December 2022

Greetings from Washington,

As we say farewell to 2022, and welcome 2023, let's talk about the Middle East economy, in a nutshell. Generally, this past year has been fairly challenging, not just for the region, but globally as well. As the world attempted to recover from the long-lasting effects of the pandemic crisis, the war in Ukraine started, creating immediate tensions in food and energy prices around the world.

MONTHLY NEWSLETTER

In the Middle East, oil-importing countries (e.g. Egypt, Jordan, Tunisia) have been particularly vulnerable. They have encountered <u>large</u> buildups in public debt, high inflation, increases in poverty, and pressure on their currencies. In Egypt, for example, the Egyptian pound lost more than half its value over the year, which added severe pressure on inflation. The increased risk in Middle East and North Africa (MENA) economies was heightened by the aforementioned global shocks, but the vulnerabilities trace back to older and deep-rooted problems, including longstanding low growth, which failed to generate enough jobs to match the fastgrowing young population of the region. Approximately 30 percent of the population in the Middle East is comprised of youth.

Oil exporting countries had a better year. The World Bank <u>estimated</u> economic growth in the GCC countries at 6 percent, on average, in 2022 (7 percent in Saudi Arabia, 5.7 percent in Kuwait, 5.6 percent in Oman, 4.9 percent in Qatar, 4.7 percent in the UAE, and 3.5 percent in Bahrain). The war in Ukraine increased oil prices, so part of this refreshed growth has been driven by hydrocarbons, but nonhydrocarbon sectors contributed also to this growth, including the transportation and communication sectors in Bahrain, tourism in Saudi Arabia, and sports-related tourism in Qatar. In 2023, MENA countries will need to focus on a few key elements. In the GCC, the

focus will mostly be on economic diversification and creating less dependency on oil. This will include 1) building a new sustainable growth model, that is focused on economic diversification, with less dependency on the hydrocarbon sector, 2) restructuring energy and water subsidies, reforming energy pricing policies, and creating a conducive ecosystem for renewable energy, powered by green technologies, and 3) committing to the net-zero objectives laid out in the Nationally Determined Contributions (NDCs) of each country to meet ongoing climate challenges. In the oil and food importing MENA countries, the focus will continue to be 1) stimulating sustainable economic growth that is driven by high-value added and

high labor-intensive sectors, 2) creating jobs through empowerment of the private sector, and through better skill-gap/job matching policies, 3) subsidy restructuring and public revenue streamlining, and 4) endorsing a local development approach that focuses on people, gender-equality, and sustainability. Meanwhile, the climate agenda will continue to dominate the discussion across the MENA region, with an exceptional occurrence where two MENA countries are

leading the COP presidency in two consecutive years. Egypt will hand over its COP27 presidency to the UAE at COP28, in November 2023 in Dubai. Sincerely,

Director, empowerME Rafik Hariri Center for the Middle East

Racha Helwa

Atlantic Council WIn Fellowship 2023 Roadshow Winners

50 represents a contraction; 50 indicates no change)

Saudi Arabia

UAE

Brazil Japan

Vietnam

Mexico

US

Atlantic Council empower**ME CONGRATULATIONS TO OUR 2023 ROADSHOW WINNERS!** SPONSERED BY **PEPSICO** Congratulations to our top five performing WIn Fellows who have been selected to participate in a roadshow trip to the United States! These five fellows will travel to

experts, and government officials set up by the Atlantic Council. **Read More Big Data**

Georgetown University and will also meet with corporate executives, investors,

Washington, DC, and New York City for a week of leadership training at

Manufacturing purchasing managers' index, October 2022

57.2

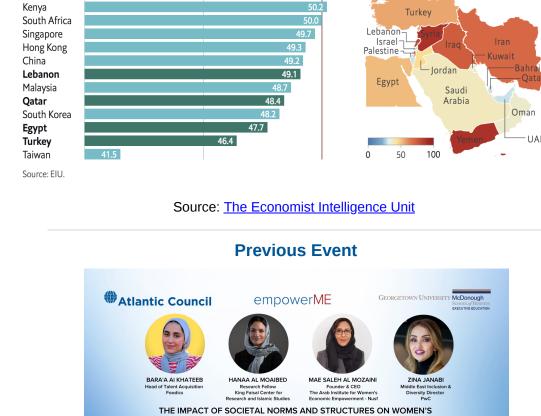
Middle East: business

(Q3 2022; 0=low; 100=high)

operating risk

(a reading above 50 indicates an expansion of the non-oil private sector compared with the previous month; below

India Philippines GCC states' purchasing managers' Nigeria index (PMI) covers non-oil private Indonesia sector business activity Thailand Israel



Atlantic Council's empowerME Initiative in cooperation with Georgetown University's McDonough School of Business with support from US Embassy Riyadh, PepsiCo, and UPS. The American Chamber of Commerce Saudi Arabia's Women in Business Committee is the program's in-person event partner. The

yearlong program from March 2022 – March 2023 enables thirty-three Saudi women entrepreneurs to enhance their networks, gain practical knowledge, and

This workshop is part of the WIn (Women Innovators) Fellowship, led by the

ECONOMIC EMPOWERMENT IN SAUDI ARABIA Monday, December 5th | 10:00 a.m. (ET); 6:00 p.m. (KSA)

The Atlantic Council's empowerME Initiative hosted a workshop on the impact of societal norms and structures that impact women's economic empowerment in

Saudi Arabia and the wider MENA region on Monday, December 5th.

develop US-Saudi people to people and business ties that will help them scale their business locally, regionally, and globally. **Watch Event MENA Region Global Events and Trends:** 2022 in Review In 2022, a multitude of events with farreaching implications took place all over

Watch Video

Saudi Arabia lost at the 2022

In case you missed it...



more women to start and lead

businesses

By Nour Alhajjeh

the world that affected politics,

economics, and geopolitics. Here are some noteworthy occurrences and figures that had substantial influence on the Middle East and North Africa region.

Read More

World Cup. But its sports

sector is winning.

By Lujain Alotaibi



oil dependent countries. This duality

economic and sociopolitical pressures

emerging from the ills of the pandemic.

The hope is that energy leaders will also lead in encouraging intra-regional trade in MENA and invest in the smaller economies whose youth are mostly talented, educated but unfortunately

on MENA economies that are barely

"The Russian invasion of Ukraine in 2022 and the ongoing conflict there has impacted the global energy markets, benefiting oil producers in MENA, whilst adding more pressures on the region's

presents opportunities for MENA's leading energy producers to invest in implementing their grandiose economic plans, thereby stimulating their economies but may also result in more

jobless."



countries would need to keep afloat. This could have an enormous impact on the region and the global economy in

2023."

Merissa Khurma

Josh Lipsky Senior Director GeoEconomics Center Atlantic Council "The UN Climate Conference (COP27) that took place in Sharm El Sheikh, Egypt in November 2022, which featured strong global south voices on the inequity of climate impacts wrought by wealthy countries' emissions, resulted in agreement by 200+ countries to create a "loss and damage" fund. This event and outcome will clearly shape the economy

of 2023 for the MENA region. One year from now, with regional momentum still

surging, the UAE will host COP28,

making for super-charged economic

conditions for an energy transition to

renewable power sources. It will also

climate-fueled disasters."

mean accelerated investment in climate resilience for the physical, social, and financial defenses necessary to survive and thrive in the face of still inevitable



on oil prices has resulted in

differentiated outcomes in the region. The hydrocarbon producers and exporters have witnessed higher revenues resulting in better current

levels and their sustainability have surfaced. These trends are likely to continue in 2023 and beyond."

impacted all MENA countries, its impact **Nadir Mohammed** account and fiscal stance outcomes. But Regional Director, Equitable Growth, the impact was negative in oil importing Finance and Institutions (EFI) countries and has exacerbated the fiscal Middle East and North Africa Region challenges already significant because The World Bank Group of high food prices. Concerns about debt

> "The UAE-Israel free trade agreement, which was signed in May and ratified in December, promises to remove or reduce tariffs on 96% of goods traded between the nations. According to UAE authorities, in the first three quarters of the year non-oil trade between the UAE and Israel hit \$2 billion, more than double the same period in the previous year. While the normalizations between Egypt and Israel over forty years ago

and between Jordan and Israel over

negligible impacts on the shape of the

economy of the MENA region, the normalization between the UAE and Israel two years ago and this year's free trade agreement is likely to have a

twenty-five years ago each had



material affect on the economies of those two countries and, given the UAE's regional economic role, potentially the wider region as well." **Big Reads** • Startups in Mena raised \$439 million in November 2022 (Wamda) • <u>Dubai Rolls Out \$8.7 Trillion Economic Plan for Next Decade</u> (Bloomberg) • Why a global recession is inevitable in 2023 (The Economist) • Saudi Crown Prince Tangles With Sovereign Wealth Fund Over How to Invest Oil Riches (The Wall Street Journal) **Learn about empowerME** empowerME is changing the conversation about the Middle East by focusing on economic prosperity. Watch this video to

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pioneer Amjad Ahmad. **WATCH VIDEO** Subscribe to learn more about our latest events and publications!

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<u>empowerME</u> shapes solutions to empower entrepreneurs, women, and the private

sector and builds influential coalitions to drive regional economic integration,

Atlantic Council



prosperity, and job creation.