

MENA ECONOMIC UPDATE - APRIL 2023

ALTERED DESTINIES

The Long-Term Effects of Rising Prices and Food Insecurity in the Middle East and North Africa

Roberta Gatti, Daniel Lederman, Asif M Islam, Federico R Bennett, Bo Pieter Johannes Andree, Hoda Assem, Rana Lotfi, Mennatallah Emam Mousa





KEY MESSAGES

- 1. MENA's growth rate will slowdown in 2023 after the oil windfall of 2022 that benefitted especially GCC economies**
 - GDP growth: **MENA** - 5.8% [2022] to 3.0% [2023]. **GCC** - 7.3% [2022] to 3.2% in [2023].
- 2. The region's inflation rate rose dramatically in 2022, and food inflation rose even faster**
 - March - December 2022: Food Inflation (Y/Y) 29%, headline inflation (Y/Y) 19.4%
- 3. Rising food prices (even temporary) pose severe challenges for MENA that may last for generations**
- 4. New challenge compounds on already inadequate child nutrition and health pre COVID-19 pandemic. Dated data**
- 5. Food insecurity in developing MENA deteriorated [11.8% - 2006, 17.6% - 2023] largely due to Syria and Yemen.**
- 6. We must act now. Cost of inaction compounded over many future generations would be much higher**
 - Better targeted cash and in-kind transfers, resilient food systems, better care for mothers, improved data

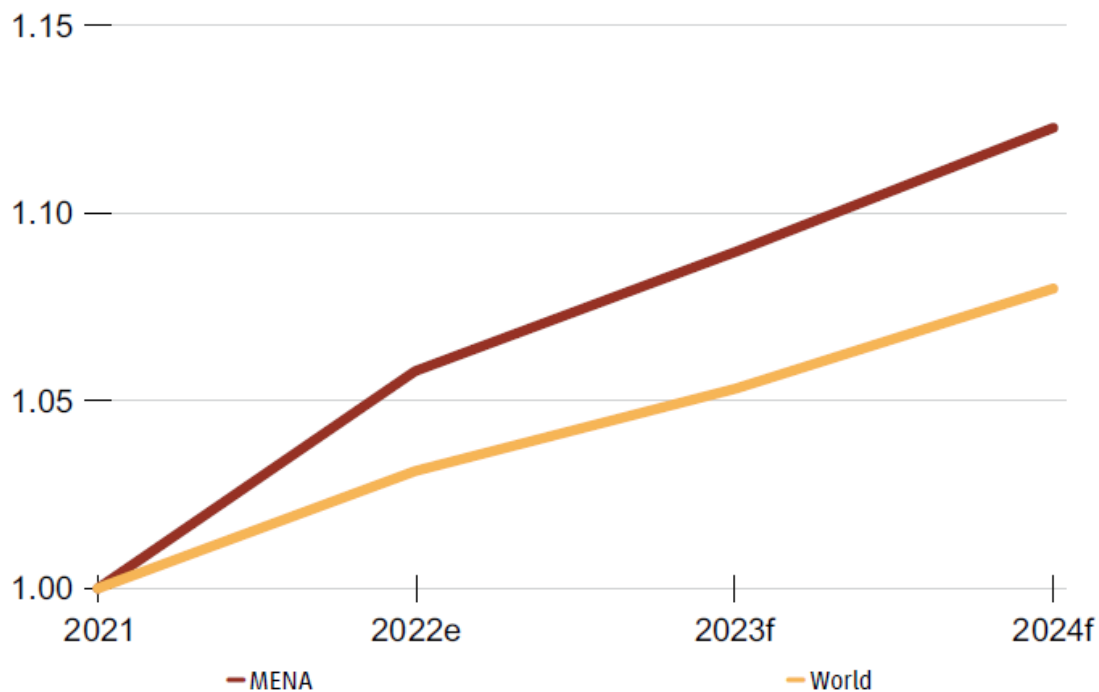


PART I: MACROECONOMIC DEVELOPMENTS AND OUTLOOK

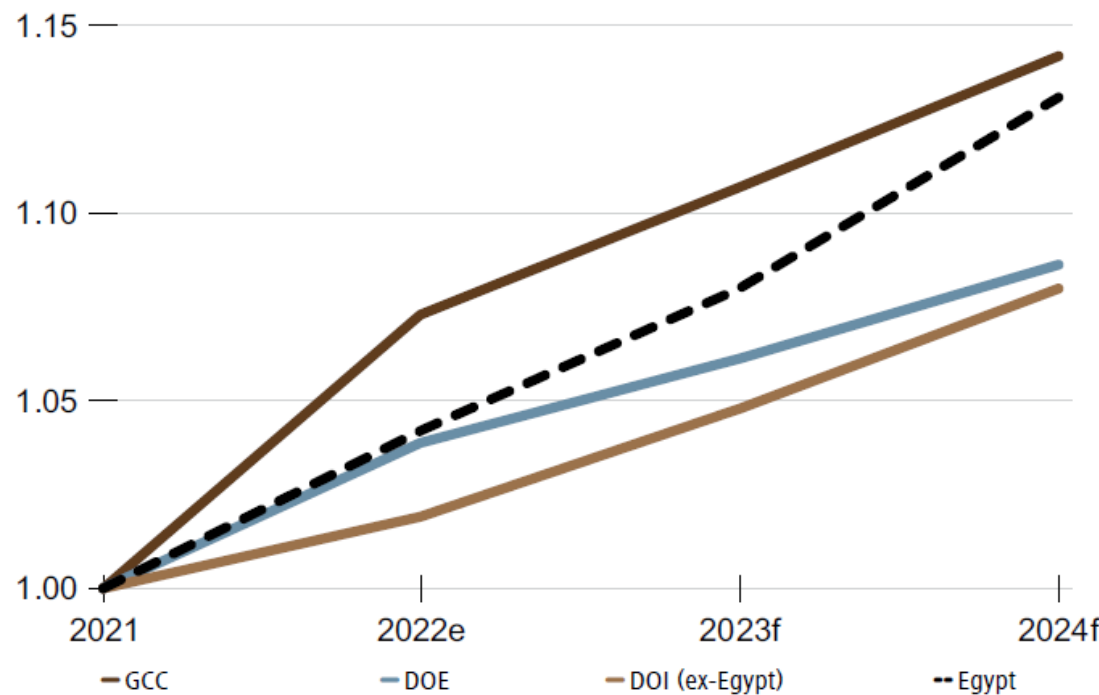
THE DIVERGENCE BETWEEN RICH OIL EXPORTERS AND IMPORTERS IN MENA PERSIST

Cumulative GDP Growth in MENA

Panel A. MENA and the World



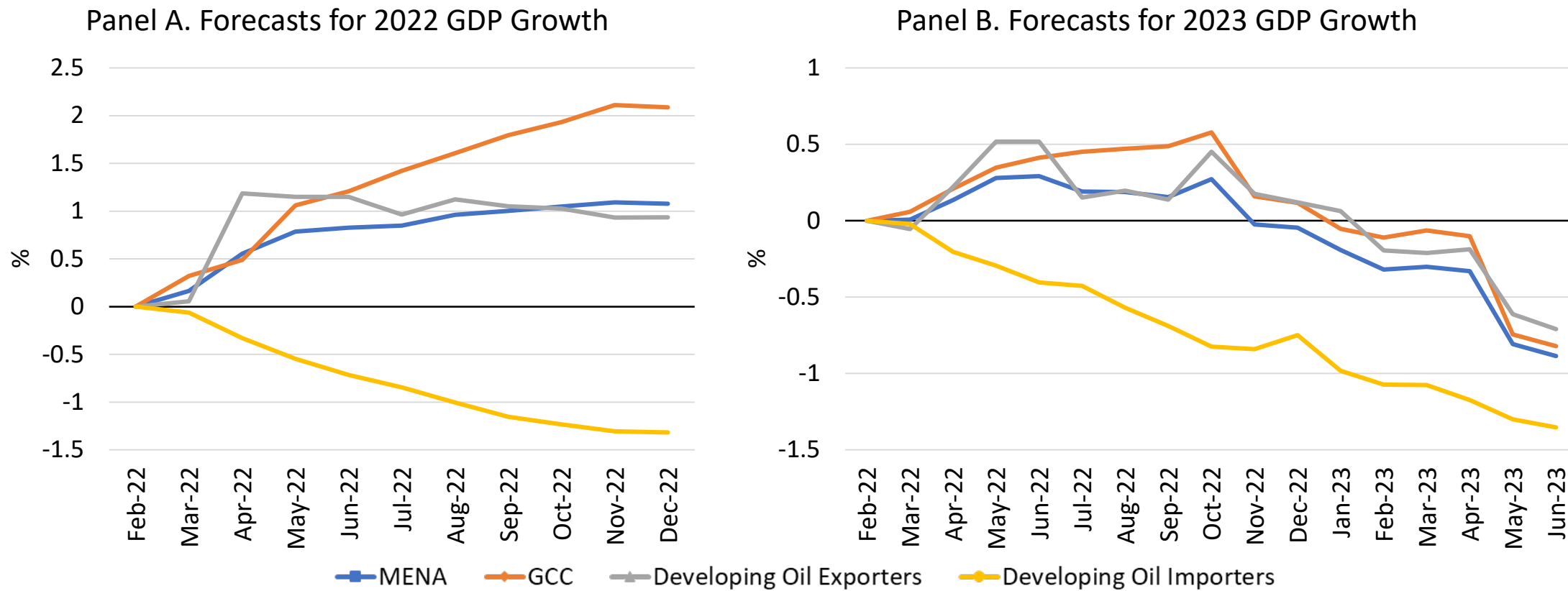
Panel B. Sub-groups in the Region



Source: The World Bank's Macro Poverty Outlook, April 2023.

PRIVATE SECTOR FORECASTS WERE REVISED ALONG OIL EXPORTING/IMPORTING LINES

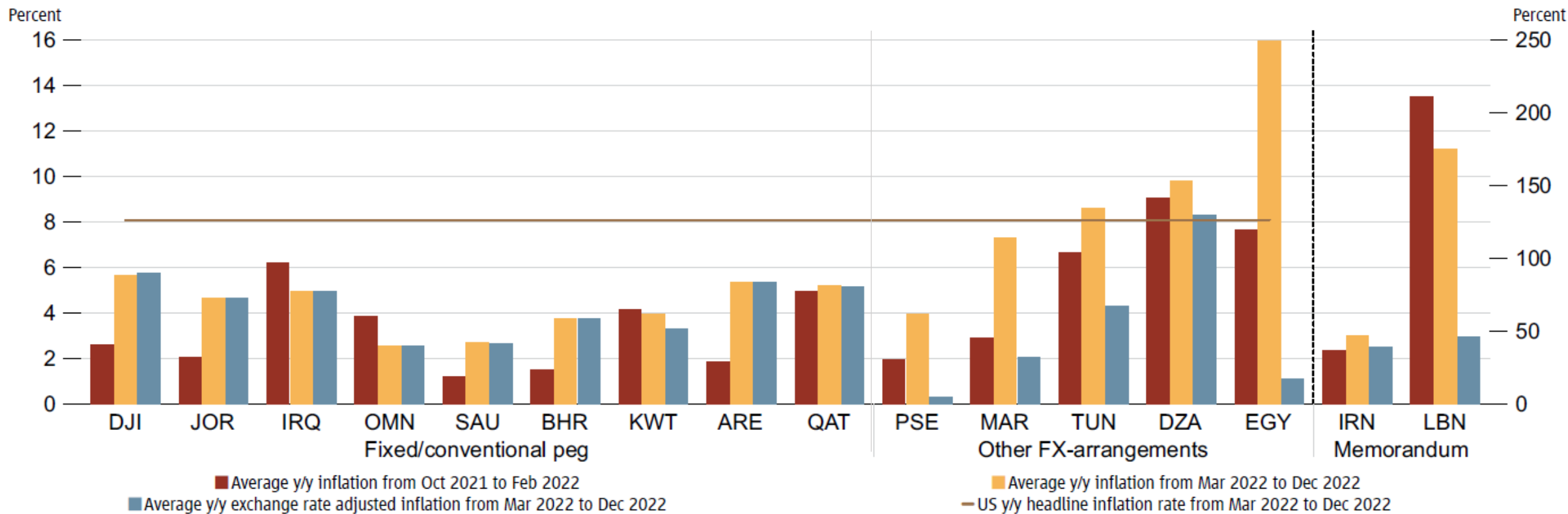
GDP Forecast changes since February 2022



Sources: World Bank Staff calculations based on data from Focus Economics January 2023 Forecasts.

INFLATION ROSE IN 2022 ESPECIALLY IN COUNTRIES WITH CURRENCY DEPRECIATIONS

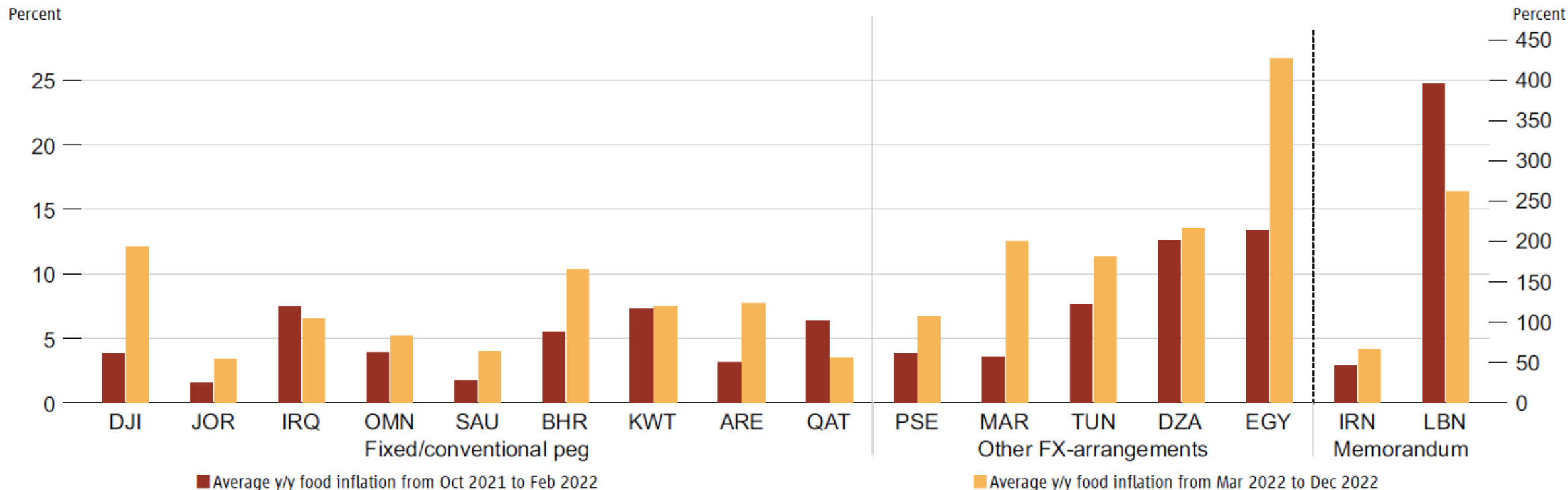
Exchange-rate adjusted inflation rates across MENA, March – December 2022



Sources: World Bank staff calculations based on data from Haver Analytics and national statistical offices.

FOOD INFLATION ROSE FOR ALMOST ALL MENA ECONOMIES

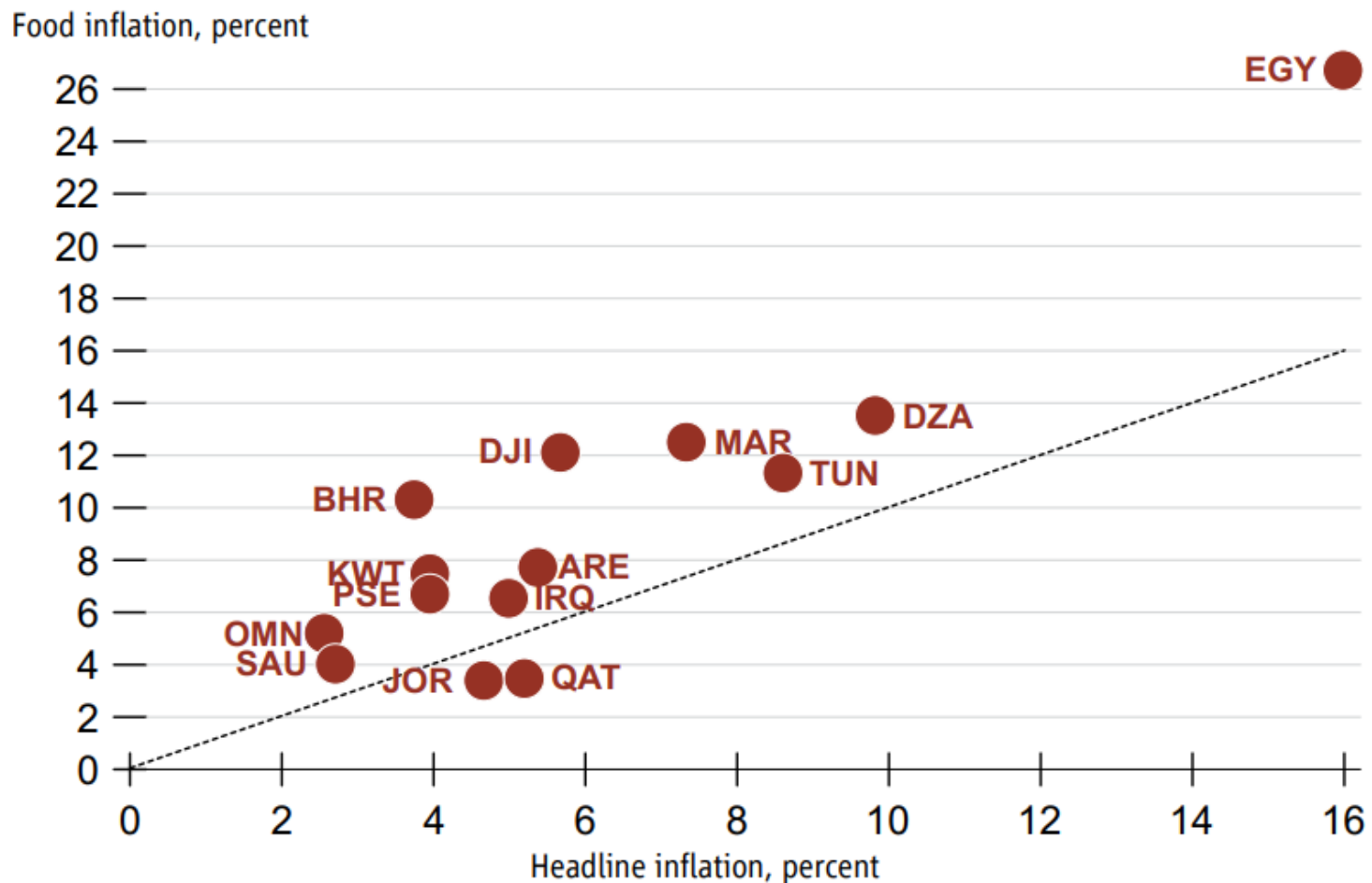
Food Inflation across MENA, March – December 2022



Sources: World Bank Staff calculations based on data from Haver Analytics and national statistical offices.

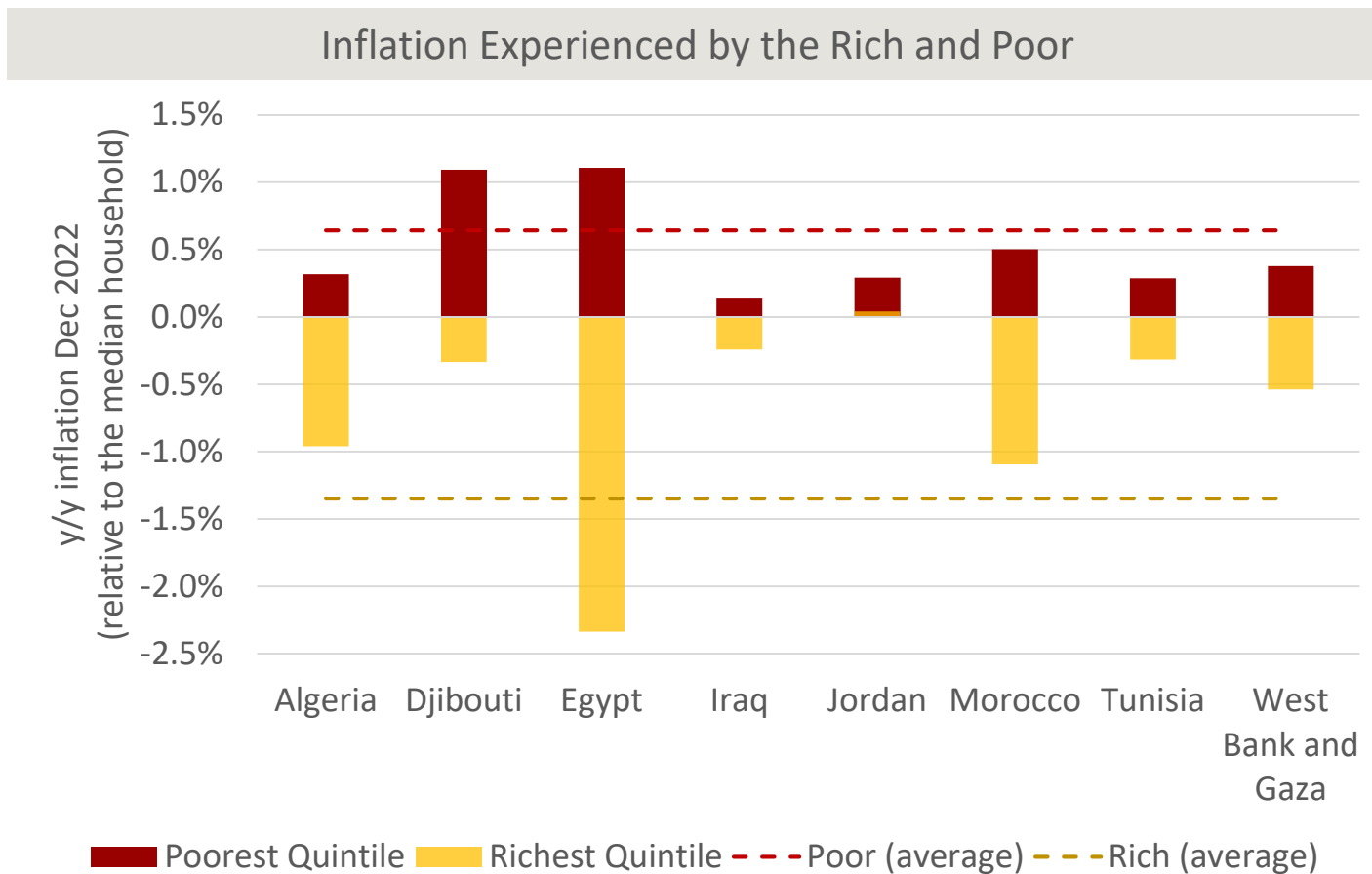
FOOD INFLATION WAS HIGHER THAN HEADLINE INFLATION

Headline and Food Inflation



Sources: World Bank Staff calculations based on data from Haver Analytics and national statistical offices.

HIGH FOOD INFLATION MEANS THE POOR WERE HIT THE HARDEST IN DEVELOPING MENA



Source: HAVER Analytics, National Statistics Offices, latest Household Expenditure Surveys per country and World Bank Staff Calculations.

Note: bars denote the y/y Dec 2022 inflation experience by the rich or poor minus the inflation experienced by the median (3rd) quintile. Dashed lines denote the cross-country population-weighted average of the respective bars.



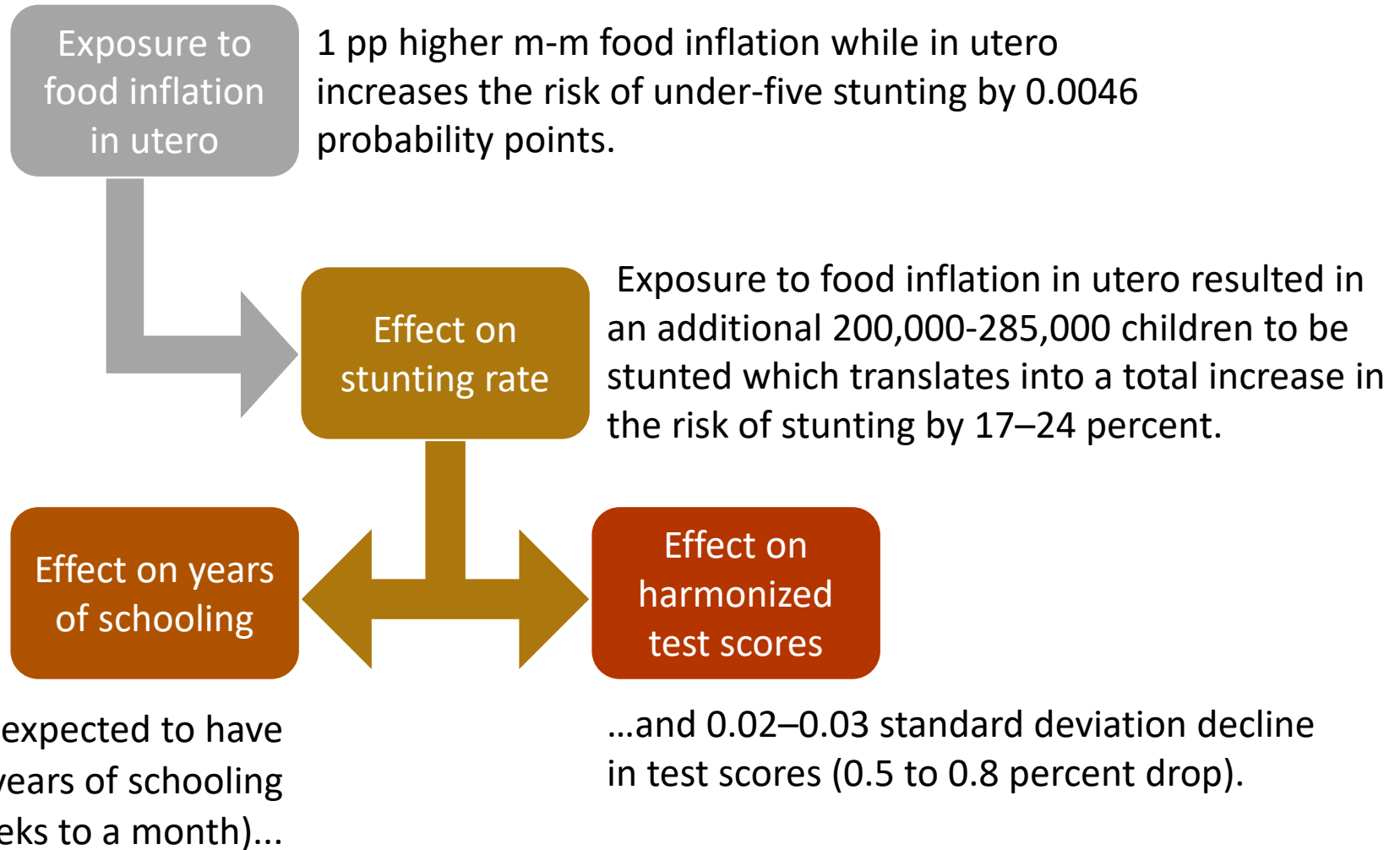
PART II: THE LASTING IMPACT OF FOOD INSECURITY



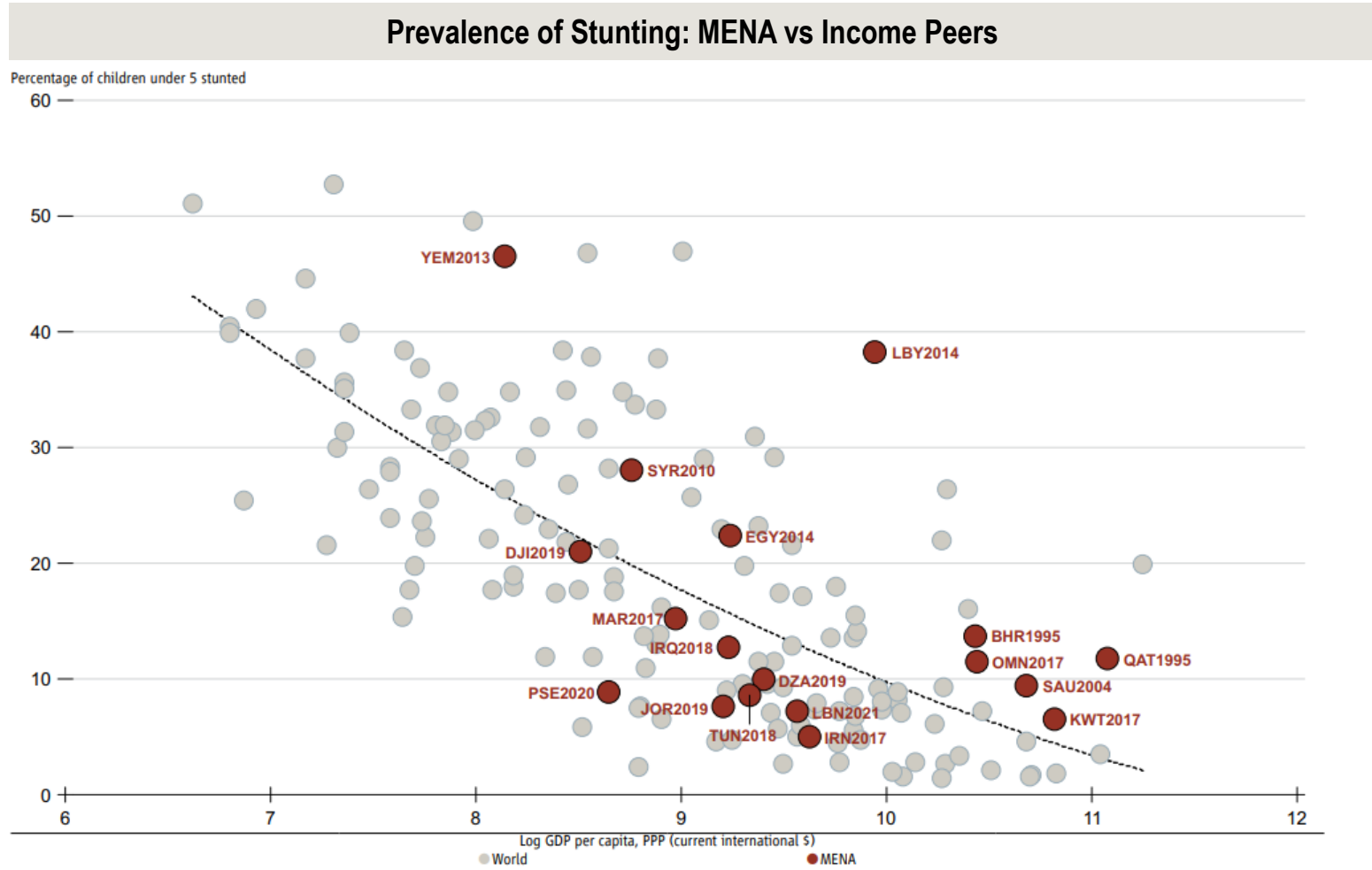
PART II: KEY MESSAGES

- 1. Food price inflation not just an immediate concern**
- 2. First 1000 days important for a child's physical and brain development**
- 3. Malnutrition in utero and early childhood can increase risk of stunting**
(Woldemichael et al, 2022)
- 4. Lasting negative effects on health, education, income outcomes**
(Almond and Currie, 2018)
- 5. These effects can be intergenerational**

THE LONG-TERM EFFECTS OF FOOD PRICES ON HUMAN CAPITAL



CHILD HEALTH AND NUTRITION IN MENA ALREADY INADEQUATE PRE-PANDEMIC

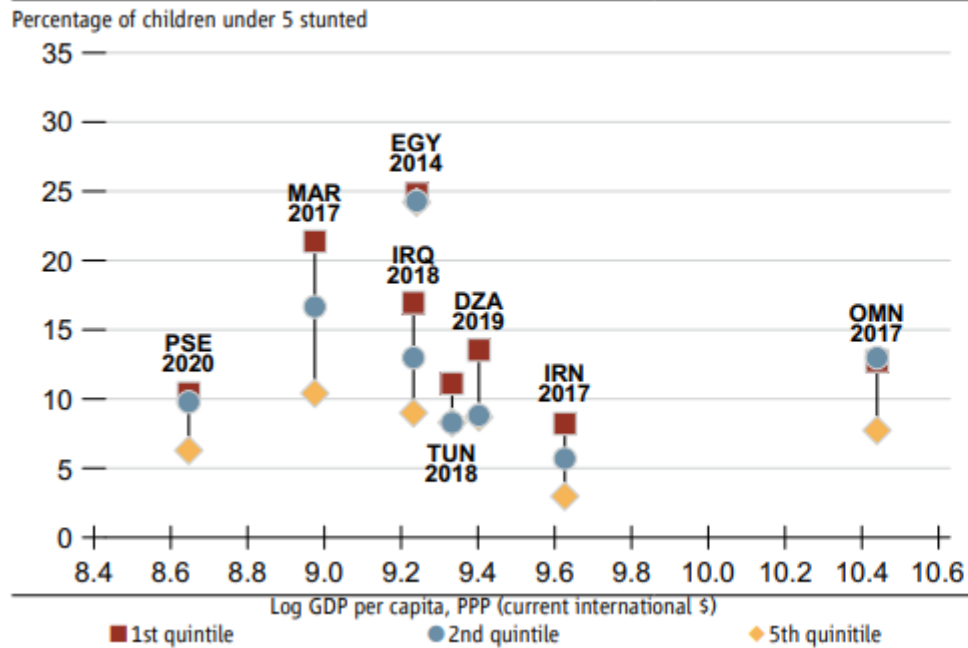


Sources: The Joint Child Malnutrition Estimates (JME) database survey estimates maintained by UNICEF, the World Health Organization (WHO) and The World Bank, May 2022, and the World Bank's World Development Indicators (WDI).

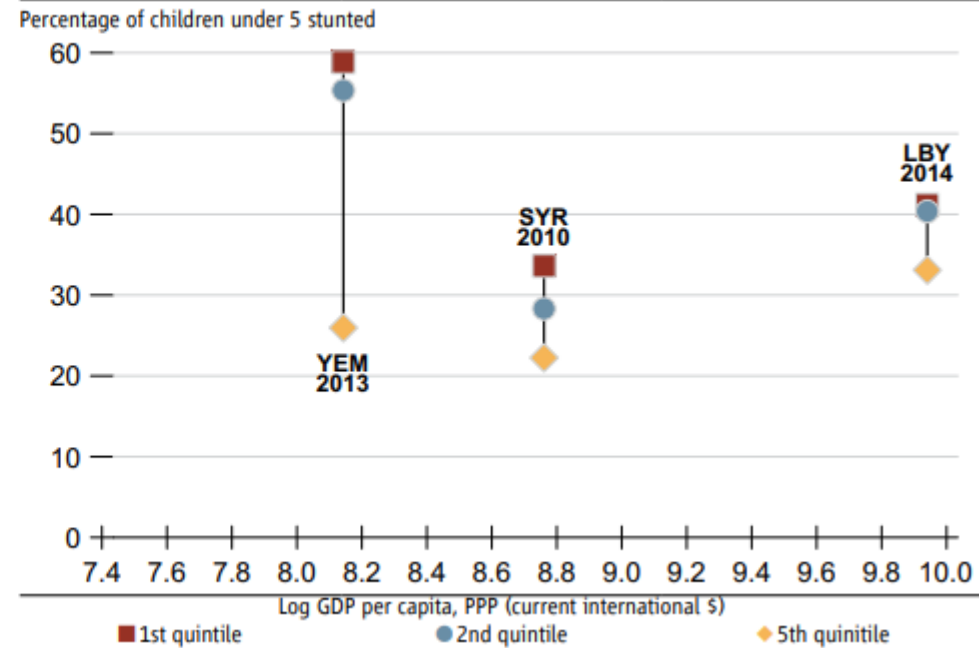
AVERAGES DON'T TELL THE FULL STORY: RICH-POOR STUNTING GAP IN MENA COUNTRIES

Prevalence of Stunting by Wealth Quintile in MENA

Panel A



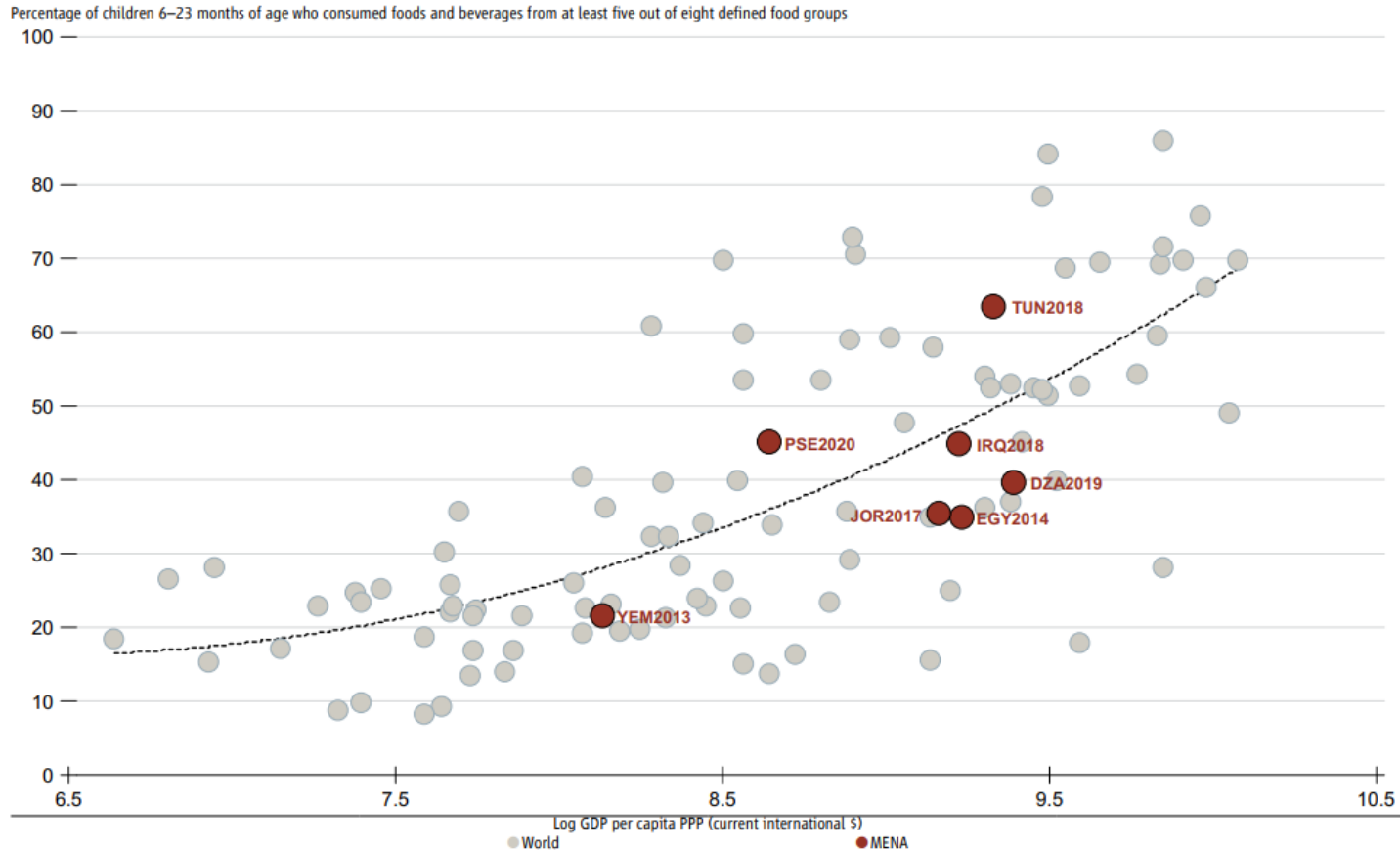
Panel B



Sources: The Joint Child Malnutrition Estimates (JME) database survey estimates maintained by UNICEF, the World Health Organization (WHO) and The World Bank, May 2022, and the World Bank's World Development Indicators (WDI).

CHILDREN DIETARY DIVERSITY: MENA ECONOMIES LARGELY UNDERPERFORMING

Minimum Dietary Diversity: MENA vs Income Peers



Sources: UNICEF Global Infant and Young Child Feeding (IYCF) databases, September 2021, based on Demographic and Health Surveys (DHS) from the U.S Agency for International Development (USAID); Multiple Indicator Cluster Surveys (MICS) from UNICEF, other national surveys and censuses, and the World Bank's *World Development Indicators* (WDI).

CHILD HEALTH AND NUTRITION DATA AVAILABILITY: STILL IN THE DARK

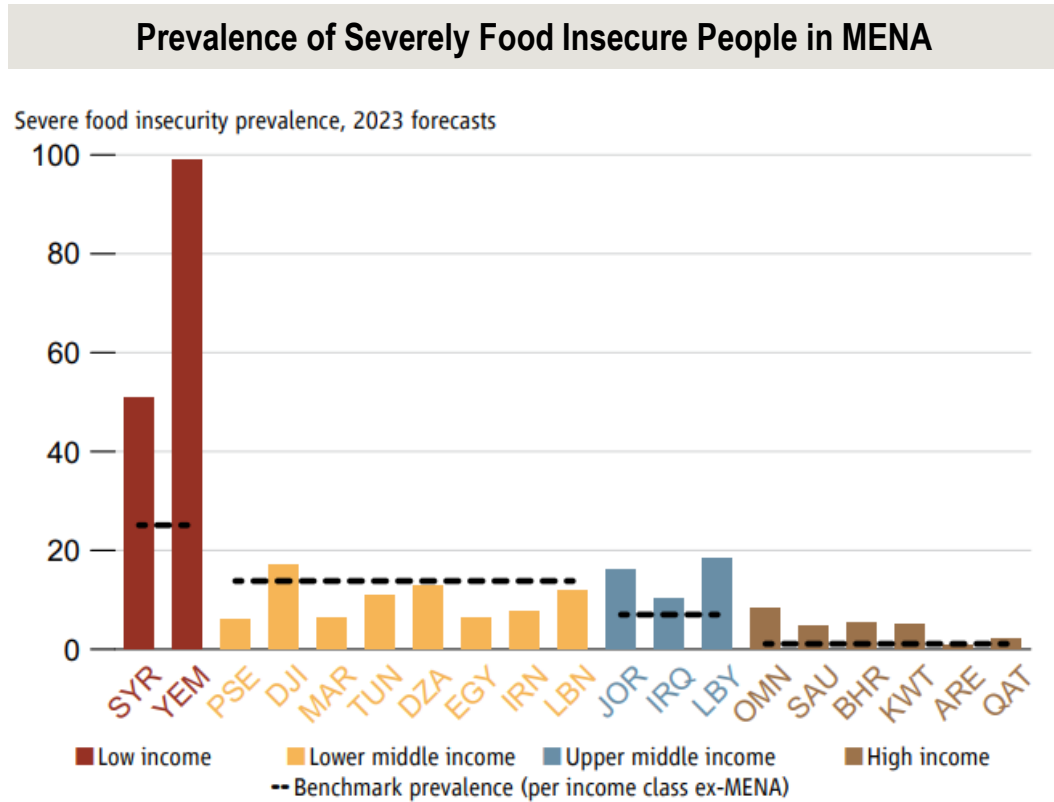
Availability of Surveys used by the UNICEF/WHO/World Bank Joint Child Malnutrition Estimates Database in the MENA region, 2022 Update

Country	Child Malnutrition Data Availability	Latest Survey Year Available	Recent Data Availability Within the past five years preceding 2020	Data Source of Latest Survey Available
Algeria	√	2019	√	MICS
Bahrain	√	1995	X	GFHS
Djibouti	√	2019	√	SMART
Egypt	√	2014	X	DHS
Iran	√	2017	√	NNS
Iraq	√	2018	√	MICS
Jordan	√	2019	√	NNS
Kuwait	√	2017	√	KNSS
Lebanon	√	2021	√	SMART
Libya	√	2014	X	PAPFAM
Morocco	√	2017	√	PAPFAM
Oman	√	2017	√	NNS
Qatar	√	1995	X	Other
Saudi Arabia	√	2004	X	Other
Syria	√	2010	X	PAPFAM
Tunisia	√	2018	√	MICS
UAE	X	-	X	-
West Bank and Gaza	√	2020	√	MICS
Yemen*	√	2013	X	DHS
Total Out of 19	18	5 countries meet the Mexico standard of survey availability in less than 2 years preceding 2020	11	
Mexico	√	2020	√	Other

Source: World Bank staff calculations based on the UNICEF-WHO-The World Bank Joint Child Malnutrition Estimates database, May 2022.

Note: *Yemen has a new SMART survey produced in 2021, reviews of this survey for inclusion in the JME database are still ongoing.

PREVALENCE OF SEVERE FOOD INSECURITY IN MENA DOMINATED BY SYRIA AND YEMEN



Source: Andree, B.P.J. (2022): Machine Learning Guided Outlook of Global Food Insecurity Consistent with Macroeconomic Forecasts.

- Deteriorating in Developing MENA: [2006 - 11.8%; 2023 - 17.6%]
- Syria and Yemen are food insecurity hotspots
- Upper middle-income countries and GCC economies worse than income peers
- Nearly 8 million children in the region may be food insecure
- Inflation contributed 24-33% to forecast food insecurity in 2023

FACING THE MENA FOOD INSECURITY CHALLENGE

- **We need to act now.** Cost of inaction compounded over many future generations would be much higher
- **Better Targeted Cash and in-kind transfers:** Urgent situations
- **Protecting mothers:** Maternity leave, childcare (availability, affordability, and quality), maternal education
- **Supply side:** Building resilient food systems
- **Data:** Dated household surveys increases challenges - assessing child nutrition and health, having better and well-targeted policies

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THANK YOU FOR JOINING US TODAY

