

**Recent developments:** The recent conflict in the Middle East has increased geopolitical and policy uncertainty in the Middle East and North Africa (MNA) region and dampened tourism-related activity, particularly in neighboring countries. MNA already faced multiple headwinds, including oil production cuts, elevated inflation, and weak private sector activity in oil-importing economies. In 2023, growth in MNA slowed down sharply to 1.9 percent.

In oil exporters, the oil sector weakened markedly due to oil production cuts. Growth in member countries of the Gulf Cooperation Council (GCC) is estimated to have decelerated sharply in 2023 due to the decline in oil production, which more than offset robust non-oil sector activity. In other oil exporters, growth picked up in countries which were exempted from the production cut agreement by the Organization of the Petroleum Exporting Countries Plus.

Growth in oil importers also slowed somewhat last year, reflecting anemic private sector activity. Food inflation remained stubbornly high, while large currency depreciations added to elevated headline inflation. In the Arab Republic of Egypt, growth is estimated to have slowed in FY2022/23 (July 2022 to June 2023) due to import restrictions, declining purchasing power of households, and sluggish corporate activity. In contrast, growth is estimated to have picked up in Morocco, despite the earthquake in September, as the agricultural sector recovered.

**Outlook:** The conflict in the Middle East has heightened uncertainty around growth forecasts in the region. Assuming the conflict does not escalate, growth in MNA is expected to pick up to 3.5 percent in 2024 and 2025. Forecasts have been revised upward, relative to what was expected in June, reflecting stronger-than-expected growth among oil exporters supported by rebounding oil activity.

Growth in GCC countries is forecast to rise to 3.6 percent in 2024 and 3.8 percent in 2025. In Saudi Arabia, growth is projected to rebound due to an expansion in the country's oil output and exports, despite an extension of voluntary oil production cuts into this year. Among other oil exporters, the expansion of oil production as a result of relaxed production cuts in early 2024 is projected to contribute to faster growth in Algeria and Iraq.

In oil importers, growth is expected to edge up to 3.2 percent this year and 3.7 percent in 2025. Growth will rise in some countries, including Djibouti, Morocco, and Tunisia, but countries located closer to the conflict will be more adversely affected. In Egypt, the conflict will likely exacerbate the inflation problem, constrain activity in the private sector, and intensify pressures on external accounts through reduced tourism revenues and remittances. The conflict will adversely affect the tourism sector in Jordan, as well.

The economic outlook for West Bank and Gaza remains highly uncertain, with growth projected to shrink by 6 percent in 2024, following a 3.7 percent contraction in 2023. Massive destruction of fixed assets in Gaza will cause a significant contraction of economic activity. The ongoing conflict will also exacerbate already-dire economic conditions in West Bank. If the conflict situation de-escalates, the reconstruction efforts are expected to contribute to a rebound of growth to 5.4 percent in 2025.

**Risks:** A severe downside risk to regional growth is the intensification of the conflict, including spillovers to neighboring economies and a surge in refugees. Countries in MNA are vulnerable to natural disasters, and climate change continues to increase the frequency and severity of adverse weather events. In oil exporters, if oil prices fall or demand gets weaker, oil production could be limited, and the cuts could be prolonged. In oil importers, tighter global financial conditions would weaken growth prospects because of large external financing needs.

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## Middle East and North Africa Forecasts

(Annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f
GDP at market prices (average 2010-19 US\$)					
<b>Algeria</b>	3.4	3.2	2.5	2.6	2.6
<b>Bahrain</b>	2.7	4.9	2.8	3.3	3.2
<b>Djibouti</b>	4.5	3.1	4.7	5.1	5.7
<b>Egypt, Arab Rep. <sup>a</sup></b>	3.3	6.6	3.8	3.5	3.9
<b>Iran, Islamic Rep. <sup>a</sup></b>	4.7	3.8	4.2	3.7	3.2
<b>Iraq</b>	-2.1	7.0	-2.9	4.2	2.9
<b>Jordan</b>	3.7	2.4	2.6	2.5	2.6
<b>Kuwait</b>	1.3	7.9	0.8	2.6	2.7
<b>Lebanon <sup>b</sup></b>	-7.0	-0.6	0.2	..	..
<b>Libya</b>	31.4	-1.2	14.1	4.1	4.3
<b>Morocco</b>	8.0	1.3	2.8	3.1	3.3
<b>Oman</b>	3.1	4.3	1.4	2.7	2.9
<b>Qatar</b>	1.5	4.9	2.8	2.5	3.1
<b>Saudi Arabia</b>	3.9	8.7	-0.5	4.1	4.2
<b>Syrian Arab Republic <sup>b</sup></b>	1.3	-3.5	-5.5	..	..
<b>Tunisia</b>	4.4	2.4	1.2	3.0	3.0
<b>United Arab Emirates</b>	3.5	6.6	3.4	3.7	3.8
<b>West Bank and Gaza</b>	7.0	3.9	-3.7	-6.0	5.4
<b>Yemen, Rep. <sup>b</sup></b>	-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), the Syrian Arab Republic (beyond 2023), and the Republic of Yemen (beyond 2024) are excluded because of a high degree of uncertainty.