

Greetings from Washington.

Last April, the World Bank revealed its projections for decelerated economic growth in the Middle East and North Africa (MENA). The Bank anticipated a growth rate of **3 percent** by the conclusion of 2023, which is a significant drop from the **5.8 percent** seen in 2022, and a departure from the average of **7.3 percent** observed between 2000 and 2018. Furthermore, the expected real GDP per capita growth by the end of 2023 is just **1.6 percent**, down from the **4.4 percent** recorded in 2022.

The primary factor contributing to reduced growth in the region is persistent inflation, particularly in countries that also experienced currency devaluations, such as Egypt, Iran, Iraq, Lebanon, and Syria. The slower growth rate in the region is also a consequence of the more stringent economic measures implemented by MENA governments to regain macroeconomic stability. **Eight** out of sixteen countries in the region have grappled with food price inflation in the double digits, which has far-reaching consequences regarding long-term impacts on poverty, inequality, and food security.

In 2023 alone, five nations in MENA have experienced food price increases exceeding **60 percent**. Lebanon and Syria, especially, have witnessed alarming triple-digit food inflation rates, reaching **138 percent** and **105 percent**, respectively. Meanwhile, Iran and Egypt are scuffling with annual food inflation rates exceeding **61 percent**. This situation makes it increasingly challenging for families to afford basic food staples such as bread, rice, and vegetables. Overall, it is estimated that **one out of five people** living in MENA became food insecure in 2023, and that almost **eight million children** under five years of age are among the most food deprived in the region.

Based on simulations conducted by the World Bank, the troubling patterns of rising food prices and disruptions in supply chains could result in an additional **73 million** individuals in the MENA region falling into poverty. This would significantly reverse the progress made in reducing poverty over the years. To put it differently, for every **1 percent** increase in food prices in the MENA region, approximately 500,000 more people could find themselves living in poverty.

The World Bank also carried out targeted simulations for specific MENA countries, including Egypt and Morocco. In the case of Egypt, an examination of the inflationary impact during the period from February to March 2022 revealed that the surge in inflation, primarily due to the steep increase in bread and cereal prices, is expected to result in a temporary rise in poverty, with estimates ranging from **2 to 3.8 percentage points**. In Morocco, elevated inflation is expected to lead to a rise in poverty, with estimates ranging from **1.1 to 1.7 percentage points**. This increase is attributed largely to the higher costs of items not entirely subsidized, such as fuel. Regressive subsidies, which predominantly benefit wealthier individuals, will also further strain the fiscal situation. Additionally, income inequality is projected to expand, with the Gini index increasing from **39.5 to 39.7**, based on World Bank estimates.

Light at the end of the tunnel?

In 2023, inflation rates in the MENA region have been averaging **15 percent** through 2023, almost unchanged from the 2022 levels. The problem has been more pronounced in selected countries. For example, average inflation rates reached **270 percent** in Lebanon, **43 percent** in Iran, and **36 percent** in Egypt.

In 2024, however, inflation rates are expected to decrease marginally, and economic growth is anticipated to rebound to **3.3 percent**, especially with the ongoing recovery in oil prices. Achieving the desired levels of economic growth in 2024 requires endorsing an appropriate policy mix. Monetary policy should prioritize the restoration of price stability, while fiscal policy should focus on ensuring the debt sustainability and aligning itself with monetary policy. Additionally, fiscal policy should provide targeted short-term assistance to protect the most vulnerable segments of the population. Concurrently, it is crucial to establish robust banking supervision protocols, financial resolution mechanisms, and crisis management structures.

It is also equally important—particularly in middle and low-income MENA countries—to implement policy measures capable of **addressing** food insecurity before it escalates into a severe crisis. This entails targeted financial assistance and the provision of essential goods, which can be swiftly implemented to alleviate acute food shortages. Additionally, enhancing support for women, which may include improvements in maternity leave conditions, childcare services, and access to medical care, is essential for the well-being of both expectant mothers and children during pregnancy and the early years of childhood years.

Sincerely,
Racha Helwa
Director, empowerME
Rafik Hariri Center for the Middle East
Atlantic Council

Climate Profiles Series

With COP28 being held in December of 2023 in the United Arab Emirates, the Atlantic Council's empowerME Initiative will be highlighting the dire climate situation for differing nations in the Middle East and North Africa region through our new "Climate Profiles" series.

Iran



Iran is one of the most vulnerable countries to climate change in the Middle East and North Africa (MENA). It also bears significant responsibility for climate change globally and in the region, as it ranks first in the Middle East and eighth worldwide, for its greenhouse gas (GHG) emissions, with annual carbon dioxide amounting to nearly 617 tons. Nevertheless, the country's rapid urbanization process has also contributed significantly to elevated air pollution levels and the formation of heat islands, where urban areas experience higher temperatures than their surroundings.

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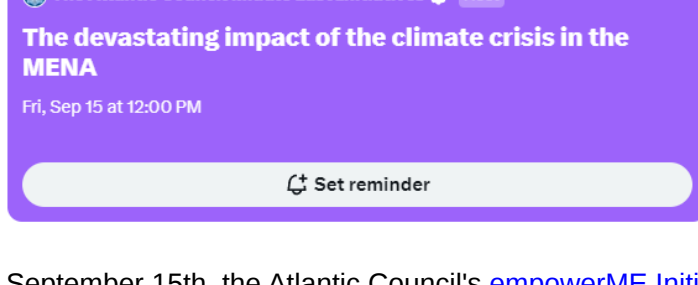
Morocco



Morocco has been recognized by the 4th Assessment Report of the United Nations Intergovernmental Panel on Climate Change (IPCC) as significantly vulnerable to changes in climate. The country is affected by the increase of average temperatures, droughts, and changes in sea levels and rainfall patterns. It is projected to witness a decrease in water precipitation of 10-20 percent across the country, with a 30 percent decline in the Saharan region by 2100.

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Upcoming Twitter Space Conversation

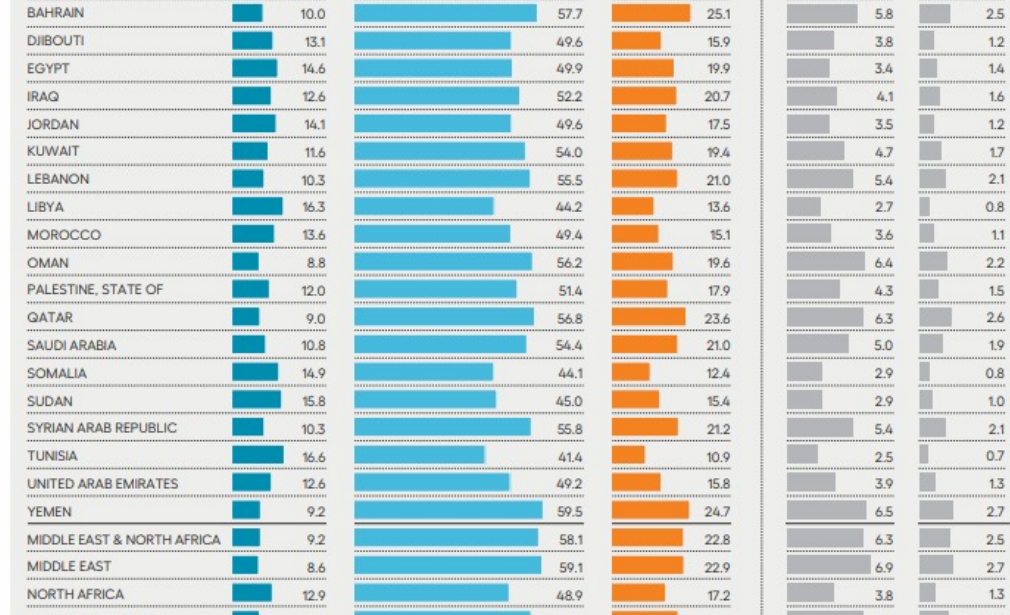


On Friday, September 15th, the Atlantic Council's **empowerME Initiative** will be hosting a **Twitter space conversation** on the devastating impact of the climate crisis in the Middle East and North Africa, moderated by empowerME Director **Racha Helwa**.

[Set Reminder](#)

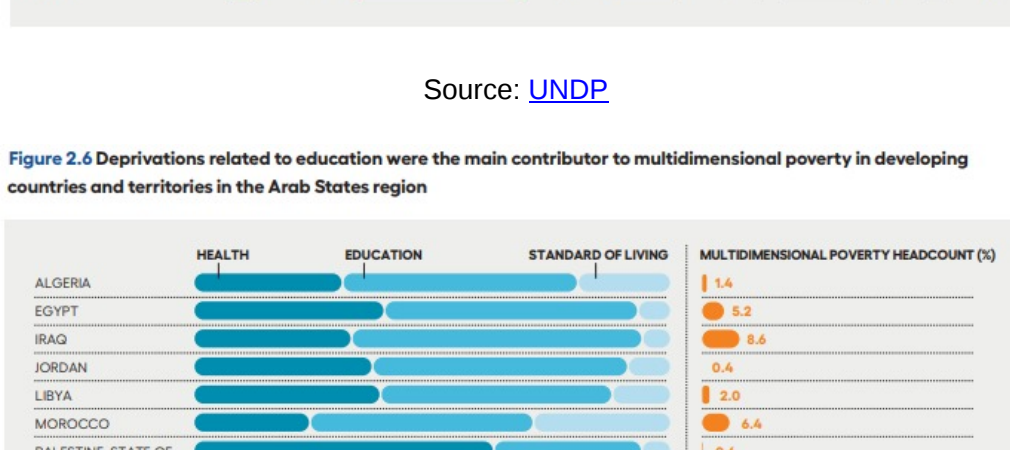
Big Data: Poverty and Inequality in MENA

Figure 2.8 The Arab States region has some of the highest estimated income inequalities in the world, 2021



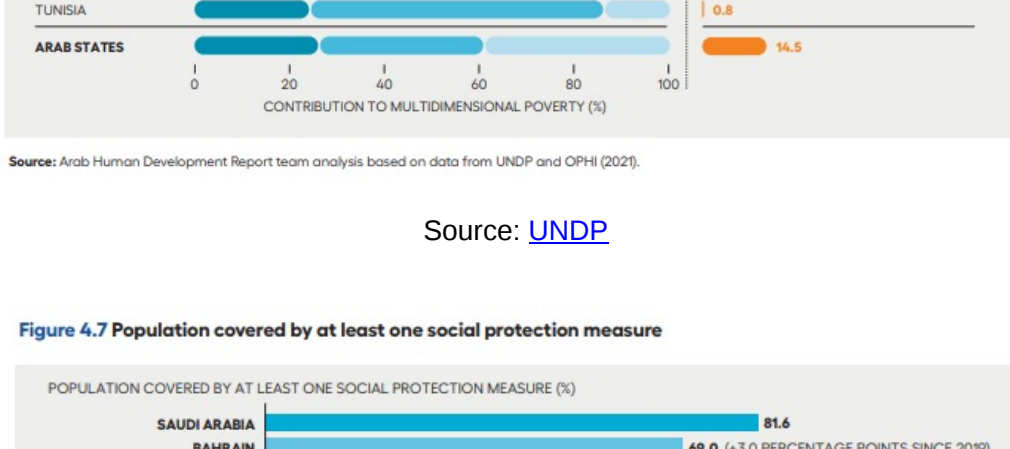
Source: [UNDP](#)

Figure 2.6 Deprivations related to education were the main contributor to multidimensional poverty in developing countries and territories in the Arab States region



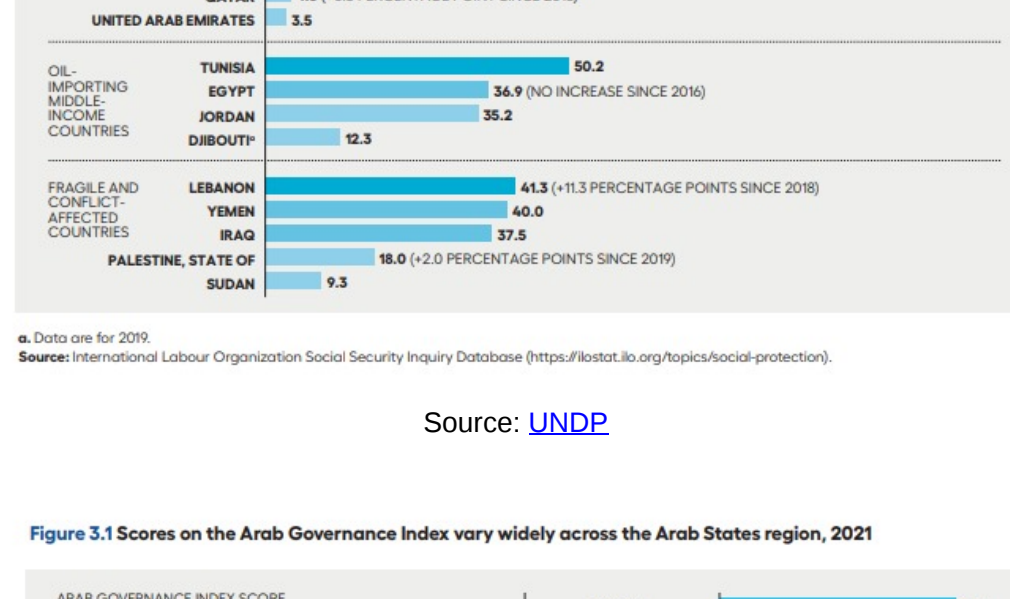
Source: [UNDP](#)

Figure 4.7 Population covered by at least one social protection measure



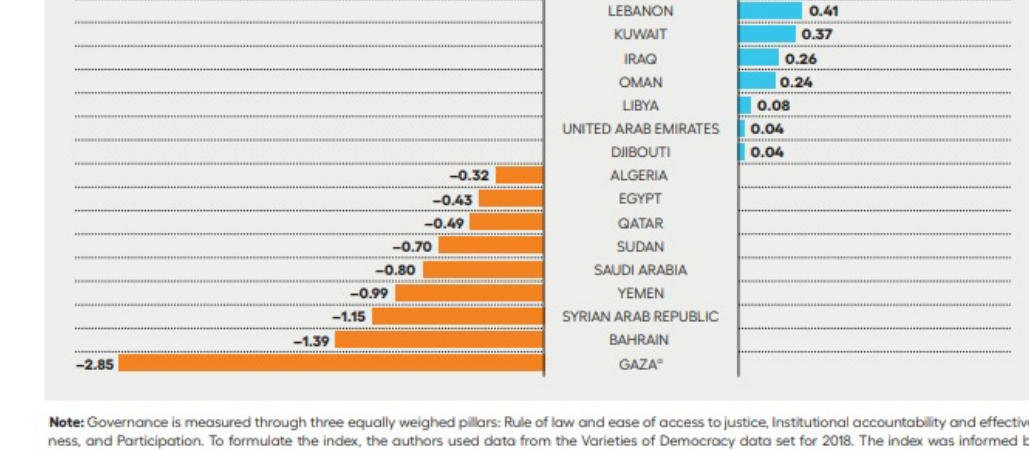
Source: [UNDP](#)

Figure 3.1 Scores on the Arab Governance Index vary widely across the Arab States region, 2021



Source: [UNDP](#)

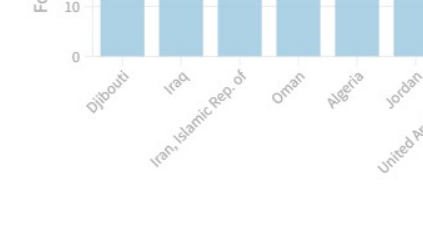
Food shares across MENA countries (% CPI adjusted)



Source: [World Bank](#)

Big Reads

- [Altered Destinies: The Long-Term Effects of Rising Prices and Food Insecurity in the Middle East and North Africa](#) (World Bank)
- [Safeguarding Macroeconomic Stability amid Continued Uncertainty in the Middle East and Central Asia](#) (IMF)
- [Middle East Outlook 2023](#) (EIU)
- [MENA region's economic growth to slow after strong 2022](#) (S&P Global Market Intelligence)



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