a	-6.0	-6.8	1.7	2.1	2.2	2.3
Iraq	-1.2	4.4	-10.4	1.9	8.4	4.2
Jordan	1.9	2.0	-1.6	1.4	2.2	2.3
Kuwait	1.2	0.4	-5.4	2.4	3.6	2.8
Lebanon^b	-1.9	-6.7	-20.3	-9.5
Libya^b	15.1	2.5	-31.3	66.7
Morocco	3.1	2.5	-7.1	4.6	3.4	3.7
Oman	0.9	-0.8	-6.3	2.5	6.5	4.2
Qatar	1.2	0.8	-3.7	3.0	4.1	4.5
Saudi Arabia	2.4	0.3	-4.1	2.4	3.3	3.2
Tunisia	2.9	0.9	-8.8	4.0	2.6	2.2
United Arab Emirates	1.7	4.8	-6.1	1.2	2.5	2.5
West Bank and Gaza	1.2	1.4	-11.5	3.5	3.6	3.7

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 and Libya beyond 2021 are excluded due to a high degree of uncertainty.

[Download the data](#)

World Bank Group COVID-19 Response

The [World Bank](#), one of the largest sources of funding and knowledge for developing countries, is taking [broad, fast action](#) to help developing countries respond to the health, social and economic impacts of COVID-19. This includes [\\$12 billion](#) to help low- and middle-income countries purchase and distribute COVID-19 vaccines, tests, and treatments, and strengthen vaccination systems. The financing builds on the broader [World Bank Group COVID-19 response](#), which is helping more than 100 countries strengthen health systems, support the poorest households, and create supportive conditions to maintain livelihoods and jobs for those hit hardest.