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MENA Monthly Outlook

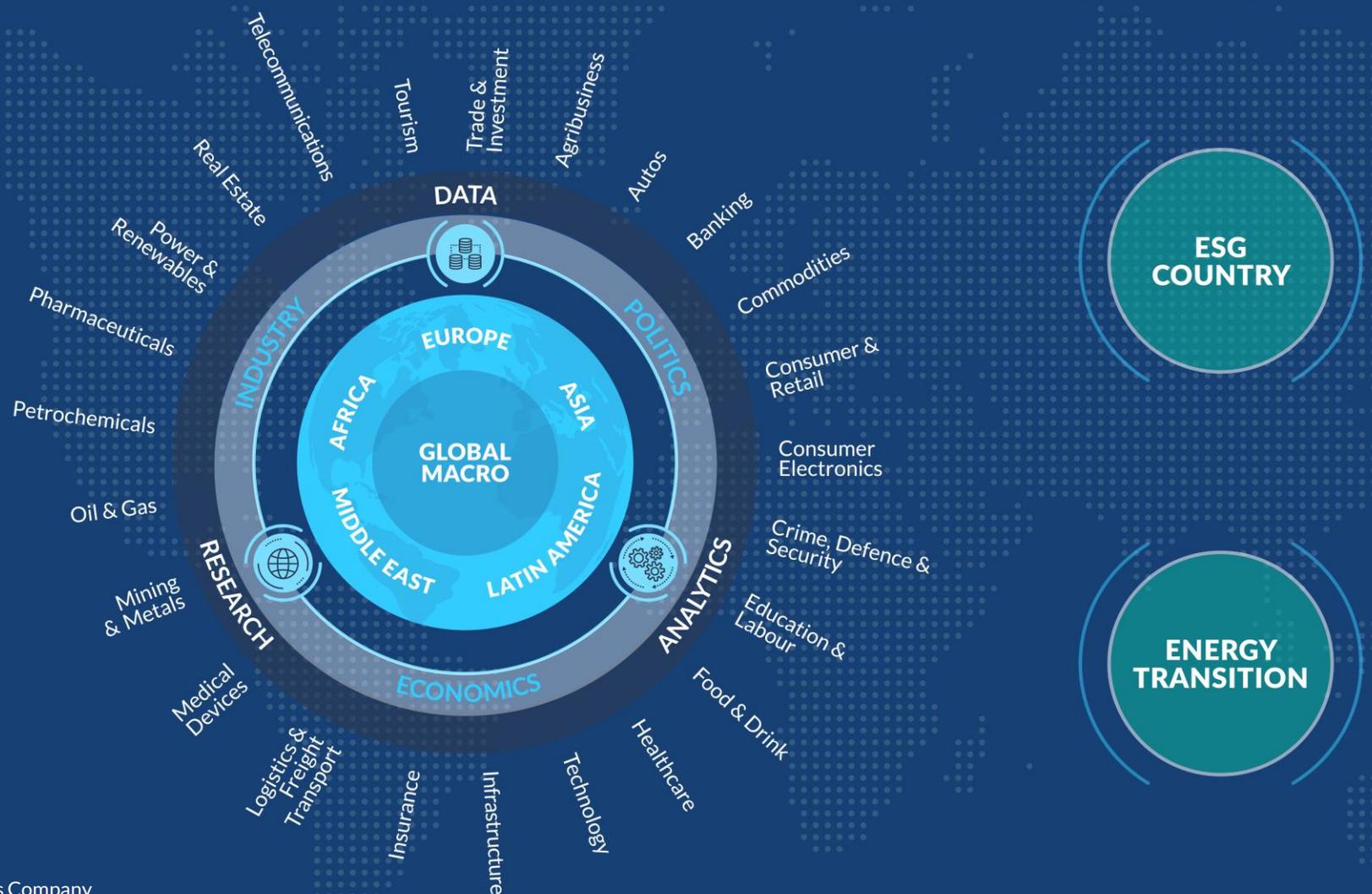
US Tariffs On Strategic Goods Will Have Limited Impact On
MENA

February 2025

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Connected Thinking Across Sectors and Markets



Source: BMI, a FitchSolutions Company

Content

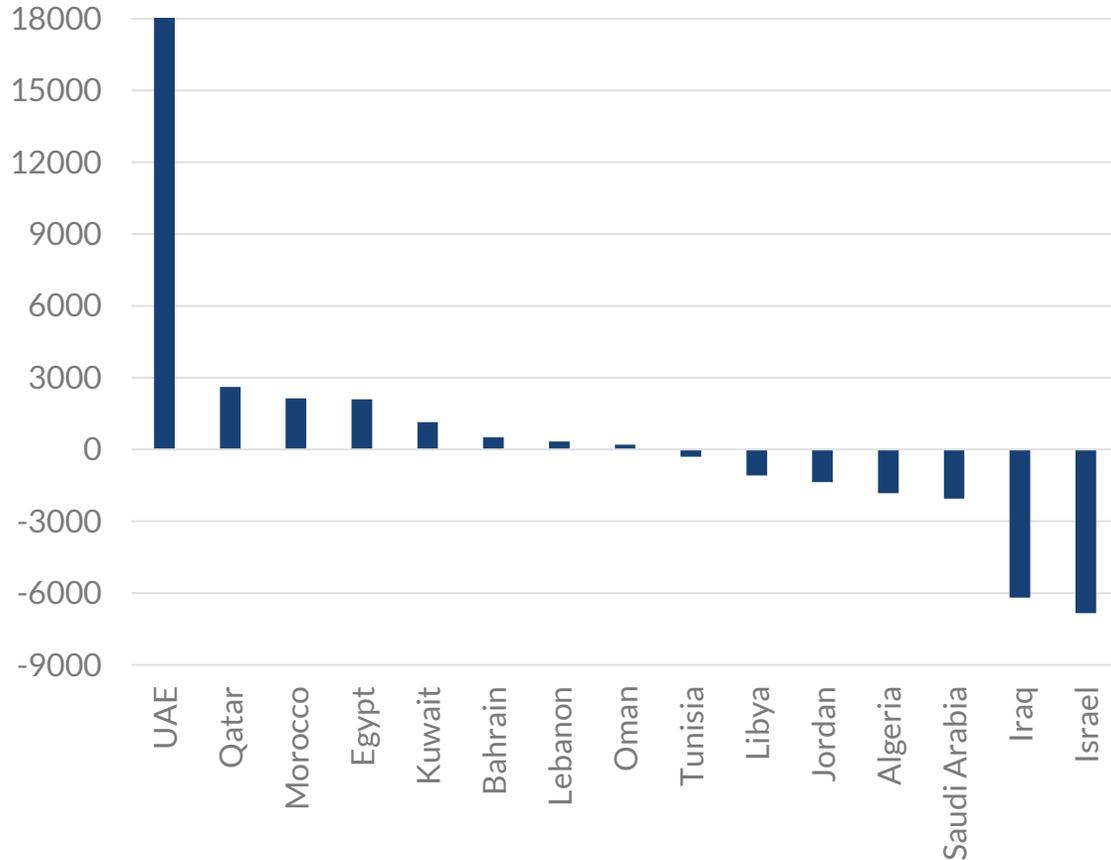
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MENA And GCC In Particular Broadly Safe From Direct Tariffs

Trade Surpluses/Small Deficits With Most MENA Countries

MENA - US Trade Balance With MENA Countries, USDmn



Source: Haver, BMI

- The Trump administration is unlikely to impose direct tariffs on MENA countries due to economic and strategic considerations.
- First, the US runs trade surpluses or small deficits with most MENA countries, except for Iraq and Israel, whose trade deficits with the US are still small compared to those with Mainland China, the eurozone, Mexico, and Canada.
- Israel: As a strategic partner, the likelihood of US-imposed tariffs is virtually zero.
- Iraq: US imports are mostly oil-related, making tariffs ineffective. However, political pressure might involve sanctions on Iraqi oil exports, with other MENA countries able to fill any gaps.
- Second, the UAE and Saudi investments in the US, particularly in AI, and the two countries' close relations with Trump reduce the US incentive to impose direct tariffs.
- Third, imposing tariffs would counter Trump's efforts to expand the Abraham Accords and reduce China's influence in the Middle East.
- Trump aims to bring Saudi Arabia closer to the US. Imposing tariffs on GCC oil exports could drive the GCC closer to China, which is counterproductive.



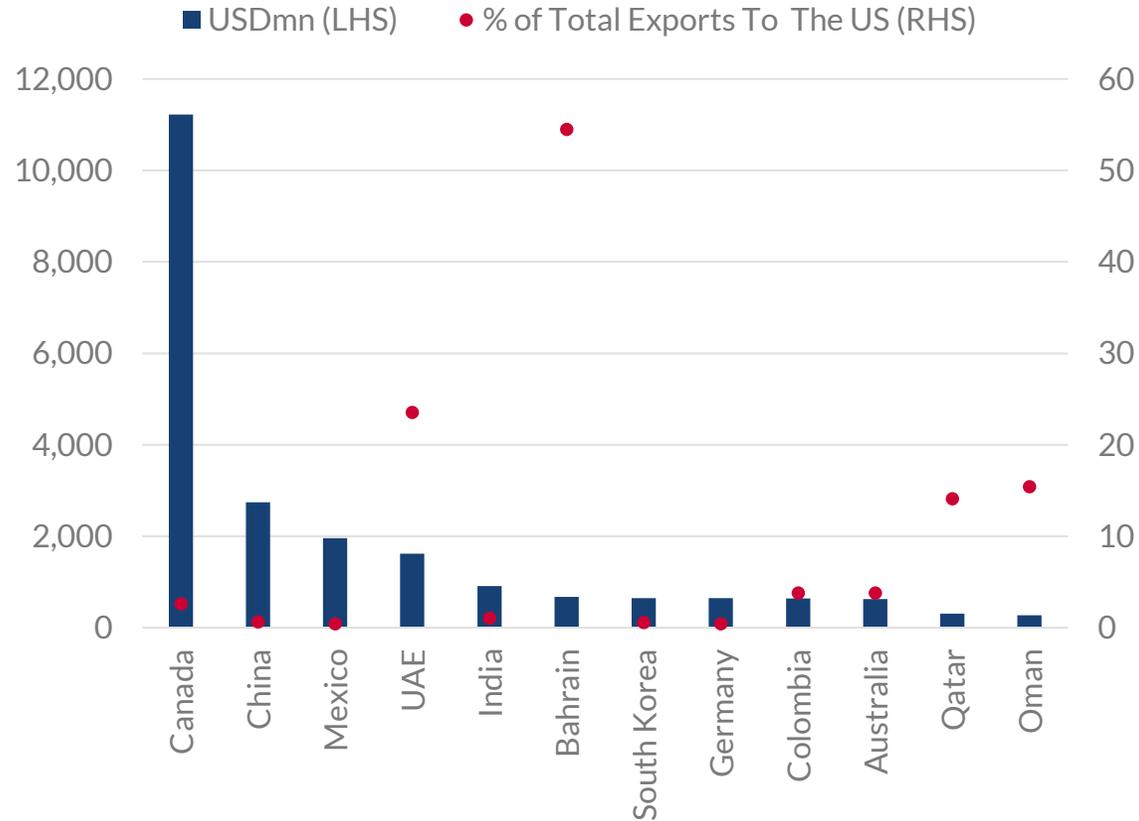
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US Tariffs On Strategic Good: MENA Faces Limited/Manageable Impact

Four MENA Countries Among Top 20 US Aluminum Exporters

Largest Aluminium Exporters To The US - Exports, USDmn & % Of Total US Exports



Note: Top 10 aluminum exporters to the US plus Qatar and Oman. Source: National sources, Trademap, BMI

- In the event that the US imposes tariffs on strategic imports, we estimate that the impact on MENA countries will be limited/manageable.
- For instance, a 25% tariffs on US aluminium imports will come into effect on March 22 2025.
- The UAE and Bahrain are among the top 10 aluminium exporters to the US, with exports valued at approximately USD2.0bn and USD670mn, respectively, in 2023.
- Qatar and Oman also feature among the top 10 aluminium exporters, with exports to the US totaling USD300mn and USD270mn, respectively.
- A proposed 25% tariff on aluminum could raise Bahrain's tariff rate by 13.6pp, the UAE by 6.0pp, and Qatar and Oman by 4pp, due to export concentration to the US.
- While discussions continue around 25% tariffs on strategic goods, a compromise rate of 10-15% might be more likely. This adjustment reflects the difficulty and cost for the US to rapidly increase domestic production or find alternatives to meet immediate demand.



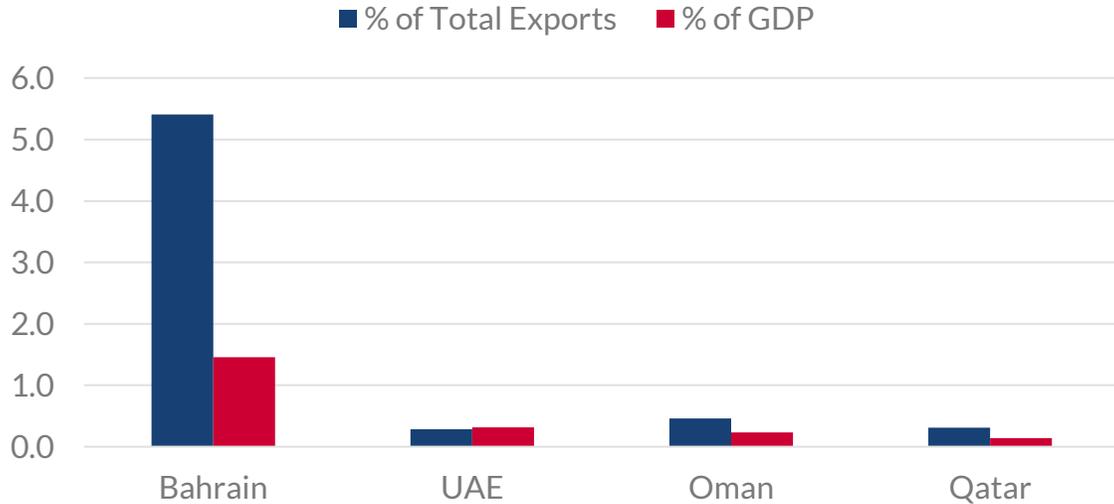
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US Tariffs On Strategic Good: MENA Faces Limited/Manageable Impact

Impact Of Tariffs On Aluminium Will Be Limited

Select MENA Countries - Aluminium Exports To US as % of total exports & % of GDP

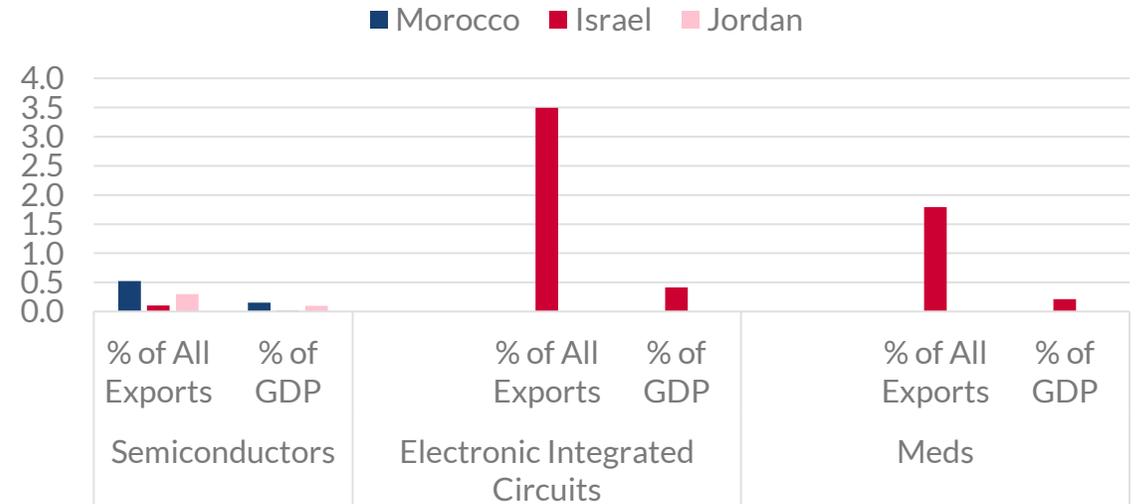


- We expect a limited impact of higher aluminum tariffs on MENA economies. Even for Bahrain, whose exports to the US are 5.5% of its total exports and 1.5% of GDP, the impact will be manageable.
- This is because we expect that global aluminum demand will remain strong, offsetting weaker US demand, facilitating export redirection to other markets and possibly enticing the US to reach a deal with Bahrain and the UAE.

Source: National sources, Trademap, BMI

Potential Strategic Tariffs Pose Limited Impact on MENA

Select MENA Countries - Select Exports To US as % of total exports & % of GDP



- Potential tariffs on other critical goods like pharmaceuticals, electronic components, and semiconductors will also have limited impact on MENA countries.
- While Israel is the most exposed country, with its exports of semiconductors, electronic integrated circuits, and medicaments to the US comprising 5.5% of its total exports, this only represents approximately 0.6% of its GDP.

Source: National sources, Trademap, BMI



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MENA Will Still Feel The Indirect Impact Of Tariffs Elsewhere

Channels	Risks
A Stronger US Dollar	Our baseline view (55% probability) is that the DXY will trade sideways within the 100-108 range. Against this, we see a 35% chance that it will trade stronger within 105-115 due to trumpflation or strong US growth. A stronger dollar will exert depreciatory pressures on the currencies of Algeria, Morocco, Tunisia, Israel and Egypt. This scenario would pose significant challenges for Egypt, as it could slow the decline in price growth, hinder the monetary policy easing cycle, and adversely impact economic growth.
Higher-For-Longer-Rates In The US	Our core view (45% probability) is that the US Fed will cut interest rates by 50bps in 2025, but we assign a 30% chance to a 25bps cut and 10% to a 25bps hike. Keeping monetary policy tight will create a dilemma for policymakers in the GCC and Jordan , especially as the inflationary environment is benign. This will also create headwinds for the non-oil economy in the GCC and for Jordan's economy in general. Egypt will be affected by risk-off sentiment as well, causing outflow risk for portfolio investments.
Lower Oil prices	The imposition of tariffs, efforts to raise US oil output and any potential easing of sanctions on Russia are downside risks to oil prices. Our core view is that Brent crude prices will average USD76 per barrel (/bbl) in 2025, down from USD80/bbl in 2024. Lower oil prices would be negative for MENA oil exporters and will likely force OPEC+ to delay the return of oil to the market. Against this, MENA net oil importers would benefit through a lower import bill and government spending on subsidies.
Weaker Eurozone Growth	Trump's suggestion of imposing tariffs on the eurozone could potentially lead to slower economic growth in the region , with Germany being among the most affected, alongside Spain, France, and Italy. A weaker eurozone economy would likely result in reduced demand for goods and services from Tunisia, Morocco, and Algeria. Tunisia could face challenges due to slower exports of electric machines and textiles, while Morocco's automotive and textile exports might also be impacted.

Source: BMI



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Data Pack And Forecasts



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BMI Vs Bloomberg Consensus

2025 Real GDP Growth

%

Country	BMI	Bloomberg Consensus	Consensus Last Month
Algeria	2.77	-	-
Egypt	3.89	4.00	-
Iran	1.55	-	-
Iraq	1.85	-	-
Israel	3.41	3.50	-
Kuwait	2.68	3.00	-
Lebanon	5.99	1.25	-
Libya	8.70	-	-
Morocco	4.97	3.90	-
Oman	3.88	3.20	-
Qatar	2.58	2.70	2.70
Saudi Arabia	4.36	4.30	-
Tunisia	1.21	1.50	-
United Arab Emirates	4.81	4.90	-

Last updated February 25. Source: Bloomberg, BMI

End-2025 Exchange Rate

Currency	BMI	Bloomberg Consensus	Consensus Last Month
DZD per USD	134.50	-	-
EGP per USD	52.51	-	-
IRR per USD	925,074.62	-	-
IQD per USD	1,300.00	-	-
ILS per USD	3.65	3.60	-
KWD per USD	0.31	-	-
LBP per USD	89,700.00	-	-
LYD per USD	4.91	-	-
MAD per USD	9.95	-	-
OMR per USD	0.39	-	-
QAR per USD	3.64	-	-
SAR per USD	3.75	3.75	-
TND per USD	3.08	-	-
AED per USD	3.67	-	-



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BMI Vs Bloomberg Consensus

2025 Average Inflation

%

Country	BMI	Bloomberg Consensus	Consensus Last Month
Algeria	4.90	-	-
Egypt	16.30	19.00	-
Iran	37.90	-	-
Iraq	3.00	-	-
Israel	3.10	2.90	2.90
Kuwait	2.50	2.50	-
Lebanon	20.60	19.25	-
Libya	2.20	-	-
Morocco	1.60	2.15	-
Oman	1.60	1.25	-
Qatar	1.81	1.65	-
Saudi Arabia	1.90	2.00	-
Tunisia	6.20	6.60	-
United Arab Emirates	1.40	2.00	2.00

Last updated February 25. Source: Bloomberg, BMI

End-2025 Policy Interest Rate

%

Country	BMI	Bloomberg Consensus	Consensus Last Month
Algeria	4.00	-	-
Egypt	19.25	-	-
Iran	-	-	-
Iraq	5.00	-	-
Israel	4.00	3.90	3.90
Kuwait	3.75	-	-
Lebanon	10.00	-	-
Libya	3.00	-	-
Morocco	2.25	-	-
Oman	4.50	-	-
Qatar	4.50	-	-
Saudi Arabia	4.50	-	-
Tunisia	7.25	-	-
United Arab Emirates	3.90	-	-

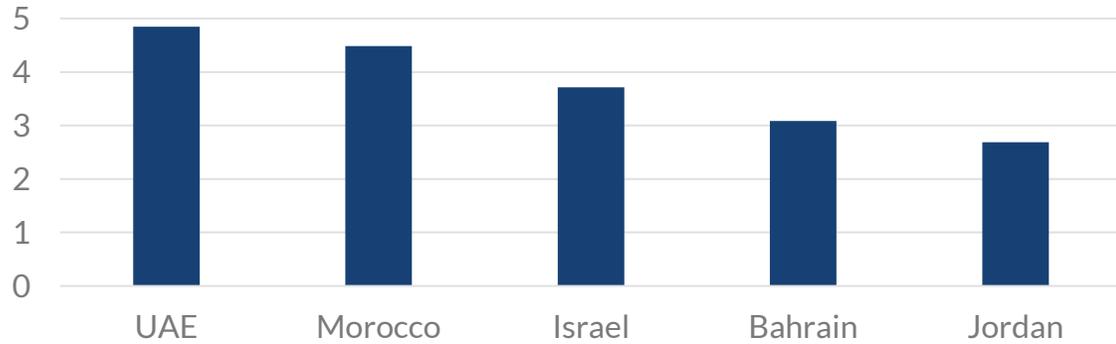


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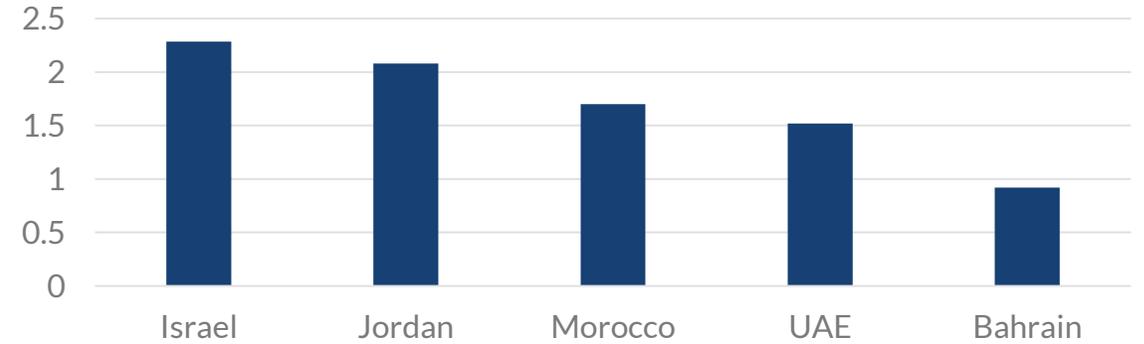
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Data Pack

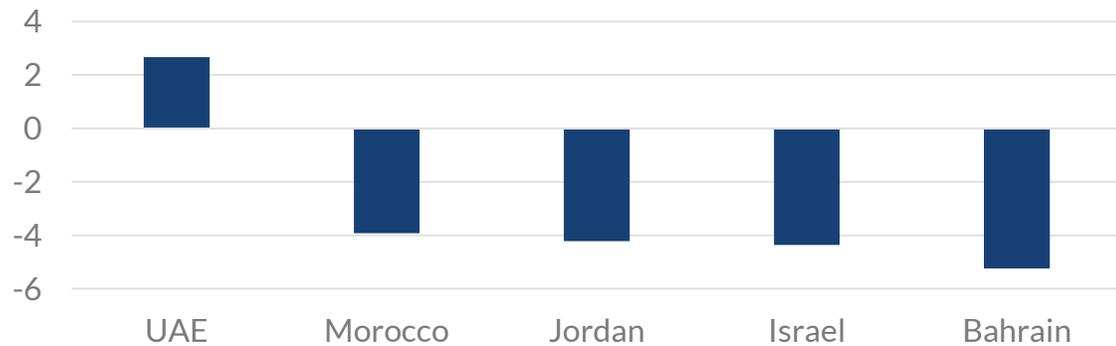
Real GDP Growth, % (2025-2029)



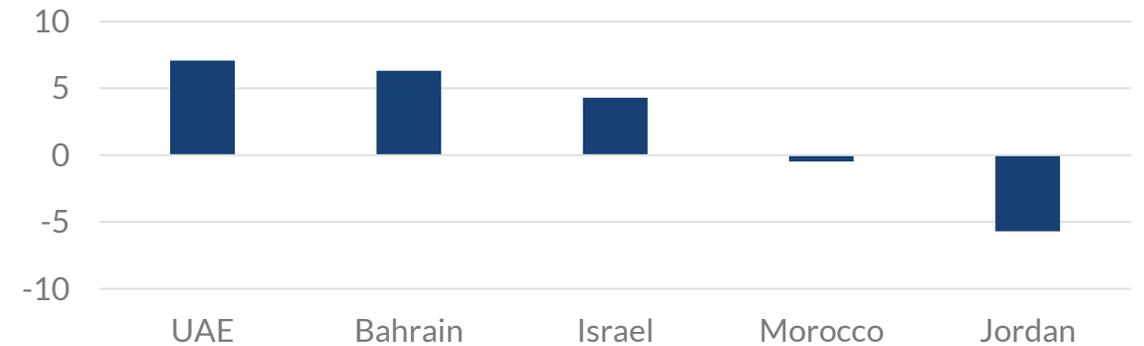
Consumer Price Inflation, % (2025-2029)



Budget Balance, % of GDP (2025-2029)



Current Account Balance, % of GDP (2025-2029)



Note: BMI forecasts. Source: BMI



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