Plunging Oil Prices Bring Gains and Losses to the Middle East and North Africa Region

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New World Bank Report Details the Varying Impacts of the Decline in Prices on the Region's Oil Importers and Exporters
The over-50 percent decline in world oil prices-from US$115 a barrel in June 2014 to less than US$50 today-will have significant consequences for the economies of the Middle East and North Africa (MENA) region. According to the World Banks latest MENA Quarterly Economic Brief the oil importers that are expected to gain include Jordan, Tunisia, Lebanon and Egypt. The trade balances for these countries could improve by up to 2 percent of GDP. The oil exporters will likely run larger fiscal and current account deficits or their surpluses will shrink substantially.
"Oil importers will benefit from lower import and fuel subsidy bills, while exporters-some of whom depend on oil for 80 percent of their income-will lose export and fiscal revenues," said Shanta Devarajan, World Bank Chief Economist for the Middle East and North Africa region.
The report, Plunging Oil Prices, focuses on the implications of low oil prices for eight developing countries, or the MENA-8 (oil importers: Egypt, Tunisia, Lebanon and Jordan and oil exporters: Iran, Iraq, Yemen and Libya) and the economies of the GCC (Gulf Cooperation Council), who play a major role in providing funds in the form of aid, investment, tourism revenues and remittances to the rest of the countries of the region.
Yemen and Libya are among the most vulnerable oil producers while Iran and Iraq could experience a worsening of the oil trade balance (net oil exports) in excess of 10 percent of GDP in 2015. The oil-exporting countries of the Gulf Cooperation Council are in a much better position due to their ample reserves, but they too could endure over a US$215 billion loss in oil revenues, more than 14 percent of their combined GDP.
"The oil shock could threaten the ability of some of the oil exporters to meet domestic spending commitments," said Lili Mottaghi, World Bank MENA Economist and the author of the report." Their options include drawing down reserves, accumulating debt, and cutting spending on fuel subsidies and public-sector salaries. "
Oil importers such as Egypt, Jordan and Lebanon face a risk as their economies receive large flows of remittances and aid from the GCC. However, based on previous episodes, the MENA Quarterly Brief concludes that lower oil prices will likely lead to slower growth, but not a decline in remittances.

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