United Nations | Department of Economic and Social Affairs

Press Release
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Short-term outlook for Western Asia faces lingering uncertainties despite some improvement, warns UN report

Protracted conflicts, stagnating oil revenues, and tight fiscal policy space cloud the outlook

Beirut, 9 January 2025 – Western Asia's economic outlook faces challenges amid escalating conflicts, stagnant oil production, and limited macroeconomic policy space, according to the **UN World Economic Situation and Prospects (WESP) 2025**.

Global economic growth is projected to remain at 2.8 per cent in 2025, unchanged from 2024. While the global economy has demonstrated resilience, withstanding a series of mutually reinforcing shocks, growth remains below the pre-pandemic average of 3.2 per cent, constrained by weak investment, sluggish productivity growth, and high debt levels.

The report notes that lower inflation and ongoing monetary easing in many economies could provide a modest boost to global economic activity in 2025. However, uncertainty still looms large, with risks stemming from geopolitical conflicts, rising trade tensions and elevated borrowing costs in many parts of the world. These challenges are particularly acute for low-income and vulnerable countries, where sub-par and fragile growth threatens to further undermine progress towards the Sustainable Development Goals (SDGs).

"Countries cannot ignore these perils. In our interconnected economy, shocks on one side of the world push up prices on the other. Every country is affected and must be part of the solution—building on progress made," said António Guterres, United Nations Secretary-General, in the foreword to the report. "We've set a path. Now it's time to deliver. Together, let's make 2025 the year we put the world on track for a prosperous, sustainable future for all."

Western Asia faces a challenging macroeconomic outlook

The macroeconomic outlook for Western Asia remains clouded by significant challenges, including geopolitical conflicts, stagnant oil revenues, and tight fiscal space. The escalation of conflicts in specific areas is negatively affecting economic performance in the wider region.

Attacks on commercial shipping continue to threaten freight traffic through the Red Sea and the Suez Canal. Against this backdrop, regional economic growth is estimated to have remained subdued at 2.0 per cent in 2024, albeit with significant disparities among countries in the region. As oil production is expected to gradually increase, GDP growth is projected to accelerate to 3.5 per cent in 2025. In the longer run, the economic performance of major commodity-dependent economies in the region will depend on their ability to diversify their industries.

Growth in the region's largest economies, Saudi Arabia and Türkiye, is forecast to reach 4.4 per cent and 3.1 per cent, respectively, in 2025. GDP growth in the region's major oil-exporters is forecast to recover in 2025 due to the easing of oil production cuts by OPEC Plus. Economic performance of oil-importing countries is overshadowed by conflicts, elevated inflation and tight fiscal space.

Political instability and escalating conflicts overshadow growth prospects in the region

Conflicts have exacted heavy humanitarian and economic tolls, casting a shadow over the region's economic outlook. As the war in Gaza continues to inflict heavy economic and humanitarian costs, the economy of the State of Palestine contracted by 35 per cent year-over-year in the first half of 2024 amid an 86 per cent output decline in Gaza. The recent escalation of conflict into Lebanon has had a devastating impact on the Lebanese economy, which is estimated to contract sharply by 4 per cent in 2024. Following the collapse of the previous regime in early December and amid a rapidly evolving situation, Syria's economic outlook faces significant uncertainties. Yemen faces escalated levels of poverty and food insecurity.

Monetary policy is easing, but stagnant oil revenues limit fiscal policy space

Central banks in the Cooperation Council for the Arab States of the Gulf (GCC) countries and Jordan reduced policy interest rates in September 2024 following the Federal Reserve rate cut. Türkiye has maintained a tight monetary policy stance, with the central bank keeping the policy rate unchanged at 50 per cent. Modest loosening is expected in 2025 along with easing inflation.

Fiscal positions across the region remain challenging as Governments face mounting spending pressures. In the GCC countries, the average fiscal deficit is expected to widen from an estimated 1.9 per cent of GDP in 2024 to 2.6 per cent of GDP in 2026 due to limited oil production, stagnant oil prices, large energy and food subsidies, and higher spending to support economic diversification efforts. Bahrain and Saudi Arabia are expected to maintain a fiscal deficit in 2025 and 2026 amid increased investment in the non-oil sector. The 2024 fiscal surplus in Kuwait is expected to turn into a deficit in 2025 and 2026 due to increased spending on infrastructure projects for Kuwait Vision 2035 and costly food and fuel subsidies. Qatar, however, is expected to maintain a fiscal surplus in 2025 and 2026, supported by stable gas production and expansion into new markets. In Türkiye, the Government is implementing fiscal consolidation measures to curb inflation. The new measures are expected to help narrow the fiscal deficit in 2025 and reduce inflationary pressures.

Critical minerals: A vital opportunity for accelerating sustainable development

The report highlights the potential of critical minerals for the energy transition—such as lithium, cobalt, and rare earth elements—and also for accelerating progress towards the SDGs in many countries.

For resource-rich developing countries, rising global demand for critical minerals presents a unique opportunity to boost growth, create jobs, and increase public revenues for investment in sustainable development. However, the report warns that these opportunities come with significant risks. Poor governance, unsafe labour practices, environmental degradation, and over-reliance on volatile commodity markets could exacerbate inequalities and harm ecosystems, undermining long-term development gains.

"Critical minerals have immense potential to accelerate sustainable development, but only if managed responsibly," said Li Junhua, United Nations Under-Secretary-General for Economic and Social Affairs. "Governments must adopt forward-looking policies and comprehensive regulatory frameworks to drive sustainable extraction, equitable benefit-sharing, and investments in building productive capacities to maximize the development gains from these resources."

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The report will be available on 9 January 2025, 12:30 pm EST on https://www.bit.ly/UN_WESP2025 and desapublications.un.org once the embargo has been lifted.

Hashtag: #WorldEconomyReport

Media Contacts:
Alex del Castello, UN Department of Global Communications, alexandra.delcastello@un.org
Helen Rosengren, UN Department of Economic and Social Affairs, rosengrenh@un.org