

Economic growth in Western Asia to remain subdued in 2017 and 2018: UN report

Macroeconomic adjustments, ongoing conflicts and geopolitical concerns will restrain economic activity in the region

Beirut, 17 January – Growth in Western Asia is projected to remain subdued in 2017-2018 amid volatile socio-economic conditions, as the global economy continues to be trapped in a prolonged period of slow growth, according to the United Nations World Economic Situation and Prospects (WESP) 2017 Report released today.

The report shows that world gross product grew by just 2.2 per cent in 2016, marking its slowest pace of expansion since the Great Recession of 2009. Global growth is projected to see a moderate improvement to 2.7 per cent in 2017 and 2.9 per cent in 2018, but this is more an indication of economic stabilization than a signal of a robust revival of global demand.

Economic growth in Western Asia is projected to reach 2.5 per cent in 2017 and 3.0 per cent in 2018, up from 2.1 per cent in 2016. Economic activity in the countries of the Cooperation Council for the Arab States of the Gulf (GCC) will be constrained by relatively low oil prices, slower bank lending and tighter liquidity conditions. The growth outlook is more mixed in the region's non-oil exporting countries, but military conflicts and geopolitical tensions continue to curb investment and trade.

The economy of Saudi Arabia is expected to expand by only 1.5 per cent in 2017 and 2.3 per cent in 2018 amid fiscal consolidation and weak investment. The economies of Bahrain, Oman and the United Arab Emirates are also projected to continue on a modest growth path in 2017 and 2018. Among the more diversified countries, the Turkish economy is projected to expand at a solid rate as domestic demand remains resilient. Israel's economy is expected to see growth of more than 3.0 per cent in 2017 and 2018. In the Syrian Arab Republic and Yemen, the economy is in a perilous state due to the intensification of the armed conflicts and severe foreign exchange shortages.

Labour markets and unemployment

The report emphasizes that labour markets have weakened in the GCC countries and the more diversified economies of the region, with unemployment rates on a modest rise. The growth slowdown has hampered job creation in the GCC countries, which have traditionally absorbed a substantial number of job seekers in the region. The armed conflicts have caused large-scale unemployment in Iraq, the Syrian Arab Republic and Yemen, and some negative spillover effects have been observed in the labour markets of Jordan, Lebanon and Turkey.

The labour market situation in the region is not expected to improve significantly in the next two years, with structural unemployment remaining high, particularly among youth, and a widespread lack of decent work.

Risks and policy challenges

The report cautions that there are significant risks to the global and the regional outlook. Among other issues, the report highlights the high degree of uncertainty in the international policy environment and elevated foreign currency-denominated debt levels as key downside risks that may derail global growth.

For Western Asia, further expansions of armed conflicts and geopolitical tensions continue to pose persistent downside risks to the outlook. An escalation of the conflicts could lead to a further deterioration of the medium-term economic and development prospects, preventing progress towards the Sustainable Development Goals. External developments might also affect the outlook in some economies. In particular, a faster-than-expected pace of interest rate hikes in the United States could make it even more difficult to revive investment in the GCC countries.

Given the close linkages between demand, investment, trade and productivity, the prolonged period of weak global growth may prove self-perpetuating, especially in the absence of concerted policy efforts to revive investment and foster a recovery in productivity. Against this backdrop, the report calls for a more balanced policy approach to not only restore robust growth in the medium term, but also to achieve greater progress on sustainable development.

About the report: *The World Economic Situation and Prospects report is the UN's flagship publication on expected trends in the global economy. The WESP is produced annually by the UN Department of Economic and Social Affairs (UN/DESA), the UN Conference on Trade and Development (UNCTAD), the five UN regional commissions and the World Tourism Organisation (UNWTO). The report is available from <http://bit.ly/WESP>.*

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