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The IMF published its bi-annual *Middle East and Central Asia* report on 16 April 2026. In the press briefing, Mr Jihad Azour, Director, Middle East and Central Asia Department, noted that “the outbreak of war on February 28th has delivered a severe and multifaceted shock to one of the world's most strategically important economic corridors, disrupting three pillars of stability: energy markets, trade routes, and business confidence”.

Mr Azour elaborated that “at the center of the shock is energy. The Strait of Hormuz, the world's most critical energy chokepoint, through which roughly one-fifth of global oil supply and about one-quarter of global LNG trade normally transit, has come close to a standstill. Strikes and precautionary shutdowns have reduced oil and gas output across GCC by an estimated 13 million barrels per day of oil and the equivalent of about 3.5 million barrels per day of natural gas. Qatar's Ras Laffan complex, which accounts for roughly 17 percent of global LNG capacity, has sustained significant damage. Brent crude surpassed \$100 per barrel, peaking at \$118 before retreating following the ceasefire announcement, while European gas prices rose by roughly 60 percent — exceeding the spike observed after Russia's invasion of Ukraine”.

Not only that, but “commodity disruptions extend beyond oil and gas. One-third of global fertilizer trade transits the Strait. GCC countries account for over 40 percent of global sulfur exports and roughly 20 percent of ammonia and nitrogen fertilizer exports. Urea futures

prices have risen around 30 percent, while aluminum and phosphate prices are up by about 20 percent. These price increases translate directly into higher food costs for some of the world's most vulnerable populations, particularly in food-import-dependent countries of the developing world”.

In terms of regional outlook, Mr Azour said that prior to the war the region has been humming nicely, with growth gaining traction, inflation easing, and non-oil sectors performing well. That progress has been sharply reversed now. Specifically, “even under our reference scenario — which assumes trade and energy production normalize by mid-2026 — growth in MENA is projected to slow to 1.1 percent in 2026, a downgrade of 2.1 percentage points from our October forecast. This represents one of the largest recent downward revisions to regional growth”.

As important, Mr Azour added, “the impact is highly uneven across countries. Among conflict-affected oil exporters, five of eight economies are now projected to contract in 2026. Qatar faces the steepest downward revision, reflecting extensive infrastructure damage. Oman, by contrast, faces only a modest downgrade, given its sea access lies entirely outside the Strait, and it stands to benefit from improved fiscal and current account balances at elevated oil prices. For oil importers, vulnerabilities are compounding. These economies face higher energy costs, weaker remittances from GCC-based workers, and tighter financial conditions, at a time when their buffers were already limited. Sovereign spreads have widened by 50 to 100 basis points across several of these countries during March, before returning to pre conflict levels after the ceasefire. Low-income and fragile states face the most severe pressures. In Yemen, Sudan, West Bank and Gaza, and Somalia, the concern is the risk of acute humanitarian and economic deterioration. Food items already account for 45 to 50 percent of total goods imports in these economies, and more than half their populations are already experiencing food insecurity. Higher import prices risk widening current account deficits, depleting reserves, and amplifying social risks where macroeconomic buffers are thin”. *In addition, the uncertainty around our projections is high, and I want to be clear that the risks are firmly tilted to the downside.*

In terms of policy, M Azour reiterated the IMF position as in the IMF's “core policy message at this juncture is one of disciplined agility. This is a moment for carefully calibrated

responses that protect the most vulnerable without compromising medium-term stability. Governments should allow automatic stabilizers to operate and deploy targeted, temporary support for affected households, financed through reprioritized spending rather than deficit expansion. Broad fuel subsidies should not be reinstated or expanded. Untargeted subsidies would absorb scarce policy space, while delivering limited benefits to those who need support. Central banks facing persistent inflation, particularly where policy stances remain accommodative, should maintain or tighten restrictive positions. Financial supervisors must sharpen oversight of liquidity and foreign-currency mismatches and stand ready to deploy backstops where needed”.

Looking ahead, Mr Azour argued that “beyond the immediate response, this shock underscores the importance of building greater resilience and strengthening integration. This includes diversifying trade routes and deepening regional cooperation, which will help countries effectively absorb the next shock. GCC economies, home to nearly half of global desalination capacity, will need sustained investment in the resilience of water, power, and digital networks. Greater regional integration of energy markets, harmonized customs systems, and regional liquidity facilities can meaningfully strengthen the region's collective shock absorption capacity”.

Lastly, with respect to IMF arrangements, Mr Azour said that “since the pandemic, the Fund has approved nearly \$46 billion in financing for the region. Key active programs include Egypt's Extended Fund Facility of approximately \$8.1 billion, Pakistan's EFF of \$7.2 billion, Morocco's Flexible Credit Line of \$4.8 billion, and Jordan's four-year EFF of \$1.2 billion. The Fund is closely engaged with authorities across the region, and we stand ready to scale up financing, policy advice, and capacity development support as circumstances require”.

MENA Arab Countries: Growth Rates %

	2025	2026
MENA	3.2	1.1
Algeria	3.8	3.8
Bahrain	3.1	-0.5
Djibouti	6	6
Egypt	4.4	4.2
Iraq	-0.4	-6.8
Jordan	2.7	2.7
Kuwait	3.5	-0.6
Lebanon	4	--
Libya	15.9	6.7
Mauritania	4.2	4.4
Morocco	4.9	4.9
Oman	2.4	3.5
Qatar	2.6	-8.6
KSA	4.5	3.1
Somalia	3	2.6
Sudan	3.2	0.7
Syria	--	--
Tunisia	2.5	2.1
UAE	5.8	3.1
Palestine	--	--
Yemen	-0.5	0.5

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