IMF MENA: Growth Expected at 2.6% in 2025 in a Hazy Environment

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Summarizing the IMF's May *2025 Regional Economic Outlook for the Middle East and North Africa* on May 1, 2025 in Dubai, Mr. Jihad Azour, Director of the Middle East and Central Asia Department, outlined the following:

In terms of overview, Mr. Azour said, "we expect growth in the MENA region to continue to increase this year and next year, but at a slower pace than we foresaw at the time of our October 2024 REO. Rising trade tensions, increased geopolitical fragmentation, and weaker international cooperation are generating extraordinary uncertainty, which is weighing on global economic prospects".

As to the MENA economies, he added, "these developments are adding to existing regional sources of uncertainty, including ongoing conflicts, pockets of political instability, and climate vulnerability. Last year was a particularly challenging one for the region, with conflicts causing severe human and economic costs. Average growth in the MENA region in 2024 was 1.8%, a downward revision of 0.3 percentage point from the October forecast. We expect growth to pick up in 2025 and 2026, assuming oil output rebounds, conflict- related impacts stabilize, and progress is made on structural reform implementation. However, the projections have been lowered compared with the October 2024 REO, reflecting weaker global growth, lower oil prices affecting oil exporters, still-lingering conflicts, and a more gradual resumption of oil production than we had expected after the extension of OPEC+ voluntary oil cuts. *For 2025, we project average growth in the MENA region to be 2.6* *percent (compared with 4 percent projected last October). For 2026, projected growth is 3.4 percent (compared with 4.2 percent projected before)".*

For MENA oil exporters, however, "growth was stable in 2024 at 2.2 percent but with significant differences between GCC and non-GCC economies. In the GCC, robust non-oil activity linked to diversification efforts helped to offset the negative impact of extended OPEC+ production cuts. Non-GCC countries did not have a similar buffer. For oil exporters, we project growth of 2.3 percent in 2025 and 3.1 percent in 2026 but, again, with a significant split between GCC and non-GCC oil exporters. In the GCC, we expect a pickup in growth driven by robust non-oil sector expansion as well as a gradual resumption of oil production. Conversely, among non-GCC oil exporters we foresee lower growth due to sanctions, lower oil prices, capacity constraints, and fiscal unwinding. For all oil exporters, lower oil prices are expected to reduce fiscal and external buffers".

The picture is different for MENA oil importers, as "average growth last year fell to 1.1 percent, around half of its 2023 level, weighed down by the direct and indirect impacts of conflict. We estimate that economies directly impacted by conflict—that is, Lebanon, Sudan, West Bank and Gaza, and Yemen—faced an average GDP loss of approximately 15 percent in 2024. Projected higher growth in 2025 is mainly due to a less negative impact of the conflict. In Egypt and Jordan, which experienced spillover effects from the conflict in Gaza and Israel, we expect a modest recovery in growth in 2025, even as challenges persist as the conflict lingers. A few other MENA oil importers were not much affected by conflict and are expected to see growth rise going forward, driven by stronger domestic demand and the implementation of structural reforms".

Mr. Azour added, however, that these projections are subject to uncertainty, and risks to the baseline forecast are on the downside. He mentioned four. "*First:* trade tensions. A further escalation could dampen global demand, delay the recovery of oil production, and tighten financial conditions. *Second:* Conflicts. Worsening conflicts could disrupt trade, tourism, and supply chains and increase refugee flows. *Third:* Climate shocks. The MENA region remains vulnerable to extreme weather events, including droughts and floods. *Fourth:* Reduced official development assistance, which could have serious economic and humanitarian consequences, especially for the region's low-income countries and fragile and conflict-affected states".

Lastly, he cautioned that policymakers should respond along two key dimensions: "First, adapt to the new environment. Policymakers must take steps to shield their economies from worst-case scenarios and prioritize safeguarding macroeconomic and financial stability. For countries with limited fiscal space, it is crucial to rebuild buffers to better absorb future shocks. Those facing high inflation pressures should maintain a prudent monetary stance until inflation expectations are firmly anchored. Adequate levels of international reserves should be preserved; where exchange rates are flexible, they should be allowed to act as shock absorbers.

Second, transform the economy. While the near-term situation is challenging, that is not a reason to delay reforms. Delay can be costly when the world prospects are uncertain, and change is fast. Instead, countries should accelerate the long-discussed structural reform agenda to reduce vulnerabilities to shocks and seize opportunities arising from the evolving global trade and financial landscape. This would require enhancing governance, fostering a dynamic private sector, and establishing strategic trade and investment corridors with other regions, as well as within the MENA region".

In closing, Mr. Azour emphasized he IMF's deep commitment to supporting MENA economies, and engagement in post-conflict economies, like Lebanon and Syria.

Middle East and Central Asia: Real GDP Growth

(Year-over-year percent change)

	2022	2023	2024	2025	2026
Middle East and Central Asia	**5.5**	**2.2**	**2.4**	**3.0**	**3.5**
Oil Exporters	**5.5**	**2.4**	**2.5**	**2.6**	**3.2**
Algeria	3.6	4.1	3.5	3.5	3.0
Azerbaijan	4.7	1.4	4.1	3.5	2.5
Bahrain	6.2	3.9	2.8	2.8	3.0
Iran	3.8	5.0	3.5	0.3	1.1
Iraq	7.7	0.9	0.3	–1.5	1.4
Kazakhstan	3.2	5.1	4.8	4.9	4.3
Kuwait	5.9	–3.6	–2.8	1.9	3.1
Libya	–8.3	10.2	–0.6	17.3	4.3
Oman	8.0	1.2	1.7	2.3	3.6
Qatar	4.2	1.4	2.4	2.4	5.6
Saudi Arabia	7.5	–0.8	1.3	3.0	3.7
Turkmenistan	5.3	2.0	2.3	2.3	2.3
United Arab Emirates	7.5	3.6	3.8	4.0	5.0
Emerging Market and Middle-Income Economies	**5.9**	**2.3**	**2.4**	**3.4**	**3.9**
Armenia	12.6	8.3	5.9	4.5	4.5
Egypt	6.7	3.8	2.4	3.8	4.3
Georgia	11.0	7.8	9.4	6.0	5.0
Jordan	2.4	3.1	2.5	2.6	2.9
Lebanon	1.0	–0.7	–7.5	-	-
Morocco	1.5	3.4	3.2	3.9	3.7
Pakistan	6.2	–0.2	2.5	2.6	3.6
Tunisia	2.7	0.0	1.4	1.4	1.4
West Bank and Gaza	4.1	–4.6	-	-	-
Low-Income Countries	**2.8**	**0.9**	**1.7**	**4.4**	**5.5**
Afghanistan	–6.2	2.3	-	-	-
Djibouti	5.2	7.4	6.5	6.0	5.5
Kyrgyz Republic	9.0	9.0	9.0	6.8	5.3
Mauritania	6.8	6.5	4.6	4.4	3.7
Somalia	2.7	4.2	4.0	4.0	4.1
Sudan	–2.5	–20.8	–23.4	–0.4	8.8
Syrian Arab Republic	-	-	-	-	-
Tajikistan	8.0	8.3	8.4	6.7	5.0
Uzbekistan	6.0	6.3	6.5	5.9	5.8
Yemen	1.5	–2.0	–1.5	–1.5	0.0
CCA	**5.2**	**5.0**	**5.4**	**4.9**	**4.3**
Oil Exporters	**3.8**	**3.9**	**4.3**	**4.2**	**3.7**
Oil Importers	**7.7**	**7.1**	**7.2**	**5.9**	**5.5**
Emerging Market and Middle-Income Economies	11.6	8.0	8.0	5.4	4.8
Low-Income Countries	6.5	6.8	7.0	6.1	5.7
MENA	**5.5**	**2.1**	**1.8**	**2.6**	**3.4**
Oil Exporters	**5.8**	**2.1**	**2.2**	**2.3**	**3.1**
Oil Importers	**4.8**	**2.1**	**1.1**	**3.4**	**4.1**
Emerging Market and Middle-Income Economies	5.4	3.3	2.0	3.6	4.0
Low-Income Countries	–0.1	–9.7	–9.3	0.8	5.2
MENA, Afghanistan, Pakistan	**5.5**	**1.8**	**1.9**	**2.6**	**3.4**

Sources: National authorities; and IMF staff calculations and projections.
Note: Regional output growth aggregates are purchasing-power-parity-GDP-weighted averages.
MENA=Middle East and North Africa; CCA=Central Asia and the Caucus.

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