



July 10, 2026

Contact Information

Helmi Mrad

Research Associate I

helmi.mrad@blominvestbank.com

In a recent report published in the Institute of International Finance (IIF) titled “The New Middle East: Energy Strains and Security Realignment” , the Chief Economist Mr. Garbis Iradian pinpointed to the main implications of the regional geo-political tensions on MENA region countries. It succeeded in integrating economic analysis with geopolitical developments, providing a comprehensive framework for understanding regional transformation. Additionally, it provides some cherished insights for politicians and legislators, investors and researchers looking for evaluating the future economic scenarios in MENA region.

The report studies the structural transformations happening in the region driven by increasingly interconnected developments, being developing geo-political dynamics, shifts in global energy markets, and firm economic reform plans.

While governments in the Middle East and North Africa region (MENA region) are seeking to strengthen long-term economic resilience through changing global energy landscape, policy makers and investors need to understand the interactions between these forces. Therefore, the IIF article is a great reference to understand such interaction.

As such, we will focus in this article on the IIF report’ s main findings then critically evaluate its key arguments concerning the aforementioned forces and finally assess the broader implications on the MENA region; except for Lebanon, as we will analyze an upcoming IIF article that focuses on Lebanon alone.

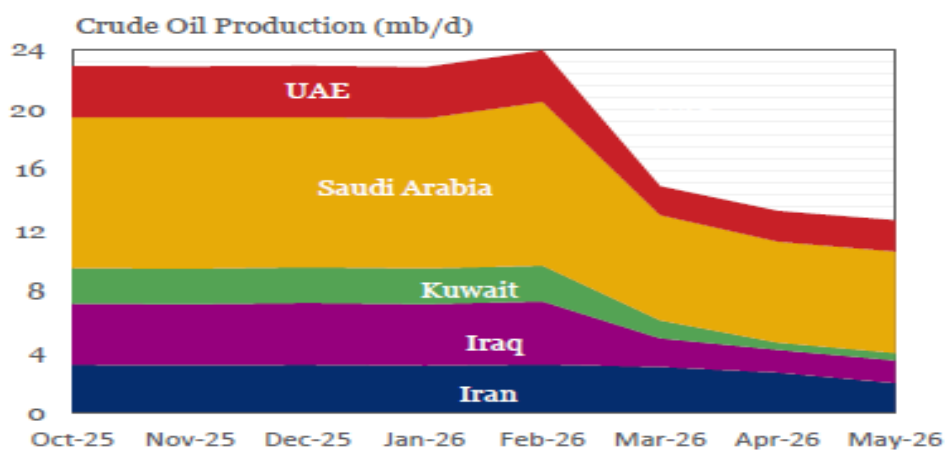
As per IIF, the Middle East is entering a new era characterized by a slow, ongoing alteration towards a greater economic realism. Despite the geopolitical tensions and rivalries, governments are heading towards focusing on economic partnerships, infrastructure improvement, and market integration. This reveals that more regional stability is a prerequisite for sustainable economic progress and fiscal resilience.

As regional tensions are persisting, and despite that oil and natural gas remain the main type of revenues for most of MENA region governments, the regional countries are diversifying their economies. Thus, these countries are putting significant investments in renewable energy and electricity infrastructure for the purpose of a low carbon future.

Despite recent regional diplomatic advancements, the region is still vulnerable to renewed geopolitical tensions, leading to prolonged security challenges and geopolitical tensions.

The report highlights the significance of economic diversification within the evolving regional landscape. Regional governments are investing in non-oil sectors including digital technologies, financial services, industrials and tourism. This will result in decreased dependence on hydrocarbon revenues, which resulted from a 40% drop in production in March 2026 as it declined from around 24 million barrels per day to around 15 billion barrels per day, as shown in the below graph.

Exhibit 2: Middle Eastern oil production dropped by 40%



Source: International Institute of Finance (IIF)

Exhibit 1: Middle East – Main Macroeconomic Indicators												
	Real GDP Growth, %			Fiscal Balance, % GDP			Gov't Debt, % GDP			Current Acc., % GDP		
	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027
Middle East	3.2	-3.3	4.5	-3.4	-3.6	-3.9	44.4	45.3	46.0	3.3	1.1	0.5
Bahrain	3.5	-4.6	3.3	-7.3	-8.0	-9.4	129.1	136.0	139.5	5.8	-0.9	-0.2
Kuwait	2.7	-10.5	8.1	-3.4	-6.6	-8.1	15.8	19.4	23.0	22.1	14.4	12.1
Oman	2.6	2.7	3.8	-2.4	2.5	-0.3	42.0	34.2	35.5	-4.2	1.3	-4.8
Qatar	2.7	-9.4	4.8	1.7	-0.6	-1.1	40.7	40.0	42.4	15.2	7.6	6.8
Saudi Arabia	4.5	-0.5	4.4	-5.8	-4.7	-4.7	30.4	31.4	33.3	-2.6	-1.3	-2.0
UAE	5.3	-1.4	4.4	3.8	3.4	2.6	34.0	31.9	31.3	13.7	8.0	8.1
Iran (FY)	-2.3	-9.0*	2.7	-3.7	-5.7	-4.7	17.0	18.0	19.0	-0.5	-1.0	-1.0
Iraq	0.5	-11.5	7.2	-7.3	-10.2	-10.5	62.5	69.6	78.1	-2.5	-7.8	-8.8
Egypt (FY)	3.7	3.9	3.5	-7.0	-5.4	-5.6	86.8	87.2	80.2	-4.2	-4.1	-3.9
Jordan	2.8	2.4	3.0	-5.1	-4.7	-4.1	105.7	104.2	101.8	-5.6	-6.6	-5.0
Lebanon	4.1	-13.0	3.0	2.3	0.1	0.4	198.2	218.3	209.2	-22.1	-25.2	-22.4

Source: IIF

As such, and as we can see from the above table, 2026 witnessed negative real GDP growth in most MENA region economies, especially GCC countries due to increased regional security disputes.

In diving deeper to country-level inspection, we can divide MENA region countries into three groups as identified by the IIF report. The first group of countries are countries that were not affected by the recent geopolitical tensions such as Oman, Egypt, and Jordan. These countries are not directly exposed to the recent conflict. Egypt showed some resilience due to the measures taken by concerned authorities and continued support by Gulf partners and international institutions.

Also, for Oman, the economy is expected to keep expanding with a forecasted real GDP growth of 2.7% in 2026 and 3.8% in 2027. This performance is attributed to the fact that it benefits from export routes that partly bypass Hormuz Strait. In addition, the hike in oil and gas prices accompanied with the absence of Iranian attacks on its hydrocarbon production infrastructure helped it accumulate income gains.

Finally, Jordan is one of the countries that is least affected by the geopolitical tensions due to its benefits from fertilizer exports to Syria, Europe and Asia in addition to positioning itself logistics hub for Iraq and GCC countries.

The second group represents countries that are partially affected by the tensions. This group includes Saudi Arabia and United Arab Emirates. Developed infrastructure and diversified economic model allowed the country to manage the conflicts' negative effects. First, for KSA, activated new export channels on its West coast through Red Sea ports, and benefitted from existing railways and trucking corridors. Second, relied on strong fiscal buffer and recent concentration on developing non-oil sectors.

When it comes to United Arab of Emirates, several factors helped it control conflicts' negative outcomes. First, it has strong sovereign balance sheets as well as well-capitalized banking system with limited solvency and liquidity risks. Moreover, Dubai is the only emirate that was affected as it depends mainly on tourism and real estate which are sensitive to uncertainty as reflected in investors' sentiment. However, other emirates and especially Abu Dhabi that played the stabilizer role, as higher oil prices offset lower export volumes. Moreover, liquidity is supported by high sovereign wealth assets that represents around 200% of GDP.

The last group comprises the countries that are the most affected by the recent pressures such as Qatar, Bahrain, Iraq, Kuwait, Lebanon, and Iran. Lebanon is the most affected country as it is a major player in these tensions as the war and high energy prices were added on top of the severe economic and financial downfall. As a result, GDP is expected to contract by 13%.

Iraq comes second with an 11.5% GDP contraction forecasted in 2026. Its Basra' s loading facilities damage led to a disruption in oil productions adding to non-oil sectors constraints due to electricity shortage; not to exclude the heightened security risks due to presence of Iran-supported militias that result in fragile investor confidence.

Kuwait follows with expected GDP shrinkage of 10.5%, mainly due to the drop in oil production that represents around half of Kuwait' s economy.

As for Qatar, it is expected to witness a GDP reduction of 9.5% in 2026, mainly due to the damages to liquefaction trains and export terminals that are crucial for LNG revenues that represents the major part of national income.

Iran also is suffering from severe tightening in GDP as it is expected to tighten by 9% due to war-related damages in addition to sanctions and currency depreciation.

Lastly, Bahrain is forecasted to perceive a 4.6% real GDP shrinkage resulting from continued Iranian drones and missiles' attacks on its territories.

Looking ahead, the report highlights a wider alteration in the fundamentals of the region's competitiveness. Investment attractions, logistics infrastructure, and technological innovations are progressively determining economic impact. This requires a greater regional economic integration to attract knowledge-based industries, foreign capital so as to position themselves as trade and investment strategic hubs.

Even though the report provides an influential and well-supported exploration of regional developments, it understated the political and institutional constraints that could hinder the implementation of the regional transformation. Structural reforms often require political commitment, effective public administration and broad social accord – all of which are uneven among MENA region countries. For instance, the compliance of Lebanon and Iraq to these conditions is very minimal compared to most GCC countries such as Saudi Arabia, United Arab of Emirates and Qatar. Finally, the renewed geopolitical tensions in the region since 2023, variation in global energy markets, slower than expected economic diversification, and most importantly the uncertain end of security risk period, curb the optimism in economic diversification and stability reflected in the report. Incorporating these uncertainties would

have offered a more balanced assessment of the region' s future prospects.

Lastly, the importance of economic diversification and strategic investments to regional competitiveness is paramount. However, the remunerations from this transformation could be unevenly distributed among MENA countries. Countries that have strong governance and reforms implementation, such as Saudi Arabia and United Arab of Emirates, will be better positioned to capitalize on emerging prospects. On the other hand, countries with low governance, with Lebanon as an optimal example, might miss the chance from benefitting from this regional economic development.

For your Queries:

BLOMINVEST BANK s.a.l.

Research Department

Zeituna Bey

POBOX 11-1540 Riad El Soloh

Beirut 1107 2080 Lebanon

Helmi Mrad

helmi.mrad@blominvestbank.com

Research Department

Tel: +961 1 991 784

research@blominvestbank.com

Disclaimer

This report is published for information purposes only. The information herein has been compiled from, or based upon sources we believe to be reliable, but we do not guarantee or accept responsibility for its completeness or accuracy. This document should not be construed as a solicitation to take part in any investment, or as constituting any representation or warranty on our part. The consequences of any action taken on the basis of information contained herein are solely the responsibility of the recipient.