

CENTRAL AFRICAN REP.

Key conditions and challenges

food insecurity affecting over half of the CAR population. Pre-existing structural challenges left CAR particularly vulnerable to a protracted deep political crisis and its socioeconomic impact.

Table 1 **2020**

Population, million	4.8
GDP, current US\$ billion	2.2
GDP per capita, current US\$	462.6
Gini index ^a	56.2
School enrollment, primary (%gross) ^b	102.0
Life expectancy at birth, years ^b	52.8

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2008), 2011 PPPs.
(b) WDI for school enrollment (2016); life expectancy (2018).

The Central African Republic (CAR) economy stagnated in 2020 following the COVID-19 pandemic. The outlook is subject to downside risks arising from renewed insecurity amidst election disputes coupled with uncertainty on the global economy related to the impact of new strains of COVID-19 and the rollout of vaccines. Consolidating the peacebuilding process and implementing key structural reforms should remain a key priority. Over 70 percent of the population has been living in extreme poverty over the past decade

CAR is one of the most fragile and poorest countries in the world. The country is endowed with ample natural resources but has faced continued political instability and cycles of violence since independence. The poverty rate increased from 66.3 percent in 2008 to 71.4 percent in 2020 – 3.4 million people live below the international poverty line (US\$1.90 per day, 2011 PPP). Access to education, health care facilities, and basic social services remain limited throughout the country and under pressure due to many internally displaced persons. Consequently, the Human Capital Index is among the lowest in sub-Saharan African countries at 0.29 with a limited contribution to GDP growth. The formal private sector is small, constrained by several structural challenges, including limited access to finance and infrastructure, low skills, gaps in the legal and regulatory frameworks governing economic activities, and a fragile security environment. CAR's economic diversification is limited and has been primarily driven by agriculture, forestry, and mining activities over the past decades, making the country particularly vulnerable to commodity price shocks. The socioeconomic effects of COVID-19, coupled with renewed insecurity amidst post-election disputes, exacerbate an already precarious humanitarian situation. Nearly half of the population requiring humanitarian assistance, and

Recent developments

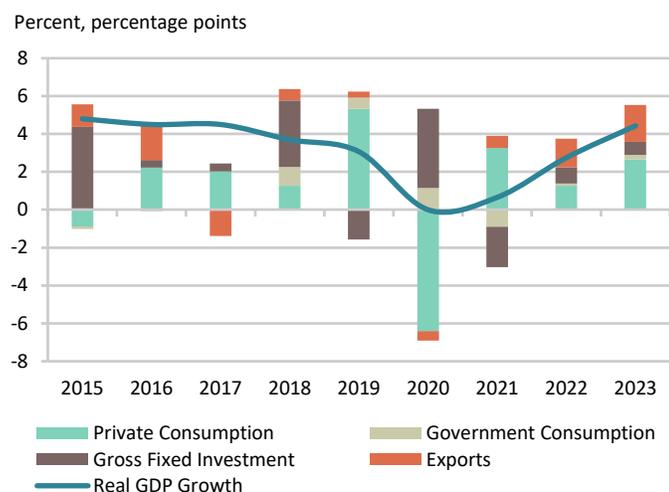
Despite a relatively contained health impact, the COVID-19 pandemic has significantly affected CAR's economy, which is estimated to have stagnated in 2020, compared to an expansion of 3.1 percent in 2019. Disruption in global value chains, low external demand, and domestic containment measures affected trade, transport, tourism, and mining sectors. The agriculture, forestry, and telecommunications sectors were more resilient than expected.

Public investments increased from 5.6 percent of GDP in 2019 to 11 percent of GDP in 2020, driven by measures to fight and contain the COVID-19 pandemic – leading to an overall increase in gross fixed capital investment. Uncertainties and shocks created by COVID-19 have led to a reduction in private investments by 14.1 percent in 2020.

Inflation accelerated in the second quarter of 2020 as measures to curtail the spread of COVID-19 disrupted food supply chains but decelerated during the second half of the year with the reopening of the border. Overall, the average level of inflation in 2020 is estimated at 2.1 percent.

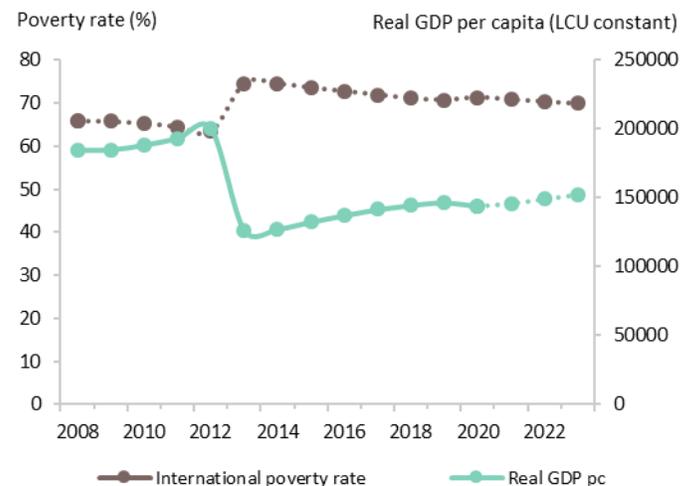
The fiscal balance, including grants, switched to a deficit in 2020, as pressures

FIGURE 1 Central African Republic / Real GDP growth and contributions to real GDP growth



Source: World Bank.

FIGURE 2 Central African Republic / Actual and projected poverty rate and real GDP per capita



Source: World Bank.

mounted from the expenditure side in response to the COVID-19 pandemic. The overall fiscal deficit is estimated at 2.5 percent of GDP in 2020, financed primarily by grants. As a result, public debt declined from 47.2 percent of GDP in 2019 to 46.8 percent of GDP in 2020. CAR remains at high risk of debt distress.

The current account balance deteriorated from 4.8 percent of GDP in 2019 to 7.6 percent of GDP in 2020, driven by weak external demand and private transfer and an increase in non-oil imports fueled by donors funded investments. Trade balance deteriorated by 4.1 percent as the export of merchandise declined, and imports increased slightly. The capital account balance improved from 3.6 percent in 2019 to 7.6 percent of GDP in 2020, reflecting an upward trend in project grants. Foreign direct investment declined by more than 60 percent, driven by uncertainties created by the COVID-19 pandemic. Consequently, the balance of payments is estimated to have generated a lower deficit of 0.3 percent of GDP in 2020.

The latest household survey was conducted in 2008, and the recent trends in household consumption and poverty are based on projections. In 2008, nearly 66.3 percent of the population lived in extreme poverty. The coup in 2013 precipitated an unprecedented political and economic

crisis that increased the incidence of extreme poverty to 75 percent. Since then, progress was made to reduce extreme poverty, notably over the past 4 years, albeit at a very slow pace. The Covid-19 pandemic has reversed this hard won modest progress, and the extreme poverty rate is projected to have 71.3 percent in 2020, which equates to about 3.5 million people living in extreme poverty.

Outlook

CAR's economy was expected to recover, but the outlook is now less sanguine as renewed insecurity amid election disputes is undermining the prospect of a post-COVID-19 recovery. Real GDP growth is projected at 0.7 percent in 2021 – 2.5 percentage points below initial projections before the December 2020 elections. Economic activity is expected to rebound gradually, contingent on an improvement in the security environment. In the medium term, CAR's economy is forecasted to grow at 3.6 percent on average –1.5 percentage points below pre-COVID-19 projections. Extreme poverty is projected to decline at a slower pace and remains high. The consumer price index is expected to increase to 3.5 percent in 2021, reflecting

inflationary pressures with the blockade of the Bangui-Douala corridor amidst election disputes. Inflation is projected to fall below the regional convergence criterion of 3 percent in the medium-term.

The fiscal position is expected to deteriorate further in 2021 with a deficit of 2.7 percent of GDP as grants decline and revenues drop with renewed insecurity and the blockade of the Bangui-Douala corridor. In the medium term, the external position is projected to worsen as a result of a higher trade deficit and lower investment inflows. The current account balance is expected to improve with an improvement in the balance of goods and services but will remain structurally in deficit.

CAR's economy is likely to enter a deeper recession if renewed insecurity lingers. The humanitarian situation will likely deteriorate, with thousands of additional people fleeing for their safety and falling into poverty. Further violence and insecurity are likely to increase the country risk premium, heighten investment uncertainty, delay the reform agenda, critical to leverage domestic resources and strengthen the social contract.

TABLE 2 Central African Republic / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	3.7	3.1	0.0	0.7	2.8	4.4
Private Consumption	1.3	5.7	-6.7	3.6	1.4	2.9
Government Consumption	14.1	7.7	14.4	-9.7	1.5	3.0
Gross Fixed Capital Investment	26.0	-9.6	29.0	-11.6	5.2	4.1
Exports, Goods and Services	3.8	1.9	-3.2	4.2	9.6	11.6
Imports, Goods and Services	8.0	4.9	-4.8	0.6	3.1	3.3
Real GDP growth, at constant factor prices	3.6	2.6	0.0	1.0	2.6	4.4
Agriculture	3.4	3.1	4.0	2.0	2.7	4.1
Industry	1.5	2.1	-2.0	1.0	1.5	1.8
Services	4.4	2.3	-1.9	0.3	2.9	5.4
Inflation (Consumer Price Index)	1.6	2.8	2.1	3.5	2.5	2.5
Current Account Balance (% of GDP)	-8.0	-4.8	-7.6	-6.8	-5.2	-5.2
Fiscal Balance (% of GDP)	-1.0	1.7	-2.6	-2.7	-1.5	1.0
Debt (% of GDP)	50.0	47.9	46.5	44.4	41.0	38.7
Primary Balance (% of GDP)	-0.6	2.0	-2.3	-2.4	-1.1	1.3
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	71.1	70.7	71.4	71.6	71.4	70.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.

Notes: e = estimate, f = forecast.

(a) Calculations based on 2008-ECASEB. Actual data: 2008. Nowcast: 2009-2020. Forecast are from 2021 to 2023.

(b) Projection using neutral distribution (2008) with pass-through = 0.7 based on GDP per capita in constant LCU.