

Sectoral Risks in the Mideast and Africa

December 2016

Middle East and Africa: Sectoral Challenges

- Political turbulence - both regionally and locally - poses serious risks for many MEA states. This is compounded by weak institutions and high levels of corruption. A number of countries are actively pursuing reforms under the auspices of IMF programs. Ghana, Kenya and Tanzania report strong growth, even as most of sub-Saharan Africa suffers from the worst recession in decades. Unemployment is painfully high across Africa, with South Africa's above 26%.
- Large fiscal deficits require aggressive action in Egypt (-12%) and Saudi Arabia (-13%). Other non-oil states will seek to cut their deficits to 3-5% of GDP under IMF programs. Public debt is a serious concern in the Mideast, less so in Africa.
- Oil price vulnerability looms over Nigeria and Saudi Arabia. The new OPEC accord may help lower Saudi's large external deficits, although it has massive fx reserves. Nigeria has exceptionally low reserves and major funding risks.
- Banking remains a serious trouble spot. Liquidity ratios are exceptionally low in most of Africa and the Mideast, while bad loans are rising in Ghana and Nigeria. NPLs to Tier 1 capital are far too high in all states except South Africa.

Political & Macro Trend Risk in the Middle East and Africa

Political & Macro Trend Risk: Mideast & Africa

