Middle East and North Africa

Macro Poverty Outlook

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

Spring Meetings 2022

WORLD BANK GROUP
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Middle East and North Africa

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Algeria
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Palestinian territories
Qatar
Saudi Arabia
Syrian Arab Republic
Tunisia
United Arab Emirates
Yemen, Republic

ALGERIA

Table 1	2021
Population, million	44.7
GDP, current US$ billion	168.0
GDP per capita, current US$	3761.1
National poverty rate[a]	5.5
International poverty rate ($1.9)[a]	0.4
Lower middle-income poverty rate ($3.2)[a]	3.7
Gini index[a]	27.6
School enrollment, primary (% gross)[b]	111.3
Life expectancy at birth, years[b]	76.9
Total GHG Emissions (mtCO2e)	221.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2011).
b/ WDI for School enrollment (2020); Life expectancy (2019).

Increasing oil and gas demand and prices led to a strong rebound in hydrocarbon production and exports in 2021, sharply reducing fiscal and external financing needs. The recovery in the non-hydrocarbon segments of the economy remains incomplete, however, while inflation is rising. Looking beyond the current hydrocarbon windfall, accelerating the implementation of the Government's structural reform agenda will be essential to accelerate the recovery, reduce Algeria's reliance on hydrocarbon exports and sustainably reduce macroeconomic imbalances, diversify the economy, and create private sector jobs.

Key conditions and challenges

The Algerian economy remains dominated by the oil and gas sector, which accounted for 19% of GDP, 94% of product exports and 40% of budget revenues between 2015 and 2020. Over the past 15 years, however, declining investments contributed to a decline in oil production and a stagnation in natural gas production, while rising domestic consumption has led to a steeper fall in export volumes.

Since 2015, the current account and overall budget deficits have averaged 13% and 11% of GDP, respectively, leading to a marked decline in international reserves, currency depreciation, import compression policies, as well as debt monetization. Real public spending also stagnated, contributing to a slowdown in non-hydrocarbon sectors, and average annual real GDP growth fell to 1.1% in 2017-2019, causing GDP per capita in PPP terms to return to its 2014 levels. Nonetheless, non-monetary poverty declined between 2013 and 2019, amid improvements in education, health, and material outcomes.

The COVID-19-induced recession exacerbated growth challenges and macroeconomic imbalances, reinforcing the impetus for reform. The Government notably took steps to attract foreign investment by issuing a new Hydrocarbon Law, as well as lifting restrictions on foreign ownership of domestic firms in several sectors.

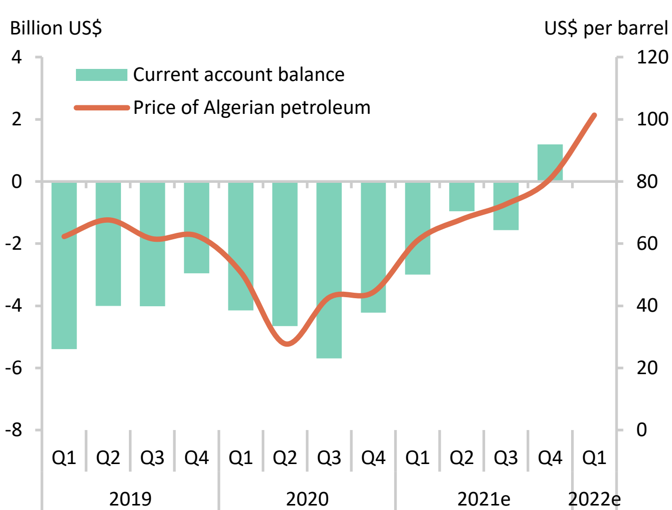
Meanwhile, the September 2021 Government Action Plan has made the transition to a private sector-led growth and job creation model a developmental priority. Private firms are small, of low productivity, and largely informal, amid substantial State presence in productive sectors, a high regulatory burden, and limited access to credit and skills. The Plan argues for reinforcing macroeconomic stability, rationalizing spending, reducing imports and boosting non-hydrocarbon exports, and for significant improvements to the business environment, including through the reform of public banks and state-owned enterprises, as well as the adoption of a new Investment Law. The specific timeline for its implementation remains to be determined.

Recent developments

Led by the oil and gas sector, the economy expanded by 3.9% year-on-year during the first nine months of 2021, after contracting by 5.5% in 2020. The recovery in hydrocarbon output was driven by surging European gas demand and easing OPEC production quotas. Low rainfall contributed to a stagnation in agricultural output and services growth was subdued, but industrial and construction activity supported growth. As of September 2021, non-hydrocarbon GDP was still 3% below its pre-pandemic level. On the expenditure side, private consumption and investment returned to their pre-pandemic levels, while inventories are yet to recover.

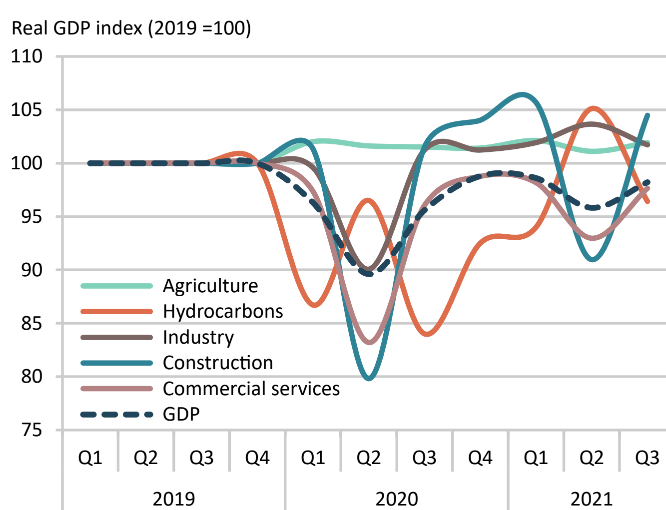
The estimated overall budget deficit narrowed from 12% in 2020 to 3.5% of GDP

FIGURE 1 Algeria / Crude oil prices and trade balance



Sources: Bank of Algeria and oilprice.com.

FIGURE 2 Algeria / GDP components, production side



Source: National Statistical Office and World Bank staff estimates.

in 2021, driven by rising oil revenues, an incomplete recovery in spending and despite significant financing support to the national pension fund. Estimated oil revenues surpassed pre-pandemic levels to reach 15% of GDP in 2021, while tax revenues remained 1.7 percentage points of GDP below pre-crisis, owing to subdued firm profitability and imports. Budget spending only recovered moderately, absent a marked recovery in public investment. Public debt is estimated to have increased from 52 to 61% of GDP in 2021, with banks purchasing large amounts of Treasury securities as part of a state-owned enterprise debt buyback program supported by Central Bank financing.

Broad money grew by 14% in 2021 as hydrocarbon deposits increased and COVID-19 policies to ease liquidity conditions remained in place, but private sector credit grew only by 3%. Inflation accelerated markedly in 2021, led by a 10.1% increase in food prices despite significant food subsidies, exacerbating the situation of the vulnerable population. The household survey under implementation will allow for updating the 2011 poverty estimates and estimating inflation's impact on well-being.

Algeria's current account deficit shrank by 74% in 2021, amid a 70% increase in the value of hydrocarbon exports and a muted recovery in imports, and despite rising import prices. Accordingly, foreign exchange reserves stabilized, at around 11 months of imports of goods and services.

Outlook

GDP is expected to continue to rebound and return to its 2019 level in 2022, despite low rainfall and therefore weak agricultural production. Aided by a rebound in public and energy investment, investment growth is expected to outpace that in consumption, more muted due to a gradual labor market recovery and the effect of high inflation on real consumer income. Hydrocarbon production will increase as OPEC quotas are eased and demand for Algerian gas benefits from European diversification away from Russian supply, before resuming a gradual decline, offset by modest non-hydrocarbon economic growth.

In 2022, the fiscal position is expected to improve markedly amid surging energy prices, sustained depreciation, and a recovery in tax revenues, offsetting the moderate increase in public spending. The current account balance is expected to register a surplus, aided by high hydrocarbon prices and despite a moderate recovery in input and equipment imports, consistent with higher investment. Over the medium-term, budget and external deficits are expected to reappear and widen amid declining hydrocarbon export volumes and prices, and public debt to stabilize at around 50% of GDP.

The economic consequences of the Russian-Ukrainian war and associated sanctions could further elevate hydrocarbon prices and improve Algeria's fiscal and external balances despite rising food import prices. On the other hand, large macroeconomic imbalances could reappear if global hydrocarbon prices were to decline. Ultimately, sustaining growth and enhancing economic resilience will hinge on the pace of implementation of structural reforms and their ability to foster economic diversification, private sector-led growth and job creation.

TABLE 2 Algeria / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021e	2022f	2023f	2024f
Real GDP growth, at constant market prices	1.0	-5.1	3.9	3.2	1.3	1.4
Private Consumption	2.1	-3.0	2.1	2.0	2.0	2.2
Government Consumption	1.9	-0.3	-0.9	0.1	0.1	0.0
Gross Fixed Capital Investment	-3.6	-5.2	3.5	5.7	3.1	4.6
Exports, Goods and Services	-6.0	-11.4	11.1	4.3	-1.2	-2.0
Imports, Goods and Services	-6.9	-15.6	-3.9	3.0	1.9	2.4
Real GDP growth, at constant factor prices	1.0	-4.7	3.9	3.2	1.2	1.3
Agriculture	2.7	1.3	0.2	0.9	1.8	1.3
Industry	-1.6	-7.5	7.0	4.2	1.3	1.3
Services	3.4	-3.4	1.7	2.6	0.9	1.3
Inflation (Consumer Price Index)	2.0	2.4	7.2	7.1	7.0	7.0
Current Account Balance (% of GDP)	-9.9	-12.6	-2.8	4.7	-0.2	-4.0
Fiscal Balance (% of GDP)	-9.6	-12.0	-3.5	0.7	-0.8	-2.2
Debt (% of GDP)	45.6	52.1	61.2	51.8	50.5	49.9
Primary Balance (% of GDP)	-9.0	-11.0	-2.9	1.3	0.0	-1.2
GHG emissions growth (mtCO2e)	2.3	-2.4	1.4	3.1	2.0	1.7
Energy related GHG emissions (% of total)	64.4	64.2	64.4	65.1	65.4	65.5

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

BAHRAIN

Table 1	2021
Population, million	1.7
GDP, current US$ billion	38.8
GDP per capita, current US$	22823.5
School enrollment, primary (% gross)[a]	98.0
Life expectancy at birth, years[a]	77.3
Total GHG Emissions (mtCO2e)	52.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2019).

The economy is gradually picking up as pandemic pressures fade, non-oil economy recovers, and hydrocarbon production increases. The fiscal deficit remains high as emergency crisis-spending persists but is expected to narrow gradually. The external balance will noticeably improve. The debt to-GDP-ratio is expected to remain elevated during the forecast period to meet fiscal needs. Downside risks arise from oil price volatility, and insufficient fiscal adjustment that could worsen fiscal and external positions and intensify pressure on already high public debt, thereby threating macroeconomic sustainability.

Key conditions and challenges

The Bahraini economy is relatively diversified, reflecting the authorities' considerable efforts to boost manufacturing, refining, tourism, and trade. Nevertheless, the hydrocarbon sector remains a strong driver of the economy accounting for 20 percent of GDP and over 60 percent of total revenues, thereby making the economy extremely vulnerable to energy prices shocks. As such, the pandemic and related oil price shock have exacerbated Bahrain's large pre-existing fiscal and external imbalances, with a surge in public debt levels and gross financing needs. Bringing the fiscal position to a balance by 2022 according to 2018 Fiscal Balanced Program (FBP) proved challenging due to the pause of fiscal consolidation caused by the pandemic and insufficient fiscal adjustment measures.

At end-2021, the country announced new measures to curve the fiscal deficit, including the doubling of the VAT rate to 10 percent from January 2022 and actions to reduce the deficit related to electricity and water authority.

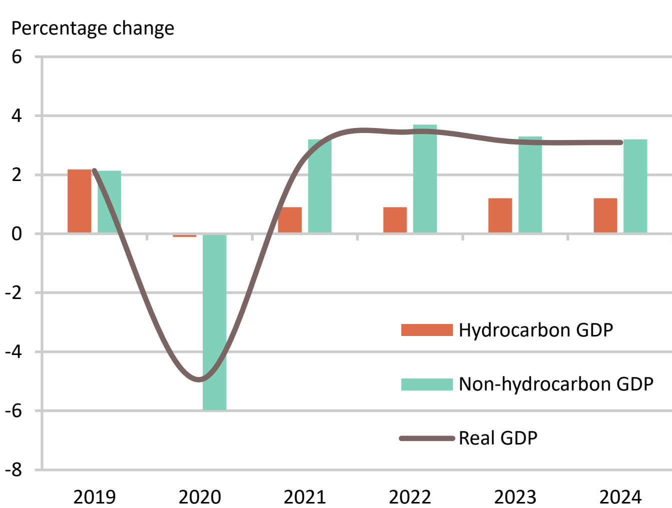
However, challenges remain. Delays in reforms and persistent off-budget spending may imply higher debt and financing needs. Additional efforts are needed to unleash more fiscal space to meet the increased challenges posed by climate change and an expected long-term decline of demand for fossil fuels. On the upside, adherence to consolidation efforts, and reducing the fiscal risks from off-budget expenditures will help to improve Bahrain's outlook. Advancing structural reforms including these related to investing in renewable energy and digital solutions, would attract foreign investment, and increase employment opportunities, particularly among women and youth. While soaring oil prices caused by the economic consequences of the war in Ukraine are expected to further strengthen Bahrain's fiscal and external balances, there is a risk that strong fiscal buffers might lead to an increase in already high off budget spending.

The government has made efforts to reduce unemployment by promoting the hiring of Bahrainis in the private sector through incentives to firms and increasing the local skills base to gradually lower unemployment among nationals as well as the demand for foreign labor.

Recent developments

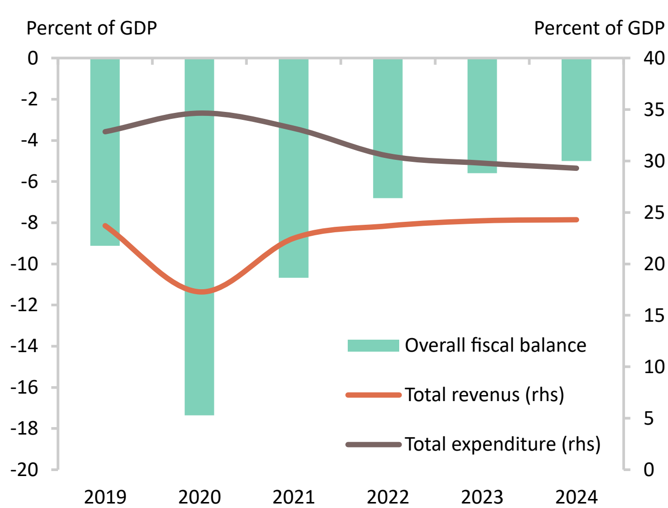
Bahrain's economy is gradually emerging from the pandemic-caused recession. Latest official data indicate that the economy grew by 1.5 percent (y/y) in the first nine months of 2021 (9M-2021), after nearly a 5 percent contraction in 2020. The rebound was mainly underpinned by 2.3 percent growth in non-hydrocarbon aided by a strong expansion in the transportation and communication sector—one of the hardest-hit by the pandemic—as well as increased agricultural and fishing activity.

FIGURE 1 Bahrain / Real annual GDP growth



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

FIGURE 2 Bahrain / General government operations



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

The hydrocarbon sector contracted by almost 2 percent (y/y) in the same period. Growth is estimated to have registered 2.6 percent by end-2021 driven by the non-hydrocarbon activities. Inflation remains in negative territory, averaging at -0.6 percent, due to weaker demand and lower prices for rents compounded by the departure of expatriates caused by the pandemic.

The fiscal deficit is estimated to have narrowed, from over 17 percent of GDP in 2020 to almost 11 percent in 2021, thanks to improved revenue from higher oil and aluminum prices despite high pandemic-related emergency spending. Public debt remained elevated at above 120 percent of GDP, although the better fiscal outcome helped to lower it by 6 percentage points.

The external sector exhibited a strong performance in the first 9M-2021 driven by solid rebound in both oil and non-oil exports, including service receipts, aided by the relaxation of COVID-19 restrictions. As a result, the current account balance is estimated to switch into a surplus of over 4 percent of GDP by end-2021, mitigating pressures on foreign reserves, which doubled to US$4 billion in 2021, up from US$2 billion in 2020.

According to the Labor Market Regulatory Authority, total employment in Q1-2021 fell with respect to 2020, driven by lower foreign employment. Data from the Social Insurance Organization indicate a recovery in Bahraini employment by the end of 2021. The number of Bahraini employees increased by 2.7 percent in Q4-2021 (y/y), 2.9 percent in the private sector and 2.3 percent in the public sector. The number of foreign employees has continued to decrease since Q4-2020 (y/y).

Outlook

Bahrain's economic outlook hangs on oil market prospects, pandemic conditions, and reform implementation. Growth is projected to accelerate to 3.5 percent in 2022, boosted by the surging energy prices caused by the economic consequences of the war in Ukraine. Recovery of the non-oil economy is likely to continue thanks to successful vaccination rollout and further relaxation of movement restrictions. Over the medium-term, however, non-oil economic activity would be dampened by fiscal consolidation. The expansion of the Sitra oil refinery and development of the Khaleej al Bahrain shale oil project will support the growth outlook going forward. Inflation is expected to increase to 2.5 percent in 2022, fueled by the doubling of the VAT rate to 10 percent and a continued recovery of domestic demand.

While the pandemic related spending continues, the fiscal deficit is projected to continue narrowing over the medium term, supported by high hydrocarbon revenues and implementation of fiscal adjustment measures under the FBP. Yet public debt is projected to remain above 120 percent of GDP throughout 2022-24. Adherence to the FBP accompanied by higher hydrocarbon and non-hydrocarbon revenues, would improve the fiscal outlook.

Higher exports from oil and aluminum along with the revival of the tourism sector are forecast to keep the current account in surplus at nearly 5 percent of GDP in 2022, but to decelerate in the 2023-24 given high debt service payments and increased capital imports to boost oil production. The anticipated external account surplus will help mitigate pressures on the foreign exchange reserves.

TABLE 2 Bahrain / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021e	2022f	2023f	2024f
Real GDP growth, at constant market prices	2.1	-4.9	2.6	3.5	3.1	3.1
Private Consumption	0.5	-4.4	3.1	3.7	3.2	2.9
Government Consumption	-1.5	-2.1	2.3	1.1	-0.8	-1.3
Gross Fixed Capital Investment	-2.8	-3.8	2.2	3.7	3.9	4.0
Exports, Goods and Services	0.4	-2.5	5.5	6.2	6.3	6.5
Imports, Goods and Services	-5.6	-0.7	6.2	6.4	6.4	6.5
Real GDP growth, at constant factor prices	2.1	-4.9	2.6	3.5	3.1	3.1
Agriculture	-1.0	0.1	2.2	2.4	2.7	2.6
Industry	2.3	-1.2	1.8	3.0	3.7	4.4
Services	2.0	-7.7	3.2	3.8	2.7	2.1
Inflation (Consumer Price Index)	1.0	-2.3	-0.6	2.5	2.7	2.5
Current Account Balance (% of GDP)	-2.1	-9.3	4.3	4.6	3.4	3.1
Fiscal Balance (% of GDP)	-9.1	-17.4	-10.7	-6.8	-5.6	-5.0
GHG emissions growth (mtCO2e)	6.1	-2.0	3.1	3.5	3.3	3.3
Energy related GHG emissions (% of total)	63.3	62.2	62.9	63.7	64.2	64.7

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

DJIBOUTI

Table 1	2021
Population, million	1.0
GDP, current US$ billion	3.6
GDP per capita, current US$	3576.5
International poverty rate ($1.9)[a]	17.0
Lower middle-income poverty rate ($3.2)[a]	39.8
National poverty rate[a]	21.1
Gini index[a]	41.6
School enrollment, primary (% gross)[b]	73.8
Life expectancy at birth, years[b]	67.1
Total GHG Emissions (mtCO2e)	1.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2017), 2011 PPPs.
b/ WDI for School enrollment (2020); Life expectancy (2019).

The withdrawal of COVID-19 movement restrictions facilitated Djibouti's economic rebound in 2021, to an estimated 4.3%. Growth is projected to remain moderate in 2022 but to expand briskly thereafter thanks to infrastructure projects, reducing the incidence of poverty from 14.7% in 2020 to a projected 12.4% in 2024. Regional stability and commitment to fiscal consolidation and structural reforms remain critical for Djibouti's growth prospects. As a net importer of food and energy, Djibouti is vulnerable to commodity price shocks, which is further exacerbated by the war in Ukraine.

Key conditions and challenges

In the decade leading up to the COVID-19 pandemic, Djibouti's economy was growing rapidly by over 6 percent per year on average, driven by externally financed, large-scale investment in transport and port infrastructure, which aimed at making the most out of the country's strategic location and deep-water port to serve as a key regional refueling, trade and transshipment center.

This development strategy has come at the cost of rising debt vulnerabilities. Djibouti's public and publicly guaranteed debt rose sharply from 37.5 percent of GDP in 2010 to an estimated 74 percent in 2021. Rising debt service cost of fast-maturing debts has crowded out much needed spending in social sectors. Health and social expenditures represent 5 percent and 3 percent of the government's budget, respectively compared to more than 30 percent for public infrastructure.

The pandemic and the conflict in neighboring Ethiopia had a heavy toll on Djibouti's economy and fiscal accounts (including Ports related SOEs revenues), further constraining the government's debt service capacity. Since February 2022, Djibouti's external and public debt are assessed as unsustainable. Over the medium term, debt service is set to increase, as different payments come to maturity, including the deferred debt services linked to the DSSI.

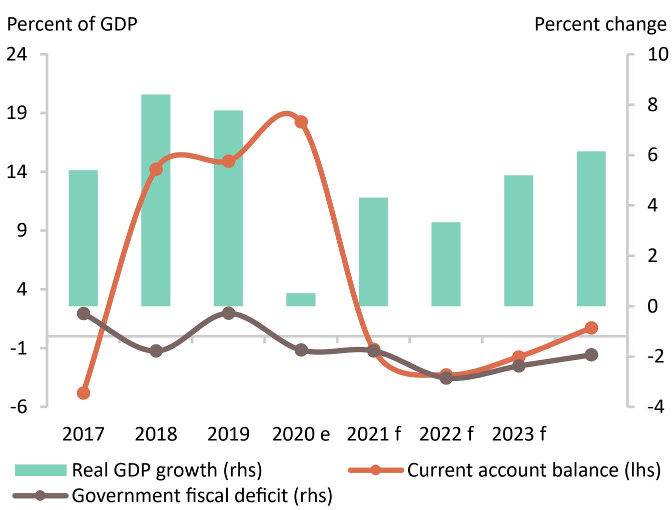
Heavy reliance on food and energy imports presents a key vulnerability. Global commodity price shocks are immediately felt in Djibouti's relatively small and undiversified economy, putting upward pressure on inflation and potentially jeopardizing food and energy security. The conflict between Ukraine and Russia–two of the world's largest producers of wheat–may exacerbate some of these sources of fragility.

In 2017 (latest available data), 39 percent of the population lived below the lower-middle income poverty line ($3.20 a day, 2011 PPP) and 17 percent in extreme poverty (below the international poverty line of $1.90 a day, 2011 PPP). Djibouti is one of the most unequal countries in the MENA region, with an estimated Gini coefficient of 41.6 in 2017. Poor data landscape, both in terms of quality and availability, hinders the ability to plan.

Recent developments

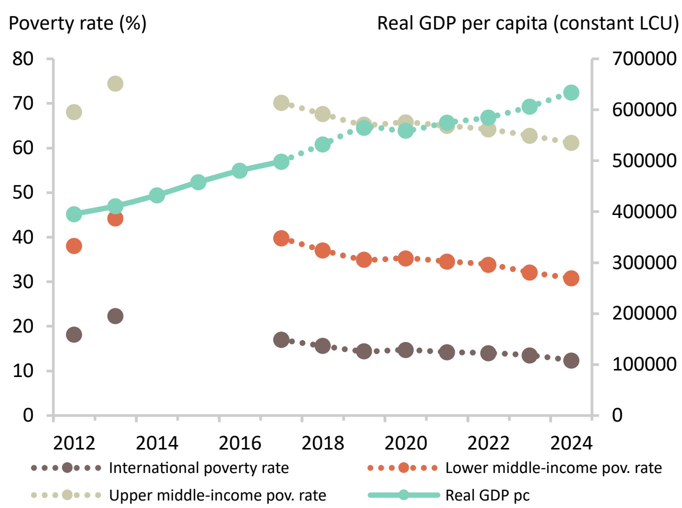
GDP growth rebounded to 4.3 percent in 2021 from 0.5 percent in 2020 (lowest growth since 2000), driven by the withdrawal of COVID-19 movement restrictions, which allowed the resumption of major public works, such as the transformation of the old port into a shopping center, preparatory works for the construction of a shipyard repair factory, and development of Damerjog Industrial Development Free Trade Zone (DDID FTZ). Government transfers and income support initiatives also bolstered household

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.

consumption, but a softening of maritime transport and services overall (connected to the Ethiopian crisis) have somewhat offset the growth momentum. Headline inflation rose to 2.5 percent at end-2021 (y/y), reflecting the recovery of domestic demand, high global commodity prices, and recurrent shortages in imports of fresh food from Ethiopia.

The overall fiscal deficit stood at 1.8 percent of GDP in 2021, nearly the same as in 2020. New tax exemptions, lower international aid, and continued pandemic-related tax reliefs more than cancelled out the fiscal space created by the DSSI (US$57.7 million or 1.6 percent of GDP) and expenditure rationalization (including subsidies and transfers to SOEs).

The current account position deteriorated sharply from a surplus of 11.6 percent of GDP in 2020 to a deficit of 1.1 percent in 2021, driven by the slowdown in exports to Ethiopia and increased imports due to stronger domestic demand. On the upside, a US$40 million SDRs allocation from the IMF helped maintain a strong reserve coverage, at 5 months of imports as of end-2021.

Outlook

Growth is projected to soften to 3.3 percent in 2022 reflecting spillover effects of regional instability, and namely if the crisis in Ethiopia protracts further. Economic activity is expected to strengthen in 2023 and 2024 boosted by new infrastructure projects. Djibouti's medium-term outlook is subject to downside risks, including the emergence of new COVID-19 variants, persistent disruption in global transports and logistics value chains (particularly important for port-related SOEs activities), and continuation or possible intensification the Ethiopian crisis. As a net importer of food and energy, the economic consequences of the the war in Ukraine would likely affect Djibouti's external account through higher import bills.

The 2022 Finance Law proposes several revenue and expenditure measures to create fiscal space for debt services. Tax measures include the revision of income tax brackets, reduction in the VAT threshold, and one-off tax payments for companies exempted under the investment code or established in free zones. On the expenditure side, the Law foresees a 5 percent reduction of subsidies to SOEs, freeze of new recruitments in the public service, and the centralization of central government's tenders and purchases of goods and services. While encouraging, these measures will only partially offset the debt service requirements, hence the government is expected to engage with its creditors to explore additional way to address debt obligations and strengthen domestic revenue mobilization, including by rationalizing tax exemptions and negotiating more favorable bilateral deals on rents paid by military bases.

With continued economic growth, poverty ($1.90 per day) is expected to resume its downward trend from 14 percent in 2022 to 12.4 percent in 2024. As existing household budget surveys do not capture a large proportion of the population that are either undocumented, nomadic, or displaced, the above poverty estimates are lower bound. Policy choices in the macro-fiscal space and the structure of the economy in upcoming years will be consequential to the poverty reduction path in Djibouti.

TABLE 2 Djibouti / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021e	2022f	2023f	2024f
Real GDP growth, at constant market prices	7.8	0.5	4.3	3.3	5.2	6.2
Private Consumption	5.0	-5.0	4.7	4.6	4.6	5.0
Government Consumption	-0.5	-2.1	8.3	-0.5	9.4	4.3
Gross Fixed Capital Investment	26.4	-37.2	5.3	1.8	7.6	7.1
Exports, Goods and Services	12.9	7.5	4.3	3.6	4.6	7.0
Imports, Goods and Services	13.9	-0.5	5.5	3.9	5.5	7.0
Real GDP growth, at constant factor prices	7.2	0.5	4.3	3.3	5.2	6.2
Agriculture	0.7	3.5	3.5	3.5	3.5	3.5
Industry	9.4	2.0	4.5	4.2	6.5	9.0
Services	6.8	0.1	4.3	3.1	4.9	5.5
Inflation (Consumer Price Index)	3.3	1.8	1.2	2.0	2.0	2.0
Current Account Balance (% of GDP)	28.9	11.6	-1.1	-3.3	-1.7	0.7
Fiscal Balance (% of GDP)	-0.3	-1.7	-1.8	-2.8	-2.4	-1.9
Debt (% of GDP)	65.3	73.3	73.5	74.3	75.1	75.3
Primary Balance (% of GDP)	0.9	-1.2	-0.9	-1.8	-1.4	-0.9
International poverty rate ($1.9 in 2011 PPP)[a,b]	14.4	14.7	14.2	14.0	13.5	12.4
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	35.0	35.3	34.5	33.8	32.1	30.8
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	65.3	65.8	65.0	64.2	62.8	61.2
GHG emissions growth (mtCO2e)	1.6	0.3	0.8	0.8	0.8	0.8
Energy related GHG emissions (% of total)	31.0	31.1	31.3	31.6	31.8	32.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
a/ Calculations based on 2017-EDAM.Actual data: 2017. Nowcast: 2018-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2017) with pass-through = 0.7 based on GDP per capita in constant LCU.

ARAB REPUBLIC OF EGYPT

Table 1	2021
Population, million	104.3
GDP, current US$ billion	404.1
GDP per capita, current US$	3876.4
Lower middle-income poverty rate ($3.2)[a]	28.9
National poverty rate[a]	29.7
Gini index[a]	31.5
School enrollment, primary (% gross)[b]	106.4
Life expectancy at birth, years[b]	72.0
Total GHG Emissions (mtCO2e)	348.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2017), 2011 PPPs.
b/ Most recent WDI value (2019).

Egypt undertook exchange rate, monetary and fiscal measures in response to adverse global developments (including soaring prices and tightening financial conditions), aggravated by the war in Ukraine. Yet, these policy actions also reflect underlying structural challenges. The surge in growth to 9 percent in H1-FY2021/22 (supported by rebounds in export-oriented sectors) is expected to slow down gradually through FY2022/23. Reforms to enhance private investment, exports and FDI remain crucial for the economy's resilience and competitiveness.

Key conditions and challenges

Egypt implemented macroeconomic stabilization and energy sector reforms, as well as structural measures to address entrenched problems through taking steps to strengthen public debt management and enhance aspects of the business environment. These concerted efforts since 2016—along with the measures undertaken at the onset of COVID-19 to ease monetary conditions, provide selected sectoral support and mobilize external financing—enabled the country to face the pandemic with relative resilience.

Nevertheless, the global economic consequences of the war in Ukraine and associated sanctions on Russia, along with ongoing COVID-related disruptions, threaten to exacerbate long-standing challenges facing Egypt's external balances, mainly through widening the current account deficit (given the country's net commodity importer status, and the concentrated nature of trade with Russia and Ukraine). Egypt's growth model that shifted over the past two decades towards non-tradable lower productivity sectors contributed to the relatively limited export penetration and sophistication, as well as below-potential labor market outcomes. Official estimates indicate recent gains in welfare; however poverty rates were at 29.7 percent, as reported for the period October 2019—March 2020. Despite significant fiscal consolidation, government debt remains elevated. Financing requirements are thus high, at a time when global financial conditions are tightening as advanced economies unwind their accommodative monetary policies.

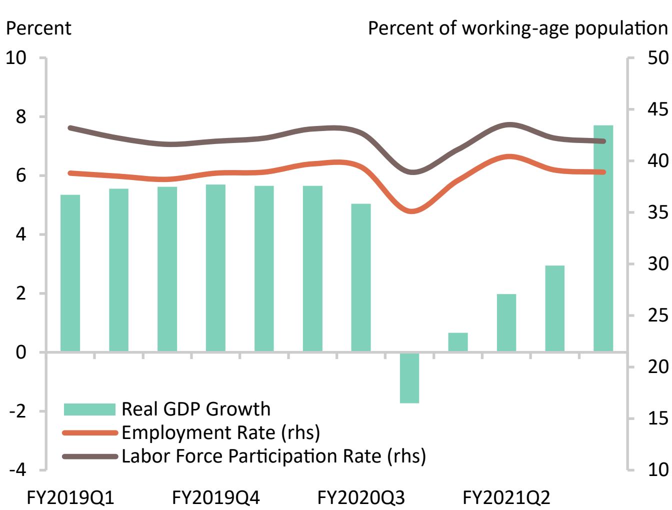
Going forward, enhancing public expenditure efficiency and revenue mobilization will be crucial to avail the fiscal space needed to advance human and physical capital for the population of above 103 million. Importantly, continuing to pursue structural reforms to unleash the private sector's potential in higher value-added and export-oriented activities are necessary to create jobs, and improve living standards.

Recent developments

On March 21, the Central Bank of Egypt (CBE) allowed the exchange rate to depreciate overnight by around 16 percent to stem the widening net exports deficit, and raised policy rates by 100 basis points to curb inflation and contain portfolio outflows. Meanwhile, the government introduced a mitigation package worth LE130 billion (1.6 percent of FY2022/23 GDP) to alleviate the impact of the rising prices through hikes to public sector wages and pensions, tax measures, and expanding coverage of the cash transfer programs, among other measures.

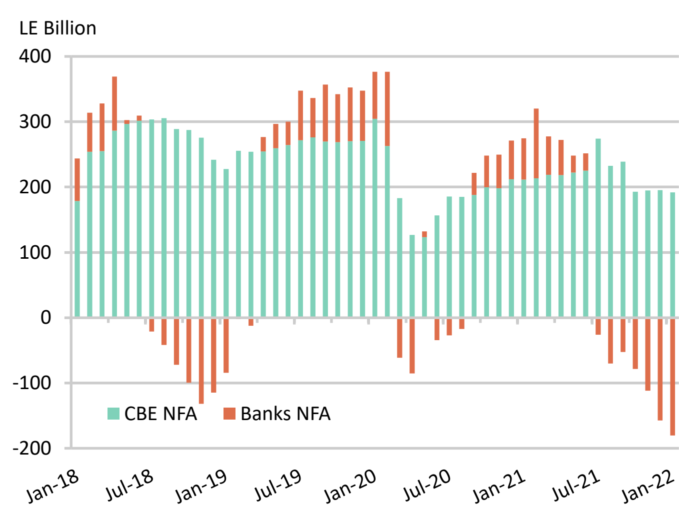
Prior to the external shock that triggered these policy measures, the economy was recovering, although pressures on external and fiscal accounts were building. Growth had surged to 9 percent during

FIGURE 1 Arab Republic of Egypt / Real GDP growth and labor market indicators



Sources: Ministry of Planning (MoP) and CAPMAS.

FIGURE 2 Arab Republic of Egypt / Banking sector net foreign assets



Source: World Bank estimates based on CBE.

H1-FY2021/22 (July—December 2021), compared to a modest rate of 1.4 percent a year earlier. The resumption of international travel and trade, global pent-up demand and favorable base effects allowed for strong rebounds in the export-oriented sectors, such as tourism, the Suez Canal, non-oil manufacturing, and gas extractives. The communications and construction sectors also continue to be important contributors to growth. On the demand-side, consumption and investment improved, but the net exports deficit widened, partly because the steady and marked real exchange rate appreciation over the previous years favored imports growth, and the accelerating global commodity prices also inflated Egypt's import bill.

Domestic prices were gradually rising, and inflation spiked to 8.8 percent in February 2022 (more than 2.7 percentage points higher than its average since the beginning of FY2021/22), reflecting early repercussions of the war in Ukraine.

While international reserves are comfortable (at US$41 billion at end-February), banks' net foreign assets position has been in deficit since the beginning of FY2021/22; indicating that external accounts have been under pressure prior to the escalation of the war in Ukraine, and domestic banks may have partly borne the consequences.

Outlook

The recent surge in economic activity has set Egypt on track to achieve growth of 5.5 percent in FY2021/22. However, base effects and the demand overshoot are expected to start tapering off and economic activity will be adversely affected by the repercussions of the war in Ukraine. Thus, growth is expected to slow down to 5 percent in FY2022/23. Inflation is forecast to surpass the CBE's inflation target range (7 percent +/2 PPT) through the remainder of FY2021/22 due to the impact of the depreciation, imported inflation, possible supply bottlenecks, along with the potential continuation of upward adjustments to retail fuel prices. While some mitigation is expected from the recent fiscal package, existing food subsidy and cash transfer programs, as well as the relatively large reserves of wheat and other cereals, poverty may still increase as inflation undermines real incomes.

The current account deficit-to-GDP ratio is expected to widen to 6 percent in FY2021/22, from 4.6 percent in FY2020/21, mainly due to the higher imports bill, and the impact of the Ukraine war on tourism as well as on demand for non-oil exports (notably by Europe). Notwithstanding the pressures from the decline in portfolio investments, the capital and financial account can remain relatively buoyed by potential financing from the International Monetary Fund (requested on March 23). Other possible mitigating factors include the boost that higher international prices can provide to Egypt's gas exports, remittances from the GCC, and FDI inflows to oil and gas extractives. Egypt also issued a maiden Samurai bond worth US$500 million in end-March 2022, and other sovereign issuances are expected to continue, including innovative Green bonds and Sukuk.

The budget deficit is forecast to increase in FY2021/22 on account of the additional mitigation measures introduced in March 2022, and soaring international prices and monetary tightening that are driving up the cost of government purchases, subsidies, wages and interest payments. Government debt will, in turn, also increase due to both the higher deficit and the adverse valuation impact stemming from the currency depreciation. Fiscal consolidation is, however, expected to resume over the medium term.

TABLE 2 Arab Republic of Egypt / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021e	2022f	2023f	2024f
Real GDP growth, at constant market prices	5.6	3.6	3.3	5.5	5.0	5.3
Private Consumption	1.0	7.3	7.1	5.7	4.0	4.1
Government Consumption	2.8	6.7	3.7	6.0	7.5	4.0
Gross Fixed Capital Investment	14.1	-20.9	-8.5	8.2	4.9	8.3
Exports, Goods and Services	-2.2	-21.7	-13.4	15.0	24.0	11.0
Imports, Goods and Services	-8.9	-17.9	0.2	13.5	13.0	5.5
Real GDP growth, at constant factor prices	5.1	2.5	2.0	5.4	4.9	5.3
Agriculture	3.3	3.3	3.8	4.5	4.5	3.3
Industry	5.8	0.6	-1.1	6.6	6.0	6.4
Services	5.1	3.6	3.5	4.8	4.3	5.0
Inflation (Consumer Price Index)	13.9	5.7	4.5	10.0	9.0	8.5
Current Account Balance (% of GDP)	-3.6	-3.1	-4.6	-6.0	-5.0	-4.0
Net Foreign Direct Investment (% of GDP)	2.6	1.9	1.2	1.5	1.8	2.0
Fiscal Balance (% of GDP)	-8.1	-7.9	-7.4	-7.9	-7.3	-7.1
Debt (% of GDP)	90.2	87.0	92.4	96.4	91.6	87.3
Primary Balance (% of GDP)	1.9	1.8	1.5	1.3	1.7	2.0
International poverty rate ($1.9 in 2011 PPP)[a,b]	3.7	4.3	4.3	4.3	4.2	4.2
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	28.4	29.8	29.7	29.5	29.2	28.9
GHG emissions growth (mtCO2e)	1.9	2.1	1.7	1.8	1.9	1.9
Energy related GHG emissions (% of total)	68.3	68.6	69.2	69.2	69.1	68.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
a/ Calculations based on 2010-HIECS, 2015-HIECS, and 2017-HIECS. Actual data: 2017. Nowcast: 2018-2021. Forecasts are from 2022 to 2024.
b/ Projection using annualized elasticity (2010-2015) with pass-through = 0.07 based on GDP per capita in constant LCU.

IRAN, ISLAMIC REPUBLIC

Table 1	2021
Population, million	85.0
GDP, current US$ billion	249.7
GDP per capita, current US$	2936.3
School enrollment, primary (% gross)[a]	110.7
Life expectancy at birth, years[a]	76.7
Total GHG Emissions (mtCO2e)	819.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2019).

Iran's economy continues its gradual recovery that started in mid-2020, driven by the oil sector and services. However, water and energy shortages led to contraction of the agriculture and industry sectors. Only a third of the pandemic period jobs losses have so far been recovered. Oil revenue shortfalls led to a growing budget deficit, adding to inflationary pressures through the government's deficit financing operations. Growth is forecast to remain modest with both upside and downside risks associated with oil market dynamics, geopolitical tensions, the pandemic, and climate change.

Key conditions and challenges

Iran's economy is slowly emerging from a decade-long stagnation bogged by two rounds of economic sanctions, marked oil price cyclicality, and the COVID-19 pandemic. Real GDP in 2020/21[1] was almost at the same level as 2010/11, and real GDP per capita in 2020/21 fell to the 2004/05 level. The large contractions in oil exports placed severe pressures on government finances at the same time, as oil prices started a downward trajectory in late-2018, which further worsened during the COVID-19 pandemic. While current account pressures were partly absorbed through the depreciation of the rial and import substitution, the depreciation together with the government's budget deficit financing operations fueled inflationary pressures. High inflation and lack of jobs negatively impacted household welfare and added to social grievances. The impact of the pandemic on Iran's labor market was significant following multiple and long-lasting waves of infections.

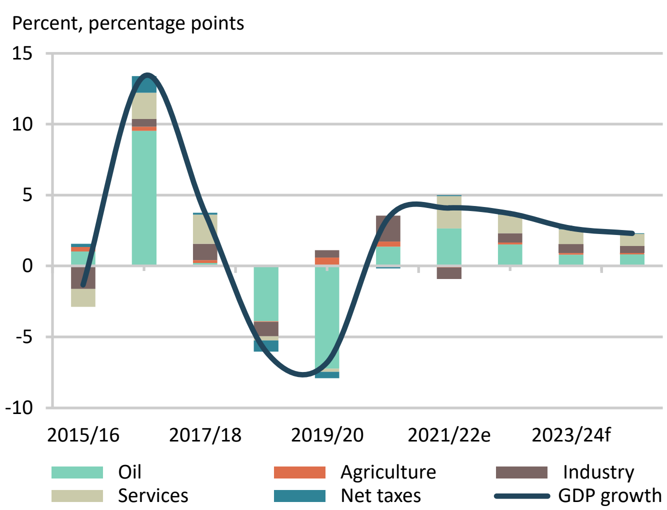
Iran's economic challenges are also structural. Despite adjustments that partially mitigated the impact of external shocks, the economy remains constrained by widespread inefficiencies and price distortions that have contributed to the economy's subpar performance. Iran is one of the largest subsidizers of fossil fuels globally, leading to allocative inefficiencies and significant budget and equity implications, as well as high carbon intensity of the economy. While social protection measures partly mitigated pressures, the lack of targeting and inflation indexation reduced their impact over time. Furthermore, climate change challenges in Iran have hurt growth, especially in labor-intensive agriculture and industry sectors following record high temperatures and low rainfalls. These factors constrain the pace of recovery and the dynamism of the economy in the outlook.

1/ The Iranian calendar year starts on March 21 of every year and ends on March 20 of the following year.

Recent developments

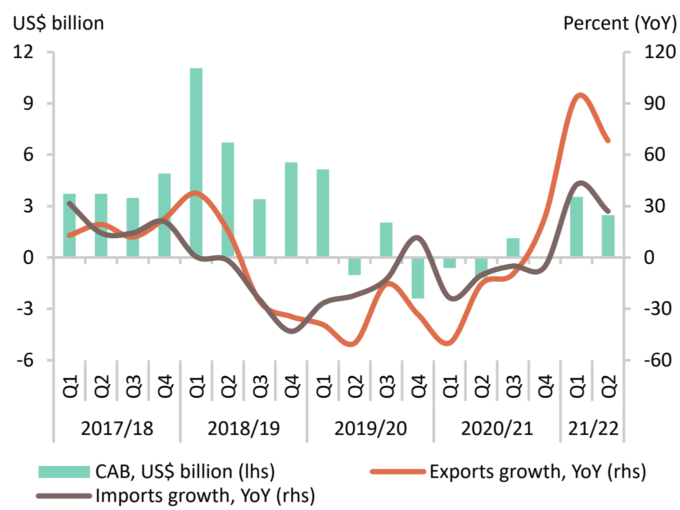
The economy continued to rebound in 9M-21/22 (Apr-Dec 2021), following a two-year recession. A recovery in the oil and service sectors (11.7 and 6.5 percent growth, respectively) – following a return of global and domestic activity after the start of the pandemic – led to a 5 percent YoY growth in 9M-21/22. However, the agriculture sector contracted by 2.1 percent due to drought and energy blackouts. On the demand side, a 3.4 percent expansion in consumption drove GDP growth as activity returned closer to pre-pandemic levels. Imports growth (25.5 percent) outweighed the pick-up in exports (5.4 percent), and investment also declined (5.2 percent). The economic rebound has yet to be reflected in the labor market as the recovery was largely

FIGURE 1 Islamic Republic of Iran / GDP growth and supply side decomposition



Sources: CBI and World Bank staff calculations.

FIGURE 2 Islamic Republic of Iran / Current account balance



Sources: CBI and World Bank staff calculations.

driven by the oil sector, and employment growth in services and industries could not compensate for job losses in the agriculture sector.

The government faced challenges in financing a growing fiscal deficit due to a shortfall in oil revenues and higher expenditures. In line with exports, oil revenues grew rapidly in H1-21/22 (over 300 percent YoY), however from a record low base. The oil proceeds only met 14 percent of the ambitious budget target for the year and accounted for 12 percent of government revenues (an improvement from the 4 percent share of H1-20/21 but far from pre-sanction share of 50 percent in H1-18/19). However, tax revenues grew by 60 percent, partly reflecting higher inflation, and expenditures also grew by 58 percent. This brought the budget deficit to 6.8 percent of GDP in H1-21/22, which was mainly financed through bond issuance (82 percent), as the government could not realize its planned sales of public assets.

Inflation continued its upward trend, driven by inflationary expectations, currency depreciation, and monetary expansion. Headline and core inflation in 2021/22 rose to an estimated 40.7 and 51 percent, respectively – recording the third consecutive year of inflation above 35 percent – but have since eased to 35.4 and 39.1 percent YoY in February 2022. In 10M-21/22, the currency depreciated by 14.7 percent against the US dollar and M2 expanded by 39.8 percent.

A strong expansion in hydrocarbon exports drove the current account balance to a surplus of US$5.9 billion in H1-21/22. Oil exports grew through both price and (likely) volume channels, reaching US$18.6 billion (118 percent growth, YoY), partly a base effect from their 2020/21 collapse after the pandemic. While oil export volumes are not officially reported (because of the sanctions), the higher oil production growth in 2021 (21 percent) indicates an upward trend in exports including through indirect exports to China. Non-oil exports and imports surpassed their pre-pandemic levels during April 2021 - February 2022 by 12.7 percent and 16.6 percent, respectively.

Outlook

Average GDP growth is projected to remain modest in the medium term as the economy remains constrained by the continued impact of the pandemic through weaker domestic and global demand, while trade, especially oil exports, remains restricted by ongoing sanctions. Non-oil GDP growth is projected to remain below potential following previous years' decline in real investment. Inflation is forecast to ease relative to 2021/22 but remain high, at over 30 percent annually, as fiscal and exchange rate pressures persist. Sustained inflation will continue to put pressure on the livelihood of poor and vulnerable households, already severely hit by the pandemic crisis.

Higher projected oil prices in the outlook period and growth in oil export volumes considering the tighter global oil market are forecast to curb fiscal pressures. However, high expenditure growth due to increasing wage bill and pension spending are projected to keep the fiscal balance in a deficit of 3.8 percent of GDP in 2022-24.

Iran's economic outlook is subject to significant risks. On the upside, further increase in oil prices following heightened global tensions can directly boost fiscal revenues and indirectly lead to a faster growth in oil export volumes if oil markets seek all available supply to ease price pressures. With both Iran and Russia under sanctions, higher trade and investment with Russia could reduce the impact of sanctions on Iran. Downside risks relate to the resurgence of new COVID-19 variants, a worsening climate change impact, and heightened geopolitical tensions including the recent conflict's impact on global food prices and Iran's imports.

TABLE 2 Islamic Republic of Iran / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019/20	2020/21	2021/22	2022/23e	2023/24f	2024/25f
Real GDP growth, at constant market prices	-6.8	3.4	4.1	3.7	2.7	2.3
Private Consumption	-7.7	-0.4	3.4	2.9	2.3	1.9
Government Consumption	-6.0	-2.3	3.9	3.9	3.4	2.9
Gross Fixed Capital Investment	-5.9	2.5	-4.4	5.3	3.4	3.4
Exports, Goods and Services	-29.9	-5.4	8.9	8.7	5.6	4.5
Imports, Goods and Services	-38.1	-29.2	22.8	5.1	3.9	3.1
Real GDP growth, at constant factor prices	-6.5	3.6	4.1	3.7	2.7	2.3
Agriculture	8.8	4.5	-1.3	1.7	1.5	1.5
Industry	-15.9	8.4	4.6	5.4	3.5	3.2
Services	-0.5	-0.1	4.6	2.6	2.1	1.7
Inflation (Consumer Price Index)	41.3	36.4	40.7	37.6	34.8	32.1
Current Account Balance (% of GDP)	1.5	-0.3	1.8	4.7	3.1	2.8
Fiscal Balance (% of GDP)	-5.0	-6.3	-5.5	-3.7	-3.8	-3.9
Gross Public Debt (% of GDP)	48.0	52.0	49.8	46.4	44.5	43.2
Primary Balance (% of GDP)	-4.5	-5.3	-4.5	-2.8	-3.0	-3.1
GHG emissions growth (mtCO2e)	-0.6	-3.2	2.8	2.8	2.2	2.0
Energy related GHG emissions (% of total)	71.3	70.5	71.0	71.3	71.4	71.3

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

REPUBLIC OF IRAQ

Table 1	2021
Population, million	41.2
GDP, current US$ billion	204.8
GDP per capita, current US$	4973.4
School enrollment, primary (% gross)[a]	108.7
Life expectancy at birth, years[a]	70.6
Total GHG Emissions (mtCO2e)	246.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2019).

Iraq's economy is gradually recovering from the twin shocks of the pandemic and collapse in oil prices in 2020. Both oil and non-oil growth are on track to reach their pre-pandemic levels as oil production increases and the easing of COVID-19 restrictions restores domestic economic activity. Fiscal and external deficits are back to surpluses as oil prices continue to surge. Growth in the medium term is projected to be driven by the oil sector as OPEC+ production cuts are phased out. The outlook remains subject to significant risks including uncertainties relating to the impact of geopolitical tensions, the ongoing pandemic, security challenges, and climate change.

Key conditions and challenges

Iraq's economy is gradually emerging from the pandemic, driven by a recovery in non-oil economic activity and more favorable oil market dynamics. Non-oil economic activity is recovering to the pre-pandemic level as COVID-19 restrictions are eased. Oil production has also gradually increased as per the OPEC+ production quota tapering, which is scheduled to be fully phased out by September 2022. Higher oil prices have also bolstered government revenues and strengthened reserves.

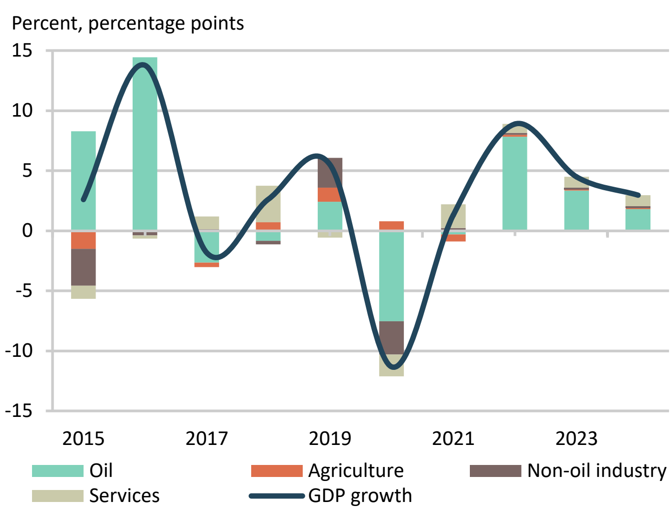
However, Iraq's economic recovery remains fraught by significant volatility and long-standing structural challenges. Due to overdependence on oil, exports and government revenues remain highly volatile and pro-cyclical in line with oil price dynamics. Government spending is beset by rigid wage and transfer expenditures. The pandemic also amplified Iraq's pre-existing fragilities in the health care system, public administration, and digital and physical infrastructure, compounding low productivity growth. The disproportional impacts of the crisis on the pre-pandemic poor and vulnerable population exacerbated the pre-existing poverty trends and inequality. While the overall unemployment rate increased during the pandemic, unemployment among the displaced, returnees and women jobseekers, and those pre-pandemic self-employed and informal workers, in particular, is pronounced significantly. Record high temperatures and severe droughts have impacted agricultural production, making Iraq more reliant on imports as commodity prices rise, with implications for food security and poverty, especially in rural areas. High dependence on gas and electricity imports have increased the magnitude of impact from disruptions to these imports. This while Iraq is the world's second largest gas flaring country failing to capture over half of the associated gas in oil production.

A protracted government formation process and a resurgence of security challenges cloud the prospects of Iraq's economy. A political dead lock has stalled the government formation process since the October 2021 parliamentary elections and led to postponing of the 2022 budget, adding to pre-exiting social grievances regarding corruption, poor public service delivery and lack of economic opportunities. The oil windfall presents a crucial opportunity for implementation of a comprehensive package of economic reforms to achieve sustainable economic growth and cushion the impact of future economic shocks.

Recent developments

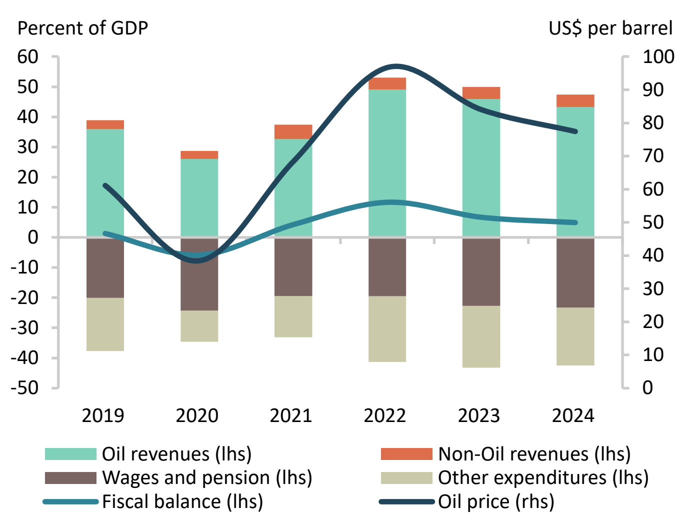
Iraq's economy is gradually rebounding following the deep economic strains of the COVID-19 pandemic. Real GDP is estimated to have edged up by 1.3 percent in 2021, after a sharp contraction of 11.3 percent in 2020. The rebound was mainly driven by the non-oil sector which grew by 6 percent in 9M-2021 year-on-year (y/y), underpinned

FIGURE 1 Republic of Iraq / GDP growth and supply side decomposition



Sources: Iraq's COSIT and World Bank staff calculations.

FIGURE 2 Republic of Iraq / Fiscal account outlook



Sources: Iraq MoF, MoO, and World Bank staff calculations.

by a strong performance of the high contact sectors including transport, accommodation, and retail sectors. However, agricultural and construction contracted by 17.5 percent and 36.8 percent respectively, following severe droughts, energy outages, and the rising global price of inputs. In 9M-2021, oil GDP contracted by 4 percent (y/y) as Iraq adjusted its oil production as per the OPEC+ agreement. Headline and core inflation edged up to an average of 6 and 6.6 percent (y/y) in 2021, respectively, following the 23 percent devaluation in Dec-2020 and the gradual recovery in domestic demand.

Government revenues surged by 73 percent (y/y) in 2021 spurred by higher oil prices which averaged at US$68.3/barrel in 2021 (78 percent increase y/y). These budgetary gains were in part boosted by the currency devaluation and measures to mobilize non-oil domestic revenues mainly from customs. While recurrent expenditures – including the wage bill – remained high at 29 percent of GDP, improved oil receipts turned the overall fiscal balance to a surplus of 5.3 percent of GDP in 2021. The improved fiscal situation together with a denominator effect from the high nominal GDP growth (33 percent y/y) is estimated to have reduced the debt-to-GDP ratio to 54.8 percent in 2021, down from 64.7 percent in 2020.

Higher oil prices and exports also improved Iraq's external accounts. The current account balance turned into a surplus of 8.3 percent of GDP in 9M-2021 as exports surged by 46 percent and imports declined by 25 percent (y/y). The latter was driven by private imports' downward adjustment following the devaluation. The stronger trade balance pushed official reserves up from US$54 billion in Dec-2020 to US$61.9 billion in Dec-2021, strengthening buffers to external shocks.

Outlook

The turnaround in oil markets has significantly improved Iraq's economic outlook in the medium term. Overall growth in 2022 is now forecast at 8.9 percent as OPEC+ quotas end and Iraq's production surpasses its pre-pandemic level of 4.6 mbpd. Growth in the outer years is projected to remain modest at 3.7 percent on average as oil production moderates. Non-oil GDP growth is projected to converge to its long-term potential growth trend in part aided by higher investments that would be financed through the oil windfall. However, growth is forecast to remain constrained by the economy's limited absorptive capacity and other inefficiencies.

Higher projected oil prices in 2022-2024 are forecast to significantly improve Iraq's fiscal and external outlook. Due to their high dependence on oil, government revenues are likely to grow significantly through both price and volume channels. In the absence of a fiscal rule, part of the new fiscal space is likely to be absorbed by higher investment expenditures along with other procyclical discretionary spending. As such, Iraq's overall fiscal surplus is projected to moderate from an initial high of 11.7 percent of GDP in 2022 to 4.9 percent of GDP in 2024, while the debt-to-GDP ratio gradually improves to an annual average of 43 percent in 2022-24.

Iraq's economic outlook remains subject to significant risks. The recent geopolitical tensions related to the Russian war and invasion highlight risks for Iraq economy both on the up and downside. While any further oil price hikes would further improve Iraq's fiscal balance, rising food prices and disruption to agriculture imports will exacerbate pre-existing poverty trends and increase food security risks. The conflict also poses risks to Iraq's crude oil production if operations of Russian oil companies in Iraq are impacted by international sanctions on Russia. Higher oil prices could hurt the long-standing need to reform thereby deepening Iraq's structural economic challenges. Further intensified climate change effects and water shortages will decrease agricultural production. Additionally, COVID-19 vaccination in Iraq remains very low, among the lowest in the region and well below the global rate, and poses additional risks. It remains low even among the most vulnerable group, the elderly, and among those with high risk of exposure to the virus – poorer households and informal workers that are less likely to work from home and more likely to live in large households in cramped conditions. Other risks include the decline in oil prices, and a deterioration of the security situation.

TABLE 2 Republic of Iraq / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021e	2022f	2023f	2024f
Real GDP growth, at constant market prices	4.8	-8.6	1.3	8.9	4.5	3.0
Private Consumption	1.5	3.1	2.3	3.2	3.1	3.0
Government Consumption	25.2	-9.5	5.6	6.0	4.0	3.4
Gross Fixed Capital Investment	496.1	-67.0	10.0	13.3	9.5	8.3
Exports, Goods and Services	4.6	-10.1	-0.5	13.5	5.5	2.9
Imports, Goods and Services	28.4	-23.9	4.2	8.7	5.7	5.0
Real GDP growth, at constant factor prices	5.5	-11.3	1.3	8.9	4.5	3.0
Agriculture	46.2	22.5	-12.0	4.0	2.0	2.0
Industry	7.4	-15.2	-0.1	12.5	5.3	2.9
Services	-1.8	-6.3	6.5	2.3	3.0	3.1
Inflation (Consumer Price Index)	-0.2	0.6	6.0	3.3	3.0	2.5
Current Account Balance (% of GDP)[a]	5.6	-5.2	8.2	10.6	7.4	5.2
Net Foreign Direct Investment (% of GDP)[a]	1.4	1.6	1.5	1.6	1.6	1.7
Fiscal Balance (% of GDP)[a]	1.3	-5.8	4.3	11.7	6.7	4.9
Debt (% of GDP)[a]	44.7	64.7	54.8	43.3	42.8	41.7
Primary Balance (% of GDP)[a]	2.4	-4.8	5.3	12.5	7.6	6.0
GHG emissions growth (mtCO2e)	11.4	-2.6	7.3	18.1	13.8	11.6
Energy related GHG emissions (% of total)	72.5	73.8	76.4	79.3	81.2	82.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
a/ Share of factor cost GDP.

JORDAN

Table 1	2021
Population, million	10.3
GDP, current US$ billion	45.2
GDP per capita, current US$	4403.8
National poverty rate[a]	15.7
School enrollment, primary (% gross)[b]	80.4
Life expectancy at birth, years[b]	74.5
Total GHG Emissions (mtCO2e)	35.0

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2017/8).
b/ WDI for School enrollment (2020); Life expectancy (2019).

Jordan's economic rebound during 2021 has been steady, but significant slack remains in the economy. Unemployment is still persistently high - particularly for the youth while labor force participation is among the lowest regionally. The current account deficit remains elevated, but the fiscal position is showing tangible improvement. Headline inflation remains low despite increases in transport and fuel prices. Going forward, economic growth is projected to remain modest as both the direct and indirect impacts of the Russian invasion, war and associated sanctions unfold, creating headwinds for Jordan's nascent economic recovery.

Key conditions and challenges

During the past decade, Jordan has faced multiple external shocks. Growth performance has been affected by regional instability, which disrupted trade routes and key export markets, triggered a large refugee influx, and reduced foreign capital inflows through an economic slowdown in GCC countries. Jordan's growth slowed to an average of 2.4 percent a year during 2010-2019, compared to 6.5 percent during 2000-2009, while population grew twice as fast as real GDP due to the influx of refugees. As a result, job growth could not match growth in the working age population. Unemployment was high and rising in comparison to regional peers even prior to COVID-19 shock.

Jordan has weathered the COVID-19 shock better than most countries. Its economy registered a modest contraction during 2020, cushioned by the substantial improvement in terms of trade and the authorities' timely monetary and fiscal responses, including wage subsidies for formal workers and provision of temporary cash transfers for poor and informal vulnerable households.

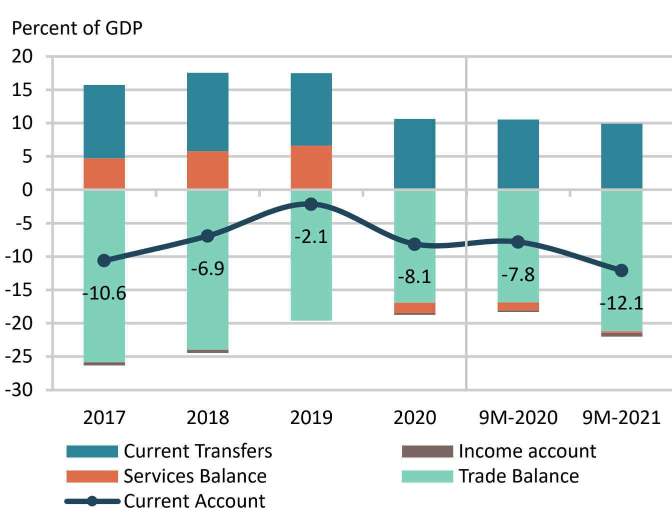
Over the medium term, Jordan's structural impediments along with imminent global risk factors arising from the Russian invasion, war and associated sanctions pose serious downside risks. Although direct trade links with Ukraine and Russia are limited, a continuous and accelerated surge in commodity prices and stronger slowdown in global growth represent imminent downside risks to the economy. In absence of accelerated progress on structural reforms, output could take longer to recover due to deeper scars on firms' balance sheets and potentially higher bankruptcies, human capital losses, and weaker human capital accumulation. Over medium-to-long run, the impact of climate change on natural hazards could intensify the country's water scarcity, posing a serious challenge to the agriculture sector.

Recent developments

Jordan's economic recovery during the first 9 months of 2021 was steady but was slightly below expectation. Growth reached 2.1 percent in 9M-2021 year-on-year, led by a broad-based recovery of the services and industrial sectors. Nonetheless, performance of some sub-sectors, specifically contact-intensive services, remain below pre-pandemic levels.

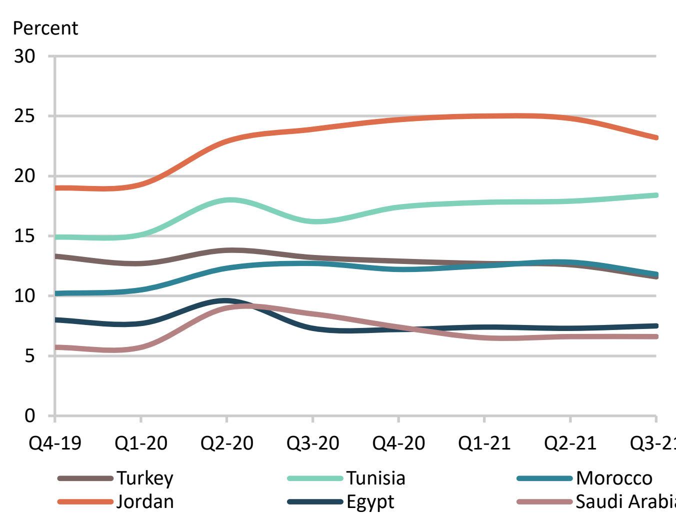
The fiscal position showed a notable improvement vis-à-vis 2020. Central Government (CG) fiscal deficit (incl. grants) as of 11M-2021 stood at 4.6 percent of GDP, 1.5 percentage point lower than in 2020. A strong recovery in domestic revenue collection contributed to the significant improvement, which more than offset elevated spending.

FIGURE 1 Jordan / Current account deficit and its drivers



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

FIGURE 2 Jordan / Unemployment rate in regional comparison



Sources: Haver Analytics and World Bank staff calculations.

Jordan's current account deficit (CAD) remains elevated. The CAD at end-September 2021 widened to 12.1 percent of GDP, driven by a substantial increase in the merchandise trade deficit amid unprecedented increases in global commodity prices and modest recovery in travel receipts compared to pre-COVID-19 levels. Nonetheless, international reserves at end-December 2021 stood at a comfortable level covering 9.5 months of imports, reflecting timely donor and IMF program support (as well as SDR augmentation).

Employment indicators still raise concern for households' welfare. Deterioration in the labor market remains the most significant threat to household welfare. The employment rate remained low at 26.4 percent (Q3-2021). Although unemployment fell slightly since peaking at 25.0 percent in Q1-2021, it was still high at 23.2 percent in Q3-2021, even more so for women (30.8 percent) and young people (48.5 percent among those aged 15 to 24 years old). The national poverty rate before the pandemic was 15.7 percent (2018). Declines in employment incomes at the height of the crisis were estimated to increase poverty by as much as 11 percentage points.

Outlook

Growth is projected to reach 2.0 percent and 2.1 percent in 2021 and 2022 respectively, led by a recovery in domestic demand and supportive government policies. On the supply side, acceleration in the recovery of tourism and services are expected to boost the economy. Growth dynamics over the medium-term, however, hinge on global economic conditions, headwinds from the Russian invasion, war and associated sanctions and timely resolution of structural impediments. Reflecting elevated international commodity prices, headline inflation during 2022 is projected to reach 3.3 percent.

The CG fiscal deficit (incl. grants) is projected to improve to 4.0 percent of GDP in 2022, supported by robust revenue efforts and retraction of COVID-19 related expenditures. Over the medium term, the fiscal deficit is projected to improve supported by IMF-EFF fiscal measures. Subsequently, government and guaranteed gross debt at end-2022 is projected to reach 114.2 percent of GDP (with debt net of Social Security Investment Fund holdings at around 90.4 percent) before gradually declining over the medium-term.

On the external front, the ongoing Russian invasion, war and associated sanctions are estimated to lead to a high CAD in 2022 as a result of higher energy prices as well as negative impact on tourism. Tourists receipts from Russia and Ukraine together accounted for 4.8 percent of total tourist receipts in 2021. As a result, the CAD (including grants) is projected to only modestly narrow - reaching 9.1 percent of GDP in 2022, compared to an estimated 10.6 percent of GDP in 2021. Over medium-term, full tourism recovery, pick-up in remittances, growth in exports and slow-down in imports is projected to narrow Jordan's CAD.

Household welfare is expected to slightly improve with the expected slow recovery in tourism, domestic demand and interaction-intensive services sectors. However, short of a revival of growth beyond the low 2 percent—which in turn is contingent on reform implementation—welfare improvements are not expected to be significant and could be reversed through shocks given limited household buffers. Larger households, young, female and informal workers may take longer to recover from the economic impacts of the crisis.

TABLE 2 Jordan / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021e	2022f	2023f	2024f
Real GDP growth, at constant market prices	2.0	-1.6	2.0	2.1	2.3	2.3
Private Consumption	-0.5	-0.8	4.5	2.5	1.6	1.6
Government Consumption	2.1	5.2	3.9	-2.1	0.9	2.4
Gross Fixed Capital Investment	-11.1	20.0	4.2	4.6	1.4	2.8
Exports, Goods and Services	6.5	-35.8	20.7	5.7	5.8	6.9
Imports, Goods and Services	-3.1	-17.2	19.5	4.2	2.3	4.2
Real GDP growth, at constant factor prices	2.2	-1.4	2.0	2.0	2.3	2.3
Agriculture	2.6	1.6	3.0	2.4	2.6	2.9
Industry	1.4	-2.4	2.7	1.4	1.6	1.8
Services	2.4	-1.2	1.7	2.3	2.6	2.5
Inflation (Consumer Price Index)	0.8	0.3	1.3	3.3	2.5	2.5
Current Account Balance (% of GDP)	-2.1	-8.1	-10.6	-9.1	-6.5	-5.0
Net Foreign Direct Investment (% of GDP)	1.5	1.6	1.6	2.2	2.9	3.4
Fiscal Balance (% of GDP)[a]	-4.9	-7.3	-6.0	-4.0	-3.5	-2.4
Debt (% of GDP)[b]	97.4	109.0	113.6	114.2	114.5	113.0
Debt, net of SSIF (% of GDP)[b]	78.0	88.0	91.3	90.4	89.2	86.3
Primary Balance (% of GDP)[a]	-1.3	-3.1	-1.7	0.0	0.5	1.6
GHG emissions growth (mtCO2e)	0.2	-4.0	1.7	1.9	1.6	2.1
Energy related GHG emissions (% of total)	63.3	62.0	62.4	62.5	62.8	62.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
a/ CG fiscal balance incl. grants, use of cash and unident. measures as per IMF-EFF (Jan 2022) of 1.3% of GDP in 2023, and 1.6% of GDP in 2024.
b/ Government and guaranteed gross debt. Includes securitization of domestic arrears in 2019-21.

KUWAIT

Table 1	2021
Population, million	4.3
GDP, current US$ billion	134.7
GDP per capita, current US$	31325.6
School enrollment, primary (% gross)[a]	87.3
Life expectancy at birth, years[a]	75.5
Total GHG Emissions (mtCO2e)	113.8

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2020); Life expectancy (2019).

Kuwait exited a two-year recession in 2021 as COVID-19 restrictions and OPEC+ cuts are gradually eased. The fiscal deficit is expected to narrow with surging oil prices. The economic recovery is projected to gather pace in 2022 due to the combined effects of fewer pandemic related restrictions, higher oil production and rising oil prices which will boost both oil and non-oil sectors. However, emerging coronavirus variants, volatile oil prices and continued political deadlock over key reforms are downside risks.

Key conditions and challenges

Kuwait's long-term challenges relate to the economy's dependence on oil and domestic consumption, and slow implementation of diversification plans. Large financial assets underpin Kuwait's economic resilience, but these assets alone cannot substitute for the fiscal and structural reforms that would offset the risks of low oil demand in the future. Fitch Ratings downgraded its sovereign rating in January due to ongoing political constraints hindering economic reform and debt financing needs. In 2021, more than 257,000 expatriates permanently relocated following a trend exacerbated by the pandemic. Moreover, the government has been accelerating its Kuwaitisation policy—the replacement of foreign workers with Kuwaitis. The exodus of expats has resulted in labor shortages, which risks hampering growth in both the oil and non-oil sectors. Structural reforms targeting sustained, inclusive, and greener growth are urgently needed.

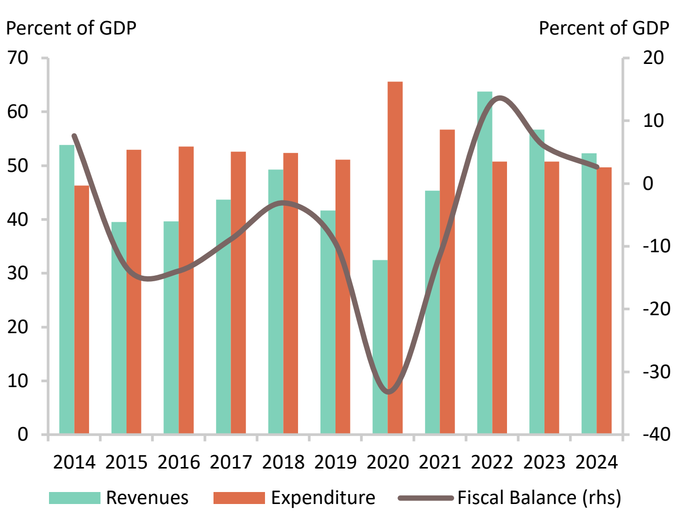
Key risks to the outlook relate to the uncertainty over new variants of COVID-19, oil market volatility, and the political deadlock over structural reforms. On the other hand an upside risk is that the recent oil price surge triggered by the war in Ukraine continues. As the COVID-19 crisis abates, policies should address medium- and long-term challenges such as enhancing fiscal sustainability by containing the wage bill, phasing out subsidies and moving ahead with VAT in harmony with other GCC countries.

Recent developments

Kuwait's real GDP growth in 2021 is estimated at 2.3 percent, a modest rebound given the based effect that the COVID-19 driven deep contraction of 8.9 percent in 2020 generated. The recovery was aided by a pick-up in the oil sector in line with OPEC+'s decision to ease crude production cuts, as well as a rebound of domestic consumption supported by renewed debt payment deferrals and higher consumer loans. Domestic credit increased by 6.3 percent in 2021, its highest growth rate since 2015, and was driven by households, while business credit remained flat. The spike in COVID-19 cases in early 2022 was the highest recorded since the crisis began, prompting authorities to tighten restrictions. The case count has since dropped dramatically and now over 83 percent of the population is fully vaccinated. Inflation is expected to increase from 2.1 in 2020 to 3.4 percent in 2021 due to higher prices across all categories, led by food prices. The Central Bank of Kuwait raised interest rates by 25 bp in line with Federal Reserve System's move to tackle inflation.

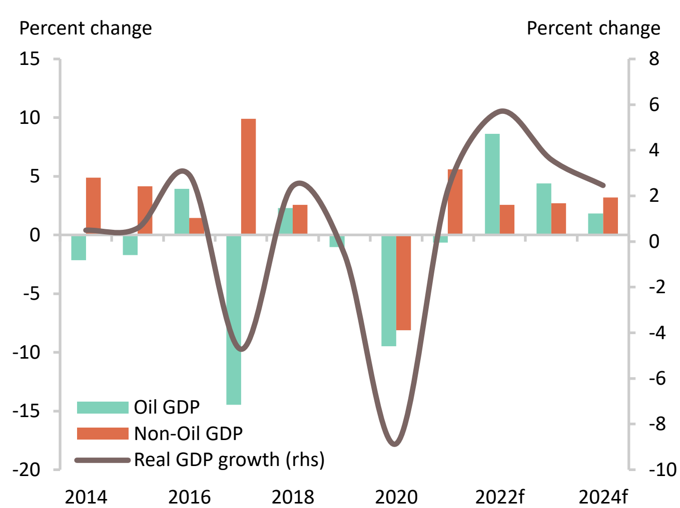
The fiscal deficit narrowed from 33.2 percent of GDP in FY20/21 to an estimated 11.4 percent of GDP in FY21/22 which is narrower than the government's budget

FIGURE 1 Kuwait / General government operations



Sources: World Bank, Macroeconomics, Trade and Investment Global Practice, IMF WEO. Notes: (1) Based on fiscal year cycle (April to March 31), (2) Balances exclude investment income and transfers to the Future Generations Fund.

FIGURE 2 Kuwait / Growth: Real GDP, real oil, and real non-oil sectors



Sources: Kuwait CSB, World Bank, Macroeconomics, Trade and Investment Global Practice.

(29.8 percent of GDP) due to higher-than-expected oil prices. This more than compensated for higher spending (the fiscal year begins in April and figures exclude investment income). However, financing the deficit will remain a challenge without the approval of the proposed debt law that seeks to raise the borrowing limit. In tandem with the recovery of global oil prices and export volumes as pandemic related international supply chain disruptions eased, the current account surplus expanded by an estimated 5.1 percent of GDP in 2021. The recovery in trade was led by higher earnings from both oil and non-oil exports, mitigated by higher imports.

Kuwait's labor market is highly segmented. According to the 2016-17 Labor Force Survey, nine out of ten employed Kuwaitis work in the public sector, and thus were protected from pandemic-related restrictions on economic activity. By contrast, migrant workers are largely employed in the private sector (64.3 percent) or as domestic workers (31 percent). The ILO estimates an annual decline of 5.8 percent in the labor force in 2020, with only a partial rebound in 2021 (4.1 percent). This is largely driven by a reduction of migrants (by 8.5 percent between 2019 and 2020). ILO estimates women and men unemployment rates increased in 2020: 8.2 and 2.0 percent, respectively, compared to 5.7 and 1.0 percent in 2019.

Outlook

Economic growth in 2022 is expected to accelerate to 5.7 percent due to higher oil output, as OPEC+ cuts are phased out, and as domestic demand strengthens. Oil production is expected to increase by 8.6 percent in 2022 as OPEC+ lifts quotas and new capacity at the Al Zour refinery comes online. Over the medium term, real GDP will expand (averaging 3 percent for 2023-24) thanks to stronger oil exports and credit growth. Stronger domestic demand will give further momentum to inflation in 2022. However, a gradual tightening of monetary policy from 2022 onwards will moderate inflation over the medium term.

The FY22/23 budget aimed to narrow the overall fiscal deficit (7.2 percent of GDP) through stronger oil revenues and lower spending, primarily subsidy and capital spending cuts. However, with the sharp increase in oil prices following the war in Ukraine, a large swing into surplus for the overall fiscal balance (to 13 percent of GDP in 2022) is projected. This will enable the partial clearance of US$7.7 billion in arrears that Kuwait's finance ministry owes to ministries and other public bodies. In light of this, fiscal reform to enhance liquidity are critical and introducing the VAT in line with its GCC peers will help diversify revenue. Furthermore, Kuwait should seize the opportunity of the favorable fiscal position to delink the economy from oil and push forward structural reforms. The related boost in oil export earnings in addition to improvements in global demand and waning concerns over the pandemic, will continue to expand the current account balance. Kuwait has long-term LNG import contracts with Qatar so the gas price hike is not expected to have a major impact. Frequent government changes indicate that political deadlock will continue to hinder structural reform needed to raise potential growth and competitiveness.

TABLE 2 Kuwait / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021e	2022f	2023f	2024f
Real GDP growth, at constant market prices	-0.6	-8.9	2.3	5.7	3.6	2.5
Private Consumption	2.3	-4.5	2.9	4.2	3.1	3.0
Government Consumption	7.7	-1.6	3.0	3.8	2.5	2.2
Gross Fixed Capital Investment	-2.6	-3.1	0.5	2.0	3.8	3.5
Exports, Goods and Services	-10.0	-13.3	3.2	8.6	5.1	2.7
Imports, Goods and Services	-10.4	-4.0	3.5	5.0	4.9	3.8
Real GDP growth, at constant factor prices	0.7	-8.9	2.4	5.5	3.4	2.3
Agriculture	-4.6	-3.8	0.5	1.0	1.3	1.5
Industry	-0.9	-12.2	2.2	6.8	3.1	1.1
Services	3.4	-3.5	2.6	3.5	3.9	4.0
Inflation (Consumer Price Index)	1.1	2.1	3.4	3.6	2.8	2.3
Current Account Balance (% of GDP)	24.4	20.8	25.9	42.4	39.5	26.3
Fiscal Balance (% of GDP)[a]	-9.5	-33.2	-11.4	13.0	5.9	2.6
GHG emissions growth (mtCO2e)	4.9	-7.1	3.3	8.0	4.9	4.9
Energy related GHG emissions (% of total)	77.4	74.3	73.0	72.4	70.9	69.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
a/ Fiscal balances are reported in fiscal years (April 1st-March 31st).

LEBANON

Table 1	2021
Population, million	6.8
GDP, current US$ billion	22.1
GDP per capita, current US$	3263.6
Life expectancy at birth, years[a]	78.9
Total GHG Emissions (mtCO2e)	28.8

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2019).

Real GDP is estimated to have declined by 10.5 percent in 2021, on the back of a 21.4 percent contraction in 2020 as policy makers have still not agreed on a plan to address the collapse of the country's development model. The exchange rate continued to deteriorate sharply in 2021, keeping inflation rates in triple digits. Politically, Lebanon heads into parliamentary elections on May 15, which are highly anticipated in light of systemic failures in governance. The economic consequences of the Russian invasion, war and associated sanctions are adding to Lebanon's plights, in particular given its critical net imports of wheat (quasi-exclusively from these two countries) and oil. Assuming continued no policy reform, real GDP is projected to contract by 6.5 percent in 2022.

Key conditions and challenges

Lebanon is almost three years into an economic and financial crisis that is among the worst the world has seen (Lebanon Sinking (to the Top 3). Nominal GDP plummeted from close to US$52 billion in 2019 to an estimated US$22 billion in 2021. The crisis has also led to a triple-digit depreciation and inflation, decimating the country's gross foreign reserve base.

The share of the Lebanese population under the national poverty line estimated to have risen by 9.1 percentage points (pp) by end-2021. Phone surveys conducted in November-December 2021 by the World Food Program with support from the World Bank, found that, of households surveyed (i) 61 percent reported challenges in accessing food and other basic needs, up from 41 percent in the same period in 2020; (ii) 64 percent reported adults restricting consumption in favor of children; and (iii) 52 percent have difficulties in accessing health care, compared to 36 percent in the same period in 2020.

Lebanon has witnessed a dramatic collapse in basic services, driven by depleting FX reserves. Acute shortages of fuel for both the private and public utilities have led to severe electricity blackouts across the country, with the public utility, EdL, supplying as little as 2 hours per day. Further, medication have at times been in substantial shortages, while health services have suffered heavily.

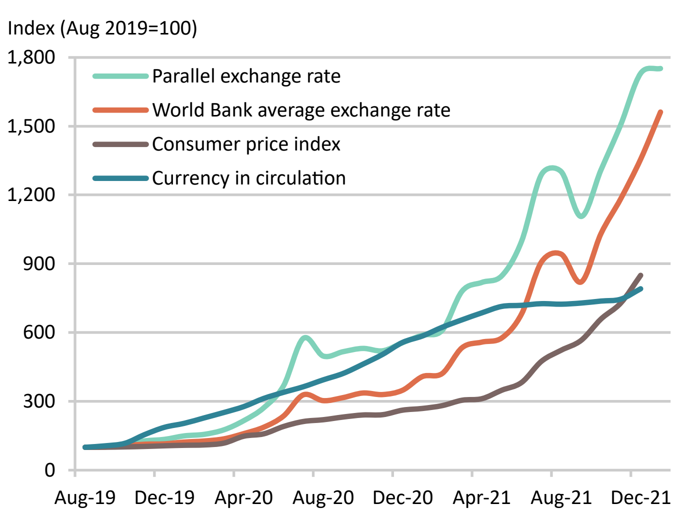
Recent developments

Real GDP is projected to decline by 10.5 percent in 2021, on the top of a 21.4 percent contraction in 2020. A scarce source of growth is the tourism sector, where tourist arrivals surged by 101.2 percent, from a low base, over the first seven months of 2021.

Public finances improved in 2021, paradoxically, as spending collapsed faster than revenue generation. Revenues are estimated to have declined from an already low 13.1 percent of GDP in 2020 to a mere 6.3 percent of GDP in 2021—the third lowest revenue ratio worldwide in 2021, ahead of only Somalia and Yemen. The expenditure contraction was even more pronounced, shrinking by 9.2 pp to 7.3 percent of GDP in 2021. This partly reflects low interest payments due to the Eurobond default and a favorable arrangement with Banque du Liban (BdL, central bank) on domestic debt as well as drastic cutbacks in primary spending (falling by 4.3 pp of GDP over 6M-2021). As a result, the overall fiscal (primary) balance is estimated to have reached -1 percent (0.2 percent) of GDP in 2021, compared to -3.3 percent (-0.8 percent) in 2020.

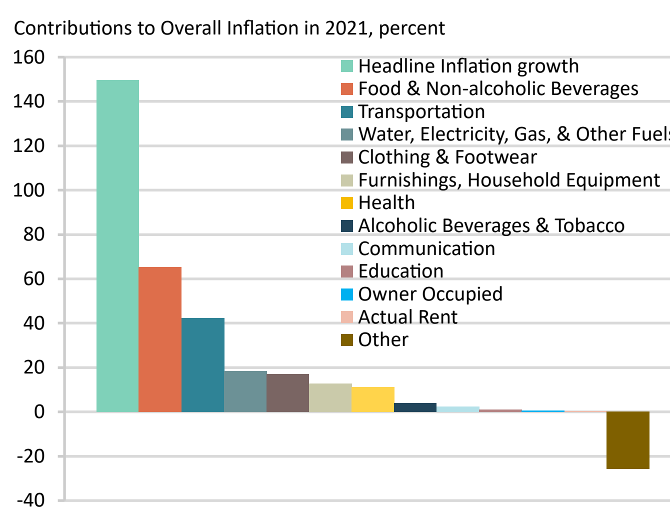
The depreciation of the Lebanese pound (LBP) picked up speed in H2-2021; the US$ banknote exchange rate (BNR) went from LBP15,000/US$ in June 2021 to breach LBP30,000/US$ in January 2022. This was largely due to a disorderly termination of the FX subsidy, which had covered essential imports (fuel, medication, wheat etc.)

FIGURE 1 Lebanon / Exchange rate depreciation and rising prices



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.

since end-2019. The World Bank Average Exchange Rate (AER) depreciated by 211 percent in 2021, compared to 250 percent depreciation in 2020 (Figure 1).

In December 2021, BdL began aggressive FX interventions using its gross reserves, managing to bring the BNR back down to LBP20,000/US$. Nonetheless, dwindling FX reserves render such measures non-sustainable. By December 2021, gross FX reserves (excluding gold reserves) at BdL reached US$17.8 billion (equivalent to 12.6 months of imports), declining by US$6.3 billion since end-2020. Since this includes around US$5 billion in Lebanese Eurobonds, on which the Government defaulted in March 2020, gross reserves are now less than required reserves on banks' customer FX deposits—estimated at US$14.4 billion. BdL does not publish net reserves data, but these are estimated to be highly negative (potentially several times GDP).

Large exchange rate pass-through effects have implied surging inflation, which after falling to 100.6 percent (yoy) in June 2021, spiked to a crisis-peak of 240 percent (yoy) in January 2022, as effects of the FX subsidy removal materialized. Average inflation for 2021 is estimated at 150 percent (Figure 2)—the 3rd highest globally after Venezuela and Sudan.

In October 2021, the Lebanese authorities and the IMF resumed discussions, which were interrupted for many months since their initial launch in May 2020. Disagreements persist on how to account for losses in the financial sector. A critical audit of the BdL—necessary to any recovery plan—remains a longstanding pending issue.

Outlook

Subject to extraordinarily high uncertainty, real GDP is projected to contract by a further 6.5 percent in 2022 under the assumptions of continued inadequate macro policy responses and a minimum level of stability on the political and security scenes. A runaway inflation-depreciation spiral, a plausible scenario, is not assumed. Inflation rates will remain in triple digits, subdued only by BdL's ability to control narrow money supply.

The projections come with wide confidence intervals attributed to (i) a downside risk of gross FX reserves depletion, renewed COVID-19 outbreaks, higher commodity prices, especially oil; and (ii) upside risk if Government agrees to and implements a comprehensive macroeconomic stabilization and reform program.

Considering the scale and scope of Lebanon's financial and economic crisis, the negative impact of the economic consequences of the Russian invasion, war and associated sanctions is of a different magnitude. It is nonetheless large and negative as Lebanon will have to quickly tap new alternatives for its wheat imports from Russia and Ukraine to guarantee food security. Additionally, surging energy prices will further exacerbate already existing, crisis related exchange market pressures, highly elevated inflation rates, and likely reduce further the limited amount of electricity supplied by EdL.

TABLE 2 Lebanon / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021e	2022f
Real GDP growth, at constant market prices	-7.2	-21.4	-10.5	-6.5
Private Consumption	-5.9	-15.3	-5.4	-7.2
Government Consumption	6.2	-53.7	-65.9	-28.0
Gross Fixed Capital Investment	-40.7	-55.4	-71.0	-54.9
Exports, Goods and Services	-1.7	-53.7	-0.4	8.2
Imports, Goods and Services	-13.0	-46.0	-15.2	-4.4
Real GDP growth, at constant factor prices	-5.9	-17.6	-7.8	-6.8
Agriculture	6.1	53.5	-10.5	0.0
Industry	-17.6	-21.8	-10.5	0.0
Services	-4.7	-21.7	-7.0	-8.6
Inflation (Consumer Price Index)	2.9	84.3	150.0	120.0
Current Account Balance (% of GDP)	-21.9	-9.3	-18.1	-12.8
Net Foreign Direct Investment (% of GDP)	3.4	8.9	6.6	4.9
Fiscal Balance (% of GDP)	-10.5	-3.3	-1.0	-1.6
Debt (% of GDP)	171.1	179.2	180.6	272.0
Primary Balance (% of GDP)	-0.5	-0.8	0.2	-0.8
GHG emissions growth (mtCO2e)	-6.2	-16.1	6.7	-24.4
Energy related GHG emissions (% of total)	73.8	71.2	74.5	67.5

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

LIBYA

Table 1	2021
Population, million	7.0
GDP, current US$ billion	41.6
GDP per capita, current US$	5977.9
School enrollment, primary (% gross)[a]	109.0
Life expectancy at birth, years[a]	72.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2019).

Since the delay of national elections in December 2021, political and security tensions and oil production disruptions have escalated. The confirmation of a new cabinet by the House of Representatives has returned Libya to a state of institutional division, with two parallel governments in the East and West. While soaring global oil prices will have a positive impact on growth and fiscal and external surpluses, this hinges on the persistence of oil production. Meanwhile the population faces increasing food insecurity as global wheat prices rise.

Key conditions and challenges

Contrary to 2021, when Libya made progress towards ending the decade-long conflict and reunifying competing public institutions in the East and West, the year 2022 has so far brought a return to political division. National elections, originally scheduled for December 2021, have been postponed and there is no agreement on a new date nor on the legal and constitutional basis for the elections. The eastern-based House of Representatives has granted confidence to a new cabinet, whereas the Government of National Unity considers that its mandate does not end until national elections take place. Libya finds itself again with two parallel governments in the East and West, with likely negative implications for policy making, economic recovery, and security.

COVID-19 vaccination coverage in Libya remains relatively low. By end-February 2022, 31 percent of people in Libya were vaccinated and only 16 percent were fully vaccinated.

The consecutive waves of the COVID-19 pandemic have placed a significant strain on the healthcare system which is already battered by the conflict. The United Nations Office for the Coordination of Humanitarian Affairs (OCHA) estimated that over 800,000 people lacked consistent access to primary and secondary healthcare services in 2021.

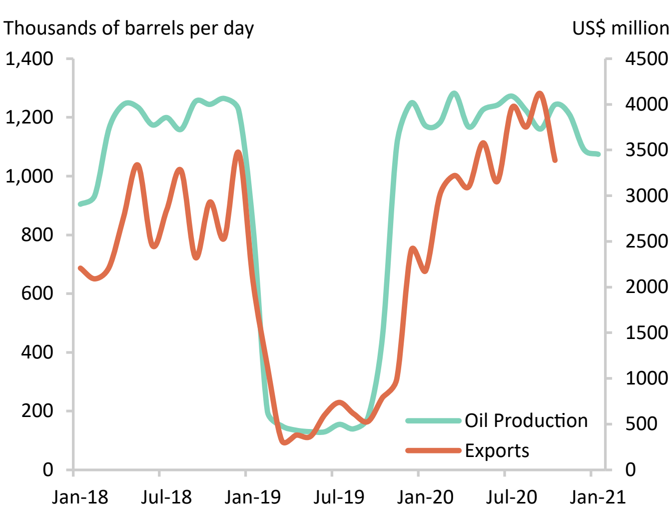
Household welfare has continued to deteriorate due to the loss of jobs and sources of income that accompanied the conflict, economic downturn and COVID-19 containment measures. According to the REACH initiative, 63 percent and 49 percent of Libyans and non-Libyans surveyed in mid-2021, respectively, reported having used or exhausted coping strategies classified as crisis or emergency strategies, thereby hindering their capacity to respond to potential future shocks.

Results of a World Food Program (WFP) phone survey conducted in August-September 2021 showed 8 percent of Libyan households have inadequate food consumption. Food insecurity was highest in the Southern region. Compared to April 2021, there was an increase in food insecurity reported in Tobruk, where 37 percent of surveyed households had inadequate food consumption.

Recent developments

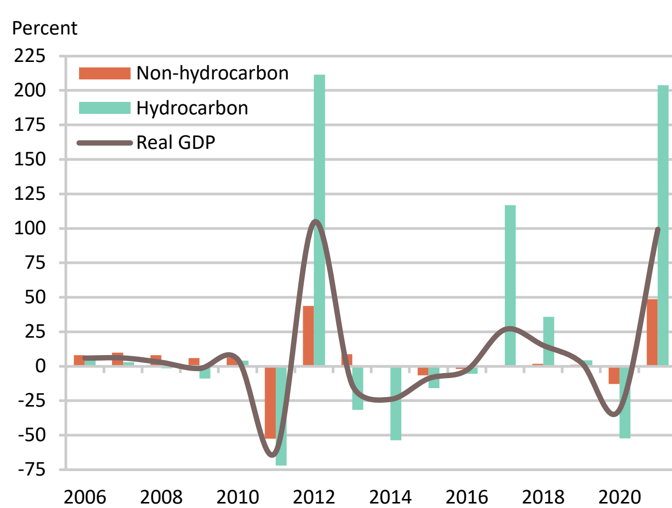
While official national accounts data have been unavailable for much of the conflict period, rough estimates of GDP can be made using data on night-time lights, oil production and government spending. Estimates reveal that growth rebounded in 2021, driven by a significant acceleration of oil production (average of 1.2 million barrels per day (mb/d) compared to 0.4 mb/d in 2020). However, since mid-December 2021, there have been multiple production disruptions due to weather-induced port closures, infrastructure

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 / Real annual GDP growth



Sources: Libyan authorities and World Bank staff estimates.

maintenance issues, and shutdowns by armed groups. Oil production in January 2022 recorded its lowest level since October 2020 (1.08 mb/d).

Prices of essential goods rose in 2021 and accelerated during the second half of the year. The price of the Minimum Expenditure Basket (MEB) in December 2021 was 12.6 percent higher than in December 2020 and 24.5 percent higher than in March 2020 at the start of the COVID-19 pandemic. The rise was especially pronounced in the West and South. The MEB, measured by the REACH initiative, represents the minimum culturally adjusted items required to support a Libyan household for a month.

Prices of flour are reportedly on the rise in the aftermath of the Russia-Ukraine crisis and in the absence of food subsidies. Libya relies significantly on wheat and cereal imports from Russia and Ukraine (54 percent of wheat imports, 62 percent of barley imports, and 69 percent of maize or corn imports).

According to an August 2021 survey by WFP, more than half of surveyed households reported having experienced shocks in the last 12 months, with 38 percent reporting reduced ability to produce or purchase food. For households that experienced shocks, price fluctuations and increases (37 percent) rank highest among the types of shock experienced.

The fiscal balance witnessed a massive reversal from a 64.4 percent of GDP deficit in 2020 to a 10.6 percent of GDP surplus in 2021 owing to the jump in oil production and prices and the exchange rate devaluation (much of the spending (particularly wages) was denominated in LYD whereas 98 percent of revenues in 2021 were sourced from hydrocarbons denominated in US$). Government spending in LYD increased by 87 percent in 2021 with rises across all major budget categories or chapters; however, given the 70 percent depreciation of the exchange rate in January 2021, this represented a spending drop of 43 percent in USD equivalent.

There is no approved budget for 2022 to date, and chances for approval of a unified government budget soon are low given the return to two separate cabinets in the East and West.

Data for the first 11 months of 2021 reveal a trade balance surplus of 52 percent of GDP, driven by the major increase in oil exports and oil prices. The current account is estimated to have turned from a deficit of 34.8 percent of GDP to a surplus of 23.4 percent of GDP in 2020-2021.

Outlook

It is impossible to forecast economic outcomes with any degree of confidence due to the high level of uncertainty surrounding political and security developments. If oil production and exports continue without major extended disruptions, Libya will benefit from soaring global oil prices which will translate into higher fiscal revenues and inflow of hard currency. This will positively affect the trade, current account, and fiscal balances. Libya may face short-term wheat supply disruptions, higher wheat prices and in turn higher inflation and lower consumption.

Downside risks to the outlook are elevated. Political tensions relating to national elections and rival governments are high, which raises the specter of a potential backslide into violence. A deterioration of the security situation or shocks to the global economy or global commodity prices would adversely impact economic activity and household welfare.

TABLE 2 Libya / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020	2021e
Real GDP growth, at constant factor prices	15.1	2.5	-31.3	99.3
Hydrocarbon GDP	35.9	4.3	-52.3	203.9
Non-Hydrocarbon GDP	1.8	1.0	-12.8	48.7
Exchange Rate (USD/LYD)	1.4	1.4	1.4	4.5
Current Account Balance (% of GDP)	21.4	11.6	-34.8	23.4
Fiscal Balance (% of GDP)	-7.0	1.7	-64.4	10.6
Crude oil production (million barrels per day)	1.0	1.2	0.4	1.2

Sources: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate.

MOROCCO

Table 1	2021
Population, million	37.3
GDP, current US$ billion	128.6
GDP per capita, current US$	3442.4
National poverty rate[a]	4.8
Lower middle-income poverty rate ($3.2)[a]	7.3
Gini index[a]	39.5
School enrollment, primary (% gross)[b]	115.2
Life expectancy at birth, years[b]	76.7
Total GHG Emissions (mtCO2e)	98.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2014).
b/ WDI for School enrollment (2020); Life expectancy (2019).

The economy rebounded in 2021, due to a strong agricultural output, solid exports and remittances, supportive macroeconomic policies, and significant progress on COVID-19 vaccination. The authorities adopted a New Development Model, an ambitious reform program that aims to foster stronger, greener, and more inclusive growth. They also embarked on ambitious reforms in health insurance, social protection, and education. In the short-run, the authorities will need to address the socio-economic effects of a severe drought and higher global energy and food prices.

Key conditions and challenges

A strong economic rebound in 2021 has enabled Morocco to recover most of the output and job losses caused by the COVID-19 crisis. However, real GDP is still 6.4 percent below the pre-pandemic trend, potential growth has been declining since the early 2010s, volatile precipitations are increasingly affecting the economy, and the crisis may leave socio-economic scars if not treated well.

Morocco's growth has not been sufficiently labor intensive to absorb a growing working-age population, owing to the slow pace of structural transformation. The labor market is characterized by a large informal sector, high rates of inactivity and low female labor force participation. This is related to the prevalence of low-valued-added services, and a difficult business environment, especially for start-ups and young firms.

The authorities recently adopted a New Development Model that calls for an ambitious and transformative reform agenda. It envisages an acceleration and diversification of Morocco's growth, which in the recent past has been heavily reliant on high levels of public investment with a relatively low multiplier effect. Another key challenge is to foster human capital accumulation and address long-lasting inequities in access to services and social protection. To this end, the government has embarked on a broad reform to universalize access to health insurance, create a unified cash transfer program for the poor and vulnerable, and improve educational outcomes.

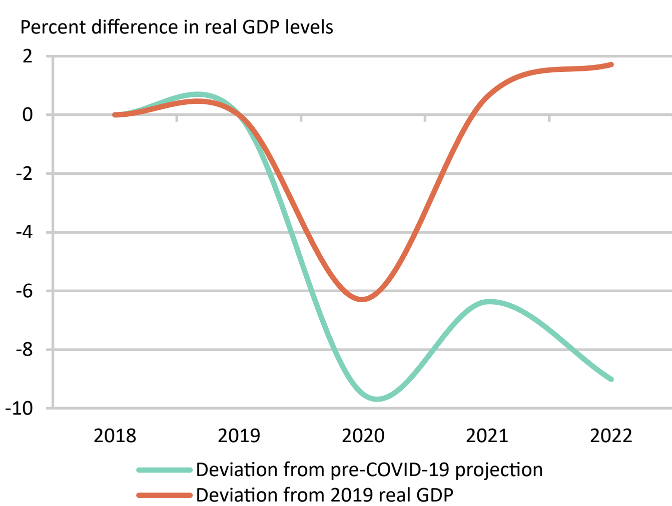
Recent developments

The authorities responded to the COVID-19 Omicron variant with a suspension of international travel from November 29, 2021 to February 7, 2022, one of the most stringent measures globally. According to official statistics, new COVID-19 cases have fallen in March 2022 to their lowest level since April-May 2020. Morocco has achieved one of the highest levels of vaccination in the African continent, with 63 percent of the population fully vaccinated as of March.

GDP growth rebounded to 7.4 percent in 2021 after contracting by 6.3 percent in 2020. This was partly due to an exceptional cereal crop after two consecutive years of severe drought. Agricultural value-added grew by 19 percent. The performance of the industrial sector was solid (7.7 percent annual growth), while that of services (4.8 percent) was muted by a slow recovery of tourism. On the demand side, growth was boosted by consumption, supported by a surge in workers' remittances and recovering labor markets.

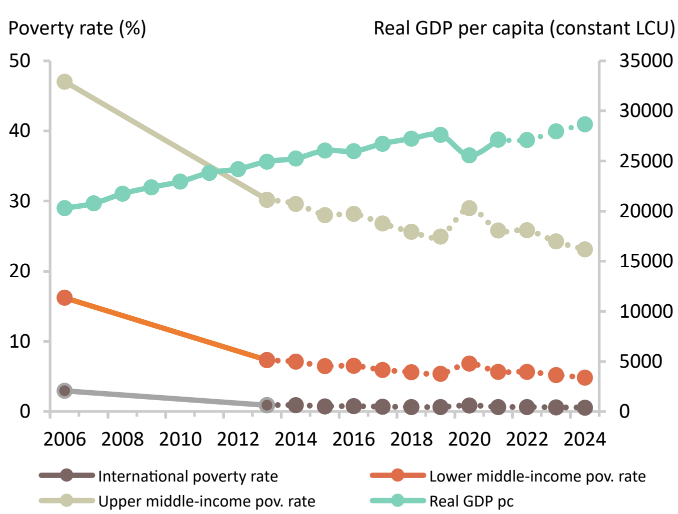
Annual inflation remained contained at 1.4 percent on average, notwithstanding the emergence of imported cost-push pressures towards the end of 2021. CPI posted a 3.6 percent yearly increase in February 2022. Bank Al-Maghrib has maintained the policy rate at 1.5 percent since June 2020.

FIGURE 1 Morocco / Actual and projected real GDP, percent deviation from 2019 level and pre-COVID-19 forecast



Source: World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

The budget deficit declined from 7.6 to 6 percent of GDP in 2020-2021, as continued increases in public spending in 2021 - due to the vaccination campaign, higher public sector wages and rising energy subsidies - was more than offset by the rebound in labor income taxes and VAT. The debt-to-GDP ratio declined slightly from 76.4 to 75.6 percent.

The current account deficit widened from 1.5 to 2.6 percent of GDP in 2020-2021, as strong exports and remittances (7.8 percent of GDP) were more than offset by growing imports and depressed tourism receipts. The current account deficit was financed by higher net FDI flows and multilateral disbursements. The exchange rate has been overall stable, and foreign reserves increased by 3.3 percent to 6.3 months of imports.

Following the sharp increase in poverty in 2020, living conditions started to progressively normalize in 2021 due to an improvement in labor market performance and the exceptionally good agricultural season. Poverty at $3.2 line (2011 PPP) decreased by 17 percent and extreme poverty at $1.9 line (2011 PPP) by 26 percent, reaching 5.7 percent and 0.7 percent.

Outlook

Growth is projected to slow to 1.1 percent in 2022, as agricultural output declines by 17.3 percent due to another severe drought. The economy is projected to be driven by a still solid but moderating industrial performance and a faster recovery of tourism. Ongoing reforms are expected to increase potential growth over the medium-term.

The fiscal impact of the health and social protection reform and postponement of the LPG and flour subsidy reform will slow the consolidation of the budget deficit (6.2 percent of GDP in 2022). Public debt is projected to stabilize below 80 percent of GDP. The current account deficit is expected to widen to 5.5 percent of GDP due to higher energy and food import bill.

This outlook is subject to various downside risks. The war in Ukraine is pushing up global commodity prices, which together with the drought, could push up Morocco's import bill and public subsidies, thereby impacting the current account and the budget balance. A weaker recovery could exert additional pressures on household and firms' debt servicing capacity. Inflationary pressures could force the central bank to raise rates, which together with changes in the monetary stance of advanced economies would tighten financing conditions for the public and the private sector.

Rising prices and decreasing agricultural revenues are expected to slow down the post-COVID-19 normalization of socioeconomic conditions. Poverty and extreme poverty are expected to stagnate in 2022 at best, and will not get back to pre-COVID-19 levels until 2023. Given inflationary pressures, especially for food and energy products, as well as the impacts of the severe drought, measures to support the most vulnerable as well as the broader planned social dialogue will be important measures for Government to take.

TABLE 2 Morocco / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021e	2022f	2023f	2024f
Real GDP growth, at constant market prices	2.6	-6.3	7.4	1.1	4.3	3.6
Private Consumption	1.9	-4.1	6.7	2.4	4.4	3.9
Government Consumption	4.8	1.7	5.4	2.7	2.6	2.5
Gross Fixed Capital Investment	1.0	-9.0	9.8	5.7	5.7	4.7
Exports, Goods and Services	6.2	-14.3	4.9	11.2	11.7	10.4
Imports, Goods and Services	3.4	-12.2	9.8	13.2	9.7	9.0
Real GDP growth, at constant factor prices	2.7	-6.1	6.7	1.1	4.3	3.6
Agriculture	-4.6	-6.9	19.0	-17.3	16.5	4.9
Industry	3.6	-3.8	7.7	3.3	3.4	3.5
Services	4.0	-7.1	4.8	3.6	3.6	3.7
Inflation (Consumer Price Index)	0.2	0.7	1.4	4.0	1.8	1.7
Current Account Balance (% of GDP)	-3.7	-1.5	-2.6	-5.5	-4.0	-3.7
Net Foreign Direct Investment (% of GDP)	1.3	1.4	1.3	1.5	1.5	1.5
Fiscal Balance (% of GDP)	-3.8	-7.6	-6.0	-6.2	-5.8	-5.7
Debt (% of GDP)	64.8	76.4	75.6	79.8	79.5	79.6
Primary Balance (% of GDP)	-1.5	-5.1	-3.7	-3.9	-3.4	-3.4
International poverty rate ($1.9 in 2011 PPP)[a,b]	0.7	0.9	0.7	0.7	0.6	0.6
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	5.4	6.8	5.7	5.7	5.2	4.9
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	24.9	29.0	25.8	25.9	24.3	23.1
GHG emissions growth (mtCO2e)	6.3	-4.5	5.3	1.2	3.5	3.3
Energy related GHG emissions (% of total)	69.3	67.9	69.4	69.4	69.8	70.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
a/ Calculations based on 2013-ENCDM.Actual data: 2013. Nowcast: 2014-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2013) with pass-through = 0.7 based on GDP per capita in constant LCU.

OMAN

Table 1	2021
Population, million	5.2
GDP, current US$ billion	83.6
GDP per capita, current US$	16076.9
School enrollment, primary (% gross)[a]	104.5
Life expectancy at birth, years[a]	77.9
Total GHG Emissions (mtCO2e)	102.0

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2020); Life expectancy (2019).

After a difficult 2020, Oman's economy is on a solid recovery path amid easing pandemic pressures, higher hydrocarbon outputs, and wide-ranging government reforms. Frontloaded fiscal reforms including VAT and cuts in spending are expected to turn the fiscal and current account deficits into surpluses starting from 2022. Downside risks include resurgent pandemic pressures, volatility of oil prices, and slower implementation of the government's reform program. On the upside, rising hydrocarbon production, improved non-oil revenues, and expenditures rationalization would further strengthen fiscal and external positions.

Key conditions and challenges

Oman's economy was hit hard in 2020 by COVID-19 and its impact on hydrocarbon prices. Despite past diversification efforts, public finances and the external sector remain dependent on hydrocarbon and thus vulnerable to volatility of hydrocarbon prices. To address the persistent twin deficits that have resulted in a debt build-up, in 2020 the government embarked on an ambitious reform program. These include the Medium-Term Fiscal Balance Plan (MTFP) 2020-24, a fiscal consolidation program, which aims at putting public debt on a sustainable path through increased non-hydrocarbon revenues, expenditure rationalization and SOE reforms. Other measures to boost the non-hydrocarbon tradeable sector would further support a stronger external position over the long term. The implementation of the MTFP, coupled with ongoing structural reforms, are expected to facilitate private sector growth and job creation.

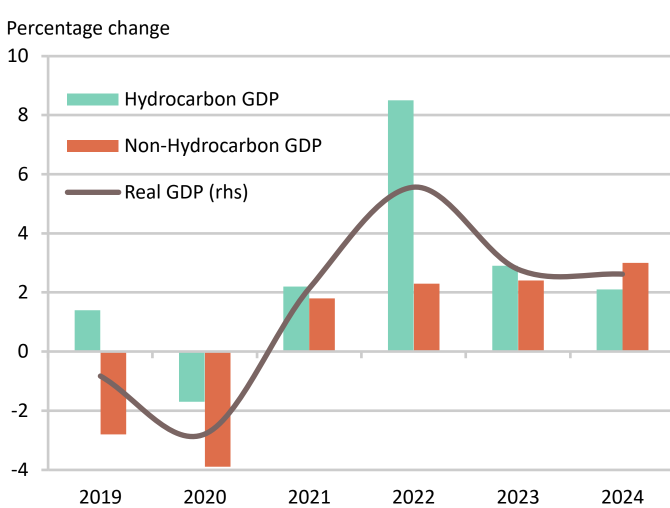
However, key challenges remain. These include renewed pandemic pressures and volatility of energy prices, which could increase gross financing needs and disrupt the government's reform program. Medium-term challenges relate to the ongoing global transition from fossil to greener energy sources, and its impact on Oman's fiscal and external sustainability. Fiscal consolidation could potentially give rise to social tensions, which could potentially undermine the reform momentum. Moreover, Oman is among the top Arab countries in terms of wheat imports from Russia, therefore, the ongoing conflict could cause a higher wheat import bill, which will likely be compensated by increased hydrocarbon exports receipts induced by the conflict.

Recent developments

Oman's economy is recovering gradually from the dual impact of the pandemic and the collapse in oil prices. Estimates suggest that overall growth reached 2.1 percent in 2021. Hydrocarbon GDP grew by an estimated 2.2 percent, driven by higher oil production due to the easing of OPEC+ cuts since mid-2021 and the coming on stream of a new liquified gas plant in mid-2021. Non-oil GDP is estimated to have rebounded by almost 2 percent in 2021, supported by the recovery of domestic and external demand aided by increased vaccine penetration, which boosted the most impacted sectors by the pandemic (tourism, hospitality, and retails). Annual inflation switched from the 2020 negative territory and picked up to an average 1.5 percent in 2021, due to the introduction of the VAT last April and improved domestic demand.

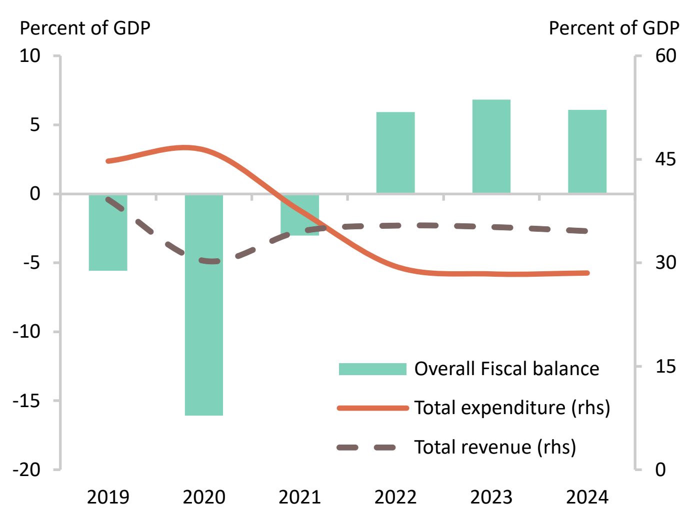
Public finances improved substantially in 2021. Higher hydrocarbon revenues together with fiscal adjustment measures, such as the streamlining of public expenditures primarily reflecting lower wage bill mainly from mandatory retirement, cuts to

FIGURE 1 Oman / Real annual GDP growth



Sources: Oman authorities; World Bank staff projections; and IMF.

FIGURE 2 Oman / General government operations



Sources: Oman authorities and World Bank staff projections.

utility subsidies and the introduction of VAT in April 2021, significantly lowered the deficit to an estimated 3 percent of GDP, compared with 16 percent in 2020. The favorable fiscal outcome is estimated to lead to a decline in the debt-to-GDP ratio to 65 percent in 2021 from over 71 percent in 2020.

Higher hydrocarbon exports, reduction in public investment expenditure, and Omanization efforts that led to lower outward remittances all contributed to the marked decline in the current account deficit estimated to reach less than 4 percent of GDP in 2021, compared with 12 percent in 2020. As a result, the central bank gross reserves bolstered to US$19 billion (6 months of imports of goods and services) in 2021, a US$5 billion increase from 2020.

The unemployment rate dropped to 1.9 percent in December 2021, below the pre-pandemic rate (2.8 percent in December 2019). Unemployment remains higher among youth (aged 15-24), and particularly among young women (25.6 percent). The private sector continues to be the largest contributor to Omanis employment. After a decline in 2020, the number of Omanis employed in the private sector has bounced back, and as of December 2021 it is estimated at about 267,000 compared to an average of about 262,300 in 2019. By contrast, the number of expatriates employed in the private sector has declined considerably, most notably in manufacturing and construction.

Outlook

Oman's economy is expected to improve gradually and strengthen over the medium-term, supported by higher oil and gas production and the ongoing structural reforms. Growth is projected to pass 5 percent in 2022 underpinned by more than 8 percent growth in the hydrocarbon sector, boosted by increased production of liquified natural gas in the key Ghazeer and Khazzan fields. The non-oil economy will continue to grow, exceeding 2 percent in 2022, as fast vaccine rollout strengthens domestic activity. Over the medium term, growth will decelerate to an average of 2.7 percent per year in 2023-24, while the hydrocarbon sector will remain the main driver of growth. If the war in Ukraine escalates, Oman, like other GCC producers, may ramp up hydrocarbon output to satisfy the oil market, thereby providing upside risk to GDP growth. Inflation is forecast to pick up to over 3 percent in 2022 as the recovery in demand and the VAT impact continue to feed into prices, before declining to an average of 2 percent in 2023-24.

The fiscal outturn is expected to switch into a surplus of nearly 6 percent of GDP in 2022 and to continue improving in 2023-24, due to higher hydrocarbon revenues and steady implementation of fiscal adjustment measures. The public debt-to-GDP ratio is forecast to gradually decline to an average of 38 percent over 2022-24.

Higher oil prices and export diversification are expected to improve the current account balance to a surplus above 5 percent of GDP in 2022 and remain in positive territory over 2023-24, allowing the accumulation of gross foreign reserves to over US$28 billion on average in 2022-24 (or 8 months of imports of goods and services). Higher hydrocarbon prices and continued implementation of structural reforms would considerably improve the outlook.

TABLE 2 Oman / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021e	2022f	2023f	2024f
Real GDP growth, at constant market prices	-0.8	-2.8	2.1	5.6	2.8	2.6
Private Consumption	0.9	-2.0	2.2	4.1	3.0	2.5
Government Consumption	0.3	-3.0	-2.0	-1.4	-1.7	-1.6
Gross Fixed Capital Investment	-3.8	-4.3	2.7	4.4	3.8	4.2
Exports, Goods and Services	4.8	-8.0	5.7	8.3	6.0	5.5
Imports, Goods and Services	-0.4	-10.5	5.5	6.5	5.9	5.4
Real GDP growth, at constant factor prices	-0.8	-2.8	2.1	5.6	2.8	2.6
Agriculture	2.0	3.5	2.4	3.6	3.7	3.7
Industry	1.2	-4.7	1.8	5.8	3.5	1.7
Services	-4.2	-0.1	2.5	5.5	1.7	4.0
Inflation (Consumer Price Index)	0.1	-0.9	1.5	3.4	2.1	2.0
Current Account Balance (% of GDP)	-5.5	-11.9	-3.7	5.6	5.3	3.4
Fiscal Balance (% of GDP)	-5.6	-16.1	-3.0	5.9	6.8	6.1
Debt (% of GDP)	60.5	71.1	65.3	47.0	37.2	30.8
GHG emissions growth (mtCO2e)	2.7	-0.3	21.1	12.9	10.1	-18.1
Energy related GHG emissions (% of total)	84.1	84.0	85.3	86.1	86.5	83.8

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

PALESTINIAN TERRITORIES

Table 1	2021
Population, million	4.9
GDP, current US$ billion	18.0
GDP per capita, current US$	3664.6
Upper middle-income poverty rate ($5.5)[a]	21.9
Gini index[a]	33.7
School enrollment, primary (% gross)[b]	96.4
Life expectancy at birth, years[b]	74.1

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2016), 2011 PPPs.
b/ WDI for School enrollment (2020); Life expectancy (2019).

Following eased lockdowns and an improvement in the health situation in 2021, the Palestinian economy started its recovery from the pandemic. Despite strong revenues, the fiscal situation remained difficult in 2021 due to very low aid. This forced the Palestinian Authority to accrue large arrears to the private sector, public pension fund and pay partial salaries to its employees. Given the ongoing pandemic, the outlook remains precarious and subject to additional political and security risks.

Key conditions and challenges

The Palestinian economy was stagnant and the socio-economic situation already difficult prior to the breakout of COVID-19. This is attributed to restrictions by Israel (on trade, movement and access), recurrent hostilities, internal divide, and falling aid inflows. During 2017-19, annual GDP growth averaged 1.3 percent—lower than the population growth rate resulting in decreasing per capita incomes and increasing poverty. Growth decomposition shows that this was driven by accumulation of factors and not improvements in productivity. In recent years, gross investment has averaged about 26 percent of GDP, but the bulk of this has been channeled into activities in the non-tradable sectors, rather than sectors that could have served as escalators for growth. Likewise, foreign direct investment, at a mere 1 percent of GDP, is very low.

There is significant regional disparity in economic activity and income per capita between the West Bank and Gaza. According to the latest national household survey, around 22 percent of Palestinians lived below the upper-middle income poverty line ($5.5 2011 PPP a day) in 2016/17. Poverty is significantly higher in Gaza with 46 percent of the population below the poverty line in 2016/17 compared to only 9 percent in the West Bank.

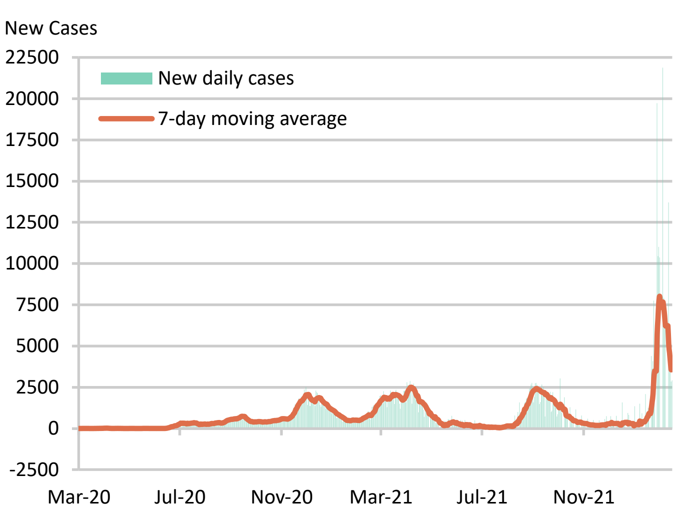
COVID-19 has exacerbated existing economic and social challenges. As of mid-March 2022, the Palestinian territories are going through a fifth wave, dominated by the Omicron virus. Around 43 percent of the population has received at least one dose of the vaccine, but estimates suggest that there are sufficient vaccine doses to meet vaccination needs only up to mid-2022.

Recent developments

Despite new waves of COVID-19, lockdowns were significantly eased in 2021. This, combined with the pickup of the vaccination campaign, allowed consumer confidence to slowly pick up and business activity to gradually rebound. Latest data show that the Palestinian economy grew by 7.0 percent in 2021. The improved economic performance was mostly driven by the West Bank, which grew by 7.8 percent, while the May 2021 conflict in Gaza slowed the Strip's recovery resulting in a growth rate of 3.4 percent in 2021.

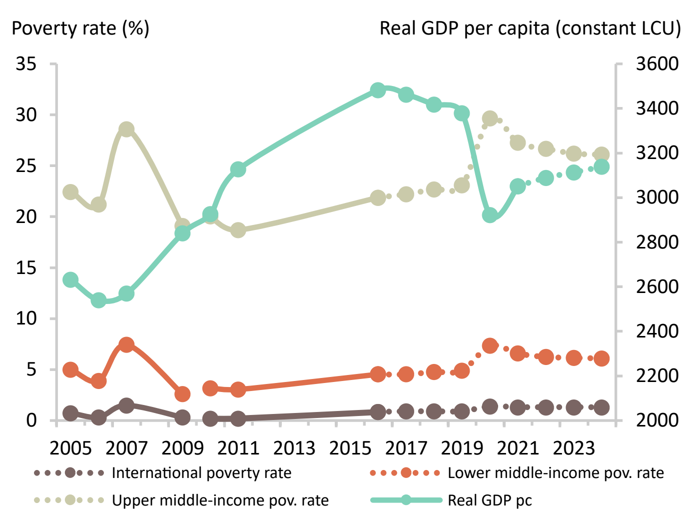
Inflation began to rise from negative territory in 2020, registering an average of 1.2 percent in 2021 due to a pickup in demand and rising global food and energy prices. This trend has continued in early 2022 with the CPI rising by 2.7 percent in January, y-o-y. Recently, the Palestinians took to the streets of the West Bank demonstrating against tax hikes that the Palestinian Authority (PA) implemented on sugary drinks and one-time use plastics in February 2022, to abide by the Paris Protocol following similar measures on the Israeli side.

FIGURE 1 Palestinian territories / New daily COVID-19 infections and 7-day moving average



Sources: John Hopkins University CSEE and World Bank staff calculations.

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



Sources: Palestine Expenditure and Consumption Survey (PECS), World Bank staff calculations.

Public revenues bounced back with the economic recovery, while growth in expenses was limited due to cuts in transfers. The fiscal deficit after grants and after accounting for deductions made by Israel from revenues collected on behalf of the PA narrowed to 5.8 percent of GDP in 2021 from 7.5 percent in 2020. The deficit was largely financed by the accumulation of arrears to the private sector and the public pension fund. The PA also started paying partial salaries to its employees since December 2021.

The unemployment rate in the Palestinian territories edged up to 24.2 percent in Q4 2021 from 23.4 percent a year earlier, due to a rise in the participation rate. The overall rate masks a wide regional divergence whereby unemployment in the West Bank reached 13.2 percent while in Gaza it was 44.7 percent.

Estimates based on GDP per capita growth suggest that in 2020 the poverty rate spiked to 29.7 percent, an increase of nearly 8 percentage points from 2016 (latest available official data). As the impact of the pandemic receded, the poverty rate is estimated to have declined to 27.3 percent in 2021. Current poverty rates represent a poor population of approximately 1.5 million people.

Outlook

Under a baseline scenario that assumes a continuation of the Israeli restrictions, persistence of the internal divide between the West Bank and Gaza and stagnating aid levels, growth is expected to hover around 3.7-3.1 percent over the forecast period. The poverty rate is projected to decline to 26.7 percent in 2022, and then to further gradually decrease to 26.1 percent by 2024. On the fiscal front, revenue is projected to grow in 2022, reflecting increased tax rates on sugary drinks and single-use plastics, higher collections on tobacco excise and higher VAT revenue due to implementing an e-VAT system with Israel. Yet, these efforts would be offset by Israeli unilateral deductions from revenues it collects on behalf of the PA, projected at 1.6 percent of GDP in 2022. Expenditure is expected to decline with partial payments of salaries until May 2022. With grants, the fiscal deficit (on a cash basis) is expected to fall to 4.5 percent of GDP in 2022.

The economic consequences of the Russian invasion and associated sanctions may also affect the outlook through mounting inflationary pressure. The ongoing pandemic may also cause risks to the outlook, especially if no additional vaccines are secured beyond mid-2022. Further, if recent clashes between Palestinians and the Israeli forces in the West Bank and in Gaza escalate, there is little room left to absorb such shocks.

TABLE 2 Palestinian territories / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021e	2022f	2023f	2024f
Real GDP growth, at constant market prices	1.4	-11.3	7.0	3.7	3.2	3.1
Private Consumption	4.1	-13.1	6.3	4.2	2.9	3.3
Government Consumption	-3.5	0.3	11.1	-5.5	7.6	3.0
Gross Fixed Capital Investment	-2.6	-20.9	14.7	10.0	1.0	3.0
Exports, Goods and Services	2.0	-11.2	18.8	6.0	3.8	3.8
Imports, Goods and Services	1.4	-14.2	16.6	4.0	3.6	3.6
Real GDP growth, at constant factor prices	1.3	-12.0	6.2	3.7	3.2	3.1
Agriculture	0.9	-9.1	-2.3	3.0	3.0	3.0
Industry	-0.5	-19.4	6.2	3.5	3.2	3.2
Services	2.0	-10.0	7.2	3.8	3.3	3.1
Inflation (Consumer Price Index)	1.6	-0.7	1.2	2.8	2.4	2.4
Current Account Balance (% of GDP)	-10.4	-12.3	-8.2	-8.1	-8.0	-7.9
Net Foreign Direct Investment (% of GDP)	1.1	0.9	0.0	0.8	0.8	0.8
Fiscal Balance (% of GDP)	-7.5	-7.5	-5.8	-4.5	-3.7	-3.5
Debt (% of GDP)	39.5	53.9	54.9	55.8	56.1	56.1
Primary Balance (% of GDP)	-7.2	-7.1	-5.1	-3.8	-3.0	-2.8
International poverty rate ($1.9 in 2011 PPP)[a,b]	0.9	1.4	1.3	1.3	1.3	1.3
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	4.9	7.3	6.6	6.2	6.2	6.1
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	23.1	29.7	27.3	26.7	26.2	26.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
a/ Calculations based on 2016-PECS.Actual data: 2016. Nowcast: 2017-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2016) with pass-through = 0.87 based on GDP per capita in constant LCU.

QATAR

Table 1	2021
Population, million	2.8
GDP, current US$ billion	167.9
GDP per capita, current US$	59964.3
School enrollment, primary (% gross)[a]	103.9
Life expectancy at birth, years[a]	80.2
Total GHG Emissions (mtCO2e)	109.0

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2020); Life expectancy (2019).

The resulting commodity shocks from the war in Ukraine are on balance positive for Qatar's economy, the largest LNG exporter in the world. Preparations for the World Cup scheduled for December 2022 have intensified the diversification of the economy and bolstered non-oil activity despite the COVID-19 pandemic. Hydrocarbon dependence, however, is likely to expand this decade as the North Field facilities begin production. Possible new outbreaks of COVID-19, a spike in consumer price inflation and rising US interest rates, should be modest downside risks for the country given high vaccination rates and sizeable sovereign financial wealth and reserves.

Key conditions and challenges

With more than 75 percent of Qatar's population vaccinated, recurring bouts of COVID-19 have had progressively smaller economic effects and strong growth has resumed. Renewed activity ahead of the World Cup has also been strengthened by the ending of the three-year diplomatic rift between Qatar and four Arab states (Saudi Arabia, UAE, Bahrain, and Egypt).

The recent classification of natural gas as a "green" investment by the EU has also spotlighted liquified natural gas (LNG). Qatar is the world's largest LNG exporter and the sharp recovery in oil prices during 2021 has been magnified on LNG markets with natural gas prices jumping four times more than oil in Europe; with further steep rises following the war in Ukraine.

Hydrocarbon production will remain a key driver of the Qatari economy. LNG investments are being expanded in the maritime and onshore North Field which will total around US$29 billion and lift production capacity to 126 million tons per annum (mtpa) by 2027, up from the current production rate of 77 million mtpa with more than half beginning within 2024. Investments are being brought forward with QatarEnergy, the state-owned enterprise operating all oil and gas activities in the country, awarding large engineering, procurement, construction, and installation contracts for offshore facilities destined for the North Field East Expansion project in January 2022.

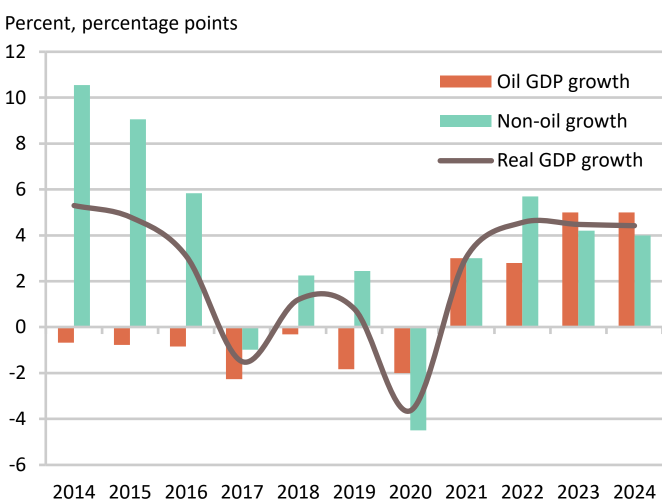
In addition, significant steps have been taken to boost competitiveness in the non-oil economy. These measures include: the abolishment of the Kafala sponsorship system; a new Public-Private Partnerships law; the recognition of real estate ownership by non-Qataris and a level playing field with citizens in some commercial activities. A non-discriminatory minimum wage has also come into force for all workers; a first among the GCC countries.

Recent developments

Economic recovery is well underway and despite temporary interruptions from COVID-19, real GDP grew by 3.0 percent in 2021, versus 3.6 percent contraction in the previous year rebounding in the second quarter of 2021, at an annualized rate of 4 percent, and remained positive in the third quarter. The Purchasing Managers' Index (PMI) was above 50 during all 2021 reflecting economic expansion reaching a highpoint of 63 in November and above 57 since then. Google mobility data had a short-lived dip during this most recent surge of the virus. But retail and recreation, transit station and workplace mobility, recovered in February 2022 to pre-pandemic levels.

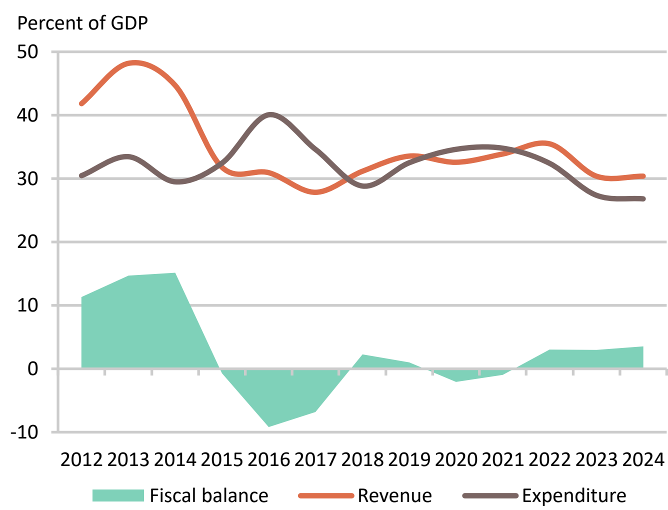
The fiscal deficit is estimated at 0.9 percent of GDP in 2021, an improvement from a 2.1 percent recorded in the previous year. Recovery in hydrocarbon prices, where the bulk of government revenues are derived,

FIGURE 1 Qatar / Real GDP growth



Source: World Bank staff calculations.

FIGURE 2 Qatar / Public finances



Sources: Haver and World Bank staff calculations.

and a gradual unwinding of offsetting expenditures to mitigate the economic effects of COVID-19 amongst hardest hit sectors (travel, tourism, and real estate) should continue to improve the fiscal balance and steadily shrink gross public debt (58.6 percent of GDP at end 2021)—gross debt in Qatar needs to be viewed against the 270.0 percent of GDP in assets accumulated in Qatar's sovereign wealth fund (QIA) at end-2021 and an additional 18.1 percent of GDP in central bank reserves.

Similar to other high income countries impacted by global supply chain interruptions, Qatar's consumer price inflation (CPI) has reached highs not seen since 2008: 6.4 percent in December 2021 (y/y). This contrasts with deflation during the COVID-19 lockdowns. At some point, possibly in 2022, Qatar will introduce a VAT regime which would have a one off impact on prices. As a GCC member state, Qatar agreed in 2016 to a VAT regime with a standard rate of 5 percent but has delayed implementation.

Outlook

Real GDP is estimated to rise in 2022 to 4.9 percent on the heels of boosted hydrocarbon exports of 10 percent. Growth in private consumption may be slightly below at 4.8 percent, driven by a potential dilution of World Cup proceeds and higher prices. Consumer prices are projected to jump by an additional percentage point in the current year.

Both the current account and fiscal balance surpluses are projected to widen in 2022 given that both depend about 90 percent on hydrocarbons. A potential upside for 2022, linked to the economic consequences of the war in Ukraine and Europe's goal of structurally reducing its exposure to Russian gas, is a speeding up of investments in the North Field Natural Gas which should see production increase by 60 percent at mid-decade. While non-oil growth is likely to ease in coming years, the hydrocarbon economy should pull up the overall rate real GDP growth at or above 4.5 percent in the coming years and deepen Qatar's dependence on hydrocarbons.

Continuation of high oil prices with a premium expected for natural gas in Europe from geopolitical tensions, as well as the EU's recent classification of this hydrocarbon feedstock as a green target investment, should lead to surpluses for the fiscal balance in Qatar above 3 percent of GDP into the foreseeable future. The potential introduction of VAT is likely to positively impact revenue in the current year and beyond. Similarly, the current account surplus is forecast to widen to more than 7 percent of GDP by 2024 as it is mostly driven by exports of hydrocarbons, reinforced by World Cup tourist receipts.

With regard to Green House Gas emissions, the forecast is for flat performance in absolute terms from 5.5 kilo tons of carbon dioxide (ktCO2) in 2021 to 5.4 in 2024. Analysis shows the bulk of the emissions to be caused by energy, especially fuel combustion activities (91 percent of the total) and fugitive emissions (about 5 percent).

TABLE 2 **Qatar** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021e	2022f	2023f	2024f
Real GDP growth, at constant market prices	0.8	-3.6	3.0	4.9	4.5	4.4
Private Consumption	3.5	-5.6	4.5	4.8	4.1	4.2
Government Consumption	2.5	10.3	3.6	5.4	4.7	5.0
Gross Fixed Capital Investment	2.5	-3.1	2.3	4.0	3.6	3.7
Exports, Goods and Services	1.1	-6.8	4.1	6.6	7.0	7.1
Imports, Goods and Services	6.0	-2.7	5.5	7.3	7.8	7.8
Real GDP growth, at constant factor prices	0.8	-3.6	3.1	4.9	4.5	4.4
Agriculture	1.0	21.0	5.0	6.0	3.0	3.0
Industry	-2.3	-1.5	2.7	3.8	4.2	4.2
Services	7.6	-7.9	3.8	7.2	5.0	4.7
Inflation (Consumer Price Index)	-0.9	-2.6	1.0	4.0	2.8	2.3
Current Account Balance (% of GDP)	2.4	-2.5	3.1	4.5	6.1	7.4
Fiscal Balance (% of GDP)	1.0	-2.1	-0.9	3.4	3.3	3.9
Primary Balance (% of GDP)	2.7	-0.2	0.7	4.9	4.7	5.1
GHG emissions growth (mtCO2e)	5.7	-2.1	5.5	5.3	5.3	5.4
Energy related GHG emissions (% of total)	92.0	91.9	91.2	91.2	91.3	91.4

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

SAUDI ARABIA

Table 1	2021
Population, million	35.3
GDP, current US$ billion	833.0
GDP per capita, current US$	23597.7
School enrollment, primary (% gross)[a]	100.2
Life expectancy at birth, years[a]	75.1
Total GHG Emissions (mtCO2e)	601.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2020); Life expectancy (2019).

After registering a stronger-than-expected recovery in 2021, the Saudi Arabian economy is on an accelerated growth path in 2022; driven by higher oil and non-oil activities as oil production and prices strengthen and pandemic pressures fade. Direct trade flows with Russia and Ukraine are limited; however, spillovers in the oil market have strengthened medium-term fiscal and external outlook. A breakout of new COVID-19 variants, tighter global financial conditions, and volatile oil prices are key risks to the outlook.

Key conditions and challenges

The war in Ukraine will have sizable economic implications globally through multiple channels; most significant for Saudi Arabia is through energy markets. Energy prices have already increased and are likely to rise further if conflict continues to escalate which may require OPEC+ members to ramp up production—presenting an upside risk to Saudi Arabia's outlook.

The government's long-term strategy to diversify the economy and reduce dependence on oil is well-articulated in Vision 2030. The Public Investment Fund (PIF) is envisioned to play a central developmental role in this transformation plan by investing SAR 150 billion (US$40 billion) annually into the domestic economy. This role would require fund's enhanced transparency and predictability for the private sector. Moreover, off-balance sheet investments reduce overall fiscal oversight and could increase contingent liabilities and fiscal risks.

Risks to the non-oil sector recovery remain. Despite more than two-thirds of the population fully inoculated against the COVID-19, a spike in cases due to new variants that are vaccine-resistant would risk a cycle of movement restrictions and delay the recovery. In all cases, the vaccine rollout should remain the authority's main priority in the near term. Furthermore, domestic monetary policy is set to tighten in line with the US monetary policy, which will dampen the recent mortgage credit boom.

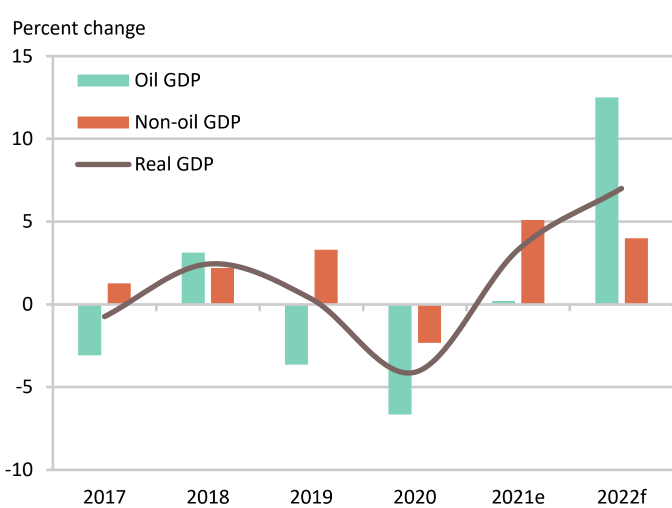
Recent developments

Saudi Arabia continues to successfully control the adverse impacts of the pandemic despite the Omicron variant outbreak at the end of 2021. With a high vaccination rollout, reaching 68 percent of the population, new cases are on a downward trajectory since January 2022. Globally, Saudi Arabia continues to assume its pivotal role, under the OPEC+ structure, in resolving oil market imbalances through waning monthly oil production cuts of 0.4 mbpd, which started in July 2021.

Against this background, latest official data suggest that the economy grew by 3.3 percent in 2021. The oil sector registered growth of 0.2 percent, reflecting a gradual easing of voluntary output cuts. The non-oil sector continued its recovery path registering a 5.1 percent growth in 2021 —lifting the non-oil economy by 3.2 percent above its pre-pandemic level. More recent high frequency data report a slight dip in January 2022 PMI following the Omicron surge, but the economic impact of the Omicron is expected to be short-lived. Headline inflation registered 3.1 percent in 2021, as the VAT-driven impact on inflation dissipated, but was offset by higher food and transportation prices.

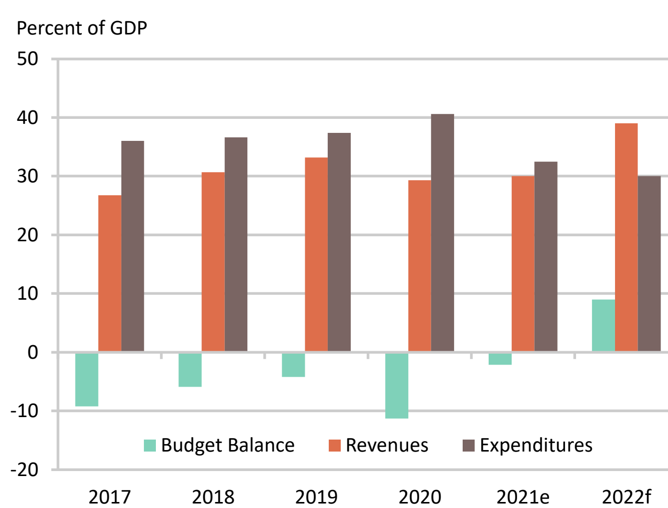
The budget deficit narrowed in 2021 to 2.1 percent of GDP, driven by higher oil revenues and fiscal consolidation measures.

FIGURE 1 Saudi Arabia / Annual real GDP growth



Sources: GASTAT Saudi Arabia and World Bank staff estimates.

FIGURE 2 Saudi Arabia / Central government operations



Source: World Bank, Macroeconomics, Trade & Investment Global Practice.

Tax revenues have also contributed to this improvement, increasing by 40 percent from 2020, driven by stronger domestic demand and full-year collection of the higher VAT rate. On the expenditures side, tighter fiscal policy resulted in expenditures dropping by 3 percent; with capital expenditures bearing the brunt of this cut. Thus far, reduction of reserves and ample market access have proven sufficient to finance the deficit and shield the economy from full volatility of oil prices; especially, during H1 2021.

Supported by higher oil export receipts and phasing-out of restrictions on religious tourism, the current account is estimated to register a surplus of 5.2 percent of GDP in 2021 from a deficit of 2.3 percent of GDP in 2020.

There is no publicly available information on official poverty rates in Saudi Arabia and access to micro data from household surveys is limited. However, recent statistics point to significant and remarkable changes in the labor market. First, Saudi nationals are entering the labor market at high rates driven by recent reforms; especially, those aimed at women's participation. Second, along with rising participation among Saudi women (from 26 percent in Q4 2019 to 34.1 percent in Q3 2021), unemployment rate has also dropped by 9 percentage points relative to pre-pandemic levels to an estimated 21.9 percent in Q3 2021. Third, the increase in employment is driven by the private sector reflecting strong performance in non-oil activities. Last, but not least, foreign workers are leaving, leading to an overall reduction in employment of almost 900,000 workers (Q3 2021 relative to Q4 2019).

Outlook

Growth is expected to accelerate to 7 percent in 2022 before moderating to 3.8 and 3.0 percent in 2023 and 2024, respectively. Stronger oil output is the main driver behind the recovery which is expected to grow by 13 percent in 2022 following the end of the OPEC+ production cuts in December 2022. The non-oil sector is expected to continue its growth trajectory, estimated at 4 percent in 2022 and 3.2 percent in the medium-term. Despite headwinds from tighter fiscal and monetary policies in the medium term, stronger private consumption, an increase of religious tourism, and higher domestic capital spending—signaled through the PIF and other state agencies—are anticipated. Headline inflation is projected to slow and hover at around 2 percent during 2022 as result of a stronger US dollar, against which the Saudi Riyal is pegged, and tighter monetary policy.

The budget balance is expected to register a surplus of 9.1 percent of GDP in 2022—the first surplus in nine years—driven by higher oil receipts. Fiscal performance in the medium term is underpinned by authorities' commitment to compress expenditures and build credible budget envelopes. With most of capital spending channeled through the PIF and other state agencies, the overall fiscal stance is more expansionary than officially reported through the budget.

As higher energy prices and further unwinding of OPEC+ oil production cuts kick in, the current account surplus is projected to widen to 14 percent of GDP in 2022 before moderating to an average of 9.2 percent in the medium term.

TABLE 2 **Saudi Arabia** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021e	2022f	2023f	2024f
Real GDP growth, at constant market prices	0.3	-4.1	3.3	7.0	3.8	3.0
Private Consumption	4.4	-4.9	3.4	3.0	3.1	2.8
Government Consumption	0.6	2.6	1.8	0.6	0.8	0.6
Gross Fixed Capital Investment	4.9	-14.0	8.2	6.4	7.2	3.3
Exports, Goods and Services	-4.5	-8.7	1.4	14.8	5.1	4.7
Imports, Goods and Services	1.3	-14.6	2.7	7.6	5.4	4.3
Real GDP growth, at constant factor prices	0.3	-4.0	3.3	7.0	3.8	3.0
Agriculture	1.3	0.0	0.1	0.2	0.2	0.2
Industry	-2.6	-5.3	0.6	8.5	2.8	2.7
Services	4.3	-2.5	7.0	5.5	5.2	3.5
Inflation (Consumer Price Index)	-1.2	3.4	3.1	2.0	1.8	1.9
Current Account Balance (% of GDP)	4.7	-2.3	5.2	14.0	11.1	7.3
Fiscal Balance (% of GDP)	-4.2	-11.1	-2.1	9.1	5.9	3.8
Debt (% of GDP)	23.1	32.5	29.1	23.5	21.4	19.4
Primary Balance (% of GDP)	-3.4	-10.1	-1.2	10.1	6.8	4.6
GHG emissions growth (mtCO2e)	-2.2	-4.7	1.1	3.1	1.8	1.3
Energy related GHG emissions (% of total)	77.2	77.2	77.6	77.3	77.5	77.6

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

SYRIAN ARAB REPUBLIC

Table 1	2021
Population, million	17.4
GDP, current US$ billion	16.5
GDP per capita, current US$	947.7
School enrollment, primary (% gross)[a]	81.7
Life expectancy at birth, years[a]	72.7
Total GHG Emissions (mtCO2e)	44.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2013); Life expectancy (2019).

Socioeconomic conditions are deteriorating rapidly in Syria, affected by a range of shocks, including prolonged armed conflict, economic sanctions, COVID-19 pandemic, a severe drought, deepening economic crisis in neighboring Lebanon and Turkey and the economic consequences of the Russian invasion, war and associated sanctions. The continued depreciation of the local currency has led to rampant inflation, worsening already high food insecurity and pushing more people into poverty. Conflict, displacement and the collapse of economic activities and social services have all contributed to the decline in welfare for Syria's inhabitants.

Key conditions and challenges

Now moving into its eleventh year, the conflict in Syria has continued to inflict a devastating impact on the inhabitants and their economy. More than half the country's pre-conflict population remains displaced, including 6.6 million survivors in internally displaced people (IDP) status in Syria and another 5.6 million Syrians registered as refugees in neighboring countries. Although large-scale conflict has subsided recently, Syria still recorded 7,465 conflict-related deaths in 2021, the 9th highest in the world, according to the statistics collected under the Armed Conflict Location & Event Data Project (ACLED).

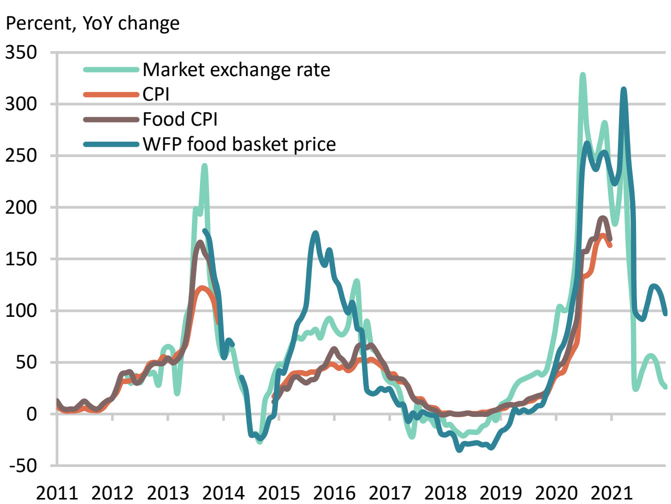
The social and economic impact of the conflict is large and growing. Between 2010 and 2019, Syria's GDP shrunk by more than a half. The decline in Gross National Income per capita in Syria has led the World Bank Group to reclassify Syria as a low-income country in 2018, a reclassification that highlights the scale of the damage on Syria's economy since 2011.

Conflict, displacement and the collapse of economic activities and social services have all contributed to the decline in social welfare. Before the conflict, extreme poverty in Syria ($1.90 2011 PPP per day) was virtually inexistent. It is now affecting more than 50 percent of the population. On the non-monetary front, access to shelter, livelihood opportunities, health, education, water, and sanitation have all worsened dramatically since the onset of the conflict. With a severely degraded healthcare system following the decade-long war, COVID-19 has only exacerbated the pre-existing vulnerable situations. COVID-19-associated deaths continue to rise in Syria, partially due to a slow vaccine rollout. By the end of February 2022, only 11 percent of the total population received at least one dose of the vaccine, and 6 percent was fully vaccinated.

Recent developments

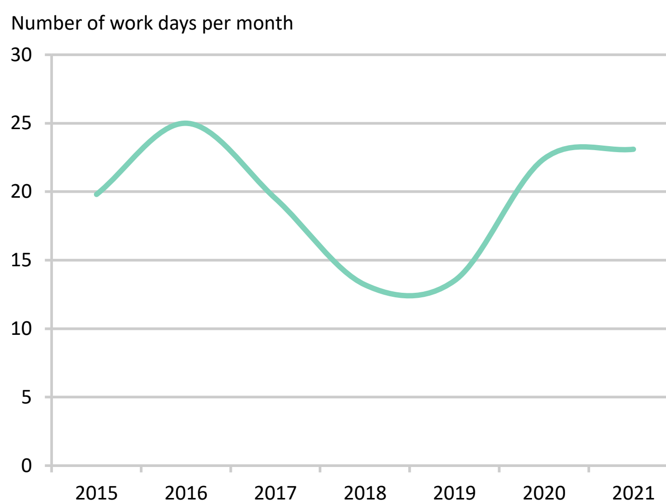
The economy continues to suffer from the compounding effects of the health crisis, adverse weather events, regional fragility, and macroeconomic instability. Since 2020, Syria's external economic ties have been severely restrained by the deepening crisis in neighboring Lebanon and Turkey as well as the introduction of new US sanctions under the Caesar Law, which triggered shortages of essential goods and rapid currency depreciation. The market exchange rate of the Syrian pound against the US dollar weakened by 26 percent year-on-year (yoy) in 2021, following a 224 percent yoy depreciation in 2020. Given the heavy reliance on imports, currency falls have quickly feed into higher domestic prices, causing hyperinflation. Annual inflation reached 114 percent in 2020, the largest increase in decades. In response to the surge in inflation, the government introduced two rounds of wage increases for public sector workers in 2021, but this was not enough to compensate for the erosion of real incomes.

FIGURE 1 Syrian Arab Republic / Exchange rate depreciation along with surging inflation



Sources: Central Bureau of Statistics, Syria, WFP Market Price Watch Bulletin, and World Bank estimates.

FIGURE 2 Syrian Arab Republic / Work days per month for a worker to afford the minimum food basket



Sources: WFP Market Price Market Price Watch Bulletin and World Bank estimates.

Syria's triple-digit inflation has affected the poor and vulnerable disproportionately. Food price inflation—proxied by the World Food Program (WFP) food basket price index—rose by 97 percent during 2021 on the top of a 236 percent increase in 2020. It is estimated that, on average, a low skilled worker would need to work for as many as 23 days a month to afford the minimum food basket (sole basic food needs of a family of five). Driven by the noticeable increase in commodity prices, government subsidies on essential food and fuel goods have dramatically risen over the past years, accounting for approximately 40 percent of the total budgeted expenditures in 2021 and 2022. To compress subsidies, Syria's government has tightened rationing, which has inevitably deteriorated the already dire living conditions of the Syrian people. According to recent WFP estimates, close to half of the surveyed households (49 percent) reported poor or borderline food consumption in December 2021, a rise from 39 percent a year ago.

Outlook

The economic conditions in Syria is projected to continue to be mired by the low intensity conflict, turmoil in Lebanon and Turkey, the COVID-19 pandemic, and the economic consequences of the Russian invasion, war and associated sanctions. A persistent twin deficit would further drain foreign exchange reserves, putting further pressure on the domestic currency. Inflation is projected to remain high in the short term, due to the pass-through effects of currency depreciation, persistent food and fuel shortages, and reduced food and fuel rationing. Private consumption will remain subdued with continued erosion of purchasing power amid rising prices and currency depreciation. Government spending, especially capital expenditures, will remain constrained by low revenues and the lack of access to financing. As a result of protracted and compounding crises, the international donor community estimates that over 60 percent of the Syrians will be in need of assistance in 2022.

Risks to the growth outlook are significant and tilted to the downside. Owing to its heavy reliance on food and fuel imports, Syria is particularly vulnerable to soaring food prices triggered by the economic consequences of the Russian invasion, war and associated sanctions, which would worsen the already acute food insecurity of the country. Should trade flows with Russia be affected, the impact would be even greater given Syria imports a significant amount of wheat from Russia. In addition, economic stagnation and deterioration of public services may lead to an increase in social unrest and conflict, worsening Syria's already vulnerable political instability.

TABLE 2 Syrian Arab Republic / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021e	2022f
Real GDP growth, at constant market prices[a]	3.7	1.5	-2.1	-2.6
Inflation (Consumer Price Index)	13.4	114.2	89.2	60.0
Fiscal Balance (% of GDP)	-7.9	-6.5	-6.8	-7.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
a/ Projections based on nighttime light data.

TUNISIA

Table 1	2021
Population, million	11.9
GDP, current US$ billion	44.2
GDP per capita, current US$	3701.0
National poverty rate[a]	15.2
Lower middle-income poverty rate ($3.2)[a]	3.0
Gini index[a]	32.8
School enrollment, primary (% gross)[b]	113.4
Life expectancy at birth, years[b]	76.7
Total GHG Emissions (mtCO2e)	34.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2015).
b/ WDI for School enrollment (2020); Life expectancy (2019).

Tunisia's economic outlook remains highly uncertain. The economic rebound in 2021 was relatively moderate. Debt sustainability concerns remained acute due to elevated fiscal deficits and financing needs. As a net importer of energy and cereals, Tunisia is vulnerable to spikes in global commodity prices. Fast-tracking the recovery and safeguarding macroeconomic stability will require the speedy implementation of structural reforms.

Key conditions and challenges

A decade after the Jasmin revolution, Tunisia faces increasingly difficult economic conditions. Weak reform implementation has left the economy inefficiently closed to investment and trade and ill-equipped to exploit opportunities in the global economy. As growth and private job creation stagnated, the State stepped in as an employer of last resort and price stabilizer through subsidies. This has caused a deterioration of the fiscal situation under the weight of a large public sector wage bill, higher energy and food subsidies and underperforming state-owned enterprises. The COVID-19 pandemic has exacerbated these weaknesses.

Tunisia's growth prospects hinge critically on timely and decisive structural reforms to address economic distortions and fiscal pressures. The government aims to advance some key reforms including (i) the elimination of business entry permits and licenses, (ii) the reduction of consumer subsidies; (iii) the improvement of the performance of state-owned enterprises; and (iv) the reduction of the public sector wage bill. Progress in these reforms is critical to stabilize the macroeconomic situation, and to secure a new IMF program which is essential to mobilize multilateral and bilateral financing and regain access to international financial markets.

Recent developments

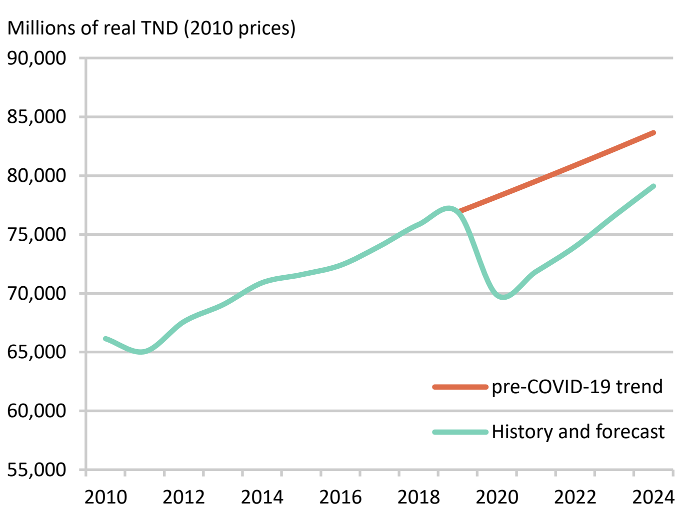
GDP grew by an estimated 2.9 percent in 2021, as the successful containment of the COVID-19 pandemic starting in the second semester and increased vaccination allowed the relaxation of mobility restrictions across the country. The economic rebound was relatively modest considering the strong GDP contraction of 9.2 percent in 2020, the sharpest in the MENA region. Key factors behind the modest recovery include the relative dependence of the economy on tourism, the limited fiscal space and difficult business environment, including restrictions on investments and competition.

Labor market outcomes remained weak. The already high unemployment rate reached 18.4 percent by the 3rd quarter of 2021 combined with a slight reduction in labor force participation. The unemployment rate is particularly high among youth, women and in the west of the country.

Inflation rose to 6.5 percent in 2021, a full percentage point above 2020, amid rising global commodity prices and rebounding domestic demand.

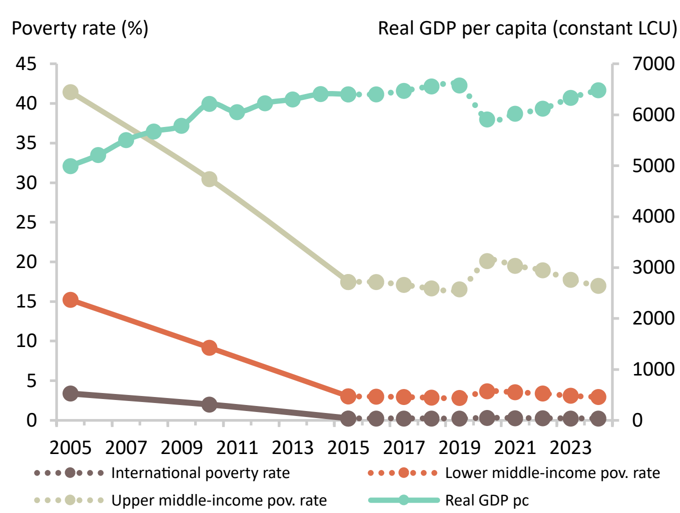
The fiscal deficit narrowed to an estimated 7.7 percent of GDP in 2021 from 9.4 percent in 2020. Expenditure hikes related to the increases in subsidies (particularly energy) and civil service wages were more than offset by a rebound in revenues, mainly from indirect taxes. The deficit was financed by a combination of debt rollover and debt monetization. Public debt rose to 84 percent of GDP.

FIGURE 1 Tunisia / Real GDP: Actual, forecast and pre-COVID-19 trend



Sources: National Institute of Statistics; World Bank.

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



Source: World Bank. Notes: see Table 2.

The current account deficit (CAD) stood at 6.5 percent of GDP in 2021, a slight deterioration from 6.1 percent in 2020. This resulted from the expanding trade deficit as imports increased more than exports, compensated for by a 28 percent rise in primary income (mainly remittances). The strong increase in imports was driven by the growth in domestic demand linked to the increase in public expenditures and in exports.

Outlook

Growth is projected to reach 3.0 percent in 2022, supported a gradual global recovery from the pandemic. This rate would not yet allow output to return to pre-pandemic levels of 2019. Growth is expected to eventually gain ground, but it remains modest at around 3.5 percent a year over the medium term, dragged by pre-existing structural weaknesses and the economic consequences of and uncertainty around the Russian invasion of Ukraine and associated sanctions.

Tunisia's public finance and external account will remain precarious in the absence of an IMF program and uncertain global conditions. The CAD is projected to widen significantly to 7.6 percent of GDP in 2022, driven by surging energy and food prices. Despite some fiscal consolidation efforts—including two rounds of fuel price increases in February and March 2022—the fiscal deficit would remain high at a projected 6.1 percent of GDP in 2022. Gross public financing needs are projected at around TND 20bn in 2022 (US$6.9 billion; 14.7 percent of GDP), half of which is for external amortization. Inflationary pressures, stemming from rising commodity prices, will constrain further debt monetization.

The economic consequences of the Russian-Ukrainian war and associated sanctions pose significant downside risks to the Tunisian economy. As a net commodity importer, continued upsurges in energy and food prices would add further pressure on Tunisia's external account through higher import bills, while higher subsidy costs could weigh heavily on the fiscal position. Energy subsidies would increase by 3.9 percent of GDP if the average price of oil in 2022 were to increase to $115 per barrel as in the immediate aftermath of the Russian invasion. Cereal subsidies would increase by 0.2 percent of GDP if wheat prices were to increase by 20 percent relatively to their November 2021 levels.

Poverty is expected to reach 3.4 percent in 2022 and 3.1 percent in 2023 using the $3.2 line (2011 PPP). The number of poor and vulnerable at $5.5 line (2011 PPP) is projected to decline from 18.9 percent in 2022 to 17.7 percent in 2023 and is not expected to go back to pre-crisis levels before 2024.

TABLE 2 Tunisia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021e	2022f	2023f	2024f
Real GDP growth, at constant market prices	1.4	-9.2	2.9	3.0	3.5	3.3
Private Consumption	2.3	-5.1	2.0	3.0	4.5	4.0
Government Consumption	2.4	-5.3	1.9	3.5	1.3	1.6
Gross Fixed Capital Investment	0.5	-28.7	1.7	6.3	4.1	4.8
Exports, Goods and Services	-4.1	-20.4	10.3	5.9	8.0	8.0
Imports, Goods and Services	-6.9	-19.3	8.0	7.7	9.0	9.0
Real GDP growth, at constant factor prices	1.5	-9.8	3.0	3.1	3.5	3.3
Agriculture	5.7	0.4	-5.4	-4.6	4.0	4.0
Industry	-1.4	-9.3	7.5	8.5	3.5	3.2
Services	2.1	-11.4	2.6	2.0	3.5	3.2
Inflation (Consumer Price Index)	6.7	5.6	6.5	6.5	6.5	6.0
Current Account Balance (% of GDP)	-8.1	-6.1	-6.5	-7.6	-7.2	-6.9
Fiscal Balance (% of GDP)	-2.9	-9.4	-7.7	-6.3	-5.6	-3.9
Debt (% of GDP)	67.9	79.5	84.5	84.2	90.6	91.0
Primary Balance (% of GDP)	-0.4	-5.8	-4.7	-3.1	-2.5	-0.6
International poverty rate ($1.9 in 2011 PPP)[a,b]	0.2	0.3	0.3	0.3	0.3	0.2
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	2.9	3.7	3.5	3.4	3.1	3.0
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	16.6	20.1	19.5	18.9	17.7	17.0
GHG emissions growth (mtCO2e)	0.7	-8.5	-0.3	3.3	2.1	1.9
Energy related GHG emissions (% of total)	73.0	71.7	71.2	71.5	71.5	71.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
a/ Calculations based on 2015-NSHBCSL.Actual data: 2015. Nowcast: 2016-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2015) with pass-through = 0.7 based on GDP per capita in constant LCU.

UNITED ARAB EMIRATES

Table 1	2021
Population, million	10.0
GDP, current US$ billion	464.9
GDP per capita, current US$	46490.0
School enrollment, primary (% gross)[a]	115.4
Life expectancy at birth, years[a]	78.0
Total GHG Emissions (mtCO2e)	205.8

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2020); Life expectancy (2019).

The UAE led the world with a successful vaccination program, which, together with the gradual phasing out of OPEC+ oil production cuts and monetary and fiscal stimulus, led to a strong economic recovery in 2021. Over the medium term, the recovery will be bolstered by higher oil prices triggered by the economic consequences of the war in Ukraine. The authorities continue to make progress on fiscal and economic diversification. Risks include renewed coronavirus outbreaks, tightening global financial conditions, and oil sector volatility.

Key conditions and challenges

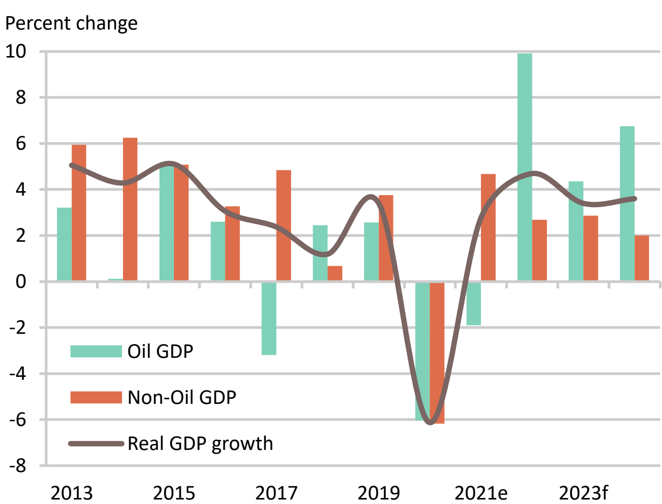
Over the past decade, the authorities have intensified efforts to diversify the economy, successfully positioning the UAE as the region's trade, financial and travel hub. Through economic visions and plans, the UAE aims to diversify the economy and build on its reputation as a business hub, while promoting environmental sustainability. However, the UAE will increasingly face greater competition for foreign investment, especially from Saudi Arabia and Qatar. Moreover, while the non-hydrocarbon sector accounts for two-thirds of GDP, the economy continues to rely on hydrocarbon activity as the engine of growth and the main source of government revenue, and thus the economy remains vulnerable to oil price volatility. Nevertheless, authorities continue to press forward to enhance its business environment through, for instance, improved bankruptcy provision and easier access to foreign investment and workers.

Steps towards diversifying public revenues are also underway with the recent introduction of a corporate income tax (CIT) effective in 2023—a major shift for a country historically known for low taxation. This may provide Dubai with greater resources if corporate debt problems resurface. The UAE's government related entities (GRE's) remain a significant source of vulnerability. The ability of GREs to meet their debt obligations is uncertain. Abu Dhabi's GRE debt increased by 30 percent from 2017 to US$64.2 billion in 2020, while Dubai's GRE debt was US$51 billion in 2020 (IMF). Despite changes in the composition of debt, i.e., a shift from loans to bonds and lengthened maturity profiles, Abu Dhabi and Dubai GREs face short-term rollover risks with a combined US$68.8 billion debt in 2021-23. GRE debt servicing capacity is low and GRE risks could be exacerbated by a prolonged pandemic and/or tightening global financial conditions. Contingent fiscal risks from GREs should be closely monitored and pre-emptively mitigated and GRE efficiency and productivity must be improved.

Recent developments

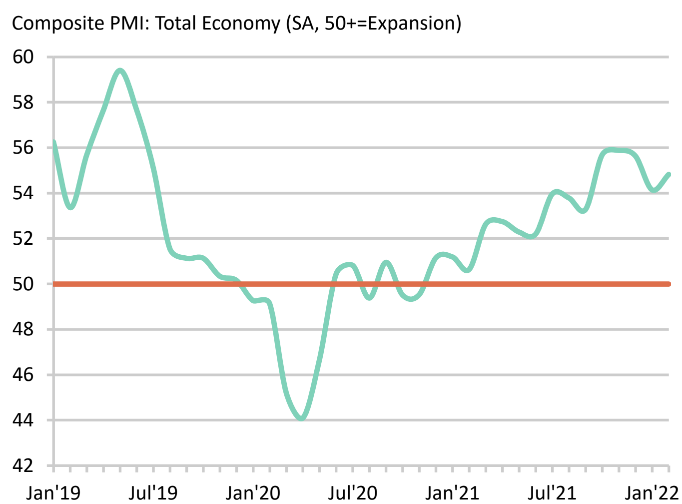
Real GDP growth is estimated at 2.8 percent in 2021 following a contraction of 6.1 percent in 2020. The recovery was aided by a successful vaccination program, and fiscal and monetary stimulus measures that helped the rebound of domestic consumption. Dubai quarterly GDP registered a growth of 6.3 percent Y-o-Y in Q3-2021. In Dubai hotel occupancy increased, owing mostly to the resumption of international travel. The Purchasing Manager's Index (PMI) for October 2021 registered its highest reading since June 2019, with a score of 55.7 supported by increased activity related to Expo 2020 and loosening of COVID-19 restrictions. The recovery is expected to strengthen in 2022 despite a short-term dampening of sentiment due to the Omicron variant as indicated by a

FIGURE 1 United Arab Emirates / Annual real GDP growth



Sources: UAE authorities and IMF/World Bank staff estimates.

FIGURE 2 United Arab Emirates / Composite purchasing manager's index



Sources: IHS Markit Purchasing Managers Survey.

slight dip in January's PMI. The hydrocarbon sector also picked up pace as OPEC+ production quotas were eased; oil production went up by 8 percent in Q4-2021 compared to Q2-2021. The health situation is improving with daily new cases below 800 in February 2022 (on a 7-day rolling average basis) for the first time since 2020 and over 95 percent of the population is fully vaccinated.

Government finances improved in 2021; fiscal outturns for the federal government showed a return to a surplus (estimated at 2.4 percent of GDP) from a deficit of 2.5 percent of GDP in 2020. The consolidated deficit is estimated to have improved from 5.4 percent of GDP in 2020 to 0.5 percent in 2021. Financing needs were mostly met by international debt issuances at the emirate and federal levels.

Inflation returned in 2021 after two consecutive years of deflation, owing to rising global food and energy prices, higher local property prices, and a continuing recovery in domestic demand. Residential real estate market continues to improve, with prices in Abu Dhabi registering Y-o-Y gains for the third consecutive quarter in five years, while declining in Dubai at a marginal pace.

The current account balance improved to 6.8 percent of GDP in 2021 in tandem with improved performance of both hydrocarbon and non-hydrocarbon exports mitigated by higher imports.

Understanding of poverty, inequality, and livelihoods in the UAE continues to be limited due to sparse representative household and labor data. According to data from the UAE Central Bank, employment in Q3 2021 remained at the same level of the previous quarter and above pre-pandemic levels.

Outlook

The economic consequences of the war in Ukraine have triggered an oil price surge which will have positive implications for the UAE economy and its fiscal and external balances. However, tourism and the non-oil economy might face headwinds. Tourism and travel account for almost 20 percent of Dubai's GDP, and their revival is a policy priority. Russia became the third-largest source market for Dubai's travel and tourism sector in 2021, while Ukrainian tourists are among the top 20, which presents a downside risk for its non-oil recovery.

Recent efforts to deepen equity markets, encourage technology businesses and boost the industrial sector coupled with a recovery in global trade, rising oil production and higher oil prices, will support recovery in the medium term. Reforms to improve the business environment such as the new labor code will increase labor market flexibility and attract expats. As OPEC+ quotas are eased and with higher oil prices and the introduction of CIT, fiscal balances will receive a boost. A robust expansion of trade aided by a renewed push by the authorities to increase reexports to Asia and Africa will expand the current account surplus. Higher energy prices will increase inflation in 2022 but easing supply bottlenecks and gradual monetary policy tightening, in line with the US Fed's hike and continuing tightening cycle, should soften inflation over the medium term.

TABLE 2 **United Arab Emirates** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021e	2022f	2023f	2024f
Real GDP growth, at constant market prices	3.4	-6.1	2.8	4.7	3.4	3.6
Private Consumption	10.0	-12.5	5.1	3.8	3.7	4.0
Government Consumption	10.0	0.7	1.7	2.7	2.9	2.9
Gross Fixed Capital Investment	0.0	5.8	3.9	3.4	3.9	4.0
Exports, Goods and Services	-1.3	-7.0	6.7	5.9	5.1	5.2
Imports, Goods and Services	-5.5	-6.4	8.8	5.4	4.5	4.5
Real GDP growth, at constant factor prices	3.4	-6.1	2.8	4.7	3.4	3.6
Agriculture	3.8	6.9	3.8	4.6	4.9	4.9
Industry	2.6	-5.5	0.4	6.6	3.5	2.9
Services	4.2	-6.9	5.1	2.8	3.1	4.2
Inflation (Consumer Price Index)	-1.9	-2.1	0.2	2.2	1.9	1.7
Current Account Balance (% of GDP)	8.5	6.0	6.8	13.7	11.8	11.3
Fiscal Balance (% of GDP)[a]	-1.0	-5.4	-0.5	4.4	5.0	2.7
GHG emissions growth (mtCO2e)	-2.1	-9.4	-1.6	0.6	0.1	0.4
Energy related GHG emissions (% of total)	71.7	69.9	69.2	68.6	67.7	67.0

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

REPUBLIC OF YEMEN

Table 1	2021
Population, million	30.5
GDP, current US$ billion	21.1
GDP per capita, current US$	690.4
School enrollment, primary (% gross)[a]	93.6
Life expectancy at birth, years[a]	66.1
Total GHG Emissions (mtCO2e)	22.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2019).

Economic conditions continue to deteriorate, and acute humanitarian crisis persists. The bifurcation of economic institutions by conflicting parties, and the uncoordinated policy decisions have further compounded the socio-economic crisis stemming from active conflict, now in its seventh year. Donor fatigue, soaring global commodity prices, and adverse climate conditions will continue to pose serious threat to the already dire socio-economic conditions.

Key conditions and challenges

After almost seven years of escalating conflict, Yemen continues to face an unprecedented humanitarian, social and economic crisis. Significant damage to vital public infrastructure has contributed to a disruption of basic services, while insecurity has delayed the rehabilitation of oil exports—which had been the largest source of foreign currency before the war—severely limiting government revenue and supply of foreign exchange for essential imports, including fuel. The bifurcation of national institutions between the conflicting parties—the internationally recognized government (IRG) based in Aden and de-facto authorities in Sana'a—and uncoordinated policy decisions have further compounded the economic crisis and humanitarian suffering from violence.

Reliable information on the economy is absent, as official statistics are no longer produced. Yemen's economy is largely informal and relies on remittances and aid inflows to fund consumption. Agriculture dominates the real economy (after the collapse of the oil sector) but suffers from an increasing frequency of climate- and pest-related disruptive events.

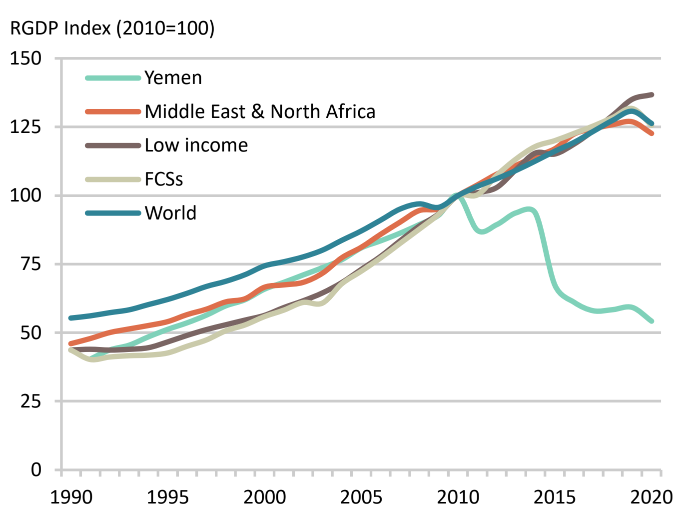
The social conditions are precarious, with the UN estimating more than 24 million people (some 80 percent of the population) in need of humanitarian assistance. With only 50 per cent of Yemen's health facilities functional, the COVID-19 pandemic placed additional pressure on the country's already fragile health system. Vaccination efforts are underway, but so far only two per cent of the population has been vaccinated.

Recent developments

Available information suggests that the Yemeni economy continued to weaken in 2021, affected by macroeconomic instability (especially in southern governorates), escalating hostilities, and heavy rains and flooding, which damaged shelters and infrastructure, destroyed livelihood, and facilitated the spread of diseases such as cholera. The volume of oil production remained significantly below the pre-conflict levels, notwithstanding slight improvements in recent years. Non-oil economic activity continues to suffer from hostilities, interruption of basic services (electricity, telecommunications), and acute shortages of inputs, which were compounded by double taxation and distortions created by uncoordinated policy decisions by the two authorities.

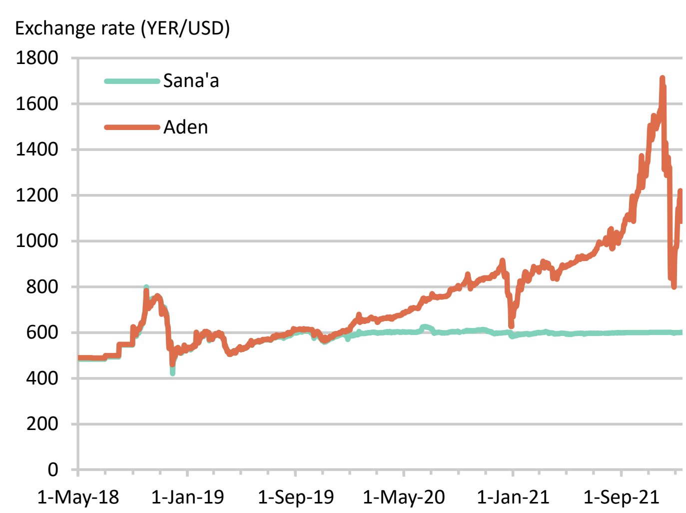
Yemen's public finances remain under severe stress. During 2021, continued monetization of the fiscal deficit in the IRG and STC-controlled areas, coupled with rising global commodity prices, fueled inflation and put a significant downward pressure on the currency in the southern governorates. The suspension of external

FIGURE 1 Republic of Yemen / Real GDP (indexed): Yemen and comparators



Source: MFMod, World Bank.

FIGURE 2 Republic of Yemen / Exchange rate trend: Yemen (Sana'a and Aden)



Sources: IMF and Central Bank of Yemen.

public debt services remained in place except for payments to IDA and IMF. Fiscal policy by the de facto authorities in Sana'a, the country's main commercial and financial center, is operating under a cash budget system. Given the lack of hydrocarbon revenue, the scale of fiscal policy in Sana'a is smaller and mostly depends on revenue from corporate profit tax.

Competing monetary policies by the two conflicting authorities have resulted in a large divergence of the exchange rate of the Yemeni rial. In the southern governorates, the rial depreciated by over 100 percent against the US dollar by early December 2021 (y-o-y). The introduction of a foreign exchange auction mechanism – since mid-November 2021 – coupled with the appointment of new central bank management in Aden on December 6, 2021, contributed to reverse the falling trend, allowing the rial to stabilize since January 2022. The sentiment also improved on account of the expected conversion of (at least part) of the recent IMF SDRs allocation to Yemen, which is expected to take place shortly. In the northern governorate, the exchange rate against the US dollar has remained relatively stable in the absence of monetary expansion, as a result of cash budgeting and a ban on the use of new banknotes printed after 2016.

Sharp depreciation and soring global food prices substantially strained the humanitarian crisis from an already dire situation. Importantly, food access is materially worse in the southern governorates, where the rial plunged substantially during most of the 2021.

The economic consequences of the Russian invasion, war and associated sanctions, on Yemen are expected to be broadly negative. In the short term, reduced imports of key commodities, on account of a supply side shock, and—over both the short and medium term—increased oil and food prices, will weigh heavily on the trade balance, inflation, and household consumption. The negative effects will be partially offset by some improvements on the fiscal front and on remittances—on account of higher global crude oil price (which Yemen exports). Millions may face severe food consumption gaps due to rapidly increasing levels of need, which could turn an already dire food crisis into a catastrophe, if assistance is not scaled up.

Outlook

Economic and social prospects in 2022 and beyond are highly uncertain and hinge critically on a resolution of the conflict and the overall security conditions. In this context, the flare-up of conflict, coupled with surging international oil prices, would be detrimental to the private sector's operational environment. On the upside, robust growth in GCC countries driven by rising global energy prices may boost remittance flows to Yemen. Revenue generation in Yemen as a whole will continue to be deeply challenged by an extremely low tax base. Trade will continue to be negatively affected by blockages of shipment offloading, infrastructural damages to the port facilities, and pervasive shortage of foreign exchange. Risks to the socio-economic outlook are related to potential economic sanctions by the US, elevated cost of wheat imports, and a decaying oil tanker in the Red Sea. The latter could cause lasting environmental and economic damages, by affecting one of the world's richest and most biodiverse marine ecosystems in the Red Sea, with long-term implications for Yemen's fisheries and shipping sectors.

TABLE 2 Republic of Yemen / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021e	2022f	2023f
Real GDP growth, at constant market prices	1.4	-8.5	-2.1	0.8	2.5
Inflation (Consumer Price Index)[a]	10.0	35.0	85.1	31.7	15.0
Current Account Balance (% of GDP)	-3.9	-6.9	-3.0	-9.3	-9.0
Fiscal Balance (% of GDP)	-5.6	-5.2	-4.9	-5.5	-5.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
a/ Inflation rates refer to end-of-period figures.

Macro Poverty Outlook

04/
2022

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