

**Recent developments:** The Middle East and North Africa (MNA) region saw output expand by an estimated 5.7 percent—the region’s highest growth rate in a decade—as oil exporters enjoyed windfalls from increased oil and gas prices and rising production. The rebound also reflected the ongoing recovery in the services sector from the pandemic slump. Nonetheless, the region is still characterized by widely divergent economic conditions and growth paths, high levels of poverty and unemployment in many countries, low labor productivity growth, elevated vulnerabilities, and fragile political and social contexts.

Many oil exporting economies in the region enjoyed a rapid expansion in exports and production last year. In 2022, Kuwait, Saudi Arabia, and the United Arab Emirates saw output expand at its fastest pace in about a decade. With fixed exchange rates and fuel subsidies, Gulf Cooperation Council countries were able to maintain consumer inflation well below the global average.

In contrast, rising inflation and tightening financing conditions have weighed on output in net oil importers in the region. The Arab Republic of Egypt and Morocco saw output growth slow significantly in the first half of last year. Consumer price inflation, on a year-on-year basis, increased last year to double-digit rates in many countries who suffered significant exchange rate depreciation and faced high food and energy prices.

**Outlook:** Growth in MNA is projected to decelerate to 3.5 percent in 2023 and to 2.7 percent in 2024. The regional slowdown is mainly on account of a fading boom in net oil exporters where growth is expected to slow to 3.3 and 2.3 percent in 2023 and 2024, respectively, from 6.1 percent in 2022.

While the estimated rebound in 2022 in Saudi Arabia was well above last June’s forecast, projections for growth for 2023 and 2024 have been revised down, to 3.7 percent and 2.3 percent, respectively. The downward revision to growth prospects reflects expected deceleration in major trading partners, new oil production cuts, and lagged effects of tightening domestic monetary policy. Growth in Iraq is forecast to slow to 4.0 percent in 2023 and 2.9 percent in 2024, below its pre-pandemic pace. Water and electricity shortages, as well as political instability and violence, are likely to impede a stronger expansion. The Syrian Arab Republic is forecast to contract further in 2023. Its economy is facing multiple shocks, including climate impacts, ongoing violence, policy uncertainty, cholera outbreaks, and fuel shortages. As a result of the conflict, incomes have halved between 2010 and 2020, and households are facing unprecedented levels of poverty and food insecurity.

In the region’s net oil importers, growth is projected to be steady over 2023-24, at slightly above 4 percent a year. Growth in the Arab Republic of Egypt, while continuing to benefit from earlier reforms, is expected to slow to 4.5 percent in FY2022/23 (July 2022- June 2023), as high inflation erodes real wages, weighing on domestic consumption. Weakening growth of external demand is also likely to limit activity in the manufacturing and tourism sectors. Fiscal and monetary policy tightening to rein in high inflation and a large current account deficit are expected to further restrain growth.

In Morocco, growth is projected to pick up to 3.5 percent in 2023—below previous projections—and to 3.7 percent in 2024 as its agriculture sector recovers gradually from last year’s drought. Government spending is expected to partially offset weakness in private consumption stemming from high inflation.

**Risks:** Risks to growth remain to the downside. Spillovers from further weakness in key trading partners, tighter global financial conditions, increasing climate-related risks, rising social tensions, and political instability highlight the possibility of further economic contractions and increasing poverty. A further deterioration in global and domestic financial or economic conditions could see economies with large macroeconomic imbalances fall into crisis.

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### Middle East and North Africa Forecasts

(Annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f
GDP at market prices (average 2010-19 US\$)					
<b>Algeria</b>	-5.1	3.5	3.7	2.3	1.8
<b>Bahrain</b>	-4.9	2.2	3.8	3.2	3.2
<b>Djibouti</b>	1.2	4.3	3.6	5.3	6.2
<b>Egypt, Arab Rep. <sup>a</sup></b>	3.6	3.3	6.6	4.5	4.8
<b>Iran, Islamic Rep. <sup>a</sup></b>	1.9	4.7	2.9	2.2	1.9
<b>Iraq</b>	-11.3	2.8	8.7	4.0	2.9
<b>Jordan</b>	-1.6	2.2	2.5	2.4	2.4
<b>Kuwait</b>	-8.9	1.3	8.5	2.5	2.5
<b>Lebanon <sup>b</sup></b>	-21.4	-7.0	-5.4	..	..
<b>Libya <sup>b</sup></b>	-31.3	99.3	1.1	..	..
<b>Morocco</b>	-7.2	7.9	1.2	3.5	3.7
<b>Oman</b>	-3.4	3.1	4.5	3.9	2.4
<b>Qatar</b>	-3.6	1.5	4.0	3.4	2.9
<b>Saudi Arabia</b>	-4.1	3.2	8.3	3.7	2.3
<b>Syrian Arab Republic <sup>b</sup></b>	-3.9	-2.9	-3.5	-3.2	..
<b>Tunisia</b>	-8.8	4.4	2.5	3.3	3.6
<b>United Arab Emirates</b>	-5.0	3.9	5.9	4.1	2.3
<b>West Bank and Gaza</b>	-11.3	7.1	3.5	3.0	3.0
<b>Yemen, Rep. <sup>b</sup></b>	-8.5	-1.0	1.0	1.0	..

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 beyond 2022 are excluded for Lebanon and Libya because of a high degree of uncertainty. Forecast beyond 2023 are excluded for the Syrian Arab Republic and the Republic of Yemen because of a high degree of uncertainty.