

Middle East and North Africa

Macro Poverty Outlook

Country-by-country Analysis and Projections for the Developing World



WORLD BANK GROUP
Macroeconomics, Trade & Investment
Poverty & Equity

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Middle East and North Africa

Annual Meetings 2023

Algeria
Bahrain
Djibouti
Egypt, Arab Rep.
Iran, Islamic Rep.
Iraq, Rep.
Jordan

Kuwait
Lebanon
Libya
Morocco
Oman
Palestinian territories
Qatar

Saudi Arabia
Syrian Arab Rep.
Tunisia
United Arab Emirates
Yemen, Rep.

ALGERIA

Table 1 **2022**

Population, million	45.7
GDP, current US\$ billion	195.0
GDP per capita, current US\$	4265.6
National poverty rate ^a	5.5
International poverty rate (\$2.15) ^a	0.5
Lower middle-income poverty rate (\$3.65) ^a	4.0
Gini index ^a	27.6
School enrollment, primary (% gross) ^b	111.3
Life expectancy at birth, years ^b	76.4
Total GHG emissions (mtCO2e)	281.5

Source: WDI, Macro Poverty Outlook, and official data.

a/ Most recent value (2011).

b/ WDI for School enrollment (2020); Life expectancy (2021).

Despite continued nonhydrocarbon dynamism, Algeria's GDP growth moderated in early 2023, while high inflation persisted. Recent swings in oil and gas prices highlight the challenges that hydrocarbon dependence poses for macroeconomic stability. Amid declining oil and gas export prices, the current account surplus is shrinking after peaking in 2022, and the fiscal deficit is expected to widen. Priority reforms include strengthening the macroeconomic policy framework, opening more space for the private sector, and improving public service delivery.

Key conditions and challenges

Algeria's economy is dependent on oil and gas which account for a fifth of GDP, four-fifths of exports, and two-fifths of budget revenues. Double-digit fiscal and current account deficits persisted before the pandemic, eroding foreign exchange reserves, and causing fast debt accumulation and large-scale monetization while leading to currency depreciation and import reduction policies.

The Russian Federation's invasion of Ukraine and Europe's efforts to shift away from Russian gas supply have raised oil and gas export prices, generated record trade surpluses for Algeria, and reduced the budget deficit despite a steep rise in current spending. It also presented opportunities for reviving foreign energy investment in Algeria, after years of declining export capacity amidst stagnating production and rising domestic consumption. However, more private investment outside the hydrocarbon sector is needed to foster faster, inclusive, and sustainable growth.

The Algerian economy recovered to pre-COVID-19 levels in 2022, but growth had been slowing down before the pandemic, reaching 1.2 percent in 2017-2019, causing GDP per capita to contract to its 2014 level and unemployment to remain elevated, especially among youth. Non-monetary poverty declined between 2013 and 2019, amid improvements in education, health, and living standards, but it remains

elevated for Algeria's level of income, while spatial inequalities persist.

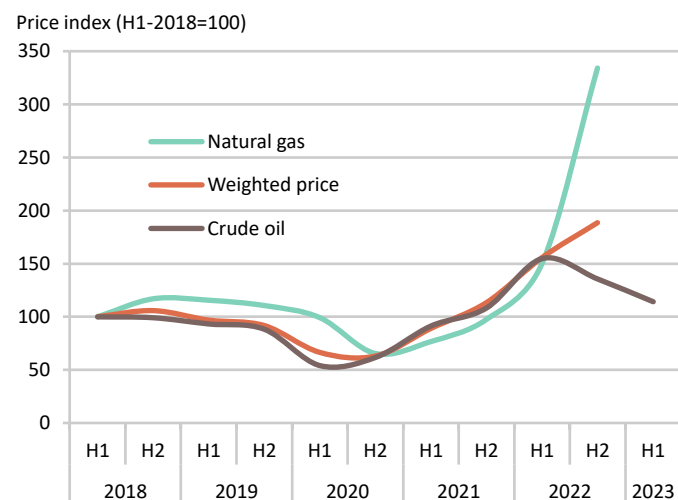
The COVID-induced recession was compounded by a surge in inflation working against poverty reduction, to which the authorities responded through a rise in public spending on wages and social transfers. The September 2021 Government Action Plan (GAP) set as developmental priorities the transition to a private sector-led growth and job creation model and a stronger macroeconomic framework. Efforts to encourage foreign and domestic investment have since accelerated, including through the 2022 Investment Law. Continued reform implementation, notably to improve the business environment, will be key to fostering growth in the nonhydrocarbon private sector.

Recent developments

GDP growth slowed moderately in Q1-2023 (+3.0 percent y-o-y), dragged by low hydrocarbon GDP growth amidst the reduction in crude oil production quotas and despite natural gas output growth. On the other hand, dynamic nonhydrocarbon GDP growth in 2022 extended in Q1-2023 (+4.0 percent y-o-y), with accelerating public consumption growth making up for slower private consumption, and strong investment growth stimulating the construction and industrial sectors. Agriculture output slowed down markedly, however, amid a severe drought episode.

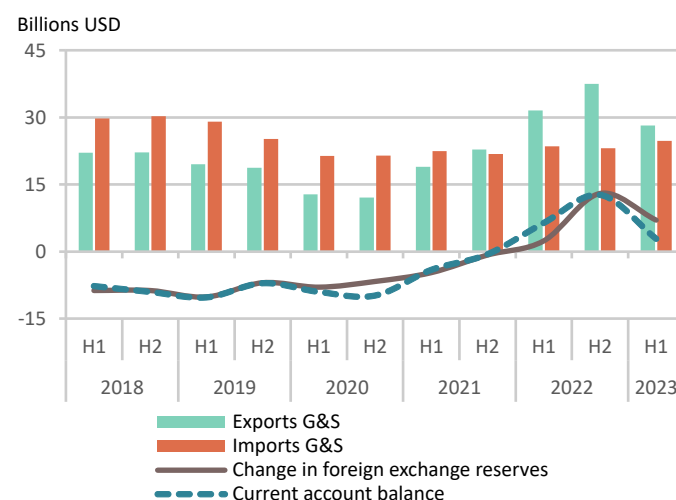
The current account surplus shrank from a record US\$11.8 billion in H2-2022 to

FIGURE 1 Algeria / Hydrocarbon export prices



Sources: Algerian authorities and World Bank staff estimates.

FIGURE 2 Algeria / Current account, exports, imports and changes in international reserves



Sources: Algerian authorities and World Bank staff estimates.

US\$2.9 billion in H1-2023, as falling oil and gas export prices and volumes led to a US\$8.9 billion decline in exports and strong investment growth raised equipment imports. Reserve accumulation therefore continued, reaching US\$68.8 billion at end-June 2023, or about 17.2 months of imports of goods and services.

After declining from 7.2 to 2.9 percent of GDP in 2022, the overall budget deficit is expected to have risen again in H1-2023, dragged by the decline in hydrocarbon export revenues and rising public sector wages, and despite an increase in tax revenues supported by rising wages, prices, investment, and imports. After declining to 55.6 percent of GDP at end-2022, public debt increased by 4.3 percent in nominal terms in H1-2023, financed by regular Treasury issuances. It remained overwhelmingly domestically held, at long-term maturities and negative real interest rates.

Inflation remained elevated, reaching 9.7 percent y-o-y in H1-2023 up from 9.3 percent in 2022, fueled by fresh agricultural products, hurting vulnerable Algerians disproportionately as food accounts for over half of the spending for the bottom 40 percent of the population. To try to curb inflationary pressures, the Bank of Algeria supported an appreciation of the dinar in H2-2022 (+6 percent relative to the

US dollar) and increased the reserve requirement rate in April 2023 from 2 to 3 percent, its pre-pandemic level.

Outlook

Growth is expected to decelerate in 2023, with lower hydrocarbon output amidst rising domestic consumption and a decline in exports. Nonhydrocarbon GDP would slow down moderately, as private consumption tapers and rising investment is met through increasing imports. Agricultural output would contract, in contrast to more dynamic construction, industrial, and service activity. GDP growth would accelerate in 2024 and 2025, as agricultural output recovers and crude oil production tracks recovering OPEC quotas.

The current account is expected to come close to balance in 2023, as higher imports compound the steep decline in hydrocarbon export prices. Export and import levels would stabilize in 2024-25, as would the level of foreign exchange reserves. Lower hydrocarbon revenues amidst higher budget spending would cause the overall budget deficit to expand in 2023 before a slowdown in public spending reduces it moderately by 2025. The debt-to-GDP ratio

would increase slightly, with Treasury savings accumulated in 2022 partially financing fiscal deficits. Inflation is expected to decline gradually, fueled by rising money supply and public spending but dampened by the delayed effects of the dinar's appreciation and tapering food prices.

The fragility of the global outlook and developments in Russia's war on Ukraine could have significant consequences for volatile oil prices, OPEC quotas, hydrocarbon exports and, as a result, the trajectory of Algeria's external and budget balances. Financing budget deficits through the domestic banking sector and maintaining import reduction policies could also weigh on growth and inflation, as would new episodes of disappointing rainfall and agricultural output. On the other hand, successful efforts in attracting large investments, notably in Algeria's hydrocarbon and mining sectors, amidst Europe's efforts to diversify its energy supply, could support higher growth.

Ultimately, structural reforms that improve the business environment, foster private sector-led diversification, improve the efficiency of public spending, and raise human capital will be key to decreasing the country's dependence on hydrocarbons and fostering sustainable economic growth and job creation.

TABLE 2 Algeria / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	-5.1	3.4	3.2	2.1	2.5	2.5
Private consumption	-3.0	3.7	2.9	2.6	2.4	2.2
Government consumption	-0.1	1.2	2.2	2.2	2.0	1.9
Gross fixed capital investment	-5.2	5.8	2.4	4.3	3.7	3.2
Exports, goods and services	-11.3	13.4	-0.1	-2.3	-0.8	-0.3
Imports, goods and services	-16.0	-4.1	0.0	3.9	1.3	0.5
Real GDP growth, at constant factor prices	-4.5	4.0	3.3	2.1	2.5	2.5
Agriculture	1.7	-1.9	5.8	-3.0	3.1	2.0
Industry	-6.8	7.7	1.5	2.1	2.0	2.3
Services	-4.3	2.7	4.2	3.7	2.9	2.9
Inflation (consumer price index)	2.4	7.2	9.3	9.3	8.6	7.9
Current account balance (% of GDP)	-12.5	-2.8	9.4	1.9	0.3	-0.8
Fiscal balance (% of GDP)	-11.9	-7.2	-2.9	-6.8	-6.8	-6.4
Revenues (% of GDP)	30.5	29.9	34.2	32.4	30.8	29.9
Debt (% of GDP)	51.8	62.9	55.6	56.9	57.0	57.8
Primary balance (% of GDP)	-11.0	-6.5	-1.4	-5.3	-5.4	-4.9
GHG emissions growth (mtCO2e)	-2.7	-0.9	3.4	1.7	1.8	2.1
Energy related GHG emissions (% of total)	49.8	49.2	50.3	50.7	50.9	51.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

BAHRAIN

Table 1 **2022**

Population, million	1.5
GDP, current US\$ billion	44.4
GDP per capita, current US\$	30152.1
School enrollment, primary (% gross) ^a	98.0
Life expectancy at birth, years ^a	78.8
Total GHG emissions (mtCO ₂ e)	53.8

Source: WDI, Macro Poverty Outlook, and official data.

a/ WDI for School enrollment (2019); Life expectancy (2021).

Economic growth will moderate this year on the soft performance of the hydrocarbon sector, with non-hydrocarbon activity remaining the growth engine for the economy. Despite softening oil prices, the fiscal deficit is anticipated to narrow, supported by ongoing fiscal reforms, while the external balance surplus is maintained. Larger than forecasted drop in oil prices and weaker global demand, potential delays in implementing advanced fiscal reforms, rising global inflation, and climate change pose significant risks to Bahrain's economic outlook.

Key conditions and challenges

Bahrain experienced strong economic growth in 2022, the fastest pace in a decade, boosted by growing non-hydrocarbon sectors including government services, finance, manufacturing, and the upturn in hospitality-oriented sectors. The strong commitment to the fiscal and structural reform agenda, identified in the Fiscal Balance Program (FBP) and Economic Recovery Plan (ERP), supported by favorable oil prices, has significantly narrowed the overall fiscal deficit. On the other hand, a new National Labor Market Plan (NLMP) was approved on July 23 to encourage Bahraini employment in the private sector and reduce public sector fiscal pressures.

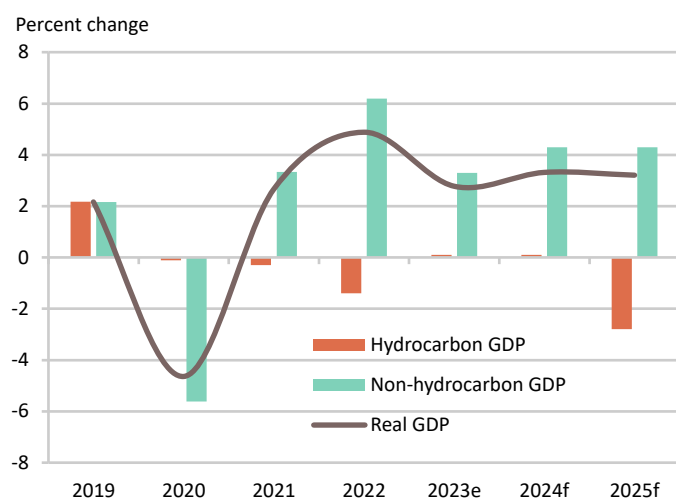
However, challenges remain. Bahrain is considered the most diversified economy in the GCC yet hydrocarbon revenues account for more than 63 percent of total budget revenues which exposes the economy to extreme vulnerabilities stemming from the volatile nature of energy prices. Point in case, despite the recent reforms and high oil prices which improved fiscal and external balances, the public debt remains stubbornly high. Notwithstanding the strong commitment to the reform agenda, falling oil prices will constrain Bahrain from balancing its budget by 2024, while extra-budgetary spending could impede reform implementation efforts. Other challenges in the form of high

youth unemployment and the depletion of underground water resources will have serious long-term growth implications. Downside risks to the outlook are mostly linked to a sizeable drop in hydrocarbon prices, which could renew financing challenges, delay implementation of fiscal reforms, reduce investor confidence, and lead to higher external financing costs. Other risks are related to climate vulnerability to increasing heat and sea level rise, which could have negative impacts on water supply and natural environment. On the upside, higher oil prices provide an opportunity to advance the ambitious reform agenda to contain external borrowing and put debt on a firm downward path, while rebuilding fiscal buffers. Advancing structural reforms including those related to transition towards a low carbon economy and increase employment opportunities among youth, would ensure a private sector-led inclusive recovery. Creating additional fiscal space for renewable energy investment would facilitate Bahrain's climate transition, which is expected to have a positive impact on growth.

Recent developments

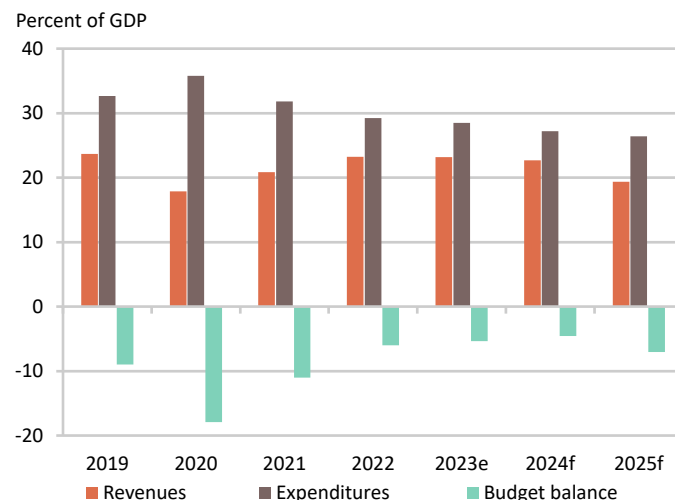
After a solid 2022 performance, Bahrain's economic growth is projected to moderate. Preliminary official data reveals that the economy grew by 2 percent during Q1 2023 driven primarily by the non-oil sectors which grew by 3.5 percent. The transportation and communications, real estate, and financial sectors were among the key

FIGURE 1 Bahrain / Real annual GDP growth



Sources: Bahrain authorities, World Bank, and IMF projections.

FIGURE 2 Bahrain / General government operations



Sources: Bahrain authorities and World Bank projections.

contributors to this steady recovery in non-oil activities, which outpaced the contraction in the oil sector activities (falling by 6 percent) due to seasonal operational maintenance. Average inflation contracted by 0.1 percent in July 2023 y/y, reversing from a 0.4 percent y/y rise in June, driven by lower transport, housing and utilities, and clothing and footwear prices, and as the impact of doubling VAT on prices dissipated.

Official fiscal data for 2023 have not been released yet. However, the government succeeded in concluding the state budget for 2023-24, which placed controlling of public spending and diversifying revenue sources at the heart of the medium-term plan.

Despite lower exports' value in Q1 2023, reflecting softening commodity prices and subdued global demand, the current account balance posted a small surplus of US\$0.6 billion (5.7 percent of GDP). This was mainly driven by the decline in imports, down by 8.4 percent, to reflect easing international prices. As a result, official reserve assets accumulated and reached US\$3.6 billion in Q1 2023—an increase of US\$251 million compared to Q1 2022.

In July 2023, the Ministry of Labor issued the National Labor Market Plan 2023-2026. The plan aims to create high-quality job opportunities for Bahrainis, including by encouraging the private sector to expand flexible options for employment. It also seeks to strengthen the integration of women into the labor market, noting that women constitute 76 percent of job seekers. To better equip the national

workforce for the future needs of the labor market, the plan aims to better align higher education pathways with the needs of the labor market and strengthen the technical and vocational education sector. It also intends to strengthen partnerships with the private sector and improve oversight of the labor market.

According to the most recent available ILO estimates, Bahrain's labor market is continuing to recover from the impact of the COVID-19 pandemic but has not yet rebounded fully. The labor force participation rate and employment-to-population ratio were projected to reach 71.9 percent and 70.8 percent respectively in 2023, each still a little below its level in 2019. In 2023, the employment-to-population ratio is estimated at 86.3 percent among men and at 42.8 percent among women (ILO estimates). The unemployment rate was expected to hold steady around 1.4 percent in 2023, 0.2 percentage points above the 2019 rate. The gradual decline in the unemployment rate since the height of the pandemic has been slower among women than among men, with the unemployment rate among women expected to increase slightly again in 2023.

Outlook

Bahrain's economic outlook hangs on oil market prospects and the accelerated implementation of structural reforms.

Growth is estimated to moderate to 2.8 percent in 2023 capped by a soft performance of the oil sector while the non-oil sector remains the key driver for growth. The hydrocarbon sector is expected to register small growth of 0.1 percent during 2023-24 while the non-hydrocarbon sectors will continue expanding at nearly 4 percent supported by the recovery in the tourism, service sectors, and the continuation of infrastructure projects. The economy is forecast to rebound in the medium-term supported by stronger non-oil sector performance as the impact of structural reforms trickle into the economy. The easing of global commodity prices and the fading effects of doubling VAT rate are projected to keep inflation subdued at 2.2 percent during the medium term.

With the commitment to mobilize higher non-oil revenues and implement additional fiscal measures, the budget deficit is anticipated to continue its narrowing path to reach 5.3 and 4.5 percent of GDP during 2023 and 2024, respectively. However, public debt will remain elevated in the medium term—exceeding 120 percent of GDP—requiring deeper fiscal consolidation measures.

After widening sharply in 2022, the current account surplus is forecast to narrow in 2023 on softening oil export prices but would remain in surplus during 2024-25 in line with the current oil price outlook. The comfortable external position will boost foreign reserves and strengthen forbearance against future external shocks.

TABLE 2 Bahrain / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	-4.6	2.7	4.9	2.8	3.3	3.2
Private consumption	-4.4	18.9	5.0	2.7	2.5	2.4
Government consumption	-2.5	6.5	2.4	2.0	1.6	1.4
Gross fixed capital investment	-3.8	-4.2	2.3	3.0	3.3	3.4
Exports, goods and services	-2.5	29.5	4.9	3.2	3.3	3.4
Imports, goods and services	-0.7	15.2	5.0	3.7	3.0	3.2
Real GDP growth, at constant factor prices	-4.5	2.4	3.3	2.8	3.3	3.2
Agriculture	0.2	7.2	4.4	0.3	3.0	1.8
Industry	-0.9	0.5	1.2	3.6	3.4	3.1
Services	-7.1	3.9	4.9	2.2	3.2	3.3
Inflation (consumer price index)	-2.3	-0.6	3.6	2.3	2.2	2.1
Current account balance (% of GDP)	-9.4	6.6	15.4	7.8	6.6	5.9
Net foreign direct investment inflow (% of GDP)	-3.5	-4.4	0.0	-2.6	-2.6	-2.7
Fiscal balance (% of GDP)	-17.9	-11.0	-6.0	-5.3	-4.5	-7.0
Revenues (% of GDP)	17.9	20.8	23.3	23.2	22.7	19.4
Debt (% of GDP)	129.7	127.2	117.4	120.9	120.6	122.7
Primary balance (% of GDP)	-12.8	-6.3	-1.6	-0.8	0.1	-2.4
GHG emissions growth (mtCO₂e)	3.9	-5.6	0.8	7.2	4.0	0.7
Energy related GHG emissions (% of total)	60.8	58.6	58.4	60.2	60.8	60.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

DJIBOUTI

Table 1 **2022**

Population, million	1.1
GDP, current US\$ billion	3.5
GDP per capita, current US\$	3136.1
International poverty rate (\$2.15) ^a	19.1
Lower middle-income poverty rate (\$3.65) ^a	43.8
National poverty rate ^a	21.1
Gini index ^a	41.6
School enrollment, primary (% gross) ^b	73.2
Life expectancy at birth, years ^b	62.3
Total GHG emissions (mtCO2e)	1.4

Source: WDI, Macro Poverty Outlook, and official data.

a/ Most recent value (2017), 2017 PPPs.

b/ Most recent WDI value (2021).

Djibouti's economy is recovering, largely driven by renewed trade with Ethiopia after a 2022 peace agreement. GDP growth is estimated to reach 4.7 percent compared to 3.1 percent in 2022. Medium-term growth is promising, supported by domestic development projects, and expected stability in Ethiopia, but fiscal vulnerabilities remain. Poverty, projected to stand at 15.7 percent in 2023 (at the international poverty line), is expected to follow a downward trend, reflecting sustained economic recovery.

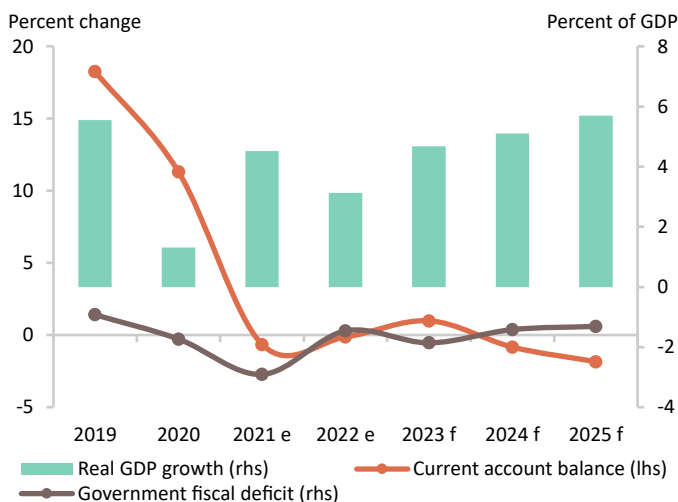
Key conditions and challenges

Djibouti's macro-fiscal vulnerabilities have been exacerbated by a series of exogenous shocks (COVID-19 pandemic, conflict in Ethiopia, and Russian invasion in Ukraine) since 2020. These shocks have strained government finances, led to inflation, jeopardized food security, and slowed poverty reduction efforts. Climatic changes, including drought and floods, also pose an increasing threat to households and businesses, which may be disproportionately felt in poorer regions of the country. Poverty rates, which stood at 19 percent in 2017 at the international poverty line, are estimated to have decreased at a slower rate in recent years, than previously anticipated, to around 15.7 percent in 2023, reflecting COVID-19 effects as well as the economic and social impact of regional instability and accelerating food and energy price inflation up to 2022. Continued efforts by country authorities to promote more inclusive and resilient growth will be critical. This will include improving the business environment and improving SOE governance to attract private investment and lower costs of key services to the economy, improving revenue mobilization to restore fiscal sustainability, and rationalizing untargeted subsidies to create space for higher social spending.

Recent developments

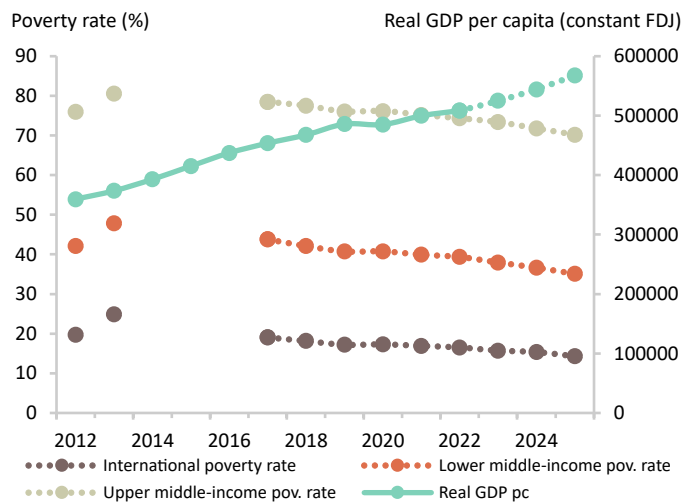
Djibouti's economic activity shows signs of recovery as of June 2023 after the decline observed in 2022. The rebound is mostly driven by renewed trade and logistics demand from its key trade partner, Ethiopia following the signing of a peace agreement between the Ethiopian federal government and the Tigray Rebel movement in November 2022. GDP growth is estimated to rise by 4.7 percent from 3.1 percent in 2022. The year-on-year inflation which reached a peak of 11 percent in July 2022, declined by 1.2 percent in July 2023 mainly due to a slowdown in global food product prices and administrative measures implemented by the government to protect the purchasing power of consumers. On the fiscal side, the budget remains under pressure from lower tax collection performance and rising debt service. Domestic revenue is estimated to fall by 0.6 percent of GDP to about 17.9 percent of GDP in 2023. To ease cash flow pressures, the government renewed in the 2023 budget the main expenditure reduction measures adopted in 2022, including the freezing of promotions for vacant posts. As a result, total expenditure is estimated to fall to 19.7 percent of GDP in 2023, 0.3 percent of GDP down from the level of 2022. In such a context, the budget deficit is expected to deteriorate slightly to 1.9 percent of GDP at the end of 2023. Public external debt stock is estimated to increase to

FIGURE 1 Djibouti / Real GDP growth, fiscal, and current account balances



Sources: Government of Djibouti and World Bank staff projections.

FIGURE 2 Djibouti / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

75 percent of GDP in 2023 following the signature of two new loan agreements in July 2023 with AFREXIMBANK and a local commercial bank (US\$155 million) and the European Investment Bank (US\$87 million). Djibouti's stock of public debt external arrears also further increased, reaching US\$212.6 million (5 percent of GDP) in March 2023. Arrears were mainly accumulated on the railway and water pipeline loans financed by EXIM BANK China. Talks are ongoing with EXIMBANK China to restructure these two loans. On the external account side, the current account balance is expected to turn from a small deficit in 2022 into a 1 percent of GDP surplus following the rebound in Ethiopian demand for logistics services and reexport activities. As a result, the foreign reserve coverage ratio of the money supply under the currency board would remain comfortable above 100 percent and gross official reserves are expected to reach 5 months of prospective imports. Despite multiple shocks in 2022, the banking sector remains generally stable. However, the solvency ratio dipped below the regulatory threshold.

Outlook

Medium-term growth prospects for Djibouti are positive, largely due to expected stability in Ethiopia benefiting its ports. However, failure to reach a debt restructuring agreement with EXIMBANK China for the Djibouti-Ethiopia railway and water pipeline projects would escalate liquidity pressures and increase debt arrears. Domestic development projects including the development of the Damerjog Industrial Park Project, the development of the Doraleh Desalination Plant, and infrastructure programs to be undertaken as part of the implementation of the National Development Plan (NDP) would push Gross Fixed Capital Investment upward. Decelerating energy and food price inflation in 2023 should provide a lift to households' real income and boost private consumption. GDP growth is, therefore, projected to accelerate to 5.1 percent in 2024, and to 5.7 percent in 2025. Critical fiscal consolidation measures, including the reprioritization of

central government investment spending, the freeze on new civil service recruitment, improvements in fiscal management, and tax administration and collection, should help gradually reduce the budget deficit, which is expected to drop to 1.3 percent of GDP by 2025. It is projected that 15.7 percent of the population will continue living under the international poverty line in 2023 and that this rate will decrease to 15.4 percent and 14.3 percent respectively in 2024 and 2025. A more recent household survey remains pending which would allow more accurate and up-to-date poverty estimates. Despite this, risks remain. They include the deterioration in the fiscal situation resulting from a continued accumulation of public debt, a stagnation or decline in revenues, and increased tax exemptions, which could prove a source of vulnerability in 2024-25. Potential new shocks in the global transport and logistics value chains, regional tensions, Russia's withdrawal from the Black Sea grain deal, and climatic shocks, including drought and floods represent additional downside risks to Djibouti's baseline outlook.

TABLE 2 Djibouti / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	1.3	4.5	3.1	4.7	5.1	5.7
Private consumption	9.9	9.6	-1.2	5.0	5.0	5.0
Government consumption	1.6	-2.5	-14.8	2.0	6.2	5.6
Gross fixed capital investment	1.0	4.9	2.2	7.0	7.0	7.1
Exports, goods and services	-29.7	29.5	-13.0	9.0	9.0	10.0
Imports, goods and services	-29.5	18.2	-6.8	11.0	11.0	11.3
Real GDP growth, at constant factor prices	2.1	4.1	3.6	4.7	5.1	5.7
Agriculture	11.5	16.5	-3.2	3.2	3.6	3.9
Industry	-3.7	11.4	-0.4	6.1	6.2	6.3
Services	3.1	2.5	4.5	4.5	5.0	5.7
Inflation (consumer price index)	1.0	1.5	5.1	2.0	2.0	2.0
Current account balance (% of GDP)	11.3	-0.7	-0.1	1.0	-0.8	-1.8
Fiscal balance (% of GDP)	-1.7	-2.9	-1.5	-1.9	-1.4	-1.3
Revenues (% of GDP)	23.4	20.0	18.5	17.9	18.4	18.4
Debt (% of GDP)	75.8	73.8	71.8	75.0	73.4	71.0
Primary balance (% of GDP)	-1.6	-2.7	-0.6	-1.0	-0.6	-0.4
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	17.3	16.9	16.5	15.7	15.4	14.3
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	40.8	39.9	39.4	38.0	36.7	35.1
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	76.2	75.2	74.3	73.4	71.8	70.2
GHG emissions growth (mtCO₂e)	-0.1	0.9	0.5	0.8	0.7	0.7
Energy related GHG emissions (% of total)	25.3	25.4	25.6	25.7	25.9	26.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2017-EDAM. Actual data: 2017. Nowcast: 2018-2022. Forecasts are from 2023 to 2025.

b/ Projection using neutral distribution (2017) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

ARAB REPUBLIC OF EGYPT

Table 1 **2022**

Population, million	103.4
GDP, current US\$ billion	476.7
GDP per capita, current US\$	4610.7
Lower middle-income poverty rate (\$3.65) ^a	17.6
National poverty rate ^b	29.7
Gini index ^a	31.9
School enrollment, primary (% gross) ^c	106.4
Life expectancy at birth, years ^c	70.2
Total GHG emissions (mtCO ₂ e)	361.5

Source: WDI, Macro Poverty Outlook, and official data.

a/ Most recent value (2019), 2017 PPPs.

b/ Most recent value (2019).

c/ WDI for School enrollment (2019); Life expectancy (2021).

Egypt's macroeconomic and structural challenges intersected with global shocks causing a foreign exchange crisis, high inflation and pressures on medium-term debt sustainability. Growth is projected to decline from 4.2 percent in FY23 to 3.7 percent in FY24. Fiscal (including off-budget) consolidation, mobilizing foreign flows, and reforms to enable the private sector are key to stabilize the economy and break the potential depreciation-inflation spiral. Importantly, targeted social protection is crucial to shield the vulnerable.

Key conditions and challenges

Egypt continues to face a foreign exchange crisis, historically high inflation, and a sharp rise in borrowing costs. While triggered by overlapping global shocks, rising macroeconomic imbalances also reflect pre-existing domestic vulnerabilities and challenges, including the sluggish non-oil exports and FDI, constrained private sector activity and job creation, as well as the elevated and rising government debt, driven by budgetary and off-budget transactions.

The latest estimates (for 2019) show that the national poverty rate reached 29.7 percent. COVID19 and accelerating inflation in 2022 and 2023 are expected to have increased poverty rates substantially. Notwithstanding the recent downtick in the unemployment rate to 7.0 percent in Q4-FY23 (April–June 2023), the broader labor market indicators reflect structural challenges, as captured by the below-potential labor force participation and employment rates (at 43.0 percent and 40.0 percent of the working-age population). Furthermore, relatively low revenue mobilization (tax revenues at 12.4 percent of GDP in FY23) and the high and increasing debt service (interest payments at 7.6 percent of GDP in FY23) pose risks to fiscal sustainability and are limiting the space to advance human capital for the rapidly growing population which exceeds 105 million in FY23.

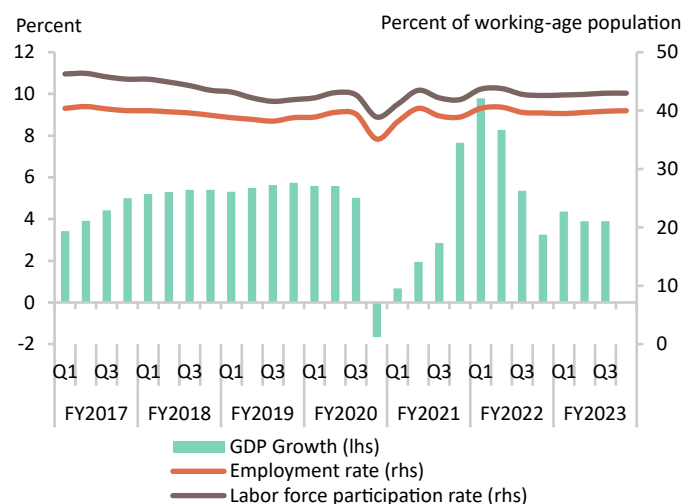
In response, the authorities undertook a series of policy adjustments since March 2022. These include raising policy rates by 1,100 basis points (to 19.25 percent and 20.25 percent for overnight deposit and lending transactions as of August 2023), allowing the exchange rate to depreciate by more than 97 percent (to LE30.8/US\$), and introducing social mitigation packages (including the expansion of cash transfer programs). These adjustments were supported by the 46-month IMF Extended Fund Facility (EFF), approved in December 2022. However, the first EFF review is still pending. In addition, transformative measures to improve the business environment are yet to be implemented.

Recent developments

Economic activity has been adversely impacted by the overlapping global shocks. Growth declined to 4.2 percent during FY23 (July 2022–June 2023) from 6.6 percent a year earlier. Lingering de facto import restrictions continue to adversely impact economic activity, due to the difficulty of accessing inputs for production and exports (with backlogs in ports last reported at US\$5.5 billion at end-May 2023 from US\$3.9 billion two months earlier).

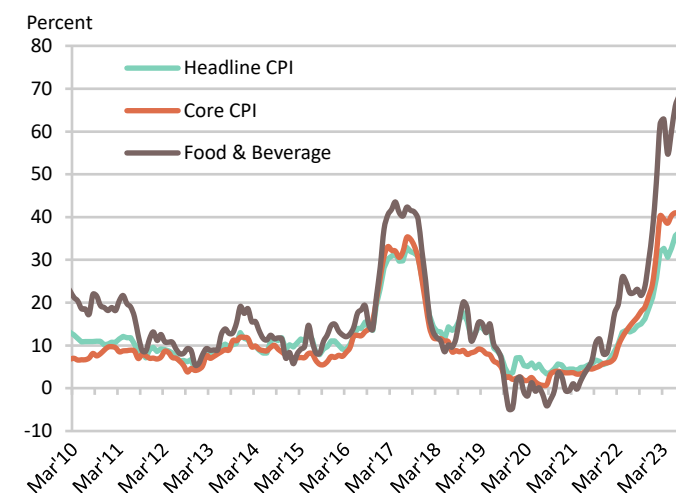
Annual urban inflation has been in the double-digits since March 2022, accelerating to an average of 24.1 percent in FY23 (37.4 percent, with food inflation at 71.7 percent in August 2023), exceeding the peak reached during the 2017 inflation episode. Cost-push factors have been the

FIGURE 1 Arab Republic of Egypt / Real GDP growth, employment and labor force participation rates



Sources: World Bank estimates based on Central Agency for Public Mobilization and Statistics (CAPMAS) and Ministry of Planning and Economic Development.

FIGURE 2 Arab Republic of Egypt / Annual inflation rates



Sources: Central Bank of Egypt (CBE) and CAPMAS.

predominant contributors to this recent inflation wave, but relatively loose domestic liquidity conditions (mainly driven by credit extended to the public sector) also indicate that excess demand remains another contributor to inflationary pressures. Official reserves (Tier 1 reserves) and other foreign currency assets (Tier 2 reserves) increased gradually over recent months, jointly reaching US\$42.9 billion at end-August 2023. These, however, remain around US\$12 billion (21 percent) below their level prior to March 2022. The Balance of Payments outturns indicate that improvements in the services balance (tourism and the Suez Canal), along with FDI have supported reserves. Authorities are also generating receipts from the sales of assets (at US\$2.5 billion during 2023). Nevertheless, shortage of hard currency remains a challenge. This is evidenced by the banking system's deeply negative net foreign assets position [-LE812.4 billion (US\$26.3 billion) at end-July 2023] which has been deteriorating even prior to the escalation of the global shocks.

Outlook

Growth is forecast to decline to 3.7 percent in FY24 (from 4.2 percent in FY23) as

households' purchasing power and firms' activity are constrained by higher costs because of the depreciation, exchange and import restrictions, imported inflation, domestic supply bottlenecks, and costlier access to finance. The recent electricity cuts (caused by a combination of a downtick in natural gas production and increased consumption during the heat wave) may further contribute to lower economic activity. Going forward, growth is projected to gradually rise to 4.0 percent by FY25, benefitting from favorable base effects, and the contained imports growth associated with the depreciation, under a baseline scenario envisaging a resumption of macro stabilization and continued structural reforms. The budget deficit is forecast to widen from 6.0 percent in FY23 to 7.1 percent in FY24, as subsidies and interest payments are driven up by the social mitigation measures and monetary tightening. The government debt-to-GDP ratio is also estimated to have increased from 88.3 percent at end-FY22 to 95.6 percent at end-FY23, and is projected to rise further to 96.9 percent by end-FY24, in large part driven by valuation effects of foreign currency-denominated debt (estimated at 27.8 percent of total debt at end-FY22), which is more than offsetting the negative real interest rates.

The current account deficit is forecast to decline in FY23-24 (from 3.5 percent of

GDP in FY22) supported by continued improvements in services exports as well as compressed imports. The projected moderation, however, is expected to be partially counterbalanced by the still-elevated imports costs, downtick in remittances, and the pay down of import backlogs/suppliers' credit. The capital and financial account is expected to remain under pressure, with mitigation coming from international financing and sales of assets.

Risks to the outlook stem from a prolonged delay of macro stabilization and the potentially scarring effects of expanding untargeted subsidies and tax exemptions, in addition to the government debt maturity, its currency structure, as well as the financial interlinkages with extra-budgetary entities. High inflation, especially for food, remains a source of concern for poverty reduction efforts. This highlights the importance of upscaling targeted social protection. Pursuing tight fiscal and monetary policies, while addressing foreign exchange distortions and mobilizing international financing will be key to restoring macroeconomic stability. Strengthening the role of the State as a regulator, while streamlining its presence in the economy and enabling a more competitive private sector will be critical to unleash the economy's potential in higher value-added export-oriented activities.

TABLE 2 Arab Republic of Egypt / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	3.6	3.3	6.6	4.2	3.7	4.0
Private consumption	7.4	6.2	2.8	3.6	2.8	3.1
Government consumption	7.9	3.4	4.9	4.2	4.3	3.8
Gross fixed capital investment	-21.1	-3.2	18.5	-0.1	2.3	4.0
Exports, goods and services	-23.7	-13.9	57.4	35.0	25.0	16.0
Imports, goods and services	-18.7	0.5	24.3	20.0	16.5	11.0
Real GDP growth, at constant factor prices	2.5	2.0	6.2	3.9	3.6	3.9
Agriculture	3.4	3.8	4.0	4.5	3.5	3.3
Industry	0.6	-1.2	6.9	2.0	1.4	2.6
Services	3.6	3.7	6.2	5.0	5.0	4.8
Inflation (consumer price index)	5.7	4.5	8.5	24.1	26.7	15.9
Current account balance (% of GDP)	-2.9	-4.3	-3.5	-2.8	-2.8	-2.9
Net foreign direct investment inflow (% of GDP)	1.9	1.1	1.8	1.9	2.0	1.9
Fiscal balance (% of GDP)	-7.5	-7.1	-6.2	-6.0	-7.1	-7.0
Revenues (% of GDP)	15.9	16.6	17.2	15.4	16.0	16.2
Debt (% of GDP)	82.8	87.9	88.3	95.6	96.9	94.0
Primary balance (% of GDP)	1.7	1.4	1.3	1.6	2.0	2.1
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	1.7	1.7	1.7	2.4	2.3	2.3
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	20.0	19.8	19.2	24.3	24.1	23.8
GHG emissions growth (mtCO₂e)	1.3	-0.6	1.9	1.8	1.6	1.9
Energy related GHG emissions (% of total)	64.6	64.3	64.3	64.2	64.2	65.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2010-HIECS, 2015-HIECS, and 2019-HIECS. Actual data: 2019. Nowcast: 2020-2022. Forecasts: 2023-2025.

b/ Projection based on microsimulations for 2020 and 2023, for the other years it is using annualized elasticity (2010-2015) with pass-through = 0.02 based on GDP per capita in constant LCU.

IRAN, ISLAMIC REPUBLIC

Table 1 **2022**

Population, million	84.7
GDP, current US\$ billion	413.5
GDP per capita, current US\$	4881.9
Upper middle-income poverty rate (\$6.85) ^a	27.6
Gini index ^a	42.0
School enrollment, primary (% gross) ^b	109.7
Life expectancy at birth, years ^b	73.9
Total GHG emissions (mtCO2e)	947.2

Source: WDI, Macro Poverty Outlook, and official data.

a/ Most recent value (2019), 2017 PPPs.

b/ WDI for School enrollment (2020); Life expectancy (2021).

Iran's economy is set to grow for a fourth consecutive year, buoyed by the oil sector. However, persistent high inflation and scarce job opportunities compound labor market challenges. Oil-driven growth is non-inclusive; an estimated 28.1 percent of Iranians are poor, and two fifths of households are vulnerable to falling into poverty. The economic outlook is projected to remain constrained by sanctions, adverse climate change impacts, electricity and gas shortages, and weakened global demand.

Key conditions and challenges

Despite maintaining sustained moderate growth in 2022/23 - the Iranian year starts on March 20 - the economy faces entrenched structural challenges. Sluggish and jobless long-term growth, low productivity, high inflation, and imbalances in the banking and pension systems persist. These challenges have compounded longstanding socio-economic grievances that have triggered recent protests. Ongoing economic sanctions and a dominant public sector hinder the full utilization of Iran's economic potential, including leveraging a highly educated young population, to further diversify the economy towards non-oil industries and services such as tourism.

High inflation and insufficient job creation disproportionately impact lower-income households. Years of high inflation have negatively impacted poor households and eroded the real value of social assistance transfers. With only around one-third of the population employed and limited job prospects, particularly for the young and female population, labor market challenges persist; this exacerbates inequalities and contributes to a high poverty rate. Inadequate job creation has driven many Iranians, particularly women, out of the job market, resulting in a lost window of opportunity for growth. The gradual aging of the population, a notable rate of emigration of the

highly skilled workforce, and a declining birth rate not only weigh on growth prospects but also pose a challenge for an already struggling pension system.

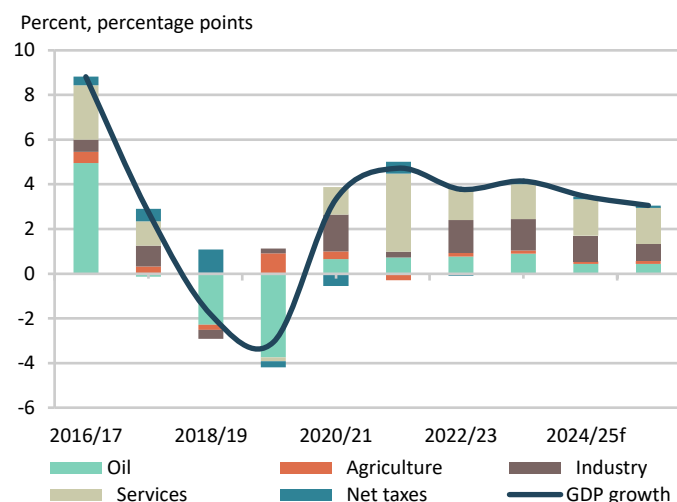
Urgent economic reforms are crucial to address critical structural issues. Priority reforms include restoring price and financial system stability, market-based lending, and minimizing unnecessary market interventions and price controls. Implementing a counter-cyclical fiscal policy would help curb budget deficits and promote investments in productive capacity, renewable energy, and economic diversification. Improved targeting of cash transfers will create fiscal space, while indexing the cash transfers for a targeted pool of eligible beneficiaries will help protect them from inflation.

Recent developments

Iran's economy maintained a moderate growth rate of 3.8 percent in 2022/23, driven by services and manufacturing. The oil industry also grew with tighter global oil markets. Private consumption served as the primary driver of GDP growth, while government consumption contracted in real terms to address the budget deficit. Both exports and imports expanded, and robust investment in machinery drove investment. Despite growing by 0.7 million year-on-year (Y-o-Y) in Q1-2023/24, employment still lags the economic expansion of the past three years.

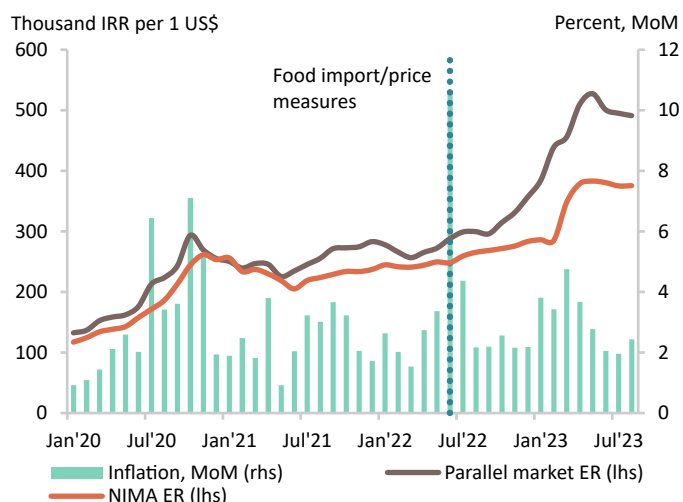
Elevated food prices and housing costs drove consumer price inflation

FIGURE 1 Islamic Republic of Iran / Real GDP growth and supply-side contributions to real GDP growth



Sources: Central Bank of Iran (CBI) and World Bank staff calculations.

FIGURE 2 Islamic Republic of Iran / Improved inflationary expectations have eased price pressures



Sources: CBI, Statistical Center of Iran, and World Bank staff calculations.

Note: NIMA is the CBI-administered foreign exchange auction system that facilitates transactions between exporters and importers.

to 46.7 percent (Y-o-Y) in the first five months of 2023/24. However, lower inflation expectations and the stabilization of the exchange rate helped decelerate monthly inflation, following the continuation of nuclear talks and improved access to frozen funds abroad that helped partially ease exchange rate pressures.

The recent increase in oil exports is helping to mitigate the budget deficit and improve the current account. In 2022/23 and Q1-2023/24, the government budget was constrained by lower than budgeted oil revenues in response to which the government reprioritized expenditures. Since Q2-2023/24, oil exports have recorded their highest level since the reimposition of US sanctions in 2018/19. Despite rising imports, higher oil exports in 2022/23 drove a current account surplus (US\$14.4 billion), offset by a net capital account deficit (US\$14.6 billion), marking the seventh consecutive year of net capital outflows. Improved oil exports in the first half of 2023/24 are estimated to have maintained the overall trade surplus, despite a non-oil trade deficit.

Outlook

GDP growth is forecast to maintain a modest pace in the medium term. Higher projected oil production and export volumes are expected to offset lower oil prices as well as China's economic slowdown in 2023/24, and to drive an oil-based growth. Non-oil growth is projected to remain constrained by ongoing sanctions, energy shortages, liquidity constraints, underinvestment, and economic uncertainty. Inadequate agricultural production, worsened by droughts and water scarcity, disproportionately harms the poor, jeopardizes food security, and drives migration to cities, increasing rural-urban disparities.

Anticipated higher oil exports and partial access to frozen funds are expected to alleviate fiscal and external pressures. Government expenditures for 2023/24 to 2025/26 are projected to outpace revenues, leading to a fiscal deficit, albeit a smaller one as a share of GDP considering the

higher projected oil revenues. While the government plans to cover most of the deficit through asset sales, this is projected to partially cover the funding gap, thereby keeping the inflationary pressures from the budget deficit financing in place. On the external front, the current account is expected to remain in surplus as higher crude oil exports are expected to offset the decline in oil prices as well as rising imports. Access to frozen funds would help alleviate exchange rate pressures and inflationary expectations. High inflation and limited job creation will continue to place pressure on household welfare and challenge poverty reduction.

The economic outlook is subject to heightened risks. Downside risks include further water and energy shortages, intensification of climate change shocks, and a re-escalation of social tensions. Further sanctions and stricter enforcement of restrictions may disrupt trade and fuel further inflationary expectations. A substantial sanctions relief or an interim agreement related to nuclear negotiations could significantly improve the economic outlook.

TABLE 2 Islamic Republic of Iran / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020/21	2021/22	2022/23	2023/24e	2024/25f	2025/26f
Real GDP growth, at constant market prices	3.3	4.7	3.8	4.1	3.5	3.1
Private consumption	0.5	3.9	8.7	2.2	2.1	1.9
Government consumption	-0.9	8.3	-3.6	3.5	3.4	3.2
Gross fixed capital investment	3.2	0.0	6.6	5.9	5.5	5.4
Exports, goods and services	-12.8	5.2	8.2	15.4	7.9	5.6
Imports, goods and services	-29.7	24.1	7.5	8.7	4.1	3.0
Real GDP growth, at constant factor prices	4.1	4.4	4.0	4.1	3.5	3.1
Agriculture	3.2	-2.6	1.1	1.1	1.0	1.0
Industry	7.8	3.2	7.4	7.3	4.9	3.7
Services	2.2	6.5	2.7	2.9	3.0	3.0
Inflation (consumer price index)	47.1	46.2	46.5	42.6	35.8	32.3
Current account balance (% of GDP)	-0.3	3.1	3.5	4.8	3.5	2.7
Fiscal balance (% of GDP)	-5.8	-3.2	-1.9	-1.6	-2.1	-2.2
Revenues (% of GDP)	7.3	11.0	12.1	12.1	12.0	12.1
Gross Public Debt (% of GDP)	41.4	42.4	30.1	30.7	32.5	34.0
Primary balance (% of GDP)	-5.3	-2.7	-1.4	-1.3	-1.7	-1.9
GHG emissions growth (mtCO2e)	-2.4	5.7	2.7	2.8	2.4	2.2
Energy related GHG emissions (% of total)	66.2	67.6	67.5	67.4	67.2	66.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

REPUBLIC OF IRAQ

Table 1 **2022**

Population, million	44.5
GDP, current US\$ billion	241.7
GDP per capita, current US\$	5430.8
Lower middle-income poverty rate (\$3.65) ^a	2.4
Upper middle-income poverty rate (\$6.85) ^a	24.7
National poverty rate ^a	22.5
Gini index ^a	29.5
School enrollment, primary (% gross) ^b	108.7
Life expectancy at birth, years ^b	70.4
Total GHG emissions (mtCO2e)	309.8

Source: WDI, Macro Poverty Outlook, and official data.

a/ Most recent value (2012), 2017 PPPs.

b/ WDI for School enrollment (2007); Life expectancy (2021).

The economy enjoyed an oil-driven recovery in 2022 but is projected to slow down significantly in 2023. GDP is contracting following oil market developments and the new OPEC+ production cuts. Lower oil exports and the sharp fiscal expansion are weighing on fiscal and external balances, and fiscal risks could re-emerge without more reforms. Downside risks to the outlook include oil market volatility, climate change risks, and a return to instability.

Key conditions and challenges

Iraq's economy is showing signs of a slow-down as GDP growth continues to track the developments in the oil sector. GDP growth is decelerating, reflecting extended oil production cuts by OPEC+ and the ongoing halting of oil exports from the northern oil pipeline, following the international arbitration case with Türkiye. Lower oil export quantities will decrease oil revenues, weighing on the fiscal position and international reserves.

The approved budget law for 2023 to 2025 envisages a fiscal expansion that does not address structural vulnerabilities, at a time of weaker global growth and heightened oil market uncertainty. The budget, if fully implemented, will result in a large fiscal deficit, which would require a sizeable financing need and deplete the buffers accumulated during the previous year's oil windfall. The composition of the budget for 2023, notably the sharp increase in the wage bill, could have a long-term impact by further aggravating budget rigidities; this would then leave little fiscal space for growth-enhancing programs in human and physical capital.

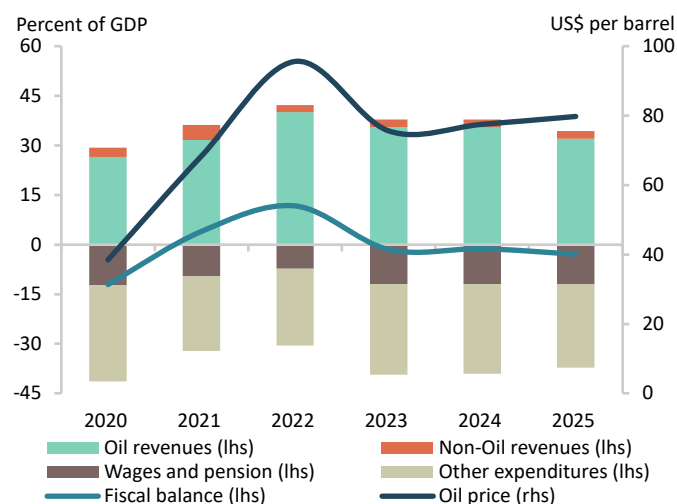
Despite several reform efforts, Iraq's economic model remains oil-dependent and dominated by the public sector, negatively impacting growth prospects. Over-reliance on oil and the implicit social contract reduce incentives to diversify the economy and government revenues. Despite the

vast oil wealth, public service delivery remains poor, due to poor public investment management, productive and allocative inefficiencies, and corruption. A large public sector (representing about 39% of total employment) and an unconducive business environment limit opportunities in the private sector which remains largely informal with low social status and low economic returns. Most of the poor and vulnerable Iraqis are employed in the informal sector. Climate change challenges, including extreme heat events, water scarcity and desertification, increase food insecurity and reliance on food imports, hamper economic activities, re-enforce rural-urban migration, and negatively impact physical and mental health. In the absence of economic reforms, these challenges are set to weigh on growth and increase pressures on the most vulnerable Iraqis and heighten social tensions.

Recent developments

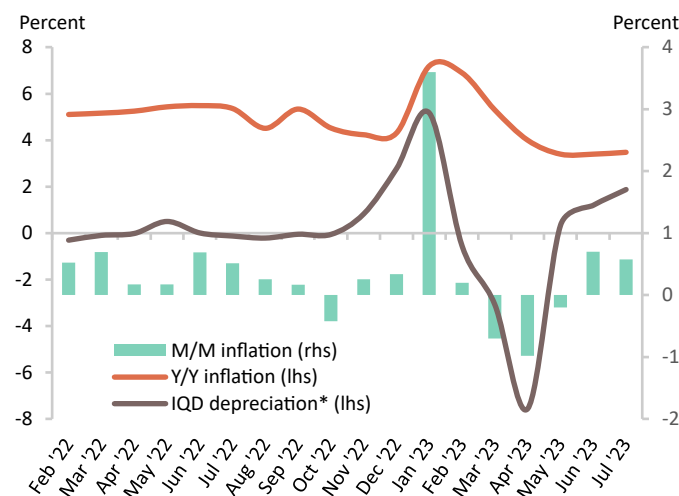
GDP growth is decelerating due to declining oil output. Following a rapid expansion in 2022, real GDP growth moderated to 2.6 percent year-on-year (y-o-y) in Q1-2023 as oil production was constrained by the extended OPEC+ production quota. Crude oil production was below Iraq's agreed quota between April and August 2023 in part due to halting of exports from the Kurdistan Region of Iraq. Non-oil GDP grew by 4.7 percent y-o-y in Q1-23 owing to a rebound in non-oil industries (particularly construction), supported by the CBI

FIGURE 1 Republic of Iraq / Fiscal account outlook



Sources: Iraq's Ministry of Finance, Ministry of Oil, and World Bank staff calculations.

FIGURE 2 Republic of Iraq / Consumer price inflation and parallel market pressures



Sources: Iraq's Central Statistical Organization, Central Bank of Iraq, media, and World Bank staff calculations. Note: *Positive values show dinar's depreciation against the dollar in the parallel market.

lending initiative, and agriculture due to a better rainfall season.

While inflation has eased since the FX-related spike in prices at the beginning of the year, pressures in the parallel market persist. Following the closer enforcement of due diligence measures in the CBI dollar auctions since November 2022, the re-channeling of demand to the parallel market drove a depreciation of the dinar and a surge in inflation to 7.0 percent y-o-y in January-February 2023. However, inflationary pressures have since started to moderate, supported by the CBI decision to revalue the dinar against the dollar by 10.3 percent in Feb 2023 and by moderating global commodity prices. Average headline and core inflation eased to 3.9 and 3.4 during March to July period y-o-y, respectively. However, pressures in the parallel exchange market remain elevated and the gap with the official rate was over 19 percent in mid-September 2023, reflecting continued FX demand in the parallel market.

Lower oil prices and export volumes have started to weigh on government finances and on the external account. Government revenues, heavily dependent on oil, declined by 28.2 percent y-o-y in the first half of 2023 (H1-2023). Expenditures declined by 2.4 percent due to the delay in ratification budget law 2023, which partly curbed

the procyclicality of fiscal policy. As a result, the fiscal account recorded a surplus of 2.9 percent of GDP (cash basis), down from a surplus of 7.8 percent of GDP in H1-2022. On the external account, higher imports and lower exports almost halved the current account surplus to 5.7 percent of GDP in H1-2023. The accumulation of gross official reserves (excluding gold) started to decelerate in early 2023 and declined in July 2023 to US\$95 billion from over US\$101 billion in June.

Outlook

The economic outlook is expected to weaken due to less favorable oil market prospects. GDP growth is forecast to contract by 2.3 percent in 2023 as OPEC+ oil production cuts agreed in June 2023 will lead to lower production and exports from the Kurdistan Region remain constrained due to the oil pipeline dispute. Non-oil GDP is estimated to grow by 4.5 percent in 2023, assisted by the fiscal expansion in the second half of the year. For 2024-25, a gradual rebound in overall GDP growth is forecasted under the assumption that oil production will start to increase again from mid-2024, reaching its historical peak by end-2024 and gradually growing

thereafter. The easing of global commodity prices, revaluation of the dinar, and continued price subsidies are projected to keep inflation in check. With the projected decline in oil prices and the expansionary fiscal policy stance, the fiscal balance is forecast to return to a deficit and the debt-to-GDP ratio increase. An expected influx of imports driven by the dinar revaluation and the significant increase in government expenditures will further weigh on the current account surplus, which at a projected average oil price of US\$78.7/bbl from 2023 to 2025, is forecast to narrow in 2025.

Downside risks to the outlook stem from geopolitical developments, along with fluctuations in commodity prices and exacerbated vulnerabilities due to climate change. A potential resurgence in food prices, contingent on the evolution of Russia's invasion of Ukraine and the coming El Niño, could fuel inflationary pressures. Food price surges, coupled with intensified climate change shocks could amplify existing poverty trends and heighten food insecurity, which add to the existing public grievances and social tensions. The Iraqi economy's overreliance on oil leaves it susceptible to market volatility, global demand fluctuations, and heightened risks amid the global transition towards a decarbonized world.

TABLE 2 Republic of Iraq / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	-9.4	-2.1	7.0	-2.3	4.3	2.9
Private consumption	-5.5	2.6	3.5	7.7	4.5	4.0
Government consumption	-9.5	4.7	8.2	18.0	8.5	4.7
Gross fixed capital investment	-65.4	7.8	10.4	21.2	26.6	9.9
Exports, goods and services	-10.1	-13.3	16.4	-6.7	4.8	2.8
Imports, goods and services	-23.9	7.7	20.0	20.5	13.7	7.0
Real GDP growth, at constant factor prices	-12.0	1.6	7.0	-2.3	4.3	2.9
Agriculture	22.5	-20.6	-10.6	3.5	3.0	3.0
Industry	-16.4	-0.7	11.2	-5.6	4.7	2.9
Services	-5.8	9.8	1.2	3.8	3.5	2.8
Inflation (consumer price index)	0.6	6.0	5.0	4.8	4.0	3.8
Current Account Balance (% of GDP)^a	-4.0	12.0	20.7	4.6	4.9	3.7
Net Foreign Direct Investment Inflow (% of GDP)^a	-1.7	-1.3	-0.9	-0.8	-0.8	-0.8
Fiscal Balance (% of GDP)^a	-12.1	4.0	11.7	-1.5	-1.2	-2.0
Revenues (% of GDP)	29.3	36.2	42.2	37.9	37.8	36.2
Debt (% of GDP)^a	78.8	58.8	40.8	44.3	46.1	46.6
Primary Balance (% of GDP)^a	-11.0	4.5	12.6	-0.9	-0.6	-1.5
GHG emissions growth (mtCO₂e)	-9.7	-2.1	9.1	-3.9	3.7	1.9
Energy related GHG emissions (% of total)	43.0	42.6	43.3	43.1	43.6	43.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Share of factor cost GDP.

JORDAN

Table 1 **2022**

Population, million	11.3
GDP, current US\$ billion	47.5
GDP per capita, current US\$	4210.4
National poverty rate ^a	15.7
School enrollment, primary (% gross) ^b	80.0
Life expectancy at birth, years ^b	74.3
Total GHG emissions (mtCO2e)	37.6

Source: WDI, Macro Poverty Outlook, and official data.

a/ Most recent value (2017/8).

b/ Most recent WDI value (2021).

Jordan has prudently navigated difficult times, showing resilience in the face of major external crises. However, key structural constraints remain firmly entrenched, notably those related to the labor market, the business environment, and fiscal sustainability. Additionally, Jordan is highly vulnerable to climate shocks, underscoring its need to address water, energy, and food security concerns. A reaffirmed commitment to reform implementation, progress monitoring and course adjustment when needed can help spur growth and improve the wellbeing of the Jordanian population.

Key conditions and challenges

Jordan's geopolitical role in the MENA region, its exposure to regional conflicts, and the associated spillover of refugees have historically made security and stability the foremost concerns of policymaking. The impact of these external shocks is compounded by domestic constraints, with the lack of structural transformation resulting in a low-growth equilibrium, persistent weak labor market outcomes, and a challenging business and socioeconomic context. In the face of crises, Jordan has adopted an accommodative but prudent monetary and fiscal policy mix focused on fiscal consolidation and maintaining the pegged exchange rate. Implementation of the new Economic Modernization Vision 2033 is essential to spur productivity and investment, address the job market woes, and improve the standard of living.

While no new official poverty rate has been released since 2018 it is likely that food price increases in 2022 have adversely affected the poorest and most vulnerable households. Further, recent cutbacks to humanitarian assistance for Syrian refugees are likely to have adverse welfare consequences, as these households are disproportionately likely to be poor and dependent on cash-assistance to supplement their livelihoods.

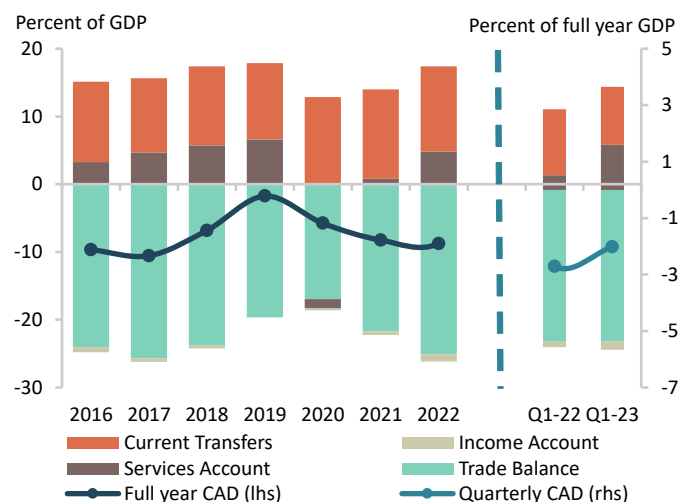
Risks from the global economy - including tighter financial conditions, a slowdown in trading partners' growth, continued

geopolitical tensions and the associated impact on commodity prices - pose significant challenges for Jordan. Meanwhile, water and electricity sectors' financial sustainability remain a concern, and the country remains highly susceptible to extreme weather conditions, including rising temperatures and lower precipitation, which could aggravate water scarcity and food security risks.

Recent developments

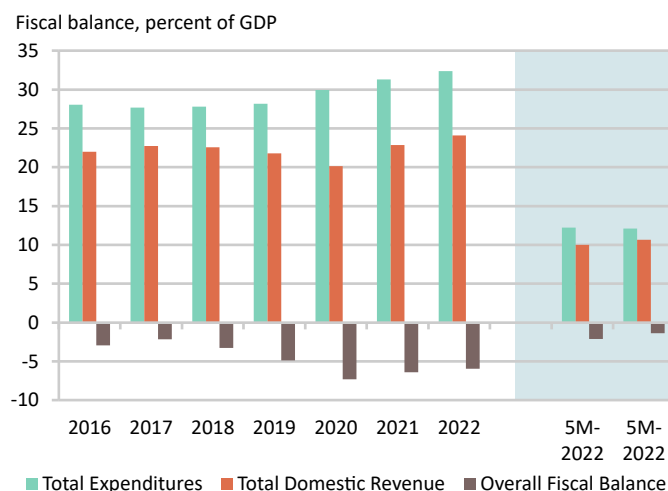
Growth reached 2.5 percent in 2022 and increased to 2.8 percent (y-o-y) during Q1-2023, yet labor market indicators remain weak. Growth was driven by services (transport and communications, finance and insurance, and wholesale and retail trade), a rebound in agriculture, and a robust contribution from manufacturing and mining. The restaurants and hotels sector grew by 5.6 percent in Q1, but its contribution to overall growth remains marginal (0.1 ppts) given its low weight in the economy (1.5 percent of GDP). Inflation decelerated to 2.5 percent on average in 8M-2023, reflecting the Central Bank of Jordan's monetary tightening and lower global commodity prices. Poor labor market indicators continue to constrain economic potential, with a low 33.3 percent labor force participation rate in Q1-2023 (13.7 percent for women). Unemployment has only slightly declined to 21.9 percent (from 22.8 percent in Q1-2022), with youth (46.1 percent) and women (30.7 percent) being the most affected.

FIGURE 1 Jordan / External accounts are boosted by travel receipts, but the trade balance remains largely in deficit



Sources: Central Bank of Jordan and World Bank staff calculations.

FIGURE 2 Jordan / Fiscal performance benefited from higher revenue and phasing out of fuel subsidies



Sources: Ministry of Finance and World Bank staff calculations.

The Central Government fiscal deficit reached 5.8 percent in 2022, supported by revenue-enhancing reforms, while total expenditure grew at a slower pace. It continued to improve in H1-2023, narrowing by 0.5 percent of GDP compared to H1-2022, and showing a primary surplus of 0.4 percent for the first time since 2017. This was driven by an increase in revenue and lower subsidy spending in H1-2023. Capital expenditures witnessed a marked increase of 0.4 ppts of GDP. Government and guaranteed debt reached JD39.7 billion in June, compared to JD38.49 billion (114.2 percent of GDP) at end-2022, or 91.0 percent net of SSIF holdings (i.e., general government coverage).

The BOP registered a deficit of 1.6 percent of GDP in 2022, compared to a 5.3 percent surplus in 2021, impacted by the large increase in the current account deficit. The CAD reached 8.7 percent of GDP in 2022, but improved in Q1-2023 (down to 2.0 percent of GDP, from 2.7 percent), helped by a marked pickup in travel receipts. The trade deficit narrowed during H1-2023, mainly driven by a 4.8 percent

contraction in imports. With the decline in FDI (from 0.8 percent of GDP to 0.5 percent in Q1) and other investments (from 1.3 percent of GDP to 0.9 percent), the BOP registered a deficit of 1.5 percent of GDP compared to 0.4 percent of GDP in Q1-2022.

Outlook

Growth is expected to inch up to 2.6 percent in 2023, supported by a strong contribution from services. Without a strong reform momentum, growth is expected to settle at around 2.5 percent starting 2024, as base effects from post-pandemic recovery fade away. Headline inflation is anticipated to be contained at 2.4 percent in 2023, supported by favorable base effects, lower imported commodity prices, and muted core inflation.

While the recovery of tourism and other services is expected to support wage incomes, large socioeconomic vulnerabilities persist. Limited private sector job creation, segmented labor markets, high

informality, and low labor productivity continue to suppress households' real income growth. Moreover, cuts in cash transfers to refugees due to declining foreign assistance are likely to have an adverse impact on poverty, food security, and indebtedness levels.

Fiscal consolidation is expected to continue in 2023, supported by the decline in subsidies and the growing domestic revenues. Together with the containment of public wage bill growth, this will offset the impact of higher interest payments and capital expenditures. Nevertheless, fiscal pressures from the water and electricity sectors are expected to increase public debt to 116.0 percent of GDP (equivalent to 91.1 percent of GDP after excluding SSIF holdings) at end-2023.

On the external front, the CAD is expected to narrow to 7.6 percent of GDP in 2023, driven by an improved trade balance partly due to lower commodity prices and increased tourism receipts. These will more than offset the impact of lower grants, the slowdown of remittances growth, and higher primary income payments.

TABLE 2 Jordan / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	-1.6	2.2	2.5	2.6	2.5	2.5
Real GDP growth, at constant factor prices	-1.3	2.2	2.5	2.7	2.5	2.5
Agriculture	1.3	2.8	3.3	3.7	2.4	2.4
Industry	-2.1	3.1	3.3	3.1	2.2	1.5
Services	-1.2	1.8	2.2	2.4	2.7	3.0
Inflation (consumer price index)	0.3	1.3	4.2	2.4	2.4	2.4
Current account balance (% of GDP)	-5.7	-8.2	-8.7	-7.6	-5.9	-5.1
Net foreign direct investment inflow (% of GDP)	1.7	1.3	2.4	2.2	2.4	2.8
Fiscal Balance (% of GDP)^a	-7.1	-6.4	-5.8	-5.1	-5.0	-4.8
Revenues (% of GDP)	22.7	25.4	26.5	26.6	26.7	26.8
Debt (% of GDP)^b	106.8	111.7	114.2	116.0	117.1	118.2
Debt, net of SSIF (% of GDP)^b	87.0	89.8	91.0	91.1	90.8	90.3
Primary Balance (% of GDP)^a	-3.1	-2.0	-1.6	-0.6	-0.1	0.2
GHG emissions growth (mtCO2e)	-3.7	3.2	3.3	3.1	2.4	2.8
Energy related GHG emissions (% of total)	62.4	62.1	61.3	60.9	60.7	60.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ CG fiscal balance incl. grants and adjustment on receivables and payables (use of cash) as per IMF Country Report No. 23/49.

b/ Government and guaranteed gross debt. Includes securitization of domestic arrears in 2019-21.

KUWAIT

Table 1 **2022**

Population, million	4.3
GDP, current US\$ billion	168.7
GDP per capita, current US\$	39527.0
School enrollment, primary (% gross) ^a	82.6
Life expectancy at birth, years ^a	78.7
Total GHG emissions (mtCO2e)	155.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2021).

Kuwait's economy is expected to slow down sharply in 2023, after performing strongly in 2022, and stabilize over the medium term. The projected economic slowdown is driven by the sluggish global economic activity and OPEC+ cautious production schedule. Lower energy prices and fiscal expansion will narrow fiscal balance. Fiscal support measures, tight monetary policy, and falling import prices will keep inflation subdued. Key downside risks to the outlook include global uncertainty, oil price volatility, and continued political deadlock over key reforms.

Key conditions and challenges

Kuwait's long-term economic challenges are linked to its heavy oil dependence, domestic consumption as a main growth driver, and a slow pace in diversification and structural reforms. Meanwhile, the nation's economic resilience is anchored by significant foreign assets in its sovereign wealth fund (KIA), ranking among the world's largest. Nevertheless, these assets cannot shield against the potential decline in future oil demand. Addressing this risk requires comprehensive fiscal and structural reforms. Resolving political deadlock between Parliament and government, coupled with ensuring governance stability may expedite economic diversification and timely reform implementation. Anticipated robust oil prices over the medium-term could still play a key role in financing economic transition and foster sustainable, inclusive, and green growth.

Key risks include oil production and oil price volatility, global economic slowdown, monetary tightening, geopolitical uncertainty, and climate change. Delays in fiscal and structural reforms, along with slow progress towards diversifying the economy, could slow up growth in both the oil and non-oil sectors and significantly affect fiscal and external balances. Direct adverse economic spillovers from the Russian invasion of Ukraine have been contained in Kuwait due to

limited financial linkages and trade flows between the two countries.

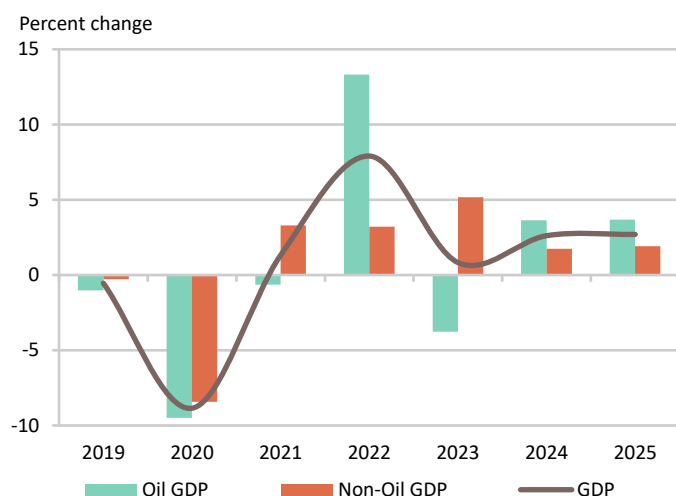
Recent developments

After strong economic performance of 7.9 percent in 2022, driven by robust oil sector performance (13.3 percent), Kuwait's economic growth declined sharply. During H1-2023, economic growth slowed mainly due OPEC+'s agreement of cutting production quotas, higher interest rates, and global uncertainties. In June 2023, oil sector output declined to its lowest level in the past 18 months. Non-oil sector sustained its growth during H1-2023 supported by domestic and external demand, elevated oil prices, high government spending, and restoration of pandemic-disrupted projects. Although private sector credit experienced the fastest growth in 7 years at 7.7 percent during 2022, credit growth for households and businesses slowed in H1-2023 to reflect rising borrowing costs. To resolve the chronic housing problem, the government introduced measures that include a four-year action plan for lot distribution and building permits.

Monetary policy tightening, along with generous government subsidies on food and energy, eased inflationary pressures during 2023, reaching 3.8 percent during Q2-2023.

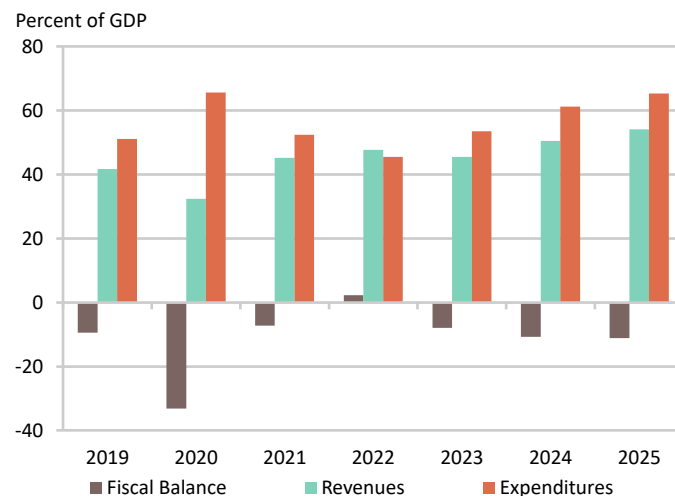
In 2022, supported by robust oil production and prices, the fiscal balance registered a surplus of 2.2 percent of GDP. However, the FY23/24 budget, approved

FIGURE 1 Kuwait / Annual real GDP growth



Sources: Kuwait CSB, IMF WEO, and World Bank staff estimates.

FIGURE 2 Kuwait / Public finance



Sources: World Bank, MTI Global Practice, and IMF WEO.

Notes: Based on the fiscal year cycle (April to March 31). Fiscal balances exclude investment income and FGF transfers.

by Parliament in August 2023 based on an oil price assumption of US\$70 per barrel and 2.68 million barrels per day production, projects KWD 6.8 billion deficit. Expenditure increase is due to past one-off arrears settlement and higher wage and social security allocations, is partially offset by the new "income generated by GREs" revenue item. To improve fiscal sustainability, the government renewed Vision 2035 objectives, revealing a medium-term strategy in 2023, and pursued enhanced public financial management measures. The banking system remain well capitalized and liquid. Overall financial stability is maintained as nonperforming loans remain low (1.6 percent in Q2-2023) while credit growth continues to be strong despite early signs of slowing down. Following global monetary tightening, the Central Bank of Kuwait raised policy rates multiple times, reaching 4.25 percent in July 2023, with official reserve assets continuing to stay at their comfortable levels. The current account surplus, which registered 26.3 percent of GDP in 2022, narrowed during H1-2023 at the back of softening oil receipts and easing global demand. Kuwait's labor market continues to recover from the impact of the pandemic, although many indicators have not yet rebounded to their pre-pandemic levels. The labor force participation rate was

projected to increase slightly to 71.7 percent in 2023 (ILO) but remains about 1.3 percentage points lower than in 2019. The employment-to-population ratio in 2023 was also expected to increase slightly to 69.9 percent overall and to 45 percent among females, remaining about 1.6 and 0.7 percentage points lower than in 2019, respectively. Unemployment rates were projected to remain relatively steady in 2023 at 1.2 percent among men and 6.4 percent among women, still higher than the 2019 rates by 0.2 and 0.6 percentage points, respectively. Unemployment has been especially high among young women (aged 15-24), estimated at 29.4 percent for 2023.

Outlook

Economic growth is projected to decelerate sharply to 0.8 percent in 2023 due to a decrease in oil output, monetary tightening, and sluggish global economic activity. Following tighter OPEC+ production quotas and reduced global demand, oil GDP growth is expected to decline by 3.8 percent in 2023 but is anticipated to recover in 2024 as production quotas are relaxed—supported by higher activity from the Al Zour refinery. Considering recent

developments, it is anticipated that political uncertainties will persist, potentially delaying the rollout of new infrastructure projects and further advancement of the reform agenda. Non-oil sector is projected to grow by 5.2 percent supported by private consumption and loose fiscal policy. High subsidies, tighter monetary policy, and declining global commodity prices will keep inflation contained at 3.3 and 2.4 percent in 2023 and 2024, respectively. Monetary policy is expected to maintain a close alignment with the US Federal Reserve, considering the predominant role of the US dollar in the Kuwaiti Dinar's pegged basket. Concurrently, domestic credit growth is projected to moderate reflecting the higher costs of borrowing. In 2023, lower oil revenue and loose fiscal policy will result in a fiscal deficit of 8 percent of GDP (excluding investment income and FGF transfers). This trend is likely to persist in the medium term given the ongoing expansionary fiscal policy. The implementation of the economic diversification program, alongside the introduction of VAT, in line with other GCC countries, and timely fiscal consolidation measures, could help diversify revenues and strengthen fiscal sustainability. Lower oil revenues and import prices are anticipated to narrow current account surplus in 2023 and in the medium term.

TABLE 2 Kuwait / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	-8.9	1.3	7.9	0.8	2.6	2.7
Private consumption	-4.5	3.2	4.8	2.7	2.5	2.3
Government consumption	0.0	1.1	2.0	2.2	2.6	2.3
Gross fixed capital investment	-4.6	3.9	4.4	2.1	2.5	2.9
Exports, goods and services	-13.3	2.2	12.0	0.8	2.8	3.1
Imports, goods and services	-4.0	5.7	5.3	4.1	2.7	2.9
Real GDP growth, at constant factor prices	-8.9	1.4	7.9	0.8	2.6	2.7
Agriculture	-3.8	0.5	1.1	0.8	1.3	1.3
Industry	-12.2	2.2	8.3	1.3	3.3	3.3
Services	-4.2	0.4	7.3	0.1	1.6	1.9
Inflation (consumer price index)	2.1	3.4	4.3	3.3	2.4	2.1
Current account balance (% of GDP)	3.2	16.0	26.3	23.1	19.1	15.2
Fiscal Balance (% of GDP)^a	-33.2	-7.3	2.2	-8.0	-10.7	-11.2
GHG emissions growth (mtCO₂e)	5.0	0.0	8.2	3.4	4.8	6.4
Energy related GHG emissions (% of total)	65.7	64.8	64.2	62.0	60.1	58.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Based on fiscal year cycle (April to March 31). Fiscal balances exclude investment income and FGF transfers.

LEBANON

Table 1 **2022**

Population, million	5.5
GDP, current US\$ billion	21.0
GDP per capita, current US\$	3823.9
National poverty rate ^a	27.4
Gini index ^a	31.8
Life expectancy at birth, years ^b	75.0
Total GHG emissions (mtCO2e)	24.2

Source: WDI, Macro Poverty Outlook, and official data.

a/ Most recent value (2011).

b/ Most recent WDI value (2021).

Eleven months into a Presidential vacuum and with a caretaker government and acting central bank governor in place, progress towards a comprehensive crisis resolution plan has been limited. The contraction in real GDP in 2022 is estimated to have narrowed to 0.6 percent amid signs of stabilization in private sector activity and better-than-expected real activity indicators. Triple digit inflation and currency depreciation show no sign of abating, inducing a pervasive and growing dollarized cash-based economy. Inflation averaged 171.2 percent in 2022 and is projected to reach about 231 percent in 2023. Subject to uncertainty, real GDP is projected to exhibit a tepid growth of 0.2 percent in 2023.

Key conditions and challenges

Lebanon's protracted crisis will likely have a long-lasting effect on potential growth. The scale and scope of the financial crisis is reducing Lebanon's potential for growth as the country's physical, human, social, and institutional capital are being rapidly, and potentially, irreparably depleted. A highly polarized political landscape, a caretaker government with restricted executive powers, an interim central bank governor (the first deputy governor of the Central Bank) in the absence of a successor to the former Central Bank governor following the end of his 30-year tenure, and limited legislative action by parliament have all markedly slowed the progress needed for a comprehensive crisis resolution plan.

Foreign currency reserves at the central bank are steadily depleting. The insolvency of the banking sector and its inability to extend credit have rendered the Banque du Liban (BdL) the main financier of external and fiscal deficits in the past four years. Usable gross foreign exchange reserves at BdL currently stand at US\$8,573 mln and have declined by US\$22.4 bn since the onset of the crisis in October 2019. Lebanon has also relied on limited external financing and the 2021 IMF SDR allocation to finance critical imports such as medicine and wheat.

Lebanon topped the list of countries that are hardest hit by nominal food

price inflation in the first quarter of 2023. Nominal food price inflation stood at 350 percent over the period of January to April 2023. Soaring food prices following the Russian invasion of Ukraine are forcing households to adopt extreme livelihood coping measures and exacerbating the precarity of the conditions among the poorest and most vulnerable segments of society.

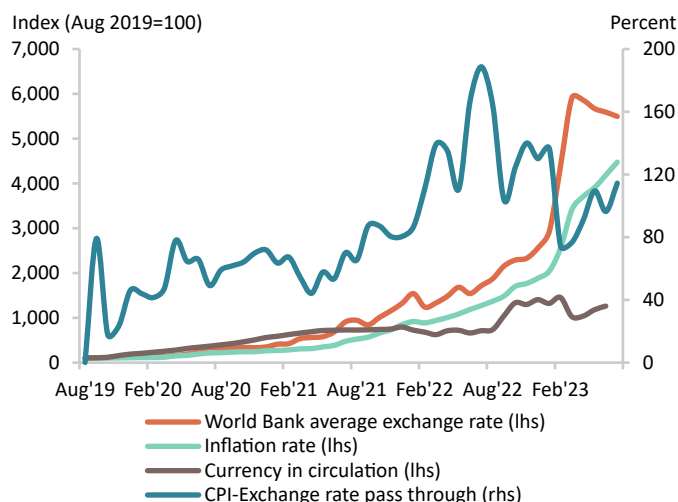
Preliminary data from the 2022-2023 Lebanon Household Survey (LHS) suggests that poverty continues to rise and household living conditions continue to deteriorate. The LHS is ongoing, with over 5,200 households interviewed to date. Around three out of every five households considered themselves to be poor or very poor. Households that do not receive any form of private remittances are even more likely to feel impoverished.

Recent developments

Real GDP contraction is estimated to have narrowed to 0.6 percent in 2022 (up from a previous estimate of 2.6 percent owing to better-than-expected recent high frequency indicators data). Tourism receipts and remittances, which form a de facto safety net, supported domestic consumption in 2022. The growth in consumption coupled with signs of stabilization in private sector activity are the main drivers of the narrowing contraction in economic activity.

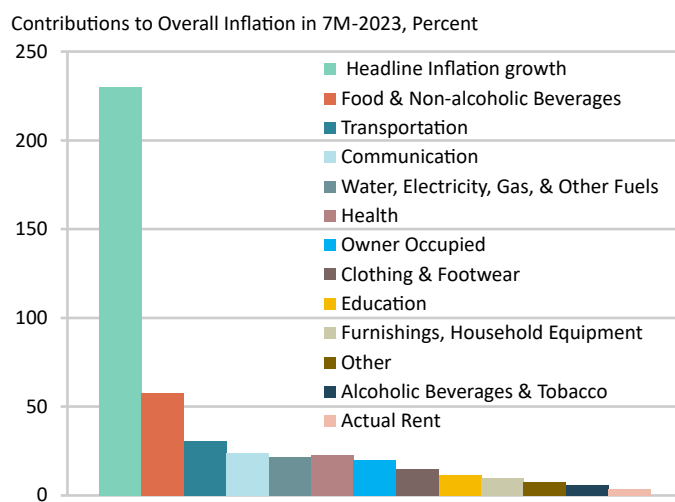
The fiscal deficit stood at 2.9 percent of GDP in 2022. Revenues are estimated to have declined from an already low

FIGURE 1 Lebanon / Exchange rate depreciation drives the surge in inflation



Sources: Lebanese authorities and World Bank staff calculations.

FIGURE 2 Lebanon / Inflation in basic items has been a key driver of overall inflation, hurting the poor and the middle class



Sources: Lebanese authorities and World Bank staff calculations.

13.1 percent of GDP in 2020 to 6.1 percent of GDP in 2022, one of the lowest rates globally. Revenues were more than offset by an increase in total expenditures (including off-budget spending) that is driven by a slight increase in personnel costs owing to the social assistance schemes for public sector employees, transfers to Électricité du Liban, and other current expenditures, including the wheat subsidy. The new interim governor of the Central Bank has also announced that the Central Bank will no longer finance the fiscal deficit in the absence of a legal framework. If implemented, the halt of BDL financing of the fiscal deficit, along with the implementation of planned revenue mobilization measures (correcting the mis-valuation in the exchange rate for customs and taxes) are likely to narrow the overall fiscal and primary deficits in 2023.

The pace of the exchange rate depreciation has moderated due to BdL's foreign exchange rate interventions coupled with an increase in foreign exchange inflows from tourism services and remittances.

The exchange rate has now stabilized at around 90,000 LBP/US\$ since July 2023, however, the currency lost more than 98.3 percent of its pre-crisis value by July 2023. The depletion in gross foreign currency reserves implies that the scope for further foreign exchange intervention by BdL is limited and that any exchange rate stability may be short-lived.

Inflationary pressures have not abated, averaging 171.2 percent in 2022, one of the highest rates globally, primarily due to the depreciation of the LBP. Year-on-year inflation stood at 251.5 percent in July 2023 with food and alcoholic beverages as the largest contributor to headline inflation in 7M-2023.

The current account deficit is estimated to have reached a staggering 32.7 percent of GDP on the back of higher imports and falling exports. Imports reached pre-crisis levels in 2022, at a record US\$19 billion, growing by close to 40 percent in 2022 (y-o-y). The current account deficit continues to be financed, for the most part, by the remaining usable gross reserves of BdL and a

pervasive cash-based economy. The quality of BoP data in Lebanon remains historically weak. Nonetheless, the current account deficit is expected to narrow in 2023, owing to an anticipated decrease in imports of goods and services, and the planned halt of BDLs financing of the fiscal deficit, which is expected to reduce the drain on the balance of payments and BdL's remaining gross reserves.

Outlook

Subject to extraordinarily high uncertainty and assuming a continuation of political paralysis in 2023, real GDP is projected, for the first time in 5 years, to expand with a tepid growth of 0.2 percent in 2023. Growth in consumption supported by tourism, remittances and a stabilization in private sector activity will underpin modest growth in 2023. Inflation, however, is expected to remain in triple digits, accelerating to 231.3 percent in 2023.

TABLE 2 Lebanon / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e
Real GDP growth, at constant market prices	-21.4	-7.0	-0.6	0.2
Private consumption	-14.0	2.1	2.3	0.3
Government consumption	-53.7	-76.0	34.9	-19.3
Gross fixed capital investment	-53.0	-67.6	-88.6	-59.4
Exports, goods and services	-53.7	13.1	0.3	4.1
Imports, goods and services	-46.0	-12.2	3.5	-0.3
Real GDP growth, at constant factor prices	-15.9	-5.3	-0.6	0.2
Agriculture	0.6	-7.1	-0.8	0.2
Industry	-6.5	-6.9	-0.6	0.2
Services	-18.3	-4.9	-0.6	0.2
Inflation (consumer price index)	84.3	150.0	171.2	231.3
Current account balance (% of GDP)	-9.3	-12.5	-32.7	-12.8
Net foreign direct investment inflow (% of GDP)	4.1	2.1	7.6	2.6
Fiscal balance (% of GDP)	-3.3	1.0	-2.9	-1.3
Revenues (% of GDP)	13.1	7.5	6.1	8.8
Debt (% of GDP)	179.2	172.5	179.7	181.3
Primary balance (% of GDP)	-0.8	1.9	-2.1	-0.3
GHG emissions growth (mtCO2e)	-19.4	-7.1	-8.2	-3.3
Energy related GHG emissions (% of total)	72.4	74.3	73.7	73.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

LIBYA

Table 1 **2022**

Population, million	6.8
GDP, current US\$ billion	45.8
GDP per capita, current US\$	6725.0
School enrollment, primary (% gross) ^a	109.0
Life expectancy at birth, years ^a	71.9
Total GHG emissions (mtCO2e)	123.5

Source: WDI, Macro Poverty Outlook, and official data.

a/ WDI for School enrollment (2006); Life expectancy (2021).

Although high oil prices have provided an economic relief, conflict and political divisions continue to negatively affect Libya's economy and society. Libya's key socio-economic challenges are economic diversification, inclusion, improved wealth sharing, and addressing the underpinning factors of the country's fragility and fragmentation. The recent floods that devastated cities and communities in the Green Mountain area of the country threaten to accentuate these challenges and call for a strong response from Libyan institutions and their international partners.

Key conditions and challenges

The security situation has improved but remains uncertain, with sporadic, and in part strong clashes, between armed groups in various regions, including Tripoli in August 2023. The formation of the Government of National Unity (GNU) in 2021 was seen as a step towards political resolution. However, the absence of national elections and the creation of the competing Government of National Stability (GNS) in 2022, accentuated divisions. UN-mediated efforts to reach political consensus on an electoral roadmap have yet to yield the desired results.

Libya faces significant structural economic challenges that extend beyond its current political situation. The Libyan economy is dominated by the oil sector and undiversified. The private sector remains underdeveloped - accounting for only 4 to 15 percent of GDP - and employing just 15 percent of the workforce. The IMF concluded article IV in June 2023, thereby resuming its engagement on macroeconomic and structural policies after ten years of interruption.

Social conditions have deteriorated due to high unemployment, regional income disparities, and poor basic infrastructure and services. The unemployment rate has risen steadily since 2012 to 20.5 percent in 2023, according to modeled estimates, with higher rates among women (26.7 percent vs. 17 percent men) and youth (51 percent).

About 4 percent of the population needed humanitarian assistance before the devastating floods of September 10, 2023.

Recent developments

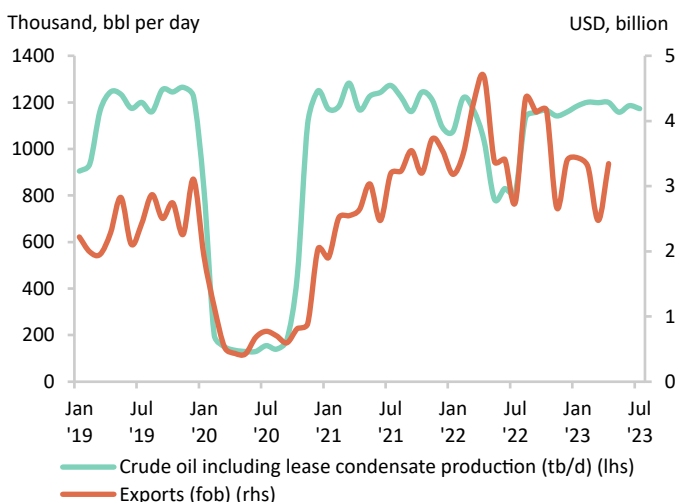
During the first semester 2023, oil production increased by 12 percent on an annual basis to 1.19 million bpd but remained below the 2010 level (1.71 million bpd). Following the authorities' call, three large oil companies which had suspended their activities due to security reasons resumed production in August 2023.

Libya's trade surplus during the initial four months of 2023 has contracted by 40.3 percent in nominal terms compared to the same period in 2022. This is due to lower international oil prices, which led to a 20 percent reduction in export revenues. On the other hand, imports grew by 6.4 percent driven by the recovery of domestic demand.

The CBL announced the institutional reunification of all branches in August 2023. The CBL branch in the eastern part of the country has been operating independently since 2014, providing financing to the administration in the East. However, only the CBL branch in Tripoli could provide letters of credit throughout this period.

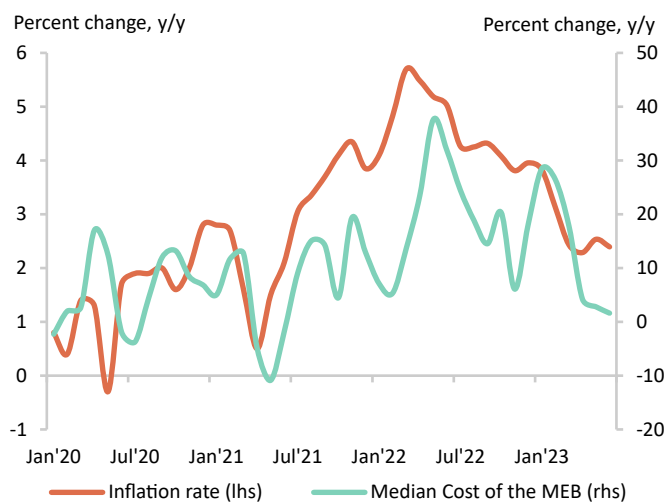
Inflation decelerated from the peak of 5.7 percent in March 2022 to 2.4 percent in June 2023 thanks to the stabilization of international food prices and the exchange rate. The gap between the black market and official rates narrowed to only

FIGURE 1 Libya / Oil production and exports



Sources: Organization of the Petroleum Exporting Countries (oil production) and IMF Direction of Trade Statistics (exports).

FIGURE 2 Libya / The median cost of minimum expenditure basket (MEB) and official inflation rate in the region of Tripoli



Sources: Central Bank of Libya, REACH, and World Bank staff calculations.

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