After slowing to 1.5 percent in 2023, growth in the Middle East and North Africa (MNA) region is expected to pick up to 2.8 percent in 2024 and 4.2 percent in 2025, mainly due to a gradual resumption of oil production. The outlook for 2024 has weakened since January, partly reflecting extensions of additional voluntary oil production cuts and the ongoing conflict in the Middle East centered in Gaza. Risks to the outlook are tilted to the downside. Key downside risks include an escalation of armed conflicts, heightened local violence and social tensions, a sudden tightening in global financial conditions, more frequent or severe natural disasters, and weaker-than-projected growth in China. Conversely, stronger-than-expected activity in the United States and associated spillovers entail an important upside risk.

Recent developments

Geopolitical tensions and policy uncertainty are elevated in MNA. Human suffering and the destruction of physical capital in West Bank and Gaza arising from the conflict in the Middle East centered in Gaza are immense (World Bank and United Nations 2024). The conflict has led to wider regional repercussions, involving the Islamic Republic of Iran, Lebanon, and the Syrian Arab Republic. Attacks on shipping in the Red Sea by Houthi rebels in the Republic of Yemen have reduced transit through the Suez Canal, disrupted international trade, and heightened policy uncertainty, particularly in neighboring countries (figure 2.4.1.A).

After regional growth diminished to 1.5 percent in 2023, activity in MNA has remained weakened in the early to the middle of 2024 in both oil exporters and oil importers. In oil exporters, oil production cuts, agreed upon among the Organization of the Petroleum Exporting Countries and other affiliated oil producers (OPEC+), were extended in June 2024 by a year until the end of 2025. In addition, additional voluntary production adjustments in several OPEC+ members were also extended further, following a three-month extension in March. They agreed to maintain the additional cuts until the end of September 2024 and then gradually phase the adjustments out from October. Oil activity has been stagnant since the initial agreement of production adjustments in April 2023 (figure 2.4.1.B). Oil importers have been suffering from subdued private sector activity, partly owing to elevated inflation (figure 2.4.1.C). Several countries have also been under pressure from vulnerabilities stemming from large current account deficits and low levels of foreign exchange reserves.

Among oil exporters, declines in oil production have constrained oil activity across Gulf Cooperation Council (GCC) countries—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. In Saudi Arabia, the economy contracted in the first quarter of 2024, relative to a year ago, the third consecutive quarter of output contraction. However, growth in non-oil activity has remained robust, driven by both private consumption and business investment, somewhat offsetting a contraction of oil activity.

Among other oil exporters, the Islamic Republic of Iran’s growth is estimated to have increased to 5 percent in fiscal year (FY) 2023/24 (late-March 2023 to late-March 2024). Because the country is exempted from the OPEC+ agreement, oil

Note: This section was prepared by Naotaka Sugawara.
restrictions, a downturn in the gas extractives sector operations, reduced shipping through the Suez Canal, slower investment partly owing to limited private sector credit, and a dampened recovery in tourism because of the conflict in the region.

Activity in Tunisia has halted, following a sharp contraction in agriculture during a severe drought in 2023 (World Bank 2024k). In Morocco, agricultural output contracted in early 2024 after a strong recovery in agricultural production in 2023, while services activity, particularly related to tourism, has been robust (World Bank 2023e). In West Bank and Gaza, the economy is estimated to have contracted by 6.4 percent in 2023—a downward revision of 2.7 percentage points from January. The destruction of infrastructure and productive capacity in Gaza, together with limited humanitarian assistance, has been more severe than was estimated in January.

Inflation has remained well-contained in GCC countries, as they maintain pegged exchange rates, but has been elevated in other oil exporters, particularly the Islamic Republic of Iran, and some oil importers, notably Egypt and Lebanon. In oil importers, inflation, including for food, has generally eased since mid-2023, although food price inflation remains relatively high (figure 2.4.1.D). In some cases, particularly Egypt, sharp currency depreciations have contributed to increases in inflation. As a result, policy rates in oil importers have been raised to contain inflation in early 2024.

Outlook

Growth in MNA is expected to pick up to 2.8 percent in 2024 and 4.2 percent in 2025, mainly reflecting a gradual increase in oil production since the fourth quarter of 2024 (figure 2.4.2.A; table 2.4.1). The projection for 2024 is 0.7 percentage point lower than the January forecast, reflecting the extensions of additional voluntary oil production cuts and the ongoing conflict in the region.

Growth in GCC countries is forecast to strengthen to 2.8 percent in 2024 and 4.7 percent in...
The extensions of oil production cuts are expected to slow output growth in 2024 (World Bank 2024l). The expected phase-out of additional cuts starting later this year is anticipated to help pick growth up next year. In Saudi Arabia, activity is forecast to increase in 2024 despite a projected decline in oil output (table 2.4.2). This growth is attributed to robust non-oil activity, driven by strong private consumption and investment, supported by fiscal and monetary policies. In 2025, a gradual resumption of oil activity is expected to raise growth.

Among other oil exporters, growth is projected to moderate in the Islamic Republic of Iran for the three fiscal years beginning in FY2024/25, while uncertainty around the outlook is elevated. The moderation partly reflects subdued global demand, the ongoing effects of international sanctions, and domestic energy shortages. In Algeria, growth is expected to be supported by the non-hydrocarbon sector in 2024 as oil production falls and to pick up in 2025 amid a recovery in agriculture (World Bank 2024m). A projected moderate recovery in the oil sector in 2025 will help strengthen growth in Iraq, following an expected output contraction in 2024. Steady growth of about 5 percent is projected for Libya, on the assumption of political stability.

Among oil importers, growth in 2024 is expected to pick up to 2.9 percent—0.3 percentage point lower than the January projection—reflecting a reassessment of the effects of the regional conflict, including on tourism. Growth is then forecast to increase to 4 percent annually in 2025-26. In Egypt, growth is projected to be 4.2 percent in FY2024/25 and 4.6 percent in FY2025/26, propelled by investment growth partly spurred by a large-scale deal with the United Arab Emirates. Private consumption is also expected to expand, supported by a recovery in remittances and a decline in inflation. Additionally, exchange rate depreciation will boost net exports. Growth in Jordan is anticipated to remain steady, at 2.6 percent per year, in 2025-26, although tourism-related activities will suffer in the short term because of the regional conflict.

In Tunisia, growth is forecast to rebound to 2.4 percent per year in 2024-25, assuming a moderation of the recent drought, more benign financial conditions, and some progress in the fiscal and competition reform agendas. In Morocco, however, growth is projected to weaken to 2.4 percent in 2024, with a decline in agricultural production partly offset by a strong performance in the industrial sector, including construction—such as reconstruction from a massive earthquake last year. In Djibouti, growth is expected to moderate in 2024 to 5.1 percent and to remain steady at about this rate as the country benefits from continued demand from Ethiopia for the country’s port services.

The outlook for Lebanon is uncertain, given the substantial security, political, and financial

FIGURE 2.4.2 MNA: Outlook

Growth in MNA is projected to pick up to 2.8 percent in 2024 and 4.2 percent in 2025, mainly reflecting a gradual increase in oil production. Fiscal deficits in non-GCC oil exporters and oil importers are expected to remain sizable. Although inflation is projected to fall, poverty reduction will be limited in oil importers.

A. GDP growth

B. Fiscal balances

C. Headline inflation

D. Number of poor people in oil importers

Note: e = estimate; f = forecast; GCC = Gulf Cooperation Council; MNA = Middle East and North Africa.
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. Diamonds for January 2024 refer to data presented in the January 2024 edition of the Global Economic Prospects report. Sample includes five oil importers.
challenges the country faces. Although the economy is anticipated to grow in 2024, growth will remain weak. Inflation is anticipated to be elevated, despite some moderation, and investment will be subdued. A recovery in tourism is expected, although uncertainty is high, as tourism is subject to external and domestic shocks (World Bank 2023). As a result, output is projected to expand by 0.5 percent in 2024, following a contraction of 0.2 percent in 2023.

Growth forecasts are also under significant uncertainty for Syria, West Bank and Gaza, and the Republic of Yemen. High uncertainty around the economic outlook in West Bank and Gaza this year reflects the severity and timeline of the conflict, changes in Israel’s policies in West Bank, including those related to access to Israel’s labor market, and the outcome of the clearance revenue dispute. Depending upon the outturn of these factors, the economy of West Bank and Gaza is assumed to shrink, at least, by a further 6.5 percent—with the possibility of contraction by up to 9.4 percent—in 2024 (World Bank 2024). In Syria and the Republic of Yemen, the growth outlook is subdued and uncertain, given the ongoing conflict in the Middle East, domestic violence and unrest, and tensions in the Red Sea.

As fiscal deficits in the region are expected to widen in 2024, fiscal policy is anticipated to support growth this year, particularly in oil exporters (figure 2.4.2.B). In GCC countries, fiscal surpluses are expected to shrink as oil revenues decline and spending increases as a result of expansionary fiscal stances in several countries, including Kuwait and Saudi Arabia. Fiscal balances in other oil exporters are projected to deteriorate, partly reflecting increased spending in Algeria and Iraq. In oil importers, deficits are expected to remain elevated. In Egypt, fiscal deficits will widen if the proceedings of the recent deal with the United Arab Emirates are excluded, as interest expenses increase partly owing to tightened monetary policy and a depreciation of the exchange rate. Furthermore, it is anticipated that announced social mitigation measures, together with the negative impact on tax revenue from decreased economic activity and consumer spending, will contribute to fiscal pressures. In contrast, Morocco is envisaged to continue fiscal consolidation and see a decline in fiscal deficits. In 2025, fiscal deficits are expected to narrow marginally in the region, partly because of increases in oil revenues and gradual fiscal consolidations in several countries, including Algeria, Egypt, and Jordan.

Monetary policy in GCC countries, where exchange rates are mostly pegged to the U.S. dollar, is projected to ease in the forecast period, in tandem with expected monetary easing in the United States, supporting growth. However, among oil importers, monetary policy is envisaged to remain tight to contain inflation in 2024, before starting to ease in 2025 as inflationary pressures recede (figure 2.4.2.C).

Per capita income growth in the region is expected to rebound in the forecast period, alongside GDP growth. However, the increase in growth will be weaker in oil importers than in oil exporters, partly reflecting higher inflation in oil importers. Elevated food price inflation is also likely to continue exacerbating food insecurity, especially in economies with conflicts or social unrest (Gatti et al. 2023). As a result, only limited progress with poverty reduction is expected in oil importers (figure 2.4.2.D).

Risks

Risks to the forecast are tilted to the downside. A major downside risk is the possible escalation of armed conflicts in the region. Oil importers and countries closer to the conflicts are likely to be more negatively affected. Other downside risks to the region’s growth include an increase in local violence and social tensions, a tightening of global financial conditions, more frequent natural disasters, and softer-than-expected growth in China. On the other hand, stronger-than-expected growth in advanced economies, particularly the United States, represents an important upside risk.

Prolonged, wider, or more intense conflict in the region would cause increased humanitarian and economic losses and destruction of infrastructure. Significant disruptions in oil supply could occur if the conflict widens, especially if major oil producers become heavily involved (World Bank 2024). Adverse spillovers from escalating conflict...
could also damage activity in neighboring countries. The region’s growth prospects could be undermined through several channels, including the effects of increased uncertainty on business and consumer confidence, a decline in tourism, capital outflows, and tighter financial conditions. An intensification of attacks on shipping in the Red Sea could weigh particularly on growth in Egypt by reducing both external accounts revenues and economic activity (Gatti et al. 2024). Disruptions in the Red Sea could also spill over to neighboring countries, including Djibouti and Saudi Arabia, dampening their export capacities (Bogetic et al. 2024).

Violence and social unrest in the region could spike because of escalating geopolitical tensions, weighing on productivity and investment (figure 2.4.3.A). More frequent or intense violent events could increase refugee flight and internal displacement of populations, adding to social tensions. An increase in the number of people affected by conflict or violence would likely worsen food insecurity, increase poverty, and hinder economic development (figure 2.4.3.B). These risks are particularly high in economies experiencing fragility or conflict and lack fiscal space to mitigate the effects of adverse developments on households, including in Syria and the Republic of Yemen (World Bank 2023g).

A tightening of global financial conditions—due, for example, to a decline in risk appetite—could lead to capital outflows and exchange rate depreciation in oil importers, particularly in those with weaker creditworthiness. As external imbalances are large in many oil importers, more limited access to foreign borrowing would further weaken growth prospects (figure 2.4.3.C). In addition, fiscal financing needs are also elevated in oil importers. Although fiscal consolidations are expected in several countries, if they are implemented abruptly and without improving revenue mobilization, such as the removal of extensive tax exemptions, and targeted support for the poor and the vulnerable, adverse growth and distributional impacts of such adjustments would be larger (Verdier et al. 2022).

Higher borrowing costs would increase debt-service burdens and widen fiscal deficits, especially in countries with high government debt and fiscal risks (Boukezia et al. 2023). These countries would be forced to reduce spending on investment and social protection, and countercyclical policy responses might be constrained. Elevated debt also increases the risk of financial instability and could weigh on growth, particularly in countries where commercial banks are exposed to sovereign debt (figure 2.4.3.D). The deterioration of market
sentiment related to fiscal risks could translate into worsening bank balance sheets, adversely affecting credit to the private sector.

MNA is vulnerable to severe weather events induced by climate change, as well as other types of natural disasters such as earthquakes. The region has already experienced severe droughts and flooding, which have compromised access to basic needs, including drinking water, particularly among the poor and the vulnerable (World Bank 2023h). Increased frequency or severity of such extreme weather events would dampen food production and other agricultural activity, leading to higher food prices and exacerbating food insecurity and poverty. In countries that lack weather-resilient infrastructure, the humanitarian losses and physical damage from natural disasters related to climate change would be larger, with higher reconstruction costs.

Negative spillovers from weaker-than-expected growth in China would likely affect oil exporters through lower demand and prices for oil. Specifically, declining oil prices may lead to further reductions in oil production or an extension of current production cuts among some oil exporters, harming growth prospects in the region.

An important potential upside risk to the region’s growth outlook is stronger-than-expected growth in the United States. The resulting improvement in global demand would benefit the region’s exports. In oil exporters, as an increase in demand raises global oil prices, oil exporters could expand oil production, especially after the production cuts by OPEC+ members are lifted at the end of 2025. Oil importers would also gain export activity through higher external demand of their manufacturing and industrial products.

### TABLE 2.4.1 Middle East and North Africa forecast summary

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

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2022</th>
<th>2023e</th>
<th>2024f</th>
<th>2025f</th>
<th>2026f</th>
<th>2024f</th>
<th>2025f</th>
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<td>6.2</td>
<td>5.9</td>
<td>1.5</td>
<td>2.8</td>
<td>4.2</td>
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<td>2.4</td>
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<td>0.7</td>
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<td><strong>PPP GDP</strong></td>
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<td>5.7</td>
<td>1.8</td>
<td>2.8</td>
<td>4.2</td>
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<td>Public consumption</td>
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<td>4.1</td>
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<td>0.8</td>
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<td>8.4</td>
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<td>4.4</td>
<td>4.1</td>
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<td>0.4</td>
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<tr>
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<td>1.9</td>
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<td>6.7</td>
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<td>6.0</td>
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<td>5.3</td>
<td>5.1</td>
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<td>-0.1</td>
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<tr>
<td>Net exports, contribution to growth</td>
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<td>-0.4</td>
<td>1.1</td>
<td>0.5</td>
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**Memo items: GDP**

<table>
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<tr>
<th></th>
<th>2021</th>
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<th>2023e</th>
<th>2024f</th>
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<th>2026f</th>
<th>2024f</th>
<th>2025f</th>
</tr>
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<tr>
<td>Oil exporters</td>
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<td>6.3</td>
<td>1.3</td>
<td>2.8</td>
<td>4.2</td>
<td>3.5</td>
<td>-0.8</td>
<td>0.7</td>
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<tr>
<td>GCC countries</td>
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<td>2.8</td>
<td>4.7</td>
<td>3.5</td>
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<td>Non-GCC oil exporters</td>
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<td>4.2</td>
<td>2.4</td>
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<tr>
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<td>2.9</td>
<td>4.0</td>
<td>4.0</td>
<td>-0.3</td>
<td>0.3</td>
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</table>


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 forecasts¹

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

<table>
<thead>
<tr>
<th>Calendar year basis</th>
<th>2021</th>
<th>2022</th>
<th>2023(^e)</th>
<th>2024(^f)</th>
<th>2025(^f)</th>
<th>2026(^f)</th>
<th>2024(^f)</th>
<th>2025(^f)</th>
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<td>3.2</td>
<td>0.3</td>
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<td>5.2</td>
<td>2.6</td>
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<td>3.3</td>
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<td>0.1</td>
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<tr>
<td>Djibouti</td>
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<td>3.7</td>
<td>6.7</td>
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<td>5.1</td>
<td>5.2</td>
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<tr>
<td>Iraq (^1)</td>
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<td>-0.3</td>
<td>3.8</td>
<td>5.3</td>
<td>-4.5</td>
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<td>5.9</td>
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<tr>
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<th>2024/25(^f)</th>
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<th>2024/25(^f)</th>
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<td>5.0</td>
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<td>-0.7</td>
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</table>

Note 1: Data are reported on a factor cost basis.

Note 2: Forecasts for Lebanon (beyond 2024), the Syrian Arab Republic (beyond 2024), and the Republic of Yemen (beyond 2025) are excluded because of a high degree of uncertainty.

Note 3: The economic outlook of West Bank and Gaza remains highly uncertain, and the growth forecast for 2024 ranges from -6.5 percent, as shown in the table, to -9.4 percent, depending upon the outturn of different factors that affect the outlook.

Note 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.
References


