Middle East North Africa Quarterly Economic Brief, February 2014

KEY FACTS

1- In seven of MENA's most vulnerable economies - Egypt, Tunisia, Iran, Lebanon, Jordan, Yemen, and Libya - economic growth is slowing, unemployment is rising, and inflation is mounting.

2- MENA's economic problems are rooted in structural weaknesses, such as complicated regulations, infrastructure deficiencies, and inadequate social safety nets.

3- The growth slowdown after the Arab Spring creates a unique opportunity for MENA countries to address structural economic problems to create fiscal space and restructure the economy towards job creation and inclusive growth.

4- Real Gross Domestic Product (GDP) growth in Egypt has been stagnating at around 2 percent while unemployment rates have reached 13.4 percent in the 3rd quarter of 2013. And despite the aid pledged by Gulf countries, Egypt is still drawing down its international reserves and accumulating public debt.

5- Between 2010 and 2013, subsidy expenditures more than tripled in Tunisia, and the World Bank estimates that the budget deficit could exceed 7 percent of GDP unless the government takes the initial steps to streamline energy subsidies and put budget controls in place.

6- Despite encouraging political change in Iran, there are few signs of a swift economic turnaround as various indicators point to a dire economy. High inflation reaching 35 percent at the end of December 2013 and structural weaknesses are hindering Iran's economic prospects.

7- Lebanon's deficit increased by 68 percent in only six months, from nearly $1.1 billion during the first half of 2012 to $1.9 billion during the same period in 2013.

8- While data from the Central Bank of Jordan show a declining trend in Jordan's monthly inflation rate from 7.3 percent in March of 2013 to 6.1 percent in September 2013, unemployment rate for the third quarter of 2013 rose by 1 percent to 14 percent, the highest increase over the past four years.

9- Yemen has the highest unemployment and poverty rates in MENA. The World Bank estimates that growth could improve to 6 percent in 2014; however the government's fiscal position is deteriorating despite large grants and the great need for near- and medium- term financing.

10- Libya's fiscal surplus of 2012 is expected to turn into a deficit of about 5 percent of GDP for 2013 and 4 percent of GDP for 2014, as oil production, which accounts for about 70 percent of GDP and 95 percent of revenue, has been crippled by prolonged strikes removing more than 1 million barrels per day (b/d) of crude oil production from exports.