

Event Update - IMF Releases Regional Economic Outlook

April-2026

War derails economic recovery in the GCC region...

Economies across the MENA region suffered significant economic setback and profound human suffering because of the war in the region between USA and Iran. Economic activity, which was regaining momentum in the first two months of 2026 was severely disrupted by the outbreak of the war during the end of February-2026. According to the latest Regional Economic Outlook report by the IMF, the closure of the Strait of Hormuz combined with the disruption of oil and gas production and the severe impact on air traffic in the GCC region has had extreme negative economic impact on the countries of the region. Moreover, the war had an immediate adverse effect on oil prices increasing them as well as making the repercussions of the war global as Brent crude oil price USD 100 per barrel. Additionally, the prices of natural gas, fertilizers and metals increased as the supply chain disruption expanded to various economic spheres. Despite the recent ceasefire agreement, the uncertainty and instability caused by the war still exists.

According to the IMF, the war has severely and adversely impacted growth for GCC economies. Aggregate GCC growth is projected to slow markedly to 2% for 2026 penciling a downgrade of 230 pbs from October-2025 projections. In general context five of the eight directly affected MENAP oil exporters (including Bahrain, Kuwait, and Qatar) are expected to witness outright GDP reductions in 2026. For example, Qatar's growth is revised down by 14.7% to -8.6%, while Kuwait and Bahrain are projected to contract by -0.6% and -0.5%, respectively. However, the IMF expects Qatar's GDP in 2027 to bounce back to 8.6%, Kuwait's real GDP to expand by 2.8% and Bahrain's economy to expand by 4.5%. On the other hand, Oman is a partial exception, with expected growth at 3.5% due to its sea access lying entirely outside the Strait of Hormuz.

Moreover, the IMF's outlook for MENA economies in 2026 and 2027 was also defined by the war, although some of the outcomes diverged between oil exporters directly affected by the conflict and those outside the war zone. According to the IMF, MENA region growth (excluding Syria) is expected to slow to 1.1% in 2026, a significant downgrade of 2.6% from October-2025 forecasts. Growth is expected to recover to 4.8% in 2027. On the other hand, economies of the MENAP oil importers (e.g., Egypt, Jordan, Tunisia, Pakistan) manage still face headwinds but fared better than their oil exporting counterparts in the region.

The IMF aggregate growth for the MENAP oil importers revised down by a marginal 0.3% points in both 2026 and 2027, amid positive pre-war momentum. However, cumulatively across 2026–2027, growth was downgraded by almost 1% point as compared to pre-war projections. However, the IMF upgraded real GDP outlook for the MENAP oil exporters outside the conflict zone (Algeria, Libya) as they are expected to benefit from higher hydrocarbon prices. Libya's 2026 growth is revised up by 2.5% while Algeria's growth is upgraded by nearly 1%.

| Country/Regions | April-2026 Updated Forecasts | | | | | IMF Revisions | |
|-----------------------------|------------------------------|-------|------|-------|-------|---------------|-------|
| | 2023 | 2024 | 2025 | 2026e | 2027e | 2026e | 2027e |
| Real GDP Growth | | | | | | | |
| <i>Percentage Growth</i> | | | | | | | |
| Bahrain | 3.9% | 2.9% | 3.1% | -0.5% | 4.5% | -3.8% | 1.2% |
| Kuwait | -1.6% | -1.5% | 3.5% | -0.6% | 2.8% | -4.5% | 0.5% |
| Oman | 1.4% | 1.6% | 2.4% | 3.5% | 3.4% | -0.5% | -0.3% |
| Qatar | 1.5% | 2.4% | 2.8% | -8.6% | 8.6% | -14.7% | 0.8% |
| Saudi Arabia | 0.5% | 2.6% | 4.5% | 3.1% | 4.5% | -0.9% | 1.3% |
| United Arab Emirates | 4.3% | 4.0% | 5.8% | 3.1% | 5.3% | -1.9% | 0.6% |
| Egypt | 3.8% | 2.4% | 4.4% | 4.2% | 4.8% | -0.3% | N/A |
| Jordan | 3.1% | 2.6% | 2.7% | 2.7% | 3.1% | -0.2% | N/A |
| Tunisia | 0.2% | 1.6% | 2.5% | 2.1% | 1.6% | 0.0% | N/A |
| Morocco | 3.7% | 3.8% | 4.9% | 4.9% | 4.5% | 0.7% | N/A |
| GCC Real GDP Growth | 1.3% | 2.2% | 4.4% | 2.0% | 4.8% | -2.3% | 0.9% |
| MENA Real GDP Growth | 2.6% | 2.8% | 3.2% | 1.1% | 4.8% | -2.6% | 1.1% |

Sources : IMF REO April-2026

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Oil, GDP, and revenues: a tale of double-edged shock

The war in the Middle East has presented a double-edged shock to oil-dependent economies in the MENAP region. Usually, a standard price jump benefits oil producers, however, this war has concurrently increased global hydrocarbon prices while physically destroying production capacity and blocking export routes. According to the IMF, the net impact on GDP and oil revenues performance in 2026 depends critically on whether a country is directly in the conflict zone or safely outside it.

For GCC economies and other directly affected oil exporters, such as Iraq, Kuwait, Qatar, and the UAE, the leading shock is the collapse in oil and gas production and export volumes. Strikes and precautionary shutdowns have lowered capacity by an estimated 10 million barrels per day of oil and about 500 million cubic meters per day of natural gas. Furthermore, the traffic in the Strait of Hormuz, which accommodates approximately 20% of global oil supply transits, has witnessed tanker crossings drop from approximately 70 vessels per day to near zero vessels per day.

Consequently, even though Brent crude prices have risen above USD 100 per barrel, the disruption in the quantity exported effects overwhelm the price gain for most directly affected economies such as the GCC. Five of eight directly affected oil exporters are expected to witness real GDP contractions in 2026. Qatar's growth is revised down by nearly 15% to -8.6%. Kuwait and Bahrain are also projected to contract. The damage extends beyond oil and gas GDP, as non-energy sectors such as tourism and logistics also witness severe disruptions.

For the Sultanate of Oman there is a different outcome. The Sultanate stands out as one of the directly affected economies, but it still benefits from the elevated oil prices. This is due to its sea access which lies entirely outside the Strait of Hormuz, so its trade and production disruptions have been minimal. As a result, the increase in oil prices is expected to increase both Oman's current account and primary fiscal balance by several percentage points compared to pre-war levels, with GDP expected to expand 3.5% in 2026 and 3.4% in 2027.

Inflation bounce back but divergence remain across the MENA

The war in the Middle East has reversed a promising trend of gradually declining inflation across most MENAP economies. Prior to the war activity in the wider MENA region was gaining momentum and inflation was declining in most countries. The war changed that trajectory abruptly. According to the IMF, global headline inflation is expected to increase to 4.4% in 2026 and then drop to 3.7% in 2027. Despite the overall uptick projection of global inflation, it is noteworthy to point out that inflationary effect across MENAP is highly projected to be highly uneven, reflecting differences in exposure to disrupted imports, domestic price controls, and existing inflationary momentum. For directly affected MENAP oil exporting countries the near-term inflationary impact is positive relative to pre-war forecasts. This is due to higher trading costs, disrupted supply chains, and rising imported goods prices all contribute to upward pressure. However, the magnitude differs significantly. For the GCC economies, upward adjustments range from about 0.5% point in Saudi Arabia to roughly 1.5% points in Bahrain.

For MENAP oil importing countries, the IMF expects commodity supply shock to directly translate into higher prices. The report estimates that for the average MENAP emerging market oil importer, every 10% increase in average annual oil prices is expected to increase inflation by about 1%. For example inflation in Egypt is expected to reach almost 8% in 2026. Moreover, low-income and fragile states are expected to be even more exposed, as they rely heavily on imported food and fertilizers. The combination of weaker social protection systems and high energy and commodity prices are worsening food insecurity, which already afflicts more than half the population in economies such as Yemen, Sudan, and Afghanistan. The IMF expects monetary policy responses must be carefully calibrated in the region. Central banks confronting second-round effects from higher commodity prices are expected to tighten policy or maintain restrictive stances. In economies where inflation is already high and policy remains accommodative; there is little room for a wait-and-see approach.

Fiscal balances dwindle under war pressure: a diverging landscape

The war in the Middle East has severely disrupted fiscal balances across the MENAP region, but the direction and magnitude of the impact differ significantly depending on whether a country is a directly affected oil exporter, an oil exporter outside the conflict zone, or an oil importer.

For Gulf Cooperation Council economies and other directly affected oil exporter such as, Kuwait, and Qatar, the IMF forecasts the fiscal balance effect to be generally negative despite higher global oil prices. The main reason for this projection is the fall in production and export volumes which outweighs any price windfall. The estimated loss of oil production capacity exceeds 10 million barrels per day, while the closure of the Strait of Hormuz has halted nearly all tanker traffic. Consequently, these economies face downward revisions to their primary fiscal balances. Oman is the notable exception among directly affected economies. Because as we stated before, its sea access, which lies completely outside the Strait of Hormuz, allows its trade and production disruptions have been minimal. The uptick in oil prices therefore flows directly to government covers. Moreover, the IMF expects the Sultanate to witness its current account and primary fiscal balance improve by several hundred bps as compared to pre-war levels.

For MENAP oil importers such as Egypt, Jordan, Tunisia, and Pakistan, the IMF projects fiscal impact of the current disruptive situation to be negative but more moderate. The IMF forecasts that expanding higher energy import bills will widen fiscal deficits, especially in countries that maintain energy subsidies. The IMF estimates that for the average MENAP oil importer it is projected to suffer a fiscal balance decline of about 0.1% to 0.5% for every 10% increase in oil prices. Moreover, there are more fiscal pressures facing countries that go beyond elevated energy prices.

The disruption of the war in the region is forecasted to add fiscal pressures through four main channels: lower revenues, larger energy subsidy bills, potential refugee-related spending, and higher borrowing costs. So far, till the beginning of the war sovereign bond yields have increased notably.

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