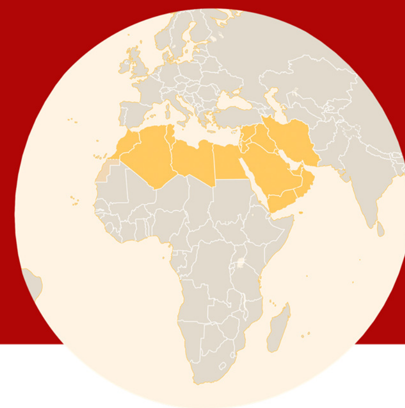
MIDDLE EAST and NORTH AFRICA



Growth in the Middle East and North Africa (MNA) region is expected to pick up from an estimated 1.8 percent in 2024 to 3.4 percent in 2025 and 4.1 percent in 2026. The outlook for this year has deteriorated since June, primarily due to extended oil production cuts by major oil producers. The major downside risks to the outlook are the intensification of armed conflicts in the region, heightened policy uncertainty, and unexpected adverse global policy shifts. Delays in oil production hikes by major oil exporters could also slow regional growth. Other downside risks include persistent global inflation and a resulting tightening of global financial conditions, heightened domestic violence and social tensions, and more frequent extreme weather events. Upside risks to the outlook include the possibility of stronger growth in major economies and easier global financial conditions due to faster-than-expected disinflation.

Recent developments

Elevated geopolitical tensions and conflict have increased uncertainty in MNA, particularly in economies facing fragile and conflict-affected situations (FCS). The economy of West Bank and Gaza has been gravely affected, with a significant number of people in Gaza experiencing severe acute food insecurity and malnutrition. Neighboring countries have also suffered from repercussions of the conflict in the Middle East (figure 2.4.1.A). While a ceasefire agreed upon at the end of November 2024 has eased tensions in Lebanon, the conflict has resulted in serious economic damage, with output projected to contract by at least 5.7 percent in 2024 (World Bank 2024l). The transit of ships through the Suez Canal has declined as a result of attacks in the Red Sea by Houthi rebels based in the Republic of Yemen, causing disruptions to international trade and increased security concerns in neighboring countries. Uncertainty remains high in the Syrian Arab Republic following political upheaval in early December 2024.

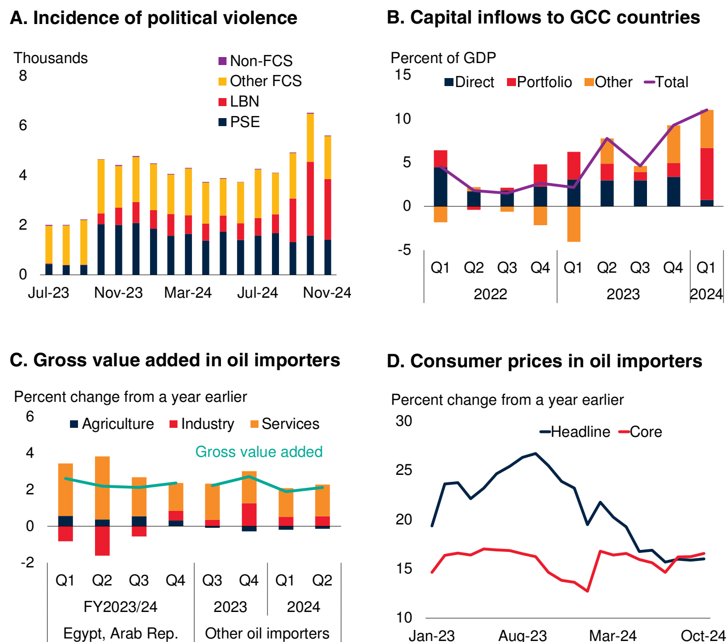
Growth in MNA remained subdued at an estimated 1.8 percent in 2024, dampened by limited oil activity in oil exporters, mainly due to the extension of voluntary oil production cuts initially agreed upon in November 2023 among member countries of the Organization of the Petroleum Exporting Countries and other affiliated oil producers (OPEC+). In December 2024, these countries agreed to maintain their cuts until the end of March 2025 and then gradually phase them out beginning in April. In addition, oil production adjustments announced in April 2023 were also extended until the end of 2026, following a one-year extension in June 2024 until the end of 2025. In countries belonging to the Gulf Cooperation Council (GCC), including Saudi Arabia, growth is estimated to have picked up to 1.6 percent in 2024, primarily because of strong non-oil activity supported by robust labor markets and a recovery in capital inflows (figure 2.4.1.B).

Among non-GCC oil exporters, growth in the Islamic Republic of Iran is estimated to moderate to 3 percent in fiscal year (FY) 2024/25 (late-March 2024 to late-March 2025) from 5 percent in FY2023/24, mainly owing to tighter fiscal and monetary policies amid heightened inflation. In Libya, activity is estimated to have declined 2.7 percent in 2024, largely as a result of earlier political turmoil. Growth in Algeria is estimated to have slowed to 3.1 percent in 2024, primarily because of constraints to oil activity stemming

Note: This section was prepared by Naotaka Sugawara.

FIGURE 2.4.1 MNA: Recent developments

Geopolitical tensions remain high in the region, with neighboring countries experiencing repercussions of the conflict in the Middle East. In oil exporters, non-oil activity in GCC countries has been bolstered by a recovery in capital inflows. The Arab Republic of Egypt experienced weak industrial activity prior to exchange rate liberalization, while agricultural production contracted in other oil importers. Headline inflation has declined since late 2023 in oil importers, but core inflation has been more persistent.



Sources: ACLED (database); Haver Analytics; International Monetary Fund; World Bank.

Note: FCS = fragile and conflict-affected situations; GCC = Gulf Cooperation Council; LBN = Lebanon; MNA = Middle East and North Africa; PSE = West Bank and Gaza.

A. Total number of political violent events, including battles, explosions and remote violence, and violence against civilians. Last observation is November 2024. Sample includes up to 14 MNA countries, including six FCS and eight non-FCS countries.

B. Capital inflows are measured as net incurrence of liabilities and divided by non-seasonally adjusted quarterly GDP. Sample includes five GCC countries.

C. Percent change in real gross value added from a year earlier, with sectoral contributions (in percentage points). The aggregate is computed as a weighted average, using gross value added at 2019 prices and market exchange rates as weights. Sample includes four non-FCS oil importers.

D. Percent change in headline and core consumer prices from a year earlier. The aggregate is calculated as a weighted average, using nominal GDP in U.S. dollars as weights. Last observation is October 2024. Sample includes five non-FCS oil importers.

from the OPEC+ oil production quota and a decline in natural gas production (World Bank 2024m).

In oil importers, elevated inflation has slowed the expansion of private sector demand and activity, and repercussions from the conflict in the region have also disrupted several economies. Growth in oil importers weakened further in 2024, to 2.2 percent, although this was still higher than in oil exporters. In the Arab Republic of Egypt, growth slowed to 2.4 percent in FY2023/24 (July 2023 to June 2024), reflecting a decline in shipping through the Suez Canal, reduced natural gas production, contraction of the non-oil manufacturing sector mainly due to higher input costs and lingering supply bottlenecks, and earlier foreign exchange shortages (figure 2.4.1.C). However, the exchange rate liberalization in March 2024 improved investor confidence, strengthening private sector activity in the second half of 2024.

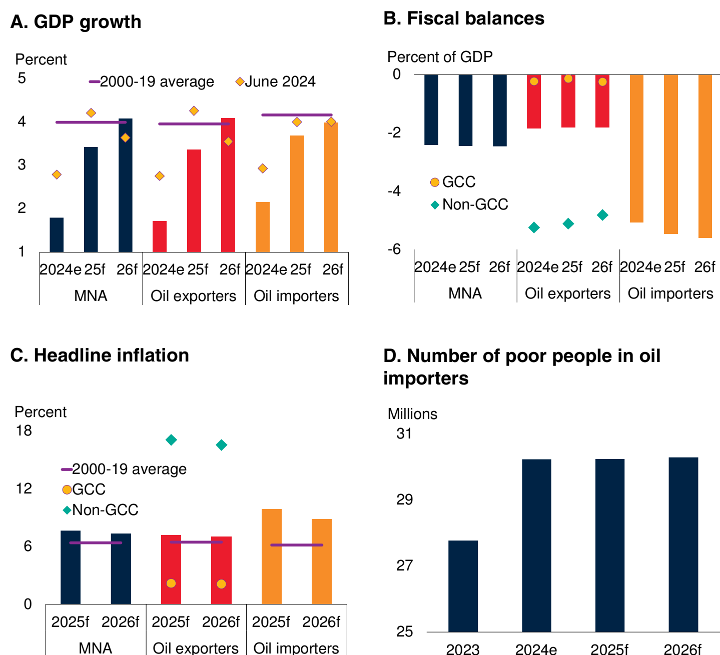
In Tunisia, persistent drought conditions and weak domestic demand contributed to a slower economic recovery in 2024 than previously projected, with growth estimated at 1.2 percent. Growth in Morocco decelerated to an estimated 2.9 percent in 2024, mainly owing to a slowdown in agricultural production due to drought conditions. In Djibouti, growth reached an estimated 5.9 percent in 2024—an upward revision of 0.8 percentage point relative to the June forecast, partly because of increased demand for transport services, primarily from Ethiopia. In West Bank and Gaza, the economy is estimated to have contracted by a further 25.6 percent in 2024—a downgrade of 19.1 percentage points from the June projection. The large-scale loss of life, widespread displacement of people, and destruction of fixed assets in Gaza, as well as restrictions on the mobility of workers in West Bank, have caused massive damage to society and the entire economy.

Among oil exporters, inflation has remained moderate in GCC countries—in almost all cases, reflecting exchange rates pegged to the U.S. dollar—with core inflation slightly above or below zero since July 2024. Inflation has declined from elevated levels in non-GCC oil exporters, particularly the Islamic Republic of Iran, in response to policy tightening, including stricter reserve requirements and an increase in official interest rates. In oil importers, headline inflation has remained elevated but has slowed gradually since late-2023, particularly in Egypt and Lebanon, supported by the stabilization of exchange rates (figure 2.4.1.D). In West Bank and Gaza, major shortages of essential products and supply chain disruptions, especially in Gaza, have substantially raised prices (World Bank 2024n). Core inflation in oil importers has declined more slowly than headline inflation. Easing financial conditions driven by interest rate cuts in the

United States since September 2024 have prompted looser monetary policy in GCC countries. In oil importers, policy rates have been relatively stable since early 2024, except in countries with pegged exchange rates such as Jordan.

FIGURE 2.4.2 MNA: Outlook

Growth in MNA is projected to rise to 3.4 percent in 2025 and 4.1 percent in 2026, with the improvement primarily driven by a gradual increase in oil production by oil exporters. Fiscal deficits in the region are expected to be broadly stable but with significant differences between oil exporters and importers. Inflation is projected to fall in 2025-26, while prospects for poverty reduction in oil importers are limited.



Source: World Bank.

Note: e = estimate; f = forecast; GCC = Gulf Cooperation Council; MNA = Middle East and North Africa.

A. Aggregates are calculated as weighted averages using GDP at average 2010-19 prices and market exchange rates as weights. Diamonds for June 2024 refer to data presented in the June 2024 edition of the *Global Economic Prospects* report.

B.C. Aggregates are calculated as weighted averages using nominal GDP in U.S. dollars as weights.

D. The number of poor people is defined using the lower-middle-income poverty threshold of 3.65 international dollars per day in 2017 purchasing power parity. Sample includes five oil importers.

Outlook

Growth in MNA is expected to pick up to 3.4 percent in 2025 and 4.1 percent in 2026, primarily reflecting gradual expansion of oil production (figure 2.4.2.A; table 2.4.1). The outlook for 2025 has been downgraded by 0.8 percentage point, mainly because OPEC+ members extended some of the voluntary oil production cuts—previously expected to be lifted at the end of 2024 in the June projections. However, the outlook is subject to particularly high uncertainty given the continuing conflict in the region.

Growth in GCC countries is forecast to increase to 3.3 percent in 2025 and 4.6 percent in 2026. Compared to the June forecasts, the projection for 2025 has been downgraded by 1.4 percentage points because of the extension of the voluntary production cuts by OPEC+. In Saudi Arabia, growth is projected to strengthen, driven by robust activity in the non-oil sector—especially in services—as well as higher oil production and exports (Chattha et al. 2024).

In other oil exporters, growth in the Islamic Republic of Iran is projected to moderate to 2.7 percent in FY2025/26 and 2.2 percent the following fiscal year, mainly reflecting softening external demand for oil, particularly from China, and slowing non-oil-related investment growth (table 2.4.2). Given elevated inflation, monetary policy is set to remain tight, weighing on near-term activity. Growth in Algeria and Iraq is expected to pick up in 2025, though it is envisaged to be weaker than in the June forecasts, primarily because of extended oil production adjustments. In Libya, growth is forecast to average 9 percent per year in 2025-26, assuming a full recovery in oil production.

In oil importers, growth is anticipated to pick up to 3.7 percent in 2025 and 4 percent in 2026, mainly driven by firming domestic demand, as inflationary pressures ease. In Egypt, growth is projected to strengthen to 3.5 percent in FY2024/25 and 4.2 percent in the following fiscal year, supported by private consumption growth amid gradually abating inflation, robust inflows of remittances, and improved sentiment. Investment in Egypt, particularly in infrastructure development, will be shored up by financing from the United Arab Emirates. Growth in Jordan is projected to edge up slightly, to 2.6 percent a year in 2025-26, with inflation set to remain contained (World Bank 2024o).

In Tunisia, growth is forecast to recover to 2.2 percent in 2025 and 2.3 percent in 2026, supported by improved external financing

conditions and stronger external demand, particularly from Europe (World Bank 2024p). In Morocco, growth is projected to strengthen to 3.9 percent in 2025 before moderating to 3.4 percent in 2026, assuming an improvement in weather conditions raising agricultural production in 2025. Growth in Djibouti is expected to soften to about 5.1 percent a year in 2025-26, primarily as a result of the stabilization of port activity and related export earnings.

The growth outlook remains particularly uncertain for Lebanon, Syria, West Bank and Gaza, and the Republic of Yemen, given these countries' security and political challenges. In the Republic of Yemen, continued security concerns amid unsettled peace negotiations and high domestic tensions are expected to limit growth to 1.5 percent this year after two years of decline (World Bank 2024q).

Fiscal policies in the region are expected to have a neutral influence on growth in 2025, with region-wide fiscal deficits remaining broadly stable, though there are variations among countries (figure 2.4.2.B). Among oil exporters, expected declines in fiscal surpluses in GCC countries will be offset by smaller fiscal deficits in other countries. In GCC countries, despite projected declines in oil revenues, fiscal policies will likely support activity, particularly in Kuwait. Libya's fiscal position is set to improve as oil activity recovers. Meanwhile, the stance of fiscal policy in Iraq is forecast to ease, contributing to the recovery of activity but worsening the country's fiscal position. In 2026, a gradual increase in revenues resulting from the expansion of oil production is set to improve fiscal balances in oil exporters. In oil importers, fiscal deficits are expected to widen in 2025, increasing financing vulnerabilities. In Egypt, interest payments are projected to remain elevated. However, fiscal consolidations are set to proceed in several economies, including Jordan, Morocco, and Tunisia in 2025, and in several other economies, including Algeria, in 2026.

Monetary easing in GCC countries is anticipated to continue in tandem with projected monetary policy easing in the United States and favorable financial conditions, supporting activity over the forecast horizon. In oil importers, central banks are projected to start easing monetary policy in 2025 as inflationary pressures recede (figure 2.4.2.C). In much of the region, monetary policy easing will boost investment.

Per capita income growth in the region is forecast to rise to 2 percent in 2025 and 2.7 percent in 2026, well above the pre-pandemic decade average at 1.2 percent. In oil importers, the 2.5 percent average increase in per capita income growth in 2025-26 will reflect gradual progress toward narrowing the income gap with advanced economies. However, in these countries, poverty is projected to remain elevated, partly reflecting higher inflation, especially for food (figure 2.4.2.D). Heightened food price inflation will also exacerbate food insecurity, particularly in FCS economies.

Risks

Risks to the outlook for the region are tilted to the downside. An escalation of armed conflicts in the region and heightened policy uncertainty, particularly unexpected global policy shifts, are major downside risks. In oil exporters, lower global demand for oil and lower oil prices could further delay the end of the OPEC+ oil production cuts, reducing region-wide growth prospects. In oil importers, a further increase in protectionist measures by trading partners could reduce exports, while more persistent global inflation and tighter-than-expected monetary policy could adversely affect the cost and availability of foreign financing. Other downside risks to growth forecasts include surges in social unrest and more frequent extreme weather events and other natural disasters. On the upside, easier-than-expected global monetary policy amid faster-than-projected global disinflation could lead to an easing of financing conditions. Stronger-than-expected growth in the world's major economies is another upside risk, which would benefit activity in the region through higher global demand.

If the ongoing conflict in the Middle East expands to involve major oil producers more directly, significant disruptions in oil supply could be triggered. In addition, prolonged attacks on shipping in the Red Sea could dampen activity in

Egypt and other neighboring countries, including Djibouti and Saudi Arabia (World Bank 2024r). An escalation of these conflicts could lead to significant deteriorations in consumer and business sentiment, increased uncertainty, and tighter financial conditions, dampening investment and overall economic activity (Gatti et al. 2024).

Higher policy uncertainty, particularly related to global trade policy, could weigh on export activity. Unexpected policy shifts, notably intensified protectionist policies, in trading partners could reduce exports of agricultural and industrial goods, particularly from oil importers, weakening growth prospects (figure 2.4.3.A). High economic policy uncertainty, particularly in the United States, could also worsen investor sentiment and financial conditions, leading to an increase in borrowing costs and a decline in investment.

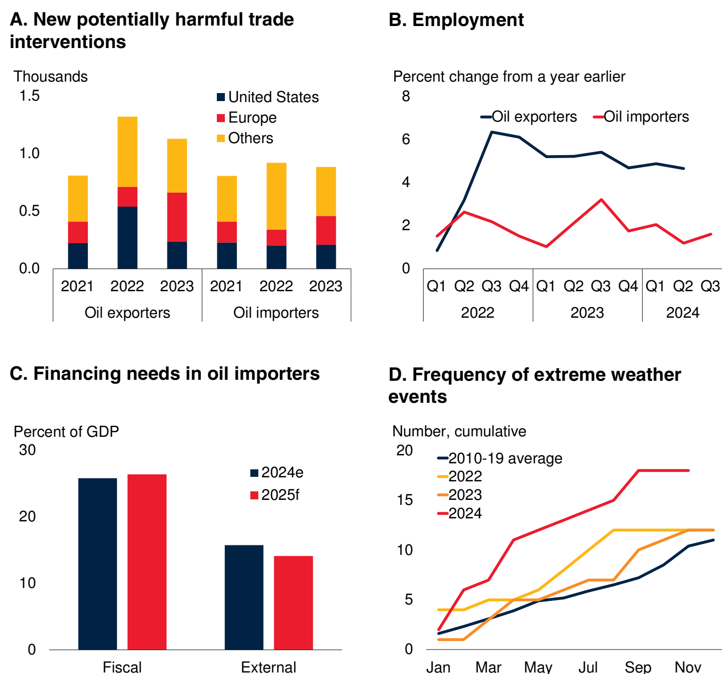
Heightened domestic violence and social unrest could weigh on productivity and investment, particularly in FCS economies, including Syria. Such unrest could also lead to increased food price inflation due to scarcity, exacerbating food insecurity and undermining economic development. Heightened social unrest could be amplified by lack of employment opportunities, which remains widespread, especially among the young (figure 2.4.3.B).

Weaker-than-projected global demand—for instance, because of weaker-than-expected growth in China and the United States—would put downward pressure on global oil prices, which would likely lead to reductions in oil production, negatively affecting overall growth in MNA. Countries in the region with strong economic relationships with China are more prone to fluctuations of growth in that country (Kazemi et al. 2024). In several oil importers, spillovers from growth shocks in major economies, including China, are estimated to be significant (chapter 3).

More persistent global inflation than assumed in the baseline could slow monetary policy easing across countries, weighing on consumption and investment while increasing debt-service burdens. A sudden adverse shift in global risk appetite and tightening global financial conditions could trigger capital outflows, particularly from countries with elevated financial vulnerabilities. Given large external financing needs in several oil importers, reduced access to foreign borrowing could significantly weaken growth (figure 2.4.3.C). In oil importers with elevated government debt levels and large fiscal financing needs, further deterioration and delays in fiscal consolidation efforts could increase macroeconomic vulnerabilities, pushing up risk premiums and inflation expectations.

FIGURE 2.4.3 MNA: Risks

Increasing protectionist measures by major trading partners could reduce the region's exports and dampen growth prospects. Heightened violence and social unrest could be amplified by the lack of employment opportunities and weigh on productivity and economic activity. Oil importers face significant financing needs and are vulnerable to adverse changes in global financing conditions or shifts in risk appetite. The region is also prone to extreme weather events and other natural disasters.



Sources: EM-DAT (database); Global Trade Alert (database); Haver Analytics; International Monetary Fund; Kose et al. (2022); World Bank.

Note: e = estimate; f = forecast; MNA = Middle East and North Africa.

A. The number of new trade interventions deemed likely or almost certainly discriminatory—defined as potentially harmful—against any country in respective groups on the horizontal axis, net of interventions removed within the year. Europe includes members of the European Union, the European Free Trade Association, European microstates, the United Kingdom, and their dependent territories. Sample includes 11 oil exporters and eight oil importers.

B. Percent change in total employment from a year earlier. Sample includes up to four oil exporters and four oil importers.

C. Fiscal financing needs are defined as a sum of short-term central government debt and fiscal deficits. External financing needs are defined as the sum of amortization of long-term external debt, stock of short-term external debt in the previous year, and current account deficits. Aggregates are calculated as weighted averages using nominal GDP in U.S. dollars as weights. Sample includes up to five oil importers.

D. Cumulative number of extreme weather events, including droughts, extreme temperatures, floods, storms, wildfire, and landslides. Last observation is November 2024. Sample includes 18 countries.

MNA is vulnerable to severe weather events induced by climate change, including extreme heat, droughts, and floods. The materialization of these adverse events could cause large-scale damage to infrastructure and reduce growth and productivity in the agricultural sector. Water scarcity is a serious concern, particularly in Morocco and Tunisia, and continued dry conditions could result in further reduced water supply (World Bank 2024s). More frequent and widespread natural disasters could cause food price spikes and exacerbate poverty and food insecurity, particularly given limited access to basic needs such as drinking water (figure 2.4.3.D). In countries with limited fiscal or institutional capacity to maintain and rebuild infrastructure, natural disasters, including earthquakes, could cause particularly large and long-lasting humanitarian and physical capital losses. In Djibouti, key industries, including transport and urban services, are exposed to climate change, with potential associated economic costs of 6 percent of GDP by mid-century (World Bank 2024t).

An upside risk to the baseline growth outlook for MNA is a faster-than-expected slowdown in global inflation and monetary policy easing. In oil exporters, especially countries with pegged exchange rates, a decline in policy rates in advanced economies may translate directly into monetary policy easing, which would support activity. In oil importers, easing financial conditions could increase consumption and investment and reduce debt-service burdens.

Another upside risk is positive growth surprises in major economies, including the United States and China, which could benefit the region's exports. In oil exporters, the likely boost to oil prices could lead to higher production. In oil importers, higher external demand for their industrial products and services, particularly those related to tourism, could lead to faster export growth.

TABLE 2.4.1 Middle East and North Africa forecast summary

(Real GDP growth at market prices in percent, unless indicated otherwise)

	2022	2023	2024e	2025f	2026f	Percentage-point differences from June 2024 projections: 2024e	2025f	2026f
EMDE MNA, GDP[1]	**5.4**	**1.7**	**1.8**	**3.4**	**4.1**	**-1.0**	**-0.8**	**0.5**
GDP per capita (U.S. dollars)	3.6	-0.2	0.2	2.0	2.7	-1.0	-0.7	0.4
(Average including countries that report expenditure components in national accounts)[2]								
EMDE MNA, GDP[2]	5.5	1.6	1.8	3.4	4.1	-1.0	-0.8	0.5
PPP GDP	5.3	2.0	2.0	3.4	4.0	-0.9	-0.8	0.4
Private consumption	4.9	4.3	4.1	3.7	3.7	0.9	0.5	0.5
Public consumption	4.8	3.3	2.2	3.1	2.7	-0.7	-0.7	-0.2
Fixed investment	8.1	3.2	4.1	4.5	5.0	-0.3	0.4	0.8
Exports, GNFS	12.5	1.1	0.3	5.1	5.2	-3.2	-1.6	0.0
Imports, GNFS	10.0	6.5	6.0	5.2	4.9	0.5	-0.1	-0.2
Net exports, contribution to growth	2.0	-1.7	-2.0	0.3	0.5	-1.6	-0.8	0.0
Memo items: GDP								
Oil exporters[3]	5.8	1.4	1.7	3.3	4.1	-1.1	-0.9	0.6
GCC countries[4]	7.1	0.4	1.6	3.3	4.6	-1.2	-1.4	1.1
Non-GCC oil exporters[5]	3.1	3.4	1.9	3.4	3.0	-0.8	0.0	-0.5
Oil importers[6]	4.0	2.7	2.2	3.7	4.0	-0.7	-0.3	0.0

Source: World Bank.

Note: e = estimate; f = forecast; EMDE = emerging market and developing economy; GCC = Gulf Cooperation Council; GNFS = goods and non-factor services; MNA = Middle East and North Africa; PPP = purchasing power parity. 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 differ at any given moment in time.

1. GDP and expenditure components are measured in average 2010-19 prices and market exchange rates. Excludes Lebanon, the Syrian Arab Republic, and the Republic of Yemen as a result of the high degree of uncertainty.
2. Aggregate includes all economies in notes 3 and 6 except Jordan, for which data limitations prevent the forecasting of GDP components.
3. Algeria, Bahrain, the Islamic Republic of Iran, Iraq, Kuwait, Libya, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.
4. Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.
5. Algeria, the Islamic Republic of Iran, Iraq, and Libya.
6. Djibouti, the Arab Republic of Egypt, Jordan, Morocco, Tunisia, and West Bank and Gaza.

TABLE 2.4.2 Middle East and North Africa economy forecasts[1]

(Real GDP growth at market prices in percent, unless indicated otherwise)

	2022	2023	2024e	2025f	2026f	Percentage-point differences from June 2024 projections: 2024e	2025f	2026f
Calendar year basis								
Algeria	3.6	4.1	3.1	3.4	3.3	0.2	-0.3	0.1
Bahrain	6.0	3.0	3.5	3.3	3.3	0.0	0.0	-0.1
Djibouti	3.7	6.7	5.9	5.3	4.9	0.8	0.2	-0.3
Iraq [1]	7.6	-2.9	-0.8	3.5	3.0	-0.5	-0.3	-2.3
Jordan	2.6	2.7	2.4	2.6	2.6	-0.1	0.0	0.0
Kuwait	6.3	-3.6	-1.0	1.7	2.1	-3.8	-1.4	-0.6
Lebanon [2]	-0.6	-0.8	-5.7	..	..	-6.2	..	..
Libya	-8.3	10.2	-2.7	9.6	8.4	-7.5	4.3	2.6
Morocco	1.5	3.4	2.9	3.9	3.4	0.5	0.2	0.1
Oman	9.6	1.3	0.7	2.4	2.8	-0.8	-0.4	-0.4
Qatar	4.2	1.2	2.0	2.7	5.5	-0.1	-0.5	0.8
Saudi Arabia	7.5	-0.8	1.1	3.4	5.4	-1.4	-2.5	2.2
Syrian Arab Republic [2,3]	0.7	-1.2	-1.5	-1.0	..	0.0	..	..
Tunisia	2.7	0.0	1.2	2.2	2.3	-1.2	-0.2	0.1
United Arab Emirates	7.9	3.2	3.3	4.0	4.1	-0.6	-0.1	0.1
West Bank and Gaza	4.1	-5.4	-25.6	4.7	16.5	-19.1	-0.8	12.3
Yemen, Rep. [2]	1.5	-2.0	-1.0	1.5	..	0.0	0.0	..
Fiscal year basis [4]	2022/23	2023/24	2024/25e	2025/26f	2026/27f	2024/25e	2025/26f	2026/27f
Iran, Islamic Rep.	3.8	5.0	3.0	2.7	2.2	-0.2	0.0	-0.2
	2021/22	2022/23	2023/24e	2024/25f	2025/26f	2023/24e	2024/25f	2025/26f
Egypt, Arab Rep.	6.6	3.8	2.4	3.5	4.2	-0.4	-0.7	-0.4

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 economies' prospects do not significantly differ at any given moment in time.

1. Data are reported on a factor cost basis.
2. Forecasts for Lebanon (beyond 2024), the Syrian Arab Republic (beyond 2025), and the Republic of Yemen (beyond 2025) are excluded because of a high degree of uncertainty.
3. Forecast for 2025 was not included in June 2024 *Global Economic Prospects*, and therefore, the difference from June 2024 projection is not computed.
4. The fiscal year runs from March 21 to March 20 in the Islamic Republic of Iran, and from July 1 to June 30 in the Arab Republic of Egypt.

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