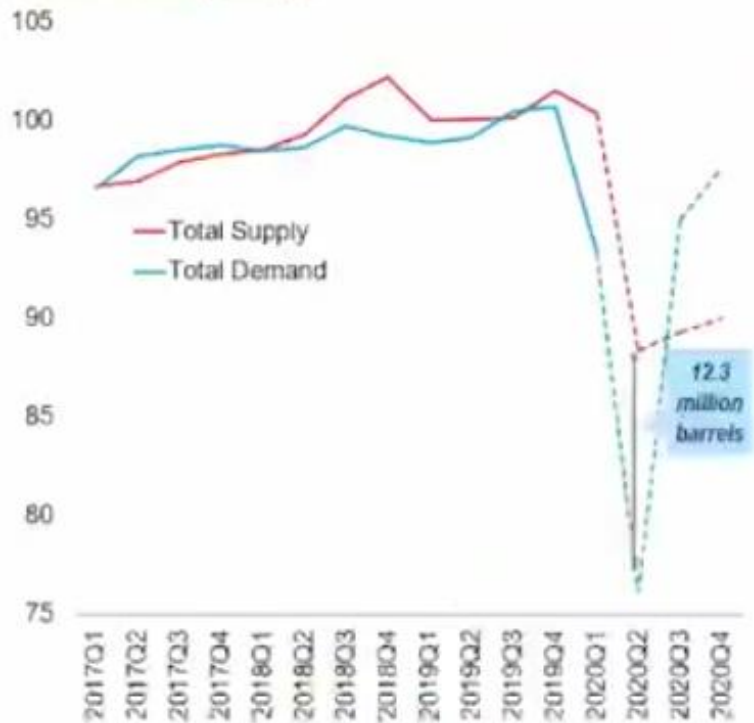


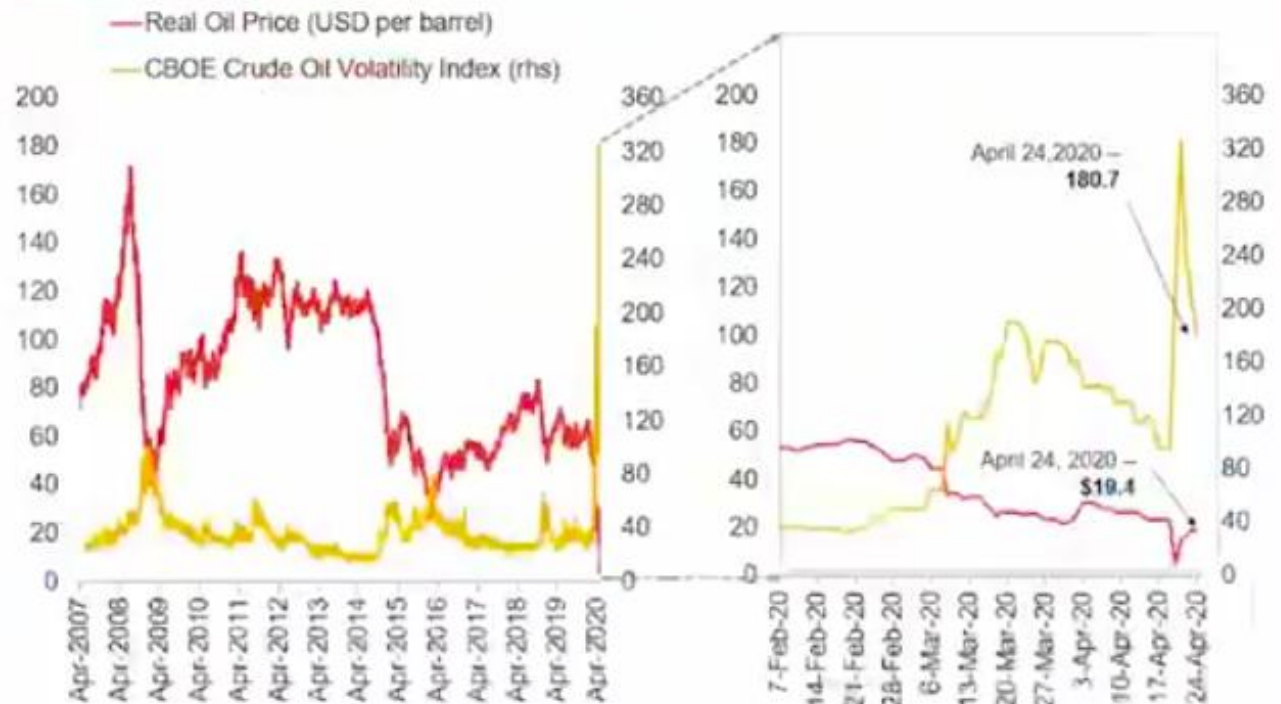
... the oil shock has compounded economic challenges facing the r



Global Oil Supply & Demand
(Million barrels per day)



CBOE Crude Oil Volatility and Real Oil Prices
(Index and USD per barrel)



Note: CBOE = Chicago Board Options Exchange and the right-hand scale. The CBOE Crude Oil Volatility Index measures the market's expectation of 30-day volatility of crude oil.

Sharp decline in demand with glut in oil supply

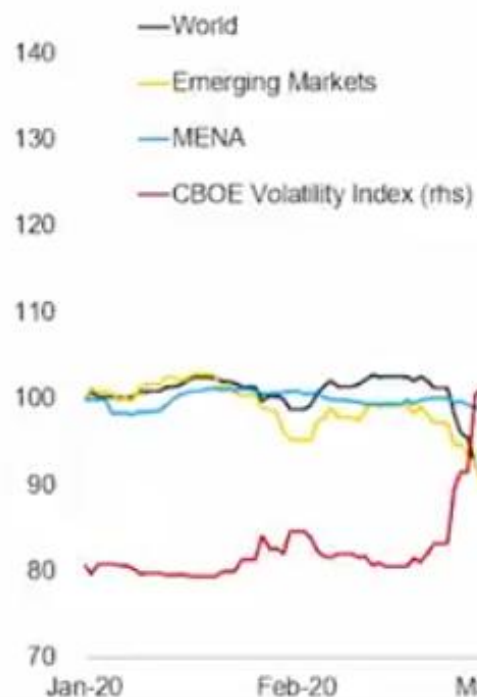
Lowest oil price in two decades

The crisis has also compelled MENA countries to deal with larger and more complex financial challenges



Stock Markets Collapsed

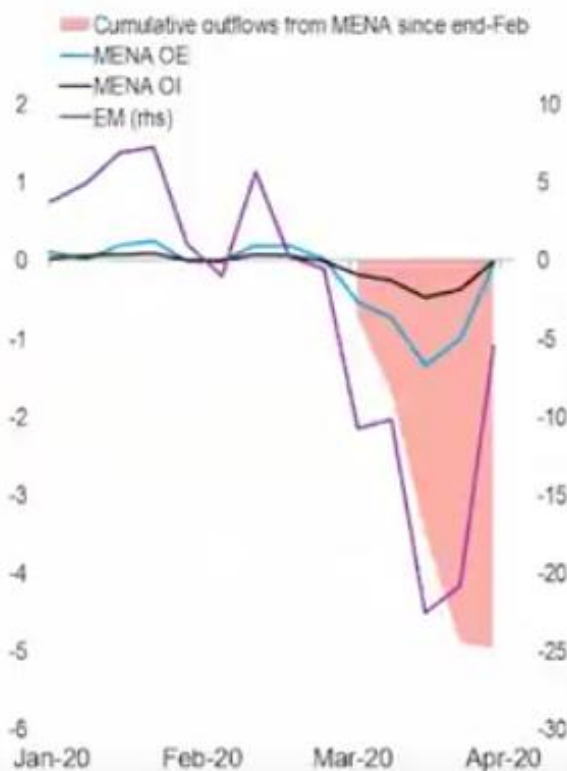
(Equity Index, January 1, 2020 = 100)



Source: Bloomberg Finance LP.

Capital Flows Reversed

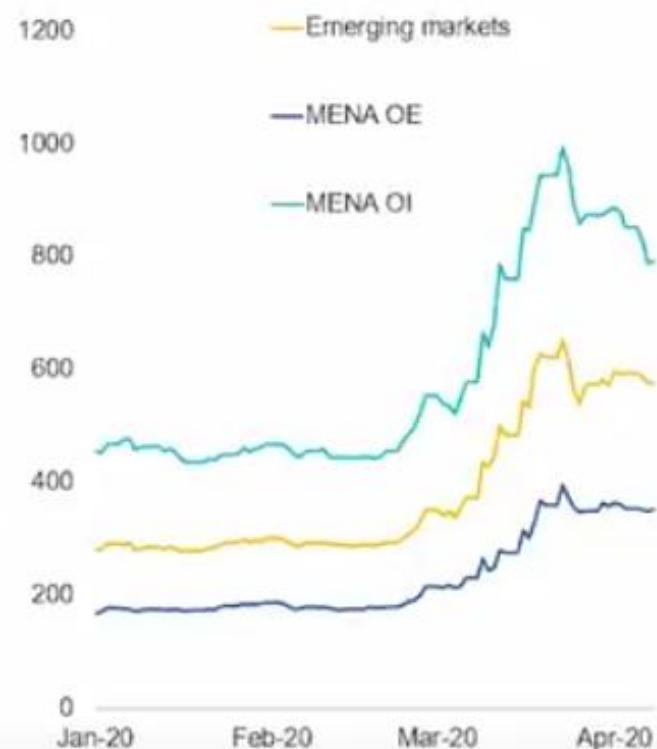
(EPFR flows, Billion USD)



Source: Haver Analytics, and IMF staff calculations.

Sovereign Spreads Widened

(10-year Gov Spreads, Median, basis points)

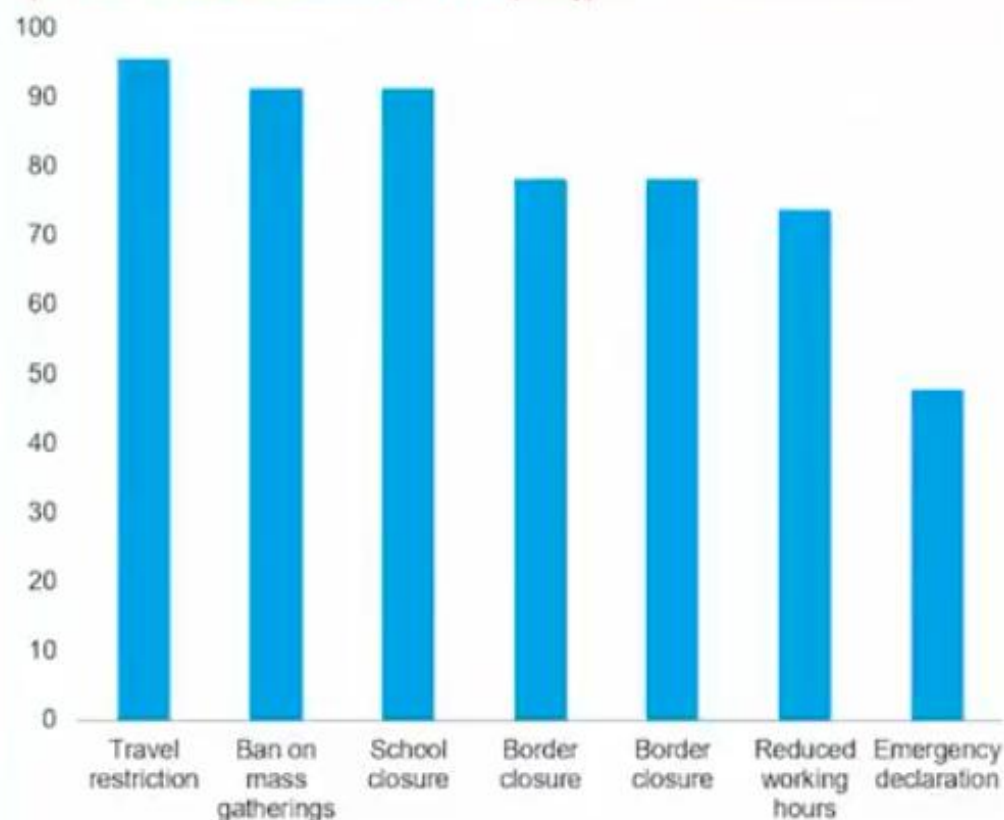


Source: Bloomberg Finance LP.

Necessary containment measures are sharply slowing economic activity

Containment Measures Announced in Many MENA Countries

(Percent of MENA countries with each policy)



Sources: National authorities; and IMF staff calculations.

PMI: Composite for Selected Economies

(Seasonally adjusted, 50+ = expansion)



Sources: IHS Markit, and Haver Analytics.

* MENA aggregate is the average of indices for Egypt, Qatar, Saudi Arabia, and UAE.





Country Responses

Uncertainty about the nature and duration of the shocks has complicated policy response

Authorities' responses emerged rapidly to address the COVID-19 to protect people and preserve economic engines

Framework for Response to the Crisis



MENA countries' responses to tackle two main challenges ...

Main objectives



... through four immediate steps

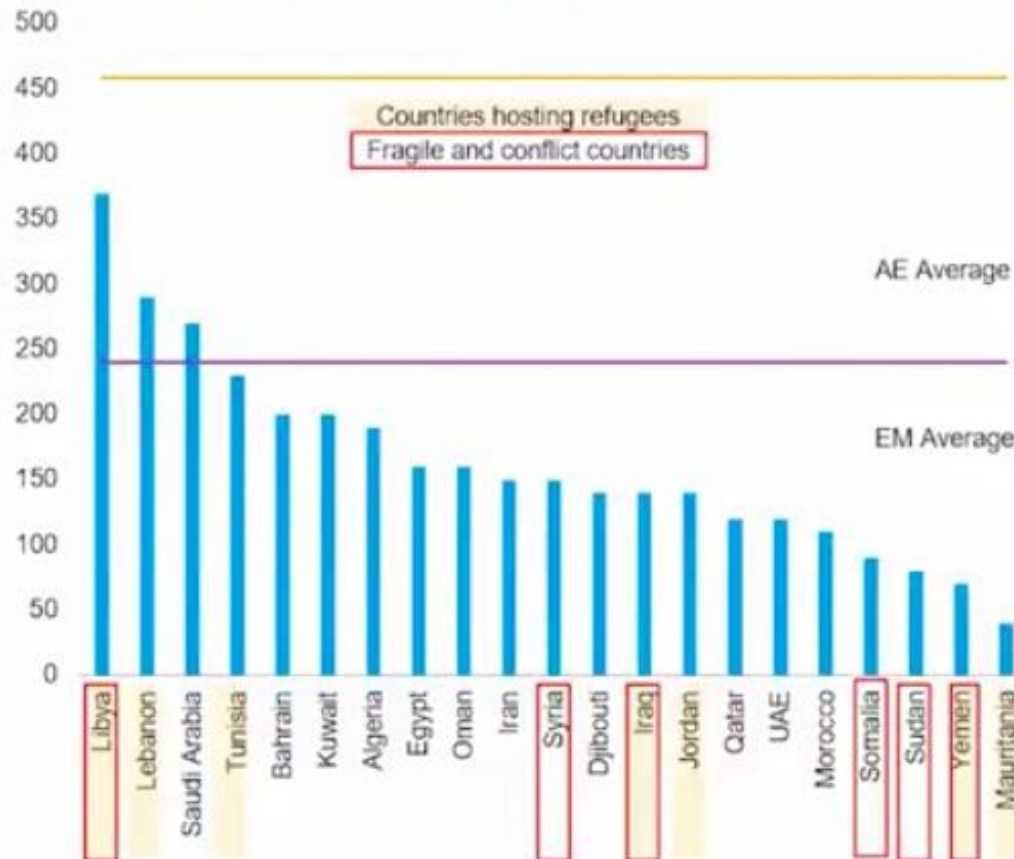
Key policy tools



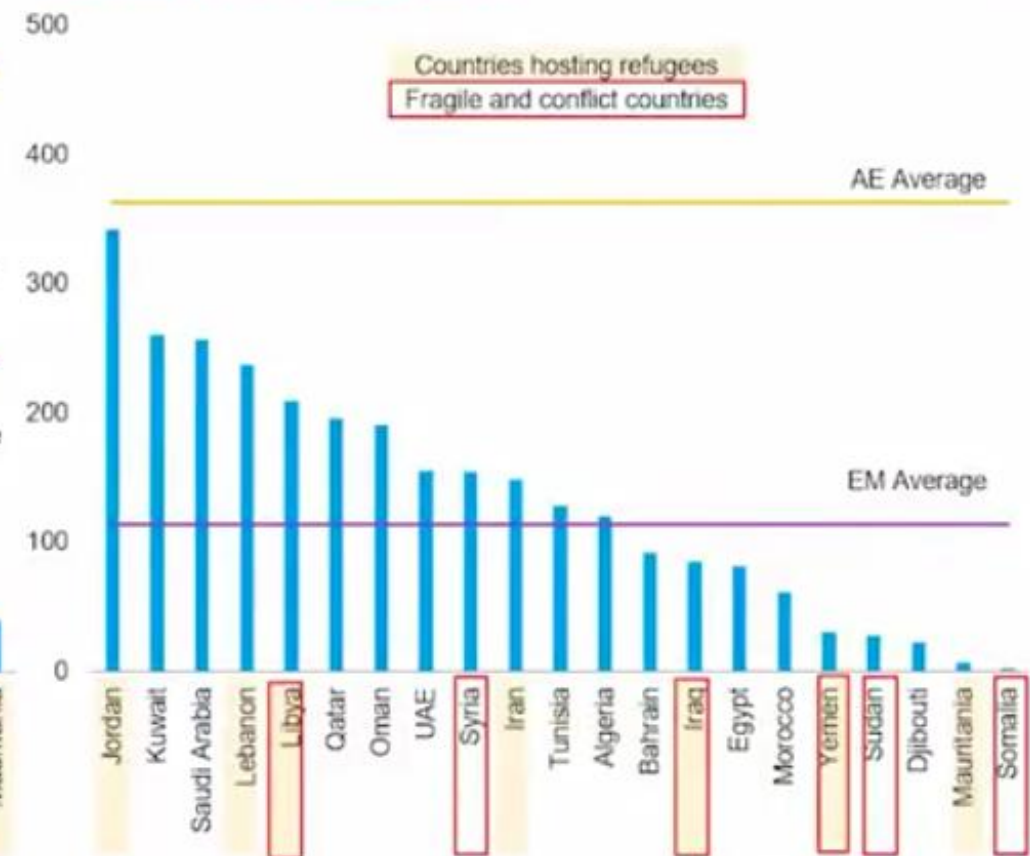
Health response was differentiated among countries depending on preparedness and current levels of spending



Hospital beds per 100,000 people



Doctors per 100,000 people



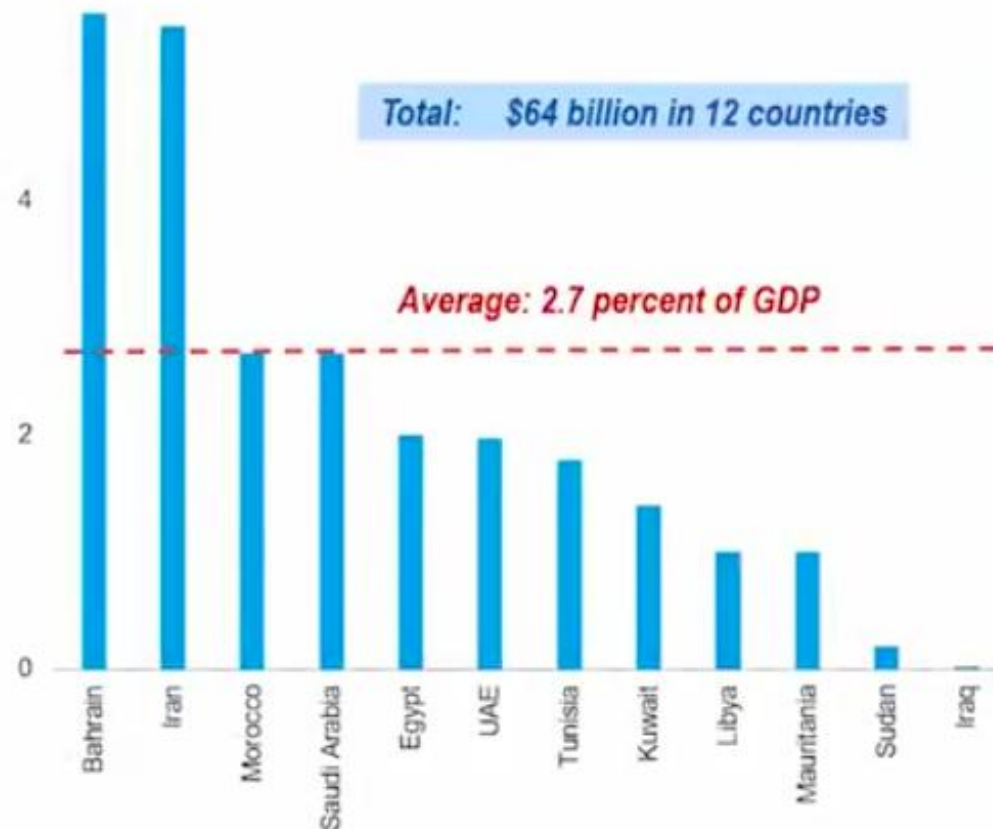
Sources: World Bank; World Development Indicators; Johns Hopkins Center for Health Security, EIU, Nuclear Threat Initiative, and IMF staff calculations.

Size of fiscal packages varied significantly depending on available space, with an average of 2.7 percent of GDP

Fiscal Support in Response to COVID-19

(Percent of GDP)

6



Sources: National authorities; and IMF staff calculations.



Fiscal Measures in Response to COVID-19

	Additional Revenue Measures	Additional Expenditure Measures
Bahrain	✓	✓
Egypt	✓	✓
Iran	✓	✓
Iraq		✓
Kuwait	✓	✓
Libya		✓
Mauritania	✓	✓
Morocco	✓	✓
Saudi Arabia	✓	✓
Sudan		✓
Tunisia	✓	✓
U.A.E	✓	✓

Source: National authorities.

Note: Information presented above is as of April 6, 2020.

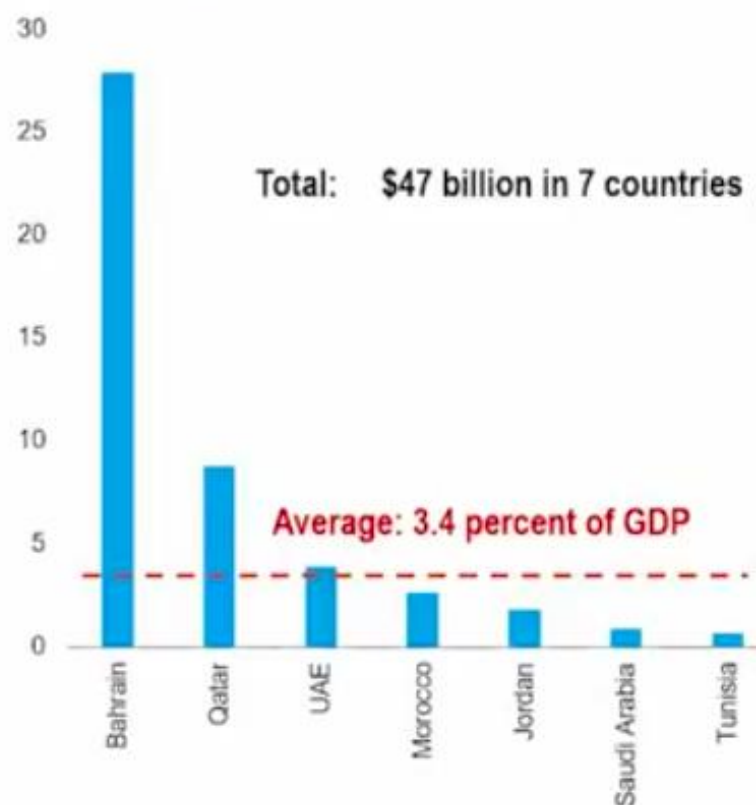
Central banks eased monetary policy stance, with some providing a liquidity support



Monetary policy rate adjustment
(Percentage point change since beginning of 2020)



Liquidity support in response to COVID-19
(In percent of GDP)



Sources: National authorities; Bloomberg; and IMF staff calculations.



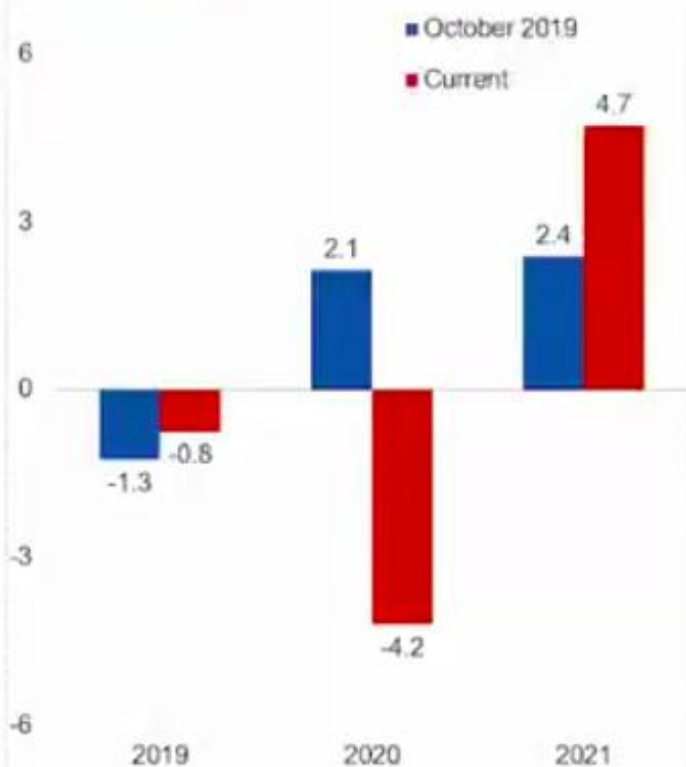
Economic outlook in 2020

Economic performance in MENA countries will be severely impacted by this dual shock

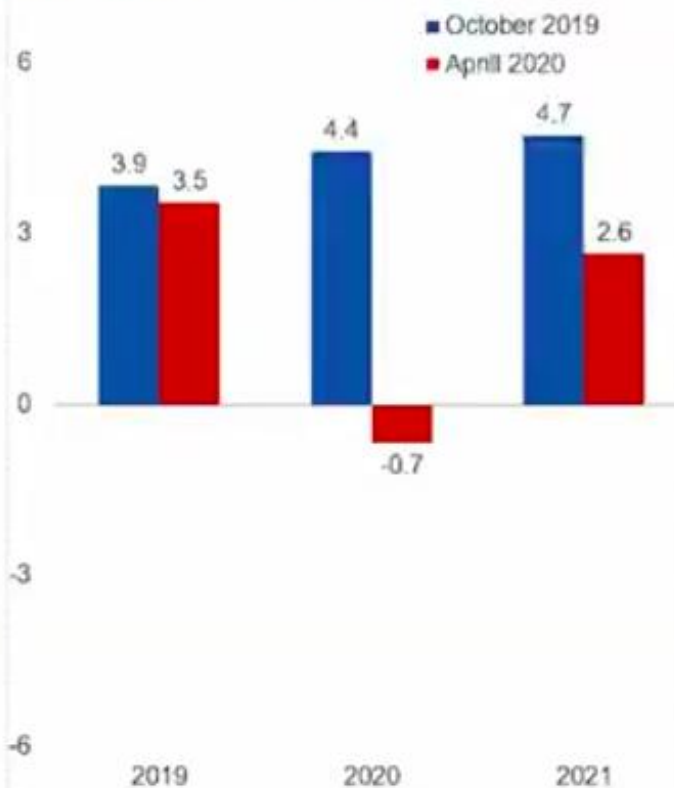
Growth is expected to falter in 2020, with a majority of countries reeling by more than 4 percent in one year, specially fragile and conflict states



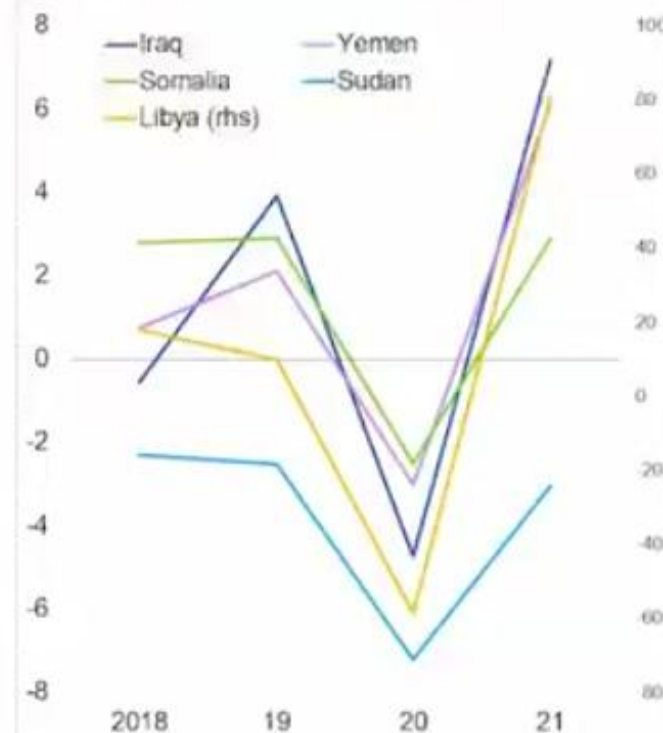
MENA Oil exporters: Real GDP Projections (Percent change)



MENA Oil Importers: Real GDP Projections (Percent change)



Fragile and Conflict States Real GDP Projections (Percent change)

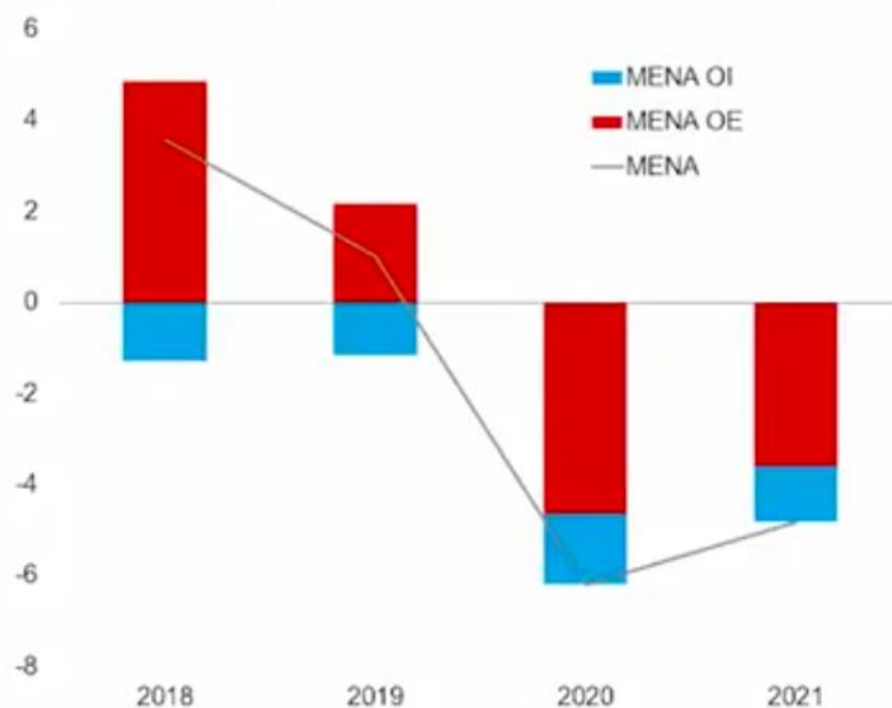


Sources: National authorities; and IMF staff calculations.

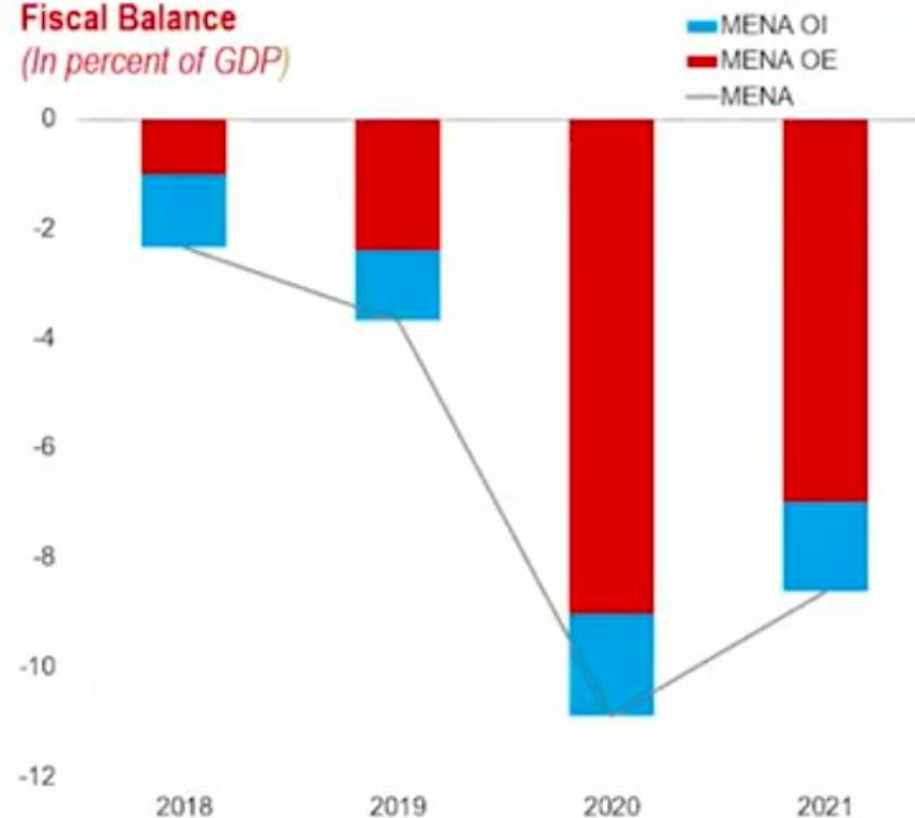
External and fiscal positions have come under stress in most MENA



Current Account Balance
(In percent of GDP)



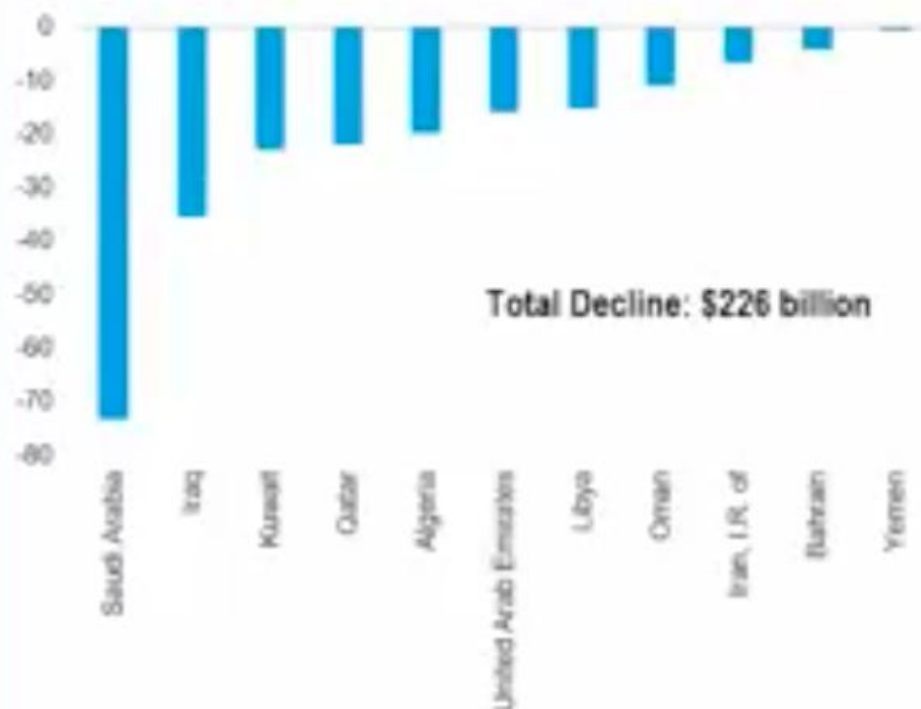
Fiscal Balance
(In percent of GDP)



Sources: National authorities; and IMF staff calculations.

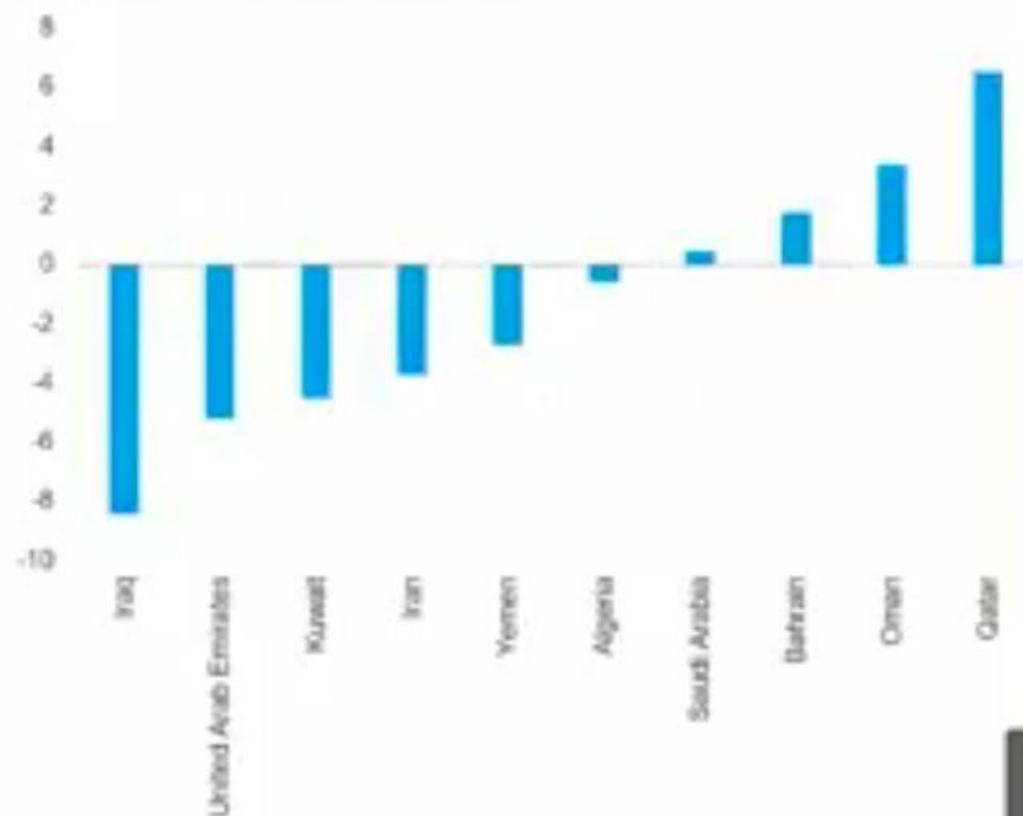
... with oil exporters particularly hit by a double whammy

Expected Drop in Oil Export Receipts in 2020 from 2019
(USD Billion)

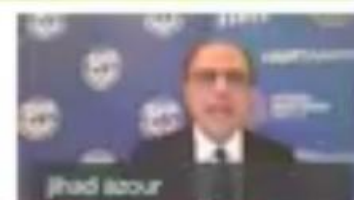


Sources: National authorities, and IMF staff calculations.

Projected Change in Non-oil Fiscal Balance in 2020 from 2019
(in percentage points of non-oil GDP)



Note: Non-oil primary balance is used for Saudi Arabia.



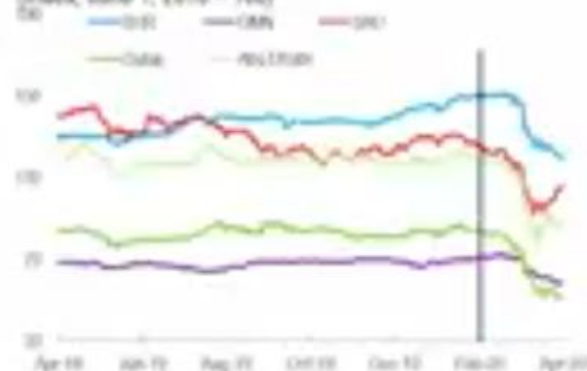
Vulnerabilities are rising in MENA Emerging Economies, in line with global trends



Financial Markets Developments

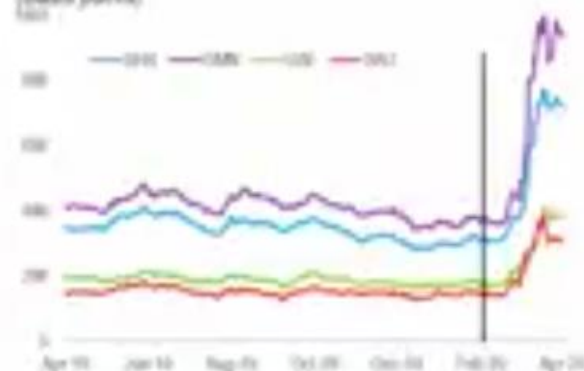
Equities - Oil Exporters

(Index, June 1, 2016 = 100)



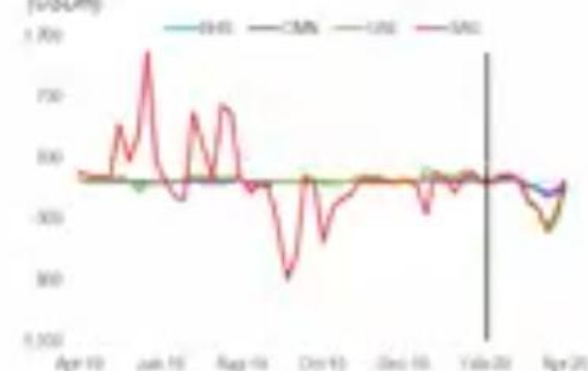
Spreads - Oil Exporters

(Basis points)



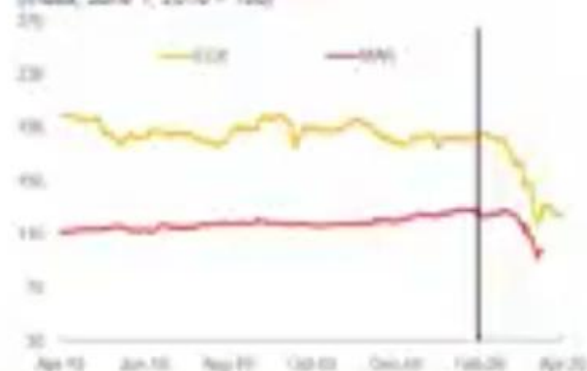
Capital Flows - Oil Exporters

(USDm)



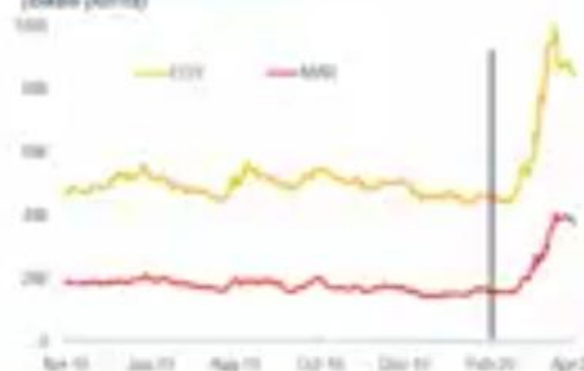
Equities - Oil Importers

(Index, June 1, 2016 = 100)



Spreads - Oil Importers

(Basis points)



Capital Flows - Oil Importers

(USDm)



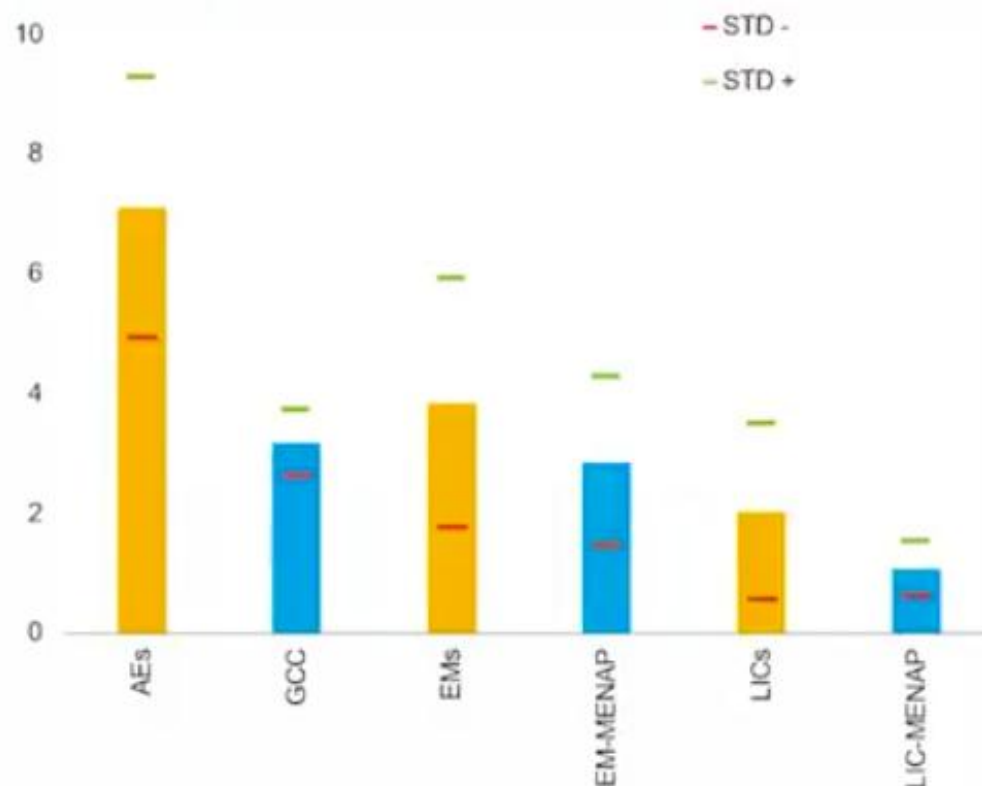
Sources: Bloomberg, House Analytics, and IMF staff calculations.



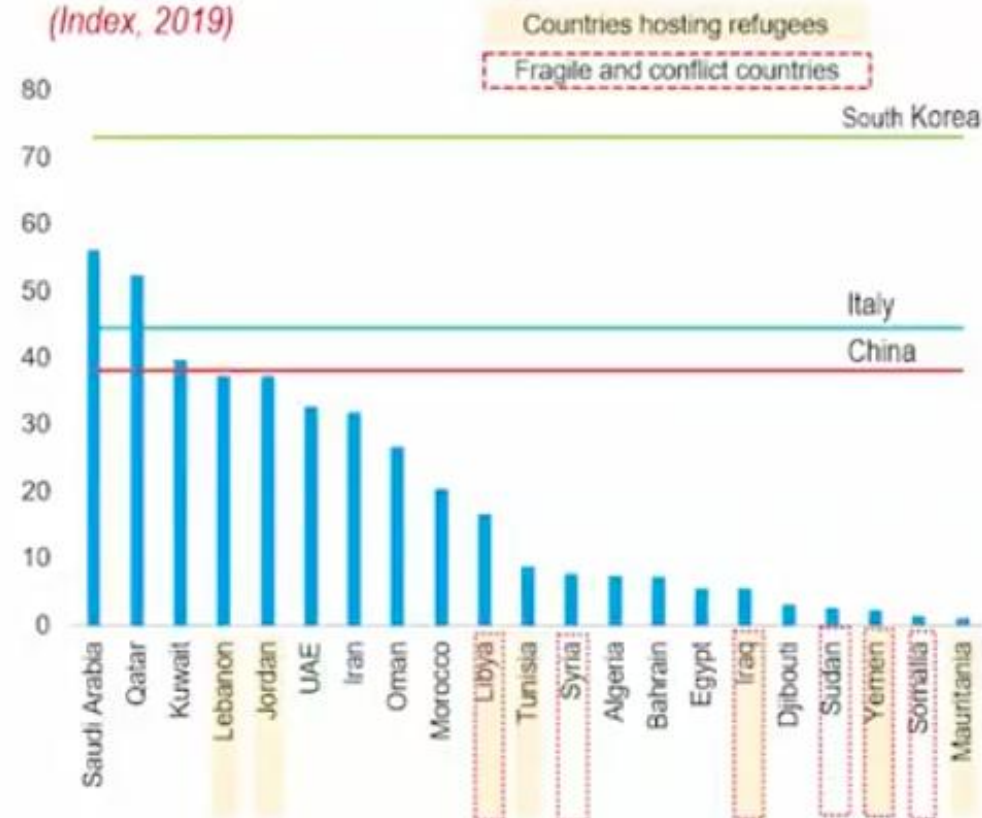
Public health spending is relatively low, with limited efficiency in MENA countries especially fragile and conflict-affected states



Public Health Expenditure (% of GDP)



Composite Health Security Index (Index, 2019)



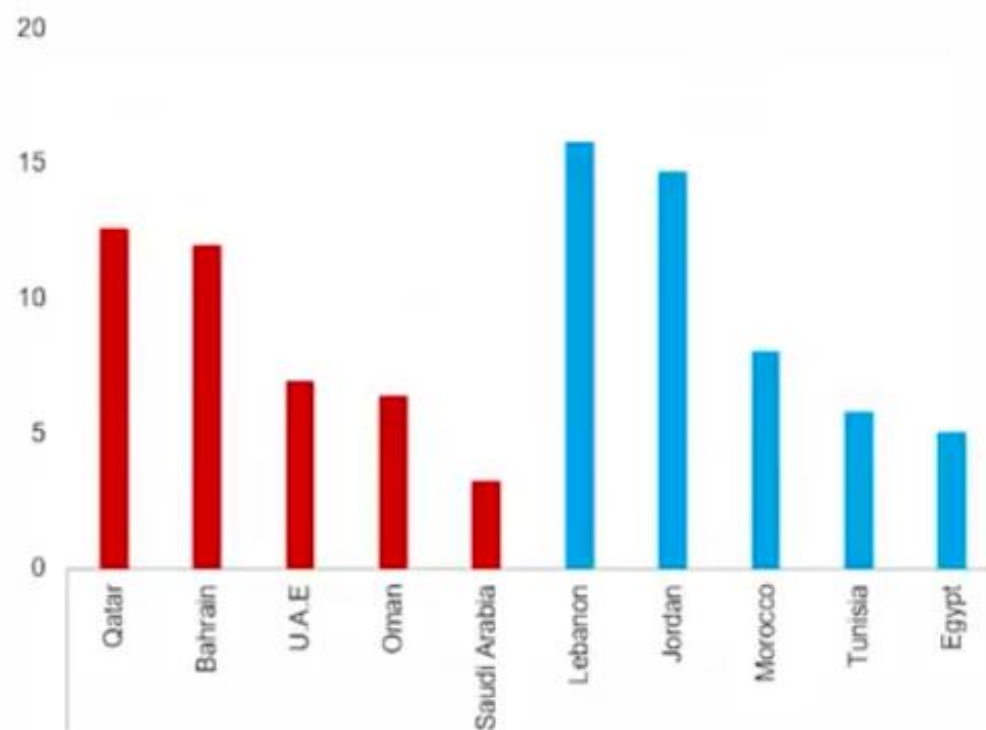
Sources: World Development Indicators and UNDP; Herrera and Ouedraogo (2018) , and IMF staff calculations.



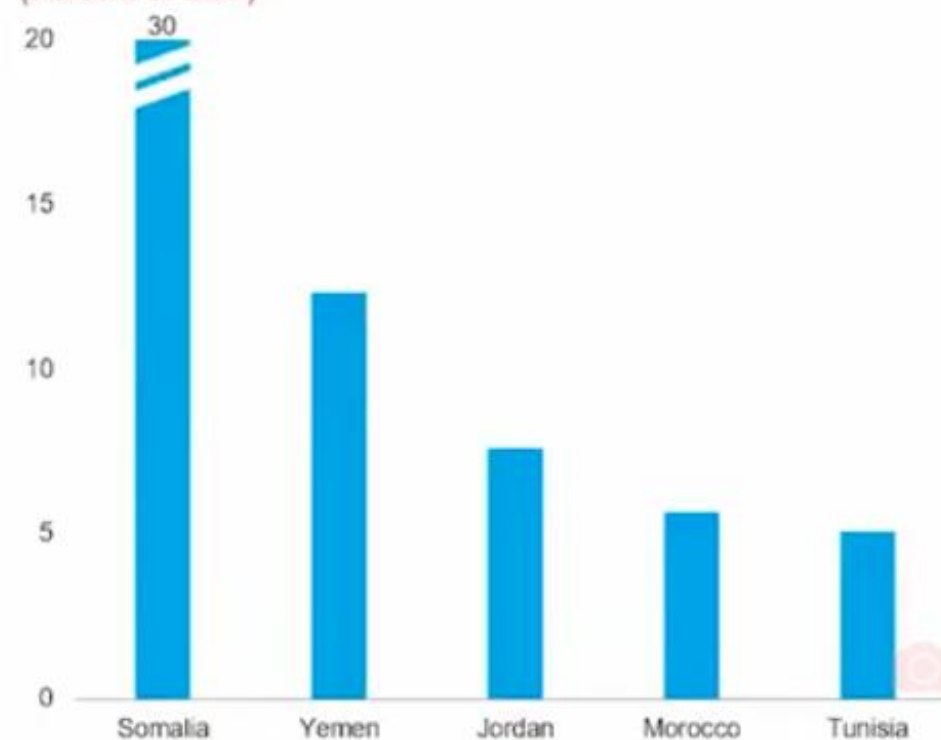


Projected economic recession with lasting welfare losses to the and people should be prevent

Inbound Tourism Expenditure
(Percent of GDP)



Remittance Receipts
(Percent of GDP)



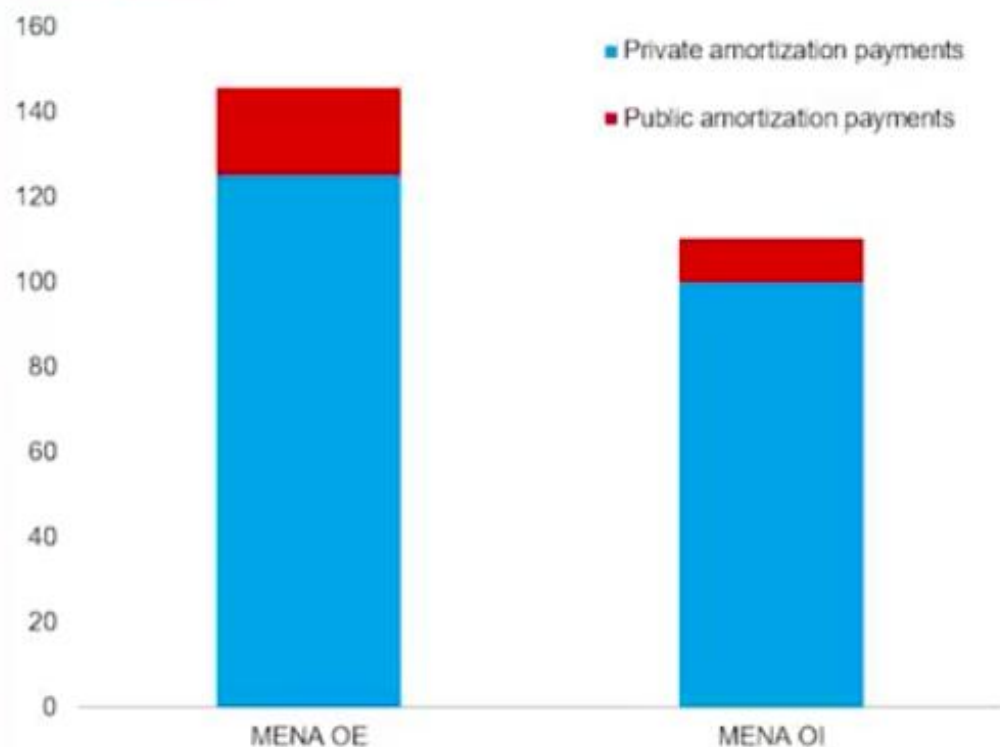
Note: For oil exporting countries, tourism expenditure is measured as a percent of non-oil GDP

Source: National authorities; World Tourism Organization; Haver Analytic; and IMF staff calculations.

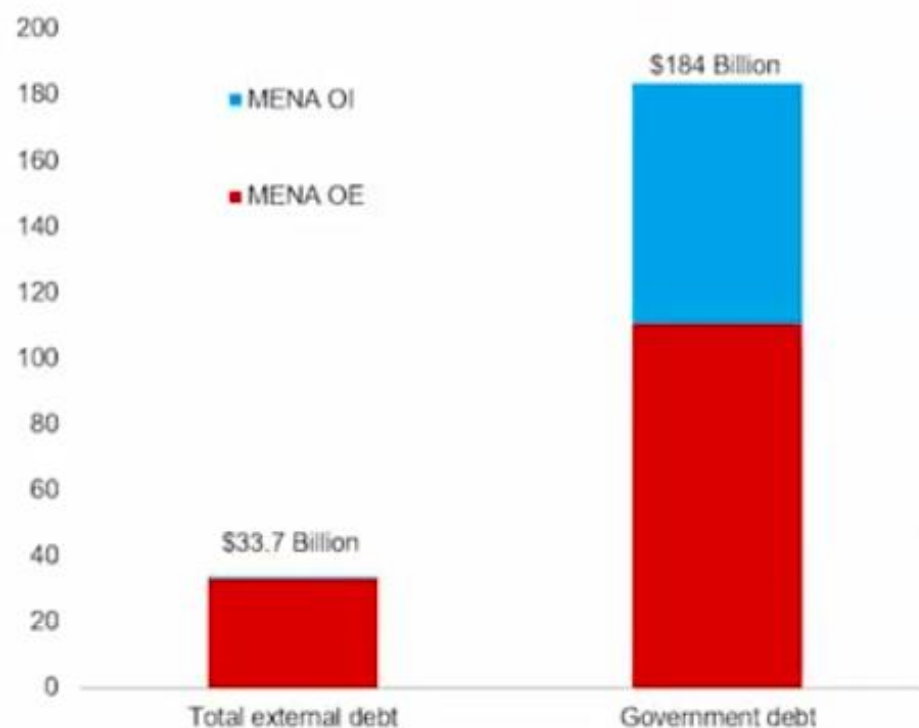
Large forthcoming maturing debt presents financing risks in current market conditions



Amortization Needs in 2020 (Billions USD)



Debt Accumulation in 2020: Projection (Billion USD, year on year change of debt level)

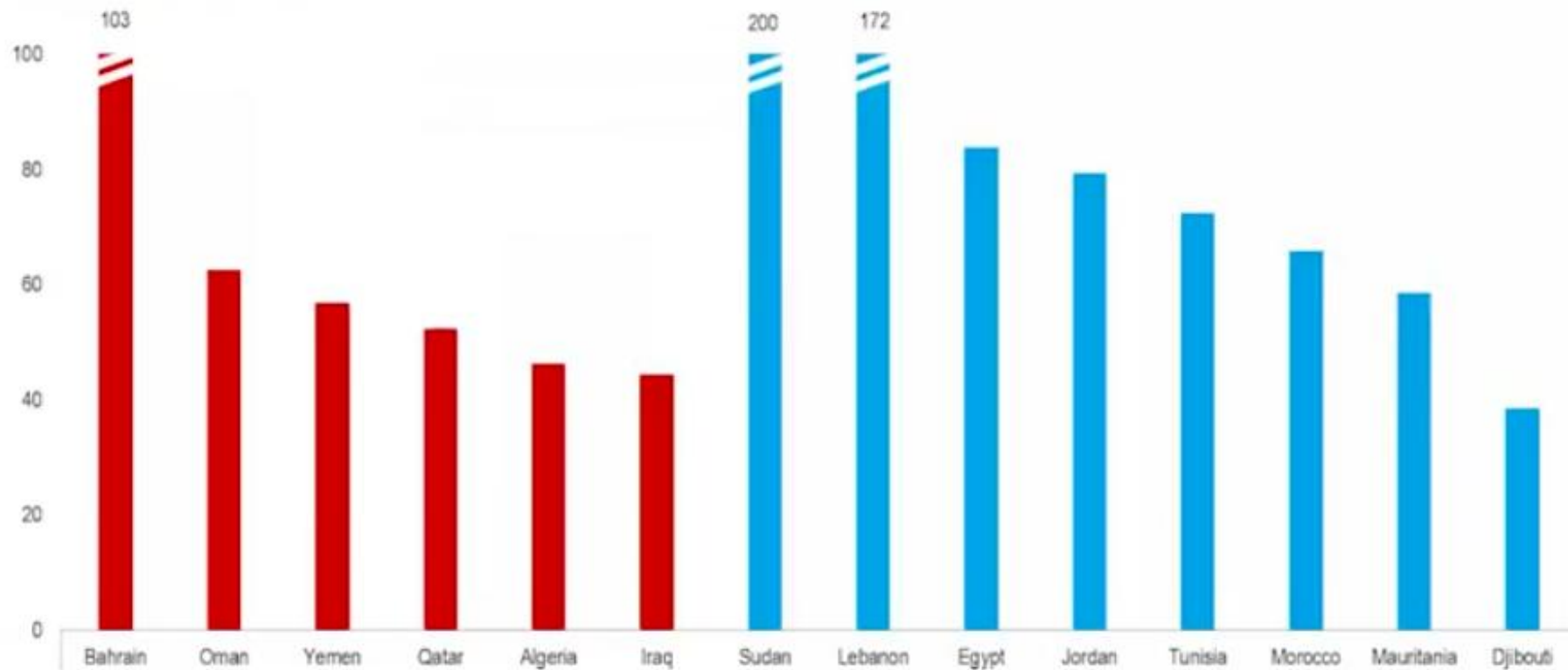


Sources: National authorities; and IMF staff calculations.

High public debt may limit fiscal space to undertake additional measures

Public Debt

(Percent of GDP, end-2019)



Sources: National authorities; and IMF staff calculations.



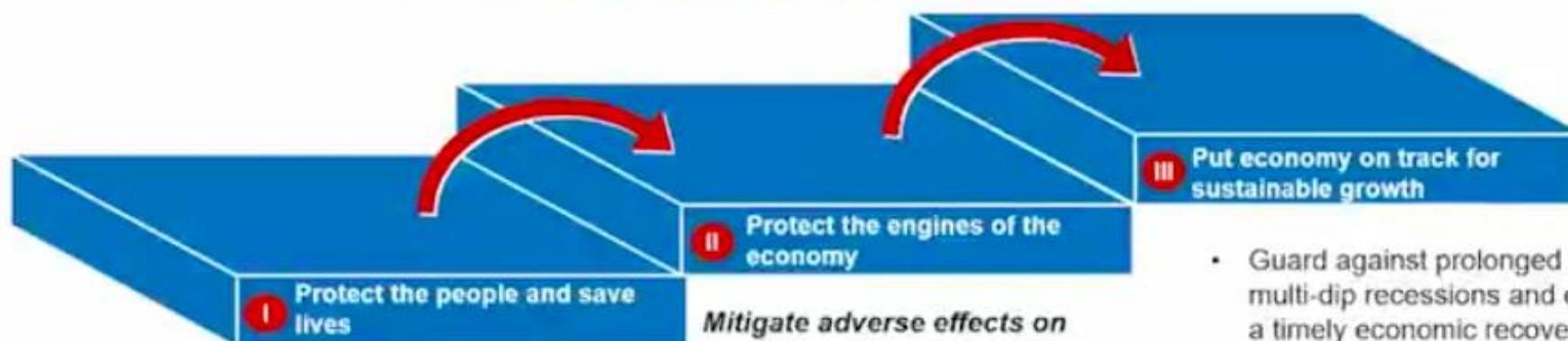
Policy Priorities and Fund Support

Scaling up policy advice and financial assistance to help surmount this crisis and limit its human and economic costs



Governments need to mobilize all efforts to stabilize economic and financial systems and reactivate the economy ...

Priorities in Response to the Unfolding Crisis



Key Priority Elements

Prioritize spending on health systems to save lives:

- Accommodate essential health expenditures, regardless of fiscal space
- Mobilize donor support and/or reprioritize non-essential spending where no space exists
- Address needs of fragile/conflict-affected states

Mitigate adverse effects on households, SMEs and sectors:

- **Fiscal policy:** ensure social safety nets; targeted and temporary tax relief, transfers and subsidies; and provide government guarantees
- **Monetary and financial policies:** Improve access to finance; provide liquidity to banks to ensure credit lines and modify loan terms, while ensuring financial stability

- Guard against prolonged and multi-dip recessions and ensure a timely economic recovery
- Avoid protectionist policies that risk damaging long-term economic health
- Strengthen financial sector and restore confidence in the market
- Broad-based fiscal stimulus, where space exists, and appropriate monetary support
- External assistance from donors, and bilateral lenders, where space is limited



... Governments should also address emerging policy challenges



- ***Ratcheting up health spending*** where infrastructure is weak
- ***Reaching out to vulnerable*** households and businesses where informality is high
- ***Ensuring debt sustainability*** following a sharp increase in deficits and debt
- ***Steering monetary policy*** in the face of large capital outflows
- ***Strengthening regional and multilateral cooperation*** as domestic responses have spillovers across borders, through:
 - Avoiding trade restrictions on food and medicine
 - Providing access to health services to migrant workers
 - Supporting fragile and conflict-affected countries, including through grants and, possibly, temporary suspension of debt payments by official bilateral creditors

IMF has adopted an integrated response to support Arab countries dealing with the COVID-19 pandemic shock



IMF RESPONSE FRAMEWORK

IMF Financing support to contain the crisis

- 100 billion USD for rapid financing facilities by the IMF
- Additional grant support for LIC (through the CCRT)
- More than 30 countries have already benefited from the RFI

- Act as lender of last resort
- Morocco drawing on PLL – \$ 3.2 billion
- Tunisia got the 1st RFI in MENA - \$ 750 million
- Introduce adjuster in Program for Jordan
- Use of grant for Yemen



- Bilateral assessments and policy advice to authorities
- Joint teleconferences with MENA authorities
- Dissemination of global policy initiatives and IMF staff COVID-related policy guidance (MCM/FAD notes)
- Close coordination with the World Bank, EBRD through teleconferences
- Coordination with Regional organizations: AMF, AFSED, IsDB, GCC
- Mobilization for financial resources, donor support, and debt relief