

October 2023

Greetings from Washington,

Two weeks ago, the world's attention was riveted on Marrakech, not only in solidarity with the North African nation following the tragic [Marabech Sal](#) [Eutrazale](#) that struck near the town of Oukaimeden on September 09, resulting in nearly 2,800 fatalities and 6,000 injuries but also because Marrakech played host to the 2023 Annual Meetings of the World Bank and IMF. Marrakech admirably fulfilled its role in terms of organization, security, hosting capacity, and the warm embrace of its local culture.

During these meetings, whether attendees were present in person or joining remotely, the world eagerly awaited insights from experts, economists, and government leaders regarding the economic prospects for 2023-2024 and beyond. The key questions revolved around whether the global economy would continue to grapple with sluggish growth, high inflation, and elevated unemployment rates.

On a global scale, the IMF predicts a [slowing of baseline economic growth](#) from the previously estimated 3.4 percent in 2023 to 2.8 percent in 2024 before stabilizing at 3.0 percent in 2024. Factors such as rising interest rates and the ongoing conflict in Ukraine continue to exert downward pressure on economic activity.

Within the industrial landscape, certain countries are anticipated to face greater challenges than others. For instance, [China](#), which was projected to achieve 5.0 percent growth in 2023, is expected to slightly miss its growth targets due to the persistent global economic slowdown and weak external demand. To counter this, the Chinese central bank has [adjusted](#) one of its key interest rates twice in the last three months, aiming to bolster the recovery of the world's second-largest economy from the pandemic and ongoing economic challenges.

In [Europe](#), modest growth is anticipated in 2023, with a slight uptick expected in 2024. The IMF projects an overall growth rate of 1.3 percent for Europe in 2023 (compared to 2.7 percent in 2022), followed by a rise to 1.5 percent the following year. Simultaneously, global headline inflation is projected to [decline](#) from 8.7 percent in 2022 to 4.9 percent in 2023 and further to 5.2 percent in 2024, though still above pre-pandemic levels. This means that elevated interest rates are likely to persist in 2024.

On the other hand, it appears that the US economy is moving towards a "soft-landing". The most recent [employment report](#) from the Bureau of Labor Statistics indicates that job growth remains stable, easing expectations that the Federal Reserve might successfully control inflation without causing a significant spike in unemployment.

Now, how do the Bretton Woods institutions and the broader investment community perceive the Middle East and North Africa (MENA) region?

Overall, a combination of headwinds, domestic challenges, and geopolitical risks cast a shadow over economic momentum, resulting in a highly uncertain outlook. The Middle East and North Africa region is expected to experience a [glacial](#) in growth this year, compared to 2022, driven by reduced oil production and tight macroeconomic policies in response to persistent inflation.

The [World Bank](#) predicts that MENA's growth will decelerate from 6 percent in 2022 to 1.9 percent in 2023. Notably, oil-exporting economies in MENA are expected to face significant reductions in growth compared to middle-income countries. For instance, in the [GCC](#), growth in 2023 is projected to average around 1 percent, a notable drop from the 7.3 percent rate in 2022. Among [developing oil exporters](#), the average growth is forecast at 3.4 percent, down from 4.9 percent in 2022. In 2024, growth in MENA is anticipated to accelerate to 3.5 percent, with no substantial divergence between oil exporters and importers.

The Israel-Hamas war that erupted on October 7th introduced additional geo-economic tension, especially for neighboring countries already grappling with sluggish growth, high inflation, extensive unemployment, and currency depreciation. These situations applies to countries such as Egypt, Jordan, and Lebanon.

Since the conflict began, the Egyptian pound has faced mounting pressure, accelerating its already predicted depreciation by major rating agencies like [EBC](#). The Egyptian pound is currently trading at an average of \$1: E 45-46 in the [parallel](#) market, compared to \$1: E 40 earlier in the month.

However, amid these economic challenges, there have been three promising developments prominently discussed in most sessions at the Marrakech meetings:

First, Saudi Arabia received commendation for its extensive efforts in economic diversification. In recent years, Saudi economic growth has been predominantly [driven by non-oil industries](#), demonstrating a strong commitment to economic diversification and an energy transition plan.

Second, the host country of the IMF/World Bank Annual Meetings, Morocco, has earned recognition for its consistent and well-structured economic reforms. In 2024, [Morocco's economic growth](#) is expected to accelerate to 3.5 percent, reaching 3.6 percent compared to 2.4 percent in 2023. This success story has been attributed to prudent monetary and fiscal policy reforms, increased flexibility in foreign exchange policies, and responsive adaptation to climate change.

Lastly, investment banks emphasized the swift market response to the initial signals of economic reform. This underscores that even in economically challenged countries like Egypt, a robust reform package can swiftly garner a positive response from the market. The market has consistently shown that investor optimism can outpace the speed of reform implementation.

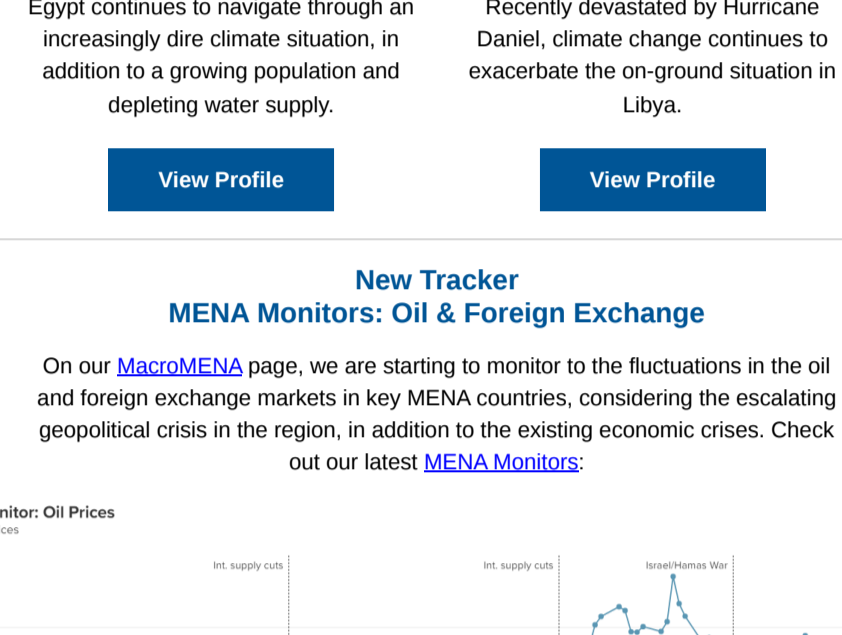
Therefore, despite the uncertain economic outlook for 2024 both globally and in the MENA region, there are multiple reasons for optimism that will continue to guide economic reforms in the region.

Sincerely,
Rachya Helwa
 Director, empowerME
 Araba Hain Center for the Middle East
 Atlantic Council

Live from Marrakech

The empowerME team was on-the-ground for the IMF/World Bank Meetings in Marrakech where we hosted two marquee events: a roundtable for the MENA economy.

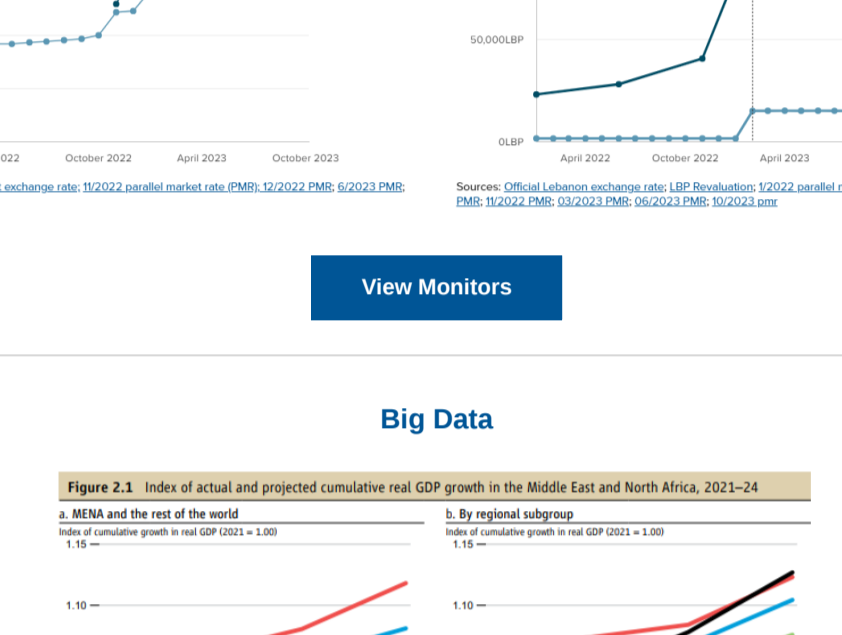
A Conversation with Morocco's Nadia Fetah Alaoui & Cit's Ebru Paikcan



In our [roundtable](#) with Morocco's Minister of Economy and Finance, H.E. Nadia Fetah Alaoui and Cit's Middle East and Africa Cluster and Banking Head Ebru Paikcan, we discussed economic opportunities and challenges for Morocco and the wider Middle East and Africa region considering the global economic slowdown, persistent inflation, and escalating debt crisis.

[Watch Event](#)

A Conversation with the World Bank's Roberta Gatti

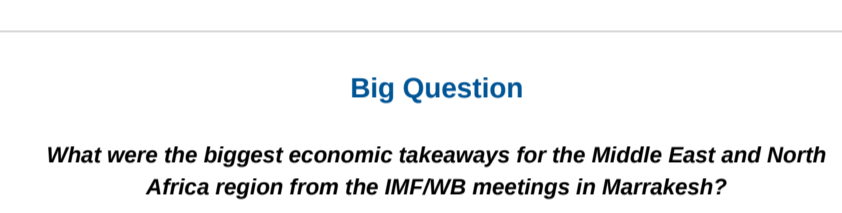


During our [roundtable](#) with the World Bank's Middle East and North Africa Chief Economist Roberta Gatti, she provided us with her perspectives on the opportunities and challenges for the Middle East economy in 2023 and beyond.

[Watch Event](#)

Climate Profiles Series

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



Egypt
 Egypt continues to navigate through an increasingly dire climate situation, in addition to a growing population and depleting water supply.

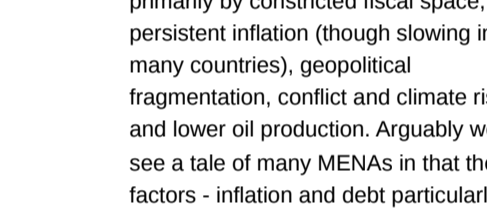
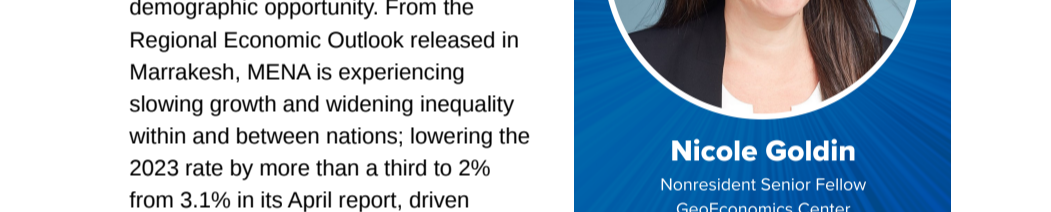
Libya
 Recently devastated by Hamican (Dami), climate change continues to exacerbate the on-ground situation in Libya.

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New Tracker

MENA Monitors: Oil & Foreign Exchange

On our [MENA Monitors](#) page, we are starting to monitor the fluctuations in the oil and foreign exchange markets in key MENA countries, considering the escalating geopolitical crisis in the region, in addition to the existing economic crises. Check out our latest [MENA Monitors](#):



[View Monitors](#)

Big Data

Figure 2.1 Index of actual and projected cumulative real GDP growth in the Middle East and North Africa, 2012-24

1. MENA and the rest of the world
 2. By regional grouping

Figure 3.1 Regional labor market fluctuations in real GDP in the Middle East and North Africa and in emerging market and developing economies

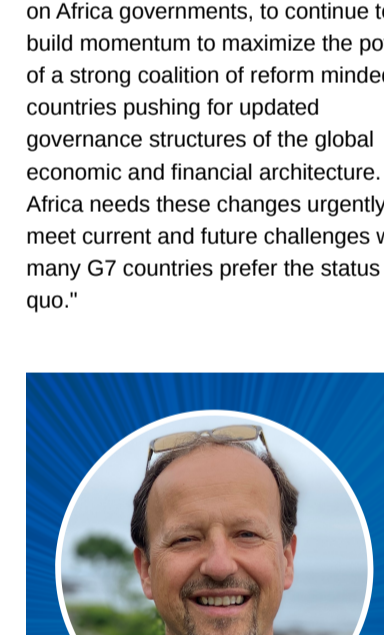
[Source: World Bank MENA Economic Update](#)

Big Question

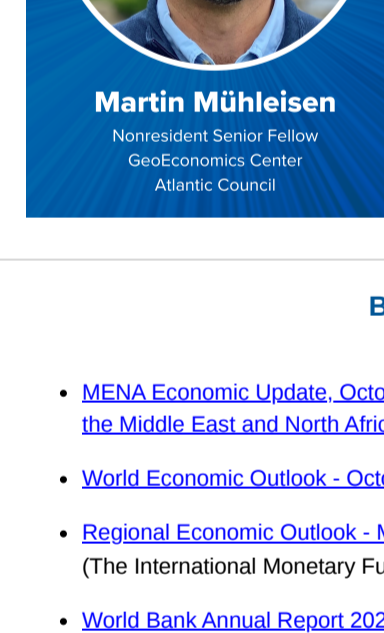
What were the biggest economic takeaways for the Middle East and North Africa region from the IMF/World Bank meetings in Marrakech?



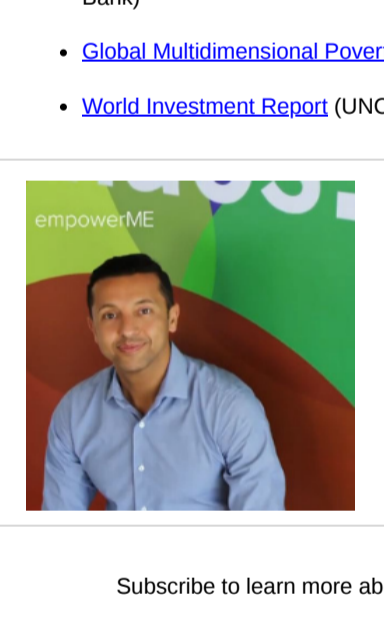
"One of the main takeaways is how countries across MENA and Sub-Saharan Africa are demonstrating resilience despite all the challenges they are facing. Be it the repercussions of the pandemic, the difficult geopolitical context, the rampant inflation, or natural disasters, I am extremely proud of the top-notch organization of the Annual Meetings, especially in the aftermath of the devastating earthquake that hit Morocco. The second takeaway is the focus on green investment, not only for sustainability reasons, but also as a pillar for growth and job creation. And finally, the importance of digitalization and investing in new technologies – leading to more inclusive finance and more transparency."



"That the Annual Meetings returned to the Arab world for the first time in two decades is a sign of the fact that the current MENA economy is a microcosm of many of the dynamics we see worldwide – downgraded forecasts, divergence, debt distress and demographic opportunity. From the Regional Economic Outlook released in Marrakech, MENA is experiencing slowing growth and widening inequality within and between nations, lowering the 2023 rate by more than a third to 2% from 3.1% in its April report, driven primarily by constricted fiscal space, persistent inflation (though slowing in many countries), geopolitical fragmentation, conflict and climate risk, and lower oil production. Arguably we see a tale of many MENAs in that these factors – inflation and debt particularly – are being experienced and responded to differently and with disproportionate impacts across countries – Egypt for one, growth – income and population growth. That said, some 100 million young people will come into MENA's workforce in the next 10 years, and women's labor force participation in the region is among the lowest worldwide: on the potential for this reservoir of productivity and growth there was the most widespread, if not cautious, optimism at the Meetings."



"After Marrakech, and looking at the development challenges facing economies across the entire African continent, two key issues come to mind. On a tactical level, it is time to move away from the idea of financing for "development," "concessional finance," or "development" finance, and begin to think about programs that encourage financing for "growth." This shift will encourage investments in specific sectors and social services than can ensure a robust and engaged workforce to create economic opportunities for people in an inclusive and productive way. On a strategic level, it is incumbent on Africa governments to continue to build momentum to maximize the power of a strong coalition of reform-minded countries pushing for updated governance structures of the global economic and financial architecture. Africa needs these changes urgently to meet current and future challenges while many G7 countries prefer the status quo."



"After years of relative stability, geopolitics returned to the region with a vengeance. While delegates enjoyed the warm hospitality of Marrakech, the growing prospect of war weighed upon an already difficult economic outlook. The IMF's projection of a lead recovery next year already looks compromised by political uncertainty, more persistent inflation, and markedly higher interest rates. Policymakers already had their work cut out, but the latest developments will make their jobs even more difficult."

Big Reads

- [MENA Economic Update - October 2023 - Balance of Act, Jobs, and Wages in the Middle East and North Africa When Crises Hit](#) (The World Bank)
- [World Economic Outlook - October 2023](#) (The International Monetary Fund)
- [Regional Economic Outlook - Middle East and Central Asia - October 2023](#) (The International Monetary Fund)
- [World Bank Annual Report 2023 - A New Era in Development](#) (The World Bank)
- [Global Multidimensional Poverty Index 2023](#) (UNDP)
- [World Investment Report](#) (UNCTAD)



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