United Nations
Economic Commission for Africa

ECA/SRO-NA/ICSOE/41/4
Distr.: General
4 August 2026

Original: English

Subregional Office for North Africa
Intergovernmental Committee of Senior Officials and Experts for North Africa
Forty-first session
Rabat (hybrid), 3–5 November 2026

Item 4 of the provisional agenda*
Evolution of economic and social conditions in North Africa: review of the subregional profile

Socioeconomic development in North Africa: subregional profile

Executive summary

1. Economic recovery in North Africa gathered pace in 2025, with subregional gross domestic product (GDP) expanding by an estimated 4.6 per cent, up markedly from 1.1 per cent in 2024.[1] Although growth across the subregion was generally resilient, the acceleration in subregional growth was driven primarily by a cyclical rebound in Libya, supported by higher oil production and the return to positive growth in the Sudan after two years of double-digit contraction. In the Sudan, the recovery was aided by the gradual reopening of aviation and maritime corridors.

2. Disinflation was the second defining macroeconomic trend of 2025. In Egypt, inflation fell to 20.4 per cent from more than 33 per cent in 2024 and is projected to halve again by 2027, creating scope for a gradual easing of monetary policy. Algeria, Libya, Mauritania and Morocco recorded inflation of 2 per cent or less, while the Sudan remained in hyperinflation, with inflation estimated at 100 per cent in 2025.

3. Despite these improvements, macroeconomic fundamentals continued to diverge across the subregion. Fiscal positions weakened unevenly, with financing vulnerabilities most acute in Algeria and Egypt. Persistent current-account deficits across most economies constrained external buffers and heightened vulnerability to volatile commodity prices and geopolitical shocks.

* ECA/SRO-NA/ICSOE/41/1.

[1] United Nations, Economic Commission for Africa, Economic Report on Africa 2026, *Growth through Innovation: Harnessing Data and Frontier Technologies for Africa's Economic Transformation* (Addis Ababa, 2026).

A. 26-00638 (E)

4. The outlook for 2026 remains positive but highly contingent on geopolitical developments. The baseline scenario assumes a resolution of the conflict in the Sudan by the end of 2026 and continued recovery in Libya as higher hydrocarbon production is sustained. However, the trajectory of energy prices remains an important source of uncertainty. Under a scenario in which tensions in the Middle East persist, hydrocarbon exporters, notably Algeria and Libya, would benefit from improved terms of trade, while net energy importers – in particular Egypt, Mauritania, Morocco, the Sudan and Tunisia – would face higher fuel bills, imported inflation and renewed strain on public finances and external balances.

5. Despite the cyclical recovery, social outcomes remain challenging. In 2025, the employment ratio across the subregion stood at 40 per cent, well below the global average of 58 per cent.[2] Mauritania and the Sudan have lower human development index values than other countries in the subregion, with the Sudan classified as having low human development and Mauritania as having medium human development. Furthermore, multidimensional poverty remains widespread in both countries, with deprivations concentrated in education and living standards, underscoring persistent gaps in access to education, housing and other basic services. At the same time, social protection systems remain largely geared towards current rather than future needs. Pension reforms are under way in some countries, notably Morocco and Tunisia, but broader reforms, including sustainable pension financing, long-term care and expanded social protection coverage, will be needed to prepare for the rising old-age dependency ratio.

6. The central challenge for 2026 is to maintain the momentum of recovery while strengthening resilience to external shocks, in particular volatile commodity prices, geopolitical tensions and tighter global financing conditions. This will hinge on sustained reforms, structural diversification, fiscal consolidation anchored in tax reform, credible monetary frameworks and stronger external and social buffers.

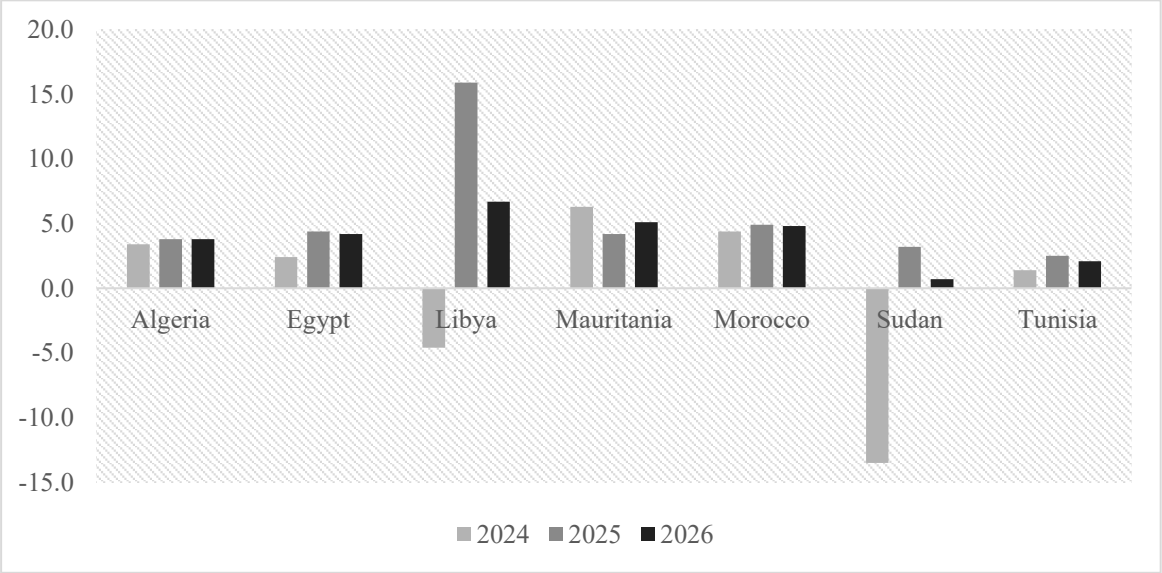
I. Divergent economies, converging recovery: growth, risks and transition in North Africa

7. Real GDP growth in North Africa accelerated to an estimated 4.6 per cent in 2025, up from 1.1 per cent in 2024, and is projected to remain at around 4 per cent in 2026.[3] This represents the strongest subregional growth performance in more than a decade and reflects three forces: the normalization of Libyan oil production after the disruption in 2024; stronger non-hydrocarbon activity across a broad range of sectors in Algeria, Egypt and Morocco; and the gradual stabilization of the Sudanese economy. This projection assumes that active conflict in the Sudan will cease by the end of 2026.

8. The economic impact of supply chain disruptions along the Strait of Hormuz is expected to hamper the subregion's growth in 2026. Higher costs for agricultural and industrial inputs could offset or even exceed the gains from elevated oil prices among the subregion's net oil-exporting countries.

[2] World Bank, "Employment to population ratio, 15+, total (%) (modeled ILO estimate)", World Development Indicators database (accessed July 2026).
[3] United Nations, Economic Commission for Africa, Economic Report on Africa 2026, *Growth through Innovation: Harnessing Data and Frontier Technologies for Africa's Economic Transformation* (Addis Ababa, 2026). Available at: https://www.uneca.org/economic-report-on-africa-2026.

Figure I
Real GDP growth in North Africa
(Percentage)



Source: National statistical offices; International Monetary Fund, World Economic Outlook, April 2026. Projections for the Sudan assume an end to the conflict by the end of 2026.

9. Growth in Algeria has remained steady since the pandemic, reaching 3.8 per cent in 2025, and is projected to stabilize at this level in 2026, supported by non-hydrocarbon activity,[4] including strong agricultural and industrial output and resilient private consumption. GDP growth driven by non-hydrocarbon sources was 3.8 per cent in 2025.

10. Growth in Egypt accelerated from 2.4 per cent in 2024 to 4.4 per cent in 2025[5] and is projected to stabilize at this level in 2026. The expansion has been supported by manufacturing, tourism and construction, alongside resilient consumption. Growth has been further supported by improved foreign-exchange availability following the 2024 currency adjustment, the gradual recovery of traffic through the Suez Canal and the programme of reform supported by the International Monetary Fund (IMF).[6]

11. Libya recorded the most pronounced rebound in economic growth, with GDP expanding by 15.9 per cent in 2025 following a contraction of 4.6 per cent in 2024, as the National Oil Corporation restored production to more than 1.5 million barrels per day.[7] Growth is projected to slow to 6.7 per cent in 2026 and 4.5 per cent in 2027 as base effects dissipate.

[4] International Monetary Fund, *Algeria: 2025 Article IV Consultation—Press Release; and Staff Report*, IMF Country Report No. 25/270 (Washington, D.C., 2025).
[5] Egypt, Ministry of Planning and Economic Development, "Gross Domestic Product" database. Available at: https://mped.gov.eg/GrossDomestic?lang=en (accessed July 2026).
[6] International Monetary Fund, *Arab Republic of Egypt: Fifth and Sixth Reviews Under the Extended Arrangement Under the Extended Fund Facility and First Review Under the Resilience and Sustainability Arrangement*, IMF Country Report No. 26/69 (Washington, D.C., 2026).
[7] Libya, National Oil Corporation, "Libyan oil production nears 1.5 million barrels a day", 21 June 2026. Available at: https://noc.ly/en/libyan-oil-production-nears-1-5-million-barrels-a-day/.

12. Economic growth in Mauritania slowed from 6.3 per cent in 2024 to 4.2 per cent in 2025,[8] constrained by weaker performance in fisheries, iron ore mining and services. Agriculture is expected to continue growing at a modest pace, supporting rural livelihoods. In 2026, growth is projected to rise to 5.1 per cent, supported by increased production from the Greater Tortue Ahmeyim gas project and more stable iron ore prices.

13. Growth in Morocco reached 4.9 per cent in 2025,[9] the highest rate in a decade, excluding the exceptional post-pandemic rebound of 2021. It was driven by a rebound in agricultural activity, sustained automotive and aeronautics output, increased tourism revenues and major public investment in relation to the 2030 International Federation of Association Football (FIFA) World Cup. Growth is projected to stabilize at around 4.4–4.5 per cent over the subsequent two years.

14. After a contraction of 13.4 per cent in 2024, the Sudan[10] recorded a rebound of 3.2 per cent in 2025 supported by the services and agriculture sectors, notably the recovery of aviation and maritime transport through Port Sudan. Assuming that the conflict ends and reconstruction begins, growth is projected to be positive, reaching 0.7 per cent in 2026,[11] but to remain volatile thereafter.

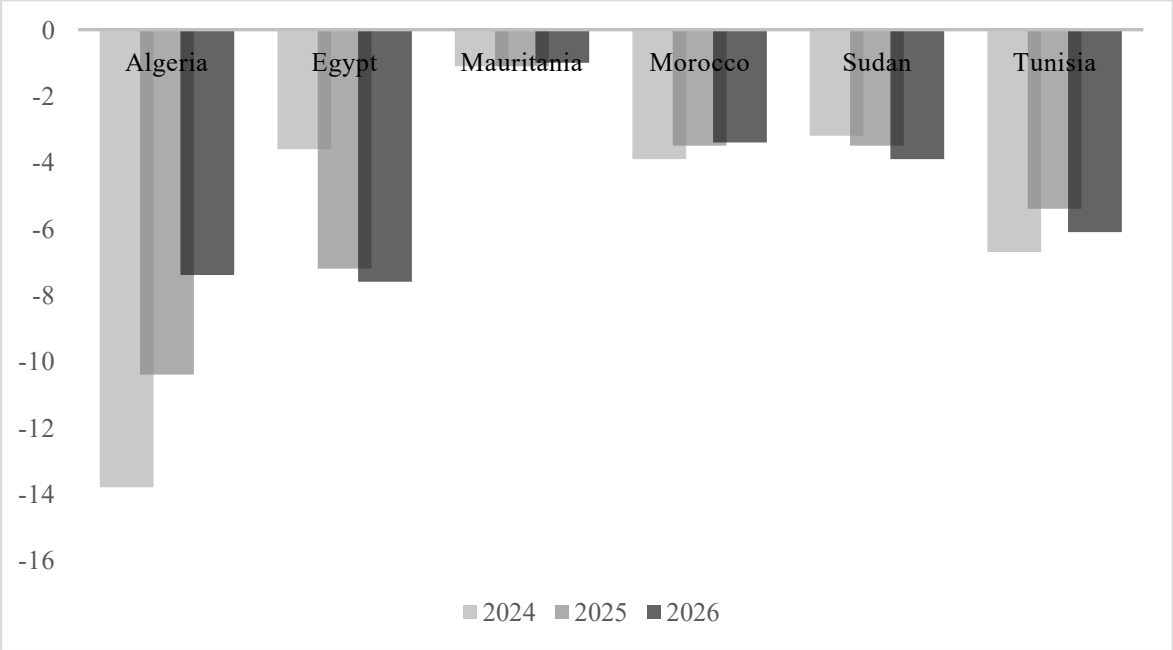
15. The Tunisian economy recovered slightly in 2025, with growth reaching 2.5 per cent,[12] but the country remains trapped in a cycle of low growth. Growth is projected to slow to 2.1 per cent in 2026,[13] constrained by slow progress in implementing structural reforms, restricted external financing and fragile fiscal dynamics.

II. Fiscal strains, divergence and the path to sustainability

16. In 2025, the average fiscal deficit of North Africa was 9.2 per cent of GDP[14] and it is expected to fall to 8.2 per cent in 2026, although outcomes remain highly contingent on hydrocarbon prices and the implementation of reforms.

[8] Mauritania, Ministry of Finance, *Rapport économique et financier* (November 2025). Available at: https://finances.gov.mr/sites/default/files/2025-12/RAPPORT%20ECONOMIQUE%202026.pdf.
[9] Morocco, High Commission for Planning, "PIB en volume", *Conjoncture et prévision économique*. Available at: https://www.hcp.ma/PIB-en-volume_a2882.html (accessed July 2026).
[10] African Development Bank, *African Economic Outlook 2026: Mobilizing Africa's Development Financing at Scale in a Fragmented World* (Abidjan, 2026).
[11] International Monetary Fund, *World Economic Outlook, April 2026: Global Economy in Flux* (Washington, D.C., 2026).
[12] Tunisia, National Institute of Statistics, "La croissance économique au quatrième trimestre 2025", 15 February 2026. Available at https://www.ins.tn/publication/la-croissance-economique-au-quatrieme-trimestre-2025 (accessed July 2026).
[13] Ibid.
[14] United Nations, Economic Commission for Africa, Economic Report on Africa 2026, *Growth through Innovation: Harnessing Data and Frontier Technologies for Africa's Economic Transformation* (Addis Ababa, 2026).

Figure II
Fiscal balances in North Africa
(Percentage of gross domestic product)



Source: National statistical offices; World Bank, Macro Poverty Outlook, April 2026; African Development Bank, African Economic Outlook, May 2026.

17. Algeria faces the most pronounced fiscal stress in the subregion, reflecting persistently high public spending, including substantial public-sector wage increases, State subsidies and an ambitious programme of public investment. The fiscal deficit is projected to narrow to 7.4 per cent of GDP in 2026, supported by higher hydrocarbon revenues from elevated prices and lower budget execution. The Government's 2026–2028 budget framework assumes that only 70 per cent of planned expenditure will be executed.[15]

18. The fiscal deficit in Egypt widened from 3.6 per cent of GDP in 2024 to 7.2 per cent in 2025[16] and is projected to widen further to 7.6 per cent in 2026. While the interest burden eased relative to GDP, declining from 15 per cent in 2024 to 13 per cent in 2025,[17] gross financing needs are projected to remain at around 40 per cent of GDP over the next three years, severely constraining fiscal space. IMF underscores the need for accelerated revenue mobilization, reduced reliance on energy subsidies and tighter governance of State-owned enterprises to anchor debt dynamics.

19. In Libya, the eastern and western administrations signed their first unified national budget in 13 years in April 2026, amounting to approximately $30 billion. This represents a promising first step towards financial stability through the unification of the national budget and institutions. The fiscal balance is expected to shift to a surplus of 2.2 per cent of GDP in

[15] Algeria, Ministry of Finance, *Projet de la loi de finances pour 2026*. Available at: https://www.majliselouma.dz/storage/laws/b430bec4-4400-4638-bf7d-7484c316bdb5.pdf.
[16] Egypt, Ministry of Finance, *Financial Monthly Report*, June 2026. Available at: https://assets.mof.gov.eg/files/d0322930-7450-11f1-be50-3bddf6953b88.pdf.
[17] International Monetary Fund, *Arab Republic of Egypt: 2025 Article IV Consultation*, IMF Country Report No. 25/186 (Washington, D.C., 2025).

2026,[18] supported by oil revenues, assuming that the overall security and political environment remains stable.

20. Mauritania maintains the most disciplined fiscal stance in the subregion, with a deficit of 1.1 per cent of GDP in 2024 and 2025, supported by revenues from gas production. The low deficit reflects strong commodity revenues, including record gold prices, dividends from the national iron ore company and new offshore gas revenues, combined with a restrained expenditure base and the absence of universal fuel subsidies. Fiscal discipline is further supported by the Extended Credit Facility and Extended Fund Facility programme of IMF, which anchor fiscal policy through deficit targets and reforms to broaden the value added tax base and rationalize energy subsidies.

21. The fiscal deficit in Morocco improved from 3.5 per cent of GDP in 2025 to 3.4 per cent in 2026[19] as tax revenues rose, driven by stronger corporate income tax and value added tax receipts, while non-tax revenues also increased owing to transfers from State-owned enterprises and sale-and-leaseback operations.[20]

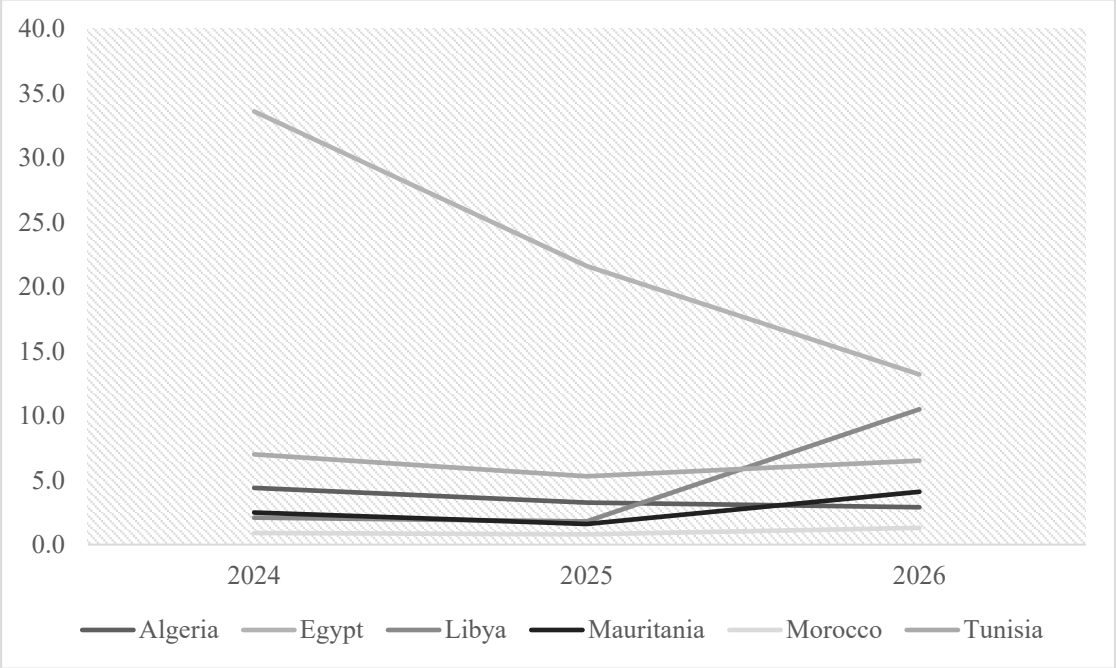
22. The budget deficit in Tunisia narrowed from 6.1 per cent of GDP in 2024 to 5.3 per cent in 2025,[21] supported by improved revenue collection and lower energy subsidies. It is projected to widen to 6.1 per cent of GDP in 2026, reflecting, among other factors, the level of energy subsidies in the context of evolving regional energy price dynamics.

23. Across North Africa, fiscal trajectories remain uneven, but countries broadly share a common policy agenda: strengthening fiscal resilience through measures that go beyond short-term adjustment and reducing exposure to commodity price cycles. Hydrocarbon exporters should use periods of favourable oil and gas revenues to rebuild fiscal buffers, strengthen public financial management and diversify revenue sources, while energy-importing and more diversified economies should pursue fiscal consolidation in a manner that safeguards social protection, investment and growth.

[18] African Development Bank, *African Economic Outlook 2026: Mobilizing Africa's Development Financing at Scale in a Fragmented World* (Abidjan, 2026).
[19] Morocco, High Commission for Planning, *Budget économique exploratoire 2027: Perspectives économiques pour les années 2026 et 2027* (July 2026).
[20] African Development Bank, *African Economic Outlook 2026: Mobilizing Africa's Development Financing at Scale in a Fragmented World* (Abidjan, 2026).
[21] Tunisia, Ministry of Finance, "Synthèse des résultats des finances publiques (Budget de l'État)". Available at: https://www.finances.gov.tn/fr/les-indicateurs/synthese-des-resultats-des-finances-publiques-budget-de-letat.

III. From pressure to policy: inflation dynamics and monetary adjustments

Figure III
Inflation dynamics in North Africa
(Annual percentage change)



Source: National statistical offices; International Monetary Fund, World Economic Outlook, April 2026.

24. Inflation eased across much of North Africa in 2025 as exchange rates stabilized, food prices fell and earlier monetary tightening took effect. Algeria, Libya, Mauritania and Morocco recorded headline inflation rates of 2 per cent or less, while rates in Egypt declined to 20.4 per cent from 33.3 per cent in 2024. The Sudan remained the regional outlier, with inflation estimated at 100.2 per cent in 2025, down sharply from 185.7 per cent in 2024 but still exceptionally high, amid continued monetary financing of the fiscal deficit.

25. In Algeria, inflation slowed to 1.4 per cent in 2025, driven primarily by a reduction in food prices. It is projected to increase to around 3 per cent in 2026, reflecting the inflationary effects of the conflict in the Middle East. Since 2020, the Bank of Algeria has maintained its policy rate at 3.0 per cent, consistent with a low-inflation environment and its reliance on administrative liquidity management.

26. In Egypt, inflation declined from a peak of 38 per cent in late 2023 to 20 per cent in 2025 and is estimated at 13 per cent in 2026. Against this backdrop, the Central Bank of Egypt cut policy rates by a cumulative 825 basis points between April 2025 and February 2026, bringing the overnight deposit and lending rates to 19 per cent and 20 per cent, respectively. Annual average inflation is expected to continue declining, although energy price adjustments in 2026 and imported inflation will slow the pace of disinflation. Exchange-rate developments also contributed to disinflation. The Egyptian pound stabilized at around 50 pounds per United

States dollar in 2025 after the 2024 devaluation, helping to anchor inflation expectations and creating greater scope for the resumption of monetary policy easing.

27. In Libya, inflation is projected to surge from 1.8 per cent in 2025 to 10.0 per cent in 2026, driven by both domestic policy measures and external shocks. The primary driver is the successive devaluation of the Libyan dinar by the Central Bank of Libya, by 13.3 per cent in April 2025 and a further 14.7 per cent in January 2026. Given the country's heavy reliance on imports, exchange-rate adjustments are expected to raise the cost of imported goods and feed rapidly into domestic prices through the knock-on effects of the exchange rate. Inflationary pressures are compounded by elevated global energy prices associated with the conflict in the Middle East and disruptions to shipping through the Strait of Hormuz, which have increased transport and import costs.

Table 1
Annual average exchange rates in North African countries
(Local currency units per United States dollar)

Country	*2024*	*2025*	*2026 year-to-date average*
Algeria	136.70	144.80	129.80
Egypt	36.40	50.60	50.22
Libya	4.90	4.80	5.41
Mauritania	39.30	39.70	39.80
Morocco	9.90	9.80	9.16
Sudan (commercial banks rate)	1 788.40	2 749.15	3 390.00
Tunisia	3.10	3.20	2.89

Source: African Development Bank, African Socioeconomic Database, January 2026. Sudan: Central Bank of Sudan, Economic and Financial Review, December 2025; World Bank, Sudan Economic Update, May 2025.

28. In Mauritania, inflation has been rising since July 2025. Price pressures intensified in April 2026, pushing inflation to 7.6 per cent amid higher international food and energy prices.[22] In response, the Central Bank of Mauritania raised its policy rate by 50 basis points to 6.5 per cent in May 2026, with the aim of firmly anchoring inflation expectations. While the rate increase signals a decisive commitment to tighter monetary policy, persistent border instability and external price shocks continue to complicate the inflation outlook.

29. In Morocco, inflation is declining overall, despite an expected increase to 2.4 per cent in 2026 owing to energy price shocks.[23] As inflationary pressures eased, Bank Al-Maghrib lowered its policy rate from 2.50 to 2.25 per cent; it has maintained a neutral policy stance since June 2025. Inflation is expected to stabilize at around 2 per cent over the medium term.

[22] International Monetary Fund and International Development Association, *Islamic Republic of Mauritania: Requests for an Extended Arrangement Under the Extended Fund Facility and Arrangement Under the Extended Credit Facility, Cancellation of the Current Arrangements Under the Extended Fund Facility and the Extended Credit* Facility*, and Fifth Review Under the Resilience and Sustainability Facility Arrangement—Press Release; Staff Report; and Statement by the Executive Director for the Islamic Republic of Mauritania*, 9 June 2026, IMF Country Report No. 26/158.

[23] Morocco, High Commission for Planning, *Chiffres clés, 2026*. Available at https://www.hcp.ma/downloads/Chiffres-Cles_t22414.html (accessed July 2026).

30. In the Sudan, inflation eased from around 70 per cent to 51.3 per cent between December 2025 and June 2026,[24] supported by restored supply capacity and liquidity management measures taken by the central bank. Over the same period, the Sudanese pound depreciated against the United States dollar, with the exchange rate quoted by commercial banks moving from 2,749.15 to 3,400.75 Sudanese pounds per United States dollar. This depreciation reflected a shortage of foreign currency and a persistent gap between the official and parallel markets. Overall, the decline in headline inflation masks continued foreign exchange pressures and weak institutional capacity.

Table 2
Key policy interest rates
(Percentage)

Country	*2020*	*2021*	*2022*	*2023*	*2024*	*2025*
Algeria	3.00	3.00	3.00	3.00	3.00	3.00
Egypt	8.25	8.25	16.25	19.25	27.25	20.00
Mauritania	5.00	5.00	7.00	7.00	8.00	6.00
Morocco	1.50	1.50	2.50	3.00	2.50	2.25
Tunisia	6.25	6.20	7.25	8.00	8.00	7.50

Source: Focus Economics, 2025; Bank Al-Maghrib; Central Bank of Egypt; Central Bank of Tunisia; Central Bank of Mauritania (World Bank, Macro Poverty Outlook).

31. In Tunisia, inflation declined from 7.0 to 5.3 per cent, enabling the Central Bank to gradually reduce its key policy rate to 7 per cent in early 2026. The Tunisian dinar appreciated to 2.89 per United States dollar, providing additional disinflationary support.[25] At the same time, the Government's growing reliance on exceptional financing from the Central Bank to cover the budget deficit is increasing pressure on macroeconomic stability. Continued fiscal monetization and constrained external financing are expected to keep inflation elevated at around 6.5 per cent in 2026.[26] Continuation of this financing approach could undermine perceptions of the Central Bank's independence and weaken the anchoring of inflation expectations.

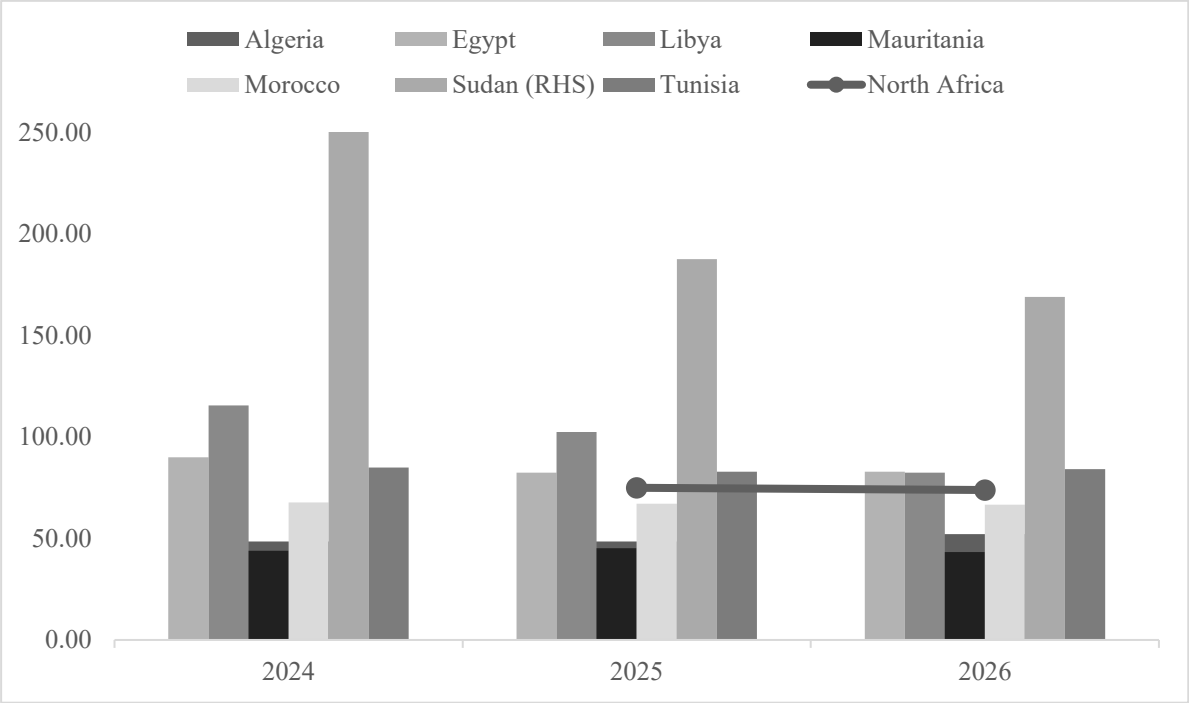
32. Given the mixed picture in North Africa, the primary policy priority should be exchange-rate stability and fiscal discipline to anchor inflation expectations. Countries facing external shocks should avoid premature easing, while all countries should implement structural reforms to reduce import dependence, strengthen central bank credibility and ensure that disinflation gains are not undone by fiscal or currency pressures.

[24] Central Bank of Sudan, *Economic and Financial Statistics Review*, Issue No. 06/2026. Available at https://cbos.gov.sd/sites/default/files/June%2026_EN.pdf.
[25] Tunisia, National Institute of Statistics, "Indice des prix à la consommation, juin 2026", 5 July 2026. Available at: https://www.ins.tn/publication/indice-des-prix-la-consommation-juin-2026.
[26] African Development Bank, "Tunisia Economic Outlook", June 2026. Available at https://www.afdb.org/en/countries-north-africa-tunisian-republic/tunisia-economic-outlook.

IV. Debt dynamics in North Africa

33. At the start of 2025, debt burdens in North Africa remained elevated, with considerable variation across countries. Following the shocks that occurred between 2020 and 2023, including the coronavirus disease (COVID-19) pandemic, the war in Ukraine, surging food and energy prices and tighter global financial conditions, most Governments succeeded in stabilizing their debt-to-GDP ratios, albeit at historically high levels. Despite this stabilization, rising interest costs, driven by higher domestic borrowing rates and the stronger United States dollar, emerged as the primary constraint on fiscal policy.

Figure IV
Government gross debt in North Africa
(Percentage of gross domestic product)



Source: International Monetary Fund, World Economic Outlook database, April 2026; national statistical offices; Economic Commission for Africa, Economic Report on Africa 2026.

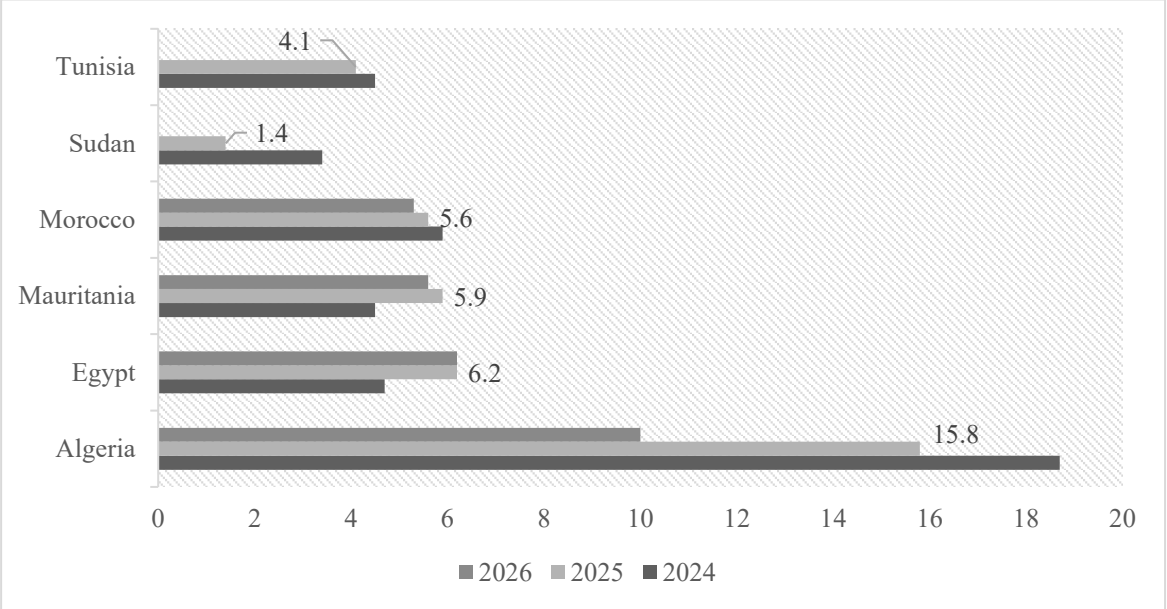
34. The public debt-to-GDP ratio in Algeria rose from 48.5 per cent in 2025 to 52.1 per cent in 2026,[27] driven by significant government financing needs met by the Central Bank. Over the medium term, persistently high fiscal deficits are expected to lead to a continued increase in public debt and a decline in international reserves. Reserve coverage in Algeria fell from a comfortable 15.8 months of imports in 2025 to 10.0 months in 2026 as the current account deteriorated, signalling a clear erosion of buffers.

[27] International Monetary Fund, "IMF staff completes 2026 Article IV mission to Algeria", Press Release No. 26/236, 6 July 2026. Available at: https://www.imf.org/en/news/articles/2026/07/06/pr26236-algeria-imf-staff-completes-2026-article-iv-mission.

35. Public debt in Egypt is projected to decline from 90.1 per cent of GDP in 2024 to 82 per cent by the end of 2026,[28] supported by stronger growth and sustained primary surpluses. Although IMF assesses the level of public debt as sustainable, vulnerabilities remain elevated owing to exceptionally high gross financing needs and interest costs. Interest payments are projected to decline from 11 per cent of GDP in fiscal year 2024–2025 to 8.6 per cent by fiscal year 2028–2029[29] under the Government's medium-term fiscal strategy. Egypt also faces the highest external liquidity risk in North Africa, despite reducing the share of external debt to 42 per cent of total public debt.[30]

36. The debt-to-GDP ratio in Libya is projected to decline sharply from 102.5 per cent in 2025 to around 82 per cent in 2026,[31] reflecting strong nominal GDP growth as oil production recovers. Although the lower debt ratio improves headline debt indicators, it primarily reflects a larger economic base rather than sustained fiscal adjustment. Debt sustainability therefore remains closely tied to developments in hydrocarbon markets.

Figure V
Gross reserves in North Africa, 2024–2026
(Months of imports)



Source: International Monetary Fund country reports: Algeria (September 2025), Egypt (No. 25/186), Mauritania (July 2025) and Morocco (Article IV consultation, March 2026); African Development Bank, socioeconomic database.

[28] Egypt, Ministry of Finance, *Financial Monthly Report*, June 2026. Available at: https://assets.mof.gov.eg/files/d0322930-7450-11f1-be50-3bddf6953b88.pdf.
[29] Egypt, Ministry of Finance, *Medium-Term Debt Strategy*. Available at: https://assets.mof.gov.eg/files/d0ff5080-ff5d-11f0-9f87-81a186cc11a4.pdf.
[30] Central Bank of Egypt, *External Position of the Egyptian Economy*, July/September 2025/2026, Vol. 91, 3 May 2026.
[31] Ibid.

37. Public debt in Mauritania is expected to decline slightly from 45.2 per cent to 43.3 per cent of GDP[32] between 2025 and 2026, supported by tight fiscal management and increasing gas revenues. The most recent debt sustainability analysis assesses Mauritania as being at moderate risk of external and overall public debt distress,[33] with some space to absorb shocks and international reserves remaining above adequacy levels. Maintaining debt sustainability will require continued fiscal discipline, concessional borrowing and sustained domestic revenue mobilization.

38. Public debt in Morocco remained broadly stable at around 67 per cent of GDP over the medium term,[34] reflecting a credible fiscal consolidation strategy despite sustained public investment. Public debt is assessed as sustainable with a high degree of confidence, while the risk of sovereign stress remains moderate. This favourable assessment is underpinned by the well-developed domestic debt market in Morocco, where approximately 75 per cent of government debt is denominated in Moroccan dirhams and held primarily by domestic institutional investors, including commercial banks, insurance companies and the Caisse de Dépôt et de Gestion.[35]

39. Public debt in Tunisia remains persistently high at between 82 per cent of GDP in 2025 and 84 per cent in 2026, with little indication of a sustained downward trend.[36] Limited access to international capital markets has constrained the Government's external financing options, prompting increased reliance on domestic sources to meet financing needs, including greater borrowing from the domestic banking sector and repeated foreign-exchange financing from the Central Bank. This borrowing has further tightened domestic liquidity conditions and reinforced fiscal and external vulnerabilities. External reserves are below the standard adequacy threshold.

40. Given this fiscal landscape in the subregion, the priority must be fiscal consolidation and domestic debt-market deepening to reduce rollover and currency risks. North African countries should strengthen reserve buffers, prioritize concessional borrowing and maintain credible medium-term fiscal frameworks to anchor investor confidence and absorb external shocks.

---

[32] Mauritania, Ministry of Finance, *Rapport économique et financier: projet de loi de finances de l'année 2026* (November 2025). Available at: https://finances.gov.mr/sites/default/files/2025- 12/RAPPORT%20ECONOMIQUE%202026.pdf.

[33] International Monetary Fund (IMF), *Islamic Republic of Mauritania: Requests for an Extended Arrangement under the Extended Fund Facility and an Arrangement under the Resilience and Sustainability Facility*, IMF Country Report No. 26/158 (June 2026). Available at https://www.imf.org/en/publications/cr/issues/2026/06/29/islamic-republic-of-mauritania-requests-for-an-extended-arrangement-under-the-extended-577367.

[34] Morocco, Ministry of Finance, Direction des études et des prévisions financières, *Note de conjoncture*, No. 349 (March 2026). Available at: https://www.finances.gov.ma/Publication/depf/2026/nc_349.pdf.

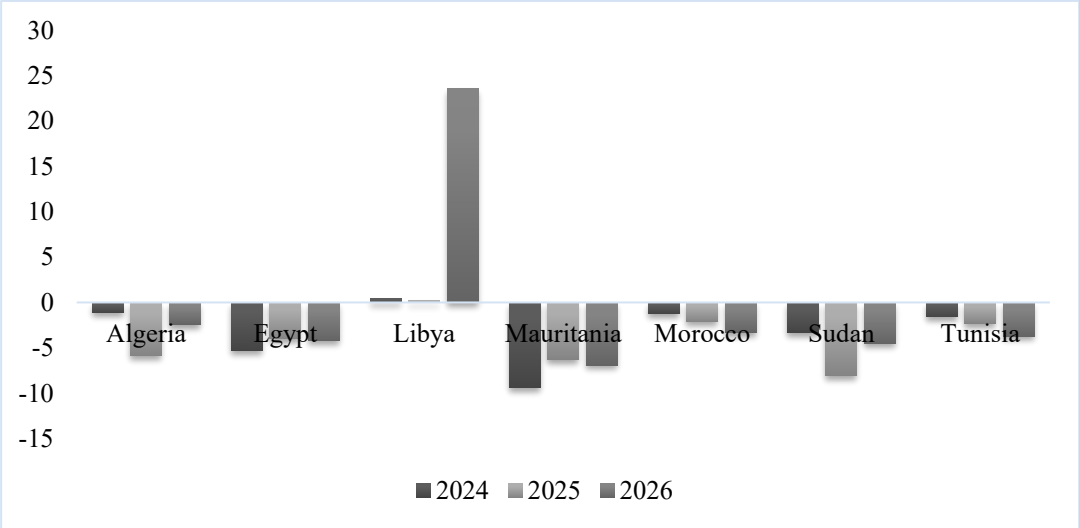
[35] International Monetary Fund, *Morocco: 2026 Article IV Consultation and Review under the Flexible Credit Line Arrangement – Press Release; Staff Report; and Statement by the Executive Director for Morocco*, IMF Country Report No. 26/72 (March 2026).

[36] Tunisia, Ministry of Finance of Tunisia, "Synthèse des résultats des finances publiques (budget de l'État)". Available at: https://www.finances.gov.tn/fr/les-indicateurs/synthese-des-resultats-des-finances-publiques-budget-de-letat.

V. Rising external pressures: current account dynamics

41. The subregion's external financing position remains strained.[37] Libya is the principal exception, recording a dramatic swing from near balance in 2025 to a projected surplus of 23.6 per cent of GDP in 2026, driven by higher oil prices linked to tensions in the Middle East and increased production.

Figure VI
Current account balances in North Africa
(Percentage of gross domestic product)



Source: International Monetary Fund, World Economic Outlook, 2026; Central Bank of Tunisia.

42. The external financing position of Algeria deteriorated markedly from 1.1 per cent of GDP in 2024 to 5.9 per cent in 2025 and is projected to narrow to 2.4 per cent in 2026, supported by higher oil prices amid the conflict in the Middle East. This trajectory highlights growing import demand associated with a major programme of public investment, while also underscoring the vulnerability of the economy to hydrocarbon price shocks.

43. The current account deficit in Egypt is projected to remain broadly stable at around 4 per cent of GDP between 2025 and 2027, with the post-devaluation adjustment continuing to support tradables. Revenue from traffic through the Suez Canal is recovering, tourism remains robust and remittances strong. Despite these positive developments, external debt servicing will continue to weigh on the country's current account and constrain the pace of external adjustment.

44. The current account deficit in Mauritania narrowed from 9.4 per cent of GDP in 2024 to 5.8 per cent in 2025 and is projected to remain close to 6 per cent in 2026 as gas exports increase, although the high value of imports means that the deficit remains large in absolute terms. The improvement reflects rising exports of gold, fishery products and liquefied natural gas from the offshore project, as well as a decline in project-related imports following the peak investment phase. Nonetheless, external shocks – including higher oil import costs stemming

[37] All current account ratios, except for Tunisia, are from the International Monetary Fund, World Economic Outlook, 2026.

from the conflict in the Middle East and growing insecurity along the border between Mali, Mauritania and Senegal, which has disrupted regional trade corridors – continue to put pressure on the country's external accounts.

45. The current account deficit in Morocco widened to 2.1 per cent of GDP in 2025 and is projected to widen further to 3.1 per cent in 2026, reflecting higher energy import costs associated with the regional conflict. The country's external financing position remains relatively strong, however, supported by strong institutions, tourism revenues, resilient remittances and access to international capital markets.

46. The current account deficit in the Sudan widened to 8.0 per cent of GDP in 2025 and is projected to narrow to 5.1 per cent in 2026, reflecting a recovery in exports under the baseline assumption of improved security conditions and relative macroeconomic stability. Increased external financing needs are expected to be met primarily through remittance inflows and a drawdown of international reserves.

47. The current account deficit in Tunisia widened to 2.3 per cent of GDP in 2025,[38] reflecting stronger import demand and persistent external pressures, notably, elevated debt-service payments and energy import costs, despite resilient tourism receipts and remittance inflows. The deficit is projected to widen to 3.7 per cent of GDP in 2026. The outlook remains subject to downside risks, including weaker external demand from Europe, volatile energy prices and geopolitical tensions in the Middle East.

48. Overall, the priority for the subregion is to shift from managing recurrent pressures on the current account towards building a more resilient external position through export diversification, reduced dependence on strategic imports, a more sustainable tourism sector, stronger remittance inflows, more stable investment inflows and adequate reserves to withstand commodity-price and geopolitical shocks.

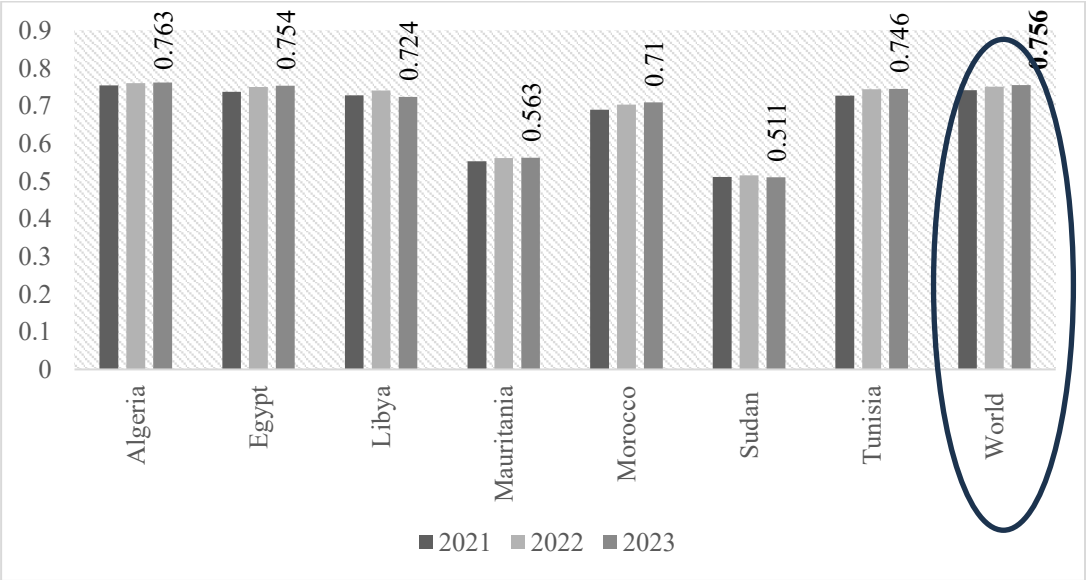
VI. Beyond growth: social realities and human development in North Africa

49. Although human development continues to improve, progress remains slow and uneven.

50. Algeria recorded the highest human development index score in the subregion, at 0.763, followed by Egypt (0.754) and Tunisia (0.746). Morocco recorded the largest improvement between 2021 and 2023 period, with its index value rising from 0.690 to 0.710, reflecting gains across all three dimensions of the index: life expectancy, education and gross national income per capita. Egypt has also recorded progress, supported by sustained income growth and the continued expansion of education. By contrast, Libya recorded the largest decline in the subregion, with its index falling from 0.741 in 2022 to 0.721 in 2023, reflecting protracted political fragmentation, weakened service delivery and stagnation in expected years of schooling. The Sudan recorded a decline, to 0.511, as the conflict continued to erode earlier social gains.

[38] Central Bank of Tunisia, *Annual Report 2025*. Available at: https://www.bct.gov.tn/bct/siteprod/actualites.jsp?id=1258.

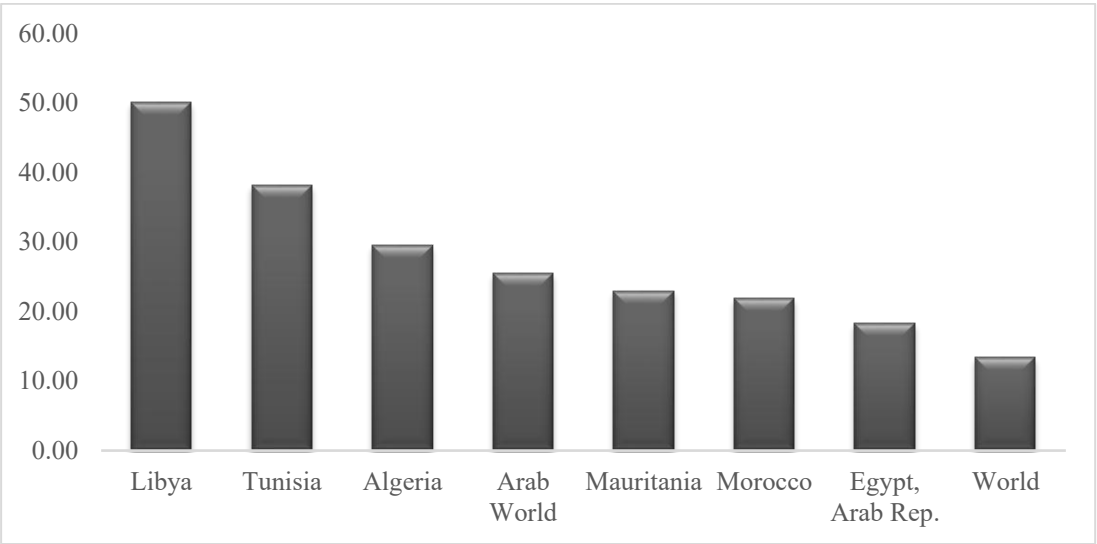
Figure VII
Human development index values



Source: United Nations Development Programme, *Human Development Report 2025: A Matter of Choice: People and Possibilities in the Age of AI* (New York, 2025).

51. The human development index values of countries in the subregion remain below the global average of 0.756, with Algeria the only country above that level.

Figure VIII
Youth unemployment in North Africa, 2025
(Percentage of total labour force aged 15–24 years)



Source: World Bank, World Development Indicators database, based on International Labour Organization, ILO Modelled Estimates database.

52. Despite improvements in human development index values, employment levels among the working-age population remain low. Employment-to-population ratios across the subregion remain well below the global average of 57.9 per cent. In 2025, the ratio is projected at 41 per cent in Egypt, 39.9 per cent in both Morocco and Tunisia, 37.7 per cent in the Sudan and 36.6 per cent in Algeria. The mismatch between rising educational attainment and limited job creation has become a major source of social tension in the subregion.

53. Youth unemployment remains one of the major challenges facing North Africa. In 2025, it was around 50 per cent in Libya and 38 per cent in Tunisia, well above the average of 25 per cent for the Arab States and the global average of 13 per cent. These high rates underscore the urgent need for labour market reforms and job creation in the private sector.

54. Gender disparities remain a persistent structural challenge across the region. In countries such as Algeria, Egypt and the Sudan, labour force participation rates among men are nearly four times higher than those among women, reflecting enduring barriers to women's economic participation.

55. The Middle East and North Africa region also continues to lag behind other regions in the political empowerment of women, recording the lowest regional score, at 10.5 per cent. Nevertheless, notable progress has been made over the past two decades, with the regional average more than tripling since 2006.[39] Despite these gains, the pace of improvement remains insufficient to close the substantial gender gap in political representation and decision-making.

56. The latest data on social protection coverage reveal significant gaps across the region. Only 18.8 per cent of persons with disabilities receive disability cash benefits, while 55 per cent of older persons receive an old-age pension.[40] These figures underscore the limited reach of social protection systems among vulnerable population groups and the need to expand coverage to enhance social inclusion and resilience.

57. The issue of social protection coverage assumes greater importance in Tunisia, where the demographic outlook underscores the urgency of planning ahead for social protection: by 2040, the population aged 65 years and over is projected to reach 16 per cent, above the threshold used by the World Health Organization to define an aged society. Although Tunisia has taken steps to reform its pension system by increasing the retirement age and contribution rates, it has not yet established a long-term care system or a framework for universal social protection, and political economy constraints continue to limit deeper structural reform. The experience of Tunisia offers an important lesson for the rest of North Africa: anticipating the demographic transition expected by 2040, rather than reacting to it once it occurs, will be critical to maintaining the fiscal sustainability of the social protection system and the adequacy of the protection it provides.

58. Overall, North Africa has made steady progress in human development and in improving access to essential social services, but significant gaps in inclusion persist. High youth unemployment, low labour force participation among women, uneven social protection coverage and limited financial inclusion continue to constrain inclusive growth and economic opportunities.

---

[39] World Economic Forum, *Global Gender Gap Report 2025* (Geneva, 2025). Available at: https://reports.weforum.org/docs/WEF_GGGR_2025.pdf.

[40] International Labour Organization, World Social Protection Database. Available at: https://www.social-protection.org/gimi/WSPDB.action?id=19 (accessed July 2026).

VII. Strategic policy directions for North Africa

59. The favourable growth outlook for North Africa will materialize only if policymakers successfully navigate heightened geopolitical uncertainty, climate risks and tighter global financial conditions. The recent recovery provides an opportunity not only to sustain growth but also to rebuild fiscal space and external reserves, strengthen macroeconomic resilience and accelerate structural reforms. The subregion must balance several priorities: sustaining the recovery, protecting the most vulnerable and using the narrow window of favourable financing conditions to strengthen resilience.

60. Growth prospects in Algeria remain closely tied to volatile hydrocarbon markets and a water-stressed agricultural sector. The country faces severe water scarcity, a challenge that is being intensified by climate change and population growth, increasing vulnerability to extreme weather events, declining agricultural productivity and rising fiscal pressures. To strengthen long-term resilience, Algeria should accelerate economic diversification by fostering high-value non-hydrocarbon industries, improving the business and investment climate and investing in human capital. At the same time, it should leverage its abundant natural resources to advance the energy transition and mobilize resources to invest in climate resilience.

61. For Egypt, the priority is to consolidate the gains from recent stabilization. The country should contain interest costs through improved debt management, accelerated broadening of the taxbase, in particular in the informal economy and sectors characterized by rent extracting sectors, and a more aggressive programme of divestment for State-owned enterprises. The Red Sea-Suez-Mediterranean corridor could be used to support green hydrogen and renewable energy. Social protection schemes such as the Takaful and Karama programme should be preserved and better targeted as reforms proceed.

62. Despite vast oil reserves, Libya remains exposed to fiscal and political volatility, with a private sector constrained by legal complexity and weak governance. Broadening the tax base, improving oil-revenue transparency and expanding infrastructure investment are key to inclusive resilience. Over the medium term, policymakers should prioritize economic diversification beyond hydrocarbons and strengthen financial sector governance.

63. The outlook for Mauritania is clouded by declining aid, security risks in the Sahel, climate change and volatility in revenues from extractive industries. Strengthening natural resource governance and accelerating development of the Greater Tortue Ahmeyim gas project will be important. Structural reforms will also be needed to mobilize domestic resources, expand public-private partnerships, increase access to climate finance and attract investment in renewable energy, green hydrogen, natural gas and climate-smart agriculture. These measures will be critical to building a more resilient and diversified economy.

64. Morocco has made significant advances in institutional reform and digitalization but faces labour-market stagnation and water scarcity. Full implementation of Framework Law No. 09.2[41] on social protection, stronger mobilization of tax revenue and a comprehensive reform of water management will therefore be important. Greater use of public-private partnerships, proactive management of climate-related risks and greater trade diversification would help to mitigate downside risks.

[41] Morocco, Framework Law No. 09-21 on social protection (23 March 2021), *Bulletin officiel*, No. 7132 (6 October 2022), p. 1505. Available at https://anss.gov.ma/sites/default/files/decrets/loi-cadre_09-21_FR.pdf.

65. The priority for the Sudan is to restore macroeconomic stability and strengthen institutions in order to support recovery, reconstruction and reintegration into regional and global financial markets. This will require improving public financial management, strengthening governance and transparency in the financial sector, modernizing payment systems and renewing engagement with development partners to mobilize concessional financing and private investment.

66. Tunisia, where growth is hampered by high public debt and slow progress on reforms, should accelerate the restructuring of State-owned enterprises, broaden the tax base and improve the efficiency of public investment in order to restore fiscal sustainability. Streamlining regulation, digitalizing public services and diversifying sources of financing, including through greater use of multilateral guarantees and blended finance, would help to strengthen the investment climate and encourage greater private investment.

_____