



# MENA Macroeconomic Update:

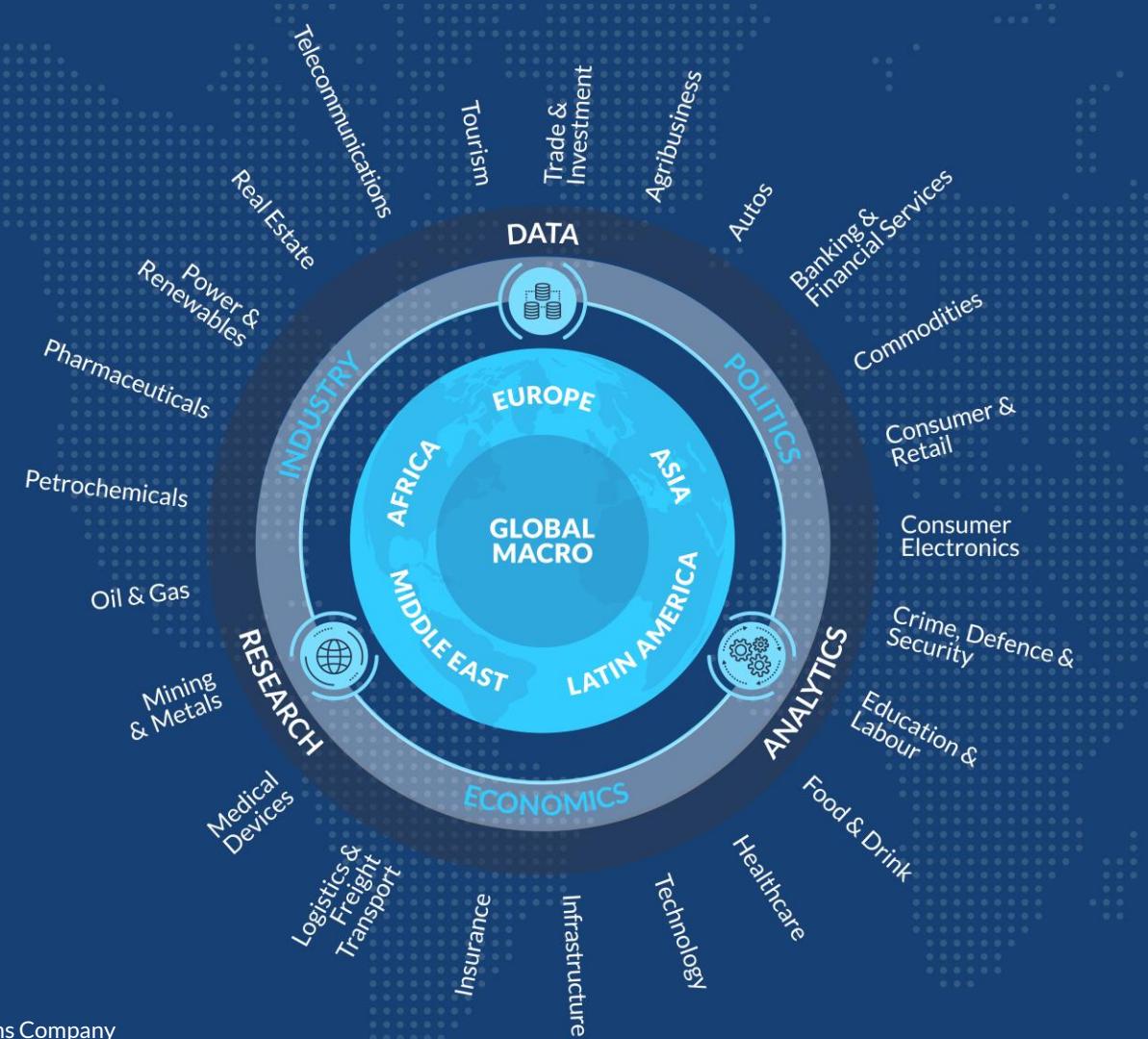
Region Entering 2025 On Shaky Ground

Wednesday, 23rd October 2024

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# Connected Thinking Across Sectors and Markets



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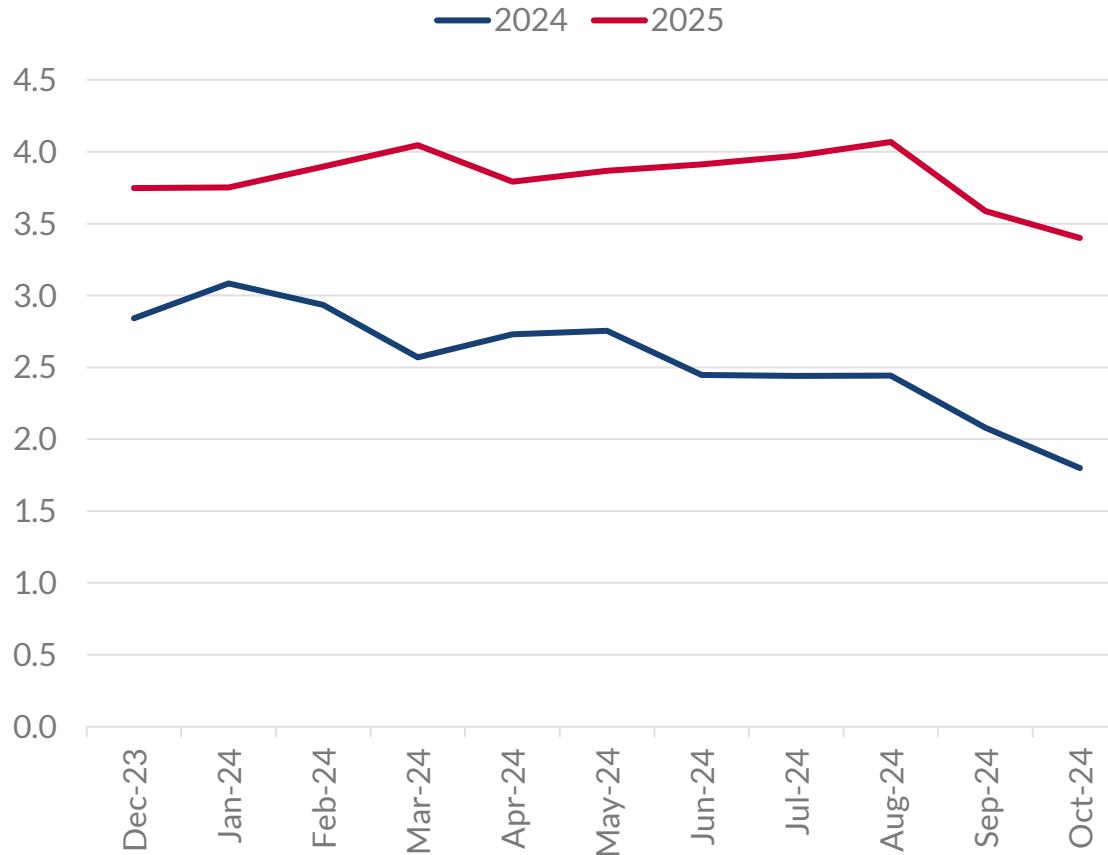
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# MENA Growth On Lower Trajectory Until Q1 2025

## Political & Economic Factors Put Growth On Lower Trajectory

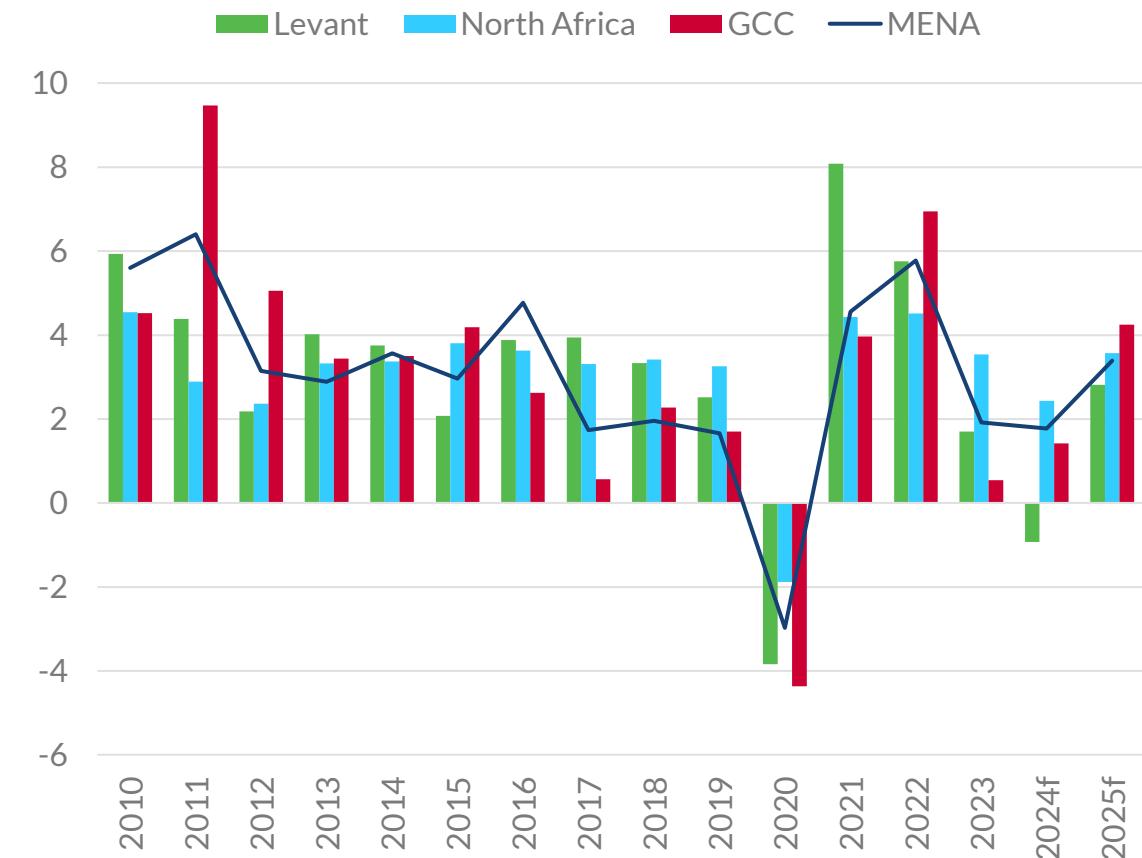
MENA - Real GDP Growth, %



Source: BMI Forecasts

## Slower Growth In 2024, Smaller Pickup In 2025

MENA - Real GDP Growth. %

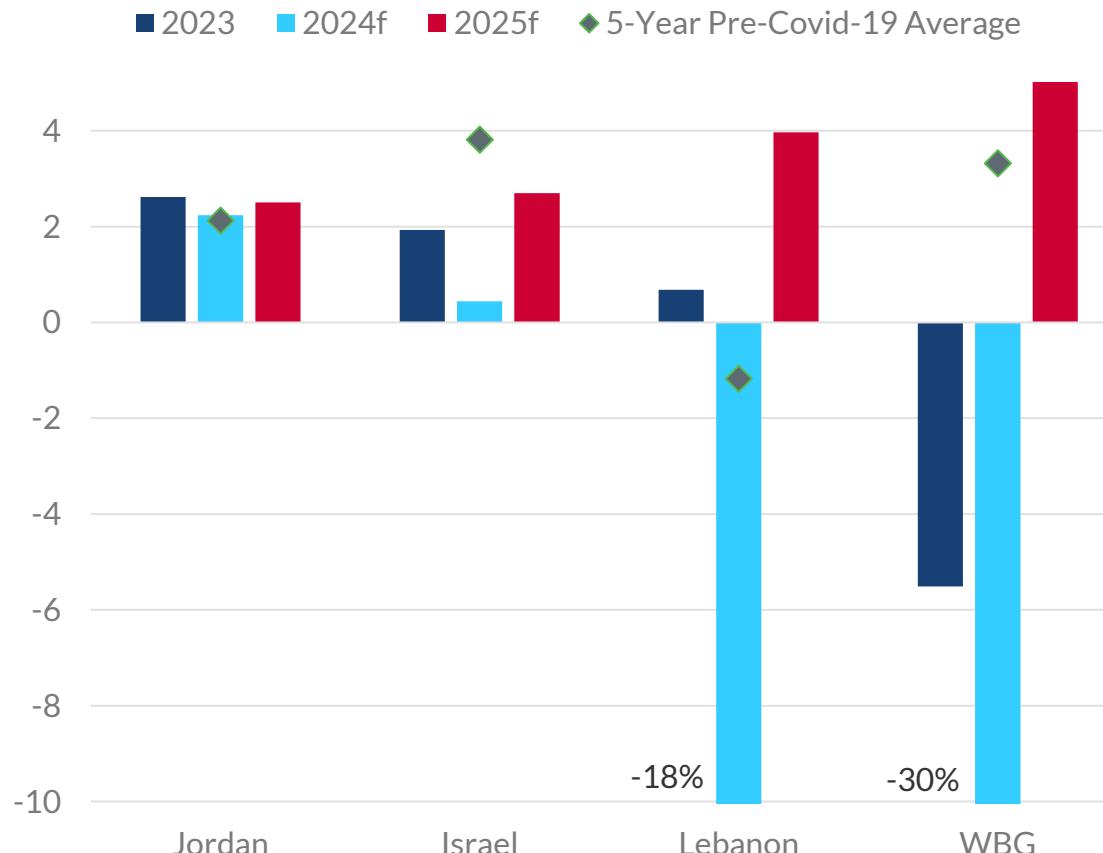


e/f = BMI estimate/forecast. Source: National Sources, BMI

# Levant Marred By War, Better Outlook For North Africa

## Growth In 2025 Contingent On War Ending In H1 2025

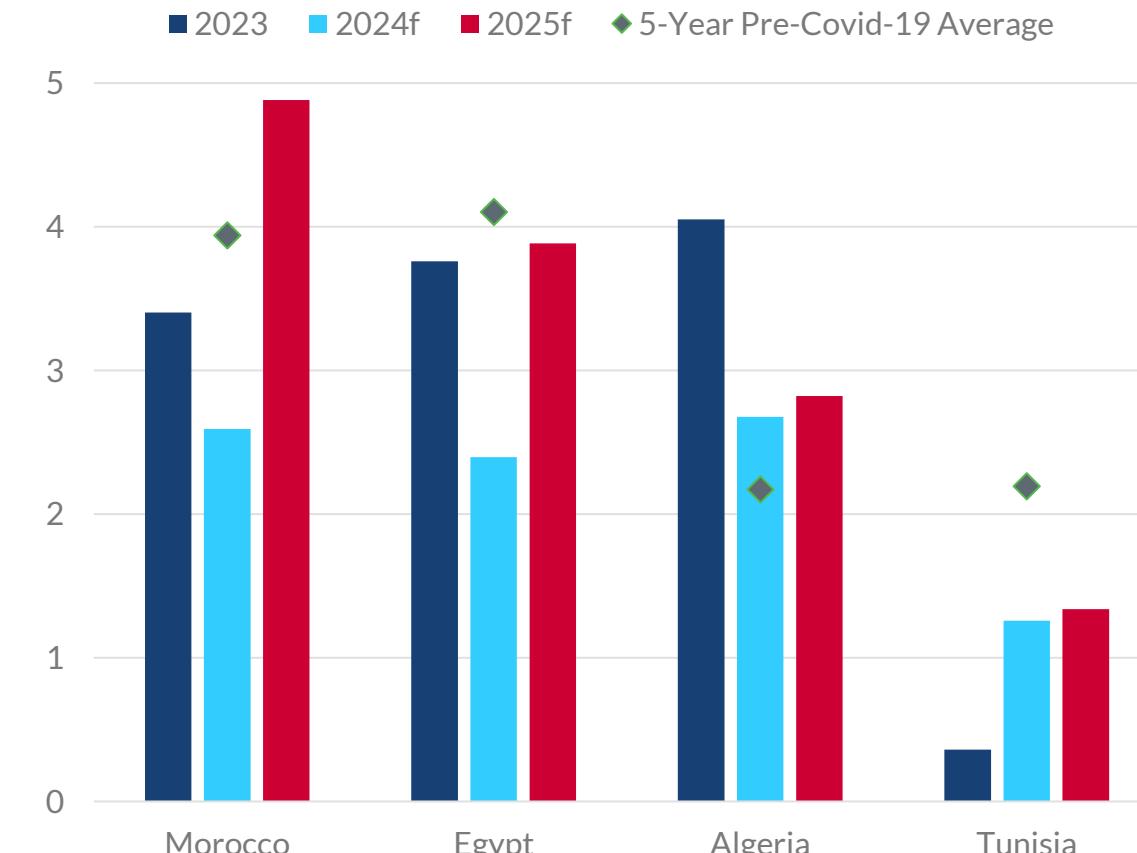
Levant – Real GDP Growth, %



e/f = BMI estimate/forecast. Source: National Sources, BMI

## Faster Growth in 2025 Due To Country-Specific Factors

North Africa – Real GDP Growth, %

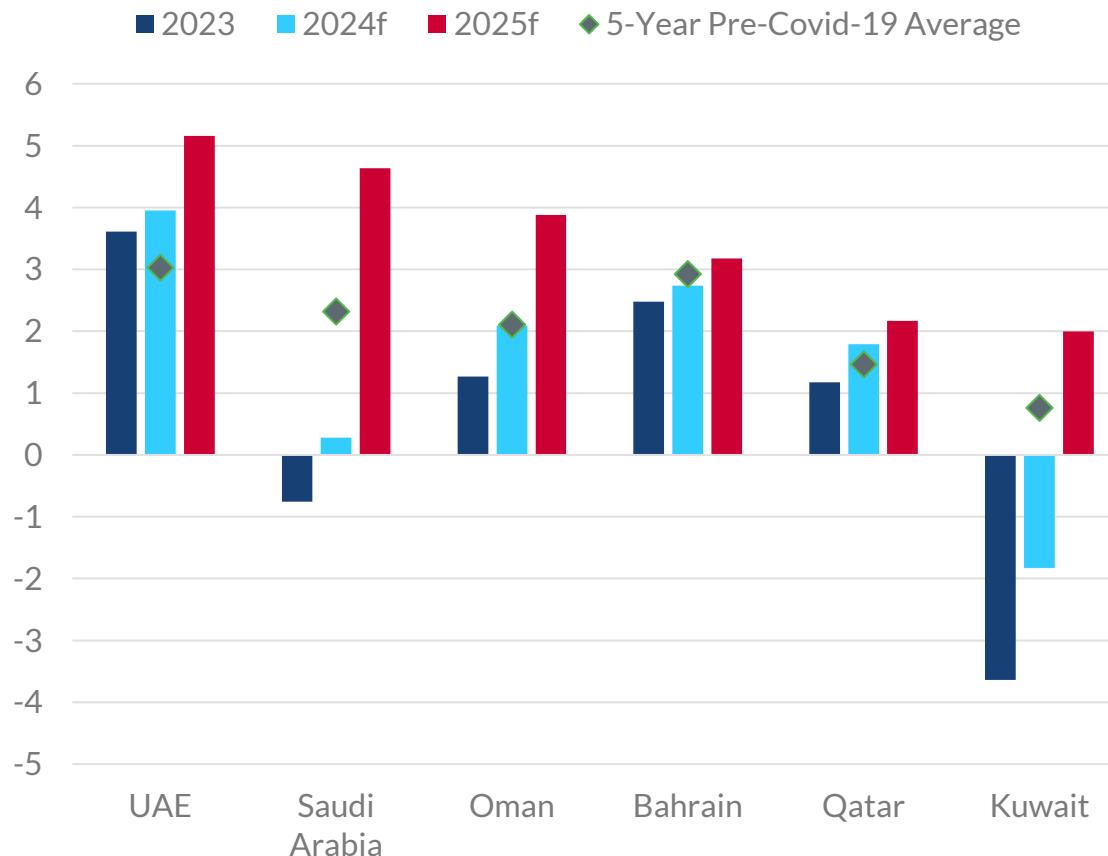


e/f = BMI estimate/forecast. Source: National Sources, BMI

# Strong Rebound In GCC Countries In 2025

## Faster Growth On Rising Oil Production, Diversification Efforts

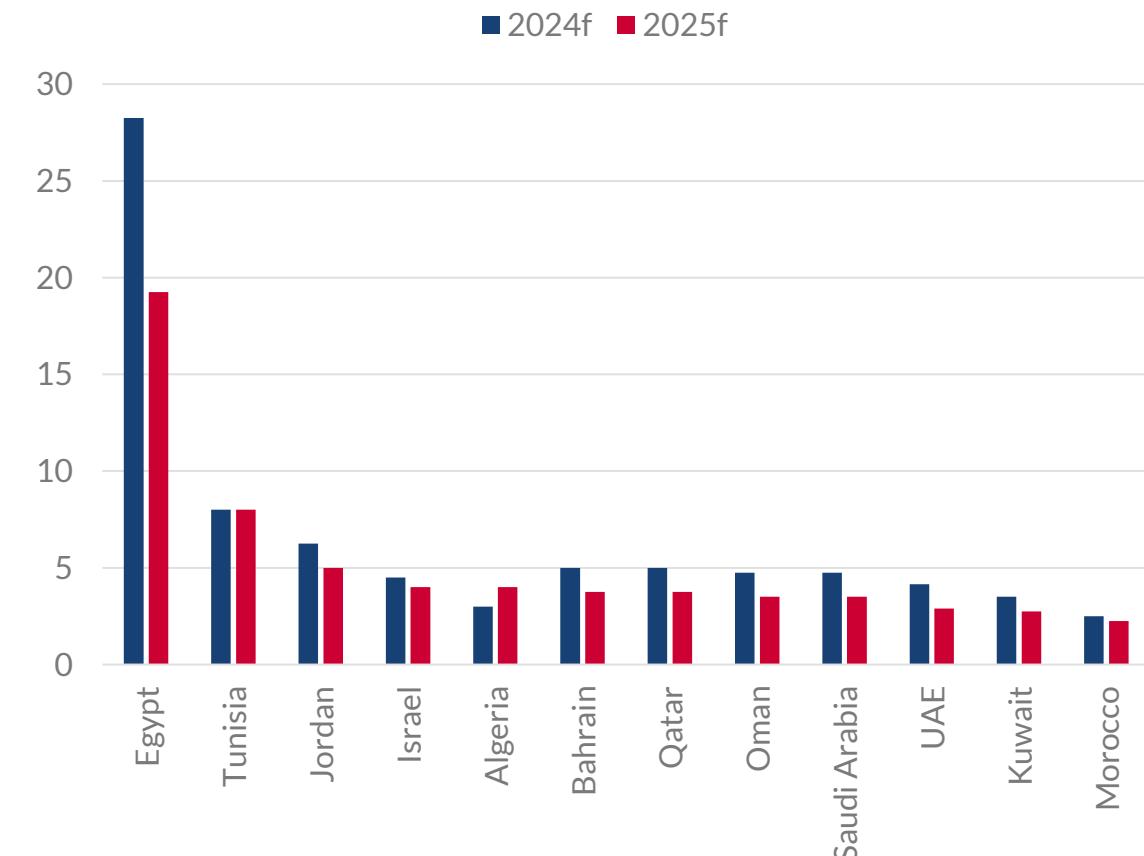
GCC - Real GDP Growth, %



e/f = BMI estimate/forecast. Source: National Sources, BMI

## Monetary Policy Easing Will Also Support Growth

MENA - Policy Rates, %

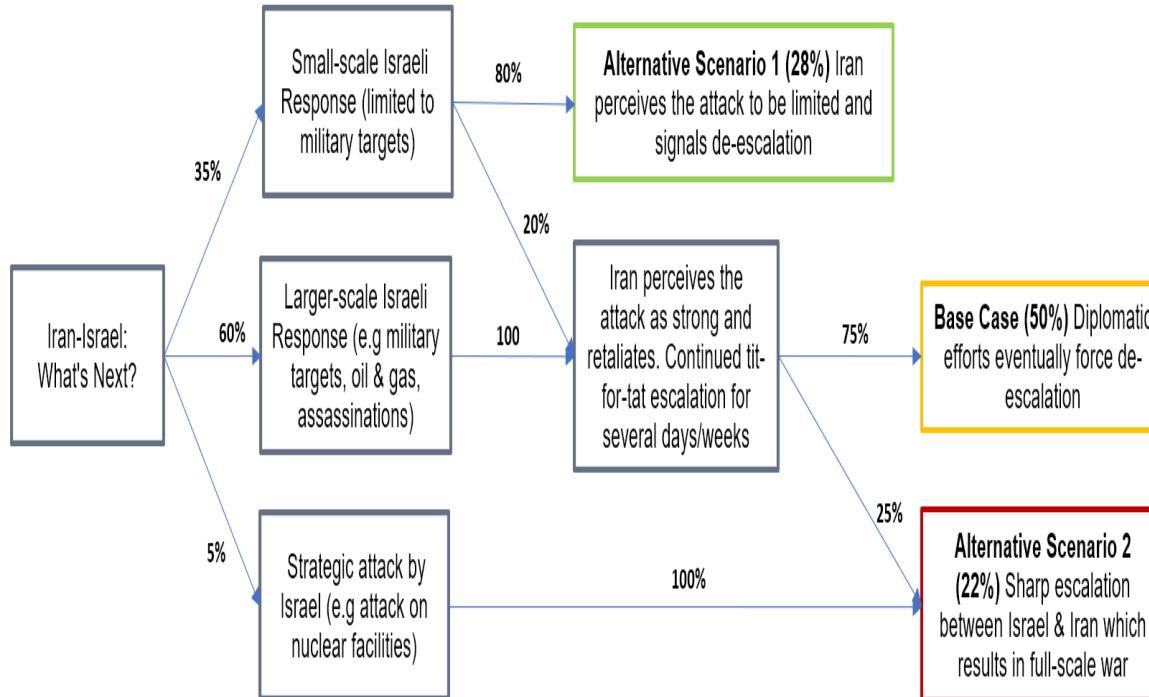


e/f = BMI estimate/forecast. Source: National Sources, BMI

# Iran-Israel Baseline Scenario: Multi Days/Weeks Tit-For-Tat

## All Options Are On The Table

Israel-Iran Scenarios



Source: BMI

## Limited Impact On Growth, Temporary Spike In Oil Prices

Growth & Market Implications

Market Impacts	View
Oil Price	USD75-90/bbl
US Bond Yields	3.60%-4.40%
Monetary Policy	Cut to 4.25% in 2024 and 3.00% by mid-2025
US Dollar Index	Sideways to lower trading
Equities	Sideways to higher
Gold Price	USD2,500 - 2,900/oz

Source: BMI

# No End In Sight For Multi-Front War In Levant

## Hamas Continues To Engage IDF Troops In Gaza

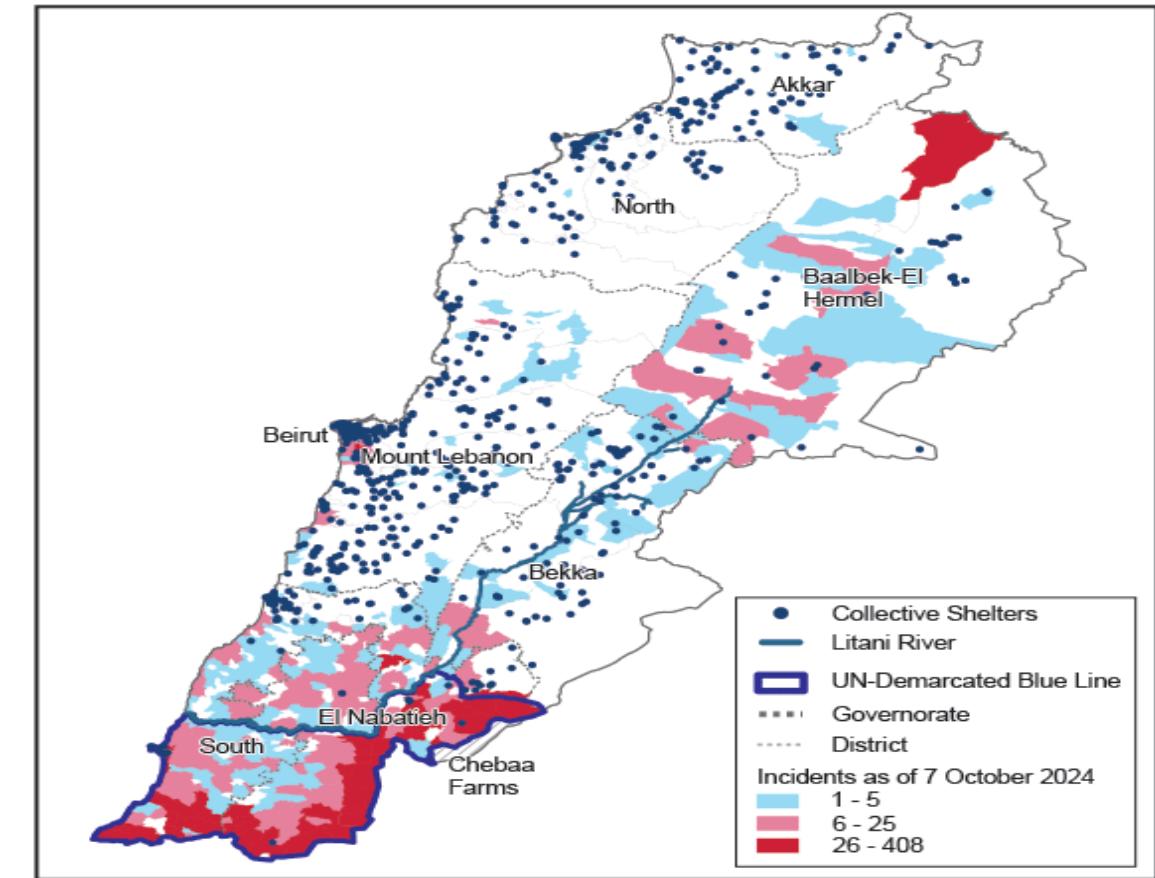
Gaza - Map Of Israeli Areas Of Operation



Source: ISW, BMI

## Expanding Israeli Airstrikes On Lebanon

Lebanon - Conflict Intensity

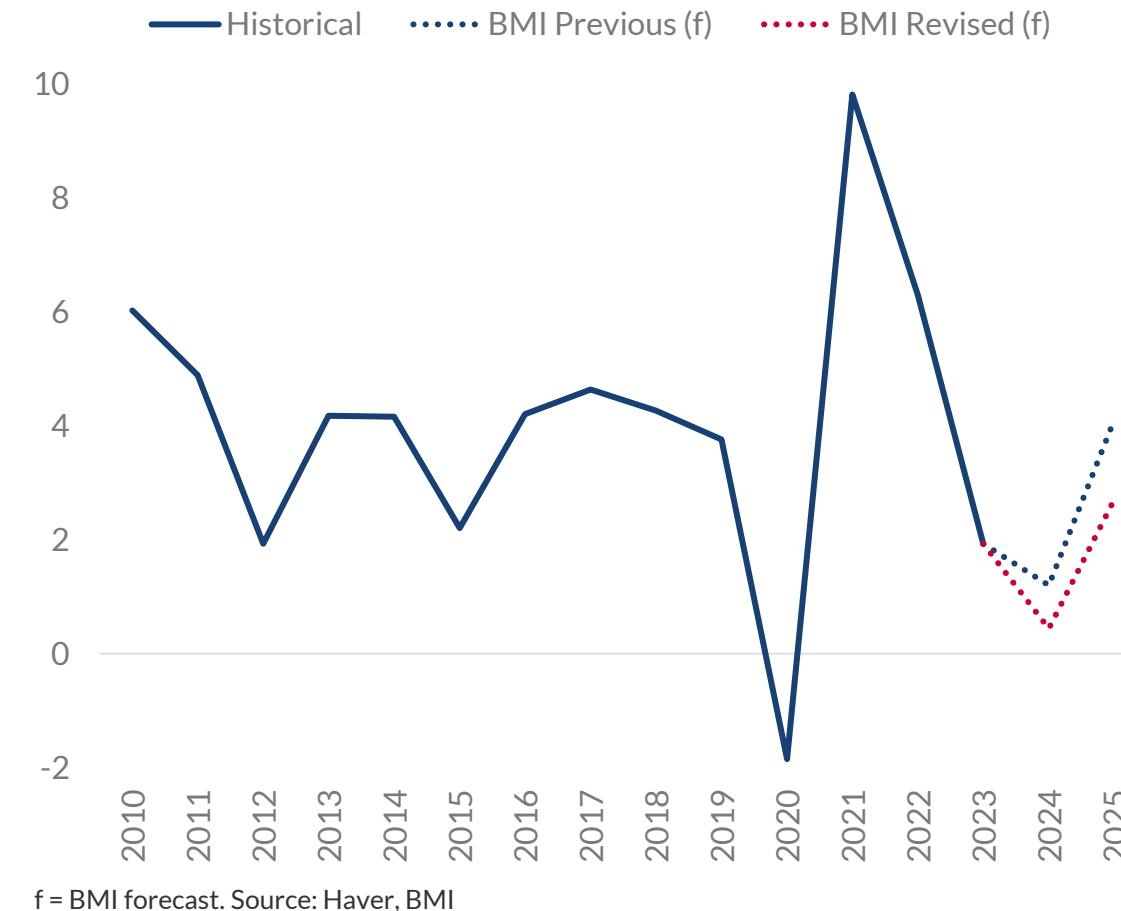


Source: Based on United Nations map, BMI

# Israeli Economic Recovery Facing Mounting Political Headwinds

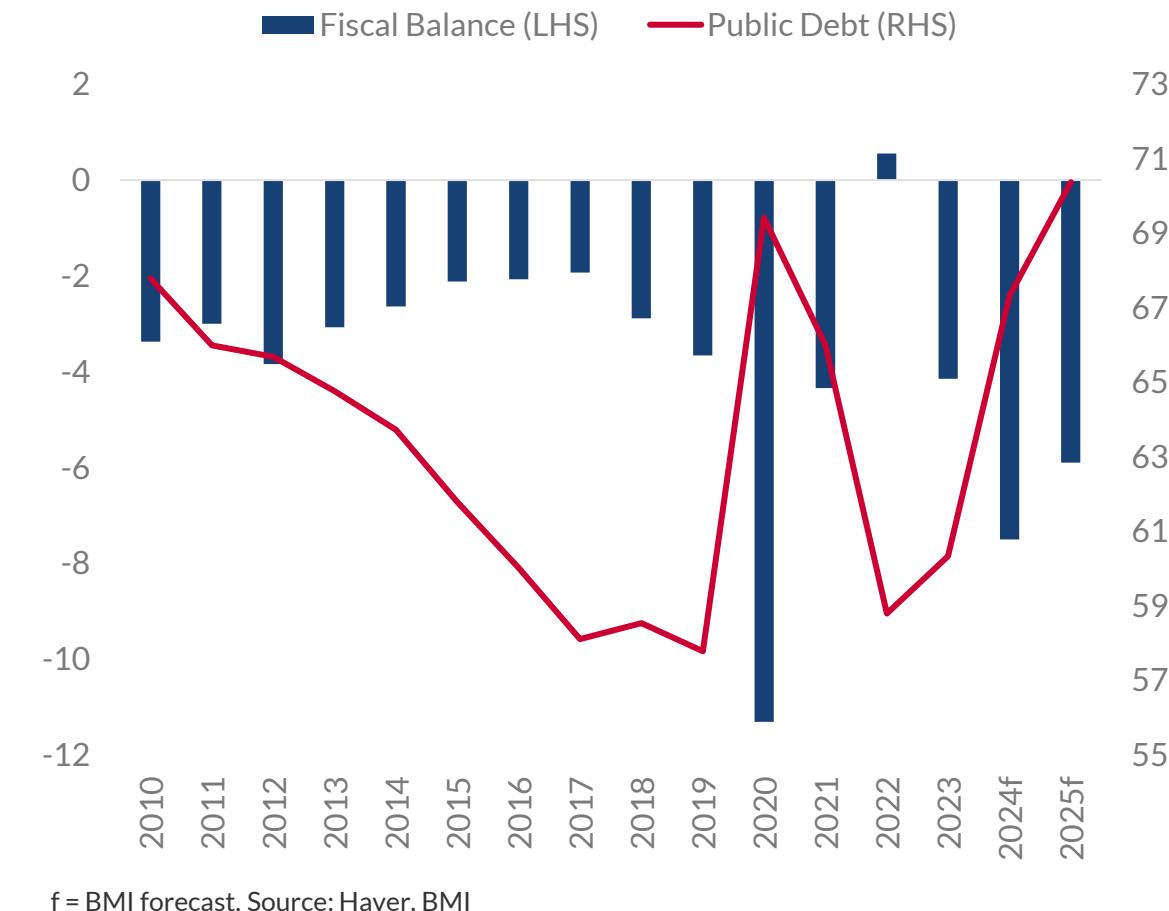
## Weaker Growth Outlook

Israel – Real GDP Growth, %



## Military Spending Will Widen Deficit, Increase Debt

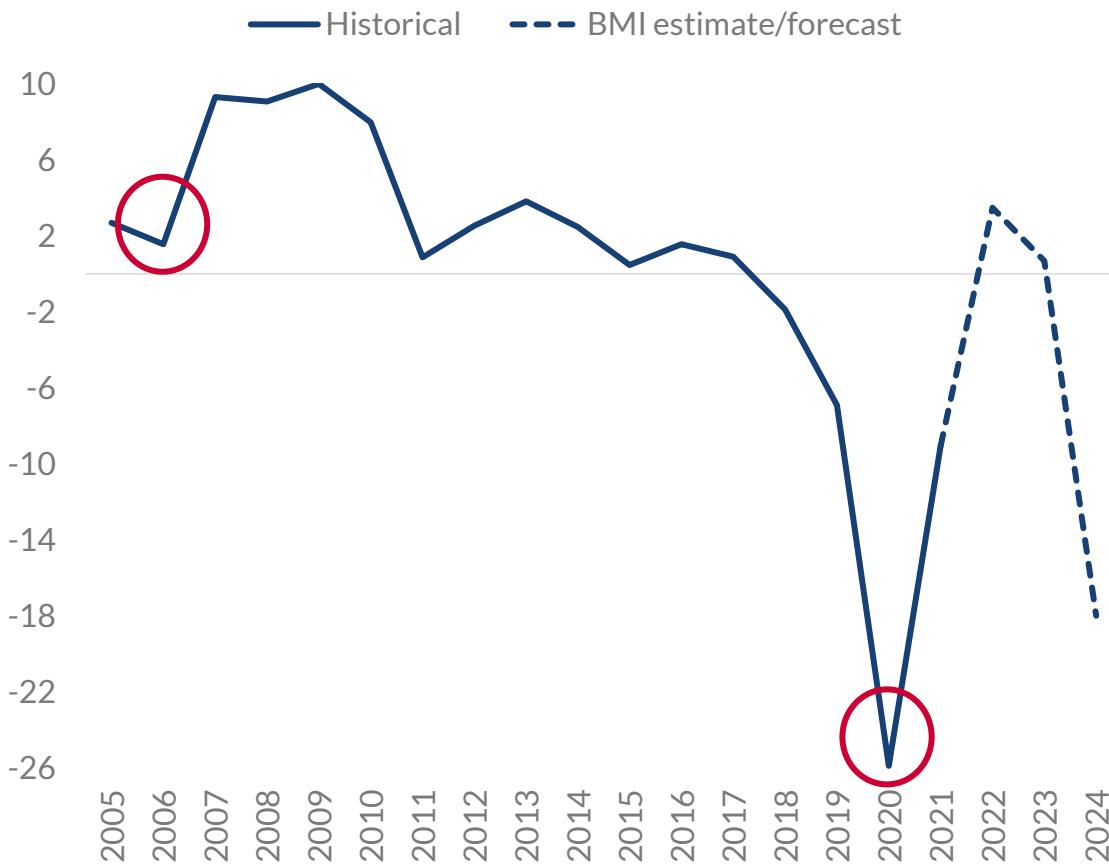
Israel – Fiscal Balance & Public Debt, % of GDP



# War Will Incur Heavy Economic Losses To Lebanon's Economy

## Sharp Economic Contraction In 2024

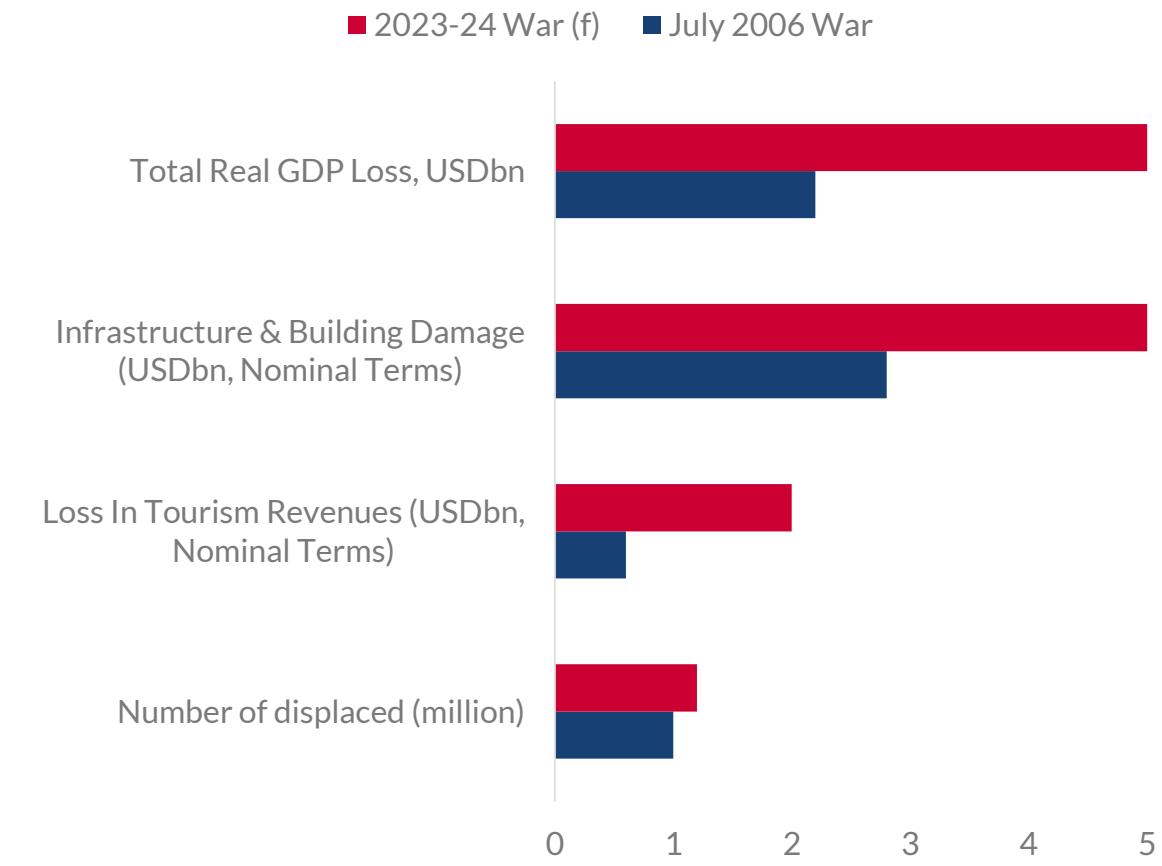
Lebanon - Real GDP Growth, %



f = BMI forecast. Source: Haver, BMI

## Economic Losses Will Far Exceed July 2006 War

Lebanon - Estimated Losses From War



f = BMI forecast. Source: Haver, BMI

# Harris Will Keep Strong US Military Presence In MENA

## Harris Will Continue Biden's Policy In MENA With Nuances

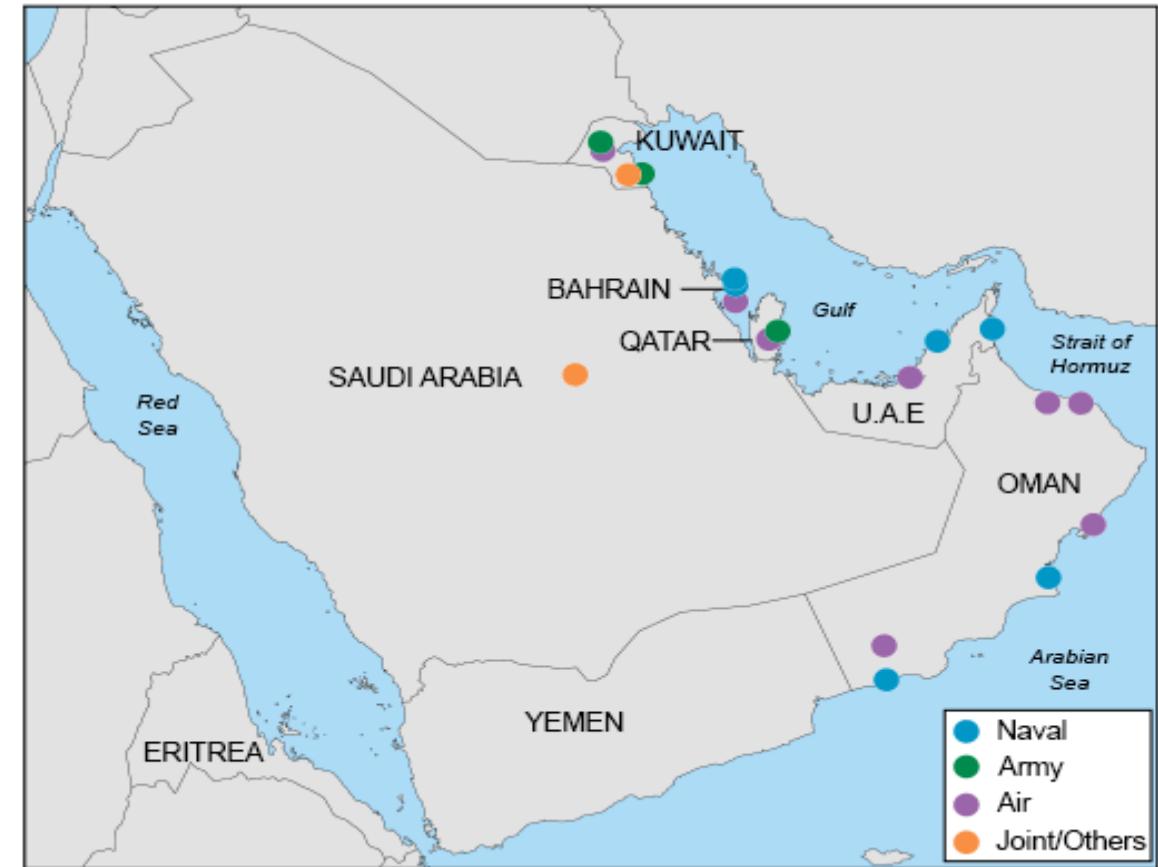
### Harris Policy Priorities In MENA

Support for Israel	Continued military and diplomatic support to Israel, but more critical than Joe Biden.
Brokering Israel-Saudi normalisation	Initiatives to broker a normalisation agreement between Israel and Saudi Arabia, but an agreement is unlikely.
Re-engaging with Iran	Harris will be open to talks with Iran to renegotiate a new nuclear agreement, especially as the new Iranian president is more willing to engage in talks with the West to remove sanctions.
US presence in MENA	Extensive US military presence in MENA, but could reduce troop presence in Iraq after an agreement.
Curbing Mainland Chinese influence in the region, especially in the GCC	Possible formal security alliance with Saudi Arabia to strengthen bilateral ties and bring Saudi Arabia closer to the US camp. Implicit red lines for GCC markets in their relations with China, in relation to IT, AI and cybersecurity amongst other areas.

Source: BMI

## GCC Countries Still Heavily Reliant On US Military Presence

### Map Of US Military Bases In The GCC

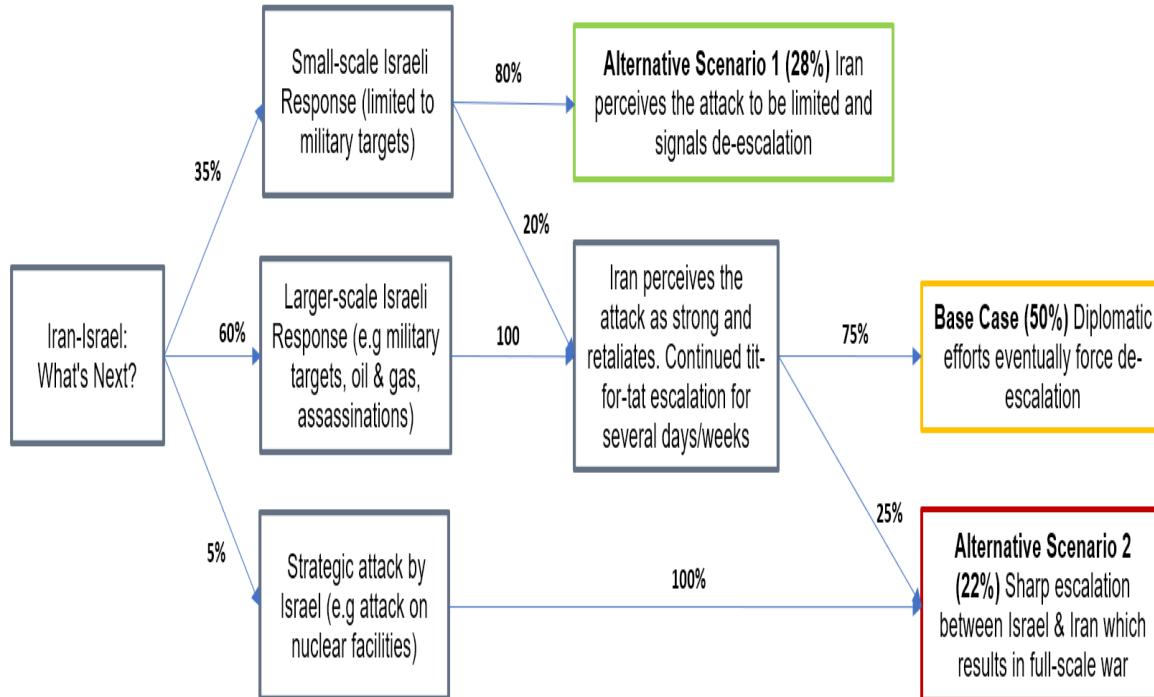


Source: AFP, BMI

# Iran-Israel Full-Scale War Has A 22% Probability Of Occurrence

## All Options Are On The Table

Israel-Iran Scenarios



Source: BMI

## Severe Impact On Global Economy & Markets

Growth & Market Implications

Market Impacts	View
Oil Price	USD120-150/bbl
US Bond Yields	Treasury curve would invert again
Monetary Policy	Likely hikes, then rapid easing
US Dollar Index	Sharp rally, then decline
Equities	Sharp decline
Gold Price	USD2,500-USD3,000/oz

Source: BMI

# MENA Growth Outlook Subject To An Array Of Downside Risks

Risks	Probability	Impact	Analysis
Prolonged Israel-Hamas Conflict	High	Low To Medium	A prolonged war into H2 2025 will prompt us to reduce growth in Israel, the Palestinian territories and Lebanon. A longer war would also see the Houthi attacks on ships in the Red Sea continue with Egypt, Israel and Jordan set to be the most affected.
Lower Oil Prices	Medium	Medium To High	The OPEC+ measures could prove insufficient to support oil prices. This will significantly weigh on the non-oil economies in MENA, and possibly stall the momentum of diversification efforts.
Adverse Weather Conditions In North Africa	Medium	Medium	Another year of bad rains would weigh on the agricultural sectors in Tunisia and Morocco. While this sector accounts for about 10% to 15% of their economies, it is a large employer. A bad harvest season would keep food inflation sticky, increase unemployment and reduce exports.
Iran-Israel Confrontation	Low To Medium	Extremely High	Another round of attacks between Iran and Israel will be much more escalatory than what we saw so far. This risk become higher under a Trump presidency as he will support an Israeli attack on Iran's nuclear infrastructure. If key Iranian oil infrastructure is also attacked, then this will also put at risk oil coming from the Gulf region. Most of MENA countries will be affected, with Oman, Libya and Algeria set to win from their limited exposure to the Strait of Hormuz.

Source: BMII

# Q&A



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