

Recent developments: Elevated geopolitical tensions and conflict have heightened uncertainty in the Middle East and North Africa (MNA) region. The economy of West Bank and Gaza has been severely impacted, and neighboring countries have also suffered from the repercussions of the conflict in the Middle East. In Lebanon, although a ceasefire agreed upon in November 2024 has eased tensions, the conflict has resulted in severe damage. The transit of ships through the Suez Canal has remained constrained. There is also high uncertainty 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 restrained oil activity, mainly reflecting the extension of voluntary oil production adjustments in major oil exporters. In member countries of the Gulf Cooperation Council (GCC), growth has picked up, primarily because of strong growth of non-oil activity supported by robust labor markets and a recovery in capital flows. Among non-GCC oil exporters, growth is estimated to have softened in 2024, mainly owing to tighter policy stances, oil production adjustments, and political turmoil.

In oil importers, elevated inflation has slowed the expansion of private sector activity, and repercussions from the conflict in the region have also disrupted several economies. Growth in oil importers weakened to 2.3 percent in 2024. In the Arab Republic of Egypt, a decline in shipping through the Suez Canal and a contraction of the manufacturing sector contributed to the slowdown in growth. Persistent drought conditions have adversely affected activity in Morocco and Tunisia.

Outlook: Growth in MNA is expected to pick up to 3.4 percent in 2025 and 4.1 percent in 2026. The projection for 2025 is lower than expected in June, mainly because several major oil exporters extended some of the voluntary oil production cuts. The outlook in the region is subject to particularly high uncertainty given the continuing armed conflicts and still-high tensions in several countries.

Growth in GCC countries is forecast to increase to 3.3 percent in 2025. Compared to the June forecast, the projection has been downgraded by 1.4 percentage points because of the extension of voluntary oil production adjustments. Among non-GCC oil exporters, activity in countries subject to the adjustments is expected to remain weak.

Among oil importers, growth is anticipated to pick up to 3.9 percent, on average, in 2025–26, mainly driven by stronger domestic demand as inflationary pressures ease. In Egypt, the strengthening of activity will be supported by private consumption, amid abating inflation and remittances inflows, and investment on the back of financing from the United Arab Emirates. Growth in Jordan, Morocco, and Tunisia is set to increase, while growth in Djibouti will moderate, mainly reflecting the stabilization of port activity.

The growth outlook remains particularly uncertain for Lebanon, Syria, West Bank and Gaza, and the Republic of Yemen. Continued security concerns amid high geopolitical tensions are anticipated to constrain growth and escalate uncertainty.

Risks: Major downside risks to the outlook are an escalation of armed conflicts in the region and heightened policy uncertainty, particularly unexpected global policy shifts. In oil exporters, lower global demand and lower oil prices could further delay the end of the oil production adjustments, dampening 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 of foreign financing. Other downside risks include surges in social unrest and more frequent extreme weather events and other natural disasters. On the upside, easier-than-expected global monetary policy could lead to an easing of financing conditions. Stronger-than-expected growth in major economies could benefit activity in the region through higher global demand.

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Middle East and North Africa Forecasts

(Annual percent change unless indicated otherwise)

	2022	2023	2024e	2025f	2026f
GDP at market prices (average 2010-19 US\$)					
Calendar year basis					
Algeria	3.6	4.1	3.1	3.4	3.3
Bahrain	6.0	3.0	3.5	3.3	3.3
Djibouti	3.7	6.7	5.9	5.3	4.9
Iraq ^a	7.6	-2.9	-0.8	3.5	3.0
Jordan	2.6	2.7	2.4	2.6	2.6
Kuwait	6.3	-3.6	-1.0	1.7	2.1
Lebanon ^b	-0.6	-0.8	-5.7
Libya	-8.3	10.2	-2.7	9.6	8.4
Morocco	1.5	3.4	2.9	3.9	3.4
Oman	9.6	1.3	0.7	2.4	2.8
Qatar	4.2	1.2	2.0	2.7	5.5
Saudi Arabia	7.5	-0.8	1.1	3.4	5.4
Syrian Arab Republic ^b	0.7	-1.2	-1.5	-1.0	..
Tunisia	2.7	0.0	1.2	2.2	2.3
United Arab Emirates	7.9	3.2	3.3	4.0	4.1
West Bank and Gaza	4.1	-5.4	-25.6	4.7	16.5
Yemen, Rep. ^b	1.5	-2.0	-1.0	1.5	..
Fiscal year basis^c					
	2022/23	2023/24	2024/25e	2025/26f	2026/27f
Iran, Islamic Rep.	3.8	5.0	3.0	2.7	2.2
	2021/22	2022/23	2023/24e	2024/25f	2025/26f
Egypt, Arab Rep.	6.6	3.8	2.4	3.5	4.2

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.

a. Data are presented on a factor cost basis.

b. 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.

c. Please see regional annex for details on fiscal year reporting.