

MENA Macroeconomic Update:

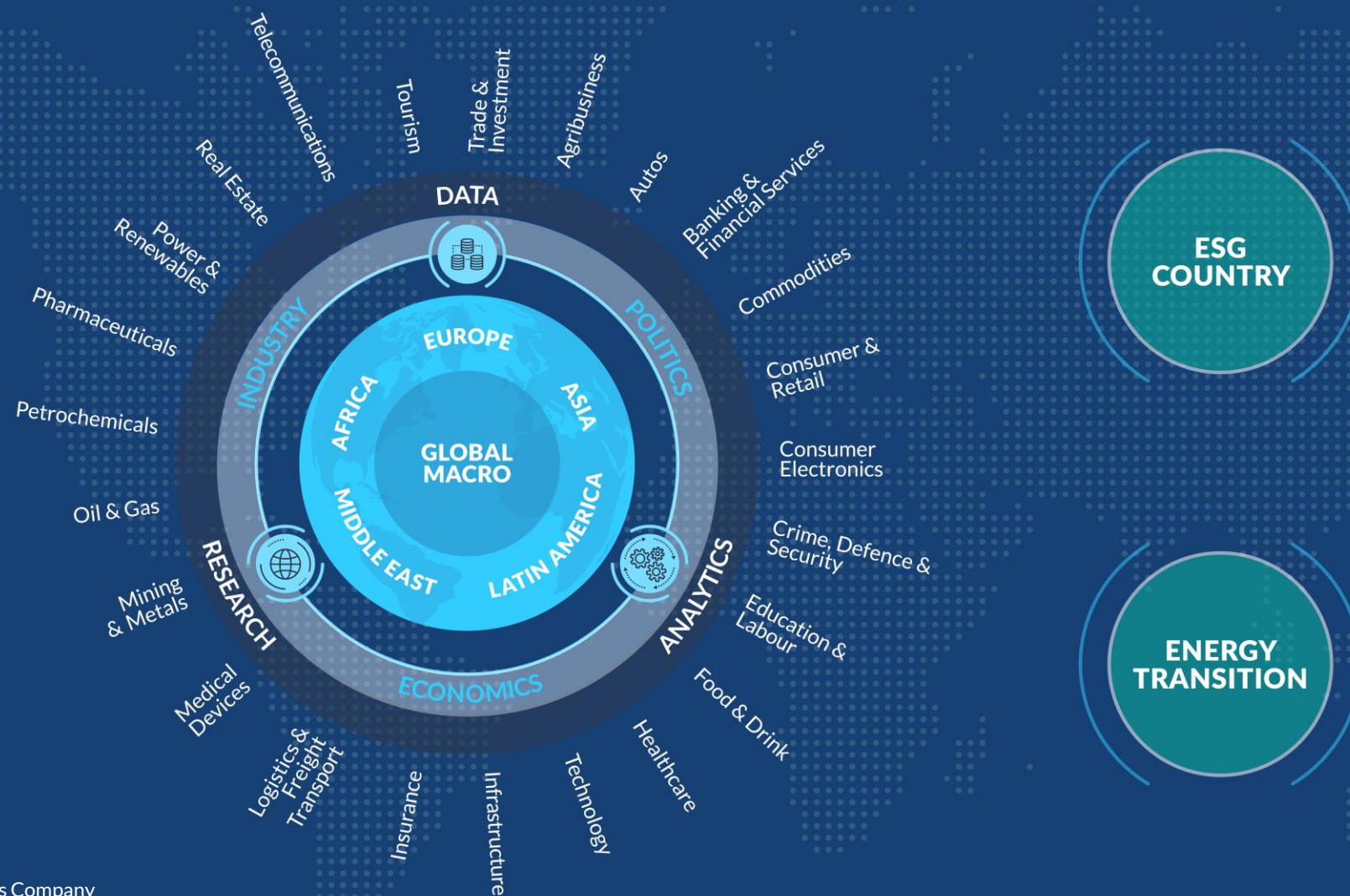
Region Entering 2025 On Shaky Ground

Wednesday, 23rd October 2024

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Connected Thinking Across Sectors and Markets



Source: BMI, a FitchSolutions Company

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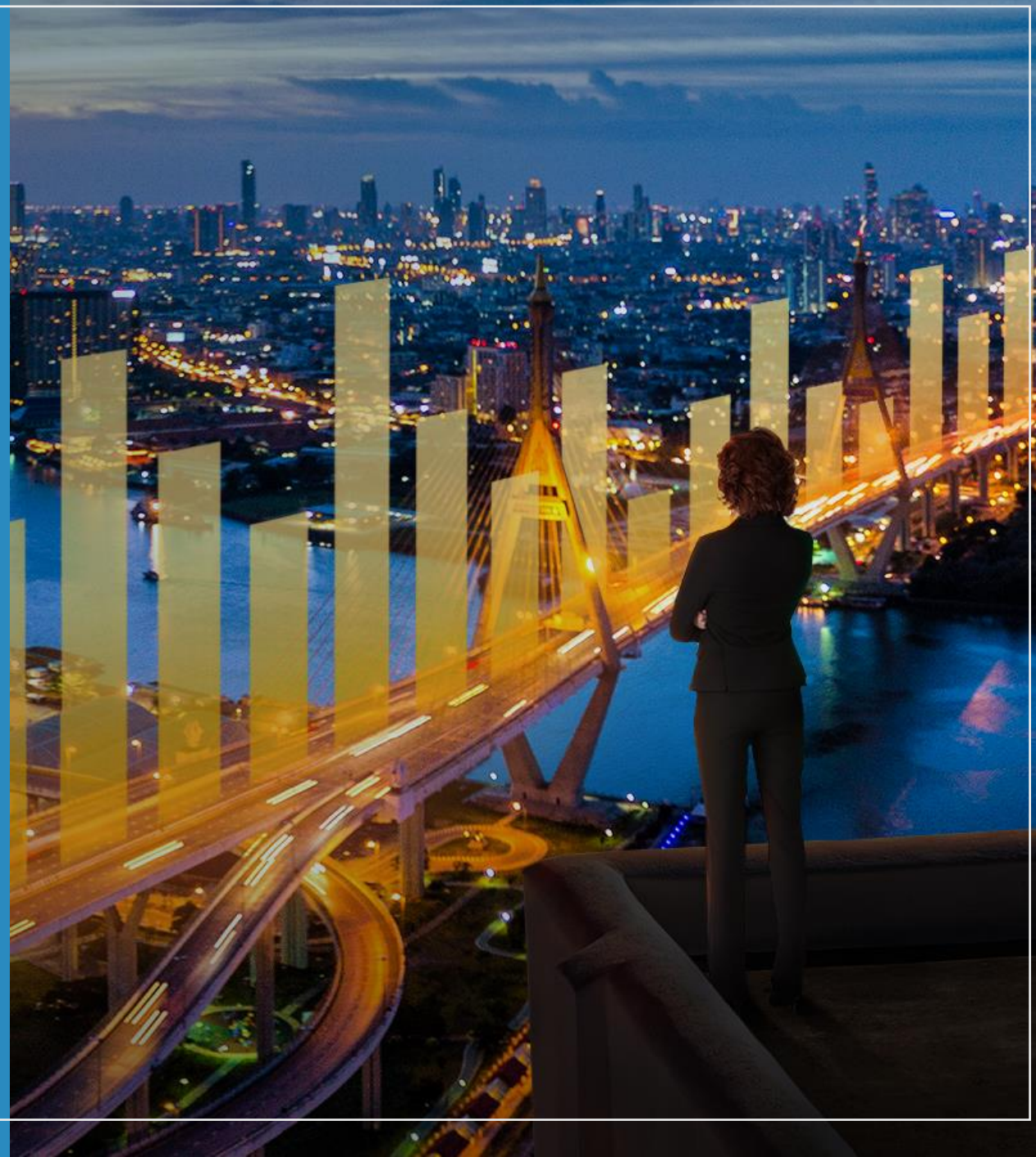
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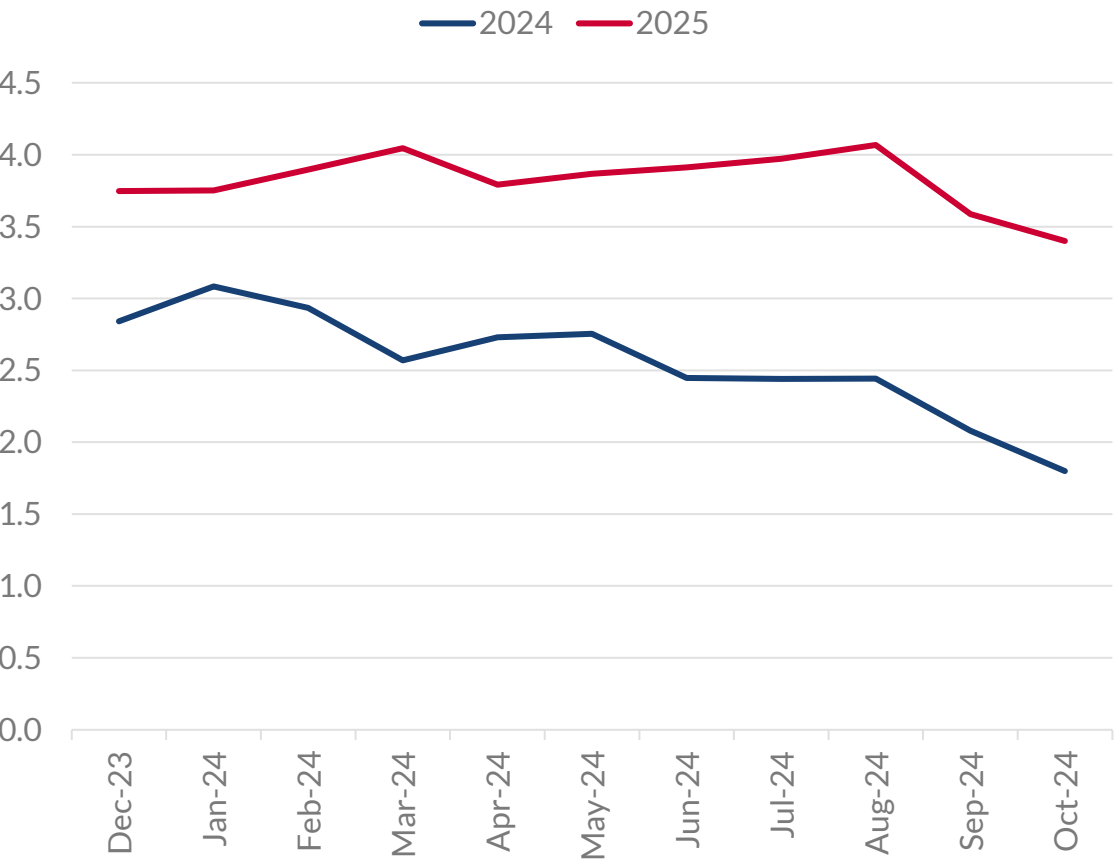
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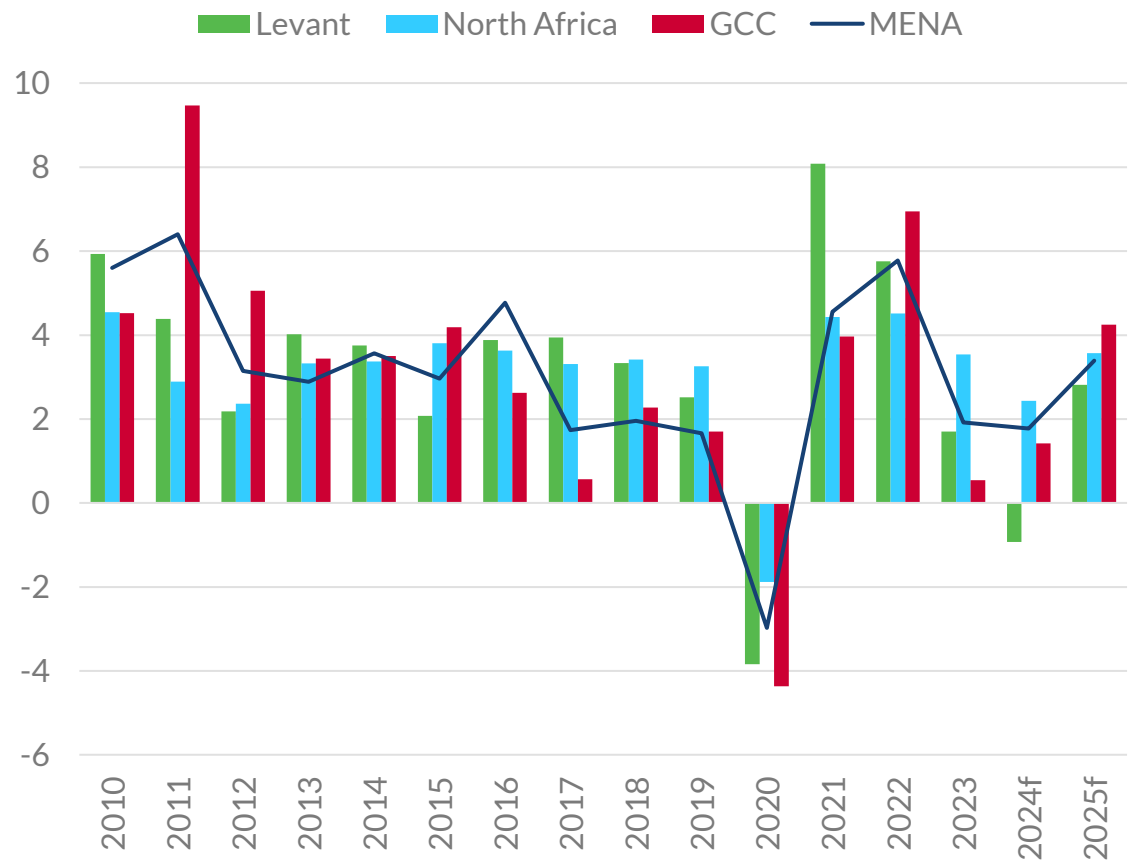
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Political & Economic Factors Put Growth On Lower Trajectory
MENA – Real GDP Growth, %



Source: BMI Forecasts

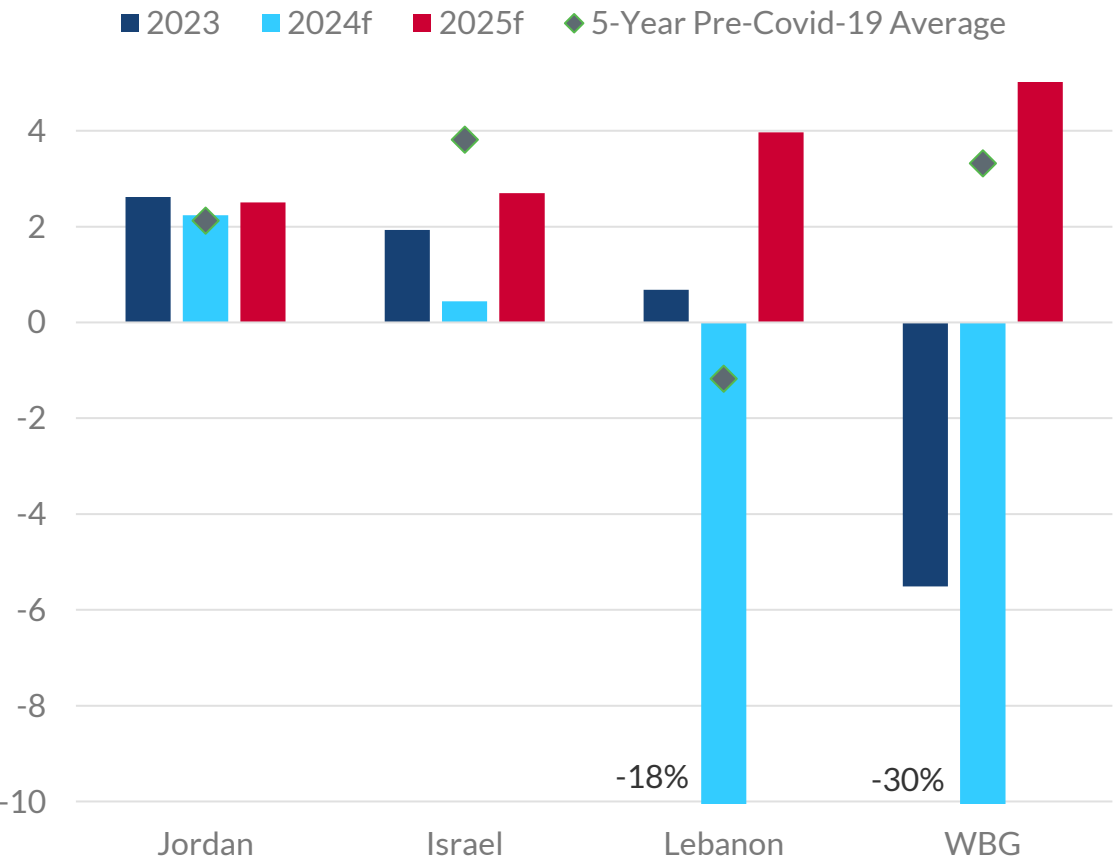
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e/f = BMI estimate/forecast. Source: National Sources, BMI

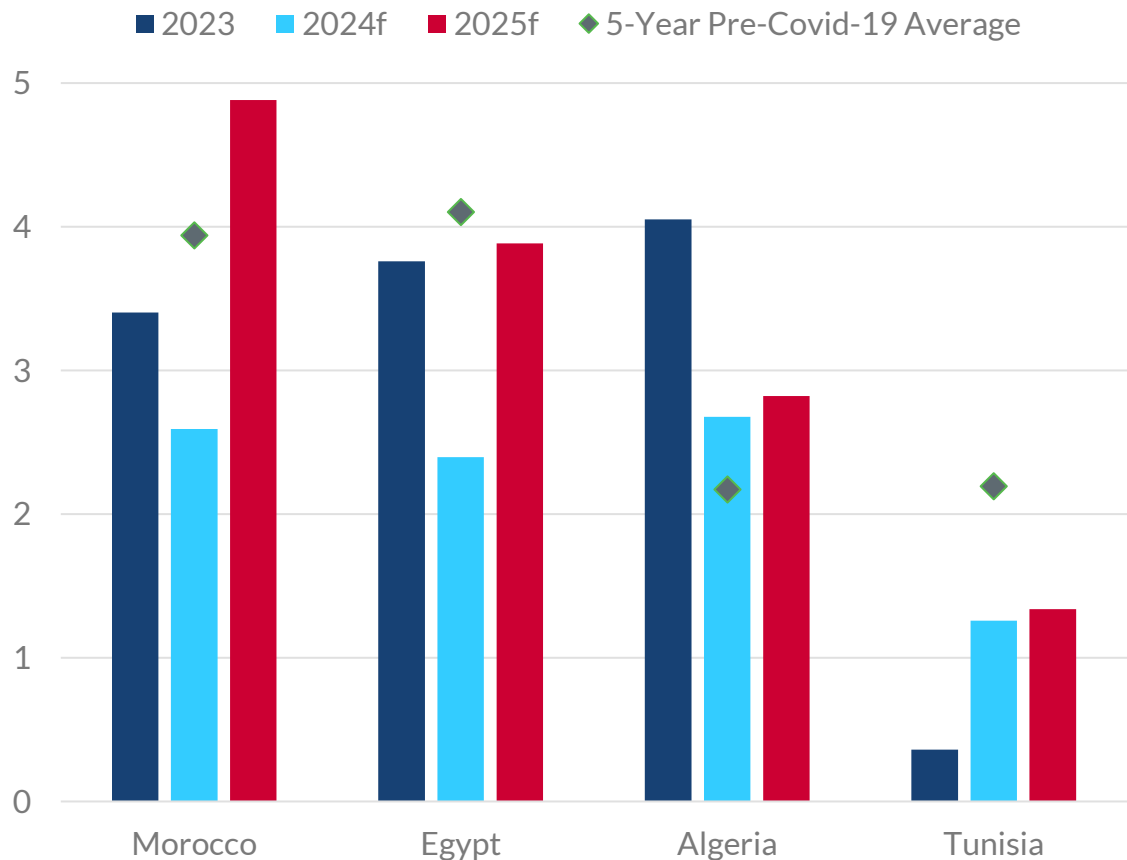
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Growth In 2025 Contingent On War Ending In H1 2025
Levant – Real GDP Growth, %



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

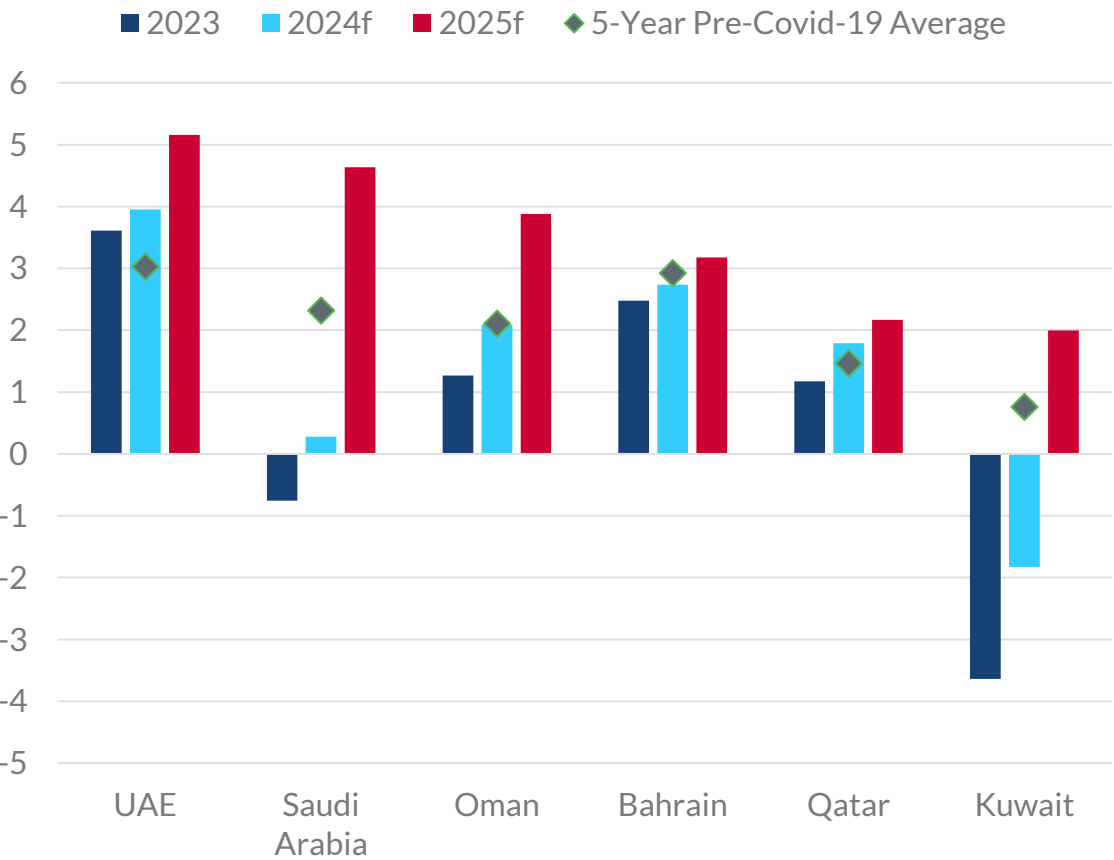
Faster Growth in 2025 Due To Country-Specific Factors
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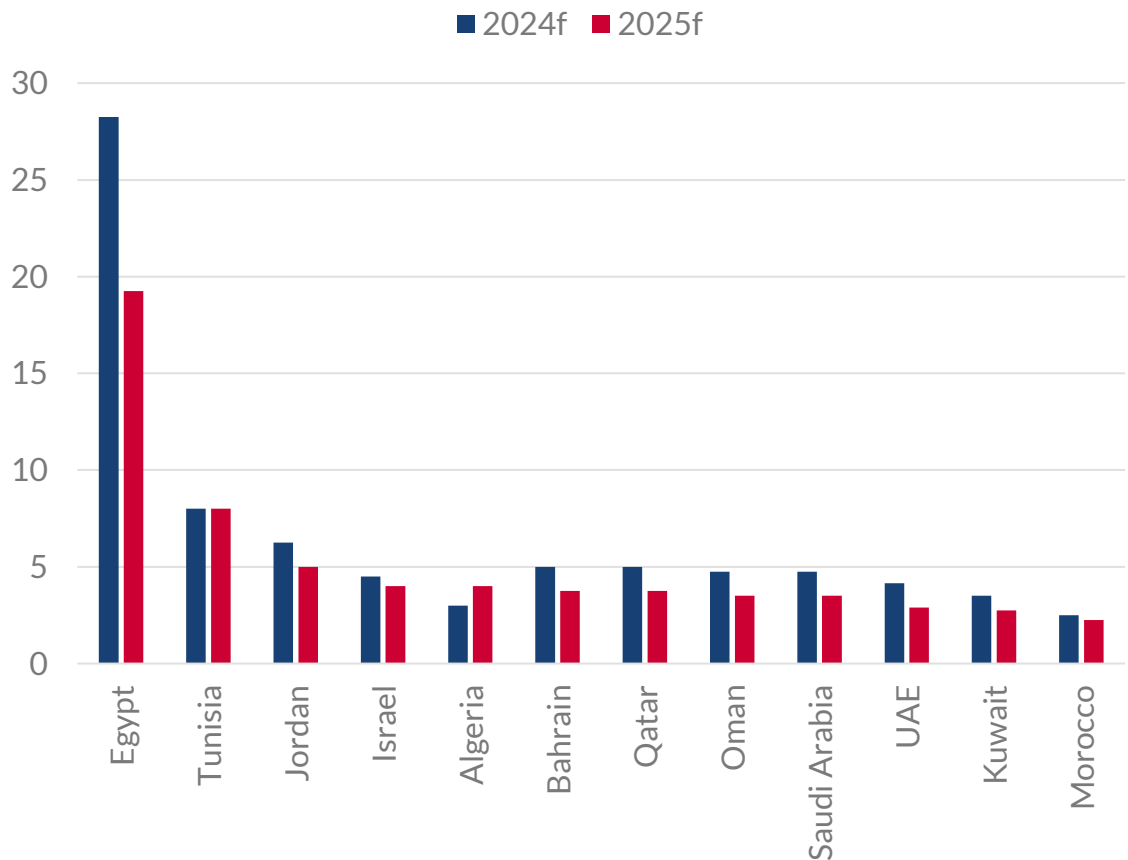
e/f = BMI estimate/forecast. Source: National Sources, BMI

Strong Rebound In GCC Countries In 2025

Faster Growth On Rising Oil Production, Diversification Efforts
GCC – Real GDP Growth, %



Monetary Policy Easing Will Also Support Growth
MENA – Policy Rates, %



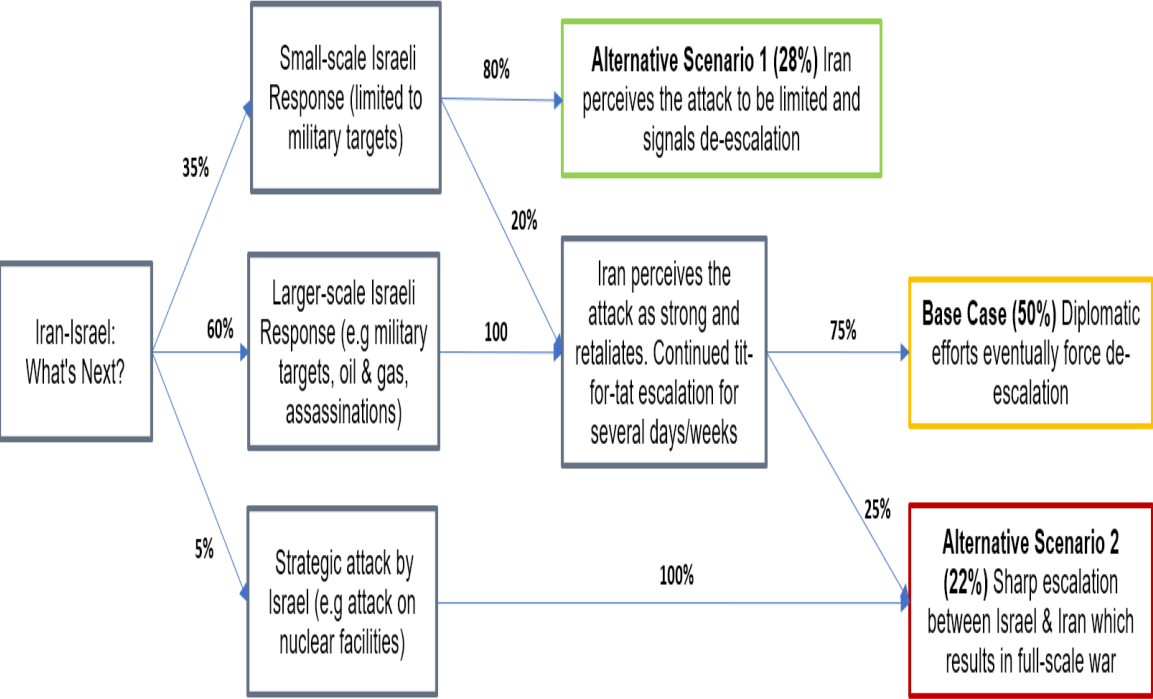
e/f = BMI estimate/forecast. Source: National Sources, BMI

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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

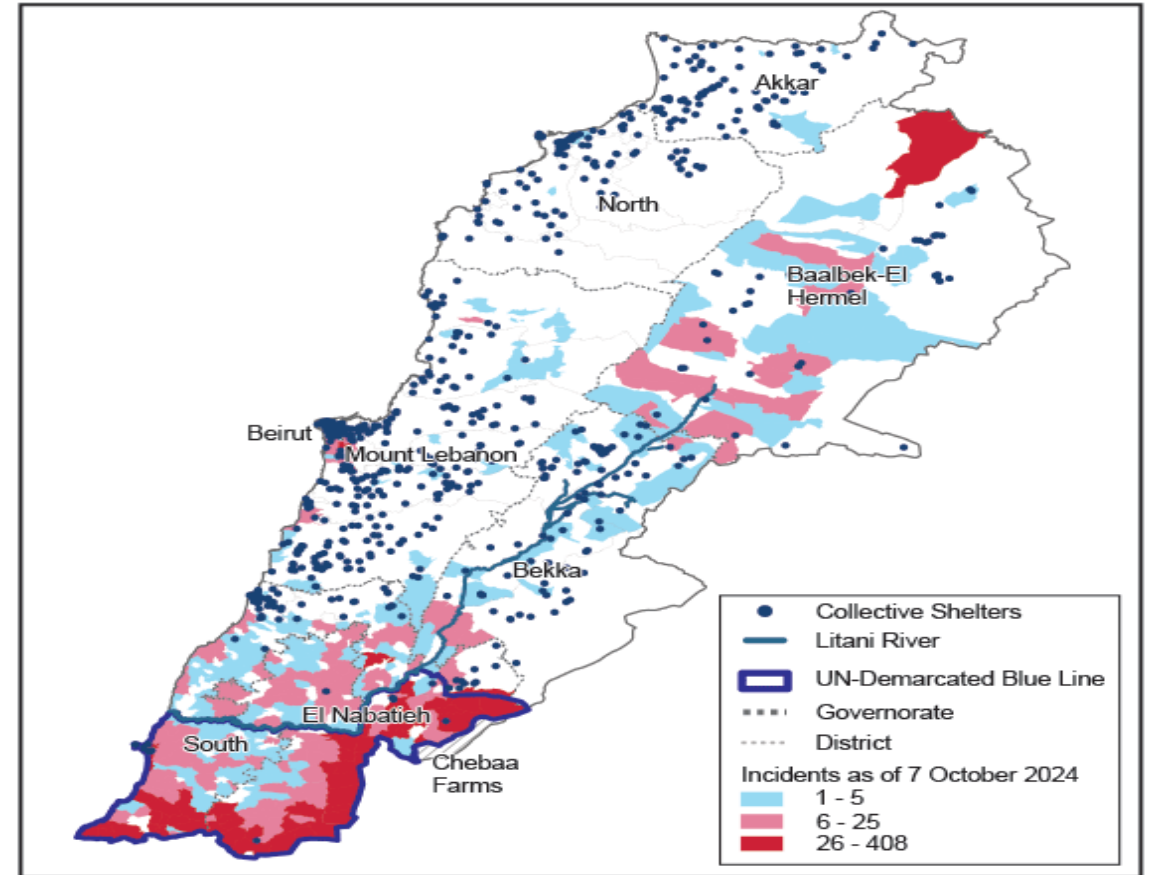
Gaza – Map Of Israeli Areas Of Operation



Source: ISW, BMI

Expanding Israeli Airstrikes On Lebanon

Lebanon - Conflict Intensity

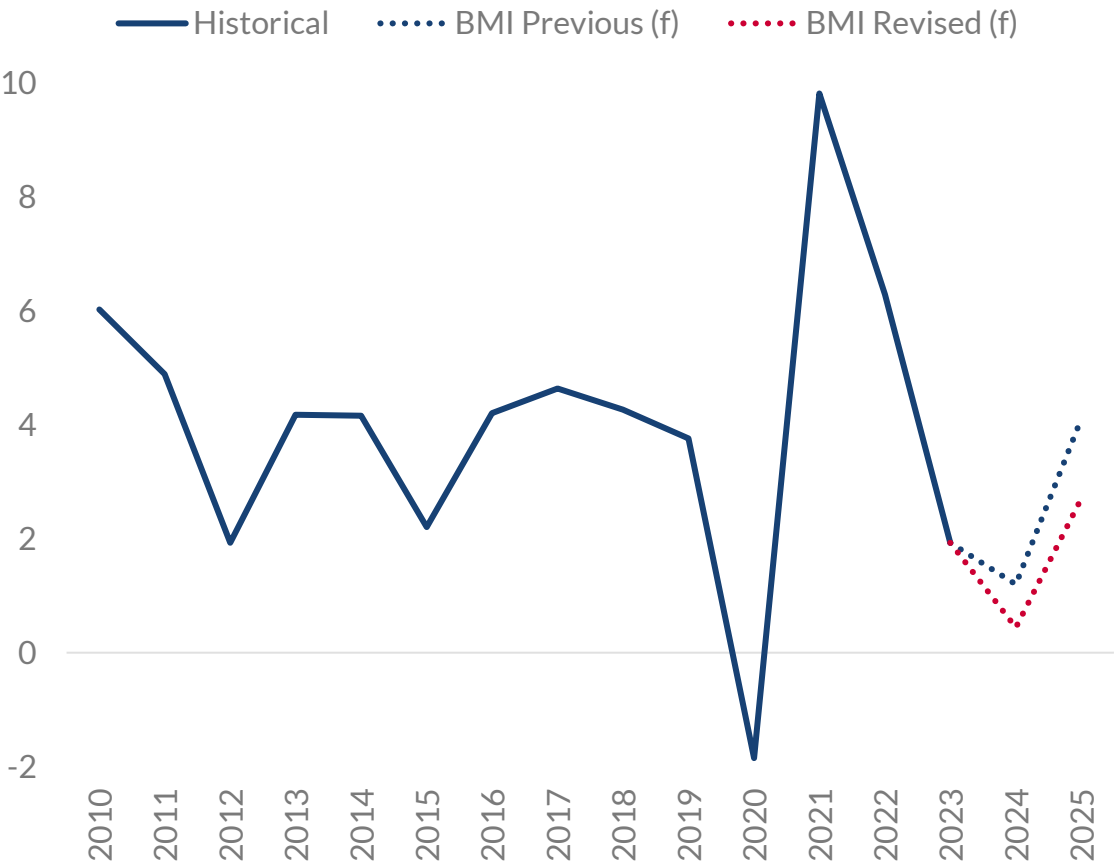


Source: Based on United Nations map, BMI

Israeli Economic Recovery Facing Mounting Political Headwinds

Weaker Growth Outlook

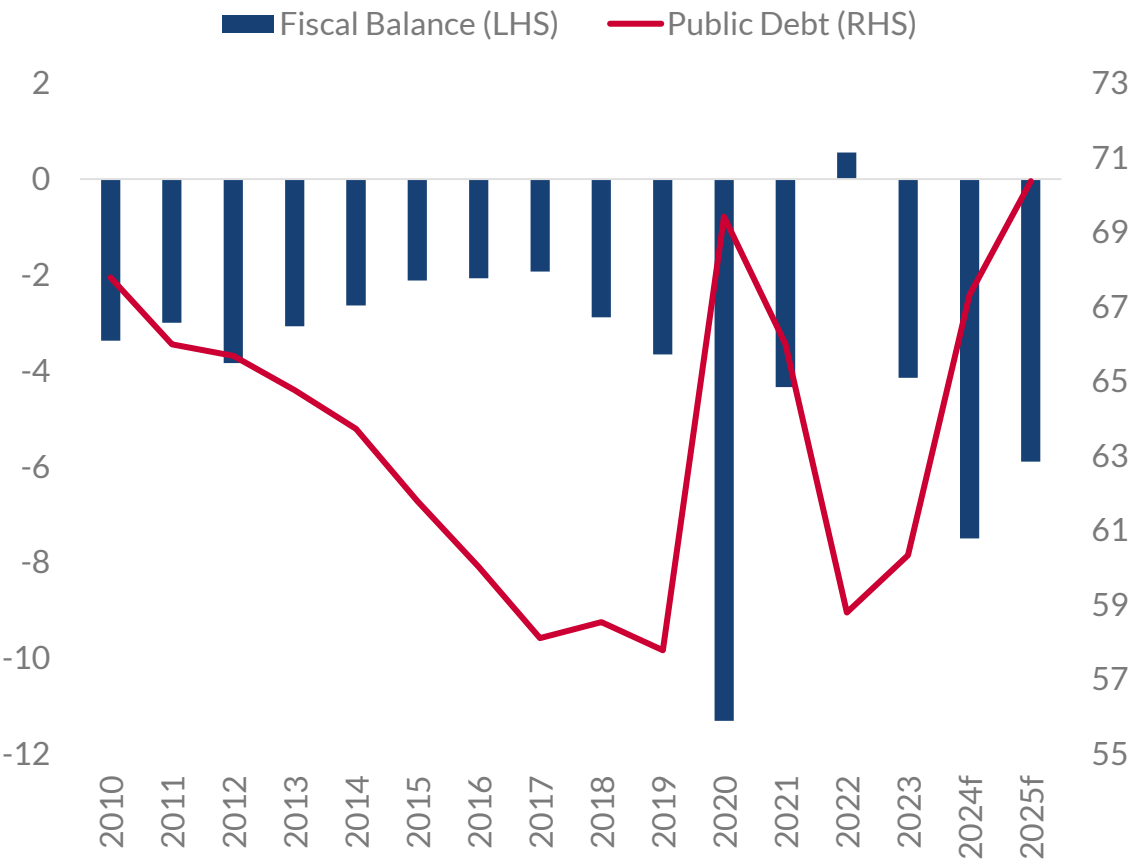
Israel – Real GDP Growth, %



f = BMI forecast. Source: Haver, BMI

Military Spending Will Widen Deficit, Increase Debt

Israel – Fiscal Balance & Public Debt, % of GDP

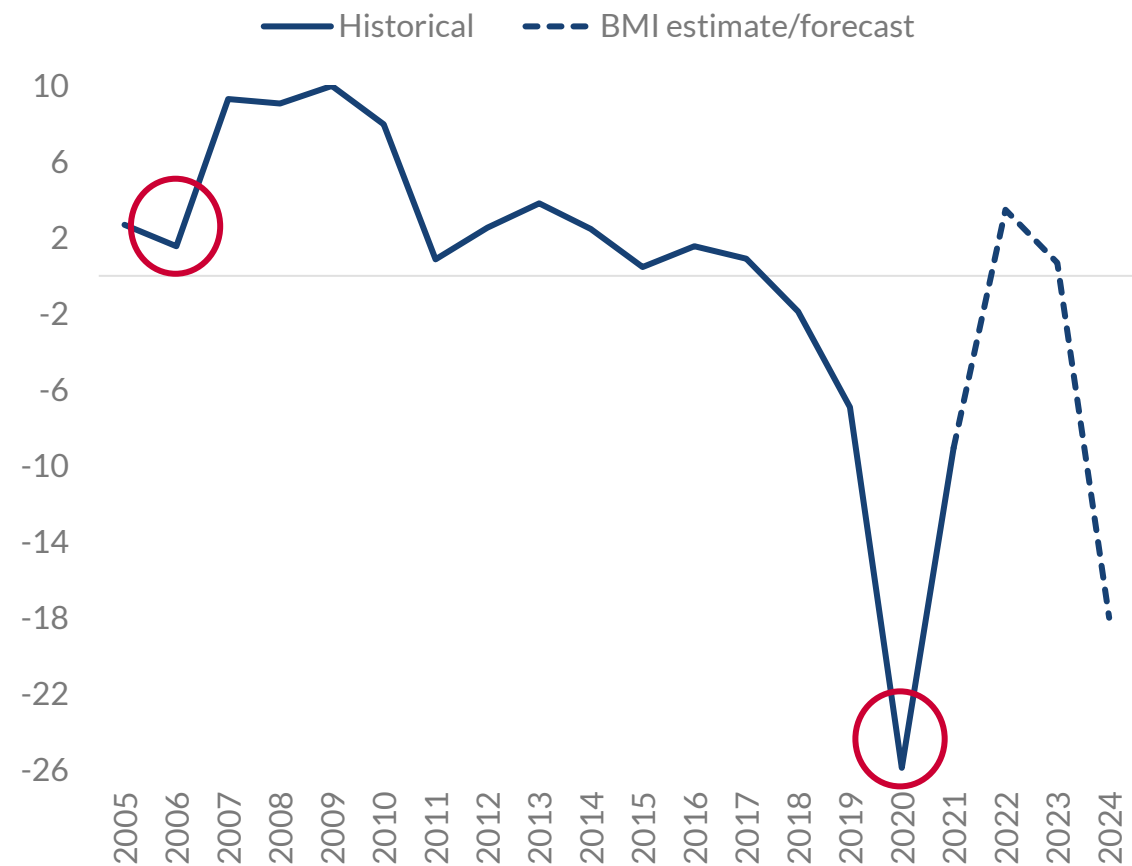


f = BMI forecast. Source: Haver, BMI

War Will Incur Heavy Economic Losses To Lebanon's Economy

Sharp Economic Contraction In 2024

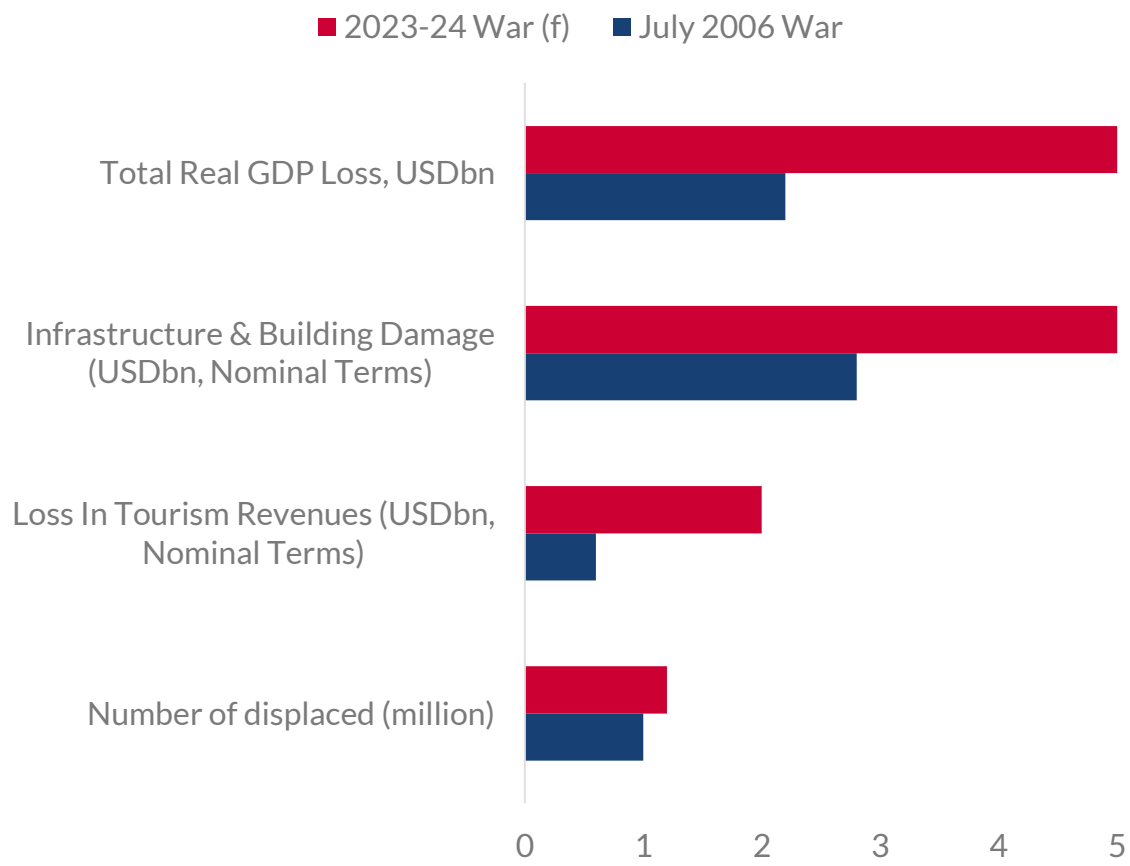
Lebanon – Real GDP Growth, %



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

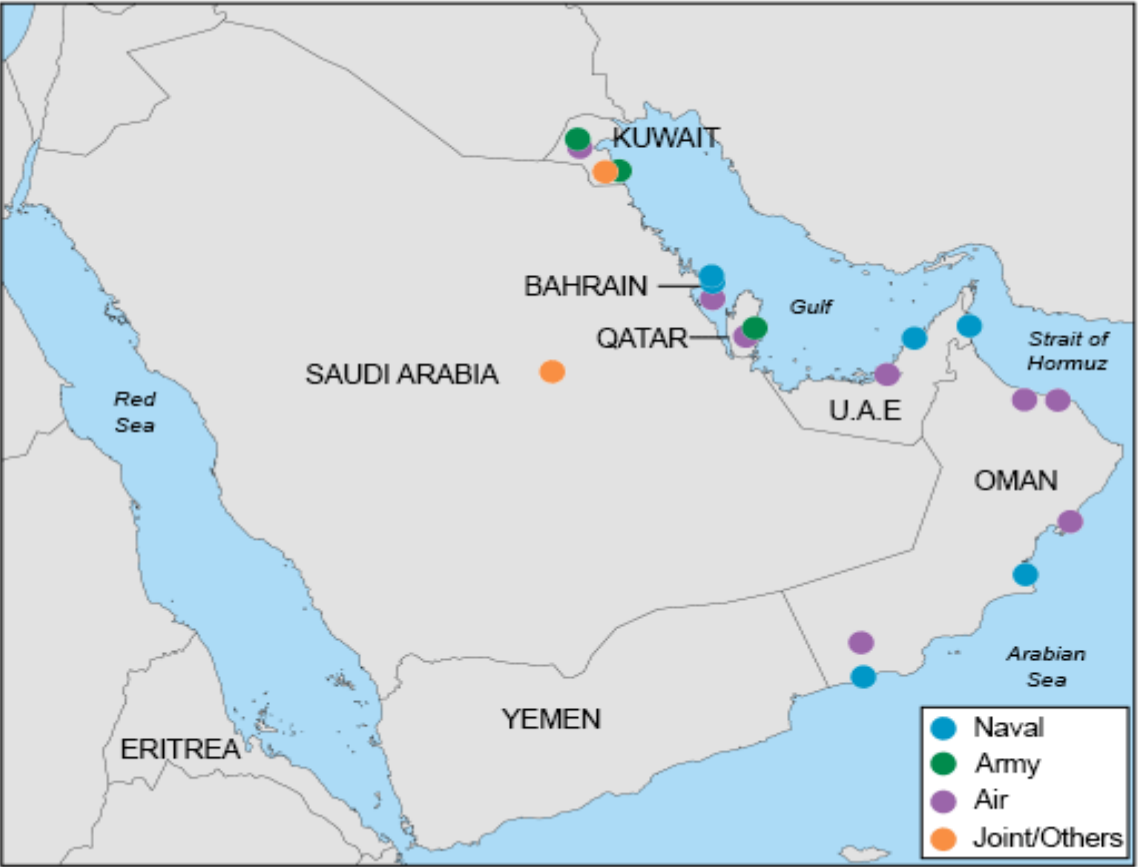
Harris Policy Priorities In MENA

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

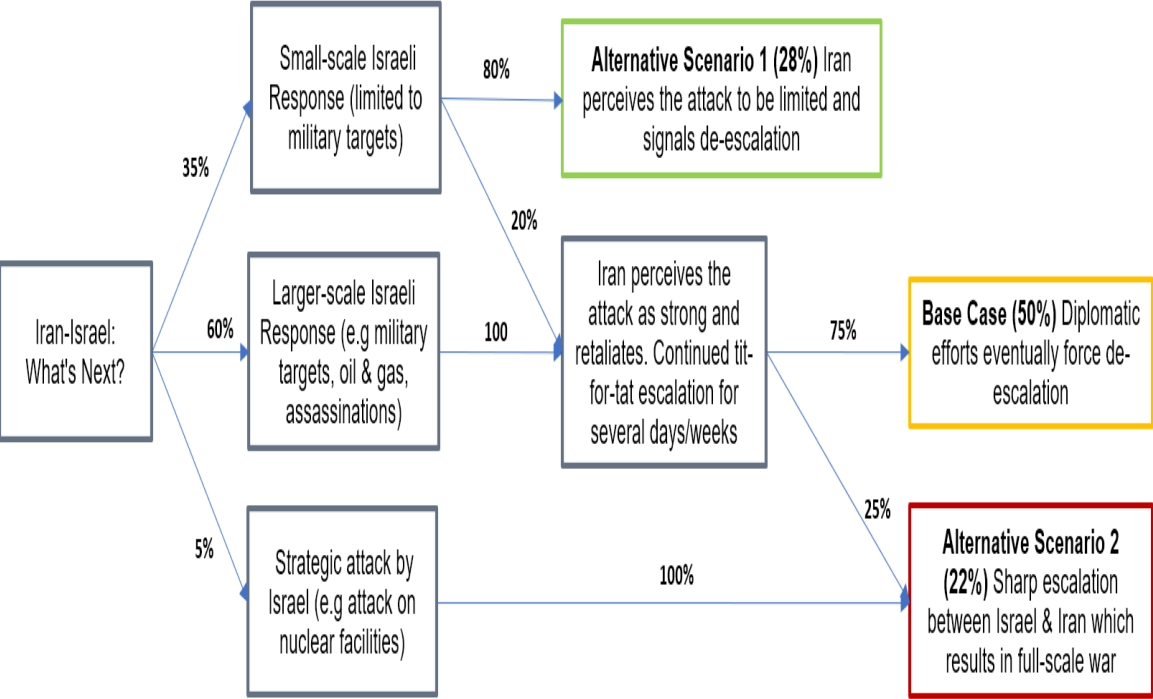


Source: AFP. BMI

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

All Options Are On The Table

Israel-Iran Scenarios



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

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: BMI

Q&A



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