MENA Monthly Outlook

Key Themes For 2025

January 2025

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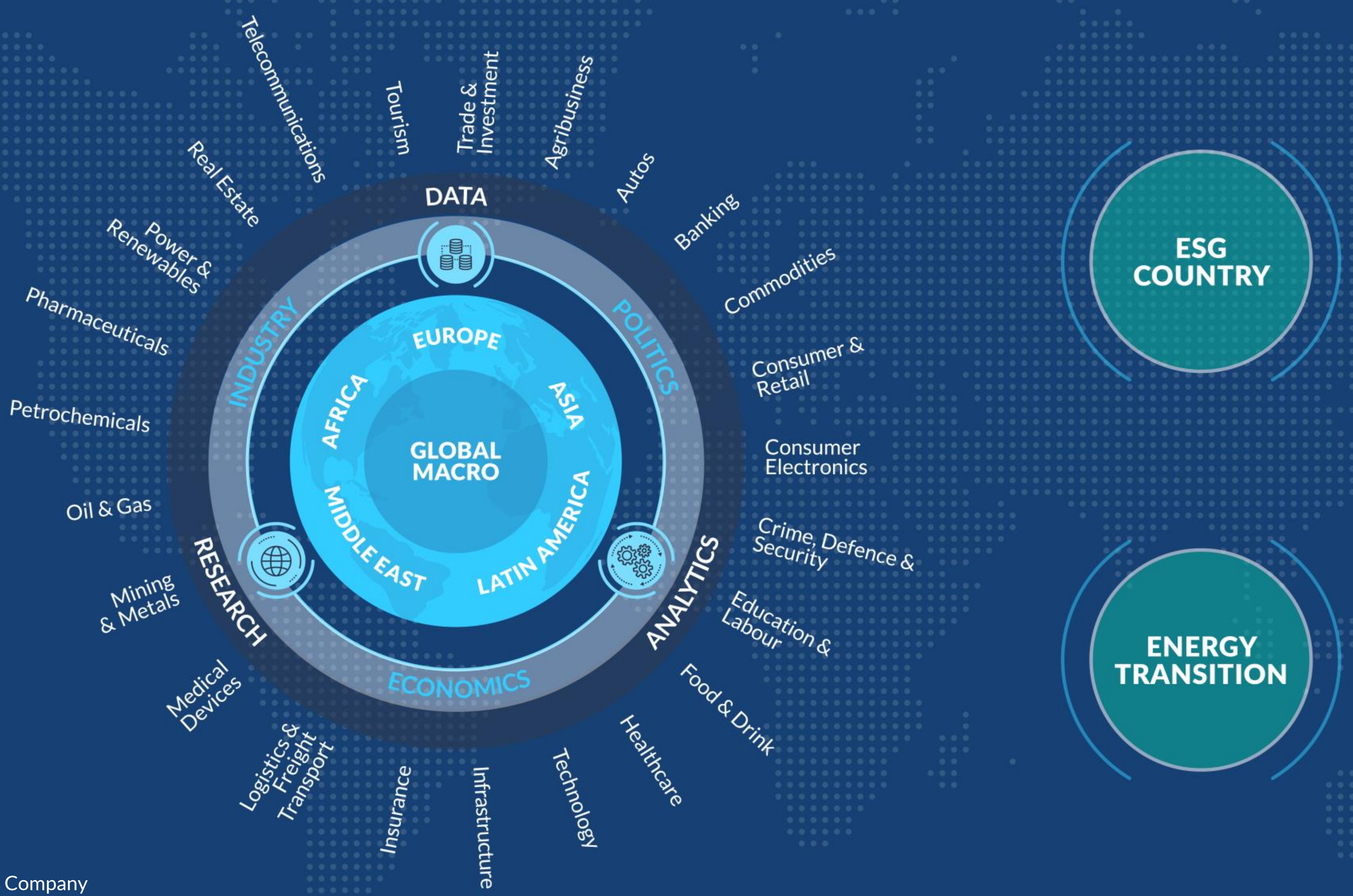
Connected Thinking Across Sectors and Markets



Source: BMI, a FitchSolutions Company

Content

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MENA Key Themes For 2025

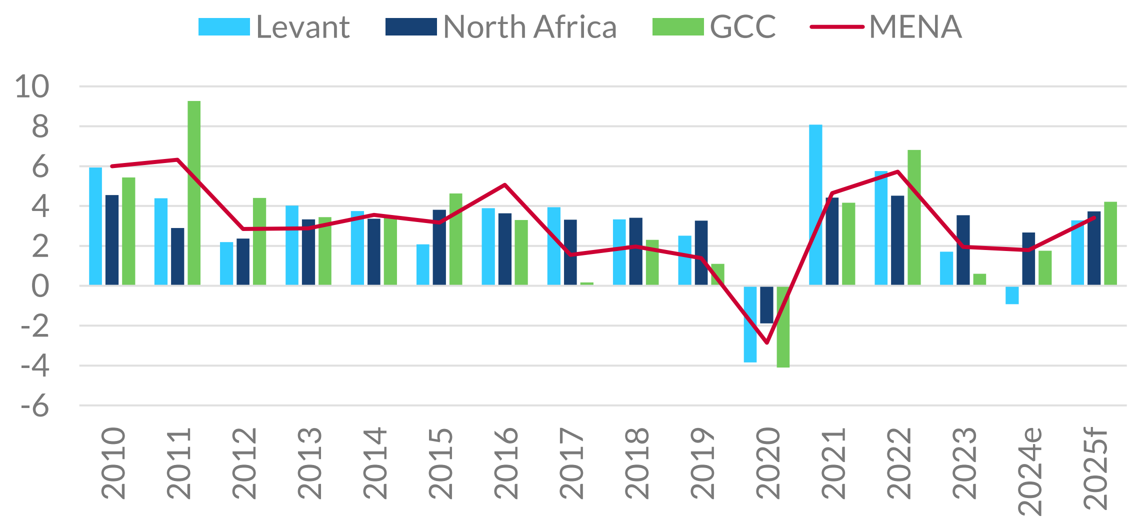
Theme	Explanation
1. Rising Oil Output, Monetary Easing Will Cause GCC To Outperform	A pickup in oil output and monetary easing will drive GCC growth from a forecast 1.8% in 2024 to 4.3% in 2025, and limit the impact of lower oil prices on fiscal and export revenues. Stronger oil output will support a rebound in the oil sector, while lower cost of borrowing will add to the strong diversification-related investment drive, causing non-oil sector growth to accelerate in 2025. The UAE and Saudi Arabia will post the fastest growth next year.
2. Growth Will Accelerate In Egypt And Morocco, Risks Persist In North Africa	Morocco and Egypt's growth will accelerate driven by stronger investment and a rebound in sectors such as agriculture, tourism and a normalisation in Suez Canal activity. Algeria's growth will stabilise supported by higher oil production and a loose fiscal stance. In contrast, Tunisia will see weaker growth due to tax hikes.
3. End Of War In Gaza, Lebanon Will Boost Growth In Levant…	The ceasefire between Israel and Lebanon and the end the war in Gaza, which we expect by mid-2025, will support a recovery in economic activity in Israel, Lebanon and to a lesser extent Jordan. However, the lingering impact of the war and persisting Israeli restrictions will see the West Bank & Gaza's economy contract for the third consecutive year in 2025.
4 … But End Of War Will Not Necessarily Ensure Stability	After the war in Gaza ends, likely in H1 2025, social stability risks in the Levant will remain high. Israeli policies and increased violence in the West Bank will raise risks to social stability, potentially impacting Jordan and Egypt. Israeli society will remain highly polarised, sectarian tensions in Lebanon will remain elevated, and Syria will continue facing elevated security risks.
5. Donald Trump Presidency Will Benefit The GCC, Corner Iran	Trump holds good relations with Gulf markets' leaders, with Trump-related organisations heavily invested in Gulf markets like Saudi Arabia, the UAE and Oman. This could possibly materialise in economic and political benefits during his tenure. Conversely, Trump will resume his maximum pressure campaign on Iran, aiming for a more favourable nuclear deal to the US. This will be complemented by a rise in tensions between Iran and Israel.

Published on November 29. Source: BMII

1. Rising Oil Output, Monetary Easing Will Cause GCC To Outperform

GCC Fastest Growing Region In MENA

MENA - Real GDP Growth, %

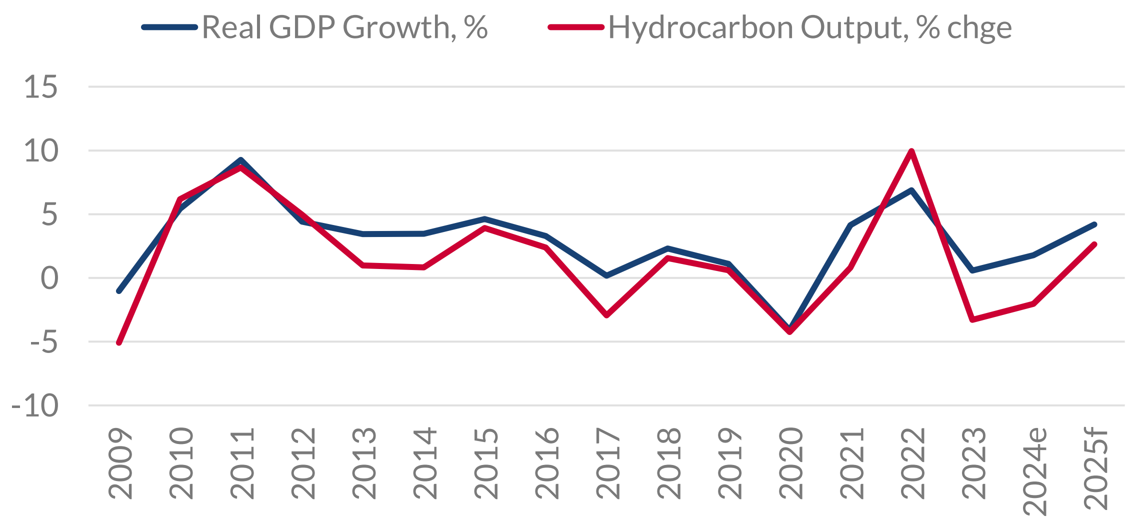


- We expect growth in the GCC to rise from 1.8% in 2024 to 4.2% in 2025 due to gains in both the non-hydrocarbon and hydrocarbon sectors, allowing the GCC to outperform other MENA sub-regions.
- The rollback of OPEC+ supply restrictions from April 2025 will drive the pick-up in oil growth.

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

Increase In Hydrocarbon Production Will Support Growth

GCC - Real GDP Vs Hydrocarbon Production, % chg



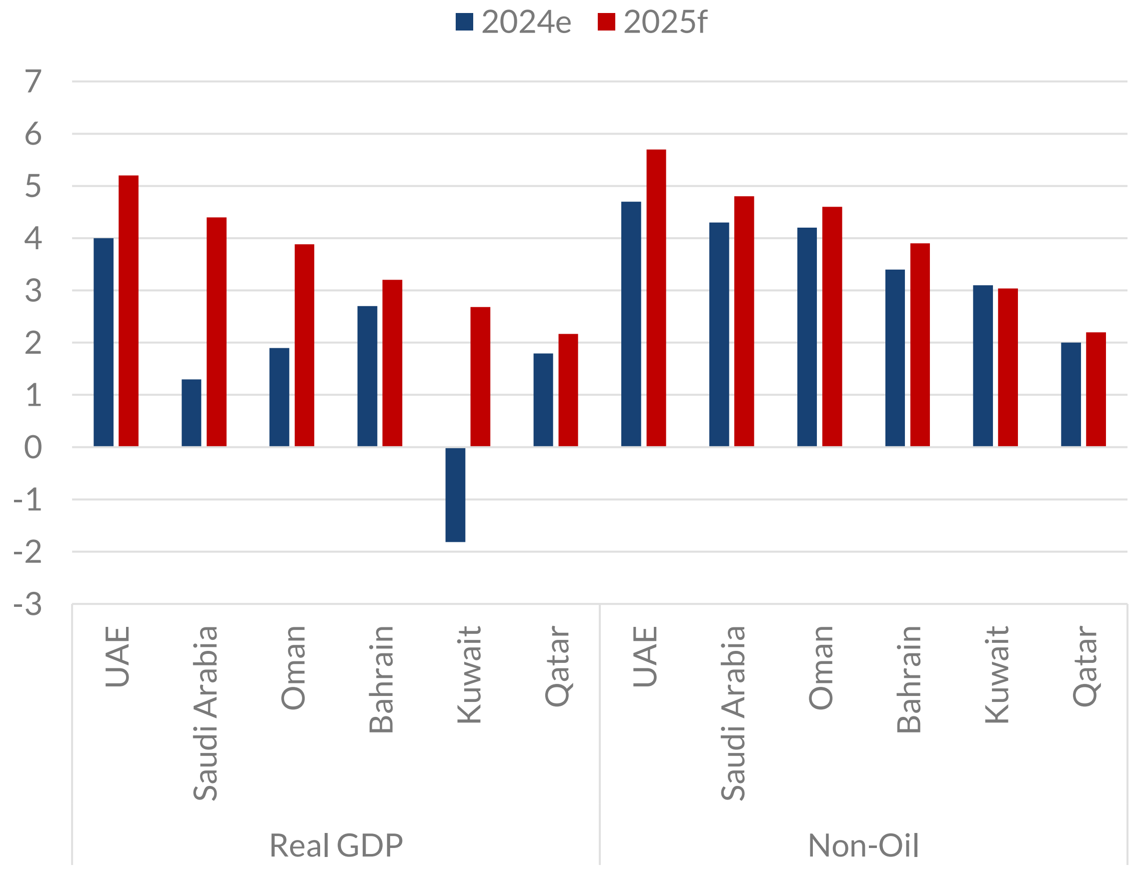
- The non-oil sector will be the primary growth driver in 2025, fueled by stronger investment activity and higher domestic demand
- Investment will remain strong due to increased private investment as interest rates decline, large-scale infrastructure projects in line with diversification efforts, and ongoing reforms which will continue to attract foreign investment.

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

The UAE And Saudi Arabia Leading GCC Growth In 2025

Accelerating Non-Oil Sector Will Further Lift GCC Growth

GCC - Real GDP & Non-Oil GDP Growth, %



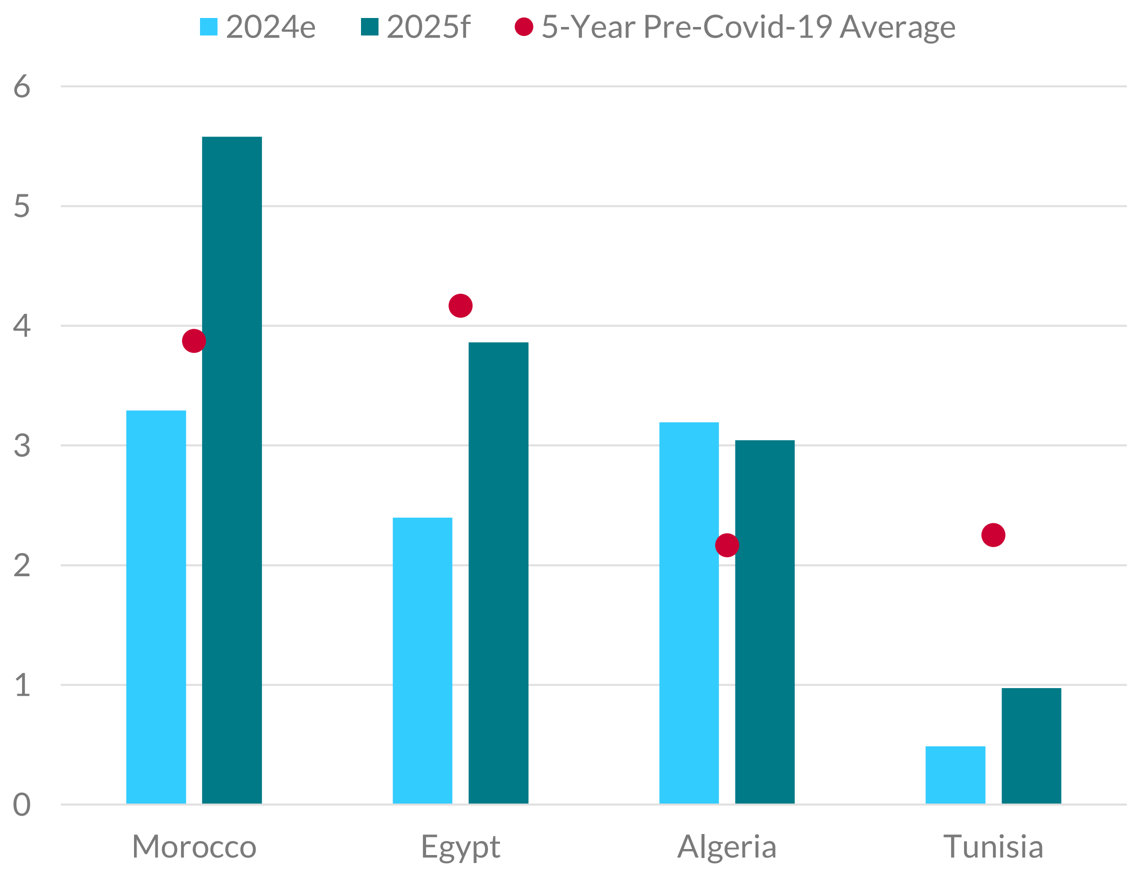
e/f = BMI estimate/forecast. Source: National sources, BMI

- The UAE will be the fastest growing economy among the GCC countries in 2025, with economic growth accelerating from an estimated 3.8% in 2024 to 5.1% in 2025.
- The non-oil sector will strengthen due to easing inflationary pressures especially in the transport section, lower cost of borrowing and a large pipeline of projects. Progress on diversification-related reforms along with a growing high-income population will further boost foreign investment, especially in sectors such as real estate, financial and technology. Non-oil trade will continue to benefit from the Comprehensive Economic Partnership Agreements.
- Saudi Arabia will be the second-best performer in the GCC with its growth rising from 1.3% in 2024 to 4.4% in 2025.
- We project the non-oil economy will grow by 4.8% in 2025 as the PIF reallocates capital towards domestic projects aligning with Vision 2030 goals, providing significant boost to investment. Meanwhile, consumers will continue to benefit from structural improvements in the labour market.
- Key risks are related to oil prices, as a big fall in energy prices would cut growth by prompting the extension of OPEC+ restrictions beyond Q2 2025.

2. Growth Will Accelerate In Egypt And Morocco, Risks Persist In North Africa

Morocco And Egypt Driving The Pickup

North Africa - Real GDP Growth, %

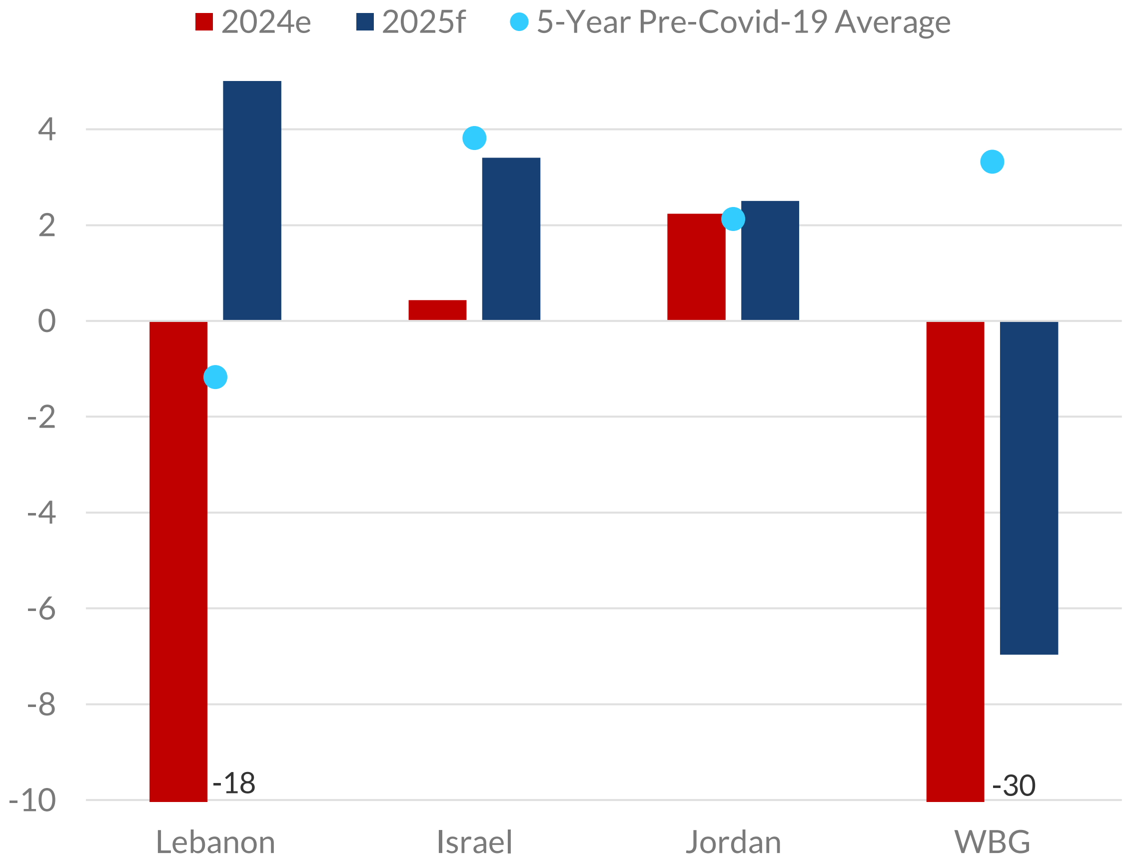


e/f = BMI estimate/forecast. Source: National Sources, BMI

- North Africa's growth will rise from 2.7% in 2024 to 3.7% driven by Morocco and Egypt.
- Morocco's economy will expand by 5.6% in 2025 due to a recovery in agricultural production after several years of low precipitations, a pick-up in eurozone growth, strong investment activity, especially in preparation for the 2030 World Cup and monetary policy easing.
- Egypt's economy continues to recover. In FY2024/25 we forecast growth of 3.9% as base effect will reduce the drag of the Suez Canal sector on growth. A rebound in non-oil exports will provide support to activity, while investment growth will benefit favourable base effect, increased FDI and lower borrowing cost.
- In FY2025/26, Egyptian growth will further accelerate to about 5% due the normalisation of navigation in the Red Sea, as well as lower borrowing cost, inflation and geopolitical risks which will increase investment activity and consumer demand.
- Weaker growth in the eurozone and adverse weather conditions are key downside risks facing Tunisia and Morocco, while prolonged disruption to activity in the Suez Canal and external/domestic shock that would lead to portfolio outflows are the key risks for Egypt.

3. End Of War In Gaza, Lebanon Will Boost Growth In Levant...

Levant Growth Benefiting From Cessation Of Fighting
Levant - Real GDP Growth, %



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

- After a contraction of 0.9% in 2024, Levant growth will rebound to 3.3% in 2025 due to cessation in fighting.
- Israel's growth will rise from 0.4% in 2024 to 3.7% in 2025, aided by improving sentiment and workers shifting from military service back into economically productive roles.
- Even so, the Israeli economy will face some labour tightness due to the restrictions placed on the entry of Palestinian workers from the West Bank which will cap growth prospects.
- Delays in reconstruction and normalisation of activity in Gaza and sustained mobility and economic restrictions in the West Bank will keep growth negative in the Palestinian territories.
- In Lebanon, improving security conditions and a normalisation of economic activity across key sectors such as business services, tourism and transport will boost output by 6.0% in 2025.
- The Levant remains vulnerable to downside risks from a breakdown of the ceasefires in Lebanon and/or Gaza, as well instability if Donald Trump proceeds with his plan to displace Gazans to Egypt and Jordan.

4 ... But End Of War Will Not Necessarily Ensure Stability

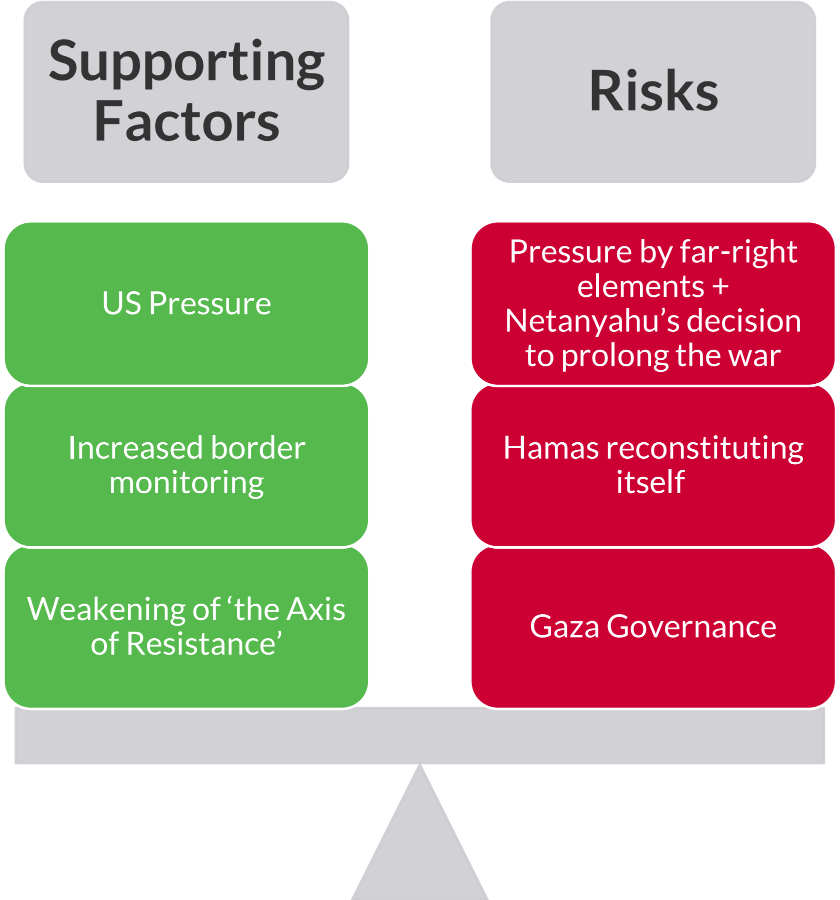
Cautiously Optimistic About The Durability Of The Ceasefire

Gaza Map

Source: BMI

Risks Are Elevated

Balance Of Risks

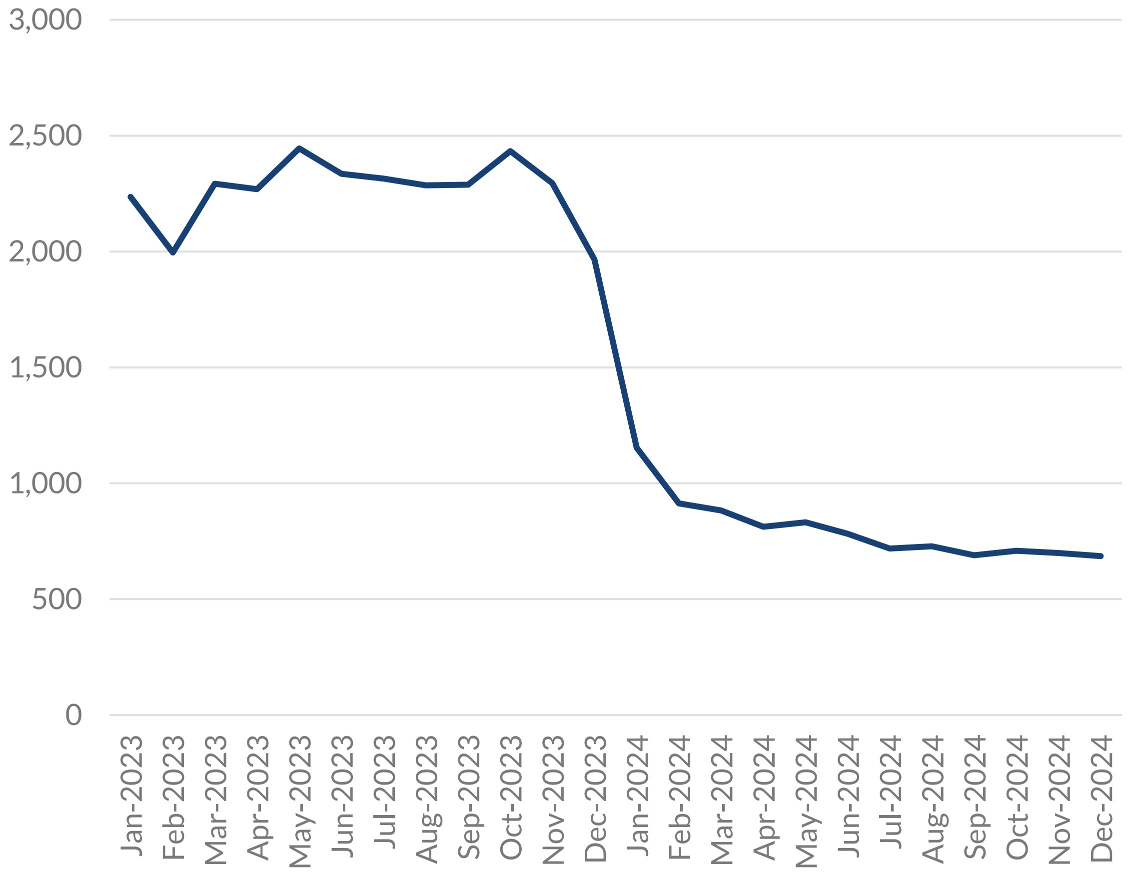


Source: BMI

Navigation In The Red Sea Will Only Gradually Normalise

Lingering Uncertainties Will Prevent Rapid Normalisation

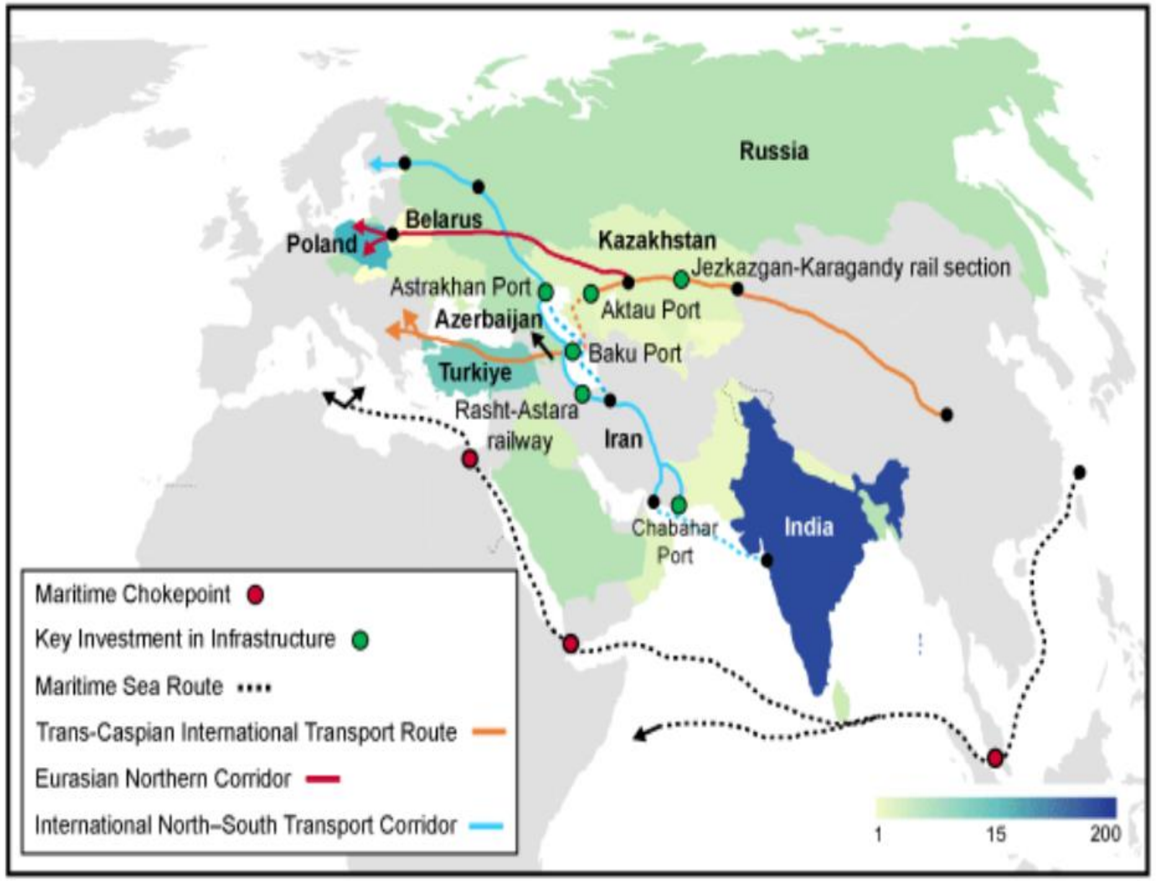
Bab-el-Mandeb Strait - Transit calls



Source: IMF PortWatch, Haver, BMI

Rise Of Alternatives

Map of Overland And Maritime Routes

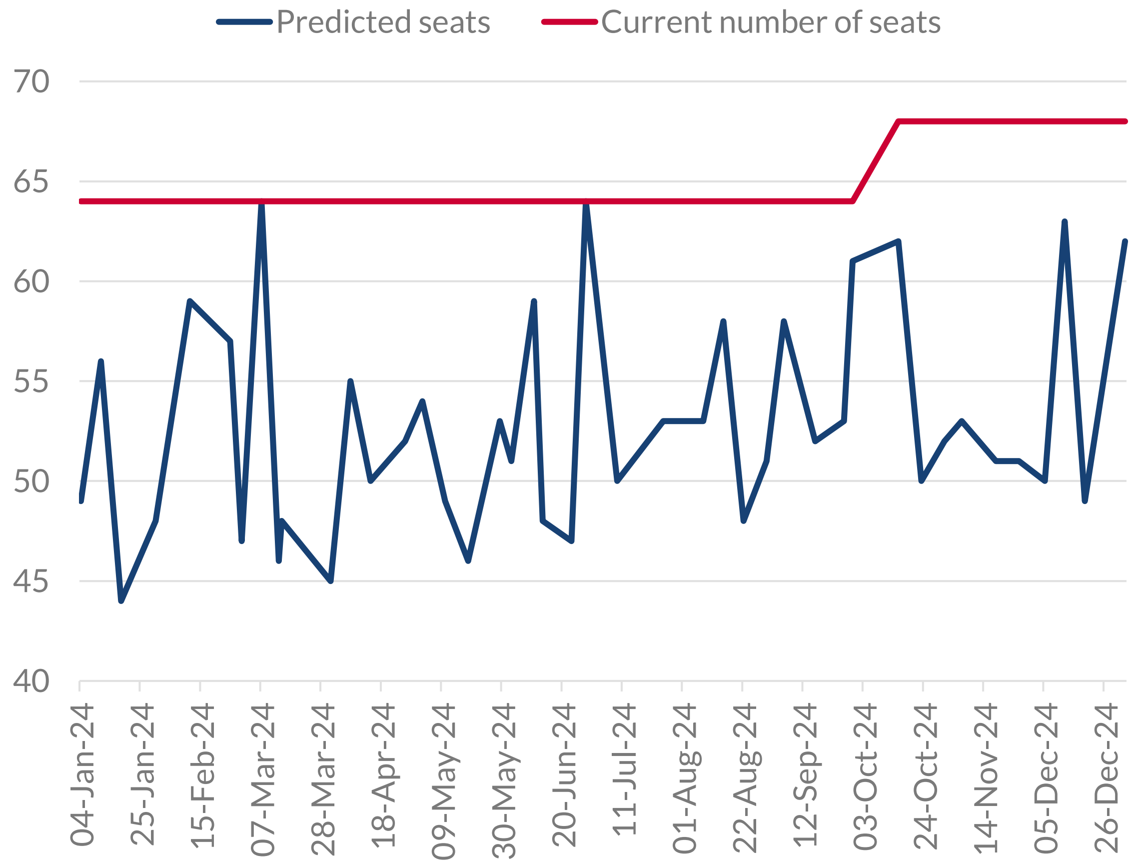


Note: Shaded Regions Indicate Number Of Transport Infrastructure Projects Set For Completion By 2025. Source: BMI

Israel's Fragmented Politics Resurfacing; West Bank Tensions Rising

Netanyahu Will Not Risk New Elections

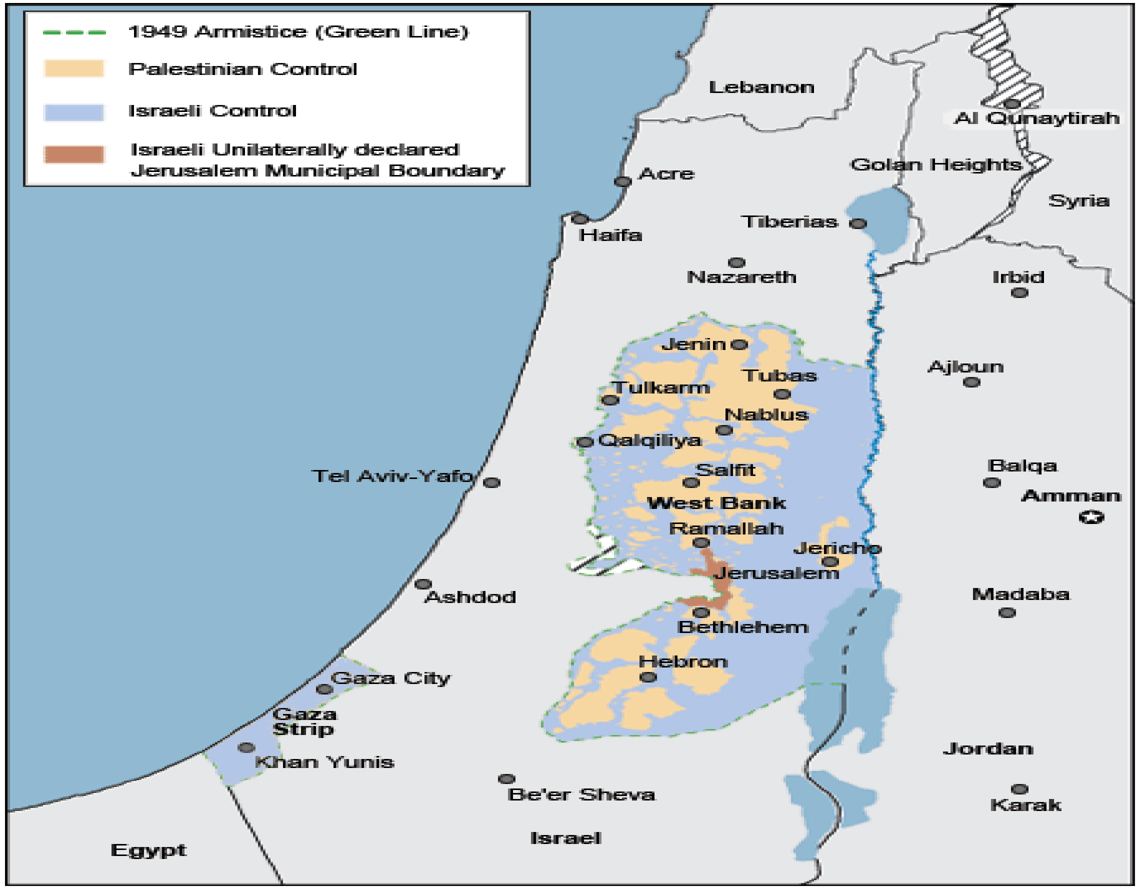
Israel - Predicted Number Of Seats & Current Number Of Seats Held



Source: National sources, BMI

Risk Of Escalation In Tensions In The West Bank Are Rising

Map Of Israel & Palestinian Territories



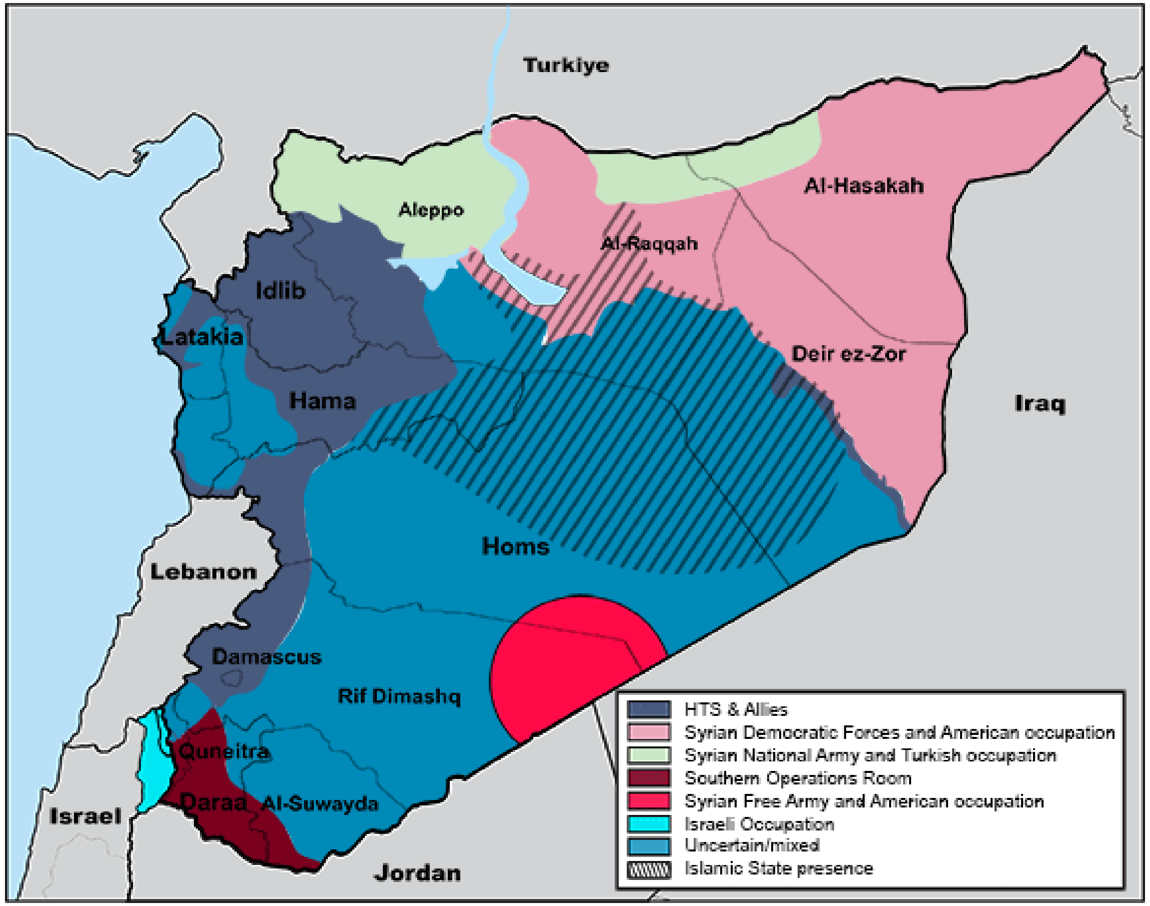
Source: UN OCHA, BMI

Security & Sectarian Tensions Remain Elevated In Lebanon & Syria

Ceasefire Will Likely Hold, Security Risks Still High
Lebanon - Southern Borders With Israel

Source: The National, Lebanon, BMI

Security Risks Remain Notable Despite Assad's Fall
Map Of Syria & Areas Of Control



Note: Areas of control as of January 27. Source: Institute For The Study Of War, BMI

5. Donald Trump Presidency Will Benefit The GCC, Corner Iran

Trump Could Provide More Favourable Terms For Saudi Arabia To Join Abraham Accords

Middle East - Arab Markets That Normalised Ties With Israel

Source: BMI

A Nuclear Agreement Will Be Difficult But Not Impossible

Iran – Map Of Nuclear Sites

Source: BMI

Data Pack And Forecasts

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BMI Vs Bloomberg Consensus

2025 Real GDP Growth

%

Country	BMI	Bloomberg Consensus	Consensus Last Month
Algeria	3.04	-	-
Egypt	3.86	4.00	-
Iran	1.55	-	-
Iraq	1.85	-	-
Israel	3.41	3.45	-
Kuwait	2.68	3.00	-
Lebanon	5.99	1.25	-
Libya	8.30	-	-
Morocco	5.58	3.90	-
Oman	3.88	3.20	-
Qatar	2.58	2.70	-
Saudi Arabia	4.37	4.30	-
Tunisia	0.97	1.50	-
United Arab Emirates	5.14	4.90	-

Last updated January 31. Source: Bloomberg, BMI

End-2025 Exchange Rate

Currency	BMI	Bloomberg Consensus	Consensus Last Month
DZD per USD	134.50	-	-
EGP per USD	52.51	-	-
IRR per USD	925,074.62	-	-
IQD per USD	1,300.00	-	-
ILS per USD	3.65	3.62	-
KWD per USD	0.31	-	-
LBP per USD	89,700.00	-	-
LYD per USD	4.81	-	-
MAD per USD	9.95	-	-
OMR per USD	0.39	-	-
QAR per USD	3.64	-	-
SAR per USD	3.75	3.75	-
TND per USD	3.08	-	-
AED per USD	3.67	-	-

BMI Vs Bloomberg Consensus

2025 Average Inflation

%

Country	BMI	Bloomberg Consensus	Consensus Last Month
Algeria	4.90	-	-
Egypt	16.30	19.00	-
Iran	37.90	-	-
Iraq	3.00	-	-
Israel	3.10	2.90	-
Kuwait	2.50	2.50	-
Lebanon	25.00	19.25	-
Libya	2.20	-	-
Morocco	1.40	2.15	-
Oman	1.60	1.25	-
Qatar	1.81	1.65	-
Saudi Arabia	1.90	2.00	-
Tunisia	6.20	6.60	-
United Arab Emirates	1.40	2.00	-

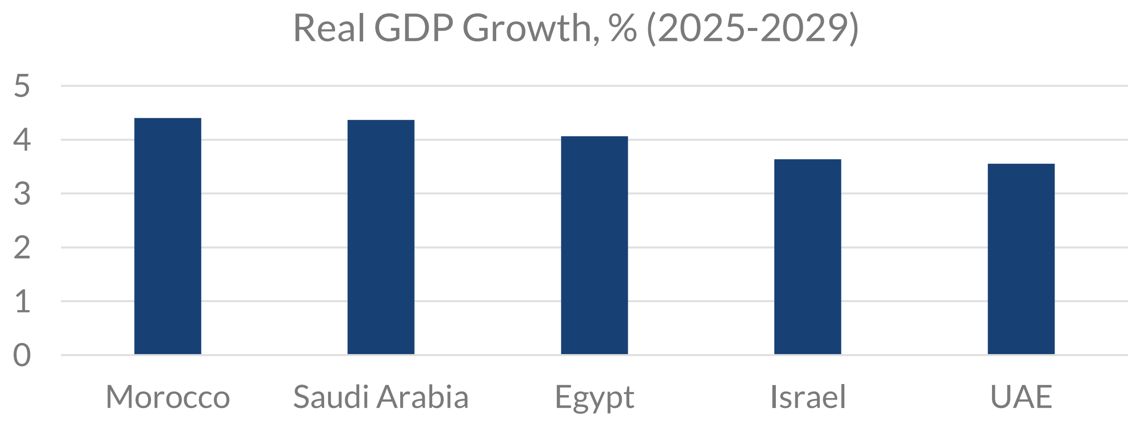
Last updated January 31. Source: Bloomberg, BMI

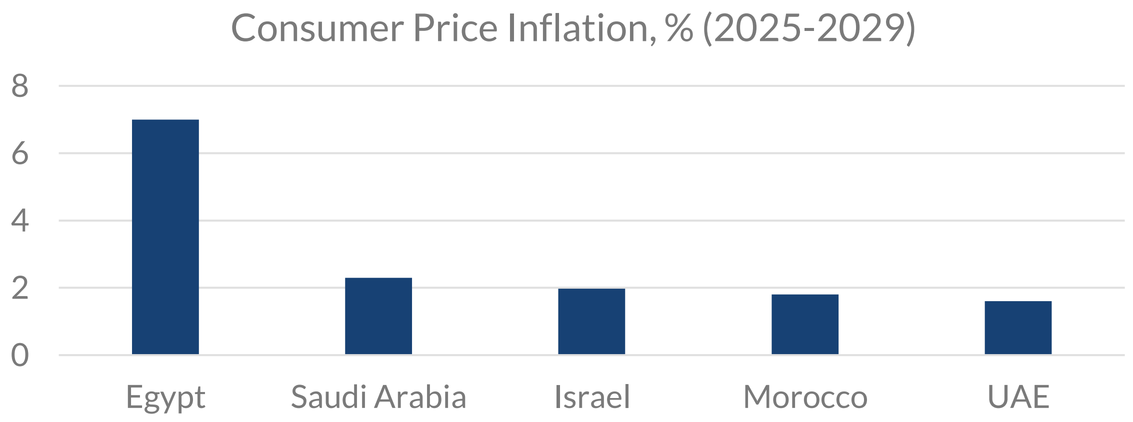
End-2025 Policy Interest Rate

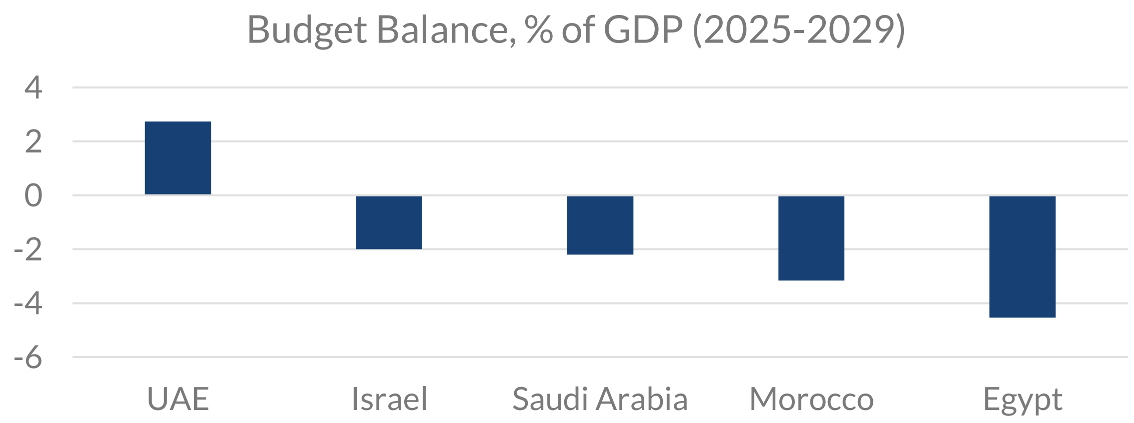
%

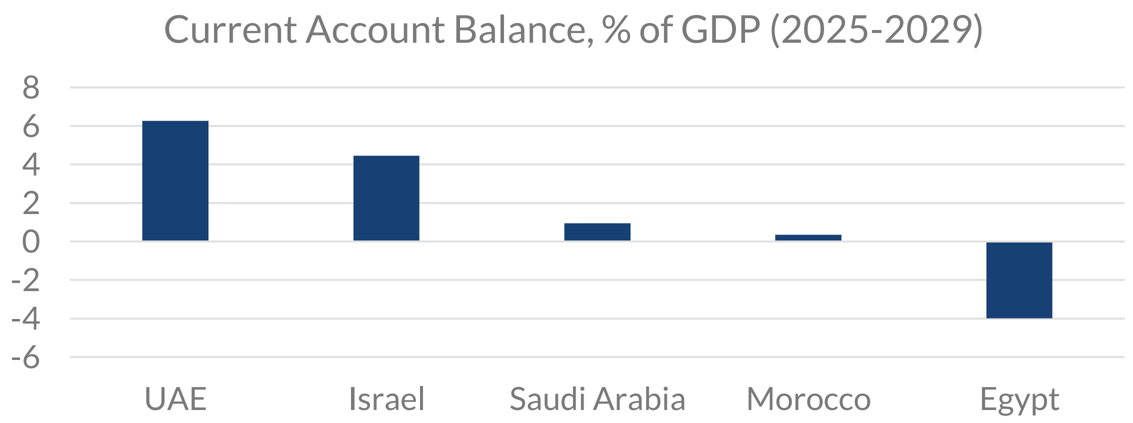
Country	BMI	Bloomberg Consensus	Consensus Last Month
Algeria	4.00	-	-
Egypt	19.25	-	-
Iran	-	-	-
Iraq	5.00	-	-
Israel	4.00	3.90	-
Kuwait	3.25	-	-
Lebanon	10.00	-	-
Libya	3.00	-	-
Morocco	2.25	-	-
Oman	4.50	-	-
Qatar	4.50	-	-
Saudi Arabia	4.50	-	-
Tunisia	8.00	-	-
United Arab Emirates	3.90	-	-

Data Pack









Note: BMI forecasts. Source: BMI

Contact

New York

T +1 212 908 0800
usaclientservices@fitchsolutions.com

London

T +44 (0)20 3530 2400
emeaclientservices@fitchsolutions.com

Hong Kong

T +852 2263 9999
asiaclient.services@fitchsolutions.com

Tokyo

T +81 3 6897 8986
asiaclient.services@fitchsolutions.com

Singapore

T +65 6796 7231
asiaclient.services@fitchsolutions.com

fitchsolutions.com/bmi

300 West 57th Street
38th floor
New York
NY
10019

London
30 North Colonnade
Canary Wharf
London, E14 5GN

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