

IMF Regional Economic Outlook for the Middle East and Central Asia

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IMF Regional Economic Outlook for the Middle East and Central Asia Highlights the Need for Policies to Adjust Further to a World of High Oil Prices Press Release No. 06/89 May 4, 2006

The International Monetary Fund (IMF) today released the May 2006 Middle East and Central Asia Regional Economic Outlook (REO). Mr. Mohsin Khan, Director of the IMF's Middle East and Central Asia Department, highlighted the report's main findings:

"High oil prices and a benign global environment underpinned the Middle East and Central Asia region's strong macroeconomic performance in 2005. Regional growth averaged over 6 percent, despite ongoing geopolitical tensions. Growth in the region substantially outpaced global growth—which remained strong, with inflation and interest rates at historically low levels. Inflationary pressures in the region were manageable, despite generally accommodative monetary policies that fueled rapid credit growth. Fiscal and external balances improved in most countries, and official reserves rose sharply, even after substantial external debt repayments.

"Policymakers in the region have so far acted as though the oil price rise is largely temporary. Most oil exporters continue to budget cautiously, apparently assuming that oil prices will decline. These countries are saving, on average, two-thirds of the higher oil revenues earned since 2002, and their high savings are showing up in the widening of global imbalances. Capital inflows from oil producers have helped some oil importing countries to finance their higher import bills and postpone adjustment.