Survey of economic and social developments in the Arab region

2021-2022 Summary

Updated version

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Economic and Social Commission for Western Asia

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Summary

As countries worldwide are still recovering from the repercussions of the COVID-19 pandemic, the war in Ukraine is resulting in severe implications for the global economy. It is driving energy and commodity prices up, and threatening food security in many parts of the world. The magnitude of the impact on individual countries depends on the composition of their economies, and their trade and financial links with the Russian Federation and Ukraine. Arab economies have been significantly affected, some positively and others negatively. While some Arab countries have benefited from spikes in energy prices, others have suffered from rising energy costs, food supply shortages, and drops in both tourism and international aid inflows.

The present document addresses the implications of the war in Ukraine on the global economy and on Arab countries. It also reviews developments in terms of poverty and gender dynamics. The Commission is invited to take note of its contents and make comments thereon.

The present document is an update of the *Summary of the 2021-2022 Survey of Economic and Social Developments in the Arab Region: Impact of the Ukrainian Conflict on Arab Economies*, issued by ESCWA in July 2022.

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Introduction

As countries worldwide are still recovering from the repercussions of the COVID-19 pandemic, the war in Ukraine, which started on 24 February 2022, and the accompanying sanctions imposed by many developed countries on the Russian Federation, have placed the global economy in a state of uncertainty and slowed the global economic recovery that began in 2021. The magnitude of the war's impact on countries depends on the composition of their economies, and their trade and financial links with the Russian Federation and Ukraine.

The Russian Federation is a major supplier of oil, gas and metals. Moreover, the Russian Federation and Ukraine combined export over a quarter of the world's wheat. Ukraine is also a major corn and barley producer, and supplies more than 40 per cent of global seed oil.

The prolonged war, along with the resulting spike in commodity prices and tight monetary policy in developed countries, have slowed economic growth in 2022, and this effect is expected to continue in the near future. The global economy is projected to grow by only 3.1 per cent in 2022 and 2023, and by 3.4 per cent in 2024. This slowdown is expected to be unevenly distributed across the different parts of the world. Developed countries will grow at a slower pace, given their financial linkages with the Russian Federation and their dependence on Russian fuel – their growth rate is likely to be about 2.8 per cent in 2022 and 2.1 per cent in 2023. Developing countries will also be affected by higher food and fuel prices but should grow by 4.1 per cent in 2022 and 4.5 per cent in 2023.

European Union economies will only grow at 2.7 per cent in 2022 and 2.4 per cent in 2023, owing to the energy crisis and their dependency on Russian fuel. Growth in the United States of America will also be affected by higher energy and commodity prices, ranging between 2.6 per cent in 2022 and 1.8 per cent in 2023. China is expected to maintain its economic ties with the Russian Federation and will be only slightly impacted by adverse effects on the global economy. Its growth will range between 4.5 per cent in 2022 and 5.2 per cent in 2023, while East and South Asia is expected to grow by 4.5 per cent in 2022 and 5 per cent in 2023.

Global consumer price inflation is projected to reach 7.9 per cent in 2022 then drop to 4.4 per cent in 2023 as global energy prices stabilize. Inflationary pressures are expected to affect most countries worldwide. In developed countries, inflation is expected to range between 5.8 per cent in 2022 and 2.7 per cent in 2023, while in developing countries it is expected to range between 10.5 per cent in 2022 and 6.6 per cent in 2023.

Unemployment is expected to continue its downward trend in 2022 as a result of the stimulus packages implemented to mitigate the impact of the COVID-19 pandemic. However, European Union countries will face additional challenges resulting from the influx of a large number of refugees from Ukraine.

Table 1. Growth and inflation: world and regional averages, 2021-2024 (Percentage)

	Real GDP growth rate				Consumer price inflation rate			
	2021	2022	2023	2024	2021	2022	2023	2024
World	5.8	3.1	3.1	3.4	12.2	7.9	4.4	3.4
Developed economies	5.2	2.8	2.1	2.7	3.2	5.8	2.7	2.1
United States of America	5.7	2.6	1.8	2.4	4.7	6.9	2.9	2.3
Japan	1.7	2.7	2.2	1.5	-0.2	1.8	1.1	0.9
European Union	5.3	2.7	2.4	3.7	2.7	6.0	3.0	2.2
Economies in transition	4.9	-8.2	2	4.4	7.2	14.1	9.4	5.5
Developing economies	6.7	4.1	4.5	4.1	25.7	10.5	6.6	5.2
Africa	3.9	3.5	3.5	3.2	18.1	12.2	9.5	8.1
East and South Asia	7	4.5	5	4.4	2.6	3.7	3.4	3.2
China	8.1	4.5	5.2	5	1.0	2.2	2.3	2.3
Latin America and the Caribbean	6.6	2.1	2.8	3.5	117.7	30.3	17.0	11.8
South America	7.1	1.8	2.7	3.4	165.7	39.7	22.2	14.7
Least developed countries	3	4.3	5.3	7.1	30.4	15.9	10.0	6.1

Source: United Nations, World Economic Situation and Prospects 2022, 2022.

1 Natural resource commodities

A. Oil

The war in Ukraine has had a significant impact on the commodity market. As soon as it broke out, energy prices surged and the basket price of the Organization of the Petroleum Exporting Countries (OPEC) increased from $96.1/barrel on 23 February 2022 to over $100 the following day (almost reaching its 2014 levels) and reached $128.5/barrel on 9 March 2022 (an almost $30 increase per barrel in two weeks). OPEC+ decided to raise their production only slightly starting from April 2022, while shale production continues to rise. Furthermore, new COVID-19 lockdown measures could still threaten demand, particularly if they originate in major markets such as China, which would in turn lead to a decline in oil prices. The price of oil is expected to remain stable throughout 2023 and 2024, with slight decreases to $98/barrel in 2023 and $82/barrel in 2024.

B. Natural gas and phosphate

The prices of natural gas in Europe rose almost sixfold between December 2020 and June 2022 as a result of the conflict. Gas prices have reached their highest levels since July 2008 as sanctions on Russian exports have come into force. Meanwhile, the global fertilizer markets have been severely disrupted, particularly the prices of diammonium phosphate (DAP) that increased more than threefold and of phosphate rock that increased almost fourfold between December 2019 and June 2022.

Similarly, food prices increased significantly as the war disrupted agricultural operations in Ukraine, contributing to a decrease of about 40 per cent in crop production.

2 Macroeconomic outlook in the Arab region

A. Overview

As Arab countries were recovering from the repercussions of the COVID-19 pandemic, the war in Ukraine affected their economies significantly, some positively and others negatively. While some Arab countries benefited from spikes in energy prices, others suffered from rising energy costs, food supply shortages, and drops in both tourism and international aid inflows. Following an estimated 5.2 per cent growth in 2022, the Arab region is expected to grow by 4.5 per cent in 2023 and 3.4 per cent in 2024. However, this outlook faces many risks and uncertainties, including fears of a new COVID-19 wave, a protracted war in Ukraine and expanding sanctions on the Russian Federation, economic collapse in some Arab countries suffering from dire socioeconomic conditions, and persistence of conflict and political instability.

Table 2. Real GDP growth rate in the Arab region, 2021-2024 (Percentage)

	Real GDP growth rate			Consumer price inflation rate		
	2022	**2023**	**2024**	**2022**	**2023**	**2024**
Bahrain	4.1	3.5	2.9	3.5	4.3	3.1
Kuwait	5.9	3.3	2.4	4.0	2.5	1.9
Oman	4.6	3.6	3.5	3.6	3.1	3.0
Qatar	7.6	6.4	2.3	3.6	3.1	2.7
Saudi Arabia	6.4	4.3	3.1	2.5	1.8	1.3
United Arab Emirates	6.3	5.0	4.2	4.8	3.7	2.2
Gulf Cooperation Council countries	**6.3**	**4.6**	**3.3**	**3.4**	**2.6**	**1.9**
Algeria	5.4	3.2	2.6	7.2	7.1	5.9
Egypt	5.4	4.3	4.2	18.5	15.6	11.2
Jordan	2.6	2.0	2.3	3.9	3.1	3.1
Lebanon	2.2	6.7	5.2	86.9	13.7	10.9
Morocco	0.9	2.3	3.1	6.8	4.3	3.8
Tunisia	2.3	1.3	1.4	9.1	8.7	7.5
Arab middle-income countries	**4.3**	**3.6**	**3.5**	**17.7**	**10.9**	**8.3**
Iraq	6.2	5.0	3.6	5.6	3.2	3.2
Libya	-17.7	33.3	5.7	26.2	15.8	10.3
State of Palestine	4.7	3.4	2.4	6.5	5.4	4.8
Syrian Arab Republic	0.1	0.2	0.7	51.0	14.5	9.5
Yemen	2.3	1.9	4.3	51.2	28.1	13.2
Arab conflict-affected countries	**2.8**	**6.8**	**3.6**	**16.0**	**8.0**	**5.5**
Comoros	2.9	4.3	3.7	12.5	5.6	2.9
Djibouti	5.8	5.7	5.8	6.6	5.3	4.7
Mauritania	4.5	4.1	4.0	8.5	7.8	7.3
Somalia	1.7	3.2	4.8	10.5	8.9	7.5
Sudan	0.3	2.1	2.1	189.0	85.2	14.5
Arab least developed countries	**0.9**	**3.3**	**4.6**	**163.4**	**74.1**	**13.3**
Total Arab countries	**5.2**	**4.5**	**3.4**	**13.7**	**7.8**	**4.5**

Source: ESCWA projections based on the World Economic Forecasting Model for 2022

B. Gulf Cooperation Council countries

Countries of the Gulf Cooperation Council (GCC) will benefit from the recovery in oil markets that started in 2021, and will profit from energy price hikes caused by the war in Ukraine. In April 2022, oil production in GCC countries was 20 per cent higher than a year before, exceeding pre-pandemic levels. GCC counties will thus grow at their fastest pace since 2014, and are expected to register 6.3 per cent growth in 2022, and 4.6 and 3.3 per cent in 2023 and 2024, respectively.

Qatar should display the highest growth rates in the GCC subregion, with an estimated 7.6 per cent growth in 2022 and 6.4 per cent in 2023, benefiting from increased prices and demand for natural gas, and from the expected spike in tourism as Doha hosts the World Cup 2022. Saudi Arabia is expected to grow by 6.4 per cent in 2022 and 4.3 per cent in 2023, benefiting from the spike in global energy prices, the resumption of religious tourism as of 2022, and increased investments through the national Public Investment Fund. The United Arab Emirates will grow by 6.3 per cent in 2022 and 5 per cent in 2023, owing to higher energy prices, increased oil production and higher demand, as well as increased tourism resulting from Dubai hosting Expo 2020. Oman is expected to grow by 4.6 per cent in 2022 and 3.6 per cent in 2023, driven by an expansion in the non-oil sector and increased production of liquefied natural gas (LNG). In Kuwait, GDP is expected to grow by 5.9 per cent in 2022 and 3.3 per cent in 2023. In Bahrain, GDP will increase by 4.1 per cent in 2022 and 3.5 per cent in 2023, as a result of an increase in hydrocarbon production and growth in non-oil sectors.

C. Arab middle-income countries

Arab middle-income countries (MICs) are expected to record a remarkable rebound in 2022, notably owing to the removal of COVID-19 restrictions and the resumption of normal economic activity throughout the region. Their GDP is expected to grow by 4.3 per cent in 2022 and by around 3.6 per cent over the period 2023-2024. Three MICs, namely Egypt, Lebanon and Tunisia, are negotiating with the International Monetary Fund to develop a programme under the Extended Fund Facility. Most MICs are suffering from higher energy and commodity prices, including essential food items, and have witnessed a depreciation of their national currencies. In Egypt, the pound depreciated by 16 per cent overnight. In Tunisia, the dinar lost around 10 per cent of its value between July 2021 and July 2022. Lebanon continues to face dire economic and financial conditions, political deadlock, and soaring prices.

All Arab MICs will witness moderate growth rates in 2022, except Algeria and Egypt. Algeria will benefit from high oil prices and will register a 5.4 per cent growth rate in 2022 and 3.2 per cent in 2023. Egypt is expected to grow by 5.4 per cent in 2022 and by 4.3 per cent over the period 2023-2024, driven by an increase in demand for and prices of Egyptian gas, but negatively affected by higher food prices and a drop in tourism. Jordan, Lebanon, Morocco and Tunisia will witness modest growth, and continue facing concerns over food security. Morocco is expected to grow by 0.9 per cent in 2022, affected by drought that caused a 17.3 per cent drop in agricultural output in that year. Tunisia is going through uncertain economic and political circumstances, including high unemployment, a twin deficit, elevated debt, weak reforms, and a depreciation of its national currency. It is expected to grow by 2.3 per cent in 2022. Jordan is also expected to face a modest growth of around 2.6 per cent in 2022. In Lebanon, GDP is expected to grow by 2.2 per cent in 2022, driven by growth in the tourism sector from the inflow of a large number of Lebanese expatriates after two years of COVID-19 travel restrictions.

D. Conflict-affected countries

Conflict-affected countries (CACs) continue to face political instability and security concerns. Their collective GDP is expected to grow by 2.8 per cent in 2022, 6.8 per cent in 2023 and 3.6 per cent in 2024. The expected slowdown in 2022 is the result of higher food prices in CAC economies, caused by the war in Ukraine and political instability. Furthermore, low COVID-19 vaccination rates are compounding uncertainty, as the emergence of new COVID-19 variants and new infection waves may hit already fragile CAC economies harder.

Growth in CACs is driven by significant growth in Iraq, which has benefited from the spike in oil prices. Iraqi GDP growth is expected to reach 6.2 per cent in 2022 and 5 per cent in 2023. In Libya, GDP is expected to grow by 10.5 per cent in 2022. Palestinian GDP is expected to grow by 4.7 per cent in 2022 and 3.4 per cent in 2023. The State of Palestine is witnessing slow COVID-19 vaccination, a significant drop in international aid following the war in Ukraine, continued and recurrent Israeli aggression, and the ongoing Gaza blockade. In the Syrian Arab Republic, GDP is expected to grow by only 0.1 per cent in 2022, 0.2 per cent in 2023, and 0.7 per cent in 2024 as a result of political instability and persisting sanctions. Yemen continues to suffer from internal political divide, fragmented institutions, unstable security conditions and humanitarian emergencies, and is expected to grow by 2.3 per cent in 2022 and 1.9 per cent in 2023. Libya is the only country in the Arab region expected to experience a 17.7 per cent contraction in its GDP in 2022 as a result of political tensions and disrupted oil production.

This outlook remains uncertain as many CACs are facing unforeseen risks emanating from the war in Ukraine. Russian oil companies operating in Iraq may be affected by international sanctions, which would cause a drop in oil production in the country. In Libya and Yemen, there are uncertainties regarding the resumption of oil production at full capacity. In the Syrian Arab Republic, the Government had to increase public sector wages twice in 2021 because of the spike in inflation, which has put additional pressure on government resources.

E.Least developed countries

Arab least developed countries (LDCs) are expected to grow by only 0.9 per cent in 2022, and by 3.3 and 4.6 per cent in 2023 and 2024, respectively. The socioeconomic situation in Arab LDCs has been exacerbated by an increase in the prices of energy and essential commodities. In addition, they risk a drop in official development assistance, as more aid will be directed to support Ukraine and countries hosting Ukrainian refugees.

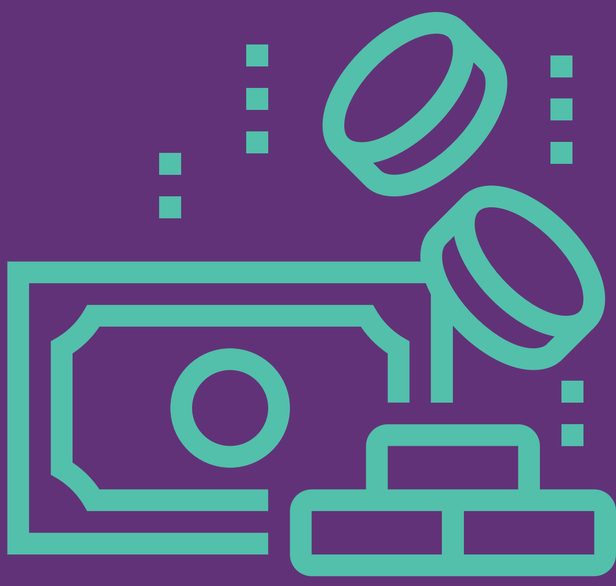
In the Sudan, GDP will grow by 0.3 per cent only in 2022 because of the persistence of political instability following the 2021 coup, and by 3.2 per cent in 2023. In Djibouti, GDP is expected to grow by about 3.6 per cent during the period

2022-2024, driven by infrastructure projects. In the Comoros, GDP is expected to grow by 2.9 per cent as a result of the Government's expansionary policy pursued in previous years. The war in Ukraine will have a dual effect on Mauritania: it will have a positive effect on mining industries, particularly iron ore and gold, and a negative effect on energy and food prices. Mauritania is expected to register a growth rate of 4.5 per cent in 2022 and of about 4 per cent in the period 2023-2024. Somalia continues to suffer from severe drought, which is affecting the agriculture and health sectors and causing internal displacement. Somali GDP is expected to grow by 1.7 per cent in 2022 and by 2.1 per cent in 2023.

F. Consumer price inflation

Higher energy prices and shortages of essential food items are expected to increase inflation in the Arab region to 13.7 per cent in 2022, a rate which is projected to drop to 7.8 and 4.5 per cent in 2023 and 2024, respectively. Inflation in MICs is expected to reach as high as 17.7 per cent in 2022 and 10.9 per cent in 2023, driven mainly by high inflation rates in Lebanon. The country will register a hefty inflation rate of about 86.9 per cent in 2022 and some 13.7 per cent in 2023, as it is still facing a severe economic and financial crisis and a sharp currency depreciation. Political instability is also affecting inflation rates in Libya, the Syrian Arab Republic and Yemen, which will all register double-digit inflation in 2022 and 2023. Ongoing political instability and dire economic conditions in the Sudan will result in an inflation rate of about 163.4 per cent in 2022 and 74.1 per cent in 2023.

3 Fiscal situation and debt in Arab countries



The fiscal position of Arab countries is expected to improve in 2022 as a direct result of the war in Ukraine and the ensuing increase in energy prices. However, this will be partially offset by an increase in metal and food prices. GCC countries will benefit from higher energy prices and are expected to record a fiscal surplus of 5.6 per cent of GDP in 2022. This will be supported by higher tax revenues, as several GCC countries introduced or revised their tax rates in 2021. Qatar will record the largest fiscal surplus as a percentage of GDP in the GCC subregion, expected to reach 12.7 per cent in 2022. The fiscal surplus will allow the GCC subregion to decrease its debt-to-GDP ratio from 36.4 per cent in 2021 to about 30 per cent in 2022.

Arab MICs are expected to have a more constrained fiscal space, especially oil-importing ones which will suffer from the surge in energy prices. The fiscal deficit in Arab MICs is expected to reach 8 per cent of their collective GDP. Countries that trade with the Russian Federation or Ukraine will be forced to source new markets and pay higher prices, which will put pressure on their fiscal positions. This is particularly concerning for wheat imports in countries such as Egypt, Lebanon, Morocco and Tunisia, which have maintained their bread subsidies and are now paying higher prices. Debt-to-GDP ratio is expected to decline in MICs from 79.1 per cent in 2022 to 76.3 per cent in 2024, as a result of the large drop in the value of Lebanese debt following the massive depreciation of the local currency.

CACs are expected to witness an improvement in their fiscal position in 2022 and to record a 4.7 per cent surplus as percentage of GDP, driven by a significant improvement in the fiscal position of Iraq. The country will witness a fiscal surplus of 8.5 per cent of GDP, owing to a recovery in oil markets and an increase in oil prices. Arab LDCs are also projected to witness a significant reduction of their debt-to-GDP level, expected to drop from 78.1 per cent in 2022 to 47.3 in 2023, driven mainly by a significant reduction of the debt level in the Sudan.

Table 3. Fiscal balance and debt-to-GDP ratio in the Arab region (Percentage)

	Fiscal balance			Government debt		
	2022	2023	2024	2022	2023	2024
Bahrain	-4.9	-6.5	-6.8	131.3	129.6	128.3
Kuwait	-0.3	0.2	1.1	11.4	10.4	8.7
Oman	4.7	2.7	1.6	67.6	60.6	55.0
Qatar	12.7	14.1	5.9	47.5	28.9	21.6
Saudi Arabia	4.7	2.9	2.2	22.1	22.0	18.6
United Arab Emirates	6.5	3.0	2.5	25.4	20.3	16.4
GCC countries	**5.6**	**3.9**	**2.4**	**29.9**	**25.8**	**21.9**
Algeria	-12.9	-10.2	-8.5	66.4	71.5	75.2
Egypt	-7.3	-8.3	-8.3	82.1	78.0	75.1
Jordan	-7.0	-6.7	-5.9	92.2	94.7	95.9
Lebanon	-6.7	-5.2	-4.8	89.9	64.6	61.0
Morocco	-4.5	-5.1	-5.1	76.5	76.6	77.0
Tunisia	-5.6	-5.8	-5.6	87.1	85.6	83.7
Arab middle-income countries	**-8.0**	**-7.9**	**-7.5**	**79.1**	**77.2**	**76.3**
Iraq	8.5	6.2	4.7	63.2	51.7	44.3
Libya	-6.0	3.1	2.4	n.a.	n.a.	n.a.
State of Palestine	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Syrian Arab Republic	-10.5	-10.9	-10.4	20.5	27.2	35.0
Yemen	-4.4	-4.4	-3.7	58.7	50.5	45.6
Arab conflict-affected countries	**4.7**	**3.9**	**2.8**	**59.4**	**49.8**	**43.7**
Comoros	-7.6	-6.5	-4.3	33.6	36.9	38.3
Djibouti	-3.8	-3.0	-2.7	53.8	51.1	50.1
Mauritania	-2.7	-2.6	-2.2	50.1	47.9	45.7
Somalia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sudan	-2.1	-4.4	-4.3	83.2	47.2	34.7
Arab least developed countries	**-2.3**	**-4.2**	**-4.0**	**78.1**	**47.3**	**36.4**
Total Arab countries	**0.9**	**-0.1**	**-0.9**	**49.7**	**45.0**	**41.7**

Source: ESCWA projections based on the World Economic Forecasting Model for 2022

4 Social developments and gender dynamics

The global drive to reduce poverty has slowed according to the latest regional growth projections, given the rising cost of living in the post-pandemic world and the complex situation in the energy and commodity markets caused by the war in Ukraine. Using national poverty lines, the Arab region witnessed an increase in poverty in 2022 compared with previous years, particularly the period before the outbreak of the COVID-19 pandemic. More than one third of the region's population, or 35.3 per cent, live under the national poverty threshold. Moreover, poverty is expected to rise further, reaching 35.8 per cent in 2023 and 36.0 per cent in 2024. This is in contrast to the projections made prior to the start of the war in Ukraine, which estimated that 34.5 per cent of the population would have been poor today, and that the poverty rate would remain unchanged in the following two years.

Poverty levels in Arab MICs have increased since the outbreak of the pandemic from 18.3 per cent in 2019 to 21.6 per cent in 2022, and poverty is projected to further increase to 22.0 per cent in 2023 and 22.6 per cent in 2024. In Arab LDCs and CACs, poverty has risen dramatically from 40.1 per cent to 48.6 per cent in the first group, and from 42.8 per cent to 50.6 per cent in the second group from 2019 to 2022. In the LDCs, poverty is expected to stagnate over the coming two years at 48.7 per cent in 2023 and 48.6 per cent in 2024. A pessimistic prognosis is made for CACs, where poverty is expected to hit 51.7 per cent in 2023, before dipping slightly to 51.4 per cent in 2024.

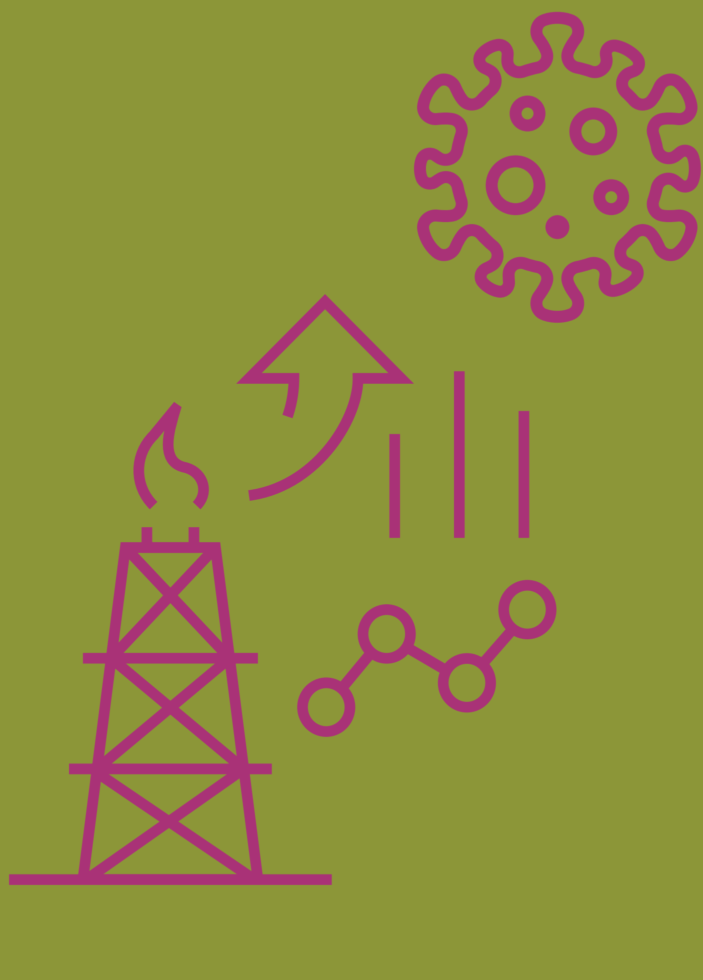
Across the Arab region, the total unemployment rate is projected to decrease to 12 per cent in 2022, driven by an improvement in the rate of unemployment in GCC countries. In MICs, unemployment is expected to remain acute in most countries, except Egypt. Lebanon is likely to continue recording the highest unemployment rate in the Arab region at about 29.2 per cent in 2022, as a result of its protracted financial and economic crisis. Unemployment rates are expected to remain high and to increase slightly in many Arab CACs and LDCs.

The gender dynamics indicators have not changed much for the Arab region since 2021. The 2022 Global Gender Gap Index shows that the region continues to have the highest share of the worst-performing countries in the Index among the world's regions. The average score for the Arab region slightly improved in 2022, leaving a gap of 37.05 per cent between the two genders. According to the World Economic Forum, the timeframe to close this gap in the Arab region is more than 115 years.

While no Arab country has achieved full gender parity in terms of health and survival, the Arab region has made significant progress in closing the education gender gap. There is also slight improvement in terms of economic participation and opportunity. However, the region is still characterized by structural barriers that hinder women's participation. Only 5 per cent of firms in the Arab region have top female managers.

The female labour force participation rate in the Arab region continues to be the lowest worldwide, estimated at 19.9 per cent in 2022, well below the world's average of 46.6 per cent. Similarly, the Arab female unemployment rate is the highest worldwide, estimated at 22.1 per cent compared with a global average of 6 per cent. This is more pronounced among young people (aged 15-24): in 2022, the youth female unemployment rate in the region was estimated at 44.9 per cent, while male youth employment was 22.8 per cent. In contrast, global averages stand at 15.2 per cent and 14.5 per cent, respectively.

5 Prospects



The hope for a global recovery in early 2022 vanished with the outbreak of the war in Ukraine, soaring commodity prices, and tightening monetary conditions. Uncertainty worldwide remains significant, so deriving meaningful projections for 2023, 2024 and onwards is increasingly difficult. The main challenge for developed economies is to maintain inflation within reasonable limits. The Federal Reserve of the United States of America and the European Central Bank seem determined to do so and are likely to succeed, though presumably at a cost of recession. This determination will, however, exacerbate problems in middle- and low-income economies, which will face increased financing costs and surging energy and food prices.

Although the 2022-2024 outlook for the Arab region remains largely positive, growth is not equally distributed. The war in Ukraine is driving up global prices of energy, food and raw materials. While GCC countries and other Arab-oil exporting nations will benefit from higher energy prices, most Arab MICs will struggle to finance higher import bills at a time when their economies are suffering from deep structural challenges and weak institutions. Arab CACs and LDCs will continue to face fragile socioeconomic conditions. Their recovery depends on political reconciliation in some countries, the end of hostilities in others, and a resumption of international aid and support in most.

Oil-exporting Arab countries have the opportunity to accumulate reserves and to invest in projects that generate inclusive growth and sustainable development, and which can diversify their economies away from the fossil fuels sector. Oil-importing countries, including CACs, need to rationalize their spending and engage in structural reforms that will strengthen their economies.

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