MENA MACRO MONITOR UPDATE

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SPOTLIGHT

Exchange Rates and Central Bank FX Reserves. Since the onset of the war in Ukraine, some MENA countries (especially the oil importers) have seen pressure on their exchange rates and FX reserves. Of the MENA countries without a pegged-like exchange rate regime, Lebanon, Egypt, Morocco, and Tunisia have witnessed substantial declines in the value of their currencies vis-à-vis the dollar and the euro. For Lebanon, the repercussions of the Ukraine war exacerbated an already dire situation, while, for Egypt, the large outflow of portfolio investments in the spring of 2022 was a main driver of the close to 50% deprecation of Egyptian pound against the dollar since January 2022. The Morocco dirham and Tunisian dinar, by contrast, track the euro more closely than the dollar, as the European Union is their main trading partner. Hence, despite depreciating by around 7% against the dollar since the start of the war in Ukraine, more than half of this change is due to the strengthening of the dollar vis-à-vis the euro, as the Morocco dirham and Tunisian dinar have depreciated by less than 3% compared to euro. For Tunisia, this is surprising given concerns over its ability to secure foreign financing, leading to downgrades by rating agencies to default or close-to-default status.

Examining the change in central bank FX reserves may shed light on these dynamics, with Tunisian's reserves falling by close to 15% since the start of the war and 5% since the start of the year, suggesting central bank interventions in the foreign exchange market to support the dinar. A similar dynamic may be at work in Egypt and Jordan, which have seen their FX reserves decline by 22% and 11%, respectively, since January 2022. Morocco's FX reserves, by contrast, have fallen by only 1% since January 2022 and have increased by 7% this year. Note that the FX reserves held at the central bank do not include sovereign wealth fund (SWF) assets nor central bank FX assets held at private banks. This is important for the oil exporters, especially in the GCC. Although FX reserves held at the central bank may have remained constant or declined somewhat, SWF assets surely increased for most oil exporters from last year's large increase in oil and gas export earnings.

Country Name	FX Rates (vs USD)			FX Rates (vs EUR)			FX reserves (USD Billions)	
	Latest	YTD Change	Change since Jan-22	Latest	YTD Change	Change since Jan-22	Latest	Change since Jan-22
Algeria	136.5	-0.4%	2.7%	145.9	1.2%	7.9%		
Bahrain	0.4	0.0%	0.0%	0.4	1.6%	5.1%	4.2	5.5%
Djibouti	177.9	0.1%	0.1%	189.3	2.0%	5.6%		

Egypt	30.9	-2.2%	-49.1%	33.0	-0.8%	-46.5%	26.7	-21.8%
Iran	42,000.0	0.0%	0.0%	44,893.8	1.4%			
Iraq	1,310.0	11.5%	11.5%	1,400.6	13.2%	16.7%		
Jordan	0.7	0.0%	0.0%	0.8	1.7%	4.7%	13.7	-10.6%
Kuwait	0.3	-0.7%	-1.5%	0.3	0.9%	3.5%	45.9	13.8%
Lebanon	15,038.6	-89.9%	-90.0%	16,058.9	-89.8%	-89.4%	9.7	-25.9%
Libya	4.8	-1.4%	-4.3%	5.2	0.2%	0.6%		
Morocco	10.2	0.3%	-7.6%	10.9	1.9%	-2.9%	31.2	-1.3%
Oman	0.4	-0.1%	0.0%	0.4	1.5%	5.1%	15.5	-13.7%
Qatar	3.6	0.4%	0.4%	3.9	2.0%	5.5%	210.4	9.2%
Saudi Arabia	3.8	0.1%	0.0%	4.0	1.7%	5.1%	417.2	-0.9%
Tunisia	3.1	-2.0%	-7.0%	3.3	-0.4%	-2.2%	6.9	-14.8%
UAE	3.7	0.0%	0.0%	3.9	1.6%	5.1%	141.6	14.8%

Source: Haver Analytics and national central banks.

Note: Latest FX rates are as of 5/31/2023, compared to 1/31/2023 and 1/31/2022. Latest month available for FX reserves is May 2023, except for Bahrain, Jordan, Kuwait, Lebanon, and Qatar (where the latest month available is April 2023) and Oman and the UAE (where the latest month available is March 2023).

MACRO NEWS AND DATA TABLE

GROWTH	
Bahrain	The Government granted its first "golden licenses" for 5 projects worth USD 1.4 billion (3.5% of GDP), which are expected to create more than 1,400 new jobs over the next three years. The companies involved include Citibank, Eagle Hills Diyar, Infracorp, Saudi Telecommunication, and Whampoa Group. The golden licenses program was initiated in April to provide prioritized allocation of land for investment and infrastructure services and greater access to government services, such as business licensing, building permit approvals etc., to companies bringing large-scale investment projects to Bahrain exceeding USD 50 million or that will create more than 500 jobs.
Iraq / Qatar	Three Qatari companies have agreed to work with Iraq's National Investment Commission to develop USD 9.5 billion (4.5% of GDP) worth of projects in Iraq, including the construction of 2 power plants to produce 2,400 megawatts (MW) of electricity and investments in the hotel / tourism sector.
Morocco	Bank al-Maghrib lowered its growth forecast for 2023 to 2.4% (below consensus estimates of 2.8%) citing continued drought crimping the agricultural sector and a difficult external environment.
KSA	SAMA, the Saudi Central Bank, forecasts 2023 growth of 3.1% (well above consensus estimates of 2.3%) citing robust levels of non-oil GDP growth. This is supported by the continued recovery in the tourism sector and progress in Vision 2030-related initiatives supporting local content, increasing non-oil exports, and continued spending in the local economy by the Public Investment Fund (PIF), Saudi Arabia's sovereign wealth fund.
TOURISM	

Iran / UAE	Iran and the UAE signed an air transport services agreement to boost tourism and trade between the two countries.
Morocco	Foreign tourist arrivals continue to remain strong, with 1.1 million foreign tourist visits in May, 55% greater than in May 2019, a record year. For the January-May period, foreign tourist arrivals are up 20% compared to same period in 2019, at 5.1 million visits.
RENEWABLE ENERGY	
UAE	The Dubai Electricity and Water Authority (DEWA) launched the fifth phase (900 MWs) of the Mohammed bin Rashid Al Maktoum Solar Park, the largest single-site solar park in the world, with a planned capacity of 5,000 MW by 2030. The fifth phase of the project is expected to provide clean energy to 270,000 residences in Dubai, reducing annual emission of carbon by 1.2 million tonnes.
Oman	Hydrom, a subsidiary of state-owned Energy Development Oman, signed 5 contracts over the past weeks to produce green hydrogen in Oman. Total investments are estimated at more than USD 30 billion (33% of GDP) to produce a total of 750 kilo-tonnes per annum (KTPA) from over 16.5 GW of installed renewable energy capacity. International partners include BP, Shell, and Samsung. Hydrom also launched the second round of its green hydrogen auction process, where it plans to award up to three land blocks in the Dhofar governorate by the end of Q1 2024.
POLICY INTEREST RATES	
Morocco	After 3 consecutive interest rate hikes, the Bank al-Maghrib held its policy rate constant at 3.0% as inflation has begun to decelerate – with prices falling-0.3% M/M in May, bring Y/Y inflation to 7.1%.
Tunisia	The central bank maintained its policy rate at 8.0%, as Y/Y inflation softened slightly to 9.6% in May, following 5 months of above 10% Y/Y inflation.
SALE OF PUBLIC ASSETS	
Egypt	The Ministry of Finance is seeking advisory services to help it sell its 20% stake in Bank of Alexandria. The Italian bank, Intesa Sanpaolo, owns the other 80% of the bank.
Egypt	The Suez Canal Authority is planning to sell a 20% stake in the Canal Company for Mooring and Lights on the local stock market, according to the head of the company.
RATINGS WATCH	
Tunisia	Fitch downgraded Tunisia's sovereign debt rating to CCC- from CCC+, reflecting uncertainty around the country's ability to mobilize external financing.

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

CHART PACK

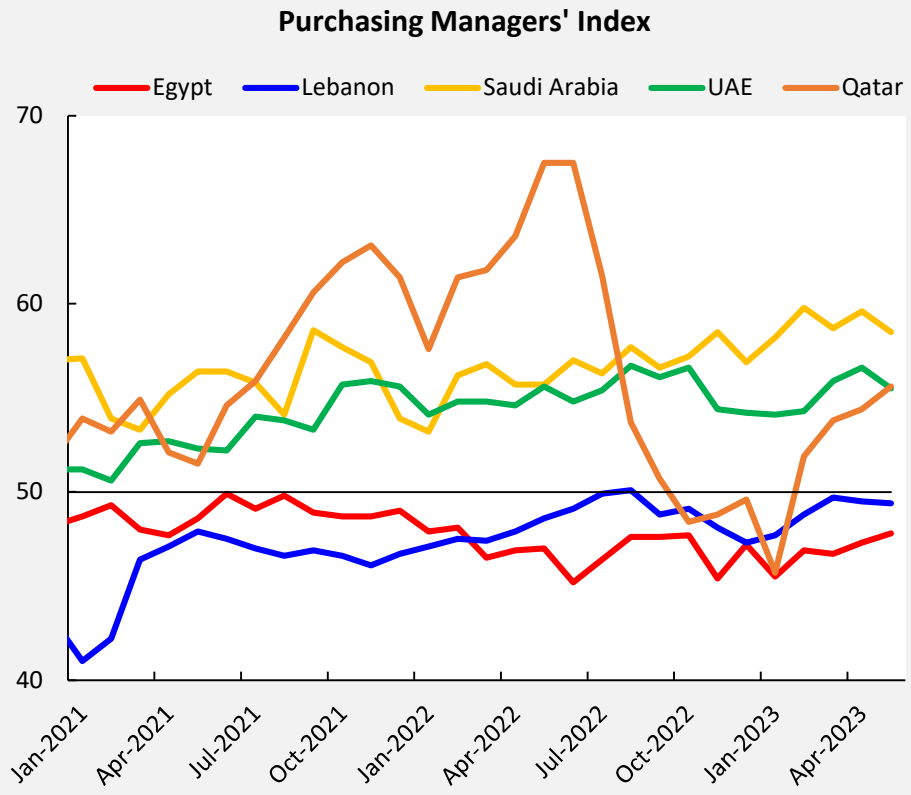
Consensus forecasts for hydrocarbon exporters continued to fall in May. For oil importers, consensus forecasts remained roughly constant from the previous month.

Country	2023				2024			
	May 2023 Forecast	1m Forecast Change	3m Forecast Change	12m Forecast Change	May 2023 Forecast	1m Forecast Change	3m Forecast Change	12m Forecast Change
MENA	**2.8**	**-0.1**	**-0.4**	**-1.1**	**3.4**	**0.0**	**0.1**	**0.2**
GCC	**2.4**	**-0.1**	**-0.8**	**-1.2**	**3.4**	**0.0**	**0.1**	**0.4**
Bahrain	2.7	-0.1	0.0	-0.1	2.9	0.1	0.1	0.3
Kuwait	1.4	-0.1	-1.2	-2.0	2.8	0.0	0.2	0.4
Oman	2.2	0.0	-0.9	-0.8	3.2	0.1	0.8	0.5
Qatar	2.6	0.1	0.0	-0.2	2.5	0.0	-0.2	-0.4
KSA	2.3	-0.1	-0.9	-1.3	3.5	0.0	0.2	0.5
UAE	3.0	-0.2	-0.7	-1.4	3.8	-0.1	0.0	0.5
OEC	**3.1**	**-0.2**	**0.0**	**-0.9**	**3.2**	**0.0**	**0.1**	**0.2**
Algeria	2.7	0.0	-0.1	0.3	2.4	0.0	-0.1	0.2
Iran	2.2	-0.1	-0.7	-1.8	2.4	-0.1	-0.6	-0.5
Iraq	3.4	-0.2	-0.3	-1.1	3.7	0.1	0.4	0.2
Libya	13.0	-0.8	-1.8	3.8	9.4	-0.2	-0.2	2.8
Yemen	-0.3	-0.3	-1.8	-2.3	2.1	-0.4	-2.4	-3.1
OIC	**3.3**	**-0.1**	**-0.2**	**-0.8**	**3.8**	**0.0**	**-0.1**	**-0.2**
Djibouti	4.5	0.0	0.0	0.8	5.1	0.0	0.0	1.4
Egypt	3.9	0.0	-0.2	-0.8	4.3	0.0	-0.2	-0.2
Jordan	2.7	0.0	0.1	-0.1	2.6	0.0	0.0	0.0
Lebanon	0.5	-0.1	-0.9	-1.8	3.1	-0.1	-0.5	0.3
Morocco	2.8	-0.1	-0.4	-1.3	3.3	0.1	0.1	-0.5
Tunisia	1.7	0.0	-0.4	-1.2	2.4	0.0	-0.3	-0.5

Source: Consensus Focus Economics GDP Growth Forecasts, June 2023, May 2023, March 2023, and June 2022; and MNACE Staff Calculations.

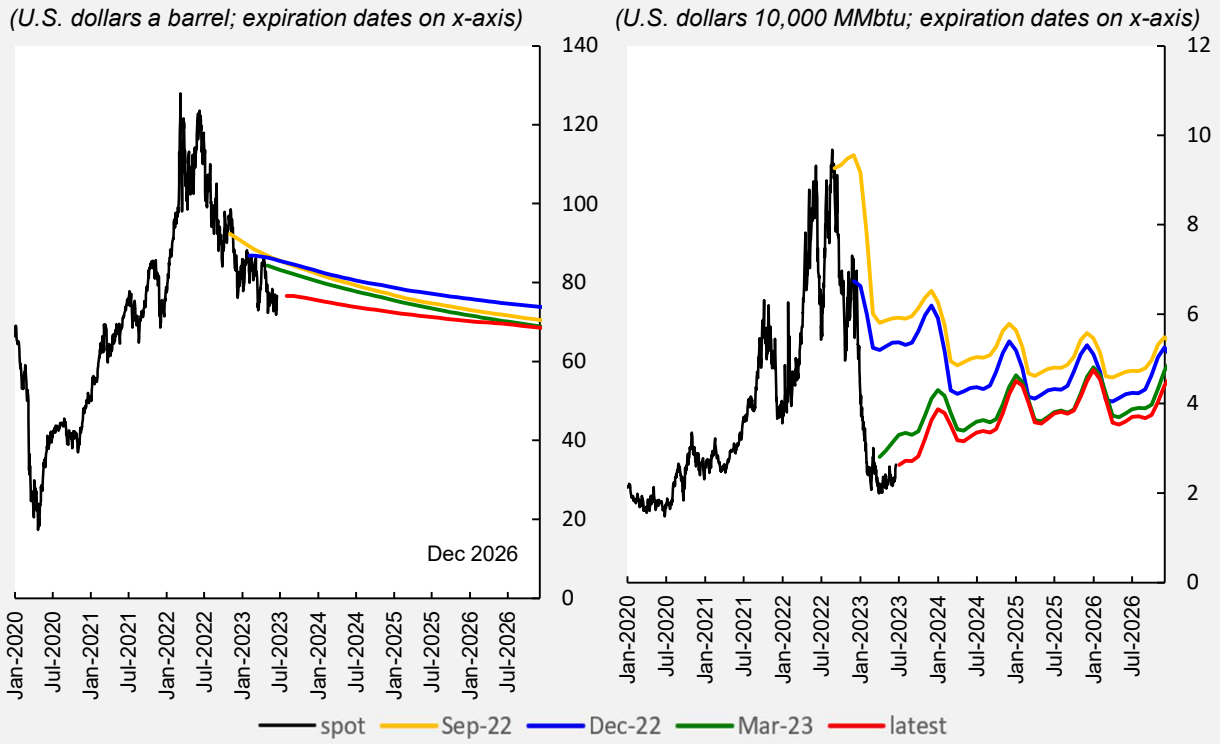
Note: Forecasts Change refers to the direct difference between forecasts made in April 2023 and the reference months. Egypt's 2023 forecast is a calendar year transformation: the average of the FY2023 and FY2024 forecasts. Egypt's 2024 forecast is a calendar year transformation: the average of the FY2024 and FY2025 forecasts. For reference, FY2023 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 continued to indicate strong activity in the non-oil private sector in GCC countries. PMI surveys in the oil importers Lebanon and Egypt indicate continued weakness in operating conditions in both countries.



Source: Bloomberg, L.P.
Note: Markit PMI for Non-Oil Private Sector, seasonally adjusted, retrieved through Bloomberg and Trading Economics. Last observations are from May 2023.

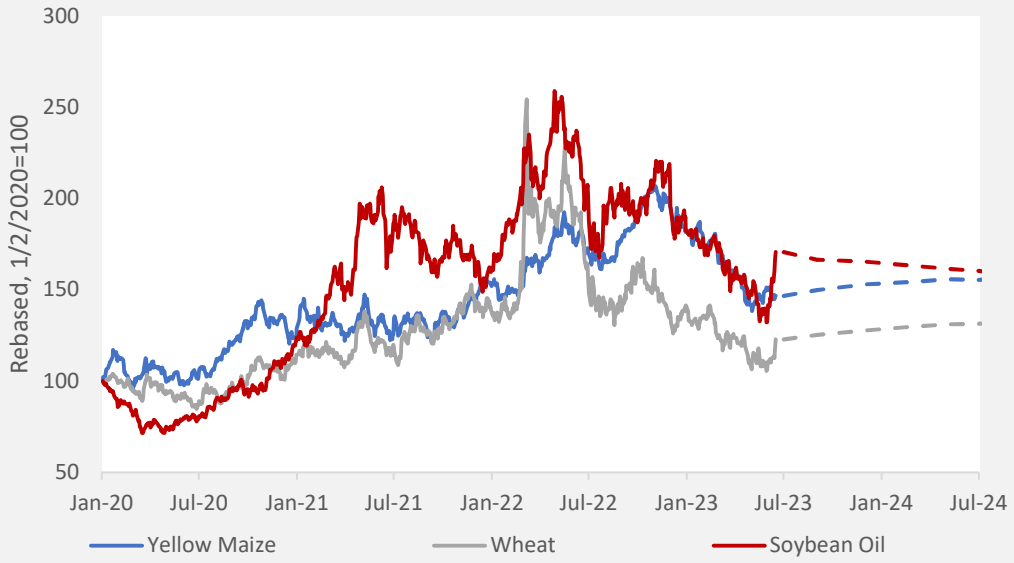
Oil prices are up 0.4% since the last update, at USD 76.61 per barrel on June 16, 2023, while natural gas prices are up 16%, at USD 2.63 per 10,000 MMbtu. Futures indicate generally lower medium-term prices when compared to those in 2022 and early 2023, with end-2026 oil futures trading at USD 68.6 per barrel.



Source: Bloomberg, L.P. and MNACE Staff Calculations

Note: The black lines indicate the spot price of Generic Brent Crude Oil and Generic Natural Gas. The colored lines illustrate the futures prices of Brent crude oil and natural gas on, respectively, September 1, 2022, December 1, 2022, March 1, 2023, and the latest (June 16, 2023). Latest observation is December 2026.

Maize prices are down 1.9 percent, while wheat and soybean oil are up 11.1 and 20.6 percent, respectively, since the last update. Futures indicate declining prices for soybean oil going forward, while prices for maize and wheat are expected to increase.



Sources: Bloomberg L.P. and MNACE Staff Calculations

Note: Commodities shown are US Yellow Corn, US Wheat, and US Soybean Oil contracts. Solid lines indicate spot price per commodity; dotted lines indicate futures prices as of June 16.

Except for Syria, little change in exchange rates over the last month. Egypt, Syria, and Lebanon stand out for their large depreciations over the past 12 months of 39, 66, and 90 percent, respectively.

Country	Latest Close	1M % Change	3M % Change	6M % Change	1Y % Change
Algeria	135.2	0.4%	0.9%	1.7%	8.1%
Bahrain	0.4	0.0%	0.0%	0.0%	0.0%
Djibouti	178.2	-0.1%	-0.1%	-0.2%	0.0%
Egypt*	30.9	0.0%	0.1%	-20.1%	-39.3%
Iran*	42,000.0	0.0%	0.0%	0.0%	0.0%
Iraq*	1,310.0	0.0%	0.0%	11.5%	11.5%
Jordan	0.7	0.0%	0.1%	0.0%	-0.1%
Kuwait	0.3	0.0%	0.1%	0.0%	0.1%
Lebanon*	15,038.6	0.1%	0.3%	-89.9%	-90.0%
Libya*	4.8	-0.8%	0.7%	0.2%	0.4%
Morocco	10.0	1.4%	4.1%	5.0%	0.7%
Oman	0.4	0.0%	0.0%	0.0%	0.0%
Qatar	3.6	0.0%	0.4%	0.5%	0.5%
Saudi Arabia	3.8	0.0%	0.1%	0.2%	0.0%
Syria*	8,200.0	-4.9%	-11.6%	-63.2%	-65.7%
Tunisia	3.1	-0.4%	1.6%	1.7%	0.4%
United Arab Emirates	3.7	0.0%	0.0%	0.0%	0.0%
West Bank and Gaza	3.6	2.7%	3.0%	-2.8%	-2.9%
Yemen	250.3	0.0%	0.0%	0.0%	0.0%

Source: Bloomberg L.P., the Central Bank of Syria, and World Bank Staff Calculations.
Note: Official exchange rates vis-a-vis the USD expressed in local currency as of June 16, 2023. 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.

In May, headline and food inflation accelerated in Egypt, while most countries saw a deceleration in headline inflation. Oman reported the lowest Y/Y headline inflation in May, at 0.9%.

Country	Latest Month Available	Headline Inflation		Food Inflation	
		M/M Inflation	Y/Y Inflation	M/M Inflation	Y/Y Inflation
Algeria	April-23	1.1%	9.6%	2.0%	13.0%
Bahrain	April-23	0.7%	0.7%	1.5%	6.7%
Djibouti	April-23	0.4%	0.6%	0.9%	1.3%
Egypt	May-23	2.6%	33.7%	3.7%	58.8%
Iran	May-23	3.2%	54.6%	3.9%	76.0%
Iraq	March-23	-0.3%	5.3%	1.0%	8.7%
Jordan	May-23	-0.2%	2.0%	-1.1%	-1.8%
Kuwait	May-23	0.2%	3.7%	-0.1%	6.9%
Lebanon	May-23	5.4%	260.2%	0.1%	304.2%
Morocco	May-23	-0.3%	7.1%	-0.2%	16.1%
Oman	May-23	-0.3%	0.9%	0.1%	2.7%
West Bank and Gaza	May-23	-0.3%	3.9%	-1.3%	2.2%
Qatar	May-23	0.0%	2.6%	-0.4%	-1.5%
Saudi Arabia	May-23	0.3%	2.8%	0.2%	0.9%
Tunisia	May-23	0.5%	9.6%	0.7%	15.9%
United Arab Emirates	December-22	0.4%	4.8%	0.1%	6.1%

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

Note: National Statistics Offices Consumer Price Indices (CPI) releases, as of June 21, 2023. M/M inflation is seasonally adjusted, except for Djibouti, Iraq, Lebanon and West Bank and Gaza due to missing data.

No change in policy rates since the last update.

Country	Last Decision Meeting	Policy Rate	Latest as of June 21, 2023	1M Change	3M Change	6M Change
Bahrain	5/4/2023	O/N Repo	7	--	0.25	0.5
Egypt	5/18/2023	O/N Lending	19.25	--	--	2
Iraq	3/1/2016	Policy Rate	4	--	--	--
Jordan	5/7/2023	Main Rate	7.25	--	0.25	0.75
Kuwait	1/26/2023	Discount Rate	4	--	--	0.5
Morocco	6/20/2023	Main Rate	3	--	--	0.5
Oman	6/14/2023	Repo Rate	5.75	--	0.25	0.75
Qatar	6/20/2023	O/N Lending	6	--	0.25	0.5
Saudi Arabia	5/3/2023	Repo Rate	5.75	--	0.25	0.75
Tunisia	6/16/2023	Policy Rate	8	--	--	--
UAE	6/14/2023	O/N Deposit	5.15	--	0.25	0.75

Source: National Central Bank websites.
Note: Central Bank Policy Rates, as of June 21, 2023

Medium-term bond yields have changed little over the past week, except for Lebanon and Tunisia, which saw a 4 and 1.7-percentage point drop, respectively.

Country	Latest Yield to Maturity	1W Change	3M Change	12M Change
Bahrain	6.0	0.01	0.35	0.16
Egypt	17.5	0.69	1.53	5.99
Iraq	7.8	0.00	0.04	0.34
Jordan	7.6	-0.23	-0.33	-0.79
Kuwait	4.2	0.01	0.10	0.62
Lebanon	152.8	-4.12	11.52	53.16
Morocco	5.6	0.04	-0.04	0.16
Oman	5.6	-0.05	0.00	-0.36
Qatar	4.9	0.32	0.40	1.07
Saudi Arabia	4.4	-0.11	-0.16	0.54
Tunisia	23.6	-1.68	-3.57	1.15
United Arab Emirates	4.9	0.02	0.36	1.35

Source: Bloomberg L.P. and MNACE Staff Calculations
Note: Medium Term Sovereign Bond Yields as of June 16, 2023. Yields to Maturity show average Yields to Maturity for Bonds Maturing in 2025 to 2028, denominated in dollars.

Capital markets indices increased substantially over the past month in Morocco, Egypt, Kuwait, and Tunisia, whereas Oman and Qatar saw declines.

Country	1M % Change	3M % Change	6M % Change	1Y % Change
Bahrain	0.0%	5.2%	9.9%	23.0%
Egypt	4.7%	14.9%	-6.1%	21.3%
Kuwait	2.9%	-3.5%	-7.1%	-6.8%
Jordan	-0.5%	-9.9%	-4.7%	-3.2%
Morocco	8.5%	14.9%	7.3%	-9.5%
Oman	-1.6%	-5.0%	-4.2%	3.2%
Qatar	-1.3%	2.7%	-6.7%	-18.9%
Saudi Arabia	1.2%	13.5%	7.5%	-6.6%
Tunisia	2.6%	1.7%	-1.5%	-5.5%
United Arab Emirates	1.9%	5.1%	-7.0%	-12.5%

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

Note: Equity Markets Performance as of June 16, 2023. 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.

The editor for this edition was Ernest Sergenti (Senior Research Economist, MENA Office of the Chief Economist, MNACE). Rana Lotfi (Consultant, MNACE) provided the data analysis. This work is the product of MNACE staff using external data. The findings, interpretations, and conclusions expressed in this work do not necessarily reflect the views of The World Bank, its Board of Executive Directors, or the governments they represent. The World Bank does not guarantee the accuracy of the data included in this work. For additional information or questions, kindly contact Ernest Sergenti (esergenti@worldbank.org), Rana Lotfi (rlotfi@worldbank.org), and Heran Negatu (hnegatu@worldbank.org).