Sub-Saharan Africa

Macro Poverty Outlook

Country-by-country Analysis and Projections for the Developing World

Annual Meetings 2022

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Sub-Saharan Africa

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ANGOLA

Table 1	2021
Population, million	33.9
GDP, current US$ billion	73.2
GDP per capita, current US$	2158.0
International poverty rate ($2.15)[a]	31.1
Lower middle-income poverty rate ($3.65)[a]	52.9
Upper middle-income poverty rate ($6.85)[a]	78.0
Gini index[a]	51.3
School enrollment, primary (% gross)[b]	113.5
Life expectancy at birth, years[b]	61.5
Total GHG emissions (mtCO2e)	129.8

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ WDI for School enrollment (2015); Life expectancy (2020).

After emerging from a five-year recession with slightly positive GDP growth in 2021, Angola has continued on its path of economic recovery into 2022. Thanks to high oil prices and the strengthening of non-oil sectors, the outlook for 2022 and the subsequent years is favorable. General elections on August 24 reconducted the incumbent administration. It faces the challenge of leveraging the currently favorable economic momentum by relieving extreme poverty while investing in a more sustainable, diversified, and inclusive growth path.

Key conditions and challenges

An oil-dependent economy, Angola's economic performance has been significantly influenced by the global oil price. The oil-led growth model has caused macroeconomic instability and resulted in high levels of poverty and inequality. Oil revenues were insufficiently (or ineffectively) reinvested, resulting in underdeveloped infrastructure and low human capital, which limited opportunities for economic diversification. Global decarbonization poses further challenges to Angola's growth model and increases the urgency of economic diversification.

Recent years have seen structural reforms undertaken to move Angola away from its resource dependency. Macroeconomic stability has been improved through a more flexible exchange rate regime, central bank autonomy, sound monetary policy, and fiscal consolidation. Laws to increase the stability of the financial sector, improve fiscal policy effectiveness, and reduce the impact of oil revenue volatility on public finances have also been introduced. In addition, the authorities have taken steps to reduce corruption – considered one of the major constraints for doing business in Angola – and improve the business climate. To combat poverty and boost human capital, investments in education and health have been complemented with the roll-out of a social protection registry and a targeted cash transfer program (Kwenda) in 2020, for which registration reached over 800,000 households by mid-2022.

Adding to Angola's challenges, the impacts of global warming are increasingly felt. Especially in the south of the country, worsening climatic conditions have led to a multi-year severe drought with 1.3 million suffering from food crisis.

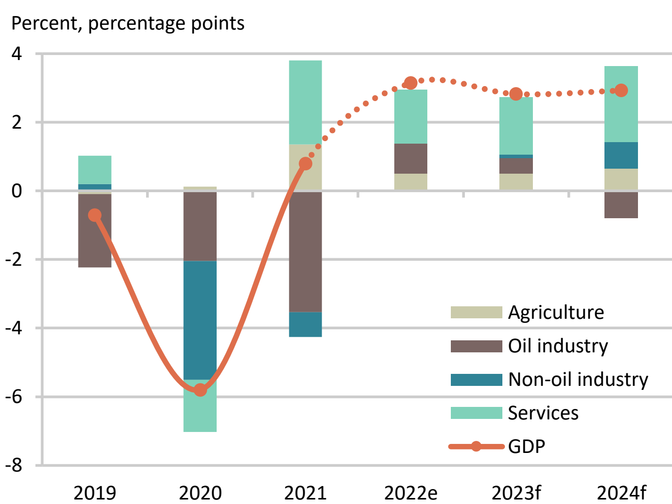
Recent developments

Notwithstanding long-term sustainability concerns, higher oil prices in 2022 are contributing to firmer economic activity. Angola exited a five-year recession in 2021, growing 0.8 percent thanks to strong performance of fisheries, agriculture, and services. In 2022 Q1, GDP growth remained solid, at 2.6 percent. Oil production increased, averaging 1.17 million barrels per day in the first half of 2022, up 7 percent from last year.

With higher production and oil prices averaging over US$100/barrel in 2022, exports and government revenues, of which 95 and 60 percent are oil-related, have been increasing, as have net international reserves. Public debt, meanwhile, declined from over 130 percent of GDP in 2020 to 86 percent in 2021.

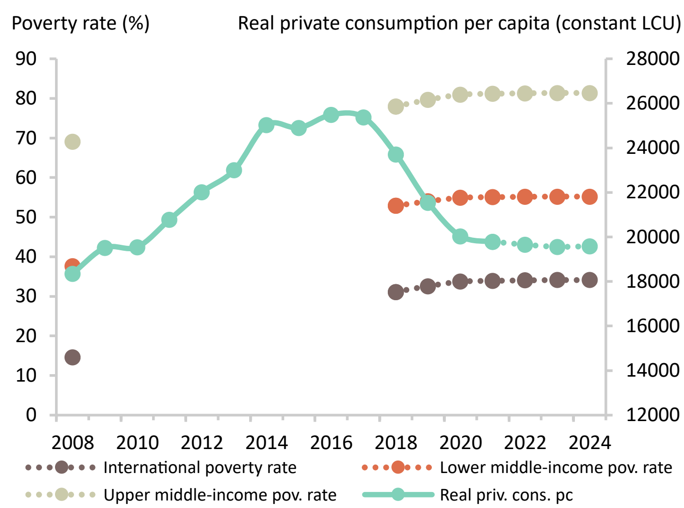
High oil prices caused a 24 percent appreciation of the Kwanza against the USD in July relative to end-2021. Despite currency strength, overall and food inflation remain high, at 23 and 26.2 percent in June, respectively. This led

FIGURE 1 Angola / Real GDP growth and contributions to real GDP growth



Sources: Angola National Institute of Statistics and World Bank MTI.

FIGURE 2 Angola / Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Notes: see Table 2.

to an appreciation of the real effective exchange rate of 92.7 percent in June. With an inflation target of 18 percent for end-2022, the central bank has kept its reference rate at 20 percent but started easing other monetary instruments.

The rising cost of living especially burdens the urban poor, who rely on informality and face high unemployment. However, the urban share of the working-age population employed shows signs of recovery, with 2 percentage points y/y increase to 52 percent 2022 Q2, while the national rate registered a 1-percentage point y/y increase, reaching 63 percent.

Developments beyond oil have also been supportive. In April, Angola successfully tapped global bond markets and saw the start of operations of the mobile network operator Africell. In June, the largest private bank launched the country's first initial public offering, and Angola became a member of the Extractive Industries Transparency Initiative (EITI).

Outlook

High oil prices will strengthen Angola's economy in the near term. Real GDP is projected to grow 3.1 percent in 2022, following a slight expansion of oil production. The non-oil growth is expected to pick up, generating approximately 2.8 percent GDP growth in 2023 and 2024 despite the expected contraction of the oil sector in 2024 as reserves are slowly being exhausted. Economic growth will however continue to trail population growth, and per capita GDP is expected to further decline or, at best, stagnate, further highlighting the need to accelerate economic growth. In 2022, oil revenue windfalls will generate a fiscal surplus of 1.0 percent of GDP, projected to drive down public debt to 62 and 61 percent of GDP in 2022 and 2023. By 2024, the loss of oil revenues will cause a fiscal deficit of 0.2 percent of GDP and a slight uptick in public debt.

With stagnating per capita GDP levels, the poverty rate will remain largely unchanged at around 34 percent of the population living on less than US$ 2.15 per day (2017 PPP) - the updated international poverty line. This highlights the need for the continued expansion of Kwenda and programs to increase productivity and employment opportunities, especially for youth and women. Moreover, if fertilizer prices remain high, agricultural production in the incoming season may significantly fall, increasing food insecurity and food prices.

On August 24, Angola held legislative and presidential elections, which reappointed the incumbent government. Politically complex reforms that require continued political commitment and ownership, such as the phasing-out of fuel subsidies, remain outstanding. Moreover, the new administration will have to manage significant economic challenges in the medium-term, aggravated by tighter financing conditions and global uncertainty caused by rising geopolitical tensions.

TABLE 2 Angola / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	-0.7	-5.8	0.8	3.1	2.8	2.9
Private Consumption	-6.2	-4.0	2.0	2.5	2.7	3.3
Government Consumption	-1.6	-7.1	4.0	9.7	3.3	5.2
Gross Fixed Capital Investment	-1.9	-1.6	17.0	5.5	5.1	6.6
Exports, Goods and Services	-5.9	-6.2	-10.7	3.3	2.2	-2.1
Imports, Goods and Services	-11.0	-21.7	7.0	10.0	7.0	6.5
Real GDP growth, at constant factor prices	-1.2	-7.0	-0.5	3.1	2.8	2.9
Agriculture	-1.3	1.8	17.3	5.6	5.4	6.9
Industry	-3.6	-10.4	-8.5	1.9	1.2	-0.1
Services	2.2	-3.9	6.2	3.8	4.0	5.2
Inflation (Consumer Price Index)	17.1	22.3	25.8	22.6	14.1	8.9
Current Account Balance (% of GDP)	6.2	2.4	10.1	15.2	14.0	10.9
Net Foreign Direct Investment Inflow (% of GDP)	-2.1	3.3	4.5	-0.5	-1.3	-1.6
Fiscal Balance (% of GDP)	0.8	-1.9	2.9	1.0	0.2	-0.2
Debt (% of GDP)	119.6	130.7	85.7	61.9	61.3	62.5
Primary Balance (% of GDP)	6.5	4.9	8.2	5.3	4.0	4.5
International poverty rate ($2.15 in 2017 PPP)[a,b]	32.6	33.7	33.9	34.1	34.2	34.1
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	54.0	54.9	55.1	55.2	55.2	55.2
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	79.6	80.9	81.2	81.3	81.4	81.4
GHG emissions growth (mtCO2e)	6.8	1.1	0.1	1.9	0.5	1.5
Energy related GHG emissions (% of total)	16.1	16.7	17.1	19.2	20.2	21.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2013-, 2019-, and 2018-IDREA. Projection using point to point elasticity at regional level with pass-through = 0.7 based on private consumption per capita in constant LCU.
b/ Actual data: 2018. Nowcast: 2019-2021. Forecasts are from 2022 to 2024.

BENIN

Table 1	2021
Population, million	12.5
GDP, current US$ billion	17.8
GDP per capita, current US$	1427.3
International poverty rate ($2.15)[a]	19.9
Lower middle-income poverty rate ($3.65)[a]	53.2
Upper middle-income poverty rate ($6.85)[a]	83.4
Gini index[a]	37.8
School enrollment, primary (% gross)[b]	114.2
Life expectancy at birth, years[b]	62.1
Total GHG emissions (mtCO2e)	28.0

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ Most recent WDI value (2020).

After a strong rebound in 2021, real growth is expected to moderate to 5.7 percent in 2022, notably driven by subdued private consumption due to rising inflationary pressures that also keep the fiscal deficit elevated, at 5.5 percent of GDP. Public debt has increased as a result. Food and energy price volatility, increased security risks in the north, and extreme weather events cloud the outlook for growth and poverty reduction.

Key conditions and challenges

The COVID-19 crisis significantly reduced Benin's real growth rate even though a swift economic response, combined with the continuation of large public infrastructure projects, supported growth throughout 2020 and paved the way for a strong rebound in 2021 at 7.2 percent. The Government Action Plan (PAG), which initially covered the period 2016-2021, was extended to 2026 following the reelection of President Talon in April 2021, and the PAG2 maintains its focus on macroeconomic stability, strengthening governance, and ambitious infrastructure investments (transport, logistics, agriculture, and tourism).

Strengthening the recovery over time will require continued structural reforms to alleviate key constraints. First, productivity growth in services and industry has been slow due to low quality education and skills mismatches. Second, the COVID-19 crisis highlighted the difficulty of targeting support towards the most vulnerable as social safety net mechanisms are still being built. Finally, even though fiscal consolidation efforts since 2016 enabled countercyclical fiscal policy in response to the 2020-2022 crisis, domestic revenue mobilization remains structurally weak, limiting fiscal space for productive spending.

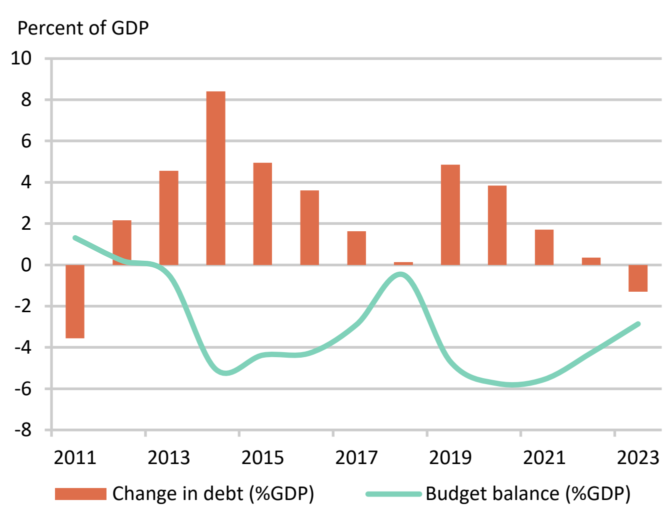
In terms of risks, sustained food and energy price volatility and supply-side disruptions, e.g., fertilizers fueled by the war in Ukraine, would negatively impact poor and vulnerable households, increasing food insecurity and slowing poverty reduction. Extreme climate events could also cause damage and jeopardize agricultural output. An increase in terrorist attacks in the northern regions could also threaten economic development in these rural communities, pushing more households into fragility.

Recent developments

Real GDP growth is expected to decelerate to 5.7 percent in 2022 – 1 ppt below pre-Ukraine war projections, due to negative terms of trade shocks and worsening global economic outlook. On the supply side, all sectors would decelerate due to the spike in commodity and fertilizer prices and supply chain disruptions. On the demand side, private consumption is contracting, while public spending drives up government consumption. Annual inflation eased to 1.7 percent on average in 2021. On a monthly basis, however it peaked at 7.9 percent in January 2022 due to rising global energy and food prices, before government measures to limit staple food prices resulted in annualized inflation declining to 2 percent at end-July.

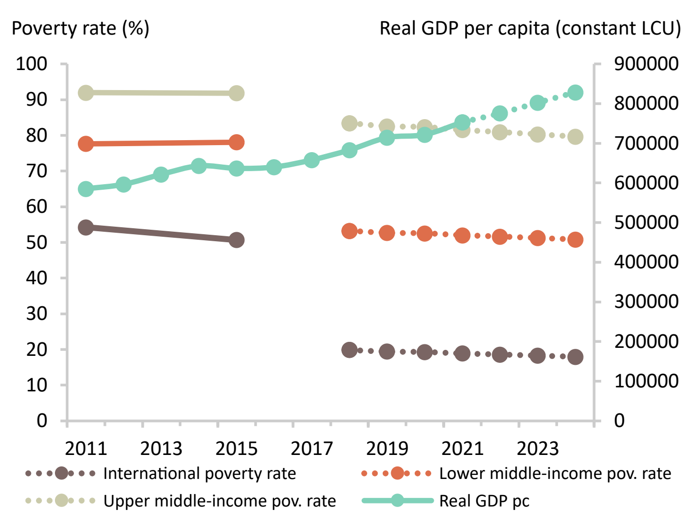
Higher commodity prices coupled with significant construction, energy, and security imports are expected to widen the current account deficit (CAD) (including grants) to 6.2 percent of GDP in 2022, from 4.4 percent in 2021. The CAD will be primarily financed by regional bond emissions and by concessional financing.

FIGURE 1 Benin / Budget balance and change in public and publicly guaranteed debt



Source: World Bank.

FIGURE 2 Benin / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

The fiscal deficit will remain high at 5.5 percent of GDP in 2022, owing to unanticipated spending to cushion the effects of the Ukraine war, security-related spending to contain rising security threats in the North, and lower than expected international trade revenue. Domestic revenues are expected to remain resilient in 2022 reaching 13.4 percent of GDP, compared to 13.2 percent in 2021. Public debt is expected to increase to 51.6 percent of GDP in 2022 (+9.1 ppt compared to 2019), with the share of external debt significantly increasing over the last few years.

Monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO). Its reserves declined to 5.2 months of imports in June 2022, from 5.5 months in 2021, due to higher energy prices and food imports caused by the Ukraine crisis. To counter inflation pressures, the BCEAO raised rates for liquidity calls (2 percent to 2.5 percent) and the marginal lending window (4 percent to 4.5 percent) in June and September 2022.

Poverty and vulnerability remain high with substantial spatial disparities. The poverty headcount rate ($2.15 a day, 2017 PPP) is expected to continue its gradual decline, from 18.9 percent in 2021 to 18.6 percent in 2022, as a result of sustained economic growth.

Outlook

In the medium-term, real growth is expected to converge to 6 percent, equivalent to 3.3 percent per capita. Growth will be driven by private consumption, as inflationary pressures abate, and total investment, with a gradual shift from public to private. Inflation is projected to decline gradually from 2023 onwards after peaking at 3.9 percent in 2022, driven by higher global food and energy prices. The CAD should improve progressively, averaging 5.1 percent of GDP, thanks to a normalization of the price of oil products and supported by ongoing reforms to improve competitiveness and export diversification.

The planned revenue-based fiscal consolidation, supported by a newly signed IMF program, along with the removal of exceptional subsidy measures and more efficient spending, should narrow the deficit to 4.3 percent in 2023. The WAEMU target of 3 percent of GDP should be reached in 2024, while risks of delaying it by one more year remain. As a result, public debt is expected to peak at 52 percent at end-2023, before gradually declining.

WAEMU reserves are expected to fall to around 5.3 months in 2023-2024, reflecting faster growth in imports and a reduction in net capital inflows (as a percent of GDP), as the environment for Eurobond issuances remains uncertain.

Poverty reduction is expected to gradually revert to its pre-crisis downward pace as the economy rebounds. With improving employment, and social protection programs, the $2.15/day 2017 PPP poverty headcount rate is expected to decrease to 18 percent by 2024.

TABLE 2 Benin / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	7.5	3.8	7.2	5.7	6.2	6.0
Private Consumption	3.5	3.0	4.2	3.0	4.0	4.0
Government Consumption	5.8	19.6	2.0	13.9	0.7	2.4
Gross Fixed Capital Investment	6.0	-6.2	20.1	13.1	9.7	8.5
Exports, Goods and Services	-18.6	-6.7	19.2	11.6	4.6	5.5
Imports, Goods and Services	-24.2	-11.3	19.6	15.5	0.4	1.3
Real GDP growth, at constant factor prices	8.0	3.8	7.2	5.7	6.2	6.0
Agriculture	7.2	1.8	4.7	4.3	4.5	4.5
Industry	6.2	5.2	10.5	7.8	7.7	7.3
Services	10.1	4.5	6.9	5.2	6.4	6.2
Inflation (Consumer Price Index)	-0.9	3.0	1.7	3.9	3.0	2.5
Current Account Balance (% of GDP)	-4.0	-1.7	-4.4	-6.2	-5.7	-4.6
Net Foreign Direct Investment Inflow (% of GDP)	1.3	0.5	1.3	0.3	-0.7	-1.0
Fiscal Balance (% of GDP)	-0.5	-4.7	-5.7	-5.5	-4.3	-2.9
Debt (% of GDP)	41.2	46.1	49.9	51.6	52.0	50.7
Primary Balance (% of GDP)	1.1	-2.7	-3.5	-3.7	-2.7	-1.2
International poverty rate ($2.15 in 2017 PPP)[a,b]	19.4	19.3	18.9	18.6	18.3	18.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	52.7	52.5	52.0	51.6	51.2	50.8
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	82.5	82.3	81.5	80.9	80.3	79.7
GHG emissions growth (mtCO2e)	-0.2	1.9	6.6	1.0	2.0	4.2
Energy related GHG emissions (% of total)	30.8	31.6	35.4	35.4	35.8	37.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2009-, 2014-, and 2018-EHCVM. Actual data: 2018. Nowcast: 2019-2021. Forecasts are from 2022 to 2024.
b/ Projection using point to point elasticity at regional level with pass-through = 0.7 based on GDP per capita in constant LCU.

BOTSWANA

Table 1	2021
Population, million	2.4
GDP, current US$ billion	17.5
GDP per capita, current US$	7247.6
International poverty rate ($2.15)[a]	15.4
Lower middle-income poverty rate ($3.65)[a]	38.0
Upper middle-income poverty rate ($6.85)[a]	63.5
Gini index[a]	53.3
School enrollment, primary (% gross)[b]	99.0
Life expectancy at birth, years[b]	69.8
Total GHG emissions (mtCO2e)	59.1

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2015), 2017 PPPs.
b/ WDI for School enrollment (2021); Life expectancy (2020).

After a strong growth rebound in 2021, Botswana's economy is projected to expand by 4.1 percent in 2022, surpassing expectations despite the headwinds created by COVID-19 and the Ukraine war. In 2022, higher fiscal revenues driven by diamond exports are helping to replenish the Pula Fund. Still, the fiscal deficit is set to increase with higher government spending to cushion households against soaring higher inflation. Structural reforms to boost competitiveness for more and better jobs remain essential to tackling poverty and the unemployment rate of 26 percent.

Key conditions and challenges

Botswana has historically enjoyed robust and stable growth since independence, supported by the discovery of large diamond deposits and prudent use of the proceeds. However, the limitations of the existing diamond sector-led development model have become increasingly pronounced: the pace of growth has weakened since the global financial crisis in a context of higher competition from synthetic diamonds and higher production costs locally, and job creation is low. The unemployment rate climbed to 26 percent in 2021, with youth unemployment posing a critical challenge. Despite historically declining inequality, Botswana remains one of the world's most unequal countries, with the Gini index estimated at 53.3 percent.

Botswana's reliance on a diamond and public sector-driven model makes the economy vulnerable to external shocks, as diamonds contribute over 80 percent of total exports and are a major source of fiscal revenues. This vulnerability was evident during the pandemic when the economy contracted by 8.7 percent in 2020 and fiscal pressures rose.

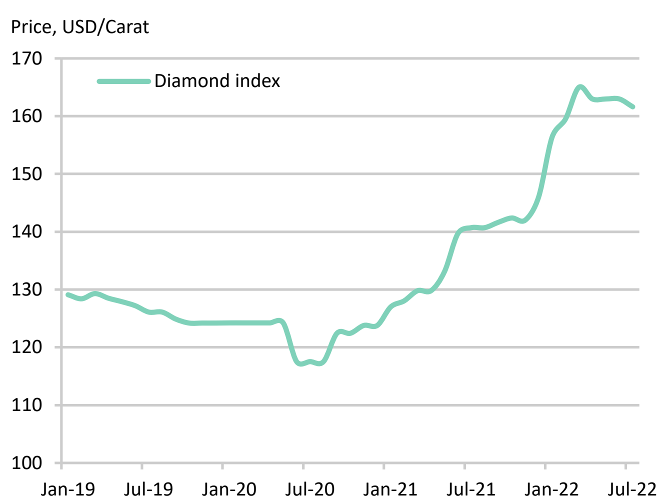
COVID-19 exacerbated existing economic and social challenges, setting back some gains made in alleviating poverty, underscoring the urgent need for a shift towards a more diversified economy, with the private sector playing a leading role. Steadfast implementation of reforms envisaged in the "Reset Agenda" will help diversify the economy towards financial services, manufacturing, and tourism.

Recent developments

Growth has been broad-based in 2022Q1 and 7 percent higher than in 2021Q1, driven by mining, manufacturing, water & electricity, accommodation, and food services. The diamond industry performed well, as sanctions against Russia are benefitting Botswana through higher prices and market share. Economic activity has also been boosted by the lifting of COVID-19 restrictions amid a high vaccination rate of over 95 percent of the eligible population.

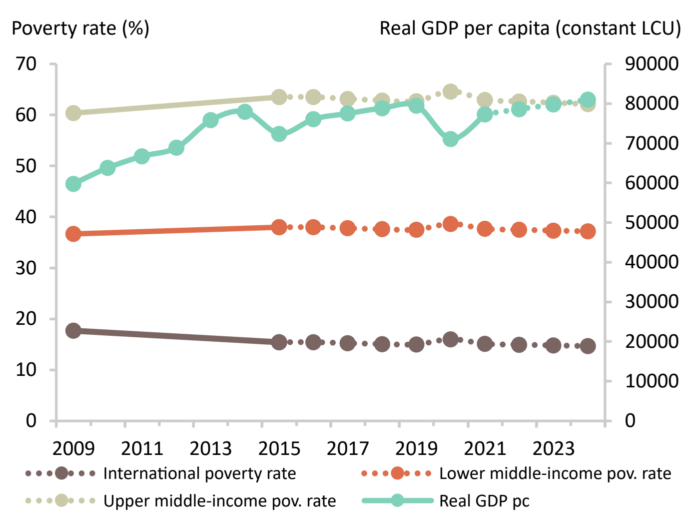
Inflation continued to exceed the central bank's medium-term 3–6 percent objective range during the 2022H1, reflecting high energy prices and other input costs. Annual CPI inflation averaged 11.4 percent during January-July 2022 compared to 6.7 percent in 2021. The impact of the Ukraine war on food and transport prices was high, as they together accounted for 10.9 percentage points of the 14.3 percent inflation in July 2022. As inflationary pressures mount, the Bank of Botswana has tightened monetary policy, raising the newly introduced Monetary Policy Rate by a cumulative 151 basis points between April and August 2022. The poverty rate is projected at 63 percent in 2021, down from 64.6 percent in 2020 (based on the new upper-middle-income poverty line). Unemployment increased to 26 percent in 2021 from 24.5 percent in 2020.

FIGURE 1 Botswana / Diamond prices



Source: Bank of Botswana.

FIGURE 2 Botswana / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

In 2022H1, both the current account and fiscal balances improved, driven by the solid performance of the diamond industry, and foreign reserves stabilized. The external position is expected to record a surplus in 2022 due to solid diamond exports and lower net capital outflows. On the fiscal side, the rise in revenues reflected elevated diamond sales and improved revenue collection; yet the fiscal deficit is expected to widen by end-2022 due to higher government spending. On July 27, the Government approved several short-term interventions to cushion households against heightened inflationary pressures. These fiscal interventions will cost an estimated 0.8 percent of GDP and mostly support social programs targeted at households.

Outlook

Following a robust growth rebound in 2021 (11.4 percent), growth is projected at 4.1 percent in 2022 and to average 4 percent during 2023-2024. Growth will be supported by strong demand for diamonds, increased copper production, and an uptick in international tourist arrivals. Though inflation is expected to remain in double figures in 2022, Botswana's relatively strong public sector governance and predictable monetary policy framework will support macroeconomic stability in the medium term. The outlook hinges on the course of the war in Ukraine, diamond prices, the pandemic, and the implementation of fiscal consolidation and economic diversification reforms.

The approved short-term fiscal interventions to cushion households against rising inflation is projected to increase the fiscal deficit in 2022, despite the higher performance of mineral revenues. The measures (VAT rate will decline from 14 to 12 percent with zero rating of VAT for cooking oil and fuel) announced in July will lead to reduced revenues. The projected deficit will be financed through external borrowing, increasing public debt. However, in the medium term, the fiscal balance is projected to turn into a surplus as authorities move ahead with fiscal consolidation focused on the wage bill, subventions, and SOE reforms.

The current account balance is projected to be in surplus in the medium-term, as the rebound in diamond production and favorable terms of trade owing to subdued diamond supply in Russia anchor the projected drop in SACU revenues. Poverty under the new upper-middle-income poverty line is expected to decline slightly to 62.7 percent in 2022. A sustained reduction in poverty and inequality will require further progress on diversification and digitalization reforms to enhance access to good private-sector jobs. There is a need to expedite the implementation of key strategic priorities by developing infrastructure, expanding social programs, and improving public service delivery.

TABLE 2 Botswana / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	3.0	-8.7	11.4	4.1	4.0	4.0
Private Consumption	3.5	3.5	3.3	2.6	4.8	2.8
Government Consumption	9.8	5.3	3.2	-5.7	-1.0	2.3
Gross Fixed Capital Investment	10.2	-10.4	-0.2	4.1	-0.6	2.3
Exports, Goods and Services	-7.1	-18.1	32.8	10.8	8.8	7.3
Imports, Goods and Services	11.9	5.2	2.7	5.0	4.9	4.8
Real GDP growth, at constant factor prices	3.2	-8.7	11.4	4.1	4.0	4.0
Agriculture	3.0	-5.1	-2.9	2.8	2.8	2.6
Industry	-1.5	-20.7	19.4	11.3	4.4	4.4
Services	6.8	-0.2	7.3	-0.4	3.7	3.8
Inflation (Consumer Price Index)	2.8	1.9	6.7	11.0	5.9	4.5
Current Account Balance (% of GDP)	-7.0	-8.7	-0.5	1.7	2.6	4.3
Net Foreign Direct Investment Inflow (% of GDP)	-1.3	0.7	-0.6	-0.8	-1.0	-1.1
Fiscal Balance (% of GDP)[a]	-6.2	-9.6	-2.9	-3.3	0.3	1.6
Debt (% of GDP)[b]	19.4	22.4	25.0	27.4	26.6	24.3
Primary Balance (% of GDP)[a]	-5.5	-8.9	-2.1	-2.5	1.2	2.4
International poverty rate ($2.15 in 2017 PPP)[c,d]	15.0	16.0	15.1	15.0	14.8	14.7
Lower middle-income poverty rate ($3.65 in 2017 PPP)[c,d]	37.5	38.7	37.7	37.5	37.3	37.2
Upper middle-income poverty rate ($6.85 in 2017 PPP)[c,d]	62.7	64.6	63.0	62.7	62.4	62.1
GHG emissions growth (mtCO2e)	0.6	-1.4	3.7	0.4	0.3	0.4
Energy related GHG emissions (% of total)	17.2	15.7	16.8	17.1	17.3	17.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Fiscal balances are reported in fiscal years (April 1st -March 31st).
b/ Refers to Public and Publicly Guaranteed debt.
c/ Calculations based on 2009-CWIS and 2015-BMTHS. Actual data: 2015. Nowcast: 2016-2021. Forecasts are from 2022 to 2024.
d/ Projection using point to point elasticity at regional level with pass-through = 0.87 based on GDP per capita in constant LCU.

BURKINA FASO

Table 1	2021
Population, million	21.5
GDP, current US$ billion	20.0
GDP per capita, current US$	931.9
International poverty rate ($2.15)[a]	30.5
Lower middle-income poverty rate ($3.65)[a]	59.8
Upper middle-income poverty rate ($6.85)[a]	81.1
Gini index[a]	47.3
School enrollment, primary (% gross)[b]	92.6
Life expectancy at birth, years[b]	62.0
Total GHG emissions (mtCO2e)	46.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ Most recent WDI value (2020).

The economy grew by an estimated 6.9 percent in 2021 (4.0 percent in per capita terms), aided by a post-COVID-19 rebound in services. Due to political instability, domestic insecurity, and the impact of the war in Ukraine, growth is projected to slow to 4.3 percent, and inflation to reach double digits. This will exacerbate food insecurity and delay returning to a pre-COVID poverty reduction trajectory. The medium-term outlook is clouded by significant downside risks related to the political transition and insecurity.

Key conditions and challenges

Over the past decade, the primary sector has declined in importance, now contributing less than 20 percent of GDP. Aided by a boom in the gold mining industry, the contribution of the secondary sector rose to nearly 20 percent of GDP and 85 percent of exports. Services account for almost half of GDP, with the public and retail sectors generating most jobs and output. However, almost 1 in 3 people continue to live in extreme poverty, and since 2016 strong growth (6.2 percent on average until COVID-19) has contrasted with increasing insecurity. About a quarter of schools are currently closed in the two most affected regions, and the number of internally displaced persons reached 2 million in mid-2022. Unfinished decentralization reforms and growing political instability, combined with substantial defense spending and a high public wage bill, have constrained the delivery of public services and limited growth-enabling public investments.

Economic prospects are even more uncertain after the January 2022 unconstitutional regime change. The coup triggered a reduction in the international community's financial support while heightening the country's risk profile, negatively affecting private investment and FDI. The primarily rain-fed agriculture and livestock sectors remain highly vulnerable to climate shocks and natural disasters.

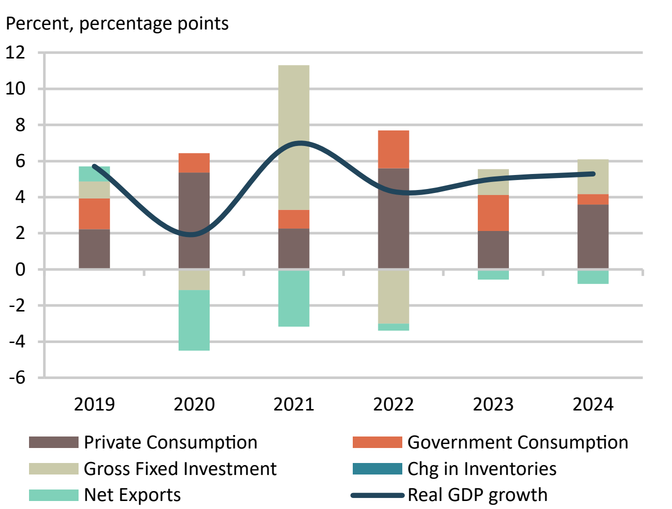
Recent developments

Following a strong 2021 post-COVID-19 economic recovery, supported by a rebound in services and the opening of new gold mines, GDP growth slowed sharply in the first half of 2022 as insecurity spread to some mining and farming areas, combined with the impact of the war in Ukraine on global commodity prices. Higher import prices (especially for foodstuffs, fertilizers, and fuel), global market access challenges, and lower investment (including FDIs) contributed to a fall of quarterly GDP in Q1-2022 of 1.9 percent, with extractives (-10.3 percent) and the construction sector (-18.9 percent) showing the most significant contractions. Over the year, real growth is projected at 4.3 percent (1.5 percent in per capita terms), driven by consumption and exports. With reduced donor grants and FDI inflows following the coup, combined with high oil prices, the CAD could deteriorate to 6 percent by the end of the year.

While the rise in import prices has fed into domestic inflation, the bigger drivers of price increases are supply-side shocks from domestic agriculture production, namely a bad harvest in late 2021 and the security situation driving more farmers off their lands. As of August 2022, year-on-year inflation stood at 18.1 percent, driven by food (+29.8 percent).

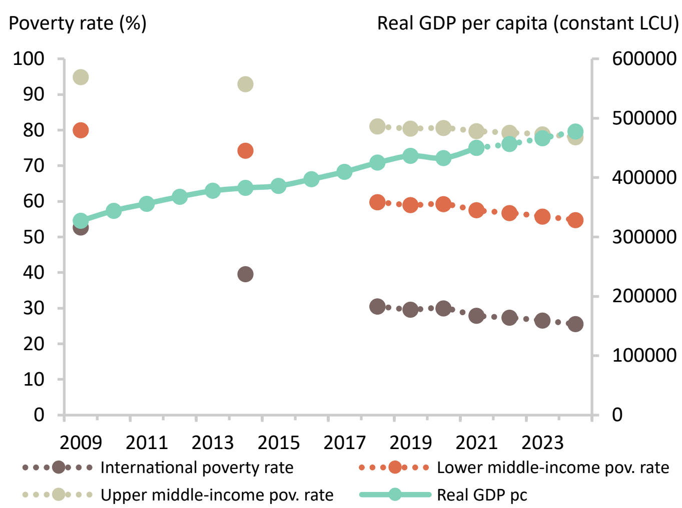
Monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO). Its reserves declined to 5.2 months of imports in June

FIGURE 1 Burkina Faso / Real GDP growth and contributions to real GDP growth (demand-side)



Source: World Bank staff estimates.

FIGURE 2 Burkina Faso / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

2022, from 5.5 months in 2021, due to higher energy prices and food imports caused by the Ukraine crisis. To counter inflation pressures, the BCEAO raised rates for liquidity calls (from 2 to 2.5 percent) and the marginal lending window (from 4 to 4.5 percent) in June and September 2022.

With a military-led transition in place since late January, defense spending has grown. Social spending has also grown to respond to the worsening humanitarian crisis and inflationary pressures. As a result, the fiscal deficit is projected at 7.4 percent of GDP in 2022. It will be largely financed through borrowing in the regional market, leading to an increase in overall public debt to about 61 percent of GDP at end-2022.

Extreme poverty incidence is projected to decrease by about half a percentage point to 27.4 percent in 2022, although with population growth, the number of extreme poor is projected to increase by 43,000. Food insecurity continues to be a major challenge, with the entire north-east half of the country classified as food insecure. The rainy season arrived on time, and rainfall has been regular; however, insecurity and a lack of fertilizers are limiting production. Prices of cereals remain 73 to 85 percent higher than the five-year average and more than double in some of the most insecure areas in the north.

Outlook

In the medium-term, growth is projected to average slightly above 5 percent, driven by services and extractives on the supply side and consumption, private investment, and exports on the demand side. Continued improvements in domestic tax collection and lower outlays for the military and social transfers from improved security would help fiscal consolidation. However, the fiscal deficit is not expected to reach the 3 percent of GDP target of the West African Economic and Monetary Union (WAEMU) before 2025. Mainly due to economic growth, public debt is projected to gradually decrease from 2023 onwards.

The extreme poverty rate is projected to fall by about one percentage point a year in 2023 and 2024. The number of poor is also projected to decrease, albeit modestly, due to high population growth, and about 6 million Burkinabe will remain poor over this timeframe. Although the food security situation is expected to improve after the upcoming harvest, the north will remain in an emergency or crisis state.

The outlook has significant downside risks, including persistent political instability, insecurity, climate shocks, food insecurity, and social discontent from high food inflation. Already faced with high inflation, a poor harvest in 2022 (similar to that in 2021) could drastically worsen the outlook for 2023 and beyond. The war in Ukraine and additional monetary tightening in the eurozone represent additional risks through elevated food and energy prices and regional debt refinancing costs.

TABLE 2 Burkina Faso / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	5.7	1.9	6.9	4.3	5.0	5.3
Private Consumption	3.5	8.6	3.4	8.7	3.2	5.4
Government Consumption	12.0	7.1	6.6	13.2	11.6	3.2
Gross Fixed Capital Investment	3.8	-4.6	34.8	-10.4	5.8	7.6
Exports, Goods and Services	-0.1	-7.1	6.5	10.0	4.5	3.4
Imports, Goods and Services	-2.7	5.3	15.5	8.4	5.0	4.8
Real GDP growth, at constant factor prices	5.7	1.9	6.9	4.3	5.0	5.3
Agriculture	1.7	5.2	-4.1	6.3	4.6	6.2
Industry	2.3	12.8	11.0	4.8	5.9	6.9
Services	9.5	-4.9	10.3	3.1	4.6	3.9
Inflation (Consumer Price Index)	-3.2	1.9	3.9	13.6	6.9	4.0
Current Account Balance (% of GDP)	-3.3	-0.1	-3.0	-6.0	-5.7	-4.9
Net Foreign Direct Investment Inflow (% of GDP)	-0.9	-0.6	-0.5	-0.5	-0.6	-0.5
Fiscal Balance (% of GDP)	-3.2	-5.7	-6.0	-7.4	-5.1	-4.2
Debt (% of GDP)	42.0	46.5	55.5	61.2	58.7	56.4
Primary Balance (% of GDP)	-2.0	-4.3	-4.5	-5.3	-2.9	-2.2
International poverty rate ($2.15 in 2017 PPP)[a,b]	29.6	30.0	27.9	27.4	26.6	25.5
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	59.0	59.2	57.5	56.8	55.8	54.8
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	80.5	80.6	79.8	79.3	78.8	78.0
GHG emissions growth (mtCO2e)	5.7	1.9	6.9	4.3	5.0	5.3
Energy related GHG emissions (% of total)	10.5	10.4	11.1	11.4	11.9	12.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2018-EHCVM. Actual data: 2018. Nowcast: 2019-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2018) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

BURUNDI

Table 1	2021
Population, million	12.3
GDP, current US$ billion	3.4
GDP per capita, current US$	275.2
International poverty rate ($2.15)[a]	65.1
Lower middle-income poverty rate ($3.65)[a]	86.7
Upper middle-income poverty rate ($6.85)[a]	96.5
Gini index[a]	38.6
School enrollment, primary (% gross)[b]	115.1
Life expectancy at birth, years[b]	61.9
Total GHG emissions (mtCO2e)	8.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2013), 2017 PPPs.
b/ WDI for School enrollment (2021); Life expectancy (2020).

Economic growth is projected at 2.1 percent in 2022, a slight improvement over 2021, driven by agriculture and services. Industrial growth was subdued due to mining disputes. While recovery is expected to accelerate over the medium term, the country faces downside risks, including from fiscal slippages and inadequate external financing. With rapid population growth, per capita GDP is contracting while poverty is expected to reach 82.6 percent in 2023.

Key conditions and challenges

Structural weaknesses have locked Burundi's economy in a state of chronic underdevelopment characterized by mutually reinforcing fragility and poverty. Burundi has faced a multidimensional fragility trap with recurring political instability, low economic diversification, high population growth, and environmental degradation, leading to low and volatile growth. The cessation of most aid in 2015 constrained the government's ability to build infrastructure. Inconsistent macroeconomic policies including foreign exchange restrictions, exchange rate overvaluation, fiscal dominance of monetary policy, and high public sector indebtedness exacerbated the country's economic challenges. These factors are linked to low capital accumulation, weak productivity growth and limited structural transformation of the economy, and contribute to few job opportunities, high poverty rates and curtailed human capital development. At 0.39, Burundi's Human Capital Index is low, while stunting and learning poverty are high at 52.2 and 93 percent, respectively. Transition to secondary schooling remains low (48 percent), and below LIC and SSA averages, and among adolescent girls as many as 30 percent are out of school. Monetary poverty has been estimated at 81.7 percent (based on international poverty line of $2.15/day) in 2021, up from 65.1 in 2013 (the last year with current data availability to the World Bank).

Gradual reengagement with the international community since 2020 creates an opportunity for reforms and for the scaling up of investments in human capital and infrastructure that could contribute to helping Burundi change its growth trajectory. However, rising oil and food prices resulting from the Ukraine/Russia conflict represent a negative terms of trade shock likely to slow economic growth, accelerate inflation, and increase fiscal and current account deficits.

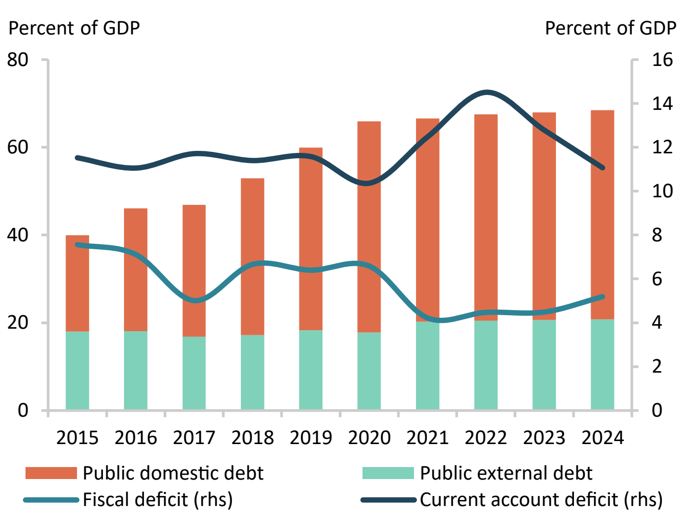
Recent developments

Growth in 2022 is projected at 2.1 percent from 1.8 percent in 2021, driven by agriculture and services. Industrial growth was subdued due to the ongoing suspension of mining activities as contracts were renegotiated. Private consumption and investment supported growth on the demand side.

The fiscal deficit is expected to increase to 4.5 percent of GDP in 2022 from 4.2 percent in 2021, with growth in revenue collection insufficient to offset higher spending on goods and services and taking public debt to 67.6 percent of GDP.

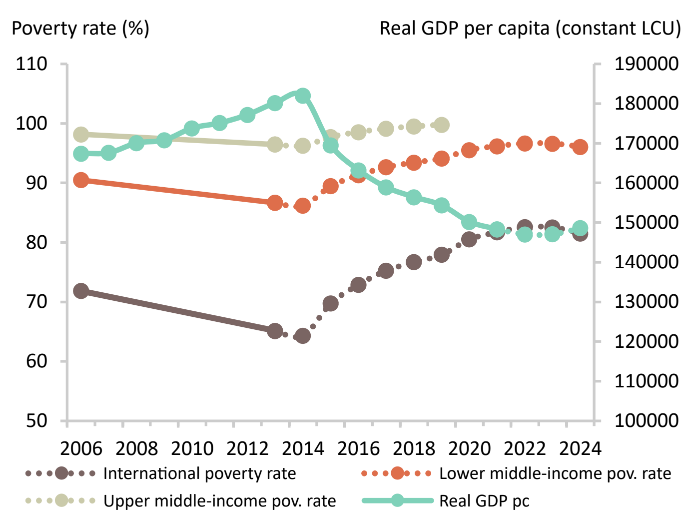
Driven by oil prices, the current account deficit (CAD) would remain high at 14.5 percent of GDP in 2022, as weak demand in key export markets and mining contract negotiations affected export performance while imports of both capital and consumption goods increased. The CAD is

FIGURE 1 Burundi / Public debt, fiscal and current account deficit



Source: Official statistics and World Bank calculations.

FIGURE 2 Burundi / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

primarily financed by trade credits. Although Burundi has used 51 percent of its new SDR allocation of 146.7 million, international reserves have increased, covering 2 months of imports at end-June 2022 from 0.8 month a year before. The foreign exchange parallel market premium averaged 64 percent in June 2022, compared to 70 percent a year before.

The banking sector remains sound. Capital ratios stand around 20 percent, higher than the regulatory requirement, and non-performing loans fell to 2.9 percent in March-2022 from 4.8 percent in March-2021. Driven by higher food and fuel prices due to the effects of the Ukraine/Russia conflict on the global economy, headline inflation is expected at 11.8 percent in 2022.

In the wake of increasing food prices, metrics around human capital are poised to get worse as households are forced to adopt harmful coping strategies, such as reducing food consumption, selling productive assets, or putting children to work resulting in premature school dropout, particularly among girls, with long-lasting effects on Burundi's aggregate human capital accumulation.

Outlook

Growth is projected to increase to 3-4 percent over 2023-24. Services should continue to recover while agriculture will keep its growth pace assuming favorable rainfall. Industry is projected to accelerate due to a moderate loosening of forex constraints, and assuming resolution in mining disputes and increased power generation. Private consumption and public investment are projected to remain high given economic recovery and public infrastructure programs. The fiscal deficit is expected to remain elevated at 4.5 percent of GDP in 2023 and 5.2 percent in 2024 despite stronger revenue mobilization fueled by higher spending on goods and services and transfer spending. As a result, public debt is expected to reach 68.5 percent of GDP by 2024. External pressures will gradually ease as import prices moderate, and exports pick up, but the CAD will remain high at 11 percent of GDP in 2023. The CAD would continue to be financed primarily by trade credits.

Amid high population growth, and a resulting youth bulge, ensuing land fragmentation, and rain-fed dependent agriculture, Burundi's growth path remains vulnerable. At the same time, private sector employment opportunities for Burundi's growing young population remain very limited, with most formal employment concentrated in the public sector. Against this backdrop, poverty is projected at 81.5percent (based on international poverty line of $2.15/day, in 2017 PPP) for 2024. In addition, the economic outlook is further exposed to fiscal risks and further spillover effects of the Ukraine/Russia conflict. Domestic fiscal risks include weaker growth performance and higher domestic debt service costs. External fiscal risks include weaker grants and higher interest rates on external borrowing. On the upside, foreign aid could accelerate reflecting the reengagement with the international community.

TABLE 2 Burundi / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	1.8	0.3	1.8	2.1	3.0	4.0
Private Consumption	3.1	0.3	2.8	3.0	3.2	3.5
Government Consumption	8.3	19.2	5.4	5.6	6.0	6.8
Gross Fixed Capital Investment	32.9	-16.6	17.8	5.6	7.8	9.6
Exports, Goods and Services	-0.5	-14.9	18.2	8.3	11.2	12.6
Imports, Goods and Services	17.1	3.4	13.5	8.0	8.2	8.4
Real GDP growth, at constant factor prices	1.8	0.3	1.8	2.1	3.0	4.0
Agriculture	3.1	2.8	2.9	3.0	3.4	4.1
Industry	2.1	1.8	1.4	1.6	2.5	3.7
Services	0.9	-1.7	1.3	1.7	2.9	3.9
Inflation (Consumer Price Index)	-0.8	7.5	8.3	11.8	9.2	7.4
Current Account Balance (% of GDP)	-11.6	-10.4	-12.5	-14.5	-12.8	-11.1
Net Foreign Direct Investment Inflow (% of GDP)	0.0	0.2	0.3	0.0	0.0	0.0
Fiscal Balance (% of GDP)	-6.4	-6.6	-4.2	-4.5	-4.5	-5.2
Debt (% of GDP)	60.0	66.0	66.6	67.6	68.0	68.5
Primary Balance (% of GDP)	-4.1	-3.6	-1.3	-1.4	-1.5	-2.0
International poverty rate ($2.15 in 2017 PPP)[a,b]	77.9	80.5	81.7	82.6	82.6	81.5
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	94.1	95.5	96.2	96.6	96.6	96.1
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	99.8					
GHG emissions growth (mtCO2e)	-3.7	2.6	3.9	4.0	3.9	3.9
Energy related GHG emissions (% of total)	8.6	8.7	8.7	8.6	8.6	8.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2006-QUIBB and 2013-ECVMB. Actual data: 2013. Nowcast: 2014-2021. Forecasts are from 2022 to 2024.
b/ Projection using point-to-point elasticity (2006-2013) with pass-through = 1 based on GDP per capita in constant LCU.

CABO VERDE

Table 1	2021
Population, million	0.6
GDP, current US$ billion	1.8
GDP per capita, current US$	3168.2
International poverty rate ($2.15)[a]	4.6
Lower middle-income poverty rate ($3.65)[a]	19.3
Upper middle-income poverty rate ($6.85)[a]	50.9
Gini index[a]	42.4
School enrollment, primary (% gross)[b]	100.9
Life expectancy at birth, years[b]	73.2
Total GHG emissions (mtCO2e)	0.8

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2015), 2017 PPPs.
b/ WDI for School enrollment (2019); Life expectancy (2020).

The war in Ukraine and the ongoing drought are exacerbating food and energy-driven inflation in 2022, threatening growth (projected at 4 percent in 2022 versus 7 percent in 2021) and aggravating food insecurity. Growth-friendly fiscal consolidation should see growth converging to 6 percent over the medium term. The outlook is subject to substantial downside risks stemming from new COVID-19 variants, the Ukraine war, and climatic shocks.

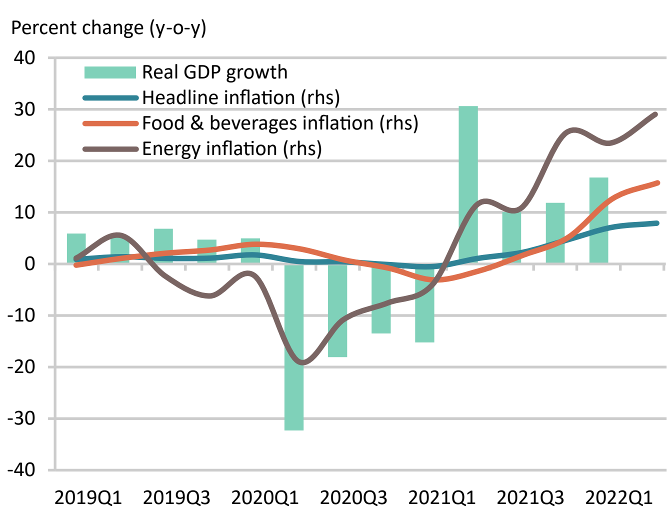
Key conditions and challenges

Political stability, democratic institutions, and pro-market reforms have generated significant economic and social progress since independence in 1975. However, Cabo Verde's development model, based on tourism and foreign direct investment (FDI) has shown signs of fatigue since the 2008 global financial crisis. An ineffective counter-cyclical fiscal policy led to growing fiscal financing needs and increased public debt between 2010-2015. To put public debt back on a sustainable path, Government initiated a consolidation program in 2016, including the reform of loss-making state-owned enterprises (SOEs).
The COVID-19 crisis reversed the progress in fiscal consolidation and exacerbated the growth model's vulnerabilities. Global travel restrictions led to a sharp contraction in tourism and related activities. Government responded by expanding public health services and social protection programs, as well as by providing financial support to small businesses. However, the poverty rate increased from 14.5 percent in 2019, to 20.4 percent in 2020 (using the $3.65 per-day-PPP in 2017), driven by substantial temporary job losses, particularly in the tourism sector.
The pace of economic recovery is subject to substantial downside risks associated with rising uncertainty in Europe due to the Ukraine conflict, the emergence of new COVID-19 variants, and climatic shocks. The Ukraine war exacerbated inflationary pressures and reduced growth prospects in 2022, affecting the poorest disproportionally through increasing food insecurity and malnutrition. Food consumption should be insufficient for around a fifth of the population in 2022, according to the UN World Food Program. A prolonged war in Ukraine could reduce investments and tourism flows, trigger fiscal liabilities, and exacerbate food insecurity.

Recent developments

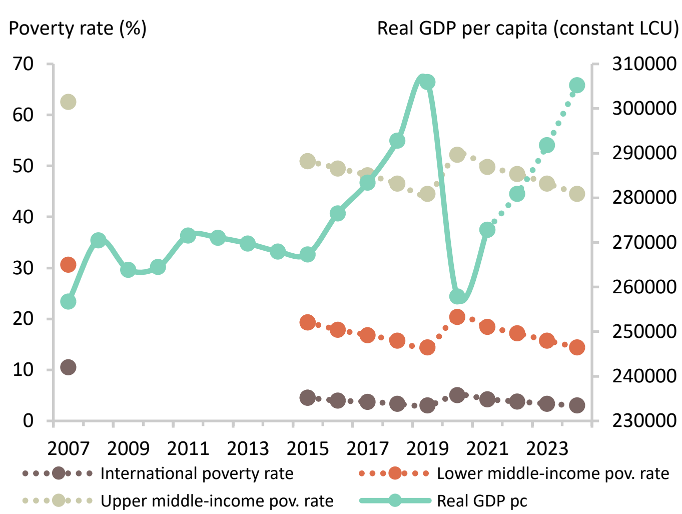
Economic activity expanded 7 percent in 2021, magnified by base effects after a contraction of 14.8 percent in 2020. On the supply side, manufacturing and construction drove growth while private and public consumption did on the demand side. The strong recovery continued in the first quarter of 2022, with a real GDP growth of 16.8 percent.
Inflation started to rise in 2021 (from 0.6 percent in 2020 to 1.9 percent) due to higher international oil and food prices. The impact of war in Ukraine exacerbated inflation pressures in the first half of 2022. Headline inflation in July climbed to 9 percent, with food and energy inflation respectively at 16.7 and 37.3 percent. Higher food prices and low agricultural production, driven by the five-year long drought, intensified food insecurity.
The fiscal deficit remained high at 7.3 percent of GDP in 2021, driven by sustained current expenditures. Public debt increased slightly to 143 percent of GDP,

FIGURE 1 Cabo Verde / Real GDP growth and inflation



Source: Government of Cabo Verde.

FIGURE 2 Cabo Verde / Actual and projected poverty rates and real GDP per capita.



Source: World Bank. Notes: see Table 2.

driven by increased domestic debt. In the first half of 2022, total revenue increased 34 percent, driven by personal income and VAT taxes, while total expenditure increased 8.4 percent, reflecting higher personnel expenses and interest payments. In April, authorities announced measures, estimated at 4.2 percent of GDP, to protect the most vulnerable from rising food insecurity and to control fuel and energy prices.

The current account deficit (CAD) declined from 15 percent of GDP in 2020 to 11.3 percent in 2021, supported by higher surplus in net-services exports and robust remittances. The CAD was financed by concessional loans and FDI. International reserves reached 7.2 months of imports.

The rebound in economic activity in 2021 resulted in a reduction in the poverty rate to 18.5 percent (using US$3.65 per day PPP in 2017) down from 20.4 percent in 2020, reflecting nearly 10,000 fewer people living in poverty. Social protection programs that were central to mitigate the impacts of the COVID-19 pandemic also helped alleviate poverty.

Outlook

Real GDP growth is projected to reach 4 percent in 2022 (2.9 percent in per capita terms). The Ukraine crisis will weigh on growth, mainly through inflation and its impact on private consumption and economic activity. Over the medium-term, private consumption, investment in tourism and the blue economy should support growth. The outlook is subject to substantial downside risks stemming from climate shocks, new COVID-19 variants, and increased global uncertainty due to the Ukraine war.

Inflationary pressures will peak in 2022, with headline inflation expected to reach 7.5 percent. Inflation should start stabilizing in 2023 as supply disruptions abate, and global commodity prices start normalizing. Over the medium-term, the nominal anchor (peg to Euro) and return to fiscal consolidation should keep inflation contained, converging to 2 percent by end-2024.

The authorities are committed to gradual revenue-driven fiscal consolidation over the medium-term, which includes enhanced management of fiscal risks, revenue mobilization, and the waning of exceptional shock measures. The fiscal deficit is projected to reach 9 percent of GDP in 2022, driven by increased current expenditure due to the response package to mitigate the impact of the Ukraine war, estimated at US$85 million (4.2 percent of GDP). The public debt-to-GDP ratio is expected to improve from 147.7 percent in 2022 to 141.1 percent by 2024.

The CAD is projected to reach 14.1 percent of GDP in 2022, falling to 5.9 percent by 2024, driven by the rebound in services exports and the gradual reduction of import prices. Over the medium-term, higher public debt amortization outflows are expected to increase external financing needs, which will be covered by official borrowing and FDI. International reserves are expected to remain adequate, at 5.5 months of prospective imports.

The poverty rate (based on the lower-middle income poverty line of US$3.65 per-day, 2017 PPP) is projected to decline to 17.2 percent in 2022 and reach 14.5 percent by 2024, supported by growth and inflation stabilization.

TABLE 2 Cabo Verde / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	5.7	-14.8	7.0	4.0	4.8	5.7
Private Consumption	5.9	-11.3	9.4	3.0	4.5	5.1
Government Consumption	4.8	0.8	30.1	5.9	1.2	1.9
Gross Fixed Capital Investment	-6.3	19.7	-9.1	13.5	7.0	6.2
Exports, Goods and Services	8.7	-58.4	5.8	6.5	12.6	10.4
Imports, Goods and Services	0.8	-22.5	4.3	11.2	7.6	5.9
Real GDP growth, at constant factor prices	5.7	-14.8	7.0	4.1	4.8	5.7
Agriculture	-6.8	-6.3	4.8	1.0	1.8	3.8
Industry	7.5	-2.0	9.5	2.3	4.7	6.5
Services	6.3	-19.2	6.3	5.0	5.0	5.6
Inflation (Consumer Price Index)	1.1	0.6	1.9	7.5	3.5	2.0
Current Account Balance (% of GDP)	-0.2	-15.0	-11.3	-14.1	-7.2	-5.9
Net Foreign Direct Investment Inflow (% of GDP)	-4.2	-3.7	-3.5	-3.8	-5.3	-4.0
Fiscal Balance (% of GDP)	-1.7	-9.1	-7.3	-9.0	-7.2	-5.8
Debt (% of GDP)	114.0	142.6	143.0	147.7	143.9	141.1
Primary Balance (% of GDP)	0.6	-6.5	-5.1	-6.3	-4.2	-3.0
International poverty rate ($2.15 in 2017 PPP)[a,b]	3.0	5.1	4.3	3.8	3.4	3.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	14.5	20.4	18.5	17.2	15.8	14.5
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	44.5	52.2	49.8	48.4	46.6	44.5
GHG emissions growth (mtCO2e)	2.5	2.2	2.1	2.5	2.4	1.5
Energy related GHG emissions (% of total)	87.5	88.1	88.7	88.9	89.1	90.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2015-IDRF. Actual data: 2015. Nowcast: 2016-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2015) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

CAMEROON

Table 1	2021
Population, million	27.2
GDP, current US$ billion	42.1
GDP per capita, current US$	1544.7
International poverty rate ($2.15)[a]	25.7
Lower middle-income poverty rate ($3.65)[a]	47.0
Upper middle-income poverty rate ($6.85)[a]	74.8
Gini index[a]	46.6
School enrollment, primary (% gross)[b]	105.7
Life expectancy at birth, years[b]	59.6
Total GHG emissions (mtCO2e)	125.0

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2014), 2017 PPPs.
b/ WDI for School enrollment (2019); Life expectancy (2020).

Despite the adverse consequences of the war in Ukraine, Cameroon's real GDP is expected to expand in 2022 and extreme poverty incidence to decline. Driven by higher oil prices, the fiscal deficit is projected to narrow in the medium term while the current account deficit would decline gradually. Inflation is expected to rise above the regional target of 3 percent in 2022. The outlook remains positive, but is subject to several risks, hence the need to accelerate structural reforms.

Key conditions and challenges

Cameroon is the largest economy in the Economic and Monetary Community of Central Africa (CEMAC), accounting for over 40 percent of the region's GDP and over 60 percent of regional foreign exchange reserves. It is exposed to commodity and oil price shocks, with the oil sector accounting for 4 percent of the country's GDP and 14 percent of its fiscal revenues in 2021. Public debt has been rising since 2016, calling for improved debt management.

The current development model is running out of steam, as governance indicators have deteriorated, human capital remains weak, the business environment is unfavorable, and climate change represents a growing threat. High market concentration and state ownership of commercial enterprises also limit domestic competition. The country has become more fragile since conflicts affecting 6 out of 10 of its regions have displaced people, increased violence, and led to a collapse in social services. The country is struggling to meaningfully lower poverty in the face of conflicts and other shocks.

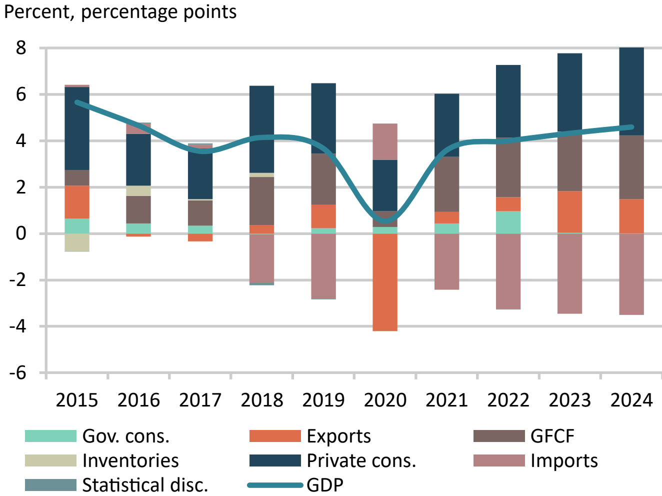
Recent developments

Cameroon had started to recover from the COVID-19 shock with real GDP growth estimated at 3.6 percent in 2021. This economic recovery is, however, threatened by the war in Ukraine, heightened inflation pressures and the mentioned domestic structural vulnerabilities. The war in Ukraine has caused supply chain disruptions, resulting in increased import costs. Staple food prices and administratively controlled prices of selected mass consumption products have increased accordingly. In the primary sector, cotton production dropped by 9 percent y-o-y by end-August 2022. The output of food crops has also dropped because of higher farm input prices. In the secondary sector, oil production declined 2.6 percent y-o-y in end-April 2022, even as LNG production, supported the primary sector activity, went up by 13.5 percent. A higher supply of services, including financial services and communications, has driven the activities in the tertiary sector.

Higher export and oil prices and private transfers from abroad improved Cameroon's current account balance in 2022Q1. Imports increased moderately compared to the same period in 2021, as the government stepped up efforts to improve the competitiveness of locally produced mass consumed items, including rice, wheat, maize, fish, and sugar.

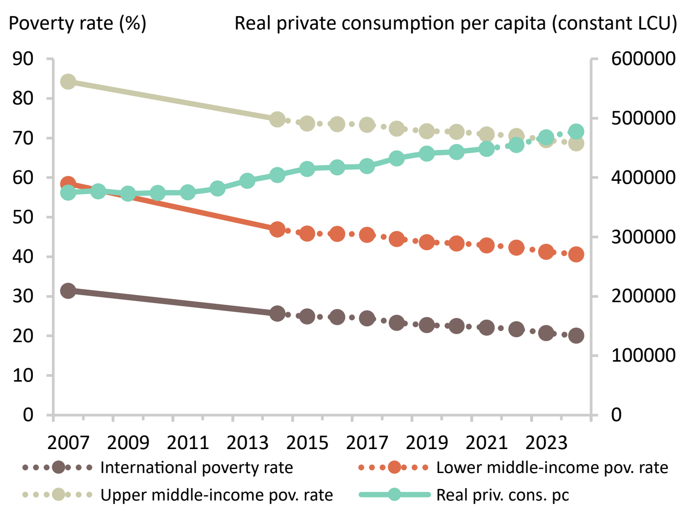
The fiscal balance was in surplus, representing 0.5 percent of GDP at the end-June 2022, owing to improved revenue collection amid high oil and non-oil commodities prices and delays in expenditure commitments. On the expenditure side, higher international prices have led to an increase in fuel subsidies (reaching USD 500 million in 2022H1, compared to

FIGURE 1 Cameroon / Real GDP growth and contributions to real GDP growth



Source: World Bank.

FIGURE 2 Cameroon / Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Notes: see Table 2.

USD 170 million provisioned in the initial 2022 finance law). Capital spending stood at 1.7 percent of GDP in end-June 2022, same as in the corresponding period in 2021. The public debt stock only slightly reduced to 41.5 percent of GDP at the end-June 2022, compared to 42.8 percent at the end-June 2021.

Monetary conditions have continued to tighten to contain inflationary pressures and support the external viability of the exchange rate arrangement. Following a 25 basis points increase in November 2021, the Bank of Central African States (BEAC) further increased the policy rate by 50 basis points to 4 percent on March 28, 2022. The BEAC also decreased its weekly liquidity injections from CFAF 250 billion to CFAF 160 billion in April 2022.

Simulation results suggest that despite recent or ongoing shocks increasing inflation, poverty incidence will continue to decrease, although at a slower pace than in recent years. Between 2021 and 2022, the poverty headcount at $2.15 PPP a day declined by 0.4 percentage points, from 22.1 to 21.7 percent. The slow pace of poverty reduction resulted in an increase in the number of poor by about 30,000 people due to population growth.

Outlook

Despite the global economic turmoil, economic recovery is expected to gradually gain momentum, with real GDP growth projected to reach 4.0 percent in 2022 and 4.6 percent by 2024. Economic growth would be supported by sustained activity in the secondary and tertiary sectors as the pandemic loses steam. The war in Ukraine has substantial implications for the outlook, including (i) increased food, fertilizers, and energy prices; (ii) supply chain disruptions and speculation in local markets; and (iii) higher costs of borrowing. Inflation is projected to rise to 4.6 percent in 2022 but remain below 3 percent in the medium term, reflecting the results of monetary policy tightening.

The current account balance should improve, owing to robust oil and non-oil commodity exports. The fiscal deficit is projected to narrow as non-oil revenues increase due to simplified administrative measures on property income and a new tax on mobile money transfers. Spending reprioritization, including the gradual reduction of subsidies for fuel and to SOEs, would contain expenditure in the medium term. Cameroon remains at high risk of external and overall debt distress, although debt is assessed as sustainable, according to the July 2022 Debt Sustainability Analysis.

The outlook remains subject to risks associated with: (i) a sharp increase in global risk premia, (ii) a protracted war in Ukraine, and (iii) a persistent security crisis in the North-West, South-West, and the Far North regions. Should such risks materialize, real GDP would grow more modestly, adversely affecting fiscal and external accounts. A sharp rise in global risk premia following a monetary policy tightening in advanced economies would affect the economic outlook and debt sustainability. Higher oil and food prices would add to inflationary and fiscal pressures. Reducing fuel subsidies by gradually increasing retail fuel prices while protecting the most vulnerable would be a critical step.

As the country recovers from the various shocks, the pace of poverty reduction is expected to accelerate in 2023 and 2024. The number of extreme poor people is projected to decline by about 125,000, and 50,000 people respectively in 2023 and 2024. The ongoing security crisis will, however, hamper efforts to reduce poverty in parts of the country.

TABLE 2 Cameroon / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022f	2023f	2024f
Real GDP growth, at constant market prices	3.7	0.5	3.6	4.0	4.3	4.6
Private Consumption	4.5	3.3	3.9	4.5	4.8	5.5
Government Consumption	1.8	2.3	3.4	7.6	0.2	0.1
Gross Fixed Capital Investment	8.1	2.4	8.2	8.5	8.1	8.4
Exports, Goods and Services	5.1	-21.0	3.2	3.9	11.5	8.8
Imports, Goods and Services	10.5	-5.4	9.0	11.5	11.4	10.8
Real GDP growth, at constant factor prices	3.6	0.5	3.6	4.0	4.3	4.6
Agriculture	2.8	0.1	4.1	4.3	5.6	5.6
Industry	3.6	1.3	4.1	4.4	4.5	4.5
Services	3.9	0.3	3.2	3.7	3.9	4.4
Inflation (Consumer Price Index)	2.5	2.5	2.5	4.6	3.0	2.5
Current Account Balance (% of GDP)	-4.4	-3.7	-4.0	-3.9	-3.7	-3.4
Fiscal Balance (% of GDP)	-3.3	-3.2	-3.2	-3.0	-3.0	-2.8
Debt (% of GDP)	43.0	45.8	47.1	43.9	40.8	37.9
Primary Balance (% of GDP)	-2.4	-2.3	-2.1	-2.0	-2.1	-2.1
International poverty rate ($2.15 in 2017 PPP)[a,b]	22.7	22.5	22.1	21.7	20.7	20.1
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	43.7	43.4	42.9	42.4	41.3	40.7
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	71.7	71.6	70.9	70.5	69.5	68.7
GHG emissions growth (mtCO2e)	0.5	0.0	0.2	0.6	0.8	0.9
Energy related GHG emissions (% of total)	7.0	6.7	6.7	6.9	7.0	7.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2014-ECAM-IV. Actual data: 2014. Nowcast: 2015-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2014) with pass-through = 0.87 (Med (0.87)) based on private consumption per capita in constant LCU.

CENTRAL AFRICAN REP.

Table 1	2021
Population, million	4.9
GDP, current US$ billion	2.6
GDP per capita, current US$	525.0
International poverty rate ($2.15)[a]	61.9
Lower middle-income poverty rate ($3.65)[a]	80.8
Upper middle-income poverty rate ($6.85)[a]	92.8
Gini index[a]	56.2
School enrollment, primary (% gross)[b]	102.0
Life expectancy at birth, years[b]	53.7
Total GHG emissions (mtCO2e)	78.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2008), 2017 PPPs.
b/ WDI for School enrollment (2016); Life expectancy (2020).

Economic activity stagnated in 2021 due to renewed insecurity amid election disputes. The overall fiscal deficit widened in 2021, mainly driven by a decline in government revenues. With growth averaging 2.7 percent over the medium-term, per capita income is projected to return to its pre-covid-19 pandemic level by 2024. The absence of donor budget support, compounded by persistent fuel shortages and the reversal in security gains are the main risks to the outlook.

Key conditions and challenges

Notwithstanding its natural resource endowment, the Central African Republic (CAR) remains one of the most fragile and poorest countries in the world. Economic activity is skewed towards the production of goods with limited value added. The agricultural sector remains one of the key drivers of economic growth and accounts for more than 75 percent of total employment.

Beyond considerable human losses, repeated periods of civil conflicts have fueled a poverty trap by shrinking the potential for diversification towards more productive activities (e.g., manufacturing sector). Poverty remains elevated with more than 7 out of 10 people living below the international poverty line (i.e US$ 2.15 per day, 2017 PPP).

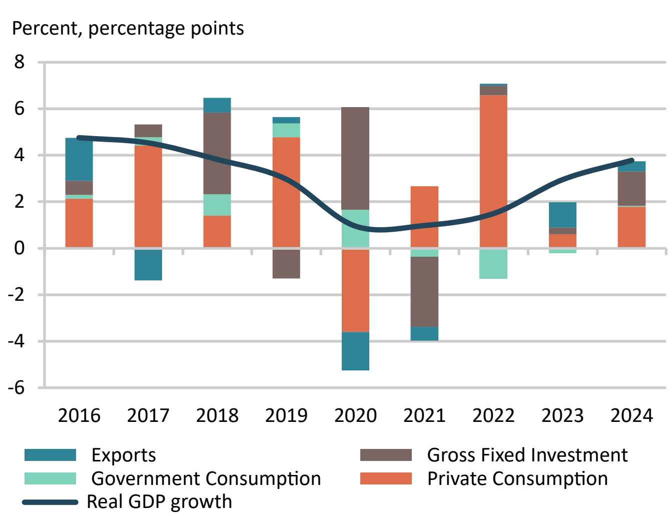
Limited revenue mobilization, a weak social protection system, and poor access to education and health are the major structural challenges. The private sector remains constrained by limited access to financing, although the financial sector is well capitalized. The humanitarian situation remains concerning, as the country has one of the highest proportions (45 percent of the population) of critically food-insecure people in the world. The total number of internally displaced people is estimated at 610,265 individuals, with another 737,000 people counted as refugees in neighboring countries.

Recent developments

CAR's economic activity stagnated in 2021, mainly due to the protracted effects of COVID-19 and renewed violence and insecurity amid election disputes. Trade and agricultural production suffered from the forced displacement of labor to safety zones, particularly in the first quarter of 2021, when conflict broke out between the government and armed groups. As trade resumed on the country's main road, Douala-Bangui, due to improved security throughout the country, economic activity performed better in the 2021H2. Timber and mining production (mainly gold) also accelerated in H2 primarily owing to improved security around production and mining sites. Private consumption grew by 2.9 percent in 2021 as the gradual return of the population to certain localities led to an increase in domestic demand. However, public investment fell from 11.3 percent of GDP in 2020 to 7.4 percent of GDP in 2021, as uncertainties about donor budget support prompted the government to freeze non-priority spending and unwind its COVID-19 fiscal stimulus package. Despite a rebound in 2022H1 driven by extractive activities, persistent fuel shortages slowed economic activity in early 2022H2 and contributed to price pressures.

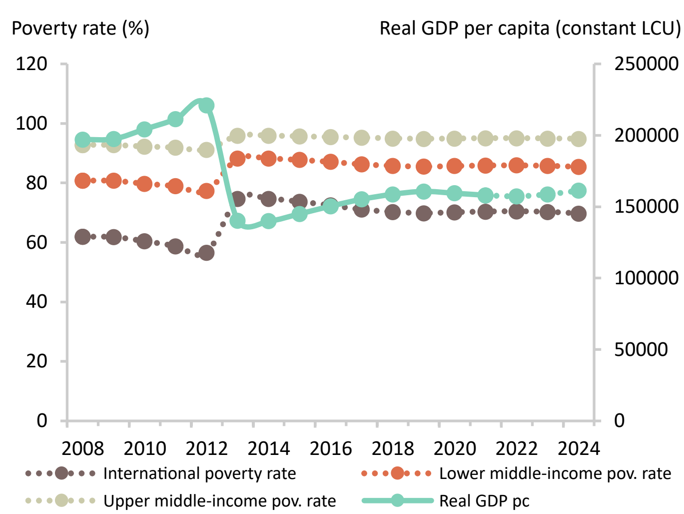
Rising inflation is expected to erode households' purchasing power and worsen their living conditions. As a result, poverty is projected to remain high, with 70.5 percent of the population living in extreme poverty in 2022 (i.e US$ 2.15 per day, 2017 PPP).

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



Source: Word Bank.

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



Source: World Bank. Notes: see Table 2.

CAR's monetary policy is managed by the Bank of Central African States (BEAC). Monetary conditions have continued to be tightened to contain inflationary pressures and support the external viability of the exchange rate arrangement. Following a 25 basis points increase in November 2021, the BEAC further increased the policy rate by 50 basis points to 4 percent on March 28, 2022. The BEAC also decreased its weekly liquidity injections from CFAF 250 billion to CFAF 160 billion in April 2022 and has also committed to continue working towards the effective implementation of the new foreign exchange regulation.

The overall fiscal deficit widened in 2021, as donor appetite for budget support waned due to geopolitical tensions and the lack of transparency of the country's security expenditures, while domestic revenues declined from 7.5 percent of GDP in 2020 to 7.1 percent of GDP in 2021. Despite cuts in non-priority spending, pressures from the expenditures side were high throughout 2021, forcing the government to rely on bridge financing on the domestic market. In 2022, cash flow pressures have remained high notwithstanding fiscal consolidations efforts, as uncertainty about budget support disbursement remains elevated. To finance the deficit in 2022, the government has relied on the use of its second and last SDRs tranches (CFAF 50.5 billion, an equivalent US$ 76.8 million and 3.2 percent of GDP) but is also considering borrowing on the domestic market.

Despite a marginal improvement in the trade balance, delays in the disbursement of official transfers contributed to a widening of the current account deficit in 2021. In 2022, the non-disbursement of budget support has continued to weigh on the current account deficit, which is projected to widen further.

Outlook

Per capita income is projected to return to its pre-covid-19 pandemic level by 2024, provided that security gains continue to boost private sector incentives for long-term investment and the protracted effects of the war in Ukraine are contained. Under this assumption, real GDP growth is projected to reach 3.4 percent on average over the period 2023-24, supported by strong exports and gross fixed investment (public and private) from the demand side, and better dynamics of the agricultural and service sectors from the supply side.

Inflation is projected to remain above the regional convergence criteria of 3 percent and worsen living conditions. With limited fiscal space to support safety net programs, extreme poverty is projected to remain high at around 70 percent in 2023 and 2024.

Uncertainties about budget support will continue to weigh on the overall fiscal balance, but the implementation of fiscal reforms, including the digitization and migration towards the use of SIMBA and Automated System for Customs Data (ASYCDUCA) word will help streamline public expenditures and leverage domestic resources. Public debt is expected to remain sustainable as the country continues to implement reforms under the Sustainable Development Finance Policy (SDFP). The current account balance is projected to improve but remain in deficit, thanks to rising exports and a marginal increase in net transfers.

Risks to the outlook remain elevated and skewed to the downside. The absence of donor budget support, persistent fuel shortages and the reversal in security gains are the main risks. Shortfalls in budget support could lead to a "fiscal cliff" with an accumulation of external arrears and the possible non-payment of public wages. Persistent fuel shortages, compounded by the reversal in security gains could undermine trade and economic activity with adverse effects on public finance and prices. Domestic price pressures may cause thousands of vulnerable households to slip into extreme poverty and worsen an already alarming food security situation.

TABLE 2 Central African Republic / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022f	2023f	2024f
Real GDP growth, at constant market prices	3.0	1.0	1.0	1.5	3.0	3.8
Private Consumption	5.1	-3.8	2.9	7.1	0.6	1.9
Government Consumption	7.9	20.6	-3.8	-14.2	-2.8	0.5
Gross Fixed Capital Investment	-8.0	30.0	-15.9	2.6	1.8	9.4
Exports, Goods and Services	1.7	-10.5	-4.3	0.7	8.3	3.2
Imports, Goods and Services	4.1	-0.5	-6.8	14.0	-3.6	-0.1
Real GDP growth, at constant factor prices	3.0	1.0	1.0	1.5	3.0	3.8
Agriculture	3.0	4.6	3.2	2.4	2.9	3.1
Industry	2.0	0.1	-0.2	-0.4	0.2	0.7
Services	3.4	-0.8	0.0	1.7	4.2	5.4
Inflation (Consumer Price Index)	2.8	0.9	4.3	6.5	6.3	2.7
Current Account Balance (% of GDP)	-4.9	-8.5	-10.6	-13.8	-7.8	-7.3
Fiscal Balance (% of GDP)	1.4	-3.4	-6.0	-4.4	-0.2	-0.9
Debt (% of GDP)	47.2	43.4	47.6	47.9	44.7	42.6
Primary Balance (% of GDP)	1.8	-3.1	-5.7	-4.0	0.3	-0.3
International poverty rate ($2.15 in 2017 PPP)[a,b]	69.8	70.2	70.4	70.5	70.3	69.7
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	85.5	85.7	85.9	85.9	85.8	85.4
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	94.8	94.9	95.0	95.0	95.0	94.8
GHG emissions growth (mtCO2e)	-2.2	2.2	1.2	1.3	1.4	1.3
Energy related GHG emissions (% of total)	39.3	39.7	39.9	40.0	40.1	40.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2008-ECASEB. Actual data: 2008. Nowcast: 2009-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2008) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

CHAD

Table 1	2021
Population, million	16.9
GDP, current US$ billion	11.8
GDP per capita, current US$	696.8
International poverty rate ($2.15)[a]	30.9
Lower middle-income poverty rate ($3.65)[a]	64.6
Upper middle-income poverty rate ($6.85)[a]	89.4
Gini index[a]	37.5
School enrollment, primary (% gross)[b]	89.2
Life expectancy at birth, years[b]	54.5
Total GHG emissions (mtCO2e)	111.8

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ WDI for School enrollment (2019); Life expectancy (2020).

Chad's economy is projected to recover in 2022, with GDP growth reaching 3.1 percent driven by high oil prices. However, with virtually no growth in per capita GDP, 6 million people will be living in extreme poverty in 2022. Growth is expected to remain subdued with escalating food and general insecurity, climatic shocks, a sensitive political transition and dependency on volatile oil revenues presenting risks to sustained recovery.

Key conditions and challenges

Chad's economy has been on a weak growth path following the 2014-15 oil price shock. Notwithstanding the 2018-19 recovery, annual GDP growth contracted by 1.1 percent on average over the past six years, which, given high population growth (3 percent on average), translated into an average annual decrease in per capita income of 4.1 percent. Growing political and security expenses and poor oil revenue management have constrained improvements in basic services and infrastructure delivery. Moreover, Chad's high dependency on a highly volatile oil market has threatened fiscal consolidation and debt sustainability.

Chad ranked 187th out of 189 countries on the Human Development Index in 2020. Living conditions and access to essential services remain poor due to cyclical insecurity, severe weather conditions, political unrest, institutional instability, weak governance – including oil revenues management –, poor trade networks, low human capital investment, and a lack of infrastructure.

Recent developments

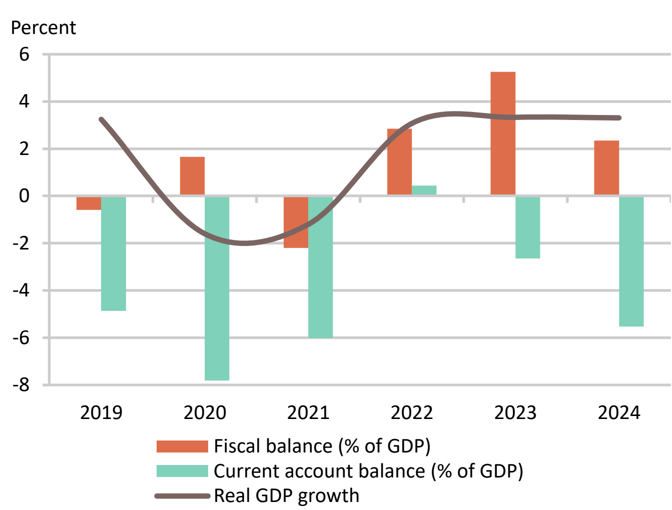
Chad's economy is expected to recover in 2022, with GDP growing by 3.1 percent (0.1 percent in per capita terms), following a 1.2 percent (4.1 percent in per capita terms) contraction in 2021. This recovery is driven by high oil prices (averaging $100/bbl in 2022), as a result of the war in Ukraine. Despite weak cereal production after inadequate rainfall distribution and floods, agriculture (including livestock) will remain the main non-oil growth driver, contributing 1.3 percentage points (pp). Industry and services contribution to growth will turn positive by 1 pp and 0.7 pp respectively, thanks to the resumption of economic activities following a period of political instability. Exports value is projected to increase by 45.3 percent due to the increase in oil prices (by 44.8 percent), leading to a current account surplus of 0.4 percent of GDP in 2022, from a 6 percent deficit in 2021.

Inflation is projected to increase from 1.0 percent in 2021 to 5.3 percent in 2022, driven by high global prices in food and energy. Food inflation is projected to rise to 13 percent in 2022 due to the combined effects of high global food prices and weak domestic agricultural production.

Chad's monetary and exchange rate policies are managed by the regional Central Bank (BEAC), which is tightening monetary conditions to contain inflation and support the exchange rate. BEAC raised its policy rate from 3.5 to 4.0 percent and its marginal lending facility rate from 5.25 to 5.75 percent in March 2022. BEAC also decreased its weekly liquidity injections from CFAF 250 billion to CFAF 160 billion in April 2022.

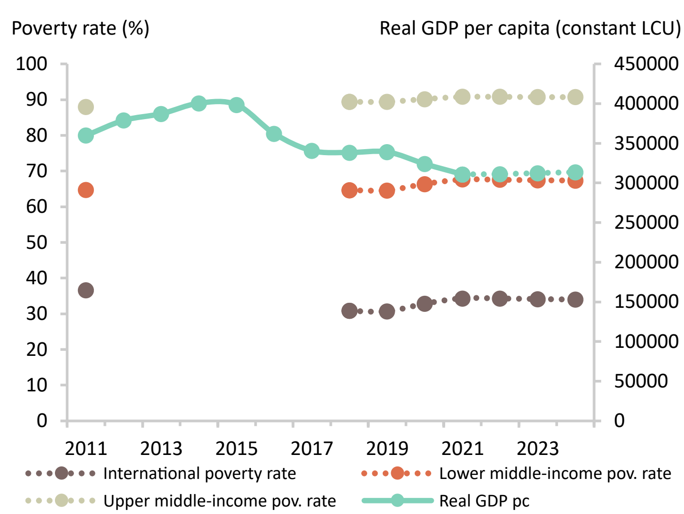
With the 2021 increase in oil prices, the fiscal balance, including grants, is projected to reach a moderate surplus of 2.8 percent

FIGURE 1 Chad / GDP growth, current account and fiscal balances



Source: World Bank.
Note: The windfall from high oil prices will be mostly used to service private sector debt, to Glencore.

FIGURE 2 Chad / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

of GDP in 2022, due to the one-year lag in the main component of oil-revenue tax collection. Total public debt will accordingly drop to 44.9 percent of GDP, while the debt service to revenue ratio will remain above the high-risk threshold. The Government requested a debt restructuring under the G20 Common Framework in 2021 to help restore debt sustainability.
The extreme poverty rate (US$2.15/ day per capita, 2017 PPP) is estimated to remain unchanged between 2021 and 2022, at 34.3 percent. However, the number of extreme poor is projected to increase from 5.8 to 6 million. The rising number of poor households plus high food inflation will exacerbate food insecurity. Chad declared a national food emergency in June 2022 as 2.1 million people are projected to be severely food insecure during the lean season, from June to September. The situation is worsened by unprecedented floods during this lean season, which has affected over 340,000 people and destroyed 2,700 hectares of crops and farming land.

Outlook

Under a projected average oil price of $86/bbl in 2023-24, and assuming ongoing global recovery in international trade and increased government investment, the economy is expected to grow by an average 3.3 percent in 2023-24 (0.4 percent in per capita terms). Inflation will moderate slightly to 4.8 percent and 3.8 respectively in 2023 and 2024.
The current account is projected to turn negative in 2023-24 (4.1 percent of GDP on average), driven by lower oil prices and increased imports to support activities in the service sectors. The fiscal balance (including grants) is expected to increase to 5.3 percent of GDP in 2023, due to significantly higher oil revenues in 2023, based on the 2022 oil prices, and more controlled security spending, and then drop to 2.3 percent of GDP in 2024. Total public debt is projected to drop to 34 percent of GDP by end-2024, although the debt service to revenue ratio will remain high.
The extreme poverty rate is expected to decline only slightly, by 0.1 ppt between 2023 and 2024, due to the positive GDP per capita growth, particularly in the agriculture sector where the majority of households earn their livelihoods. However, with rapid population growth, an additional 150,000 individuals will fall into poverty, and the number of poor is expected to reach 6.3 million. High food inflation exacerbated by the increase in transportation costs in remote areas, security restrictions negatively impacting household incomes, and low coverage of social protection programs will limit the pace of poverty reduction.
This outlook is subject to high uncertainty and multiple downside risks, including: dampening oil prices; increased political instability as the political transition enters its final phase with the preparation and the organization of elections; intensified security risks; further climate-related shocks; continuing food security challenges and related social discontent.

TABLE 2 Chad / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	3.2	-1.6	-1.2	3.1	3.3	3.3
Private Consumption	1.4	0.5	1.6	1.7	2.0	2.5
Government Consumption	1.7	11.1	3.7	-0.1	-1.2	-3.5
Gross Fixed Capital Investment	6.6	-14.7	-4.5	6.5	7.8	8.1
Exports, Goods and Services	6.0	1.1	-0.4	4.9	5.2	3.9
Imports, Goods and Services	4.0	1.8	5.1	3.3	4.2	3.5
Real GDP growth, at constant factor prices	3.3	-1.6	-1.2	3.1	3.3	3.3
Agriculture	0.1	3.9	6.2	4.0	3.2	3.0
Industry	7.3	-0.1	-4.6	3.2	3.3	1.2
Services	2.5	-7.0	-4.4	2.1	3.5	5.4
Inflation (Consumer Price Index)	-1.0	3.5	1.0	5.3	4.8	3.8
Current Account Balance (% of GDP)	-4.9	-7.8	-6.0	0.4	-2.6	-5.5
Fiscal Balance (% of GDP)	-0.6	1.7	-2.2	2.8	5.3	2.3
Debt (% of GDP)	51.1	49.9	52.1	44.9	38.7	34.0
Primary Balance (% of GDP)	1.0	3.4	-0.6	4.3	6.5	3.3
International poverty rate ($2.15 in 2017 PPP)[a,b]	30.7	32.8	34.3	34.3	34.1	34.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	64.6	66.4	67.6	67.6	67.4	67.4
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	89.4	90.2	90.8	90.8	90.8	90.7
GHG emissions growth (mtCO2e)	2.4	2.8	2.9	3.2	3.3	3.4
Energy related GHG emissions (% of total)	2.2	2.2	2.1	2.1	2.0	2.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2018-EHCVM. Actual data: 2018. Nowcast: 2019-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2018) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

COMOROS

Table 1	2021
Population, million	0.9
GDP, current US$ billion	1.3
GDP per capita, current US$	1444.7
International poverty rate ($2.15)[a]	18.6
Lower middle-income poverty rate ($3.65)[a]	39.5
Upper middle-income poverty rate ($6.85)[a]	68.6
Gini index[a]	45.3
School enrollment, primary (% gross)[b]	99.5
Life expectancy at birth, years[b]	64.5
Total GHG emissions (mtCO2e)	0.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2014), 2017 PPPs.
b/ WDI for School enrollment (2018); Life expectancy (2020).

The economy of Comoros has been hard hit by multiple shocks in recent years, including Cyclone Kenneth, the COVID-19 pandemic, and spillovers from the Ukraine war. With increasing inflationary pressures, sluggish growth is projected in 2022, and Comoros' low-income households will be significantly affected despite subsidies to contain prices. Fiscal consolidation over the medium-term is required to ensure macroeconomic stability as twin fiscal and external deficits are projected to increase.

Key conditions and challenges

A small, remote and fragile island, Comoros' growth remains hindered by significant structural challenges. Feeble GDP growth, averaging 2.7 percent between 2001 and 2020, has been mainly driven by private consumption, fueled by remittances from the sizeable Comorian diaspora. Exports are low and concentrated in a few agricultural commodities, while imports are the source of 70 percent of the food consumed domestically. Weak government institutions, poor infrastructure, and low human capital are among the factors impeding growth. Comoros' economic model presents vulnerabilities because the current account deficit is mainly financed by remittances that support private consumption, and twin fiscal and external deficits have been growing.

Public finances are unbalanced and dependent on external grants, especially for public investments. Tax revenues are low at around 8 percent of GDP and cannot support the public expenditures of around 20 percent of GDP. Moreover, the composition of spending is concentrated on the wage bill, which absorbs 53 percent of the domestic revenues, providing limited space for social spending. With a deteriorating profile, debt nearly doubled from 2014 to 2020, to 22 percent of GDP. A recent large non-concessional loan with a short maturity has raised the risk of debt distress in Comoros to high levels.

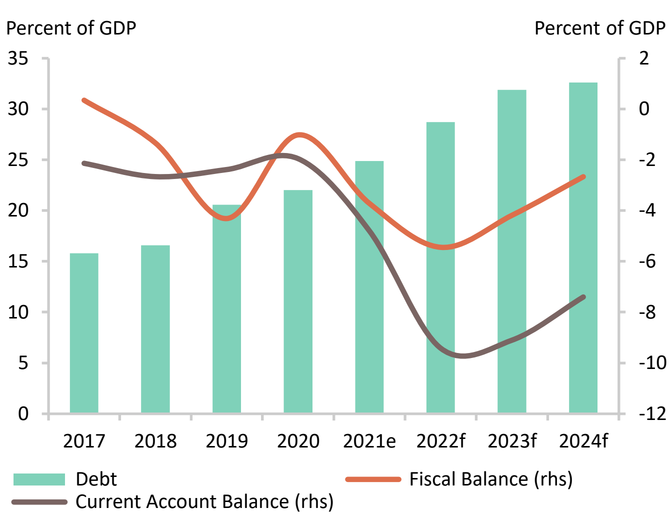
Against this backdrop, the risks on the outlook for Comoros are tilted to the downside, despite much-awaited recovery from Cyclone Kenneth in 2019. Moreover, Comoros faces headwinds related to the global rise of food and energy prices and the normalization of monetary policy worldwide. Domestically, there is a need to increase the implementation of structural reforms that would unleash productivity and investment-driven growth. Besides natural disasters that could affect Comoros, the high risk of debt distress limits fiscal space and requires prudent debt management that could be challenging because of increased spending pressures.

Recent developments

The Comorian economy is estimated to have grown by 2.2 percent in 2021, on the back of weaker-than-expected private consumption growth. As a result, the poverty rate in 2021 remained stagnant at 39.7 percent when measured against the new poverty line for lower-middle-income countries of USD 3.65 a day per capita in PPP terms. The war in Ukraine's effect on the ongoing rise in agricultural and energy prices and the pandemic-driven supply chain disruptions have negatively affected private consumption.

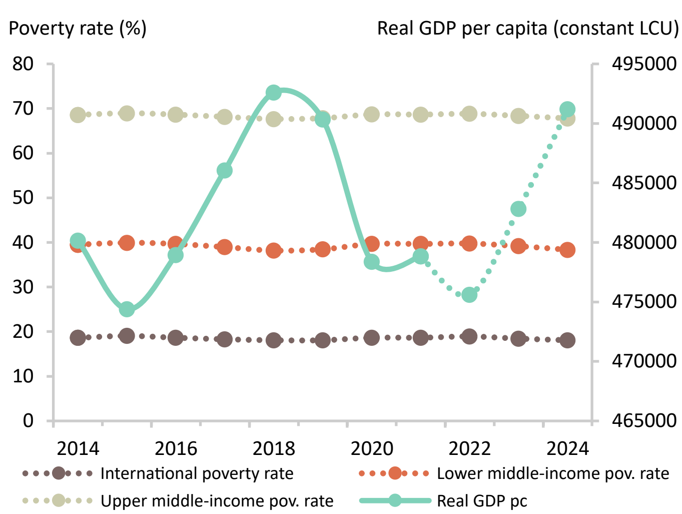
Inflation, typically low given the currency peg to the Euro, has surged since 2021, reaching at least 7.3 percent in 2022H1, because of the war in Ukraine. The policy response has been mixed. On the one hand, the government has passed on the higher

FIGURE 1 Comoros / Selected macroeconomic balances



Source: National authorities and World Bank staff estimates and forecasts.

FIGURE 2 Comoros / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

import costs to domestic fuel and electricity prices, which increased by 44 percent in June 2022. But on the other handit increased subsidies to the monopolist rice importer ONICOR (Office National d'Importation de Commercialisation du Riz) and launched a subsidy for bakeries to avoid hikes in the prices of rice and flour-based products. A recent moderation of price pressures on selected commodities is expected to have partly counterbalanced the effects of a stronger dollar on the import bill.

The twin deficits have widened since 2021. A higher import bill coupled with lower remittances and exports brought the current account deficit to 4.8 percent of GDP in 2021. Similarly, the fiscal deficit increased to 3.7 percent in 2021 due to higher spending, lower tax revenues, and SOE dividends. These forces have carried over to the first half of the 2022, despite higher seasonal remittances from the diaspora. Credit to the economy increased by 13.1 percent in 2022H1, while non-performing loans decreased to 16.7 percent.

Outlook

The Comorian economy is projected to grow slightly by 1.4 percent in 2022 and gather pace in 2023 and 2024, expanding by 3.3 and 3.8 percent, respectively. Higher prices caused by the war in Ukraine and a decrease in remittances are expected to continue weighing on private consumption, which is projected to grow by only 0.5 percentage points in 2022. Government consumption is expected to increase to 6.1 percent in 2022, from 2.3 percent in 2021, while public investments are sustained at 9 percent of GDP, given investment needs and political cycles. Higher imports will increase the current account deficit to 9.4 percent of GDP in 2022; a slight decrease in the current account is foreseen in 2023-2024.

Strong inflationary pressures are expected to trigger increased government subsidies to State owned enterprises, and widen the fiscal deficit to 5.4 percent in 2022, from 3.7 percent in 2021.

The government is not likely to meet its revenue targets in 2022 as tax revenues are expected to increase at a slower pace due to lower consumption growth and SOE dividends and failure to implement planned tax reforms. Thus, the fiscal gap is projected to reach 1.9 percent of GDP in 2022, against a projection of 0.9 percent in March 2022. By 2024, the fiscal deficit is projected to decline to 2.7 percent of GDP, public debt to increase to 32.6 percent of GDP and the risk of debt distress could remain high.

Finally, the poverty rate is expected to stagnate around 39.8 percent in 2022 and continue along its timid downward trend to recover its pre-pandemic level of 38.4 percent in 2024. Poverty developments will depend on the evolution of inflation. If non-food prices grow twice as fast as food, poverty is expected to return to pre-war levels in 2024. In addition, food insecurity and substitution towards cheaper alternatives will deepen food intake imbalances, especially among poor urban households.

TABLE 2 Comoros / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	1.8	-0.3	2.2	1.4	3.3	3.8
Private Consumption	3.8	3.8	3.1	0.5	2.3	2.9
Government Consumption	3.5	4.1	2.3	6.1	-6.2	-7.4
Gross Fixed Capital Investment	-8.4	-14.4	2.5	15.5	1.8	-0.3
Exports, Goods and Services	6.8	-46.3	30.7	7.1	19.4	14.7
Imports, Goods and Services	5.7	-9.3	7.6	9.4	1.7	-0.3
Real GDP growth, at constant factor prices	1.9	-0.8	2.2	1.4	3.4	3.8
Agriculture	0.9	4.3	1.6	0.9	1.8	2.6
Industry	4.0	-5.6	2.1	0.9	1.3	1.1
Services	1.9	-2.2	2.6	1.7	4.5	4.9
Inflation (Consumer Price Index)	3.7	0.8	0.0	13.0	8.7	5.6
Current Account Balance (% of GDP)	-2.4	-2.0	-4.8	-9.4	-9.1	-7.4
Fiscal Balance (% of GDP)	-4.3	-1.0	-3.7	-5.4	-4.2	-2.7
Debt (% of GDP)	20.6	22.0	24.9	28.7	31.9	32.6
Primary Balance (% of GDP)	-4.1	-0.8	-3.4	-5.0	-3.6	-1.8
International poverty rate ($2.15 in 2017 PPP)[a,b]	18.1	18.7	18.7	18.9	18.5	18.1
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	38.5	39.7	39.7	39.8	39.2	38.4
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	67.9	68.7	68.7	68.9	68.4	67.8
GHG emissions growth (mtCO2e)	3.7	1.6	2.1	0.5	1.6	2.8
Energy related GHG emissions (% of total)	45.6	45.2	44.7	43.6	43.7	44.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2014-EESIC. Actual data: 2014. Nowcast: 2015-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2014) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

DEMOCRATIC REP. OF CONGO

Table 1	2021
Population, million	92.4
GDP, current US$ billion	58.3
GDP per capita, current US$	631.4
International poverty rate ($2.15)[a]	69.7
Lower middle-income poverty rate ($3.65)[a]	87.7
Upper middle-income poverty rate ($6.85)[a]	97.4
Gini index[a]	42.1
School enrollment, primary (% gross)[b]	118.5
Life expectancy at birth, years[b]	61.0
Total GHG emissions (mtCO2e)	680.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2012), 2017 PPPs.
b/ WDI for School enrollment (2018); Life expectancy (2020).

DRC's economy is expected to grow by 6.1 percent in 2022. Higher metal prices are likely to offset higher food and oil prices and lead to improved terms of trade and a balanced current account. However, the fiscal deficit is expected to widen due to increased social and infrastructure spending. Growth prospects, albeit favorable, remain vulnerable to commodity price shocks and supply chain disruptions, which might hamper poverty reduction.

Key conditions and challenges

The Democratic Republic of the Congo (DRC), home to the second largest rainforest in the world and vast metal deposits, has yet to leverage its natural wealth into economic development. The economy is highly concentrated in the extraction of copper and cobalt, which constitute over 80 percent of exports (largely headed to China). With its huge agricultural potential untapped, DRC is a net food importer, increasing vulnerabilities to external and climatic shocks. Political instability, weak institutional capacity, poor governance, and recurring episodes of violence have prevented DRC from building the foundations of a diversified and resilient economy capable of generating economic opportunities for a rapidly growing population, leading to persistent high levels of poverty. Persistent structural constraints result in an underdeveloped private sector and large informal economy.

The fragile political context is fueled by the complex dynamics of political coalitions. Reaching political consensus – mainly ahead of the 2023 presidential elections - and increasing the presence and credibility of the state, including through improved governance, are key to maintaining stability and advancing structural reforms that will attract investments and create jobs. The need for the state to deliver more and better services to citizens implies that expenditure-led adjustments to revenue shortfalls or external shocks could jeopardize long-term growth prospects as well as political stability. Thus, improving domestic revenue mobilization to widen fiscal space is crucial.

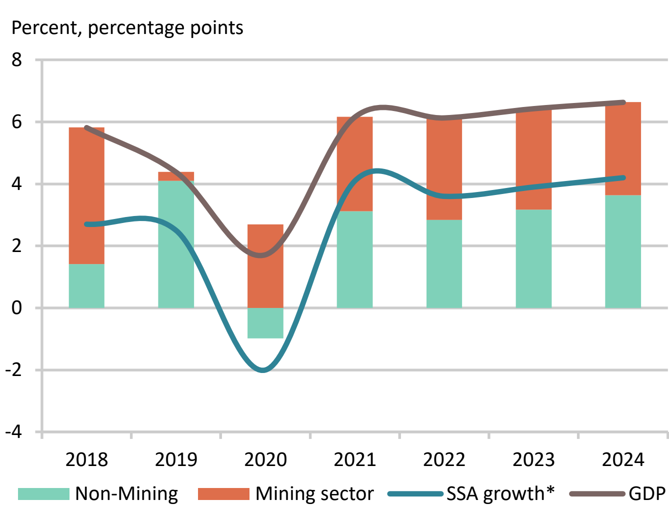
Poverty remains widespread in the country, with the bulk of the poor living in extreme poverty. While there are significant geographical disparities between provinces, with most poor living along two densely populated corridors running from West (Kongo Central) to East (Haut Katanga), and North (Ituri) to South (Tanganyika), poverty exceeds 50 percent even in the wealthier provinces. DRC remains second in Sub-Saharan Africa after Nigeria in terms of the number of extreme poor despite some improvements in the past decades.

Recent developments

DRC has maintained a strong growth momentum and is estimated to grow by 6.1 percent in 2022 (2021: 6.2 percent). Mining sector investments and exports remain the key drivers of growth, supported by improved mineral prices and higher public investment. Over the first half of 2022, the volume of copper and cobalt production increased by 34.2 and 38.3 percent respectively, y-o-y, boosted by the Kamoa-Kakula copper mine. Growth in non-mining sectors (particularly services) is expected to slightly slow down to 4.1 percent in 2022 (from 2021: 4.5).

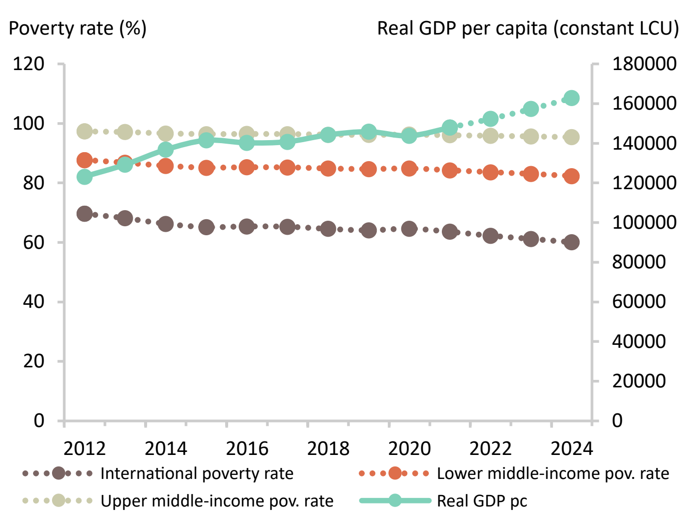
The current account is expected to be balanced in 2022 (2021: -1.0 percent), as rising

FIGURE 1 Democratic Republic of Congo / Real GDP growth and contributions to real GDP growth



Sources: Democratic Republic of Congo Statistical Authorities and World Bank.
Note: *Sub-Saharan Africa region.

FIGURE 2 Democratic Republic of Congo / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

food and fuel import bills are offset by strong export earnings supported by higher commodity prices and volumes. Foreign reserves are estimated to reach 8.3 weeks of imports in 2022 from 6.3 weeks a year earlier. Inflation is expected to increase to 9.5 percent in 2022 exacerbated by the rising global energy and food prices.

The fiscal deficit is projected to deteriorate to 3.0 percent in 2022 (2021: 1 percent) as improved revenue mobilization cannot fully offset higher capital and current transfer spending. Revenues are estimated at 14.4 percent of GDP in 2022, owing to favorable commodity prices and digitalization of the revenue collection process, while expenditures (18.7 percent of GDP) are expected to increase due to wage adjustments and fuel subsidies. The deficit will be financed through domestic market issuance, external concessional borrowing, and IMF ECF disbursements, pushing the estimated public debt to 24.7 percent of GDP at end-2022 (2021: 23.7 percent).

The latest World Bank projections put extreme poverty at 62.3 percent in 2022, a 1.3 percentage points decrease compared to 2021. This decrease is due to favorable economic performance, despite the negative effects of the COVID-19 pandemic and the war in Ukraine.

Outlook

GDP growth is projected to increase to 6.6 percent in 2024. The mining sector is expected to decelerate to 9.0 percent in 2024 from 10.1 percent in 2023 with the end of the Kamoa Kakula expansion, while growth in non-mining sectors gradually picks up, reaching 5.4 percent in 2024.

The fiscal deficit may narrow to an estimated 1.7 percent of GDP in 2024, after widening to 3.1 percent in 2023 owing to presidential elections. The external sector is expected to deteriorate slightly, reflecting higher growth in imports of capital goods (given plans for further mine expansions) and deteriorating terms of trade despite falling global oil prices and growth in mineral exports.

Extreme poverty is projected to decrease by 2.2 percentage points by 2024 given favorable economic prospects, despite lasting negative effects of the pandemic, high population growth, and war in Ukraine.

DRC's economy remains vulnerable to commodity price swings and growth performance of major trading partners which might be disturbed by geopolitical conflicts and a pandemic resurgence. The economic consequences of the war in Ukraine, through rising global food costs and higher oil prices, could exert stronger pressure on fiscal deficit, on inflation and on households' consumption thus exacerbating poverty and inequality.

With the agriculture sector employing over 60 percent of the working age population, vulnerability to climate change related risks (floods, droughts) is substantial. Finally, continued political uncertainty ahead of planned 2023 presidential elections, might delay reform efforts, worsen fiscal imbalances and generate arrears. Given persistent conflicts in the East, DRC's immediate challenge is to strengthen security and maintain political and macroeconomic stability while stepping up ongoing reforms to ensure sustainable growth.

TABLE 2 Democratic Republic of Congo / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	4.4	1.7	6.2	6.1	6.4	6.6
Private Consumption	17.3	-8.0	1.6	1.5	2.0	2.2
Government Consumption	6.6	9.5	11.8	21.3	5.8	3.4
Gross Fixed Capital Investment	6.3	37.8	-29.6	16.0	17.2	14.6
Exports, Goods and Services	1.4	4.0	24.9	13.7	7.9	7.5
Imports, Goods and Services	25.2	15.1	-19.9	14.8	9.6	7.7
Real GDP growth, at constant factor prices	4.6	2.3	6.2	6.1	6.4	6.6
Agriculture	3.1	2.5	2.4	2.8	2.9	3.0
Industry	4.1	4.2	7.9	7.8	7.6	7.7
Services	5.7	0.1	5.6	5.3	6.1	6.6
Inflation (Consumer Price Index)	4.7	11.4	9.1	9.5	8.0	7.0
Current Account Balance (% of GDP)	-3.4	-2.3	-1.0	0.0	-0.4	-0.1
Fiscal Balance (% of GDP)	-2.0	-1.2	-1.0	-3.0	-3.1	-1.7
Debt (% of GDP)	19.5	22.9	23.1	20.2	19.4	19.0
Primary Balance (% of GDP)	-1.8	-1.0	-0.9	-2.5	-2.6	-1.3
International poverty rate ($2.15 in 2017 PPP)[a,b]	64.1	64.7	63.6	62.3	61.2	60.1
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	84.7	84.9	84.3	83.6	83.1	82.4
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	96.2	96.3	96.1	95.9	95.7	95.4
GHG emissions growth (mtCO2e)	0.4	0.0	0.1	0.2	0.2	0.3
Energy related GHG emissions (% of total)	1.2	1.2	1.2	1.3	1.3	1.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2012-E123. Actual data: 2012. Nowcast: 2013-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2012) with pass-through = 0.7 based on GDP per capita in constant LCU.

REPUBLIC OF CONGO

Table 1	**2021**
Population, million	5.7
GDP, current US$ billion	13.3
GDP per capita, current US$	2357.1
International poverty rate ($2.15)[a]	35.4
Lower middle-income poverty rate ($3.65)[a]	59.1
Upper middle-income poverty rate ($6.85)[a]	83.5
Gini index[a]	48.9
School enrollment, primary (% gross)[b]	93.7
Life expectancy at birth, years[b]	64.8
Total GHG emissions (mtCO2e)	31.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2011), 2017 PPPs.
b/ WDI for School enrollment (2018); Life expectancy (2020).

After contracting by an estimated 2.2 percent in 2021, economic activity in the Republic of Congo (ROC) is gradually picking up. Higher commodity prices stemming from the war in Ukraine are improving ROC's fiscal and external positions, but households and businesses are facing rising inflation and fuel shortages. Growth is expected to strengthen in 2023-2024. Uncertainties related to oil prices and production, and spillovers from the war in Ukraine are key risks to the outlook.

Key conditions and challenges

The Congolese economy has been contracting since 2015, triggered by the 2014-16 collapse in oil prices that led to a massive cut in public spending and investment and the accumulation of domestic arrears to private sector firms, impacting private investment. The multi-year economic recession led to a cumulative decline of real GDP by 27 percent and of GDP per capita by 37 percent during 2014-2020.

The country's reliance on volatile oil revenue and weak governance, reflected in high levels of non-concessional borrowing, led Congo's debt to be classified as "in distress" and unsustainable in 2017, as the country became unable to meet its contractual obligations. Higher oil prices, improved debt management, and debt restructuring agreements helped restore debt sustainability in the second half of 2021, but ROC remains in debt distress.

The prolonged economic recession has reversed previous progress in poverty reduction, with the proportion of the population living below the international extreme poverty line of US$2.15 PPP per day increasing from 34.9 percent in 2015 to 50.2 percent in 2020. Furthermore, human capital development lags that of peer countries.

The impact of the war in Ukraine is exacerbating socio-economic challenges, including food insecurity because of ROC's high dependence on food imports. Despite being the third largest oil producer in Sub-Saharan Africa, fuel shortages have become more frequent since the start of the war in Ukraine as the country heavily relies on imported refined oil. The pandemic continues to be a risk to ROC's economic outlook, particularly since only about 12 percent of the population was fully vaccinated as of August 2022.

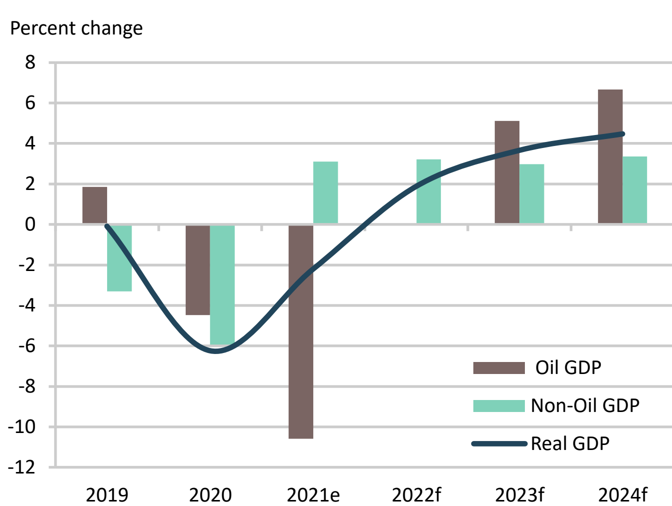
Reviving economic growth and diversifying the economy away from oil remain key challenges. The new National Development Plan for 2022-2024 offers a good opportunity to transform ROC's economy and boost inclusive and sustainable development to reduce the country's vulnerability to volatile oil prices and unsteady production.

Recent developments

After contracting by 2.2 percent in 2021 owing to the underperformance of the oil sector, economic activity is gradually picking up in 2022, driven by the non-oil sector. Non-oil sector growth in 2022H1 was spurred by the removal of COVID-19 restrictions, and clearance of government domestic arrears which provided liquidity to domestic banks and firms. Despite higher oil prices and global demand, oil production further declined in 2022H1 (by 4.2 percent y-o-y) due to postponed investments, maturing oil fields, and technical challenges.

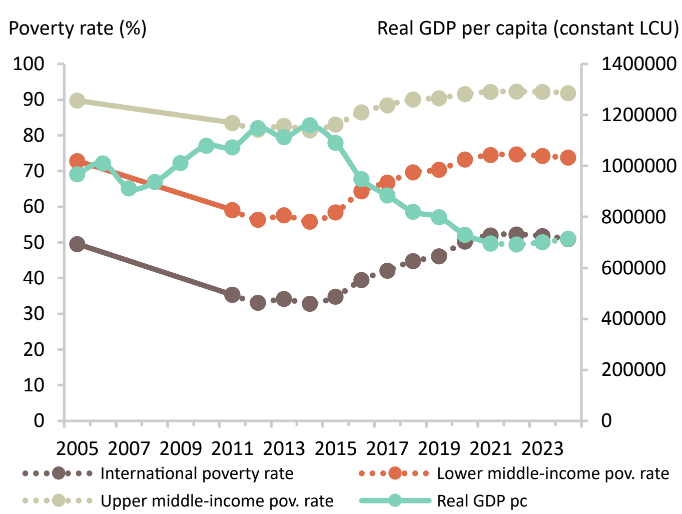
Both the fiscal and external positions improved thanks to higher oil prices, and the

FIGURE 1 Republic of Congo / Real GDP growth



Source: World Bank.
Note: The growth rate of oil GDP in 2022 is projected to be zero.

FIGURE 2 Republic of Congo / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

budget registered a surplus in 2022H1 (expected to reach 4.8 percent of GDP by end-2022). In August, ROC revised its 2022 Budget Law to finance the government's plan for the food crisis and the higher oil and gas subsidy bill, which increased from CFAF 80 billion in the initial law to CFAF 251 billion (2.7 percent of GDP). Higher export receipts are projected to strengthen the current account surplus to 18.1 percent of GDP in 2022.

Improvements in banking system solvency and liquidity are strengthening financial sector stability. Bank deposits and credit to the private sector were up in 2022H1 and non-performing loans have continued to decline. Monetary conditions have continued to be tightened to contain inflationary pressures and support the external viability of the exchange rate arrangement. Following a 25-basis point increase in November 2021, the Bank of Central African States (BEAC) further increased the policy rate by 50 basis points to 4.0 percent in March 2022. The BEAC also decreased its weekly liquidity injections from CFAF 250 billion to CFAF 160 billion in April 2022.

Socio-economic challenges are worsening, with the poverty rate estimated to have increased from 50.2 percent in 2020 to 52.0 percent in 2021. Existing supply chain disruptions and the effects of the war in Ukraine are pushing up food prices in ROC, with food inflation averaging 6.3 percent (y-o-y) in 2022H1, which is likely to affect the poorer segments of the population more as they typically spend a higher share of their household budget on food.

Outlook

ROC's GDP is expected to grow at 1.9 percent in 2022, driven by the non-oil sector as oil production is projected to remain unchanged. The economy is expected to then rebound, with GDP growth projected to average 4.1 percent in 2023-24. Oil sector growth (expected to average 5.9 percent in 2023-24) would be driven primarily by the resumption of investments by oil companies which will increase oil production. Non-oil sector growth is expected to average 3.2 percent in 2023-24 owing to growth in agriculture and services and the implementation of structural reforms on the supply side, and continued clearance of domestic arrears and increased social and public investment spending on the demand side.

Inflation is projected to remain above BEAC's 3.0 percent target over the medium term. Food inflation is expected to remain elevated, worsening food insecurity. The poverty rate is expected to reach 52.2 percent in 2022 and decline slightly to an average of 51.4 percent in 2023–24, consistent with projected growth in GDP per capita.

The fiscal balance is expected to remain positive at 3.4 percent, on average, in 2023–24, fueled by higher oil receipts and improved non-oil revenue mobilization resulting from tax administration reforms such as e-filing and e-payments and the launch of taxpayer service centers. Although debt vulnerabilities remain elevated (with a high level of non-concessional debt stock and domestic arrears), ROC's debt-to-GDP ratio will decline to 76.3 percent by 2024 (from 102.2 percent at end-2021) due to improved debt management, fiscal discipline, and significant oil revenues. The current account surplus will decline in 2023-24 as investments in new oil fields will lead to an increase in equipment imports.

Downside risks include uncertainties related to the pandemic, oil prices and production, a protracted war in Ukraine and related spillovers (including food price increases and refined oil shortages in ROC), tighter conditions in regional financial markets, and adverse weather conditions.

TABLE 2 Republic of Congo / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021e	2022f	2023f	2024f
Real GDP growth, at constant market prices	-0.1	-6.2	-2.2	1.9	3.7	4.5
Private Consumption	1.6	-6.9	8.5	8.8	6.7	5.8
Government Consumption	-18.7	-33.1	16.9	10.1	4.9	5.7
Gross Fixed Capital Investment	-2.3	-45.0	9.5	8.9	9.7	9.3
Exports, Goods and Services	7.4	-11.1	-12.2	0.1	5.0	6.1
Imports, Goods and Services	3.2	-36.3	2.5	10.1	11.0	10.3
Real GDP growth, at constant factor prices	-0.6	-5.1	-2.2	1.9	3.7	4.5
Agriculture	0.2	4.5	1.5	3.0	3.1	3.5
Industry	0.2	-3.7	-7.9	0.6	4.6	5.9
Services	-1.8	-9.2	3.9	3.4	3.0	3.4
Inflation (Consumer Price Index)	2.2	1.4	2.0	3.8	3.7	3.4
Current Account Balance (% of GDP)	-0.8	0.9	10.9	18.1	11.8	7.7
Net Foreign Direct Investment Inflow (% of GDP)	3.4	2.4	3.8	3.8	4.7	5.4
Fiscal Balance (% of GDP)	3.4	-2.4	1.4	4.8	4.3	2.6
Debt (% of GDP)	81.9	113.2	102.2	84.0	80.6	76.3
Primary Balance (% of GDP)	8.0	-0.6	3.4	7.1	6.5	4.9
International poverty rate ($2.15 in 2017 PPP)[a,b]	46.1	50.2	52.0	52.2	51.8	51.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	70.4	73.3	74.5	74.7	74.2	73.8
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	90.4	91.6	92.2	92.3	92.2	91.9
GHG emissions growth (mtCO2e)	3.9	2.4	2.5	3.2	3.6	3.9
Energy related GHG emissions (% of total)	13.7	14.0	14.1	14.4	14.7	15.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2011-ECOM. Actual data: 2011. Nowcast: 2012-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2011) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

CÔTE D'IVOIRE

Table 1	2021
Population, million	27.1
GDP, current US$ billion	70.0
GDP per capita, current US$	2589.0
International poverty rate ($2.15)[a]	11.4
Lower middle-income poverty rate ($3.65)[a]	39.6
Upper middle-income poverty rate ($6.85)[a]	75.4
Gini index[a]	37.2
School enrollment, primary (% gross)[b]	100.5
Life expectancy at birth, years[b]	58.1
Total GHG emissions (mtCO2e)	52.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ Most recent WDI value (2020).

The consequences of the war in Ukraine are expected to slow the recovery in 2022, to 5.7 percent growth (3.1 percent per capita), while increasing external and fiscal financing needs. Inflation should reach 5.5 percent in 2022 from 4.2 percent in 2021, threatening gains in poverty reduction. The government responded with price caps and a wage bill increase that increased fiscal spending and highlighted the need for domestic revenue mobilization.

Key conditions and challenges

Côte d'Ivoire has been one of the fastest-growing economies in SSA for almost a decade - with real GDP growth averaging 8.2 percent over 2012–19 (5.7 percent in per capita terms). Political stability, sound macroeconomic policies and new sources of growth (in services and industry) have sustained high growth rates. Over 2011-19, the poverty rate declined from 55 to 39.5 percent, along with inequality, as measured by the Gini coefficient, from 0.38 to 0.35. Sound fiscal policy up to 2019 also enabled counter-cyclical measures to contain the recent external shocks, achieving 2 and 7 percent real GDP growth in 2020 and 2021.

Renewing its objective of doubling GDP per capita by 2030 in the National Development Plan (NDP) 2021-2025 requires addressing bottlenecks to enable structural transformation and sustain inclusive growth. Productivity growth has remained flat since 2017, and the pandemic also slowed progress toward poverty reduction. Leveraging private investment, greater capital deepening, reducing allocative inefficiencies, improving human capital and governance, increasing resilience to climate risks are important.

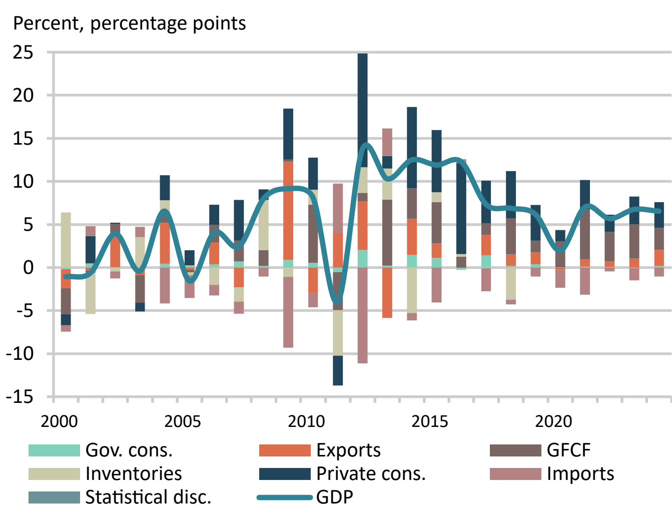
Downside risks predominate in the short term. The war in Ukraine increases commodity price volatility, which can depress external balances and energy and food inflation. Tightening global financial markets as advanced countries raise interest rates could increase debt vulnerabilities. Heightened regional insecurity and climate-related factors could also dampen the outlook. In the medium term, the rollout of the NDP will depend on adequate financing, premised on greater domestic revenue mobilization and private investments.

Recent developments

In 2021, the economy recovered strongly aided by fiscal and monetary policy and less disruptive containment measures. Real GDP growth is estimated at 7 percent in 2021 (4 percent in per capita terms), driven by domestic demand, despite inflation reaching a 10-year high of 4.2 percent at year-end driven by higher food prices because of adverse weather and COVID-19 supply disruptions. The fiscal deficit declined by 0.5 ppt to 5.1 percent of GDP mostly owing to strong revenue collection (+0.7 percent of GDP) as authorities have maintained high levels of public investment. PPG debt reached 52.1 percent of GDP.

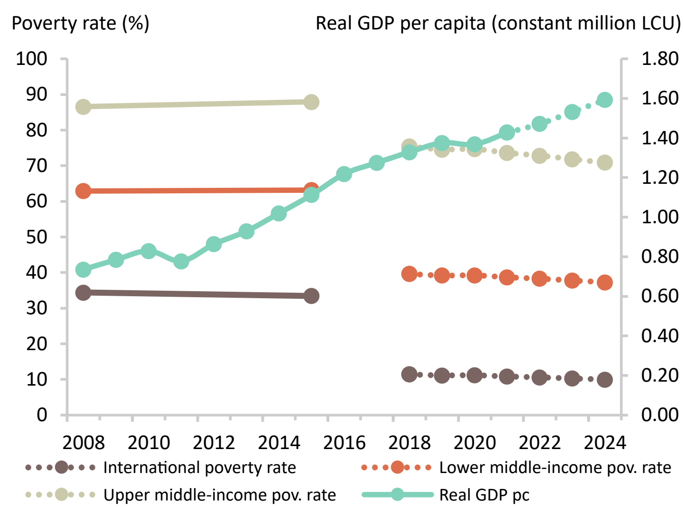
Against that backdrop, the negative terms of trade shock and deceleration in global demand from the war in Ukraine will impact economic recovery and increase fiscal pressures in 2022. Quarterly GDP growth reached 6.2 percent (y/y) in Q1. Over the first half, industrial output grew by 12.4 percent (y/y) led by mining, manufacturing, and energy sectors; but the retail and telecom business indices already suffered from a deceleration in consumption. Inflation continued to increase

FIGURE 1 Côte d'Ivoire / Real GDP growth and contributions to real GDP growth



Source: World Bank.

FIGURE 2 Côte d'Ivoire / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

despite measures to contain it, reaching 5.4 percent in July (y/y), with core inflation at 4.4 percent. Higher import prices also widened the CAD, exerting external financing pressures. The fiscal stance should deteriorate, with the deficit expected at 5.7 percent of GDP, due to greater infrastructure spending and interest payments, and a slowdown in revenue as the government uses the proceeds of the excises on fuel to offset price increases via subsidies. The overall fiscal package to contain prices amounted to 0.9 percent of GDP at end-July. A five-year civil servant wage reform – to mitigate the erosion of purchasing power - concluded in August 2022 should increase the wage bill by 0.2 percent of GDP in 2022.

Monetary and exchange rate policies are managed by the BCEAO. Its reserves declined to 5.2 months of imports in June 2022, from 5.5 months in 2021, due to higher energy prices and food imports caused by the war in Ukraine. To counter inflation pressures, the BCEAO raised rates for liquidity calls (2 to 2.5 percent) and the marginal lending window (4 to 4.5 percent) in June and September 2022.

Extreme poverty incidence measured against the US$2.15 a day per capita (2017 PPP) international poverty line should decline from 10.8 percent in 2021 to 10.6 percent in 2022, and below its pre-COVID level of 11.2 percent. The expansion of services and industry, which respectively employ 42.7 and 13 percent of the labor force, contributed to poverty reduction.

Outlook

Despite the headwinds, the economy should be resilient in the short-term and continue expanding at a steady pace over the medium term with growth averaging 6.4 percent over 2022-2024, driven by domestic demand, continued high public investment and increasingly greater private investments in the context of the NDP and reforms to improve the business environment. Trade flows with Ukraine and Russia are small and a progressive easing of global commodity prices should support the deceleration of inflation starting 2023. The CAD should narrow but remain higher than pre-COVID levels due to expected increase in import volumes and prices.

The authorities remain committed to sound macroeconomic management and the fiscal deficit should gradually converge towards the regional target of 3 percent by 2025 – despite an expected permanent wage bill increase of 0.4 percent of GDP until 2027 -, supporting a gradual decline in the debt-to-GDP-ratio.

However, financing conditions will remain tight. Tighter monetary policy in advanced economies will trigger higher financing costs of external and domestic debt, increasing debt vulnerabilities due to rollover risks in the short-term. Sustained domestic revenue mobilization, efficient public spending, prudent borrowing, and active debt management remain crucial to ensure macroeconomic stability.

Poverty reduction should continue despite negative headwinds thanks to mitigation policies that have kept fuel and food prices lower than in other countries in the region and expected wage bill increase. In medium term, poverty alleviation should continue, with extreme poverty (US$2.15 2017PPP) expected to fall to 9.99 percent by 2024, benefiting from the recovery and the rollout of the new social development plan.

TABLE 2 Côte d'Ivoire / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	6.2	2.0	7.0	5.7	6.8	6.6
Private Consumption	6.0	1.9	5.0	3.0	4.9	4.7
Government Consumption	4.1	0.3	1.3	0.8	-0.8	2.6
Gross Fixed Capital Investment	5.5	12.2	21.3	11.1	12.3	7.6
Exports, Goods and Services	5.7	-1.3	3.7	2.9	4.7	8.6
Imports, Goods and Services	4.4	8.8	12.7	1.7	5.7	4.1
Real GDP growth, at constant factor prices	6.3	2.0	7.0	5.7	6.8	6.6
Agriculture	5.3	2.7	1.9	0.7	2.8	3.0
Industry	11.5	1.6	6.2	6.7	10.0	10.8
Services	4.7	1.9	8.7	6.7	6.6	5.8
Inflation (Consumer Price Index)	0.8	2.4	4.2	5.5	3.5	3.0
Current Account Balance (% of GDP)	-2.3	-3.2	-3.8	-5.6	-4.8	-4.1
Net Foreign Direct Investment Inflow (% of GDP)	1.3	1.1	1.4	1.3	1.3	1.5
Fiscal Balance (% of GDP)	-2.3	-5.6	-5.1	-5.7	-4.8	-3.9
Debt (% of GDP)	38.8	47.6	52.1	53.2	52.7	51.3
Primary Balance (% of GDP)	-0.8	-3.7	-3.0	-3.4	-2.3	-1.5
International poverty rate ($2.15 in 2017 PPP)[a,b]	11.2	11.2	10.8	10.6	10.3	10.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	39.2	39.3	38.7	38.3	37.8	37.3
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	74.5	74.7	73.6	72.8	71.8	70.9
GHG emissions growth (mtCO2e)	1.5	0.6	1.5	1.1	1.1	0.9
Energy related GHG emissions (% of total)	23.9	23.8	24.3	24.6	24.8	24.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2015-ENV and 2018-EHCVM. Actual data: 2018. Nowcast: 2019-2021. Forecasts are from 2022 to 2024.
b/ Projection using point to point elasticity at regional level with pass-through = 1 based on GDP per capita in constant LCU.

EQUATORIAL GUINEA

Table 1	2021
Population, million	1.4
GDP, current US$ billion	10.7
GDP per capita, current US$	7408.7
School enrollment, primary (% gross)[a]	61.8
Life expectancy at birth, years[a]	59.1
Total GHG emissions (mtCO2e)	14.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2015); Life expectancy (2020).

Equatorial Guinea's real GDP is projected to grow by 3.2 percent in 2022, mainly owing to a pick-up in hydrocarbon output. Barring new substantial hydrocarbon discoveries and progress in structural reforms, the economy is projected to enter recession in 2023-24 as oil production in several fields declines. Further increases in international food prices and social tensions, further tightening of global financial conditions, reduced oil prices, and a potential fiscal cliff due to declining oil production represent downside risks to the outlook.

Key conditions and challenges

While Equatorial Guinea is classified as an upper-middle-income country, seven consecutive years of negative growth combined with the COVID-19 pandemic has curtailed progress in shared prosperity and poverty reduction, with GDP per capita growth averaging -9.4 percent in 2015-2021. Progress in improving human capital has been slow because of insufficient social spending and poor public service delivery. Public health spending represents only 0.7 percent of GDP, significantly lower than the average of 3.2 percent of GDP for upper-middle-income countries, and life expectancy at birth is low at 59 years. The poor business environment and weak governance also weigh on private sector development. Moreover, given the country's heavy dependence on oil, the expected decline in oil production combined with the social and economic toll of COVID-19 adds urgency to the government's objective to diversify away from the hydrocarbon industry and change the current growth model.

Recent developments

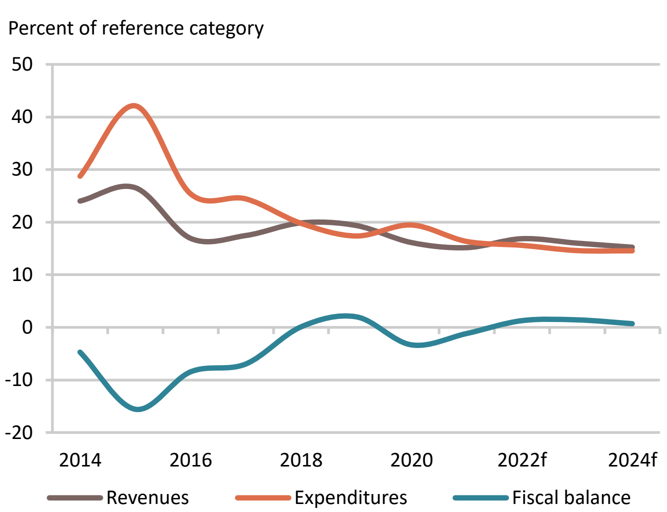
The economy is estimated to have contracted by 1.6 percent in 2021, due to lower-than-expected hydrocarbon production. The Bata explosions in March 2021 (with direct losses and damages estimated at 2.5 percent of 2020 GDP as per International Monetary Fund (IMF) estimates) and a slowdown in construction due to modest public investment also weighed on growth. The revival of the services sector partly cushioned the slowdown in 2021.

Economic activity rebounded in 2022H1, underpinned by a pick-up in hydrocarbon production (15 percent increase from 2021H2 to 2022H1), higher capital spending, and an upturn of the services sector following the phasing out of pandemic-related restrictive measures.

Stronger hydrocarbon revenues from higher production and prices improved the fiscal position in 2022H1. Fiscal revenues exceeded the budgeted levels by 13 percent in 2022H1 while the expenditure execution rate stood at 78 percent as of end-June 2022. The fuel subsidy reform implemented by the authorities in March 2022 is expected to protect the poor by keeping kerosene prices constant while adjusting gasoline prices and generate savings of about 0.1 percent of GDP in 2022 (IMF estimates). Higher hydrocarbon export earnings, with a 22.6 percent increase in export volumes from 2021H2 to 2022H1, also helped improve the trade balance and the external position in 2022H1.

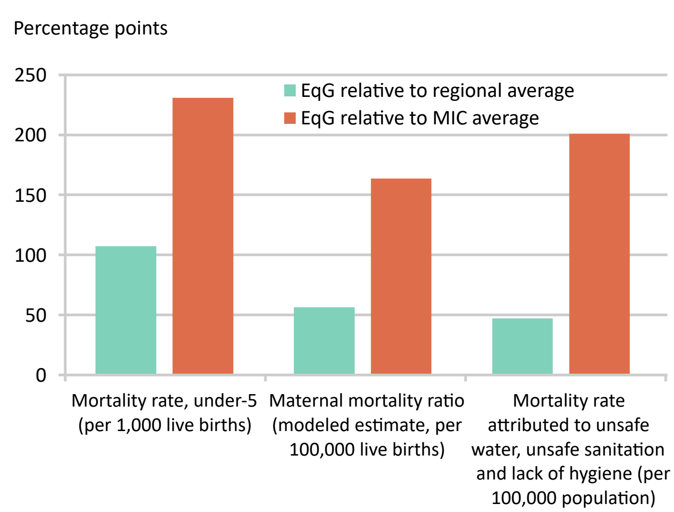
Inflation surged to 3.3 percent in July 2022 (from 1.8 percent in 2021), reflecting higher food and energy prices, which have been exacerbated by the war in Ukraine. Monetary conditions have continued to be tightened to contain inflationary pressures and support the external viability of the exchange rate arrangement. The Bank of Central African States (BEAC) further

FIGURE 1 Equatorial Guinea / Public finances



Source: World Bank.

FIGURE 2 Equatorial Guinea / Non-income poverty indicators



Source: World Bank.

increased the policy rate by 50 basis points to 4 percent on March 28, 2022. The BEAC also decreased its weekly liquidity injections from CFAF 250 billion to CFAF 160 billion in April 2022. The regional central bank has started to implement the new foreign exchange (FX) regulation, including strengthening FX repatriations, for the extractive sector in January 2022. Moreover, the COBAC (the regional supervisor) ended temporary forbearance measures in June 2022, which could lead to a deterioration of asset quality (increases in overdue loans and NPL ratios).

Phone surveys conducted in 2020 and 2021 showed that almost half of the working age population stopped working for up to 6 months during the COVID crisis, and only 14 percent of students continued their education at home. A sharp rise in food prices, due to the war in Ukraine, has likely added to an already challenging social situation due to the pandemic. As data to track poverty remain scarce, the Living Standard Measurement Survey (expected in 2023) will be key to benchmarking poverty incidence.

Outlook

After seven years of negative growth, real GDP is projected to grow by 3.2 percent in 2022, mainly driven by higher hydrocarbon production and revenues. With an expected gradual decline in hydrocarbon production and slow progress in structural reforms, Equatorial Guinea is projected to re-enter recession in 2023-24. Barring new substantial discoveries, hydrocarbon production will gradually decline as some of the country's largest oil fields are reaching maturity. Moreover, without significant progress in strengthening governance, the banking sector, and business confidence, growth in the service sector will deteriorate. Consequently, GDP growth is projected to contract by an average of 3 percent in 2023-24.

The fiscal position is projected to turn into a surplus of 1.3 percent of GDP in 2022 (from a deficit of 1.2 percent of GDP in 2021) as recent increases in hydrocarbon revenues are expected to more than offset the increase in fiscal expenditures including from the Bata reconstruction. The planned clearance of domestic arrears, using most of the IMF 2021 Special Drawing Rights allocation, is expected to reduce debt to GDP ratio to 34.5 percent in 2022, and support private sector confidence and investment. Higher hydrocarbon export earnings are expected to narrow the current account deficit to 0.8 percent of GDP (from a deficit of 2.4 percent of GDP in 2021), before deteriorating over the medium term.

The outlook is subject to major downside risks. Failure to settle outstanding arrears as planned could intensify financial sector risks; a protracted war in Ukraine could further increase international food prices which would increase domestic inflation and risks of food insecurity, possibly escalating social tensions; further tightening of global financial conditions could impact investment flows; reduced oil prices could undermine fiscal and external stability; and a potential fiscal cliff due to declining hydrocarbon production could further undermine medium-term growth.

TABLE 2 Equatorial Guinea / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022f	2023f	2024f
Real GDP growth, at constant market prices	-6.0	-4.9	-1.6	3.2	-2.6	-3.4
Private Consumption	3.4	3.4	1.0	4.2	0.5	0.2
Government Consumption	-4.5	-5.3	2.3	1.8	-6.7	-9.3
Gross Fixed Capital Investment	-55.8	-42.1	-18.0	19.0	0.8	0.6
Exports, Goods and Services	-6.2	-9.0	-1.7	4.3	-1.4	-1.9
Imports, Goods and Services	-9.0	-7.8	2.0	6.5	1.0	0.5
Real GDP growth, at constant factor prices	-6.0	-5.0	-1.6	3.2	-2.6	-3.4
Agriculture	-5.8	0.4	2.8	1.2	1.4	1.4
Industry	-8.7	-6.8	-0.6	4.1	-2.4	-3.4
Services	-1.2	-2.1	-3.5	1.8	-3.2	-3.8
Inflation (Consumer Price Index)	1.2	5.8	1.8	3.8	3.6	3.0
Current Account Balance (% of GDP)	-1.6	-10.9	-2.4	-0.8	-1.5	-2.3
Net Foreign Direct Investment Inflow (% of GDP)	5.3	3.9	5.9	4.4	4.2	4.3
Fiscal Balance (% of GDP)	2.0	-3.3	-1.2	1.3	1.4	0.7
Debt (% of GDP)	45.9	52.3	47.4	34.5	36.7	35.7
Primary Balance (% of GDP)	2.7	-2.0	0.4	2.6	2.6	2.0
GHG emissions growth (mtCO2e)	-9.3	-12.4	6.2	-0.7	-7.1	-4.3
Energy related GHG emissions (% of total)	31.7	26.7	29.2	29.5	26.9	25.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

ERITREA

Table 1	2021
Population, million	3.6
GDP, current US$ billion	2.2
GDP per capita, current US$	613.8
School enrollment, primary (% gross)[a]	68.4
Life expectancy at birth, years[a]	66.7
Total GHG emissions (mtCO2e)	7.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2018); Life expectancy (2020).

Real GDP growth is expected to moderate to 2.5 percent in 2022, impacted by lower global growth, and to hover around 2.8 percent over the medium term, consistent with pre-pandemic growth rates. Eritrea has begun to reengage with development partners but remains mostly isolated and vulnerable to various risks, including food inflation, highly concentrated exports, COVID-19, geopolitical tensions, and climate shocks. Poverty data has not been produced in the last decade, and national accounts are limited.

Key conditions and challenges

The lifting of UN sanctions in November 2018 marked Eritrea's emergence from a decade of international isolation. Prolonged conflict has deprived Eritrea, a fragile state, of vital aid and investment resources. The government responded by pursuing a self-sufficiency policy where large SOEs dominate the economy and outside the mining industry there is a virtually non-existent private sector. The financial sector is small and underdeveloped, and a few minerals (mainly zinc, gold, and copper) account for over 90 percent of exports, leaving Eritrea highly exposed to exogenous shocks. Monetary policy is characterized by administrative measures, fiscal dominance, and a fixed exchange rate regime pegged to the US dollar, enabled by severe import restrictions in a context of low foreign exchange reserves. Productivity in agriculture is low, and the country is among the most vulnerable and least adapted to climate change in Sub-Saharan Africa, with frequent natural hazards posing a heavy burden for the economy and rural livelihoods.

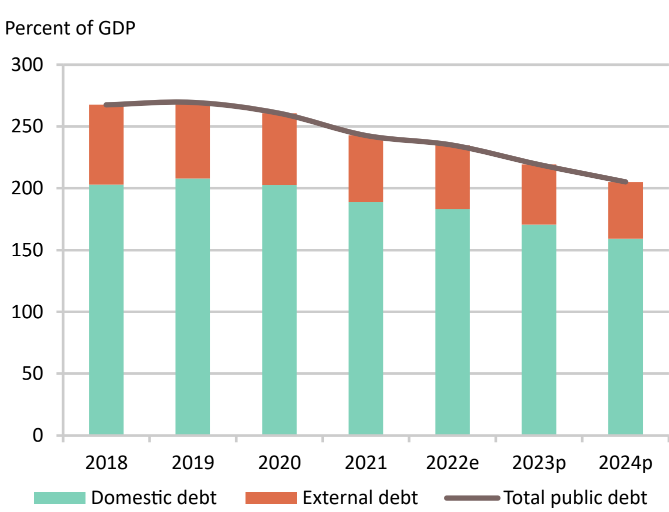
The COVID-19 crisis hit Eritrea amid a hiatus in its re-engagement with development partners, leaving it without external funding. In addition, informal cross-border trade was affected by the conflict in northern Ethiopia. However, Eritrea's isolation moderated the magnitude of the initial external shock.

Eritrea has severe data production capacity constraints resulting from the emergency conditions that prevailed in the country over the past decades. National accounts data are limited to unofficial GDP estimates produced by the Ministry of Finance and not endorsed by the government, while inflation estimates cover only the capital, Asmara, and full balance of payments accounts are missing. The last population census in Eritrea occurred over 25 years ago, and little is known about poverty.Data from 1996/97, covering only urban areas, suggests that widespread poverty reached around 70 percent of the population.

Recent developments

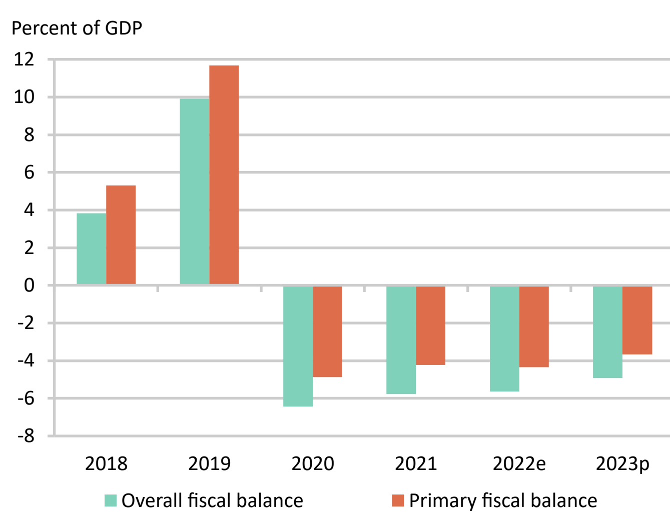
Real GDP growth rebounded by 2.9 percent in 2021 after contracting by 0.5 percent in 2020 amid the COVID-19 crisis. The recovery was led by improving external demand and the resumption of domestic economic activity following the phasing out of restrictions imposed at the onset of the pandemic. Headline inflation averaged 6.6 percent in 2021, fueled by rising international commodity prices and the continued closure of the Ethiopian border since April 2019. Rising prices of wheat, corn, fertilizers, and oil resulting from the war in Ukraine added to economic hardship for the poor. Eritrea has also been severely

FIGURE 1 Eritrea / Evolution of total public debt



Sources: Ministry of Finance, Planning and Economic Development; IMF and World Bank staff estimates.

FIGURE 2 Eritrea / Primary and overall fiscal balances



Sources: Ministry of Finance, Planning and Economic Development; IMF and World Bank staff estimates.

hit by the recent drought in the Horn of Africa, experiencing the fourth consecutive below-average rainfall season since late 2020, adding to food insecurity.

Strengthening economic activity and relatively high global metals prices (especially for zinc and gold) supported fiscal revenues in 2021 and a narrowing of the fiscal deficit to 5.8 percent of GDP from 6.4 in 2020. The polymetallic Asmara mine was officially inaugurated in June 2022 and is expected to contribute to exports and revenues in the future. Public debt is estimated at around 242.7 percent of GDP, of which nearly 80 percent is owed to domestic banks, and the country remains in debt distress.

Eritrea's engagement with the UN has intensified in recent months. On July 12, Eritrea presented its first Voluntary National Review report on its progress toward the SDGs focused on SDG3 on Health and Well-being and SDG13 on Climate Action, while briefly touching upon the status of implementation of the other SDGs.

Outlook

Real GDP is expected to grow at 2.5 percent in 2022, a slight deceleration from 2021, mainly supported by mineral exports. Over the medium term, growth is projected to average 2.8 percent, consistent with pre-pandemic growth rates. Higher prices of fuel and wheat, the country's top import products, will likely keep inflation elevated at over 7 percent in 2022, exacerbating poverty and food insecurity. The current account is expected to remain in surplus, as currently elevated prices of gold and zinc offset the higher fuel and food import bill, but should narrow modestly over the medium term as the peak in global commodity prices fades. Steady remittances are expected to provide income support to households over the medium term. Fiscal consolidation, underpinned by slower growth in government current expenditures and continued growth in revenues in line with economic activity, should help to narrow the fiscal deficit. Strong growth in nominal GDP should keep public debt-to-GDP ratios on a declining trend. However, fiscal and domestic debt outcomes and the outlook for public finances remain uncertain given frequent data revisions due to reporting lags driven by widespread manual processes.

Downside risks are significant. These include continued spillovers to the global economy and commodity prices from the Ukraine war and heightened regional geopolitical tensions. Eritrea's continued involvement in the northern Ethiopia conflict could attract renewed international sanctions. Further global food price shocks would negatively impact household consumption, given Eritrea's dependence on wheat imports. Additionally, Eritrea is currently one of only two countries in the world that have not yet started vaccinating their citizens against COVID-19, heightening health risks and economic growth risks. Finally, severe climate vulnerabilities continue to burden Eritrea and could worsen in the coming years.

TABLE 2 Eritrea / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	3.8	-0.5	2.9	2.5	2.7	2.9
Private Consumption	5.5	-1.9	3.0	3.5	4.1	4.5
Government Consumption	39.3	16.4	14.0	5.7	3.4	3.5
Gross Fixed Capital Investment	67.5	195.8	17.7	13.0	8.7	16.2
Exports, Goods and Services	-5.0	-5.4	49.7	8.9	4.8	3.1
Imports, Goods and Services	1.4	-3.5	42.6	12.0	8.1	7.1
Real GDP growth, at constant factor prices	3.7	-0.6	2.9	2.5	2.7	2.9
Agriculture	27.0	-0.5	4.5	1.6	2.5	2.4
Industry	13.0	-0.7	1.4	3.7	3.6	3.7
Services	-26.0	-0.6	2.0	2.4	1.8	2.9
Inflation (Consumer Price Index)	1.3	5.6	6.6	7.4	6.4	4.1
Current Account Balance (% of GDP)	13.1	14.6	13.5	12.3	10.8	10.2
Net Foreign Direct Investment Inflow (% of GDP)	3.1	1.4	1.4	1.3	1.2	1.1
Fiscal Balance (% of GDP)	9.9	-6.4	-5.8	-5.6	-4.9	-4.1
Debt (% of GDP)	269.5	260.7	242.7	234.9	219.1	205.1
Primary Balance (% of GDP)	11.7	-4.9	-4.2	-4.3	-3.7	-2.9
GHG emissions growth (mtCO2e)	0.8	4.5	6.0	7.8	10.3	13.3
Energy related GHG emissions (% of total)	13.4	16.2	20.0	24.8	30.9	38.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

ESWATINI

Table 1	2021
Population, million	1.2
GDP, current US$ billion	4.7
GDP per capita, current US$	4049.6
International poverty rate ($2.15)[a]	36.1
Lower middle-income poverty rate ($3.65)[a]	58.0
Upper middle-income poverty rate ($6.85)[a]	78.1
Gini index[a]	54.6
School enrollment, primary (% gross)[b]	114.5
Life expectancy at birth, years[b]	60.7
Total GHG emissions (mtCO2e)	2.8

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2016), 2017 PPPs.
b/ WDI for School enrollment (2019); Life expectancy (2020).

Real GDP growth is projected to slow to 1.1 percent in 2022 from 7.9 percent in 2021, reflecting statistical base effects, the implementation of government's three-year fiscal adjustment program, and the inflationary impacts of the Ukraine war. Declining SACU revenues and higher food and fuel import costs are expected to push the current account into a deficit. These trends will slow per capita GDP growth and constrain poverty reduction, which is projected to hover around 54 to 55 percent in the medium term.

Key conditions and challenges

Since the relocation of firms back to South Africa at the end of apartheid in 1994, private investment has remained low, constrained by heavy state involvement in the economy and a generally weak business environment. The government is taking steps to reduce its footprint in the economy to promote market competition and encourage private investment. The challenges from relying on state-led development include high fiscal deficits, accumulation of expenditure arrears, and the crowding out of private investment.

Eswatini remains highly dependent on South Africa, through various channels- including trade, remittances, and Southern African Customs Union (SACU) revenues. Overreliance on SACU revenues has led to substantial fluctuations in public spending and continues to pose a challenge to managing fiscal resources and the growth potential. Volatile SACU receipts coupled with rigid government expenditure have led to persistent fiscal deficits in the recent past.

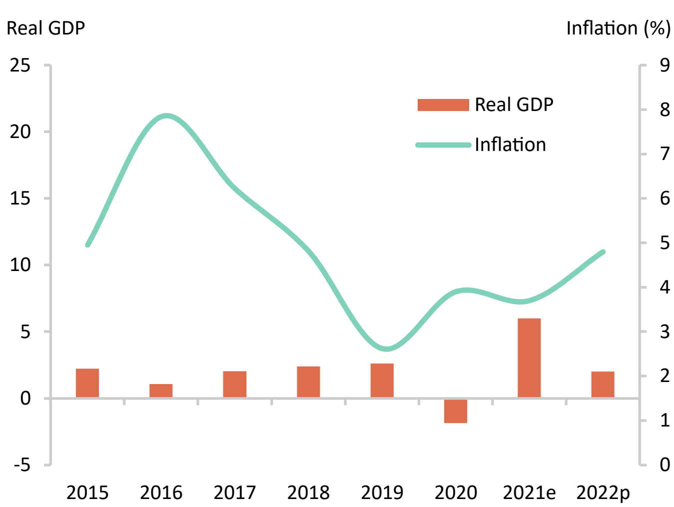
Poverty reduction in Eswatini is constrained by limited job opportunities in the private sector and relatively low salaries amid weak labor productivity. Lack of formal job creation results in high unemployment and informality. About 32 percent of the population is estimated to live below the US$2.15/day (2017 PPP) international poverty line, while 55.4 percent of the population is under the lower-middle-income country poverty line ($3.65/day, 2017 PPP). Inequality remains high, with a risk of fueling social tension.

Recent developments

Economic activity picked up in 2022Q1, with real GDP growing by 4.5 percent from 1.9 percent in 2021Q4. Growth was underpinned by a strong performance of the primary (mainly animal production and forestry) and secondary sectors (manufacturer of beverages, processing of preserved meat, and preserved fruits). Agriculture benefited from good rains, while manufacturing benefited from increased foreign demand. On the other hand, services contracted, reflecting subdued demand due to low domestic disposable incomes and weakening growth of the ICT sector as COVID-19 restrictions, were lifted (leading to reduced use of ICT). Moreover, the impact of Ukraine war and its related inflationary impacts is expected to result in a moderation of growth.

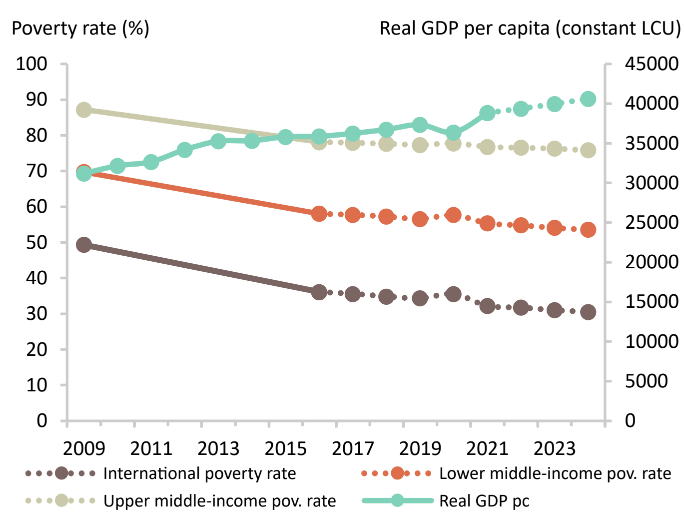
Inflationary pressures picked up during 2022Q2, mainly driven by food and transport costs, and a depreciating local currency. Annual inflation averaged 4.2 percent in 2022Q2, higher than 3.2 in 2022Q1 and 3.7 in 2021Q2; and increased further in July 2022 to 5.4 percent from 4.6 percent in June 2022. Transport and food contributed over half of the annual inflation—the exchange rate depreciated by 5.9 percent during 2022H1. In response to the high

FIGURE 1 Eswatini / Inflation and real GDP



Sources: Ministry of Finance and WB staff estimates.

FIGURE 2 Eswatini / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

inflationary pressures, the Central Bank tightened the money supply, increasing the discount/repo rate by a cumulative 100 basis points to 5 percent. Transport and food inflation disproportionately affect the poor, who spend a higher share of their resources on these items than higher-income households.

The authorities remained committed to fiscal adjustment plans during FY2022/23Q1 despite political pressure to increase wages. The fiscal deficit was contained within the budget limits, as the government implemented expenditure cuts, including public investment, in line with its three-year fiscal adjustment plan. The reduction in the fiscal deficit took place in the context of lower overall revenues amid lower SACU revenues. However, public debt increased as the government accessed loans from the World Bank and African Development Bank to finance the budget deficit.

Inflows from newly contracted external loans kept official gross reserves above 3 months of import cover during 2022H1. This level of reserves was achieved despite a higher trade deficit during 2022H1 compared to the same period last year, as costs of imports increased due to the Ukraine war. The current account worsened as a result.

Outlook

Real GDP growth is projected to slow to 1.1 percent in 2022 and average 2.7 percent for 2023-2024, reflecting the implementation of the government's three-year fiscal adjustment program and inflationary pressures from the Ukraine war. The fiscal adjustment will dampen growth in sectors linked to government operations such as construction, public administration, wholesale, and trade, while inflationary pressures dampen domestic demand. Annual average inflation is projected to increase to 4.8 in 2022 from 3.7 percent in 2021. Further, the tight monetary policy will discourage borrowing and constrain economic activity. The risk of further social unrest creates uncertainty for medium-term private sector investment and growth.

Poverty is projected to remain relatively stagnant and hover around 54 to 55 percent, based on the lower-middle-income country poverty line, due to the slow economic recovery in the medium term. The unemployment rate that rose by 10 percentage points to 33.3 between 2016 and 2021, will marginally decline in the medium term.

The fiscal deficit is projected to decline in the medium term as authorities implement the fiscal adjustment plan. Though SACU revenues are projected to fall in 2022 due to the second-round effects of the pandemic, domestic revenues are projected to recover as authorities implement various revenue measures (fees, VAT, company tax increase) proposed in the adjustment plan. Expenditure adjustment includes public wage containment and lower transfers to state-owned enterprises. The deficit will marginally increase in 2022 as expenditure pressures increase to cushion households from rising inflation. In the medium term adherence to the adjustment program is critical to contain fiscal deficit within set limit. Inflation will decline in the medium term as fiscal consolidation proceeds. Public debt is projected to peak in 2022 and decline from 2023, in line with the fiscal adjustment plan.

The current account balance is projected to turn into a deficit of 1.7 percent of GDP in 2022—the first time since the 2010/11 fiscal crisis. This trend partly reflects declining SACU revenues and rising imports due to higher fuel/food costs arising from the Ukraine war. A current account surplus is projected from 2023 as SACU revenue recover and the effects of the COVID-19 crisis dissipate.

TABLE 2 Eswatini / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	2.7	-1.6	7.9	1.1	2.6	2.7
Private Consumption	-1.5	0.5	3.3	2.0	4.5	3.2
Government Consumption	-2.0	6.8	-8.7	-3.7	-6.4	-1.1
Gross Fixed Capital Investment	1.0	-8.2	11.4	9.6	2.9	2.7
Exports, Goods and Services	16.3	-2.4	9.9	6.0	3.1	2.5
Imports, Goods and Services	1.5	-1.3	14.4	1.6	2.5	2.0
Real GDP growth, at constant factor prices	2.8	-1.4	7.9	1.1	2.6	2.7
Agriculture	0.9	-7.5	2.5	1.4	1.6	3.5
Industry	5.7	-9.7	15.4	3.8	3.9	2.1
Services	1.2	5.4	4.1	-0.8	1.8	2.9
Inflation (Consumer Price Index)	2.6	3.9	3.7	4.8	4.4	4.3
Current Account Balance (% of GDP)	4.7	6.5	1.3	-1.7	0.4	0.8
Net Foreign Direct Investment Inflow (% of GDP)	-2.4	-0.1	-0.7	-0.8	-0.8	-0.7
Fiscal Balance (% of GDP)	-6.5	-4.6	-4.6	-4.9	-1.4	0.0
Debt (% of GDP)	40.0	41.6	42.4	45.1	43.1	39.9
Primary Balance (% of GDP)	-5.3	-2.4	-2.9	-2.0	1.4	2.5
International poverty rate ($2.15 in 2017 PPP)[a,b]	34.3	35.5	32.2	31.7	31.0	30.6
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	56.6	57.7	55.4	54.8	54.1	53.6
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	77.3	77.8	76.8	76.5	76.3	75.8
GHG emissions growth (mtCO2e)	5.2	1.6	1.4	1.1	1.1	1.2
Energy related GHG emissions (% of total)	35.9	36.1	37.2	38.1	38.9	39.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2016-HIES. Actual data: 2016. Nowcast: 2017-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2016) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

ETHIOPIA

Table 1	2021
Population, million	117.9
GDP, current US$ billion	114.6
GDP per capita, current US$	972.5
International poverty rate ($2.15)[a]	27.0
Lower middle-income poverty rate ($3.65)[a]	65.0
Upper middle-income poverty rate ($6.85)[a]	90.9
Gini index[a]	35.0
School enrollment, primary (% gross)[b]	119.4
Life expectancy at birth, years[b]	67.0
Total GHG emissions (mtCO2e)	191.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2015), 2017 PPPs.
b/ Most recent WDI value (2020).

Though considerably lower than pre-conflict levels, and despite ongoing conflict, GDP growth in FY22 was revised modestly upwards to 3.5 percent from a more resilient agricultural harvest and higher export growth. Nevertheless, the economy is confronting multiple shocks while eroded buffers are threatening macroeconomic stability. Poverty and inequality remain elevated, and Ethiopia remains highly vulnerable to disruptions in global food supplies. The abatement of conflict and a resumption in market reforms are critical to reviving growth and accelerating poverty reduction.

Key conditions and challenges

Between 2004-20, Ethiopia's economy was one of the world's fastest-growing, with GDP growth averaging 10 percent. State-led public investments in infrastructure supported high growth and poverty reduction (the poverty rate fell by about 10 percentage points between 2004-16). However, unevenly shared growth that favored urban and wealthier areas resulted in increasing inequality in recent years. The poverty rate remains high at about 24 percent.

More recently, the limitations of the state-led growth model—a stalled structural transformation, a financing overhang from large capital investments, a narrow export base, and a private sector constrained by burdensome regulations and heavy foreign exchange market distortions—have slowed growth and left Ethiopia at high risk of debt distress.

Overlapping shocks from drought, conflict, and the COVID-19 pandemic have severely impacted lives and livelihoods. Some 20 million people require humanitarian assistance due to prolonged drought in lowland areas and conflict in the Northern parts of the country. An already acute food insecurity has worsened further because of global food and energy price shocks and disruptions to grain supply due to the Russia-Ukraine war.

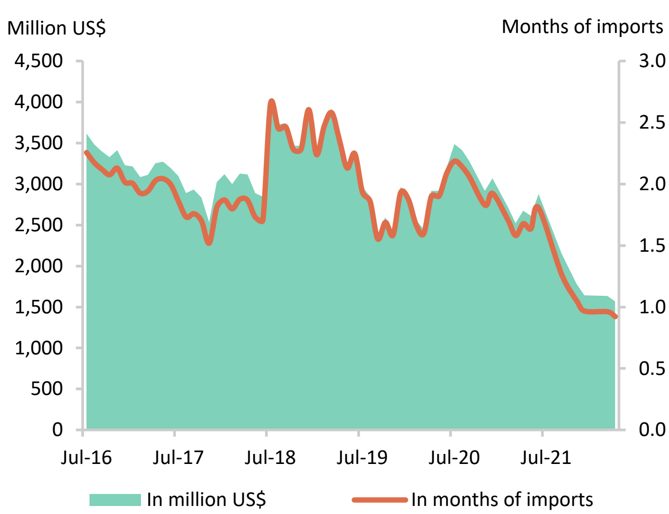
In response to a weakening economy, the government launched a Homegrown Economic Reform Program in 2019 to boost growth in key sectors (energy, logistics, and telecoms), increase competition, improve the export climate, and reduce macroeconomic imbalances. A critical policy priority was a move to a competitive foreign exchange market—a much-needed reform to boost competitiveness and reduce distortions and input shortages in the economy. Despite greater uncertainty, these reforms are necessary to reignite growth and accelerate poverty reduction. Downside risks include renewed conflict, delays in debt relief amid tightening global financial conditions, and the continuance of drought in the Horn of Africa that impacts agricultural production—especially livestock. Depleted FX reserves and fiscal space limit the country's capacity to absorb additional shocks.

Recent developments

GDP growth for FY22 was revised slightly upwards to 3.5 percent, despite a fifth year of drought, ongoing conflict and displacement, and external shocks. Agricultural output was relatively resilient to the Tigray conflict, falling by a lower-than-expected 1.5 percent during the main meher season. Export growth also remained strong at 14 percent in FY22, as higher coffee prices helped offset Ethiopia's removal from the African Growth and Opportunity Act in January 2022 and the introduction of more restrictive regulatory measures on exporters.

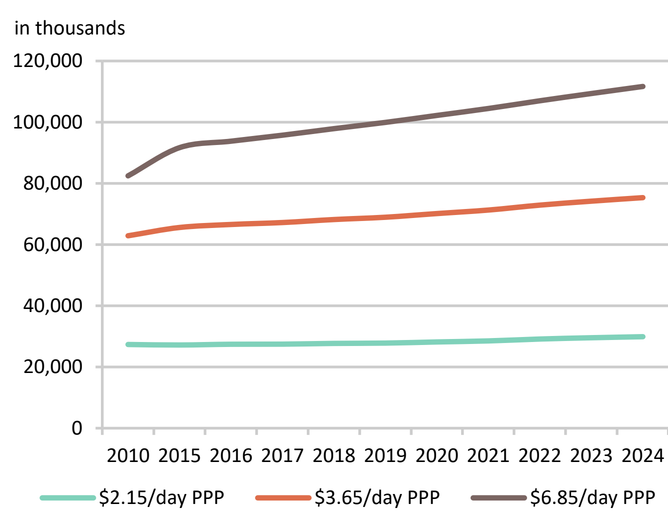
In July, inflation remained elevated at 33.5 percent due to higher food prices

FIGURE 1 Ethiopia / Gross foreign exchange reserves



Source: National Bank of Ethiopia.

FIGURE 2 Ethiopia / Number of poor



Sources: Global Poverty Working Group (GPWG) and Macro Poverty Outlook.

and petroleum subsidy reforms. High inflation and a slower depreciation of the official exchange rate since late February are contributing to currency overvaluation and a widening premium (of about 50 percent) in parallel currency markets.

External vulnerabilities have increased. Higher fuel, fertilizer, and food import bills offset strong export growth and lower capital imports, contributing to a wider trade deficit. Coupled with lower official aid inflows (that offset continued growth in remittances and FDI inflows), FX reserves have eroded (estimated at less than 1 month of import cover at end-FY22). As a result, external debt servicing risks have heightened and Ethiopia has requested debt relief under the G-20 Common Framework.

The fiscal deficit increased to 3.7 percent of GDP in FY22 (vs. 2.8 percent in FY21). Increased recurrent spending—largely defense, security, rehabilitation, and relief—offset reductions in capital spending. Amidst sharply lower external financing, the fiscal deficit was mainly financed by domestic borrowing. The government began implementing a phased removal of fuel subsidies in December 2021, which should yield savings of about 1 percent of GDP by 2023.

While some net producers benefited from rising food prices, the poor, who are net consumers with limited options for substitution between food items, are negatively affected. For example, the increase in maize and sorghum prices is expected to reduce welfare by as much as 10 percent among rural households. The ongoing armed conflict, drought, and inflation have severely impacted food security.

Outlook

Growth is expected to be more robust in FY23 (5.3 percent), supported by reconstruction efforts and the resumption of agricultural activity in some of the conflict affected areas. Inflation is expected to remain high in the short-term due to looser monetary policy, but then subside as global energy/food prices ease. Continued export growth (mainly services) and slower import growth from lower conflict-related spending are expected to narrow the current account deficit. Given depleted foreign exchange reserve levels and lower official inflows, CAD in FY23 is expected to be financed largely through relatively robust FDI inflows and borrowing by Ethiopian Airlines. New tax policy measures to boost value-added, excise, and property taxes should support revenues and help narrow the fiscal deficit in FY23. Even with an improving domestic and global outlook, a reversion to former high growth levels will require greater private sector investment and job creation. This will depend critically on bold policies to remove all foreign exchange market distortions, accelerate fiscal consolidation through revenue and SOE reforms, and create a level playing field for competition and private sector-led growth.

The poverty trajectory shows stalling in poverty reduction. The poverty headcount rate is expected to decline slightly (just a 0.08 percentage points decrease) between 2020 and 2021, and the number of poor people is expected to have increased in 2022 by more than half a million. The lack of significant gains in poverty reduction than expected is due to armed conflict, persistent droughts in lowland regions, the Ukraine war, and higher inflation. The multiple shocks the country is facing could push millions of people into poverty, increase spatial inequalities and threaten the progress in poverty reduction.

TABLE 2 Ethiopia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018/19	2019/20	2020/21	2021/22e	2022/23f	2023/24f
Real GDP growth, at constant market prices	9.0	6.1	6.3	3.5	5.3	6.1
Private Consumption	5.1	5.0	3.0	2.1	3.5	3.6
Government Consumption	7.2	0.6	12.2	15.8	3.4	7.6
Gross Fixed Capital Investment	15.1	5.6	7.6	2.1	7.1	8.1
Exports, Goods and Services	3.0	3.4	5.5	6.4	7.4	7.5
Imports, Goods and Services	5.4	-1.9	2.0	5.1	3.6	4.8
Real GDP growth, at constant factor prices	9.0	6.1	6.3	3.5	5.3	6.1
Agriculture	3.8	4.3	5.5	1.8	3.5	4.0
Industry	11.5	9.6	7.3	5.5	6.5	8.0
Services	12.0	5.2	6.3	3.4	5.9	6.3
Inflation (Consumer Price Index)	12.5	19.9	20.2	33.7	25.6	16.9
Current Account Balance (% of GDP)	-5.1	-4.1	-2.7	-4.1	-3.5	-2.6
Fiscal Balance (% of GDP)	-2.5	-2.8	-2.8	-3.7	-3.1	-2.8
Debt (% of GDP)	57.3	56.5	56.6	55.6	55.4	53.0
Primary Balance (% of GDP)	-2.0	-2.4	-2.2	-3.1	-2.4	-2.1
International poverty rate ($2.15 in 2017 PPP)[a,b]	24.9	24.6	24.2	24.2	23.9	23.6
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	61.5	61.0	60.5	60.3	60.0	59.4
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	89.2	88.9	88.6	88.6	88.4	88.1
GHG emissions growth (mtCO2e)	1.3	1.6	2.7	2.3	2.3	2.5
Energy related GHG emissions (% of total)	15.3	14.8	14.7	14.0	13.5	13.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2010-HICES and 2015-HICES. Actual data: 2015. Nowcast: 2016-2021. Forecasts are from 2022 to 2024.
b/ Projection using annualized elasticity (2010-2015) with pass-through = 0.87 based on GDP per capita in constant LCU.
Note: Growth projections reflect limited available information, and are subject to revision as better data becomes available.

GABON

Table 1	2021
Population, million	2.3
GDP, current US$ billion	19.5
GDP per capita, current US$	8558.8
International poverty rate ($2.15)[a]	2.5
Lower middle-income poverty rate ($3.65)[a]	8.1
Upper middle-income poverty rate ($6.85)[a]	31.2
Gini index[a]	38.0
School enrollment, primary (% gross)[b]	139.9
Life expectancy at birth, years[b]	66.7
Total GHG emissions (mtCO2e)	20.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2017), 2017 PPPs.
b/ WDI for School enrollment (2011); Life expectancy (2020).

Gabon's economy is gradually recovering despite being impacted by the war in Ukraine. Food and fuel prices have been partially contained by subsidies but inflation is increasingly impacting households. Supported by high oil prices, the fiscal balance is expected to turn to a surplus in 2022. Increased subsidies, however, would limit the opportunities created by higher commodity prices for rebuilding external and fiscal buffers. While poverty would slightly decrease over the medium term, rising living costs may increase household vulnerability.

Key conditions and challenges

Thanks to efforts to reduce emissions and preserve its vast rainforest, Gabon is a net carbon absorber and a leader in net zero emission initiatives. It has a rich ecosystem with extensive endowments of fertile land, coastal riches and fisheries. However, despite its economic potential, the country is struggling to translate resource wealth into sustainable and inclusive growth.

Structural reforms are needed to reduce long-term vulnerability to external price shocks and raise living conditions. Key areas for reform include removing barriers for entrepreneurs, diversifying exports, strengthening social safety protection, and improving human capital outcomes. Despite significant investments in the construction of roads and other infrastructure, Gabon still faces a critical infrastructure gap, representing a key barrier to private sector-led growth. With a small but young and fast-growing population, Gabon faces the challenge of investing in human development to meet labor market needs and move from a resource-based growth model to one centered on human capital.

Efforts to improve governance and fiscal policy, especially those leading to increased public financial management efficiency, higher transparency in natural resource management, and rationalized tax expenditures, would create the fiscal space needed to invest in sustainable development and poverty reduction.

Recent developments

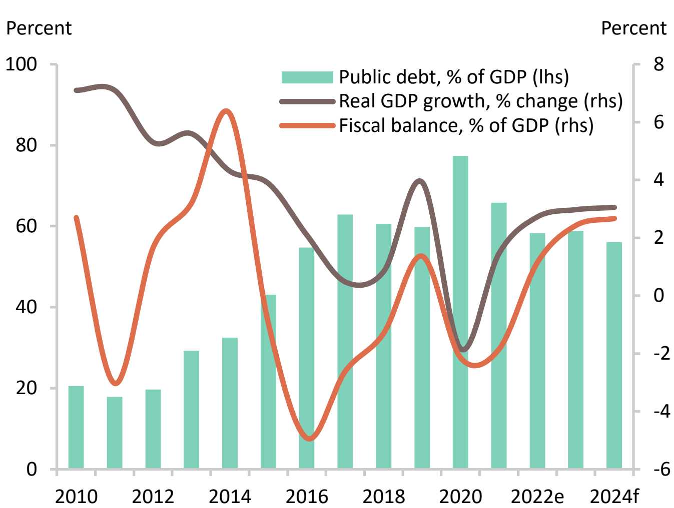
Gabon's GDP grew by 1.5 percent in 2021, thanks to booming services, manganese, and forestry sectors. The recovery picked up in 2022Q1, driven by a rebound in oil production following the lifting of OPEC+ quotas. On the demand side, growth has been driven by exports and private investment.

Higher commodity prices lowered the fiscal deficit to 1.8 percent of GDP in 2021. A revised 2022 budget law was adopted by Parliament, reflecting higher oil price and public spending. Preliminary data for 2022Q1 indicate an increase in revenues and current spending, compared to the same period in 2021. The additional revenue is being used to pay for subsidies and rebuild deposits at the Bank of Central African States (BEAC). A decrease in the debt-to-GDP ratio was recorded in 2021. Gabon's debt continues to accumulate outstanding arrears but remains sustainable.

Thanks to higher commodity prices, the current account deficit narrowed to 5.2 percent of GDP in 2021 with sharply higher exports in 2022Q1 (y-o-y). Imports also increased but to a lesser extent, improving the external balance in 2022Q1.

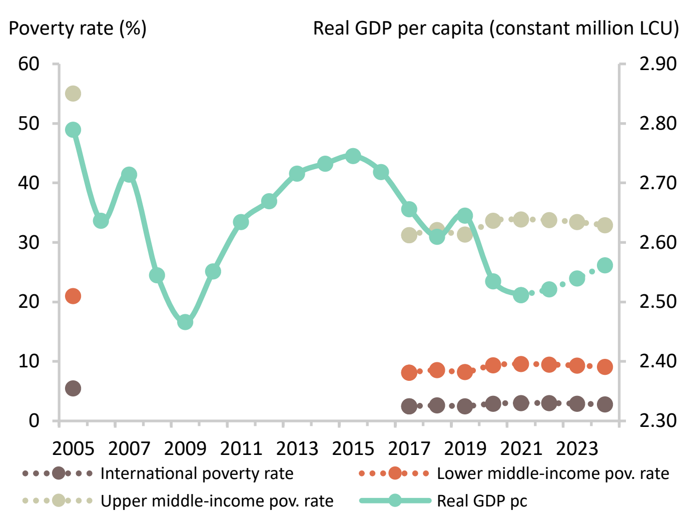
Higher global prices bumped up headline inflation to 4.3 percent y-o-y at end-June 2022. Monetary policy has been tightened to contain inflationary pressures and support the exchange rate peg. Following a 25 basis points increase in November 2021, the BEAC further increased the policy rate by 50 basis points to 4 percent on March 28, 2022. It also decreased its weekly liquidity

FIGURE 1 Gabon / Real GDP growth, fiscal balance, and public debt



Sources: Official government data and World Bank calculations. Notes: e = estimate, f = forecast.

FIGURE 2 Gabon / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

injections from CFAF 250 billion to CFAF 160 billion in April 2022. The asset quality of the banking system is reportedly stable, reflecting the impact of temporary forbearance measures implemented by COBAC (the regional supervisor) up to June 2022.

Despite the ongoing recovery, the COVID-19 crisis is being deeply felt. It has plunged thousands into poverty and food insecurity, with the poverty rate standing at 33.9 percent in 2021. The war in Ukraine is further pushing the population into distress, most notably through higher prices. While food and energy subsidies are still in place, continuous price increases are increasingly impacting vulnerable households but also the middle class. For the more than 85 percent of households that consume bread, rice, and vegetable oil as the main staple foods, for which the global supply chain has been disrupted, price increases could severely impact poverty.

Outlook

Growth is projected to reach 2.7 percent in 2022 and 2.9 percent on average in 2023-2024, driven by good performances in the oil, mining and wood sectors. However, growth could be compromised if the authorities' commitment to fiscal consolidation, structural reforms, and economic diversification fails to materialize. Also, delays in negotiations with an operator have led to a temporary stoppage of an oil field and could result in a lower oil production in 2022. The share of households living on less than US$6.85 per day is expected to slightly decline to 32.9 percent in 2024, still above the pre-pandemic poverty rate.

While decreasing, commodity prices would remain high and are expected to continue improving the fiscal balance, turning it into a surplus of 1.2 percent of GDP in 2022. Despite the authorities' commitment to fiscal consolidation and rationalize non-priority expenditure, increased subsidies would contribute to higher spending. Containing subsidies may prove challenging in a context of growing household vulnerability due to high global food and energy prices. Yet, the fiscal balance is expected to increase gradually over the medium term, and public debt is projected to decline as a share of GDP.

The current account deficit is projected to widen gradually in the medium term mainly due to lower oil and manganese exports in the context of a slowdown in global recovery. Meanwhile, imports are expected to increase in view of government spending ahead of the upcoming electoral period. Albeit gradually reducing, FDI inflows are expected to remain high.

Policy hesitancy in the lead up to the 2023 presidential elections could delay diversification efforts, jeopardizing growth. Weaker Chinese demand and re-introduction of OPEC+ quotas represent risks to Gabon's outlook. Tightening global financing conditions could also add to fiscal pressures. A protracted war in Ukraine could further disrupt international trade and sustain high food prices. Outbreaks of new COVID-19 variants could compromise economic recovery, given the slow vaccination progress. Upside risks include improved fiscal and external balances resulting from higher-than-expected international oil prices.

TABLE 2 Gabon / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022f	2023f	2024f
Real GDP growth, at constant market prices	3.9	-1.8	1.5	2.7	3.0	2.9
Private Consumption	0.9	-2.0	-1.4	-0.1	0.9	1.2
Government Consumption	6.1	5.5	3.2	1.0	2.2	2.4
Gross Fixed Capital Investment	21.5	-16.7	9.2	9.2	2.2	3.6
Exports, Goods and Services	14.0	10.1	-1.0	6.0	6.3	5.5
Imports, Goods and Services	21.5	-16.7	31.9	8.3	3.3	4.3
Real GDP growth, at constant factor prices	4.2	-1.9	2.9	2.7	3.0	2.9
Agriculture	7.9	5.9	10.2	4.8	3.9	4.0
Industry	6.8	-2.2	3.1	3.0	3.1	3.3
Services	2.3	-2.8	1.6	2.2	2.7	2.5
Inflation (Consumer Price Index)	1.0	1.6	1.1	3.5	3.2	2.5
Current Account Balance (% of GDP)	-0.9	-6.0	-5.2	0.9	-1.8	-2.9
Net Foreign Direct Investment Inflow (% of GDP)	9.0	8.4	7.5	6.0	5.0	3.8
Fiscal Balance (% of GDP)	1.4	-2.1	-1.8	1.2	2.5	2.7
Debt (% of GDP)	59.8	77.4	65.8	58.3	58.8	56.0
Primary Balance (% of GDP)	3.6	1.2	0.9	3.8	5.3	5.3
International poverty rate ($2.15 in 2017 PPP)[a,b]	2.5	2.9	3.0	3.0	2.9	2.8
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	8.2	9.4	9.6	9.5	9.3	9.1
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	31.3	33.6	33.9	33.8	33.4	32.9
GHG emissions growth (mtCO2e)	4.1	1.3	2.2	-0.2	-0.3	-0.5
Energy related GHG emissions (% of total)	15.6	14.3	13.9	13.5	13.0	12.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2017-EGEP. Actual data: 2017. Nowcast: 2018-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2017) with pass-through = 1 (High (1)) based on GDP per capita in constant LCU.

THE GAMBIA

Table 1	2021
Population, million	2.5
GDP, current US$ billion	2.0
GDP per capita, current US$	805.7
International poverty rate ($2.15)[a]	13.4
Lower middle-income poverty rate ($3.65)[a]	44.6
Upper middle-income poverty rate ($6.85)[a]	81.2
Gini index[a]	35.9
School enrollment, primary (% gross)[b]	103.5
Life expectancy at birth, years[b]	62.4
Total GHG emissions (mtCO2e)	3.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2015), 2017 PPPs.
b/ Most recent WDI value (2020).

Real GDP is estimated to decelerate to 3.5 percent in 2022, from 4.3 percent in 2021, owing to the spillover effects of the war in Ukraine. Downside risks stem from a protracted war, including recession in advanced economies, disruption in the supply chains, fiscal slippages and fall in remittances inflows The pace of poverty reduction is expected to remain slow, reflecting weak per capita GDP growth and higher food prices.

Key conditions and challenges

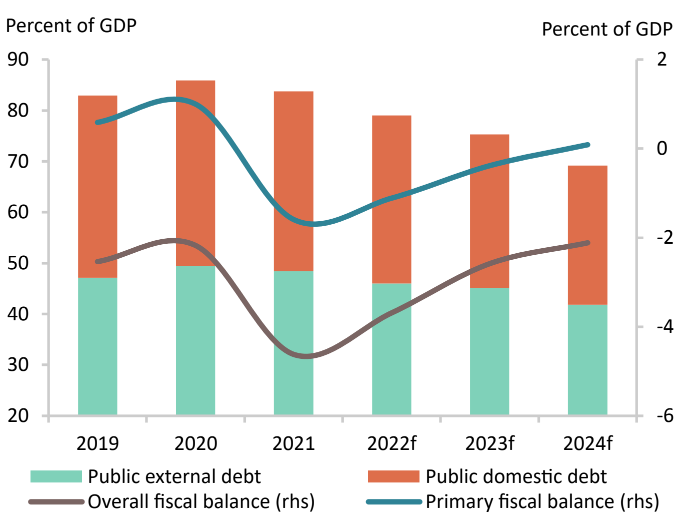
The Gambia faces a multidimensional fragility trap, as low economic diversification, over-reliance on low-productivity agriculture and tourism – which reflects a limited job-creating private sector – compound limited economic opportunities for women, environmental degradation, and vulnerability to climate change. Private sector development remains hindered by an unconducive business climate, persistent governance weaknesses, dominance of SOEs, and low and volatile public and private investments. These factors lead to low capital accumulation, weak productivity, and limited structural transformation of the economy and contribute to higher poverty rates and curtail human capital development. High population growth, low access to services, and food insecurity compound human development challenges. The country has made progress in macroeconomic stabilization, but more progress is needed to achieve deeper reforms. A 2019 debt restructuring helped exit debt distress in early 2020, but The Gambia remains at high risk of debt distress and the expiration of the debt deferral will increase debt service costs from 2025.

These weaknesses have been exacerbated by the COVID-19 outbreak and war in Ukraine, which have increased economic vulnerabilities, mainly via higher food and energy commodity prices, with lower economic growth and larger fiscal and external deficits. Inflation reached double-digits in 2022 for the first time in two decades, driven by food and energy prices, while The Gambia has limited fiscal and monetary policy buffers to mitigate the impact on the poor. Data from the 2020 household survey showed that poor households spent 65 percent of their income on food – over 10 percentage points higher than non-poor households – and the food price spike in April 2022, reaching 15.5 percent, thus exposing the poor to the risk of sliding deeper into poverty.

Recent developments

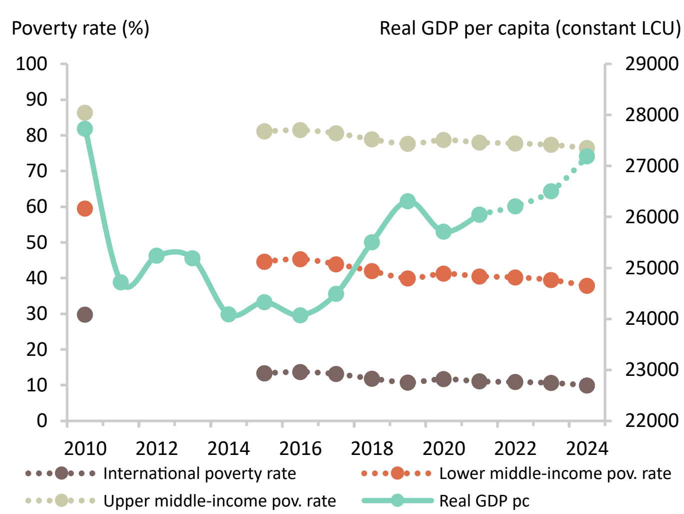
Growth is projected at 3.5 percent (0.6 percent per capita) in 2022, from 4.3 percent (1.3 percent per capita) in 2021, as higher commodity prices and supply disruptions weigh on the economy. The deceleration is driven by agriculture and industry, due to high commodity and fertilizer prices, supply disruptions, flooding, and weak remittances. Services are expected to accelerate, driven by banking, albeit with a slow recovery in tourism due to the rising cost of living in partner countries. Driven by food and transportation, inflation accelerated to 12.3 percent in July 2022. Higher import prices were met with increased subsidies for fuel, fertilizer, and grains, resulting in larger fiscal and external deficits. Without subsidies, prices would have been at least two times higher for oil and fertilizers.

FIGURE 1 The Gambia / Fiscal balance and public debt



Sources: The Gambian authorities and World Bank estimates.

FIGURE 2 The Gambia / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

Revenues were lower than expected due to lower tax on international trade and grants, leading to a downward revision of public expenditures. With increased grants, the fiscal deficit is projected to decline, although remaining high at 3.7 percent of GDP in 2022 (from 4.6 percent in 2021.) Public debt (both domestic and external) is expected to decline to 79 percent of GDP in 2022 from 83.8 percent in 2021. Nevertheless, the Gambia remains at high risk of debt distress.

With rising import prices and falling transfers, the current account deficit is expected to widen to 11.8 percent of GDP in 2022, from 8.8 percent in 2021. Monetary policy was tightened by raising the policy rate by 1 percentage point in May and September 2022 respectively, to 12 percent, to curb inflation.

Using the international poverty line of $2.15 (in 2017 PPPs), poverty is expected to marginally decline from 11.07 percent in 2021 to 10.90 percent in 2022. The slower pace of poverty reduction is partly due to the fallout from the war in Ukraine.

Outlook

As the effects of the conflict in Ukraine fade away, growth is projected to average 4.7 percent (1.8 percent per capita) in 2023-24, supported by increased activity in all sectors. Services and agriculture are expected to continue to grow, assuming respectively higher tourist inflows, as advanced economies recover, and favorable rainfalls. Public infrastructure programs and stronger remittances to support private investment in construction will sustain growth in industry. Inflation is projected to gradually slowdown and average 7.8 percent in 2023-24, as global food prices start to ease. Private and public consumption, and investment are projected to remain high in the medium term, given economic recovery and public infrastructure programs. The fiscal deficit is projected to narrow and average 2.4 percent of GDP in 2023-24, supported by decreasing current spending and subsidies, improved expenditure monitoring and revenue administration, as part of planned fiscal consolidation efforts. Public debt is projected to remain on a downward trend at around 72 percent of GDP in the medium term, supported by fiscal consolidation. The CAD is projected to decline while remaining high, averaging 10 percent of GDP in 2023-24, as the expected recovery in exports will be outpaced by import growth, driven by economic recovery and strong domestic demand.

Rising food prices will limit the ability of vulnerable households to increase their already weak incomes. Ongoing reforms such as the expansion of cash transfer programs are expected to cushion the negative distributional effects of inflation, although these effects are intensified by low per capita growth. Extreme poverty incidence is expected to continue declining, falling to 10 percent by 2024, as the effect of external shocks fades. However, the recent floods of July and August 2022 are likely to undermine the pace of poverty reduction – and highlight the vulnerability of the poor to such climatic shocks.

TABLE 2 The Gambia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	6.2	0.6	4.3	3.5	4.0	5.5
Private Consumption	4.0	-1.2	3.5	3.3	4.0	4.1
Government Consumption	14.6	31.3	-7.9	2.8	3.9	3.7
Gross Fixed Capital Investment	13.0	61.0	27.1	22.8	26.3	11.9
Exports, Goods and Services	-6.3	-49.9	4.4	10.0	12.7	12.0
Imports, Goods and Services	-0.2	12.2	19.7	22.0	26.1	10.8
Real GDP growth, at constant factor prices	6.2	0.6	4.3	3.5	4.0	5.5
Agriculture	-0.5	11.0	4.7	2.0	2.8	3.2
Industry	14.8	8.2	10.4	7.0	6.8	7.0
Services	6.2	-5.0	2.0	2.9	3.3	5.8
Inflation (Consumer Price Index)	7.1	5.9	7.4	11.6	9.0	6.5
Current Account Balance (% of GDP)	-6.1	-3.8	-8.8	-11.8	-10.3	-9.8
Fiscal Balance (% of GDP)	-2.5	-2.2	-4.6	-3.7	-2.6	-2.1
Debt (% of GDP)	83.0	85.9	83.8	79.4	75.8	70.2
Primary Balance (% of GDP)	0.6	1.0	-1.6	-1.1	-0.4	0.1
International poverty rate ($2.15 in 2017 PPP)[a,b]	10.8	11.7	11.1	10.9	10.6	10.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	40.0	41.2	40.5	40.2	39.5	37.9
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	77.6	78.7	78.1	77.8	77.4	76.5
GHG emissions growth (mtCO2e)	7.7	6.0	4.0	3.2	3.1	3.0
Energy related GHG emissions (% of total)	20.2	20.1	20.4	21.0	21.7	22.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2015-IHS. Actual data: 2015. Nowcast: 2016-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2015) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

GHANA

Table 1	2021
Population, million	31.7
GDP, current US$ billion	76.5
GDP per capita, current US$	2411.5
International poverty rate ($2.15)[a]	25.3
Lower middle-income poverty rate ($3.65)[a]	48.9
Upper middle-income poverty rate ($6.85)[a]	78.5
Gini index[a]	43.5
School enrollment, primary (% gross)[b]	103.4
Life expectancy at birth, years[b]	64.3
Total GHG emissions (mtCO2e)	15.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2016), 2017 PPPs.
b/ Most recent WDI value (2020).

Following a rebound in 2021, growth has moderated in 2022 and macro fundamentals have deteriorated, with inflation reaching its highest level in 18 years, forex reserves and the value of the cedi falling sharply, and Ghana losing access to the Eurobond market. As a result, the growth momentum has slowed further, debt sustainability metrics have worsened considerably, and inflation has pushed many Ghanaians into poverty.

Key conditions and challenges

Over 2010-19, GDP growth fluctuated between 2.7 and 6.5 percent, reflecting the economy's dependence on natural resources and exposure to external shocks. Macroeconomic management was likewise uneven, triggering regular fiscal crises. The economy is not sufficiently diversified: gold, cocoa, and oil exports accounted for more than 82 percent of all goods exports over 2019–2021, with a limited contribution of manufacturing. Meanwhile, Ghana's growth has not created sufficient job opportunities for the growing and increasingly young population, and labor has continued to move out of agriculture but mostly toward low value-added services, and some manufacturing.

The COVID-19 pandemic interrupted Ghana's strong growth trend and amplified the preexisting fiscal risks. While Ghana weathered the COVID-19 shock relatively well – growth slowed in 2020 but remained positive – significant macroeconomic imbalances resulted from highly accommodating fiscal policy.

Ghana's mounting debt stock and related financing needs are cause for concern with public debt-to-GDP consistently in excess of 70 percent since 2020. Fiscal consolidation has been slower than expected and the country has lost market access, with rating agencies repeatedly downgrading its sovereign debt. To meet its financing needs the Government has turned to expensive domestic borrowing which has increased debt vulnerability as well as the banking sector's exposure to sovereign risk, put pressure on domestic interest rates, and crowded-out private sector borrowers.

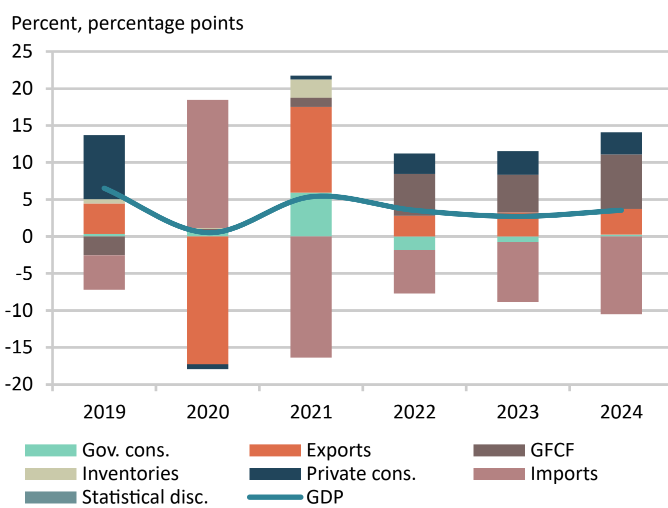
Recent developments

In the first quarter of 2022, GDP grew by 3.3 percent, year-on-year, down from 3.6 percent growth over the same period in 2021. Non-oil growth slowed down significantly (from 5.3 to 3.7 percent), with agriculture and services underperforming. On the demand side, growth was dragged down by high inflation, high interest rates and strict public expenditure controls, as revenues underperformed.

Fiscal pressures have remained high. Over the first half of 2022, the fiscal deficit reached 5.6 percent of GDP, well above the Government's 3.9 percent target. Revenues underperformed, as the flagship e-levy faced delays and major implementation challenges. As of end-June 2022, public debt reached 66.5 percent of GDP (which is projected to reach over 80 percent at the end of 2022) and interest payments amounted to 54.4 percent of revenues over the first half of the year. The authorities have begun discussions with the IMF on a possible program.

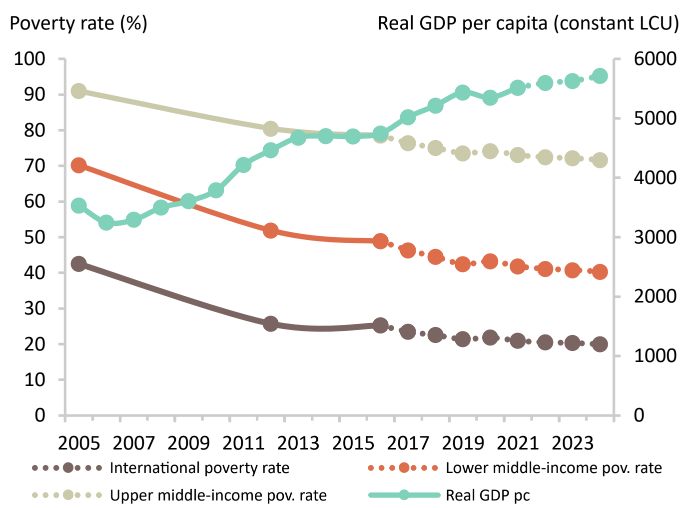
Inflation rose to 31.7 percent y-o-y (an 18-year high) in July 2022. The impact of soaring global commodity prices (Ghana imports 40 percent of its fertilizers from Russia) has been compounded by the depreciation of the cedi which has lost more

FIGURE 1 Ghana / Real GDP growth and contributions to real GDP growth



Sources: Statistical Service and World Bank.

FIGURE 2 Ghana / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

than 35 percent against the US dollar year-to-date in 2022. The Government and the Bank of Ghana (BoG) have sought to dampen inflationary expectations by cutting discretionary expenditures and raising the monetary policy rate (MPR) to 22 percent and banks' primary reserve requirements from 12 to 15 percent.

The performance of the banking sector has been mixed. While the banks are well capitalized, non-performing loans remained high at 14.1 percent in June 2022, compared to 17 percent in June 2021. Also, in the first half of 2022 credit to the private sector grew very slowly (at 3 percent).

Although the trade balance was in surplus as of end-June 2022, thanks to high oil and gold receipts, the overall current account recorded a deficit (1.5 percent of GDP) due to investment income outflows and net services account payments. With FDI inflows also taking a dip, the stock of gross international reserves declined by US$2 billion in the first half of 2022, to 3.4 months of imports.

Currency depreciation and high inflation have driven up the cost of living, putting considerable strain on household budgets and particularly for the poor who devote more than half of their budget to food. Farmers have been affected by increases in the prices of fertilizer and other inputs. Poverty reduction is expected to have slowed and the "international poverty" rate is estimated at 20.5 percent in 2022 which is 0.5 percentage points lower than in 2021.

Outlook

Growth is expected to slow to 3.5 percent in 2022; and to decelerate further in 2023 as macroeconomic instability and corrective policy measures dampen aggregate demand. High inflation and elevated interest rates will keep private consumption and investment growth below pre-pandemic levels. With exports held back below pre-pandemic levels by supply constraints, growth is expected to slow further to 2.7 percent in 2023 and remain muted in 2024, before recovering to potential over the medium term. On the supply side, agriculture growth will remain modest because of high input prices and a disease affecting cocoa trees, industrial output growth should slow as oil and gas production continues to face technical difficulties, and services growth will be impacted by the erosion in the purchasing power of consumers.

Reflecting low revenue and mounting interest payments, the fiscal deficit will remain high in 2022 (7.9 percent of GDP) and beyond. Indeed, improvements are projected to take place gradually with contributions from revenues and expenditures, notably on focused on tackling tax exemptions and containing energy sector implicit subsidies. Public debt should stabilize around 100 percent of GDP in the medium-term, before starting to come down.

The main risks to the outlook include delays in the conclusion of an agreement with the IMF and an intensification of macroeconomic vulnerabilities (such as additional contingent liabilities in the energy and financial sectors, and un-anchoring of inflationary expectations). Debt sustainability could be threatened by insufficient access to financing, insufficient fiscal adjustment, large interest rate increases, and further currency depreciation. Sizable domestic debt rollover needs will put pressure on the already elevated domestic interest rates.

International poverty incidence is projected to decrease only marginally, from 20.5 to 20 percent by 2024, consistent with the muted growth outlook. In the shorter term, poverty is expected to increase slightly, notably because of the recent increase in electricity and water tariffs. This increase, while necessary, comes on the heels of rising food prices and does not address the regressive nature of the subsidies.

TABLE 2 Ghana / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022f	2023f	2024f
Real GDP growth, at constant market prices	6.5	0.5	5.4	3.5	2.7	3.5
Private Consumption	13.8	-1.0	0.8	4.4	5.0	4.6
Government Consumption	5.4	10.1	82.1	-14.8	-7.5	2.9
Gross Fixed Capital Investment	-10.0	1.8	5.8	26.1	19.2	24.0
Exports, Goods and Services	12.7	-50.7	69.1	10.4	11.4	11.1
Imports, Goods and Services	15.9	-54.5	113.8	20.0	23.8	25.8
Real GDP growth, at constant factor prices	6.5	0.8	5.3	3.4	2.7	3.6
Agriculture	4.7	7.3	8.4	2.2	2.2	3.2
Industry	6.4	-2.5	-0.8	3.8	2.4	3.7
Services	7.6	0.7	9.4	3.8	3.2	3.6
Inflation (Consumer Price Index)	7.9	10.4	10.0	28.6	22.5	14.4
Current Account Balance (% of GDP)	-2.7	-3.2	-3.7	-5.8	-4.5	-5.2
Net Foreign Direct Investment Inflow (% of GDP)	0.7	1.6	2.0	0.4	2.0	2.3
Fiscal Balance (% of GDP)	-7.2	-14.7	-11.4	-7.9	-9.2	-9.0
Debt (% of GDP)	61.2	74.4	76.6	104.6	99.7	101.8
Primary Balance (% of GDP)	-1.6	-8.4	-4.1	-0.6	-0.9	-0.2
International poverty rate ($2.15 in 2017 PPP)[a,b]	21.4	21.9	21.0	20.5	20.4	20.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	42.4	43.2	41.8	41.1	40.8	40.3
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	73.5	74.2	73.0	72.4	72.1	71.7
GHG emissions growth (mtCO2e)	16.5	23.6	-3.8	0.9	2.3	1.4
Energy related GHG emissions (% of total)	150.7	139.7	141.9	134.9	127.9	120.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2016-GLSS-VII. Actual data: 2016. Nowcast: 2017-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2016) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

GUINEA

Table 1	2021
Population, million	13.5
GDP, current US$ billion	16.2
GDP per capita, current US$	1198.6
International poverty rate ($2.15)[a]	13.8
Lower middle-income poverty rate ($3.65)[a]	46.6
Upper middle-income poverty rate ($6.85)[a]	86.8
Gini index[a]	29.6
School enrollment, primary (% gross)[b]	100.8
Life expectancy at birth, years[b]	62.0
Total GHG emissions (mtCO2e)	43.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ Most recent WDI value (2020).

Mining and the continued post-pandemic recovery are expected to boost growth to 4.6 percent in 2022, with limited impacts from Ukraine conflict. The fiscal deficit is expected to widen to around 2.5 percent of GDP, reflecting higher capital spending while public debt would decline to 37.1 percent of GDP. Mining-related FDI is expected to sustain growth. Downside risks include a prolonged political transition and delayed structural reforms.

Key conditions and challenges

Growth averaged 6.2 percent during 2017-21 (3.3 percent per capita), buoyed by the mining sector (bauxite, gold) and low fiscal deficits (2.5 percent). Weak mining-sector linkages to the rest of the economy, including through employment, mean economic growth has limited impacts on poverty reduction and shared prosperity. The national poverty rate declined from 48.5 percent in 2014 to 43.7 percent in 2018/19, equivalent to a growth elasticity of poverty of 0.47. However, the annualized consumption growth of the bottom 40 percent of the population was negative, suggesting that economic growth during that period was not pro-poor; and about 32 percent of the population suffered deprivations in education, health, and access to basic infrastructure in 2018. Based on COVID-19 surveys, about 35 percent of the population experienced severe food insecurity in 2021.

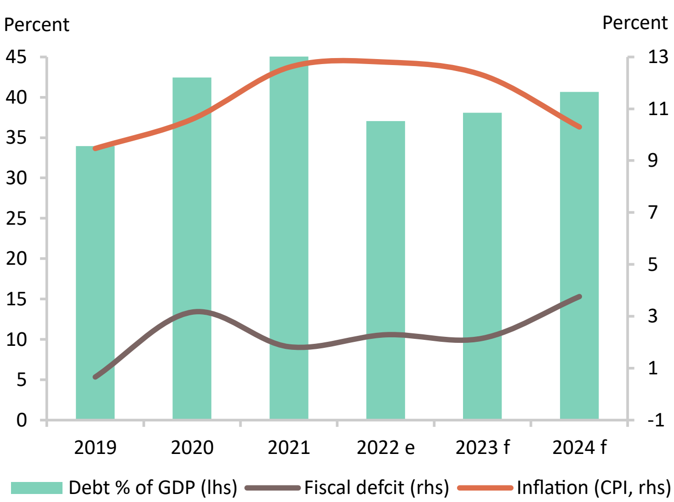
Guinea has exports dominated by few products (e.g., bauxite and gold) and concentrated in few markets, hence is exposed to commodity price volatility. The mining boom and high inflation affect competitiveness of other sectors through an appreciating local currency, hampering economic diversification. Guinea has low levels of human capital, weak institutional capacity, and widespread gender gaps in education, earnings, agricultural productivity, and political representation. Governance challenges are substantial. Other constraints include weak tax revenues, an underdeveloped financial sector, and large infrastructure gaps.

Recent progress with digitalizing economic and government transactions expanded mobile financial accounts and helped sustain economic activity during the pandemic; yet further digital expansion is needed in addition to structural reforms to boost diversification and inclusive growth. Guinea is at moderate risk of external debt distress with limited space to absorb shocks, with the government committed to maintain prudent borrowing that maximizes concessional financing.

Recent developments

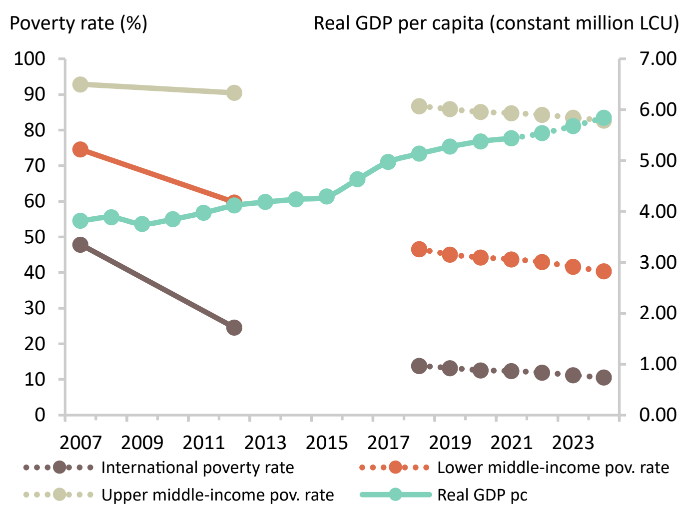
Growth accelerates to 4.6 percent in 2022 (1.9 percent per capita) due to higher mining growth (bauxite, gold) and continued recovery of the non-mining sector. Operations of Rusal, a Russian conglomerate that accounts for 7 percent of Guinea's bauxite exports, have not been significantly disrupted by global sanctions. Inflation is projected to accelerate slightly, from 12.6 percent in 2021 to 12.8 percent in 2022, due to higher food prices and supply disruptions (both domestic and external), disproportionally affecting the poorest and threatening food security. The external price pressures are partially offset by appreciation of the Guinean franc, the government's repayment of central bank advances earlier in the year, and the non-reliance on central bank financing.

FIGURE 1 Guinea / Debt, fiscal deficit, inflation



Source: World Bank.

FIGURE 2 Guinea / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

The overall fiscal deficit (including grants) will widen to 2.5 percent of GDP in 2022, as capital expenditures resume on delayed infrastructure projects. Tax revenues should increase by 0.8 percentage points, to 13.2 percent of GDP, due to better tax administration and mining tax collection. Subsidies (electricity and petrol) remain high due to low electricity tariffs and higher hydropower generation, though lessened by the increase in petrol pump prices mid-year. The debt-to-GDP ratio is set to decrease from 45.5 percent of GDP in 2021, to 37.1 percent in 2022, reflecting repayment of domestic bonds and securitized debts.

The current account balance flips from a surplus of 3.7 percent GDP in 2021, to a deficit of 4.8 percent in 2022, due to a smaller trade surplus. Mining-related FDI, the main source of external financing, is projected to increase from 3.9 percent of GDP in 2021 to 9.0 percent in 2022. Estimated international reserves decline slightly in 2022 while the currency appreciated in nominal terms.

Based on GDP growth projections, extreme poverty incidence (percent of the population living below the international poverty line of US$2.15 per capita per day, 2017 PPP) is estimated to decrease by 0.7 percentage points between 2021 and 2022. However, some nonpoor vulnerable populations who are close to the national poverty line (5,006,362 GNF per capita per year in 2018/19) are likely being pushed into poverty due to rising food prices. Indeed, the national poverty rate is estimated to increase by 1.4 percentage points between 2021 and 2022, disproportionately affecting rural populations who spend over 60 percent of their total expenditure on food (54 percent for the urban population).

Outlook

Mining-related FDI will continue to drive growth. As services and non-mining recover, growth is projected to accelerate to 5.5 percent on average in 2023–2024. Commensurately, extreme poverty is projected to decline by 0.7 percentage points annually in 2023-2024 though this will require redistribution mechanisms from the mining sector to vulnerable populations and inclusive growth in services. Investments in energy and transport could support construction growth. Better provisioning of fertilizer stocks could improve agricultural productivity, but higher fertilizer prices may dampen earnings. Poor transportation infrastructure quality is likely to keep driving up food prices, reducing household food purchasing power, and, consequently, undermining poverty reduction. The fiscal deficit initially falls as tax reforms bear fruit in 2023, then increases as mining-related investment growth persists into 2024. Inflation is expected to remain high, yet decline gradually to 11.3 percent during 2023-2024. Uncertainties around the political transition could slow implementation of reforms to strengthen governance and financial performance of the public electricity utility, potentially reducing private investment and slowing social spending.

The current account deficit is projected to deteriorate to about 7.5 percent of GDP in 2023-2024, reflecting a modest trade surplus that is outweighed by net outflows for non-factor services and transfers. The trade surplus is expected to persist due to strong mining exports that will outweigh higher imports for infrastructure and food costs. FDI inflows could also increase, reflecting planned new mining projects, and support financing requirements.

TABLE 2 Guinea / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	5.6	4.9	3.9	4.6	5.3	5.6
Private Consumption	5.4	3.5	5.5	4.1	5.0	4.7
Government Consumption	-6.3	42.9	-1.3	9.7	16.2	12.1
Gross Fixed Capital Investment	-8.4	-8.4	-15.8	44.4	28.6	34.9
Exports, Goods and Services	-0.6	33.5	14.0	3.1	18.3	13.6
Imports, Goods and Services	-9.5	39.4	7.2	11.9	25.2	20.3
Real GDP growth, at constant factor prices	6.5	4.9	3.9	4.6	5.3	5.6
Agriculture	7.6	-1.6	5.4	5.1	5.0	5.0
Industry	7.2	18.5	4.2	4.5	5.7	5.9
Services	5.5	-2.7	3.0	4.5	5.0	5.5
Inflation (Consumer Price Index)	9.5	10.6	12.6	12.8	12.3	10.3
Current Account Balance (% of GDP)	-10.8	-13.6	3.7	-4.8	-6.3	-8.8
Net Foreign Direct Investment Inflow (% of GDP)	9.1	10.7	3.9	9.0	11.4	10.1
Fiscal Balance (% of GDP)	-0.7	-3.2	-1.8	-2.5	-2.3	-3.2
Debt (% of GDP)	33.9	42.4	45.5	37.1	38.1	40.7
Primary Balance (% of GDP)	0.0	-2.3	-0.7	-1.3	-1.2	-2.2
International poverty rate ($2.15 in 2017 PPP)[a,b]	13.2	12.6	12.3	11.9	11.2	10.5
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	45.1	44.2	43.7	43.0	41.6	40.4
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	85.9	85.1	84.8	84.3	83.5	82.7
GHG emissions growth (mtCO2e)	4.4	2.4	4.4	4.0	3.9	3.8
Energy related GHG emissions (% of total)	9.7	10.0	10.1	10.2	10.4	10.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2018-EHCVM. Actual data: 2018. Nowcast: 2019-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2018) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

GUINEA-BISSAU

Table 1	2021
Population, million	2.0
GDP, current US$ billion	1.7
GDP per capita, current US$	855.1
International poverty rate ($2.15)[a]	21.7
Lower middle-income poverty rate ($3.65)[a]	56.8
Upper middle-income poverty rate ($6.85)[a]	87.2
Gini index[a]	34.8
School enrollment, primary (% gross)[b]	118.7
Life expectancy at birth, years[b]	58.6
Total GHG emissions (mtCO2e)	4.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ WDI for School enrollment (2010); Life expectancy (2020).

The Ukraine war has compounded inflationary pressures and is harming growth, causing the pace of poverty decline to slow. Election costs will increase debt while the removal of irregular government workers will help fiscal consolidation. Medium-term growth will improve as infrastructure investments come online. The outlook is subject to downside risks from continued inflationary pressure, shocks to international cashew prices, political instability from legislative elections, and climatic shocks.

Key conditions and challenges

Exports of raw cashew nuts, which account for 90 percent of merchandise exports, drive economic performance. Cashew production is dispersed among smallholder farmers, whose income supports overall economic activity. Poverty remains widespread, with high levels of inequality and increasing rural-urban disparities, while human development indicators remain among the lowest in the world, and low access to basic services contribute to exclusion and marginalization. Despite a gradual post-pandemic economic recovery, rising prices from the war in Ukraine are a concern, especially for the poor who spend nearly 60 percent of income on food, exposing them to the risk of sliding deeper into poverty.

Guinea-Bissau lacks the enabling environment for private sector-led growth due to poor infrastructure, low levels of human capital, and poor public services. This situation is compounded by strong elite competition for rents and weak public administration. The investment climate is not conducive to business activity as firms and households struggle to obtain access to finance, and the functioning of markets is undermined by the absence of public investments in fundamental economic services, and public goods. Infrastructure is in a poor state, but there have been recent mostly donor financed investments to improve this.

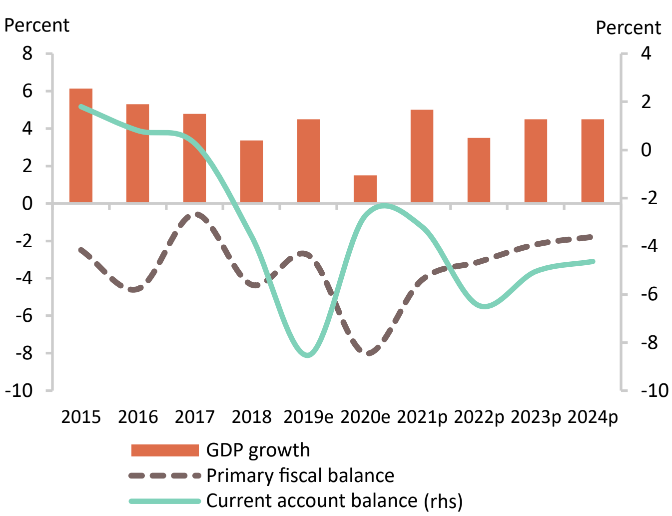
Political economy factors limit the transparency of the SOE sector in Guinea-Bissau. This is especially the case with the national electricity and water utility company (EAGB), which accrued substantial public debt through government guaranteed letters of credit, worth 0.7 percent of GDP to cover arrears. These are activated on a three-month basis. A lack of transparency makes identifying contingent liabilities difficult, which increases the fiscal risks in a country with very little debt absorption capacity for additional shocks. High non-performing loans continue to make the banking sector another possible contingent liability.

Recent developments

Economic activity is projected to slow to 3.5 percent in 2022 (1.5 percent in per capita terms) from 5 percent in 2021. On the demand side, this is driven by inflation that may average 7.5 percent in 2022, as a spillover from the Ukraine war, reducing private consumption. On the supply side, the cashew campaign is marred by problems with shipping and fuel shortages affecting domestic haulage. As of August 2022, cashew exports were 39 percent of exports in August 2021.

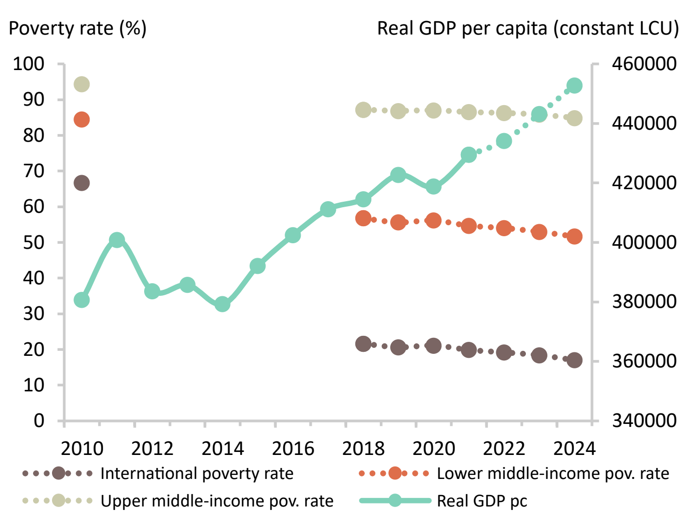
An unexpected fall in cashew prices towards the end of the campaign with substantial quantities in Bissau still to be exported, as well as an increase in oil and food import prices, means the current account deficit (CAD) will increase from 4.5 percent in 2021, to 6.5 percent in 2022. The

FIGURE 1 Guinea-Bissau / Evolution of main economic indicators



Source: World Bank.

FIGURE 2 Guinea-Bissau / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

fiscal deficit is expected to fall from 5.7 percent to 4.5 percent, driven by the removal of irregular government workers. Guarantees to EAGB and December elections, to be financed by borrowing, will increase debt to 81 percent of GDP despite an expected increase in budgetary support from donors.

Monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO). Its reserves declined to 5.2 months of imports in June 2022, from 5.5 months in 2021, due to higher energy prices and food imports caused by the Ukraine crisis. To counter inflation pressures, the BCEAO raised rates for liquidity calls (2 percent to 2.5 percent) and the marginal lending window (4 percent to 4.5 percent) in June and September 2022.

Using the international poverty line of $2.15 (2017 PPPs), poverty is projected to decline from 19.9 percent in 2021 to 19.2 percent in 2022. This 0.7pp decline, compared to a 1.2pp decline between 2020 and 2021, corresponds to over 4,000 fewer people in poverty, compared to over 14,000 fewer between 2020 and 2021. The decline in the pace of poverty reduction is driven by the fallout from the war in Ukraine.

Outlook

Real GDP growth is projected to be 4.5 percent in the medium-term from high forecasted cashew production and prices, and as road and energy infrastructure investments come online. Inflation will continue to be high, but will converge towards 3 percent in 2024, as the spillover from the Ukraine war eases. The outlook is subject to substantial downside risks stemming from political instability, climate shocks, uncertainty surrounding EAGB and non-performing loans in the financial sector.

The CAD will fall to 5 percent of GDP in 2023 and 4.6 by 2024, as inflationary pressure eases and cashew exports increase. External financing needs will continue to be met by concessional loans and grants in 2023. The authorities are committed to medium-term fiscal consolidation, which includes enhanced management of fiscal risks, notably from SOEs, revenue mobilization and control of the wage bill. The primary deficit is projected to decline to 1.8 percent by 2024, with the public debt-to-GDP ratio expected to fall to 75 percent, as energy projects come online and partially mitigate EAGB arrears.

Rising food prices will limit the ability of vulnerable households to increase their real incomes, especially agricultural households who are amongst the country's poorest. An increase in formal remittances of 36 percent on average between January and June 2022, compared to the same period in 2021, and price controls on basic food items (rice, sugar and wheat flour) are likely to mitigate spillover effects from the war on household well-being. Consequently, the poverty rate is expected to continue gradually falling to reach 17 percent in 2024.

TABLE 2 Guinea-Bissau / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	4.5	1.5	5.0	3.5	4.5	4.5
Private Consumption	1.4	-1.0	3.0	1.0	2.5	2.5
Government Consumption	16.6	9.0	-0.4	5.1	8.2	10.7
Gross Fixed Capital Investment	33.8	7.3	20.7	17.8	11.2	7.5
Exports, Goods and Services	8.7	-2.5	5.3	5.5	6.0	7.0
Imports, Goods and Services	14.1	-1.0	5.9	7.2	6.4	6.2
Real GDP growth, at constant factor prices	4.5	1.5	5.0	3.5	4.5	4.5
Agriculture	5.8	-0.2	4.4	4.6	5.1	5.1
Industry	4.2	-0.2	3.5	3.6	4.4	4.4
Services	3.5	3.5	5.9	2.6	4.0	4.0
Inflation (Consumer Price Index)	0.3	1.5	3.3	7.5	5.0	3.0
Current Account Balance (% of GDP)	-8.5	-2.7	-3.2	-6.5	-5.0	-4.6
Fiscal Balance (% of GDP)	-3.9	-9.6	-5.7	-4.5	-4.3	-3.9
Debt (% of GDP)	64.0	76.5	78.5	80.4	78.4	76.0
Primary Balance (% of GDP)	-2.8	-8.0	-4.1	-3.1	-2.2	-1.8
International poverty rate ($2.15 in 2017 PPP)[a,b]	20.6	21.1	19.9	19.2	18.4	17.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	55.6	56.2	54.7	54.1	53.0	51.7
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	86.9	87.0	86.5	86.3	85.8	84.9
GHG emissions growth (mtCO2e)	0.7	1.0	1.2	1.2	1.3	1.1
Energy related GHG emissions (% of total)	7.9	8.0	8.2	8.4	8.6	8.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2018-EHCVM. Actual data: 2018. Nowcast: 2019-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2018) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

KENYA

Table 1	2021
Population, million	55.0
GDP, current US$ billion	110.6
GDP per capita, current US$	2011.7
International poverty rate ($2.15)[a]	29.4
Lower middle-income poverty rate ($3.65)[a]	59.6
Upper middle-income poverty rate ($6.85)[a]	85.7
Gini index[a]	40.8
School enrollment, primary (% gross)[b]	103.2
Life expectancy at birth, years[b]	67.0
Total GHG emissions (mtCO2e)	85.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent official value (2015), 2017 PPPs.
b/ WDI for School enrollment (2016); Life expectancy (2020).

Kenya's growth is projected to moderate to 5.5 percent in 2022 due to global supply constraints following the war in Ukraine and poor agricultural performance. The poverty rate is projected to return to its pre-pandemic trend, however, the prolonged drought in the north-east and increase in cost of living has caused hardship in affected areas. Policies including climate-smart agriculture are key to reduce vulnerability to climate change and increase productivity.

Key conditions and challenges

Kenya's pre-pandemic growth was robust, averaging 4.8 percent (2015 – 2019) and has staged a strong recovery from the pandemic. Per capita real GDP increased by about one-third in the decade prior to the pandemic, contributing to the reduction in poverty (using $2.15 a day poverty line) from 36.7 percent in 2005 to 26.5 percent in 2019 (Figure 2). Although, vast differences across counties persist, the gap between the richest and the poorest populations remains high. Further, the economy has not been generating enough good jobs, with only about 30 percent of the workforce in non-agricultural wage jobs. In addition, Kenya is likely to see its largest ever youth cohorts joining the workforce over the next decade, adding about one million new workers per year. This could generate a demographic dividend for Kenya and boost living standards, but only if there are enough high-quality jobs and earning opportunities. A narrow export base and weak regulatory and business conditions have hindered trade and investment growth. Kenya's economy relies on rainfed agriculture and is vulnerable to climate change and extreme weather events.

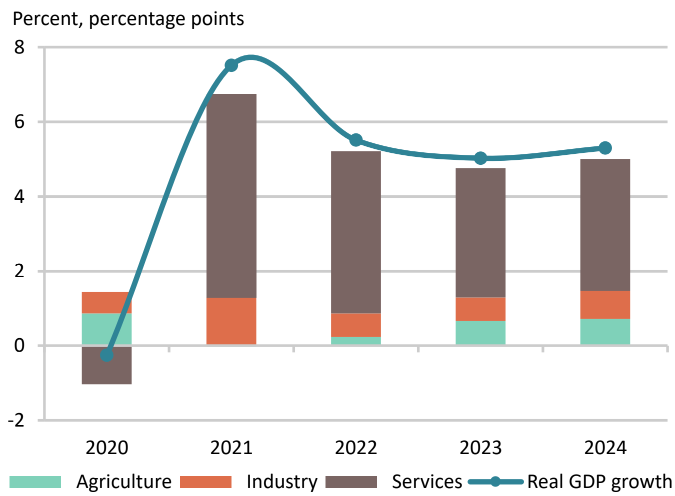
Meeting Kenya's jobs and growth challenge requires a shift away from the economy's recent reliance on debt-financed public investment and towards more private investment to sustainably generate jobs and income growth. This structural transformation would require eliminating economic distortions (including those which arise from an uneven playing field between the private sector and a large and inefficient SOE sector), strengthening regulatory and business environment (including by tackling corruption and excessive red tape), and improving access to finance (including by reducing government's domestic borrowing requirements). Adopting climate-smart agriculture is key to building resilience to climate change vulnerabilities. Further, ensuring increased access to better quality and more productive jobs, alongside job creation, will also help prevent potential increases in inequality.

Recent developments

Kenya's strong rebound from the pandemic in 2021 continued in Q1-2022, with real GDP growing by 7.5 percent in 2021 (Figure 1) and 6.8 percent in Q1-2022, driven by broad-based increases in services and industry. This was supported by a pickup in private sector credit, lower COVID-19 infections, high commodity prices, a recovery in tourism, and steady public investment. Agricultural output, however, contracted due to inadequate rains. Economic activity has weakened since Q2-2022 due to adverse impacts of the war in Ukraine, continued drought conditions, and a drop in business confidence.

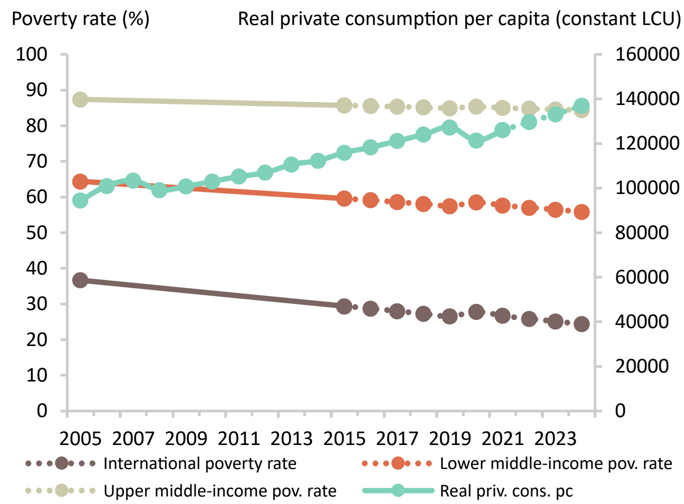
Shocks from global commodity markets and the regional drought pushed up domestic prices in 2022, leading to tightening of monetary policy. Inflation rose to

FIGURE 1 Kenya / Real GDP growth and contributions to real GDP growth



Sources: World Bank and Kenya National Bureau of Statistics.

FIGURE 2 Kenya / Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Notes: see Table 2.

8.5 percent in August 2022, the highest since June 2017 and above the CBK upper bound target of 7.5 percent, even as price increases were partially muted by government subsidies on fuel, electricity and maize. To contain inflation, CBK raised the policy rate by 50 basis points to 7.5 percent in May 2022. High frequency monitoring of households shows a rise in food insecurity, most severely in rural areas, and over half of households reduced their food consumption in June 2022.

Further, most households reported an increase in prices of essential food items and over half of rural households reported being unable to access a core staple food such as beans or maize.

The government reduced the budget deficit in FY22 through revenue measures and expenditure moderation. Revenue increased to 17.4 percent of GDP in FY22 from 15.6 percent in FY21, reflecting a reduction of tax expenditures through harmonization of exemptions, and improvements in tax administration. While fiscal pressures increased from drought response and fuel subsidy, government reduced development spending by rationalizing the public investment program, containing the FY22 deficit at 6.2 percent of GDP, below its target of 8.2 percent.

Outlook

Real GDP is projected to grow by 5.2 percent on average in 2023–24, above the pre-pandemic average of 4.8 percent. The baseline assumes continued commitment to the multi-year fiscal consolidation by the incoming government and a return to favorable weather. Inflationary pressures are expected to remain elevated in H2-2022 due to ongoing domestic drought conditions, depreciation of the Kenya shilling, and second-round effects of higher fuel and electricity prices but will decline in 2023 partly due to adequate rains boosting agricultural performance.

Real per capita incomes are expected to grow, and the decline in poverty is expected to resume its pre-pandemic trend, declining by under a percentage point each year. The $2.15 poverty rate is expected to fall from 26.7 percent in 2021 to 25.8 percent in 2022, below its pre-crisis level of 26.5 percent (2019). However, rural areas may experience a decline in welfare, should the drought persist.

The government expects to reduce the fiscal deficit to 4.4 percent of GDP in FY23/24, mainly through higher revenue collection. A smooth government transition and the planned fiscal consolidation are expected to boost investor confidence and reduce government's domestic borrowing needs, allowing banks to increase lending for private sector investment. Progress on fiscal consolidation will be essential to achieve a durable, private sector-led recovery and to restore fiscal space for pro-poor spending and investment in human capital. Phasing out the untargeted fuel subsidy will create fiscal space for productive public spending.

There remain significant downside risks. Fiscal slippages including due to fertilizer and fuel subsidies could undermine medium-term fiscal consolidation and crowd out private sector credit. Unexpectedly prolonged recession in Europe could undercut ongoing recovery in exports and tourism. On the upside, a cooling of geopolitical tensions and stronger economic growth in China would boost global growth prospects and have positive spillovers for Kenya.

TABLE 2 **Kenya** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	5.2	-0.3	7.5	5.5	5.0	5.3
Private Consumption	5.0	-2.5	6.2	5.2	5.0	5.1
Government Consumption	5.6	3.0	5.7	6.6	5.2	5.0
Gross Fixed Capital Investment	4.5	2.5	10.9	7.0	7.5	8.1
Exports, Goods and Services	-3.2	-8.8	12.9	6.2	7.4	7.8
Imports, Goods and Services	1.8	-9.2	18.9	6.8	8.3	8.3
Real GDP growth, at constant factor prices	5.4	0.4	7.1	5.5	5.0	5.3
Agriculture	2.7	4.6	-0.2	1.3	3.8	4.2
Industry	4.0	3.3	7.2	3.5	3.6	4.3
Services	6.7	-1.8	9.5	7.4	5.8	5.9
Inflation (Consumer Price Index)	5.2	5.3	6.1	7.3	6.4	5.5
Current Account Balance (% of GDP)	-5.2	-4.8	-5.5	-6.0	-5.5	-5.0
Net Foreign Direct Investment Inflow (% of GDP)	0.9	0.5	0.2	0.6	0.8	0.9
Fiscal Balance (% of GDP)	-7.5	-7.8	-8.2	-7.2	-5.2	-4.2
Debt (% of GDP)	59.6	66.0	67.9	67.8	66.2	63.5
Primary Balance (% of GDP)	-3.3	-3.9	-3.5	-2.3	-0.3	0.4
International poverty rate ($2.15 in 2017 PPP)[a,b]	26.5	27.8	26.7	25.9	25.1	24.4
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	57.5	58.5	57.6	57.0	56.4	55.8
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	85.0	85.3	85.0	84.8	84.6	84.4
GHG emissions growth (mtCO2e)	20.2	8.7	6.9	3.4	3.3	4.0
Energy related GHG emissions (% of total)	33.2	31.6	31.8	31.9	32.1	32.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2005-IHBS and 2015-IHBS. Actual data: 2015. Nowcast: 2016-2021. Forecasts are from 2022 to 2024.
b/ Projection using annualized elasticity (2005-2015) with pass-through = 1 based on private consumption per capita in constant LCU.

LESOTHO

Table 1	2021
Population, million	2.2
GDP, current US$ billion	2.3
GDP per capita, current US$	1084.9
International poverty rate ($2.15)[a]	32.4
Lower middle-income poverty rate ($3.65)[a]	54.6
Upper middle-income poverty rate ($6.85)[a]	81.0
Gini index[a]	44.9
School enrollment, primary (% gross)[b]	120.9
Life expectancy at birth, years[b]	54.8
Total GHG emissions (mtCO2e)	2.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2017), 2017 PPPs.
b/ WDI for School enrollment (2017); Life expectancy (2020).

Following a prolonged recession during 2019-2020 and low growth in 2021, Lesotho's economy is expected to recover and grow by 2.6 percent in 2022. The outlook is subject to downside risks stemming from political instability, inflationary pressures exacerbated by the Ukraine war, notably for food and fuel, new COVID-19 variants, and climate shocks. Poverty is expected to remain around 35 percent, using the international poverty line. Unemployment levels remain elevated.

Key conditions and challenges

Lesotho's economy is struggling. Real GDP contracted by an average 0.7 percent annually between 2017 and 2019 before the sharp contraction of 8.4 percent in 2020 due to the COVID-19 pandemic. Despite some recovery to 1.3 percent growth in 2021, uncertainties surrounding political stability, fiscal outlook and the future of the COVID-19 pandemic continue to pose downside risks to growth.

Recent governments have been unstable, characterized by weak coalitions and frequent cabinet reshuffles. This has delayed reform implementation. National elections are scheduled for October 7, 2022. SACU revenues, which accounted for about half of government revenues and grants in 2020, are declining, while government expenditures are rising. Consequently, the fiscal deficit in 2022 should further widen from the 4.5 percent of GDP registered in 2021. As at September 8 2022, 45.2 percent of the population had been fully vaccinated against COVID-19, and this is one of the highest vaccination rates in the region. High food and fuel prices due to the war in Ukraine, combined with weak consumer demand, have been slowing recovery from the pandemic. Elevated inflationary pressures are expected to entailn more aggressive monetary policy responses, which negatively affect economic growth.

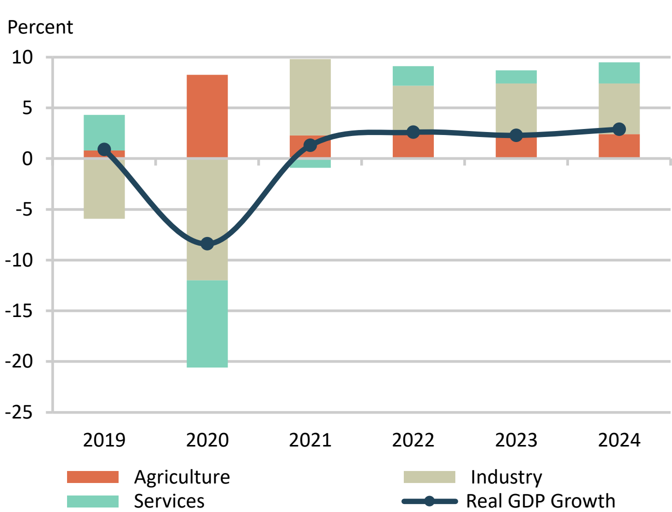
Even before the pandemic, Lesotho grappled with high poverty and unemployment. The unemployment rate was 22.5 percent (strict definition), and 38.3 percent in 2019 (expanded definition – including discouraged job seekers). About 36 percent of the population lives on less than US$2.15/person/day (using the new 2017 PPP) and inequality is high by global standards with the gini coefficient at 44.9 (2017 data). Food insecurity is rising – 521,000 people are affected in 2022/23 compared with 470,000 in 2021/22 – due to increased food prices, decreased income from livestock products, and job losses. Remittances from migrant workers (about 22 percent of GDP in 2019) - a crucial safety net in Lesotho - is yet to recover to pre-pandemic levels, exacerbating the food insecurity and poverty situation.

Recent developments

Economic recovery is expected to pick up momentum, underpinned by the recovery in sectors like construction, mining, manufacturing, business services, and public administration, which recorded double-digit growth rates in the fourth quarter of 2021. Exports of diamonds and textiles have recovered attributable to global economic recovery. GDP is projected to grow by 2.6 percent in 2022. The fiscal stance is expected to deteriorate with the deficit rising to 7.7 percent of GDP in 2022 as government expenditure remains elevated.

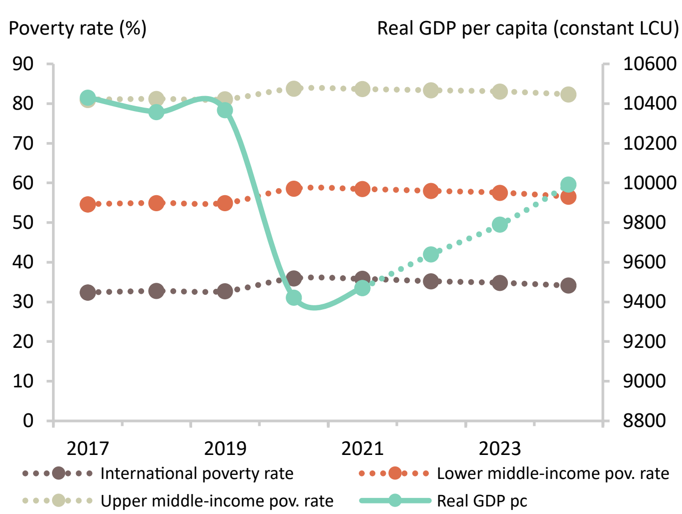
The annual inflation rate, which averaged 6.0 percent in 2021, has accelerated to 9.8 percent in July 2022, driven by higher food

FIGURE 1 Lesotho / Real GDP growth at factor costs and contributions to real GDP growth



Sources: WDI and staff estimates.

FIGURE 2 Lesotho / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

and energy prices. To contain inflationary pressures, the Central Bank of Lesotho (CBL) increased the policy rate five times (between November 2021 and July 2022) from 3.50 to 5.50 percent (cumulative 200 basis points) per annum. The current account deficit is expected to double in 2022 to 7.4 percent of GDP, primarily due to higher prices and volumes of imports of goods and services, relative to exports.

Given the limited recovery, poverty levels are estimated to have remained at 36 percent in 2021. Other factors – such as rising food and energy, prices and slow labor market recovery from COVID-19-related lockdown measures – limit poverty reduction. The government has introduced a M30 million (approximately US$2 million) monthly fuel subsidy from July to December 2022 to cushion motorists and commuters from the high costs of energy prices. The fuel subsidy has reduced and fixed the prices of petroleum products until December 2022. Recurring climatic hazards that adversely affect Lesotho's agricultural sector's performance exacerbate the challenge, increasing food insecurity, particularly among the rural population. Government is also supporting the sector in the form of 80 percent and 70 percent government subsidies on seeds and fertilizers respectively.

Outlook

Real GDP is projected to grow by 2.3 percent in 2023, with an acceleration to 2.9 percent by 2024 as activity in the Lesotho Highlands Water Phase-II Project peaks. The services sector is also expected to drive growth, and this will benefit from positive spillovers from the construction sub-sector. Agriculture is expected to continue to register positive growth on account of envisaged good harvests for crops. The diamond industry is also expected to recover in a context of higher international prices.

The annual inflation rate is expected to remain elevated, as it is projected to average 7.0 percent in the medium-term. The fiscal position is projected to improve over the medium term as the deficit is expected to fall to 4.8 percent and 3.1 percent in 2023 and 2024 respectively. Tax revenues are expected to improve, boosted by the recently introduced revenue-mobilization measures, including the enactment of tobacco and alcohol products levy. The public debt-to-GDP ratio is expected to decline from 62.0 percent of GDP in 2021 and stabilize at 56.4 percent of GDP in the medium-term largely attributed to higher nominal GDP.

Poverty rates are expected to trend downwards over the medium term, but remain higher than in 2019 as increases on food and energy prices as well as a fragile economic environment constrain budgets and livelihoods of lower income households. The US$2.15/person/day (in 2017 PPP terms) poverty rate is projected to fall slightly to 35.2 percent in 2022 and reach 34.1 percent by 2024.

TABLE 2 Lesotho / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	0.9	-8.4	1.3	2.6	2.3	2.9
Private Consumption	2.6	4.8	-2.0	3.6	3.6	3.6
Government Consumption	7.8	19.7	-5.3	-0.5	-1.1	-1.5
Gross Fixed Capital Investment	-16.2	-49.2	-4.0	41.3	50.1	39.6
Exports, Goods and Services	-13.3	-17.5	38.1	1.6	2.2	2.2
Imports, Goods and Services	-1.4	-0.5	15.0	6.8	10.3	10.3
Real GDP growth, at constant factor prices	0.9	-8.4	1.3	2.6	2.3	2.9
Agriculture	0.8	8.3	2.3	2.4	2.4	2.4
Industry	-5.9	-12.0	7.5	4.8	5.0	5.0
Services	3.5	-8.6	-0.9	1.9	1.3	2.1
Inflation (Consumer Price Index)	5.2	5.0	6.0	7.5	7.0	6.5
Current Account Balance (% of GDP)	-2.9	-1.4	-3.7	-7.4	-4.3	-6.9
Net Foreign Direct Investment Inflow (% of GDP)	1.5	1.3	1.1	1.1	1.2	1.3
Fiscal Balance (% of GDP)	-8.8	-0.8	-4.5	-7.7	-4.8	-3.1
Debt (% of GDP)	48.2	50.7	62.0	57.1	56.0	56.0
Primary Balance (% of GDP)	-7.7	0.1	-3.5	-6.8	-4.0	-2.4
International poverty rate ($2.15 in 2017 PPP)[a,b]	32.7	36.0	35.8	35.2	34.8	34.1
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	54.9	58.6	58.5	58.0	57.6	56.6
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	81.1	83.8	83.7	83.4	83.1	82.3
GHG emissions growth (mtCO2e)	0.0	-2.6	0.8	1.6	1.6	1.6
Energy related GHG emissions (% of total)	30.5	28.4	27.7	27.6	27.7	27.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2017-CMSHBS. Actual data: 2017. Nowcast: 2018-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2017) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

LIBERIA

Table 1	2021
Population, million	5.2
GDP, current US$ billion	3.5
GDP per capita, current US$	677.4
International poverty rate ($2.15)[a]	27.6
Lower middle-income poverty rate ($3.65)[a]	60.6
Upper middle-income poverty rate ($6.85)[a]	88.9
Gini index[a]	35.3
School enrollment, primary (% gross)[b]	85.1
Life expectancy at birth, years[b]	64.4
Total GHG emissions (mtCO2e)	16.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2016), 2017 PPPs.
b/ WDI for School enrollment (2017); Life expectancy (2020).

After contracting by 3.0 percent in 2020 due to the COVID-19 pandemic, Liberia experienced a strong economic recovery in 2021. Growth recovered to 5.0 percent but is expected to slow to 3.7 percent in 2022, reflecting increased global uncertainties and commodity price shocks. Despite rising global prices, inflation in Liberia has been moderate since 2021. The macroeconomic outlook is promising for the medium term, subject to downside risks and uncertainties associated with the war in Ukraine and the 2023 elections.

Key conditions and challenges

Liberia faces core constraints to development that include low levels of human and physical capital, as well as overall low productivity and economic efficiency. The country's narrow revenue base hinders its capacity to boost spending, and its highly concentrated export structure—consisting primarily of mining and agricultural products—makes it vulnerable to commodity price fluctuations.

Growth is uneven and boom-bust cycles complicate economic management. After the civil war, the economy grew steadily, at 7.4 percent on average, from 2004 to 2013. This period of sustained growth was followed by successive exogenous shocks: the Ebola outbreak, the collapse in iron ore and rubber prices, the economic impact of the drawdown of United Nations peacekeeping forces, and the COVID-19 pandemic. Consequently, the economy contracted by 0.4 percent on average from 2014 to 2020. As a result, the country's international poverty rate is estimated to have increased to 33.2 percent by 2020, wiping out much of the gains made post-conflict when poverty decreased from 53.4 to 25.9 percent between 2007 and 2014. Non-monetary poverty indicators also lag the rest of the region and continued unequal access to productive assets, infrastructure, and markets mean regional and gender disparities in the country are exacerbated.

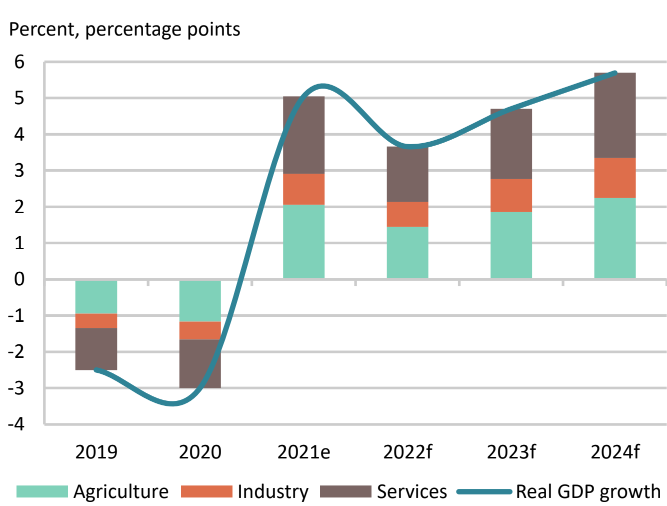
The main macroeconomic policy challenges include securing fiscal space to boost public investment while maintaining debt sustainability, enhancing the business environment and enabling greater access to credit, and facilitating the resolution of non-performing loans.

Recent developments

After contracting by 3.0 percent in 2020 due to the COVID-19 pandemic, growth recovered to 5.0 percent in 2021. The rebound was driven by improved external demand, higher prices for Liberia's main exports, and the resumption of normal domestic activity. However, growth slowed in the first half of 2022, even if mining and construction continued to perform well. In agriculture, rubber and cocoa production dipped by 13.5 percent and 27 percent, year-on-year, respectively. In industry, the production of iron ore, gold, and cement increased, reflecting firmer international prices and an uptick in construction activity. However, services growth fell, as reflected in the decline in beverages and electricity production.

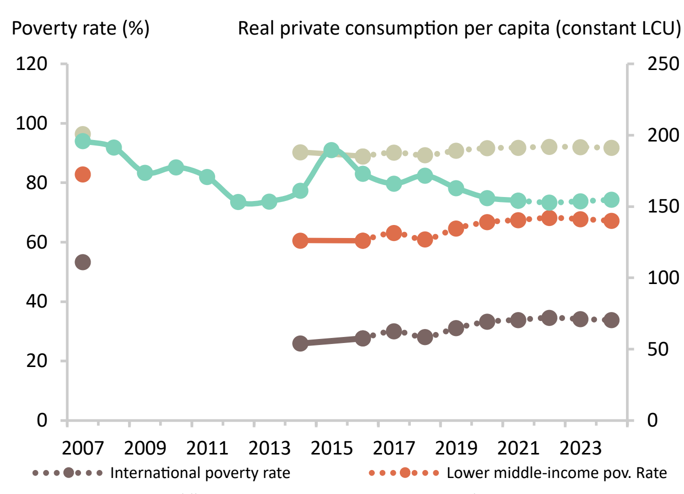
Despite higher global fuel and food prices, inflation remained contained in 2021 (7.9 percent) and during the first half of 2022 (7.1 percent). By July 2022, inflation had moderated further to 6.5 percent thanks to the Central Bank of Liberia's (CBL) restrictive monetary policy, supported by the nominal appreciation of the Liberian dollar. Indeed, the CBL maintained the policy rate well above inflation, currently at 15 percent, down from 20 percent in August

FIGURE 1 Liberia / Real GDP growth and sectoral contributions to real GDP growth



Sources: Liberian authorities, IMF, and World Bank staff.

FIGURE 2 Liberia / Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Notes: see Table 2.

2021. While non-food inflation remained in double digits, largely driven by energy prices, food inflation (including alcohol and beverages) decelerated. Despite the contained food inflation, poverty is expected to have increased to 34.6 percent mostly due to negative growth in private consumption per capita.

Liberia's fiscal position improved in 2021, thanks to domestic revenue gains and spending consolidation. The gains in revenue were led by taxes on incomes and profits and international trade while efforts to contain the wage bill continued. During the first seven months of 2022, the government has kept its expenditures within the limits of revenue collected. As of July 31, 2022, the fiscal deficit was 0.2 percent of GDP (on a cash basis). Public debt declined from 55.0 percent of GDP in 2020 to 52.7 percent in 2021.

The current account deficit widened in 2021, mainly driven by trade dynamics. The phasing out of trade restrictions in 2021 resulted in imports rising faster than exports. However, in the first half of 2022, the value of exports increased by 26.5 percent, year on year, well above the 8.6 percent increase in the value of imports thanks to a significant increase in gold prices. By end-June 2022, the gross external reserves stood at US$607 million (4.0 months of imports).

Outlook

Growth is expected to slow to 3.7 percent in 2022 but average 5.2 percent over 2023-24. The deceleration in 2022 reflects increased global uncertainties and commodity price shocks. Over the medium-term growth is expected to be driven by expansion in the mining sector (underpinned by still high commodity prices and the expansion of a major mining project), agriculture and manufacturing, and recovery in services. Agriculture and manufacturing, the main drivers of diversification, are expected to play a pivotal role in making growth more broad-based, inclusive, and sustainable, thanks to structural reforms, including in key enabling sectors (such as energy, trade, transportation, and financial services). Improvements in the domestic food supply, cheaper electricity, reduced trade costs, and better public services are expected to boost the country's competitiveness and contribute to more robust economic growth.

Despite the recovery, private consumption has lagged GDP growth and poverty is projected increase to 34.6 percent by end-2022 before decreasing slightly to 33.8 by 2024, 2.7 percentage points above the rate prior to the pandemic.

Macroeconomic fundamentals are expected to remain healthy. Inflation is projected to remain low and stable, averaging 7.2 percent per year in 2022-24. As long as inflation is maintained stable, Liberian households will retain their purchasing power and it is projected that by 2023 poverty rates will slightly decrease. The fiscal deficit is projected to widen to 4.4 percent in 2022 but improve in the medium term with reforms aimed at improving domestic resource mobilization and consolidating expenditures. The current account is projected to narrow to 15.8 percent of GDP in 2022 and reach 15.0 percent by 2024, thanks to the recovery in mining and agriculture. Gross external reserves are projected at US$691 million (4.0 months of imports) in 2022, down slightly from US$700 million (4.2 months of imports) in 2021.

The outlook is subject to significant downside risk and uncertainties. The lingering effects of the war in Ukraine and the 2023 elections could pose significant risks to the outlook. The 2023 elections could trigger spending pressures on the budget, widening fiscal deficits, and as well cause businesses to postpone business decisions, thereby hindering economic recovery and growth.

TABLE 2 Liberia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022f	2023f	2024f
Real GDP growth, at constant market prices	-2.5	-3.0	5.0	3.7	4.7	5.7
Private Consumption	-2.8	-1.9	1.2	1.5	3.0	3.0
Government Consumption	4.0	-11.6	-3.7	-1.2	-9.2	-2.5
Gross Fixed Capital Investment	-7.8	-7.3	29.8	8.9	11.1	10.8
Exports, Goods and Services	1.6	1.2	15.4	2.0	2.7	3.0
Imports, Goods and Services	0.4	8.1	1.3	2.9	3.1	3.2
Real GDP growth, at constant factor prices	-2.4	-3.0	5.0	3.7	4.7	5.7
Agriculture	0.2	2.4	1.9	3.0	4.8	5.2
Industry	1.0	0.2	16.3	7.1	4.3	5.8
Services	-5.7	-8.8	3.6	2.8	4.8	6.1
Inflation (Consumer Price Index)	27.0	17.4	7.9	7.8	8.7	5.2
Current Account Balance (% of GDP)	-20.5	-16.3	-17.6	-15.5	-15.3	-15.0
Fiscal Balance (% of GDP)	-5.6	-3.7	-2.9	-4.4	-3.3	-3.4
Debt (% of GDP)	48.5	55.0	52.7	51.4	51.4	53.8
Primary Balance (% of GDP)	-5.0	-2.5	-1.9	-2.7	-1.7	-1.7
International poverty rate ($2.15 in 2017 PPP)[a,b]	31.1	33.2	33.9	34.6	34.1	33.8
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	64.7	66.7	67.5	68.2	67.8	67.2
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	90.8	91.6	91.8	92.1	92.0	91.7
GHG emissions growth (mtCO2e)	2.2	0.6	3.0	3.0	3.0	2.9
Energy related GHG emissions (% of total)	6.7	6.8	6.6	6.4	6.2	6.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2016-HIES. Actual data: 2016. Nowcast: 2017-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2016) with pass-through = 0.7 (Low (0.7)) based on private consumption per capita in constant LCU.

MADAGASCAR

Table 1	2021
Population, million	28.4
GDP, current US$ billion	14.5
GDP per capita, current US$	509.1
International poverty rate ($2.15)[a]	80.7
Lower middle-income poverty rate ($3.65)[a]	92.4
Upper middle-income poverty rate ($6.85)[a]	98.2
Gini index[a]	42.6
School enrollment, primary (% gross)[b]	134.1
Life expectancy at birth, years[b]	67.4
Total GHG emissions (mtCO2e)	39.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2012), 2017 PPPs.
b/ WDI for School enrollment (2019); Life expectancy (2020).

After rebounding by 4.4 percent in 2021, real GDP growth is projected to slow to 2.6 percent this year, dragged by natural hazards and the effects of the Ukraine war. Growth would average 4.4 percent in 2023-24, boosted by a mining sector recovery. Significant risks include dwindling fiscal space amid policy support to contain inflation, new waves of COVID-19, and implementation delays of critical reforms to restore macroeconomic stability and promote inclusive growth. Poverty is projected to exceed 80 percent.

Key conditions and challenges

Development prospects in Madagascar continue to be hampered by the country's low growth potential and exposure to frequent, deep, and persistent shocks. Policy uncertainty and low levels of investment in physical and human capital have led to low productivity growth and slow economic transformation and job creation. Furthermore, social and economic outcomes have been affected by multiple climate shocks including locusts, cyclones, and droughts.

The COVID-19 shock reversed more than a decade of modest gains in poverty reduction. The pandemic hit Madagascar when the economy had not yet sufficiently recovered from prolonged political unrest during 2009-12, triggering one of the deepest recessions in Madagascar's history, with GDP contracting by 7.1 percent in 2020. Economic activity had started to recover in 2021 but was interrupted in 2022 by new waves of COVID-19, a series of climate shocks, and higher inflation of food and fuel stemming from the Ukraine war. As a result, the poverty rate is now projected to remain slightly above 80 percent over the next couple of years, compared with an average of 42 percent for the rest of Sub-Saharan Africa.

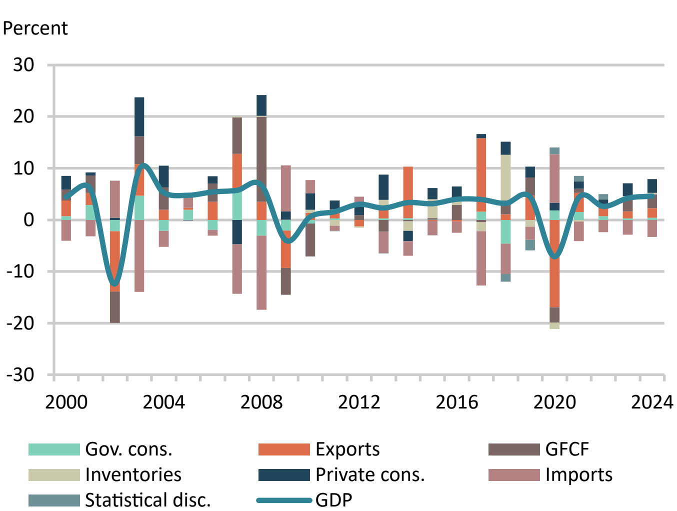
Beyond the need to scale up the response to recent shocks including through improving budget execution of social spending, accelerating growth and reducing poverty will require urgent reforms supporting private investment, connectivity infrastructures and access to basic services, all of which require deep governance and institutional reforms.

Recent developments

GDP growth rebounded by 4.4 percent in 2021, equaling its pre-pandemic rate in 2019 and higher than the 3.5 percent growth achieved in 2013-19 after the return to constitutional order. Growth was driven by a recovery in the industrial and services sectors, namely mining (taking advantage of high nickel prices), construction and public works, and telecommunication, banking, and business services. Sluggish growth in the agriculture sector, which employs two-thirds of the labor force, reflected several years of weak crop production due to the impact of natural disasters (locusts, cyclones, and droughts), exacerbated by deteriorating infrastructure. Preliminary estimated damages in agriculture during Q1 2022 amount to US$660 million (4.8 percent of GDP), with nearly half of it attributable to the loss of crops and agricultural assets. Net exports and private consumption dominated growth on the demand side.

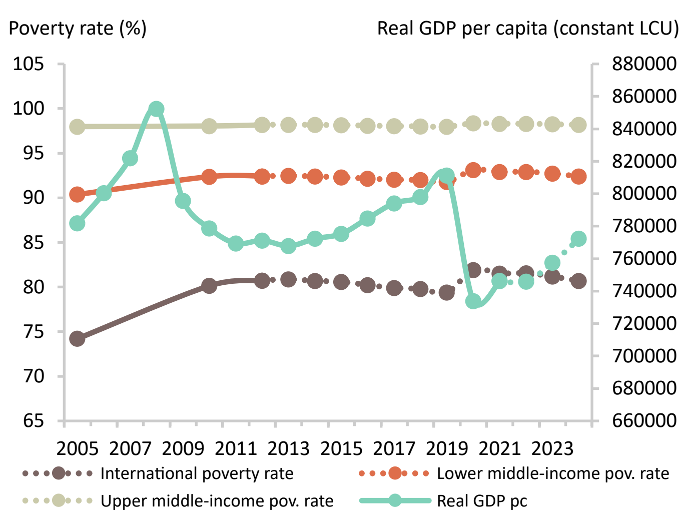
Inflation reached 6.9 percent (headline) in June 2022, up from 5.9 percent during the same period last year, partly fueled by the effects of the war in Ukraine on domestic prices and compounded by cyclones and drought.

FIGURE 1 Madagascar / Real GDP growth and contributions to real GDP growth



Sources: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment.

FIGURE 2 Madagascar / Actual and projected poverty rates and real GDP per capita



Sources: World Bank. Notes: see Table 2.

The budget deficit narrowed to 2.8 percent of GDP in 2021 from 6.1 percent in 2020, mainly supported by low budget execution rates. Foreign-financed investment was far lower than expected (under 50 percent), and the government substantially underperformed relative to overly optimistic tax revenue previsions amid delayed disbursement of current grants in 2021 and some base effects from 2020. In 2020 and 2021, access to emergency lending allowed the government to increase public spending. However, in 2022 fiscal performance is likely to be challenged by the recent government policies to offset the impact of higher inflation. For example, public sector wages and the minimum private sector wage were recently raised. Other fiscal measures to mitigate the impact of inflation include the temporary capping of the domestic price of selected first necessity products (e.g., rice, edible oil, sugar, flour, gas), and subsidies on rice and cement imports. The central bank of Madagascar (BFM) raised borrowing costs for the second consecutive quarter following the August hike of its benchmark interest rate by 90 basis points to 8.9 percent.

The poverty rate is projected to remain high at 81.6 percent in 2022. About 37 percent of households in the south, a region heavily affected by droughts, are facing acute food insecurity, with many households being forced to sell assets and accumulate debt to feed themselves, or migrate in search for food.

Outlook

Growth is projected to decelerate to 2.6 percent in 2022, before accelerating to around 4.4 percent in 2023-24 boosted by a mining sector recovery buoyed by higher commodity prices (mainly nickel). The deceleration in 2022 mainly reflects the adverse impact of the war in Ukraine on the economic prospects of Madagascar's main trading partners, resulting in weaker export demand, deteriorating terms of trade, and slower recovery of tourist arrivals despite the government's easing of entry procedures and requirements. In addition, lower public investment is expected to drag growth in 2022 as about 230 construction companies have been facing significant payment arrears from the Road Fund, which disincentivizes further participation in public contracts. The ensuing degrading quality of roads will adversely impact the transport and tourism industries. Moreover, frequent power outages have resulted in a rise in insecurity, affecting households and small and medium firms. Moreover, the 2022 agricultural sector output will suffer as four major tropical storms hit Madagascar during Q1.

Considering the slow economic recovery projected in 2023-24, poverty measured at the international poverty line ($2.15 PPP) is expected to remain above 80 percent as rising food and fuel prices erode household purchasing power.

Risks are significant. Growth could further decelerate if the war in Ukraine leads to persistently higher energy prices, a weaker economy in Madagascar's main trade partners, and tighter global liquidity. Structural reforms to reduce trade and transport costs and facilitate foreign investment and domestic entrepreneurship would help lay the foundation for more competitive and resilient growth in the medium term. However, the window of opportunity for their materialization may be narrowing considering the forthcoming elections scheduled for next year. Moreover, with a COVID-19 vaccination rate among the lowest in the world (4.5 percent of the targeted population), Madagascar's growth prospect may not materialize if another wave of the pandemic hits. Finally, once the recovery is more entrenched, Madagascar should shift towards fiscal consolidation to secure external and public debt sustainability, including unwinding recent fiscal measures to mitigate the impact of elevated prices on firms and households.

TABLE 2 Madagascar / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	4.4	-7.1	4.4	2.6	4.2	4.6
Private Consumption	3.0	2.2	1.9	1.9	3.4	3.6
Government Consumption	0.0	24.3	15.5	6.3	2.5	3.7
Gross Fixed Capital Investment	12.8	-10.3	3.0	0.6	9.8	9.2
Exports, Goods and Services	10.9	-36.6	11.6	4.5	4.0	5.4
Imports, Goods and Services	4.6	-16.6	7.4	4.5	5.4	6.1
Real GDP growth, at constant factor prices	5.1	-9.4	4.7	2.6	4.2	4.6
Agriculture	5.9	-1.4	1.5	1.8	2.8	2.8
Industry	6.8	-29.5	13.2	5.0	5.6	5.9
Services	4.2	-6.9	4.3	2.4	4.5	5.1
Inflation (Consumer Price Index)	5.6	4.2	6.2	8.0	8.1	6.4
Current Account Balance (% of GDP)	-2.3	-5.5	-4.9	-5.3	-5.3	-5.2
Fiscal Balance (% of GDP)	-1.6	-6.1	-2.8	-3.5	-4.5	-5.1
Debt (% of GDP)	38.7	49.6	53.8	55.2	62.2	69.4
Primary Balance (% of GDP)	-1.0	-5.4	-2.2	-2.8	-3.6	-4.4
International poverty rate ($2.15 in 2017 PPP)[a,b]	79.4	81.9	81.5	81.6	81.2	80.7
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	91.8	93.1	92.9	92.9	92.7	92.4
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	98.0	98.4	98.3	98.3	98.2	98.2
GHG emissions growth (mtCO2e)	0.3	-1.8	0.4	0.3	1.4	1.7
Energy related GHG emissions (% of total)	13.4	13.4	13.5	13.4	13.9	14.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2012-ENSOMD. Actual data: 2012. Nowcast: 2013-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2012) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

MALAWI

Table 1	2021
Population, million	19.6
GDP, current US$ billion	12.3
GDP per capita, current US$	627.0
International poverty rate ($2.15)[a]	70.1
Lower middle-income poverty rate ($3.65)[a]	89.1
Upper middle-income poverty rate ($6.85)[a]	97.3
Gini index[a]	38.5
School enrollment, primary (% gross)[b]	144.8
Life expectancy at birth, years[b]	64.7
Total GHG emissions (mtCO2e)	20.0

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2019), 2017 PPPs.
b/ WDI for School enrollment (2019); Life expectancy (2020).

The economy is projected to show subdued growth in 2022 owing to weakened agricultural performance, electricity supply disruptions, and high global commodity prices emanating from the impacts of the Russia-Ukraine war. Public debt reached unsustainable levels in 2021 and is now being restructured. Vulnerability to global and domestic risks remains substantial. Poverty levels are persistently high due to low agricultural yields and exacerbated by elevated inflation, especially food.

Key conditions and challenges

Malawi's economy continues to rely on subsistence rainfed agriculture, which limits its growth potential, increases its susceptibility to weather shocks, and creates food insecurity. The main export crop, tobacco, is projected to decline in the medium term, further constraining availability of foreign exchange. The Malawi Kwacha remains weakened following a 25 percent devaluation in May and continued pressure on the exchange rate. The devaluation briefly closed the spread between the official and parallel exchange rate, but this has widened again.

Weak macro-fiscal management has contributed to recurring and rising fiscal deficits, which have been largely funded by high-cost domestic borrowing. Efforts to address limited foreign exchange with non-concessional short-term swaps amidst liquidity challenges have also contributed to increased debt. Consequently, public debt is unsustainable under current policies and without restructuring is expected to continue rising sharply. This reduces fiscal space for development spending and crowds out private sector investment.

The Russia-Ukraine war continues to impact the Malawian economy. Rising global oil prices have contributed to the domestic price of fuel more than doubling since February 2022. Prices of other commodities are also rising, exerting additional pressures on already elevated prices.

Electricity supply has been erratic, owing to underinvestment over recent years and the sustained impacts of Tropical Cyclone Ana, which damaged the Kapichira hydroelectric power plant – a key source of power. High fuel prices and the need for many companies to operate generators is increasing production costs, in turn constraining output.

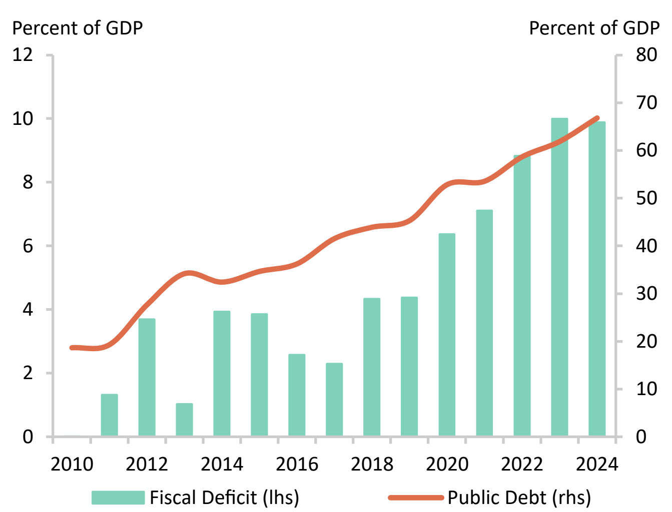
Due to recurrent weather shocks and low GDP per capita growth, the share of the population below the international $2.15 poverty line increased from 68 percent in 2010 to 70 percent in 2019. During the last decade, the national poverty rate, i.e., the share of the population living on $1.20 per day has stalled at approximately 50 percent.

Recent developments

Supported by the strong performance of the agriculture sector, Malawi's economic growth increased to 2.8 percent in 2021, from 0.9 percent in 2020. Economic activity picked up slightly, contributing to a mild recovery in the industry and services sectors. Nevertheless, the lack of GDP per capita growth kept the share of people living with less than $2.15/day at 70.6 percent in 2021.

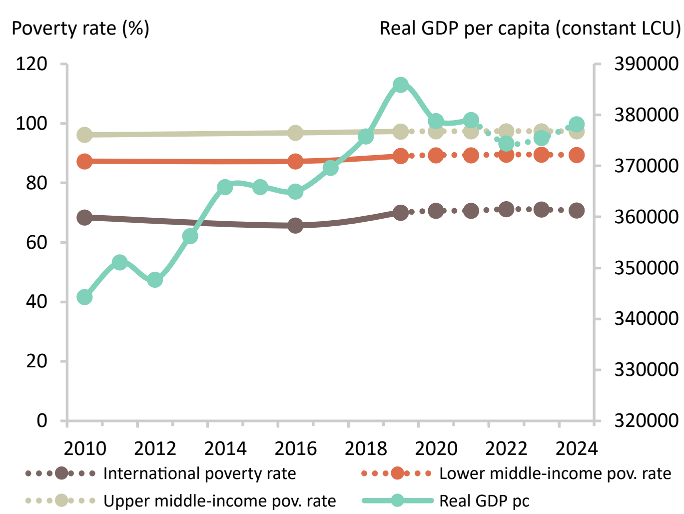
Owing to price increases for imports because of supply side constraints on the global market, the current account deficit worsened to 12 percent of GDP in 2021. Growth in export commodities remained weak, while imports increased in 2021 driven by increased fertilizer imports to support the Affordable Input Program (AIP).

FIGURE 1 Malawi / Fiscal deficit and public debt



Sources: Ministry of Finance, Economic Planning and Development, World Bank.

FIGURE 2 Malawi / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see table 2.

Gross reserves declined to 0.3 months import cover by June 2022, despite a boost from the IMF's Special Drawing Rights (SDR) allocation in August 2021.

Poor performance in revenue, largely driven by low disbursement of grants, compounded by fiscal pressures from the pandemic and government expansionary policies, including the implementation of the AIP, contributed to the fiscal deficit widening to 8.8 percent of GDP in FY2022. Expenditure increases were further driven by increases in the wage bill, debt servicing and social benefits. Performance of development spending was weak and continues to be undermined by high recurrent expenditure demands.

Headline inflation picked up to 24.6 percent in July 2022, driven by a constrained domestic food supply following a disappointing agricultural season. Consequently, prices of food commodities are rising, compounded by elevated global prices for grains and cooking oil. Food inflation has reached 32.5 percent, its highest point since March 2013. Rising global commodity prices have further contributed to rising domestic prices, including for fuel and gas. The 25 percent devaluation of the Malawi Kwacha against the US Dollar in May 2022 has exerted additional inflationary pressure.

Outlook

Economic growth is projected to decline to 1.5 percent in 2022 driven by lower than anticipated performance in agriculture and erratic electricity supply. Exposure to natural disasters and shocks could further constrain economic activity.

Gross official reserves are low and performance in the coming season of major export commodities, including tobacco, is projected to be lower than in 2021/22. Reduced import capacity is inducing supply distortions in the domestic market, exerting additional pressure on inflation. In addition, global commodity prices are still projected to be elevated over the medium term.

The FY2023 fiscal deficit is expected to widen to 10.0 percent of GDP without significant reforms. Despite ongoing consolidation efforts, expenditure will likely further rise owing to increased recurrent spending from elevated commodity prices. Public debt, already at high and unsustainable levels is projected to increase further due to high fiscal deficits. Non-concessional external debt incurred to support foreign currency reserves is currently being restructured but remains a concern.

Poor performance of exports, amidst elevated global prices for most key commodities, will result in a further weakened external sector and a high current account deficit. A more liberalized exchange rate regime should help improve the trade balance in the medium term, but limited diversification and declining global demand for tobacco will contribute to a sustained current account deficit.

The lack of sustained economic growth along with the continuous inflationary pressures and recurrent weather shocks will make it more difficult for the country to find a way to reduce poverty. The share of people living with less than $2.15 per day is projected to remain 71 percent in 2022 and 2023. However, more external shocks may result in further increasing poverty rates.

TABLE 2 Malawi / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	5.4	0.8	2.8	1.5	3.0	3.4
Private Consumption	5.4	0.8	2.6	1.5	3.5	3.4
Government Consumption	5.4	0.8	-1.1	-2.9	-2.0	8.2
Gross Fixed Capital Investment	5.4	0.8	0.1	6.2	4.2	1.6
Exports, Goods and Services	5.4	0.8	2.7	1.4	3.1	3.7
Imports, Goods and Services	5.4	0.8	0.4	2.2	3.4	3.8
Real GDP growth, at constant factor prices	6.0	0.8	2.8	1.5	3.0	3.4
Agriculture	5.9	3.4	5.2	-2.3	1.7	3.1
Industry	7.7	1.2	1.9	1.0	3.7	3.8
Services	5.5	-0.5	2.0	3.3	3.3	3.5
Inflation (Consumer Price Index)	9.4	8.6	9.3	22.5	20.5	16.6
Current Account Balance (% of GDP)	-13.8	-11.7	-12.0	-12.9	-13.1	-13.2
Net Foreign Direct Investment Inflow (% of GDP)	0.3	0.6	0.8	0.8	0.9	1.1
Fiscal Balance (% of GDP)	-4.4	-6.4	-7.1	-8.8	-10.0	-9.9
Debt (% of GDP)	45.3	52.8	53.5	58.6	61.9	66.8
Primary Balance (% of GDP)	-1.5	-3.3	-3.3	-3.9	-4.1	-4.1
International poverty rate ($2.15 in 2017 PPP)[a,b]	70.1	70.7	70.7	71.2	71.1	70.7
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	89.1	89.4	89.4	89.5	89.5	89.4
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	97.3	97.4	97.4	97.4	97.4	97.4
GHG emissions growth (mtCO2e)	2.3	1.7	1.6	1.5	1.6	1.5
Energy related GHG emissions (% of total)	7.0	7.1	7.1	7.0	6.9	6.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2019-IHS-V. Actual data: 2019. Nowcast: 2020-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2019) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

MALI

Table 1	2021
Population, million	20.9
GDP, current US$ billion	19.1
GDP per capita, current US$	917.7
International poverty rate ($2.15)[a]	14.8
Lower middle-income poverty rate ($3.65)[a]	47.5
Upper middle-income poverty rate ($6.85)[a]	80.5
Gini index[a]	36.1
School enrollment, primary (% gross)[b]	75.6
Life expectancy at birth, years[b]	59.7
Total GHG emissions (mtCO2e)	46.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ WDI for School enrollment (2018); Life expectancy (2020).

Insecurity and political instability limited economic growth to 3.1 percent in 2021, leaving per capita income unchanged. The recovery expected in 2022 has been dampened by regional economic sanctions, which lasted for six months, combined with rising food price inflation, driven by low cereal production and higher global prices. Consequently, the poverty rate will increase slightly in 2022. The medium-term outlook is subject to significant downside risks from the political transition, insecurity, and climate-related shocks.

Key conditions and challenges

Mali's economy remains under-diversified and dominated by agriculture and low-productivity services. Manufacturing absorbs little employment and is concentrated in agro-industries and cotton ginning, reflecting low levels of capital. Exports are dominated by gold and cotton, exposing the economy to commodity-price and climatic shocks. GDP growth per capita stagnated during the last decade limiting progress in poverty reduction while human development indicators show mixed results.

Political instability, weak governance, and the absence of the state in remote areas remain the main bottlenecks for inclusive growth. This is exacerbated by persistent insecurity, which has expanded to central and southern regions, increasingly disrupting agriculture and service delivery. On January 9, 2022, ECOWAS and WAEMU imposed sanctions, including a trade embargo and the freezing of government assets in the region's Central Banks, in response to the authorities' decision to delay elections that were scheduled for February 2022. Sanctions were lifted on July 3, 2022, after the transitional government adopted a timetable leading to elections in 2024.

Recent developments

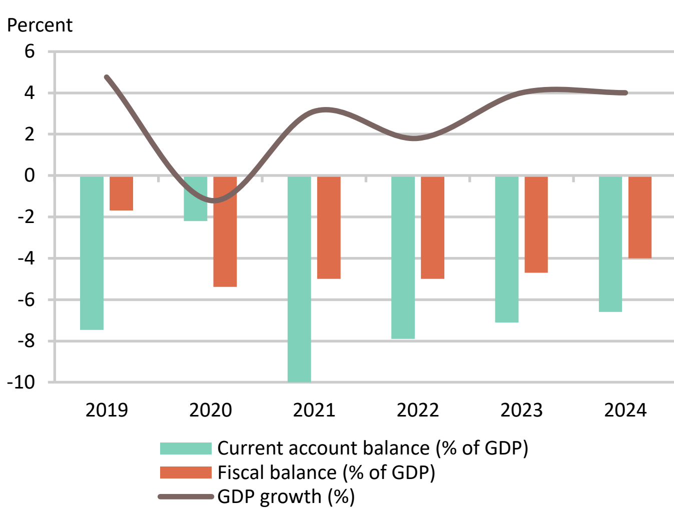
Real GDP grew by 3.1 percent in 2021, 0.1 percent in per capita terms, but economic activity slowed in the first quarter of 2022 due to the sanctions. Construction and manufacturing contracted sharply, while some services showed resilience. GDP growth is expected to remain positive in 2022, at 1.8 percent (but negative 0.9 percent in per capita terms), despite the ECOWAS sanctions and persistent insecurity, reflecting a modest recovery in food production and service sector resilience.

Food inflation picked up in 2021, following a drop in domestic cereal production in 2021, and continued to accelerate in 2022, averaging 12.3 percent y-o-y over the period January-June 2022 (H1) as global prices rose. Inflation in the transport sector increased by 10.9 percent y-o-y, driven by price increases in fuels and lubricants, which reflected the steep rise in global energy prices.

The current account deficit (CAD) widened in 2021, to 10 percent of GDP, and will remain high in 2022 due to elevated oil prices. Merchandise exports (-6 percent y-o-y) and imports (-21 percent y-o-y) declined significantly in H1-2022 due to the ECOWAS trade embargo but are expected to partially recover in the second half of 2022 after the removal of sanctions.

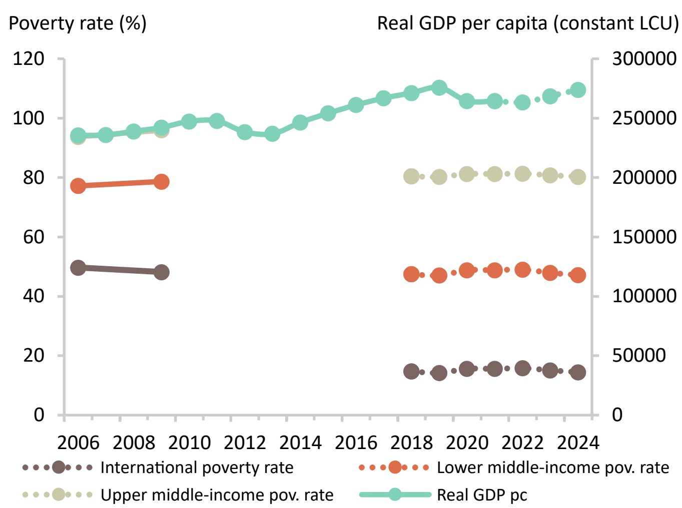
Monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO). Its reserves declined to 5.2 months of imports in June 2022, from 5.5 months in 2021, due to higher energy prices and food imports caused by the Ukraine crisis. To counter inflation pressures, the BCEAO raised rates for liquidity calls (2 percent to 2.5 percent) and the marginal lending window (4 percent to 4.5 percent) in June and September 2022.

FIGURE 1 Mali / GDP growth, current account and fiscal balances



Sources: Malian government and the World Bank.

FIGURE 2 Mali / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

The fiscal deficit remained elevated, at 5 percent of GDP in 2021, and public debt rose to 52 percent of GDP. Fiscal revenues contracted sharply in H1-2022 (-12.1 percent y-o-y) due to the sanctions. In contrast, wages and security spending increased, despite limited access to the regional debt market. This was possible through a reduction in public investment and exceptional private sector financing. The fiscal deficit is projected to stabilize at 5 percent of GDP in 2022 with both lower tax revenues and total public spending relative to 2021. Financing is expected to be mainly covered by domestic debt on the regional market. Public debt will increase to 55.9 percent of GDP by end 2022.

The extreme poverty rate ($2.15/day 2017 PPP), estimated at 15.6 percent in 2021, is projected to increase slightly, to 15.8 percent in 2022. Rainfall deficits in several localities and insecurity that disrupted field work reduced agricultural output. The subsequent deterioration in incomes is further increasing the exposure of poor households to food insecurity in the center and north. There were an estimated 1.3 million food insecure people in Q4 2021. From January to June 2022, about 1.5 million Malians (77 percent of those targeted) benefited from food assistance. At the same time, population displacement continues, particularly in the border areas with Burkina Faso and Niger. At the end of April 2022, there were over 370 thousand registered displaced persons.

Outlook

Growth is expected to recover gradually, averaging 4 percent over 2023-24, supported by a continued recovery of food production and services, including hospitality. Annual inflation will accelerate in 2022 to 8 percent before normalizing towards the regional target of 2 percent by 2025. The CAD will gradually narrow as trade flows normalize to reach 6.6 percent of GDP by 2024. The fiscal deficit will gradually decline and converge to the ceiling of 3 percent by 2025, while public debt will first increase before stabilizing around 55 percent by 2024.

The extreme poverty rate is expected to decline, by 1.4 percentage point to 14.4 percent over the same period with the number of poor projected to slowly decrease by an average of 50,000 people per year.

The outlook is subject to multiple downside risks. Despite the lifting of sanctions, further delays in the electoral timetable could trigger round(s) of economic sanctions. Other domestic risks relate to intensified insecurity, lower appetite for Mali's treasuries on the regional market, and climatic shocks. The war in Ukraine, and additional monetary tightening in the eurozone represent additional risks through elevated food and energy prices, and debt refinancing costs on the regional market.

TABLE 2 Mali / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	4.8	-1.2	3.1	1.8	4.0	4.0
Private Consumption	3.8	1.9	3.0	2.0	3.0	3.0
Government Consumption	4.0	4.5	5.8	7.1	4.1	2.1
Gross Fixed Capital Investment	6.3	-1.2	4.8	-10.4	7.4	8.9
Exports, Goods and Services	2.3	0.5	-1.0	2.6	5.0	5.0
Imports, Goods and Services	5.9	-2.9	14.1	-2.5	4.0	4.0
Real GDP growth, at constant factor prices	4.5	-1.1	3.0	1.8	4.0	4.0
Agriculture	4.0	-4.8	1.4	2.0	5.0	5.0
Industry	3.7	-0.1	1.0	3.0	6.0	4.0
Services	5.2	1.4	5.1	1.2	2.4	3.2
Inflation (Consumer Price Index)	-2.9	0.5	4.0	8.0	4.0	2.5
Current Account Balance (% of GDP)	-7.5	-2.2	-10.0	-7.9	-7.1	-6.6
Net Foreign Direct Investment Inflow (% of GDP)	5.0	3.1	5.5	4.4	3.2	3.1
Fiscal Balance (% of GDP)	-1.7	-5.4	-5.0	-5.0	-4.7	-4.0
Debt (% of GDP)	40.7	47.3	51.9	55.9	55.8	55.3
Primary Balance (% of GDP)	-0.7	-4.2	-3.6	-3.5	-2.9	-2.1
International poverty rate ($2.15 in 2017 PPP)[a,b]	14.2	15.6	15.6	15.8	15.1	14.4
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	47.1	48.8	48.8	49.0	47.9	47.2
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	80.2	81.2	81.2	81.3	80.8	80.3
GHG emissions growth (mtCO2e)	4.4	2.4	3.2	3.5	4.2	4.5
Energy related GHG emissions (% of total)	14.9	14.7	15.6	16.1	16.9	17.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2018/19 EHCVM. This survey replaced the previous 2009-ELIM survey used to calculate poverty rates in previous years.
b/ Projection using neutral distribution (2018) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

MAURITANIA

Table 1	2021
Population, million	4.8
GDP, current US$ billion	10.0
GDP per capita, current US$	2091.9
International poverty rate ($2.15)[a]	6.5
Lower middle-income poverty rate ($3.65)[a]	26.2
Upper middle-income poverty rate ($6.85)[a]	66.8
Gini index[a]	32.6
School enrollment, primary (% gross)[b]	100.4
Life expectancy at birth, years[b]	65.1
Total GHG emissions (mtCO2e)	14.0

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2014), 2017 PPPs.
b/ WDI for School enrollment (2019); Life expectancy (2020).

After rebounding to 2.4 percent in 2021, growth will remain constrained in 2022, at 4 percent, as inflation, monetary tightening, and a global economic slowdown weigh on domestic and external demand. Poverty is expected to remain stable, amid higher food insecurity and inflation, while external and fiscal balances deteriorate. Growth is projected to pick up in the medium-term as gas production starts.

Key conditions and challenges

Mauritania's wealth of natural resources has elevated it to the ranks of a lower-middle income country. However, most of its population continues to depend on agriculture and livestock for their livelihood, and social indicators continue to be among the lowest in the world. The narrow basis of economic growth has failed to stimulate job creation, while the low labor force participation rate, particularly among women, has limited opportunities for the country to reap the benefits of an emerging demographic dividend.

Macroeconomic stability improved before the Covid-19 pandemic, benefiting from favorable terms of trade and reforms to improve fiscal sustainability. The pandemic delayed the implementation of structural reforms, and the economy remains undiversified and reliant on the extractives sector. The macroeconomic outlook is subject to various risks. The protracted Ukraine crisis is having additional negative spillovers on real, fiscal and external sectors. Sustained high oil and food prices, combined with volatile commodity export prices pose additional risks that could further slowdown economic activity and increase food insecurity. Regional insecurity in the Sahel is another source of risk. Mauritania is also exposed to recurring cycles of droughts that impact agricultural output and household income.

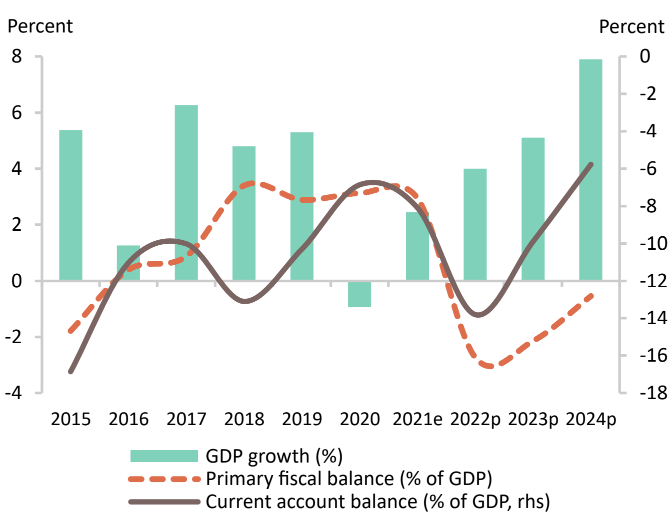
Poverty remains high with significant spatial disparities. The last household survey estimated the national poverty rate at 31.8 percent in 2019 with much lower levels in urban areas and coastal regions (17 percent and 18 percent respectively) than in rural and inland regions (46 percent and 38 percent respectively). With a low human capital index and a high vulnerability rate, respectively estimated at 0.38 and 44 percent, poverty is more likely to be transmitted intergenerationally.

Recent developments

Economic activity continued a positive trajectory in H1-2022. Industrial production grew strongly supported by higher production of extractives. Services activity rebounded, with air and maritime transports nearing their pre-pandemic levels. Inflation continued to increase, driven by high food prices, reaching 10.6 percent in July 2022. Though international food prices have started to fall, the decision in July 2022 to pass through global fuel prices at the pump, by 30 percent, could result in sustained inflationary pressures.

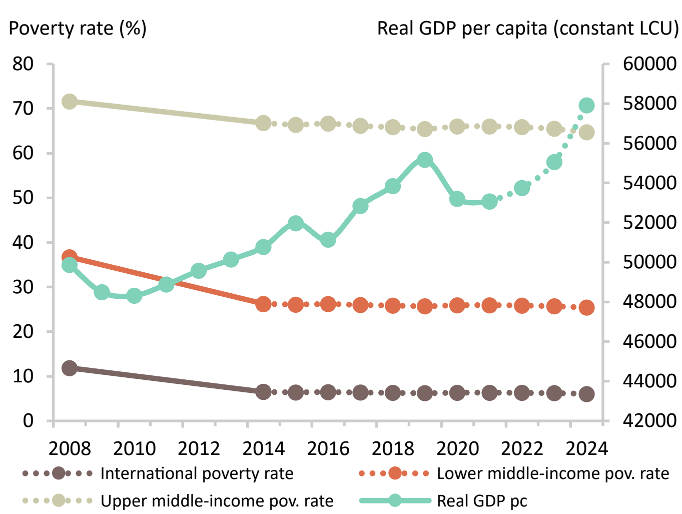
High inflation has affected household living conditions, especially in urban areas, where imports make up a large share of household food consumption. Higher food prices are expected to be mitigated by a slight improvement in economic activity, leading to a stable poverty rate of 25.9 percent in 2021 and 2022 ($US 3.65 per day poverty line (2017 PPP)). Food insecurity will likely continue to

FIGURE 1 Mauritania / Evolution of main macroeconomic indicators



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

FIGURE 2 Mauritania / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: See Table 2.

threaten poor households in the remainder of 2022, as the recent increase in fuel prices will further impact staple food prices. The decision of the Central Bank in August 2022 to increase the policy rate from 5 to 7 percent is yet to slow down inflation by limiting credit growth, which increased by 25 percent in H1-2022, exceeding its pre-pandemic level.

The fiscal balance remained in surplus in 2021, (2.2 percent of GDP) thanks to an increase in tax and mining revenues, and underspending on social programs. The fiscal surplus and growth reduced the debt-to-GDP ratio from 55.8 percent of GDP in 2020, to 51.7 percent in 2021. Lower revenue and higher energy subsidies eroded the fiscal surplus in H1-2022 (0.11 percent of GDP, compared to 3.8 percent of GDP in H1-2021).

The current account deficit (CAD) is widening in 2022, after reaching 8.1 percent of GDP in 2021. In H1-2022, the trade balance deteriorated, driven by an increase in food and energy imports, which was slightly offset by higher exports of gold as production increased.

Outlook

The ongoing Ukraine conflict, inflationary pressures, the economic slowdown in Europe and China, and increasing global uncertainty will continue to negatively affect Mauritania's economic outlook. Economic activity is expected to grow by 4 percent in 2022 (1.3 percent in per capita terms). Government spending is expected to compensate for the deceleration of private consumption in 2022 along with a rebound in gold production and services, but monetary policy tightening is required to subdue inflationary pressures. Notwithstanding high uncertainty, growth is projected to be sustained over the medium term, with the opening of new mines, gas production starting in 2024 and the scale up of public investment. Average inflation is expected to reach 8.9 percent in 2022, driven by high food and energy prices, but to gradually fall to 4.5 percent by 2024. Poverty is expected to decline slightly in 2023 and 2024 (to 25.4 percent), in line with economic activity and lower inflation.

The CAD is projected to widen to 13.8 percent of GDP in 2022, due to higher import prices, lower export prices and decelerating demand from the main trading partners (China and Europe). It is expected to improve to 5.8 percent of GDP in 2024, as gas exports offset lower prices for other exports. FDI related to the extractive industry should finance the current account.

Fiscal pressures will increase significantly in 2022, due to higher energy subsidies and transfers to mitigate social effects, as the 2021 surplus is projected to turn into a deficit of 3.8 percent of GDP. As the government gradually phases out energy subsidies, and with the beginning of gas production, the fiscal deficit is projected to narrow to 1.7 percent of GDP in 2024, putting the debt-to-GDP ratio back on a downward trend.

TABLE 2 Mauritania / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	5.3	-0.9	2.4	4.0	5.1	7.9
Private Consumption	2.7	2.7	2.7	1.9	2.3	2.7
Government Consumption	1.0	9.2	26.1	16.7	3.5	3.0
Gross Fixed Capital Investment	23.5	4.4	39.2	4.2	4.6	6.4
Exports, Goods and Services	16.7	-8.6	-11.7	3.1	4.6	8.9
Imports, Goods and Services	11.9	2.1	25.1	5.0	2.3	2.5
Real GDP growth, at constant factor prices	6.1	-0.1	0.8	4.0	5.1	7.9
Agriculture	7.4	-2.6	-3.6	-1.0	1.1	1.2
Industry	6.0	2.5	-6.6	4.1	5.8	12.0
Services	5.5	-0.3	6.4	6.0	6.3	8.6
Inflation (Consumer Price Index)	2.3	2.4	3.6	8.9	7.1	4.5
Current Account Balance (% of GDP)	-10.3	-6.9	-8.1	-13.8	-9.9	-5.8
Net Foreign Direct Investment Inflow (% of GDP)	-11.0	-11.0	-10.6	-8.7	-4.8	-3.6
Fiscal Balance (% of GDP)	2.0	2.2	2.2	-3.8	-3.2	-1.7
Debt (% of GDP)	55.7	55.8	51.7	52.0	51.5	50.4
Primary Balance (% of GDP)	2.9	3.1	2.9	-2.7	-2.1	-0.5
International poverty rate ($2.15 in 2017 PPP)[a,b]	6.2	6.3	6.3	6.3	6.2	6.1
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	25.7	25.9	25.9	25.9	25.7	25.4
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	65.5	66.0	66.0	65.8	65.5	64.7
GHG emissions growth (mtCO2e)	4.0	3.4	2.8	2.9	3.0	3.4
Energy related GHG emissions (% of total)	30.4	31.1	31.3	31.6	32.1	32.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Projection using point to point elasticity at regional level with pass-through = 0.7 based on GDP per capita in constant LCU.
b/ Actual data: 2014. Nowcast: 2015-2021. Forecasts are from 2022 to 2024.

MAURITIUS

Table 1	2021
Population, million	1.3
GDP, current US$ billion	11.5
GDP per capita, current US$	9096.5
Lower middle-income poverty rate ($3.65)[a]	1.8
Upper middle-income poverty rate ($6.85)[a]	13.5
Gini index[a]	36.8
School enrollment, primary (% gross)[b]	98.4
Life expectancy at birth, years[b]	74.2
Total GHG emissions (mtCO2e)	6.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2017), 2017 PPPs.
b/ WDI for School enrollment (2021); Life expectancy (2020).

After a muted recovery in 2021, real GDP is projected to grow 5.8 percent in 2022. Headwinds from the war in Ukraine hit Mauritius hard through higher inflation, lower tourism activity, and a deterioration of the current account. With higher fiscal pressures, improving fiscal discipline, including through pension reform, and avoiding the reliance on quasi-fiscal operations, are key policy priorities. COVID-19 reversed recent gains in poverty reduction and female labor force participation.

Key conditions and challenges

Mauritius' development trajectory was becoming more fragile even before the pandemic hit in 2020, causing a contraction of 14.6 percent of GDP. Interrelated structural challenges during the last decade led to persistent fiscal deficits and a growing public debt-to-GDP ratio. Weaknesses stem from stagnating private investment, loss of export competitiveness, skill shortages coexisting with high structural unemployment, rising inequality, and mounting pressure on public finances from high and increasing social security spending driven by an aging population. Mauritius successfully handled the COVID-19 health emergency, and the extensive state support deployed during COVID-19 effectively protected livelihoods. Yet, it came at a high cost for the country's public finances.

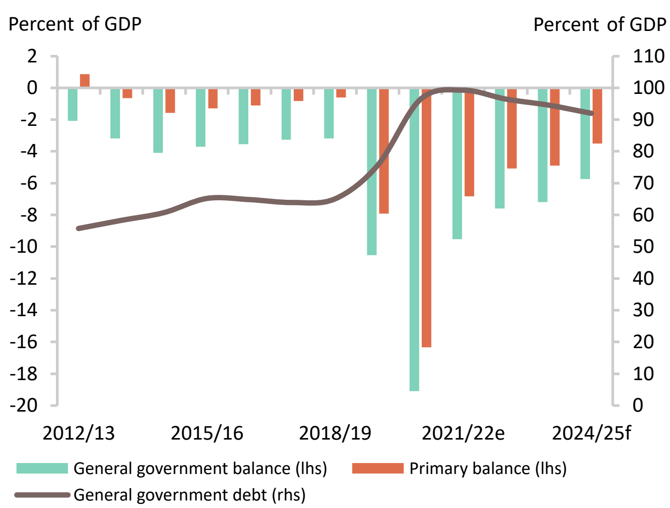
Public debt spiked despite a Rs55 billion (12.3 percent of GDP) non-refundable transfer to the government from the Bank of Mauritius (BoM) in FY2020/21, and a previous Rs18 billion transfer (3.5 percent of GDP) under the FY2019/20 budget. Those transfers blurred the separation of monetary and fiscal policies. The newly created Mauritius Investment Corporation (MIC), owned by the BoM, increased contingent liabilities, and further threatens the efficacy of anti-inflationary policies. Headwinds from the war in Ukraine caused renewed inflationary pressures, current account deterioration, faster rupee depreciation, and slower growth. While recent one-off quasi-fiscal operations have helped reduce the level of public debt, the soundness of the fiscal policy framework has been eroded by the reliance on unconventional measures. Policy priorities thus include sustained fiscal consolidation and better alignment between monetary and fiscal policies.

Promoting greater labor market opportunities is a priority to achieve inclusive growth, especially jobs for the youth and women with low educational attainments. Over 50,000 youth aged 16 to 29 are neither studying nor working, of which about 1 out of 3 has obtained at most a certificate of primary education. Only 1 in 2 women participates in the labor market (1 in 3 women among those with low educational attainment). The impact of COVID-19 has reversed recent gains in women's labor force participation, as women were significantly more likely to be laid off during the pandemic.

Recent developments

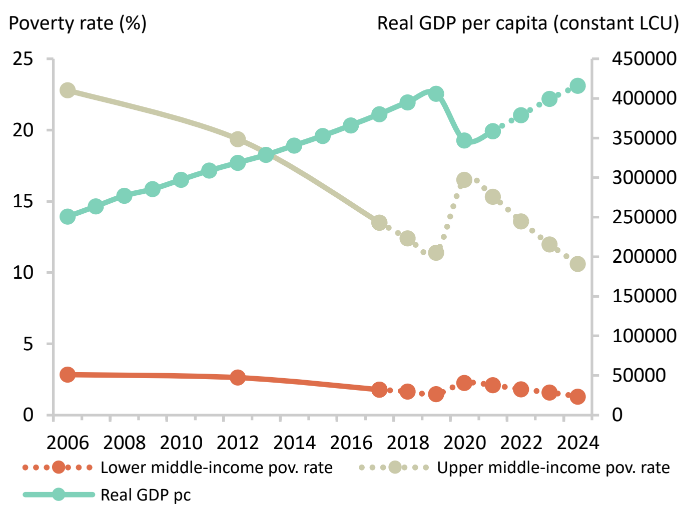
GDP rebounded by 3.6 percent in 2021, aided by widespread COVID-19 vaccination covering 90 percent of the eligible population by end-June 2022. Most sectors are back to pre-pandemic levels, but a 35 percent output gap remains in tourism, further hit by headwinds from the war in Ukraine. Since the reopening of borders in October 2021, tourism arrivals have improved substantially, reaching 557,245 over January-August 2022, up from 6,966 during the same period the previous year.

FIGURE 1 Mauritius / General government balance and debt



Sources: Statistics Mauritius, World Bank staff estimates.

FIGURE 2 Mauritius / Actual and projected poverty rates and real GDP per capita



Sources: World Bank. Notes: see Table 2.

Annual headline inflation rose to 4 percent in 2021 from 2.5 percent in 2020, driven by higher freight, energy, and food prices. Inflationary pressures increased following the Ukraine war, with annual inflation reaching 8.8 percent in August 2022, the highest in over a decade. To tame inflation, the BoM raised the Key Repo Rate 15 bps to 2 percent on March 9, its first hike since June 2011, and 25 basis points to 2.25 percent on June 3.

The fiscal deficit fell to 9.2 percent of GDP in FY21/22, on the back of GDP recovery and the progressive unwinding of COVID-19 support measures. Proceeds from the sale of shares of Airport Holdings Ltd to MIC in December 2021 for Rs13 billion (2.7 percent of GDP) helped reduce public debt, which stood at 95.9 percent as a share of GDP.

In 2021, Moody's downgraded Mauritius' credit rating from its longstanding Baa1 level to Baa2. In July 2022, Moody's once again downgraded Mauritius' to Baa3, albeit with an upgrade on the outlook from negative to stable. The latest downgrade was based on Moody's assessment that the government's reliance on unconventional and one-off measures to respond to the adverse economic and fiscal effects of the COVID-19 pandemic, has eroded the quality and effectiveness of institutions and policy-making. This, in turn, hampers Mauritius's resiliency and capacity to absorb future shocks.

Poverty (Upper-MIC threshold of $6.85 a day 2017 PPP) fell from 19 to 11 percent between 2012 and 2019. However, given the dramatic contraction of GDP in 2020, poverty is projected to have increased by over 5 percentage points, and fall below 14 percent in 2022.

Outlook

GDP is expected to grow by 5.8 percent in 2022 and 5.5 in 2023, supported by the continued recovery of tourism, and decelerate to its long-term trend over the medium-term. The current account deficit is expected to remain stable at 13.2 percent of GDP in 2022, with higher import costs delaying its recovery, which will happen gradually over the medium term, assuming sustained tourism recovery and strengthened export competitiveness. The fiscal deficit should moderate to 7.4 percent of GDP in FY2022/23 as the economic recovery accelerates and more COVID-19 support measures are lifted. As a result, public debt to GDP would gradually decrease over the medium term, assuming continued recovery and gradual fiscal consolidation.

Significant downside risks remain. Further COVID-19 waves, high fuel prices and low global growth may continue to weigh down tourism, while heightened geopolitical tensions and supply chain disruptions may continue fueling global inflation. As interest rates in leading economies rise, the rupee may depreciate further, fueling inflation. Strengthening the institutional framework and creating fiscal space through pension reform and other measures supporting fiscal discipline will be key to maintaining debt sustainability, thereby strengthening the macroeconomic foundations for inclusive growth.

TABLE 2 Mauritius / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices[a]	2.8	-14.6	3.6	5.8	5.5	4.2
Private Consumption	3.2	-15.3	3.0	2.6	2.3	2.0
Government Consumption	1.9	-1.0	-3.0	3.2	2.1	1.6
Gross Fixed Capital Investment	4.9	-25.8	13.9	1.1	1.4	0.8
Exports, Goods and Services	-4.0	-27.7	11.5	22.8	20.8	17.3
Imports, Goods and Services	2.4	-29.2	7.9	12.5	13.0	12.4
Real GDP growth, at constant factor prices	2.9	-14.4	3.6	5.8	5.5	4.2
Agriculture	4.2	-1.9	7.2	2.9	3.0	1.7
Industry	2.3	-19.2	10.2	2.7	3.1	2.1
Services	3.1	-13.6	1.8	6.7	6.2	4.8
Inflation (Consumer Price Index)	0.5	2.5	4.0	10.2	6.1	5.6
Current Account Balance (% of GDP)	-5.0	-9.3	-13.2	-13.2	-9.3	-7.8
Net Foreign Direct Investment Inflow (% of GDP)	24.6	-111.7	31.2	31.0	31.9	32.3
Fiscal Balance (% of GDP)[b]	-10.5	-19.1	-9.2	-7.4	-7.0	-5.6
Debt (% of GDP)[b]	75.6	96.4	95.9	93.5	91.8	89.4
Primary Balance (% of GDP)[b]	-7.9	-16.3	-6.6	-4.9	-4.8	-3.4
Lower middle-income poverty rate ($3.65 in 2017 PPP)[c,d]	1.5	2.3	2.1	1.8	1.6	1.3
Upper middle-income poverty rate ($6.85 in 2017 PPP)[c,d]	11.4	16.5	15.3	13.6	12.0	10.6
GHG emissions growth (mtCO2e)	1.6	-12.0	7.4	5.4	5.7	3.6
Energy related GHG emissions (% of total)	62.0	63.0	62.0	62.9	63.5	63.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Historical demand-side data is being revised due to a consistency problem.
b/ Fiscal balances are reported in fiscal years (July 1st - June30th).
c/ Calculations based on 2017-HBS. Actual data: 2017. Nowcast: 2018-2021. Forecasts are from 2022 to 2024.
d/ Projection using neutral distribution (2017) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

MOZAMBIQUE

Table 1	2021
Population, million	32.2
GDP, current US$ billion	15.8
GDP per capita, current US$	490.7
International poverty rate ($2.15)[a]	64.6
Lower middle-income poverty rate ($3.65)[a]	83.1
Gini index[a]	54.0
School enrollment, primary (% gross)[b]	118.4
Life expectancy at birth, years[b]	61.4
Total GHG emissions (mtCO2e)	108.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2014), 2017 PPPs.
b/ Most recent WDI value (2020).

Following a contraction in 2020, the economy saw moderate growth of 2.3 percent in 2021, reflecting a rebound in aggregate demand. Growth is projected to average 5.6 percent during 2022-2024, driven by the start of LNG exports and high commodity prices. Poverty is projected to decline from 64.2 to 61.7 percent through 2022-2024. However, the Ukraine war has exacerbated inflation, triggering social unrest and fiscal pressures given spending on targeted subsidies to mitigate the rising cost of living.

Key conditions and challenges

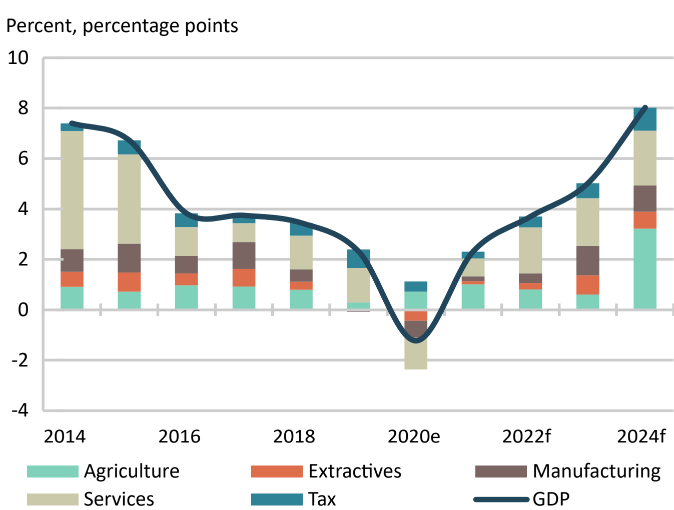
Mozambique has seen slow growth, limited structural transformation and widespread poverty. Growth plunged from 8 percent in 1993–2015 to 3 percent in 2016–2019, owing to multiple shocks, including the hidden debt crisis, insurgency, and tropical cyclones. The pandemic exacerbated the slowdown. Poverty reduction and job creation have been slow given the economy's dual focus on low-productivity subsistence agriculture and capital-intensive megaprojects with limited economic linkages. Low investments in human capital and infrastructure continue to inhibit productivity and inclusive growth. About 64.2 percent of the population remains poor in 2022, nearly half of which live in the northern provinces. Inequality is high, aggravating fragility and conflict. The private sector's potential for job creation and economic transformation is hampered by a challenging business environment, weak governance, and high credit cost. Nonetheless, the country's economic prospects are positive, reflecting the start of LNG exports and high commodity prices. However, the Ukraine war exacerbates downside risks, including weak global growth, potential social protests, and additional spending pressures to mitigate the increased cost of living.

Mozambique needs to accelerate its economic recovery and make growth more inclusive. Policy priorities include accelerating structural reforms to ensure macroeconomic stability, improve governance, boost competitiveness to attract private investment and strengthen resilience to shocks. Making growth more inclusive requires promoting human capital, agricultural productivity, and inter-sectoral linkages. However, Mozambique faces considerable fiscal constraints, namely large wage bill and debt service costs, and limited access to global financial markets. Further, fiscal revenues will only become significant after 2030 when LNG projects complete cost recovery. Therefore, in the short- to medium-term, Mozambique needs to generate fiscal space and reduce the public debt burden by improving spending efficiency and domestic revenue mobilization, minimizing SOEs fiscal risks and reducing commercial debt issuance.

Recent developments

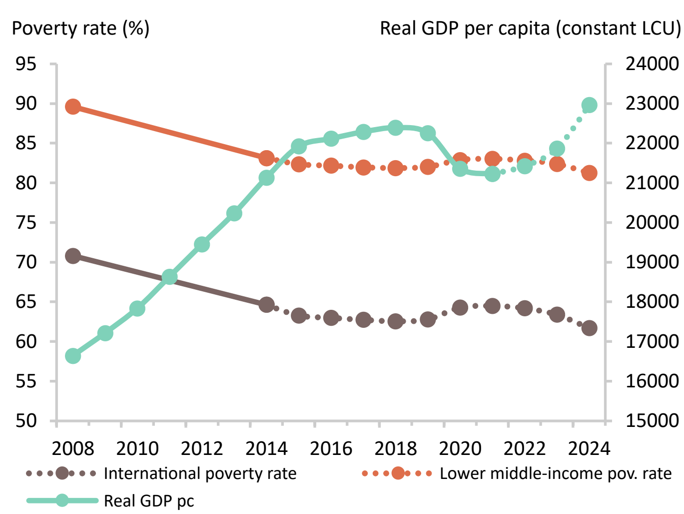
The economy is recovering from a prolonged slowdown, with real GDP growth at 2.3 percent in 2021. Growth reached 4.4 percent in June 2022 (year-on-year)—a four-year high—driven by strong agricultural growth, underpinned by investments in productivity and recovery across all other sectors. High commodity demand and prices and increased coal production boosted extractives. The resumption of mobility supported consumption, fostering services and manufacturing growth in the first half of 2022 (year-on-year). Information from the Purchasing Managers' Index (PMI)

FIGURE 1 Mozambique / Real GDP growth and sectoral contributions to real GDP growth



Source: World Bank. Notes: see Table 2.

FIGURE 2 Mozambique / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2

shows that employment levels among Mozambican companies have steadily increased in the first half of 2022.

Despite the monetary tightening (policy rate increased from 10.3 to 15.3 percent between 2021 and 2022), inflation reached a 4-year high at 11.8 percent in July (year-on-year), driven by higher food, fuel, and transportation costs. The contractionary monetary stance hampers credit growth, limiting output and job creation, with negative implications for the poor.

Despite persistent spending pressures, the overall fiscal deficit declined from 5.4 to 5.0 percent of GDP between 2020 and 2021, reflecting a positive revenue performance, contained capital expenditure and debt service —the latter partly due to the debt service deferral initiative. Currency appreciation supported a drop in total public debt from 120 to 106.4 percent of GDP between 2020 and 2021. Mozambique is at high risk of debt distress, with debt assessed to be sustainable in a forward-looking sense. Fiscal performance deteriorated in the first half of 2022 due to lower grants disbursement. The overall fiscal deficit increased by 33 percent to US$180million, leading to increased domestic financing.

The import of the Coral LNG offshore platform in the first quarter of 2022, and costly imports, increased trade and current account deficits (CAD). The platform is fully financed by project financing. The CAD reached US$ 5.4bn (30 percent of GDP) in the first quarter, compared to US$ 927 million (7 percent of GDP) during the same period in 2021. Excluding the one-off LNG-related import, the CAD declined to US$907 million due to a hike in coal and aluminum exports. Owing to higher fuel imports, international reserves fell from US$3.3bn to US$3 billion, between December 2021 and June 2022.

Outlook

Growth is projected at 3.7 percent in 2022 and is expected to accelerate in the medium term, reaching 8 percent in 2024, reflecting agricultural growth, favorable commodity prices, start of LNG exports, and Totalenergies-led LNG project resumption from 2023. Continued demand recovery will support services and manufacturing growth. Inflation will likely hit double digits in 2022 before stabilizing around 8 percent between 2023 and 2024, as international fuel prices ease. However, domestic prices, particularly of food, will remain high, affecting the purchasing power of the poor, who on average, spend a larger share of their budget on food. The poverty rate is expected to remain high, averaging 63.1 percent in 2022-2024.

Fiscal pressures will remain significant, but the overall fiscal deficit is projected to decline, averaging 3.8 percent of GDP in 2022-2024 (below 5.0 percent in 2021). Stable revenue (at 25 percent of GDP), increased grants, and a relatively lower wage bill—due to the ongoing reform—will offset the debt service, security and humanitarian spending pressures, and spending on targeted subsidies to protect vulnerable households from inflation. The resumption of budget support will minimize financing needs.

The CAD will accelerate, averaging 42.1 percent of GDP in 2022-2024, reflecting LNG developments and high fuel and food import prices. Imports pressures will be partially offset by higher export volumes, driven by high demand and gas, aluminum, and coal prices. The CAD financing is expected from FDI, and debt (including IMF support). International reserves are projected to remain comfortable at $3.3bn over the medium-term, about 4 months of non-megaproject imports.

TABLE 2 Mozambique / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	2.3	-1.2	2.3	3.7	5.0	8.0
Private Consumption	3.1	-2.1	18.2	11.0	1.5	10.4
Government Consumption	3.6	-19.3	-5.8	11.7	-14.6	-4.3
Gross Fixed Capital Investment	-0.6	60.1	36.1	-16.8	11.0	-1.8
Exports, Goods and Services	-9.5	-15.0	24.1	9.6	15.1	6.4
Imports, Goods and Services	-1.5	-0.4	40.7	2.1	3.5	2.5
Real GDP growth, at constant factor prices	1.8	-1.9	2.3	3.7	5.0	8.0
Agriculture	1.3	3.1	4.2	3.3	2.5	7.9
Industry	-0.4	-5.8	1.7	3.5	10.7	13.5
Services	2.9	-2.7	1.6	4.0	4.1	5.7
Inflation (Consumer Price Index)	2.8	3.1	5.7	11.3	8.6	8.2
Current Account Balance (% of GDP)	-19.6	-25.7	-23.2	-46.6	-39.7	-40.0
Net Foreign Direct Investment Inflow (% of GDP)	14.4	16.7	32.4	21.7	20.0	17.8
Fiscal Balance (% of GDP)[a]	-0.5	-5.4	-5.0	-3.9	-4.2	-3.4
Debt (% of GDP)	107.5	120.0	106.4	102.6	101.4	100.0
Primary Balance (% of GDP)[a]	2.7	-2.2	-2.3	-0.4	-1.1	-0.1
International poverty rate ($2.15 in 2017 PPP)[b,c]	62.8	64.3	64.5	64.2	63.4	61.7
Lower middle-income poverty rate ($3.65 in 2017 PPP)[b,c]	82.0	82.9	83.0	82.8	82.4	81.3
GHG emissions growth (mtCO2e)	-4.0	0.7	1.1	-0.3	0.6	2.6
Energy related GHG emissions (% of total)	7.9	8.3	8.8	8.0	7.8	9.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Figure includes once-off capital gains revenues in 2017, estimated at 2.7 percent of GDP.
b/ Calculations based on 2014-IOF. Actual data: 2014. Nowcast: 2015-2021. Forecasts are from 2022 to 2024.
c/ Projection using neutral distribution (2014) with pass-through = 0.87 based on GDP per capita in constant LCU.

NAMIBIA

Table 1	2021
Population, million	2.6
GDP, current US$ billion	12.3
GDP per capita, current US$	4761.8
International poverty rate ($2.15)[a]	15.6
Lower middle-income poverty rate ($3.65)[a]	33.3
Upper middle-income poverty rate ($6.85)[a]	57.3
Gini index[a]	59.1
School enrollment, primary (% gross)[b]	124.2
Life expectancy at birth, years[b]	64.0
Total GHG emissions (mtCO2e)	20.8

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2015), 2017 PPPs.
b/ WDI for School enrollment (2018); Life expectancy (2020).

Namibia's economy continues to recover given favorable prospects for the mining sector and waning effects of the pandemic. Spillovers from the war in Ukraine have raised socio-economic challenges, with higher import costs resulting in elevated inflation. As the economy recovers, protecting fiscal sustainability remains crucial given weaker SACU inflows. With a slow economic recovery, the projected upper middle-income poverty rate remains high at 62.4 percent.

Key conditions and challenges

Leading up to 2015, Namibia's economy experienced strong growth, averaging nearly 5 percent annually, fueled by investment and enabled by prudent economic management. Growth stagnated from 2016 onwards and three of the last five years have been marked by recession, with a sharp contraction in 2020 amid the COVID-19 crisis. Before the pandemic, the growth slowdown was on the back of severe drought, lower commodity prices, reduced public investment, weaker growth in neighboring countries and persisting structural rigidities. Public investment has historically been an important driver of growth, but elevated debt levels constrain fiscal space. Therefore, future growth will rely on leveraging greater investment and participation from the private sector. This shift in growth model is particularly critical to achieve socio-economic progress as envisioned in the Harambee Prosperity Plan II (2021-2025).

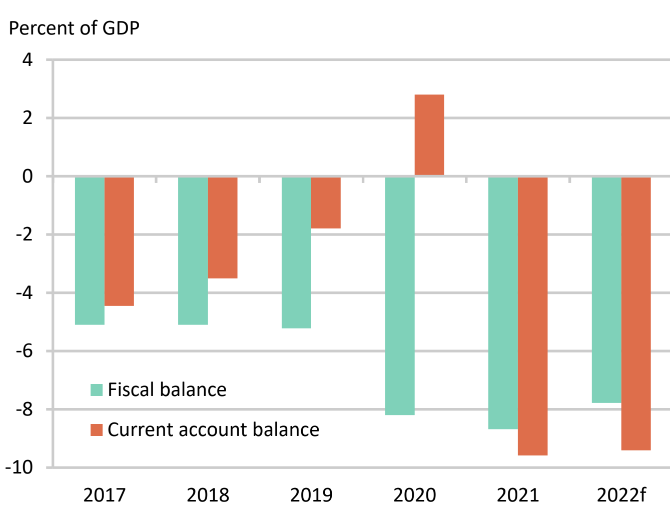
Global and regional developments will remain important drivers of Namibia's economic performance as well as fiscal and external positions, as the country is highly reliant on commodity exports and Southern African Customs Union (SACU) transfers. The twin shocks of the pandemic and spillovers from Russia's war in Ukraine have negatively affected socio-economic progress and raised food insecurity risks. Output remains below pre-pandemic levels and consumer inflation has reached multi-year highs in 2022, hitting hard on the most vulnerable.

Unemployment has remained elevated in the subdued economic recovery, amplified by skills mismatches. This exacerbates Namibia's high level of inequality (Gini index at 59.1 in 2015) and means poverty is relatively high for the country's level of development. Risks related to climate, the state of the pandemic and the protracted effects of the war in Ukraine are important in the domestic outlook.

Recent developments

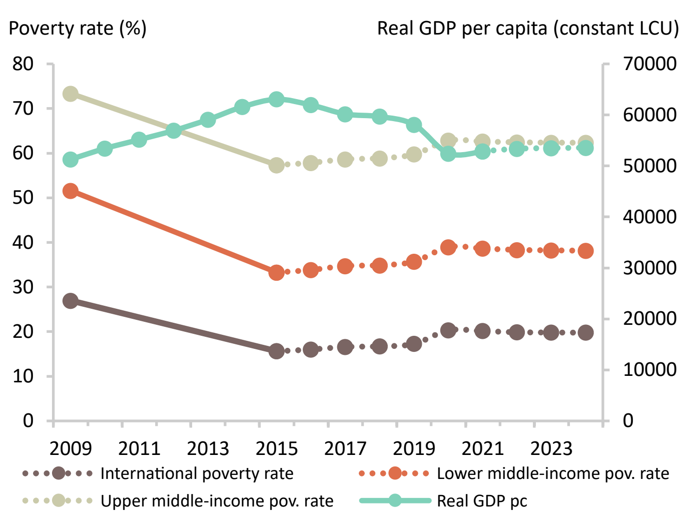
Namibia's economic recovery continued in the first half of 2022 but has been uneven, with several sectors lagging. Real GDP growth increased to 5.3 percent YoY in Q1, supported by stronger activity in the mining, manufacturing and financial services sectors. Momentum in the mining sector was sustained into the second quarter as diamond production was further boosted by Debmarine's new diamond recovery vessel, the Benguela Gem, which was inaugurated in March. Diamond production was 50 percent higher in H1-2022. Beyond the positive developments in the mining sector, the effects of the pandemic on economic activity have significantly waned. All remaining COVID-19-related restrictions were removed in July 2022. However, with a slow economic recovery of only 0.8 percent in per capita terms in 2021, the upper middle-income poverty rate is estimated to remain high at about 63 percent

FIGURE 1 Namibia / Fiscal and external balances



Sources: Central Bank, World Bank staff estimates.

FIGURE 2 Namibia / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

while employment is estimated to remain below pre-pandemic levels.

External vulnerabilities have elevated. The current account (CA) deficit soared to 15.8 percent of GDP in Q1-2022, which is similar to the deficit registered in Q3-2021 and larger than the deficit of 8.1 percent of GDP in Q4-2021. The widening in the deficit over the quarter was driven by weaker exports, higher mineral fuel imports and lower receipts from the SACU pool. The war-induced acceleration in import prices kept the CA balance under pressure in Q2.

Given pressures on global oil and food prices, annual inflation increased to 7.3 percent in August, the highest rate in over five years. The Bank of Namibia has responded by hiking its policy rate by a cumulative 175 basis points since February. Authorities have implemented efforts to support fiscal consolidation, including containing expansion of the wage bill and divestiture from SOEs, but lower SACU receipts remain a challenge. The budget deficit is estimated to have remained wide at 8.7 percent of GDP in 2021.

Outlook

GDP growth is projected at 2.8 percent in 2022 and is expected to average around 2 percent in the outer years. The economic performance in 2022 will be largely supported by the exceptional increase in diamond production and the waning effects of the pandemic. Diamond output is expected to be at least a third higher in 2022, boosted by the new recovery vessel. In addition, the improved pandemic situation is expected to support the ongoing recovery of sectors which were hardest hit by the pandemic, including tourism. Consumer spending growth was robust in Q1 but will likely be impacted by increased price pressures and resultant cautious spending. Amid higher inflation, monetary policy tightening is expected to continue, driven by the exchange rate peg with the Rand. Risks to the growth outlook are significant, mainly related to the effects of the Ukraine war, the pandemic situation, and a faster deceleration in global growth.

Namibia's twin deficits are expected to remain high in 2022, given the elevated cost of imports and subdued SACU receipts. The current account deficit is projected to remain over 9 percent of GDP, somewhat mitigated by a better export performance. In the fiscal accounts, lower SACU receipts are expected to be partly offset by the revenue boost from new diamond production. The fiscal deficit is projected to be above target at 7.8 percent of GDP in 2022, partly as higher interest costs slow the pace of consolidation, and public debt (including guarantees) is projected to rise close to 80 percent of GDP. Amid revenue constraints, maintaining fiscal discipline while preserving social spending remains important to stabilize the debt trajectory, reduce fiscal risks and prevent a further worsening in poverty. Weak per capita GDP growth, elevated unemployment, and slow job creation pose challenges to the extent of poverty reduction that can be achieved. The upper-middle-income poverty rate is expected to remain near 62 percent in the medium run.

TABLE 2 Namibia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	-0.8	-8.0	2.7	2.8	2.0	1.9
Private Consumption	-0.1	-11.3	12.6	3.9	2.8	3.0
Government Consumption	1.5	0.4	1.7	-0.8	-0.3	0.7
Gross Fixed Capital Investment	-9.5	-19.2	4.0	5.1	4.4	4.9
Exports, Goods and Services	-8.7	-17.3	-2.3	9.8	6.2	3.3
Imports, Goods and Services	-4.0	-18.0	15.6	7.1	4.9	4.0
Real GDP growth, at constant factor prices	-0.2	-6.6	1.8	2.8	2.0	1.9
Agriculture	-3.1	6.3	2.0	1.5	2.0	2.0
Industry	-2.1	-12.9	1.4	5.7	2.4	2.1
Services	1.0	-5.3	1.9	1.7	1.8	1.8
Inflation (Consumer Price Index)	3.7	2.2	3.6	6.2	5.1	4.5
Current Account Balance (% of GDP)	-1.8	2.8	-9.6	-9.4	-6.6	-5.2
Net Foreign Direct Investment Inflow (% of GDP)	-1.5	-2.0	4.3	1.7	1.7	1.9
Fiscal Balance (% of GDP)	-5.2	-8.2	-8.7	-7.8	-6.6	-5.8
Debt (% of GDP)[a]	62.4	70.0	73.5	78.9	80.4	81.8
Primary Balance (% of GDP)	-1.4	-3.7	-4.2	-2.6	-1.4	-0.8
International poverty rate ($2.15 in 2017 PPP)[b,c]	17.3	20.3	20.2	19.9	19.8	19.8
Lower middle-income poverty rate ($3.65 in 2017 PPP)[b,c]	35.7	38.9	38.6	38.3	38.2	38.1
Upper middle-income poverty rate ($6.85 in 2017 PPP)[b,c]	59.7	62.8	62.6	62.4	62.4	62.3
GHG emissions growth (mtCO2e)	-4.3	-1.5	-0.6	0.5	2.5	3.0
Energy related GHG emissions (% of total)	18.5	18.0	18.2	18.3	18.5	18.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Refers to Public and Publicly Guaranteed debt
b/ Calculations based on 2015-NHIES. Actual data: 2015. Nowcast: 2016-2021. Forecasts are from 2022 to 2024.
c/ Projection using neutral distribution (2015) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

NIGER

Table 1	2021
Population, million	25.1
GDP, current US$ billion	14.9
GDP per capita, current US$	593.5
International poverty rate ($2.15)[a]	50.6
Lower middle-income poverty rate ($3.65)[a]	81.1
Upper middle-income poverty rate ($6.85)[a]	95.0
Gini index[a]	37.3
School enrollment, primary (% gross)[b]	66.4
Life expectancy at birth, years[b]	62.8
Total GHG emissions (mtCO2e)	47.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ WDI for School enrollment (2019); Life expectancy (2020).

Due to climate-related shocks and worsening insecurity, real GDP growth decelerated to 1.4 percent in 2021 (2.3 percent contraction in GDP per capita) and the extreme poverty rate reached 51.1 percent. The economy is expected to grow by 5 percent in 2022 as agricultural production normalizes, and to accelerate as large oil revenues come onstream in 2024. Growth and the rate of poverty reduction are subject to significant downside risks and strengthening of targeted programs.

Key conditions and challenges

Niger's economy is highly dependent on agriculture and remains vulnerable to external shocks, especially climate-related shocks. This is reflected in a robust but volatile growth trajectory that ranged between 2.4 percent and 10.5 percent from 2011 to 2019. As growth has been associated with limited improvements in productivity and with high population growth (averaging 3.9 percent over 2010-19) per capita GDP remains at US$593.5 in 2021, towards the bottom of the world's income distribution. Over 50 percent of the population lives in extreme poverty, aggravated by gender disparities.

After the 2020 COVID-19 pandemic and global economic downturn, the country has continued to be shaken by natural disasters, a worsening security situation, and indirectly by the war in Ukraine. Deteriorating regional security has been affecting important agricultural areas, and addressing insecurity is key to improving economic performance, public finances, service delivery and access to markets.

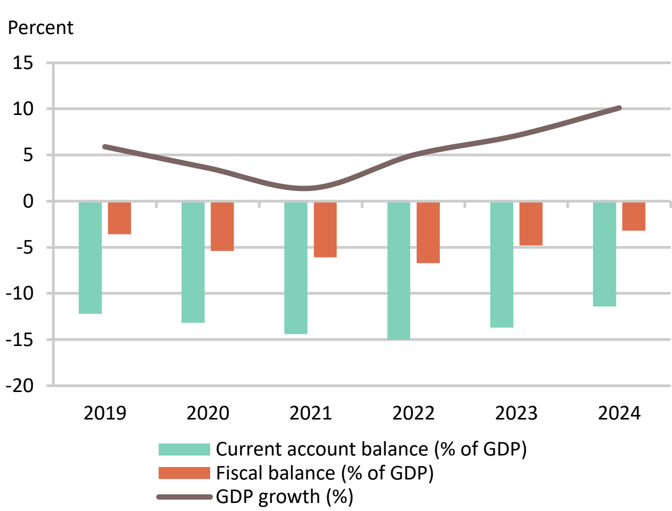
Comprehensive institutional and economic reforms, to increase overall productivity especially in agriculture, are needed to support a more resilient and inclusive development trajectory. Reforms should strengthen economic governance, including ensuring that the rents from the petroleum sector are invested to support inclusive growth, promoting financial inclusion, adopting digital technologies, and broadening access to education and training to support job creation. Accelerating crisis preparedness through climate adaptation investments, along with strengthening the disaster risk management framework and social safety nets, are also key to increase resilience to climate change as 75 percent of the workforce is still in subsistence agriculture.

Recent developments

As a result of poor rainfall and an increase in security incidents in rural areas, agricultural production declined in 2021 (-5 percent) leading to 1.4 percent GDP growth (-2.3 percent in per capita terms). Private consumption's contribution to growth declined from 3.1 percentage points (pp) in 2020 to -1.2 pp in 2021, while gross fixed investments contribution turned positive in 2021 to 2.8 pp. The share of Nigeriens living below the international poverty line (US$2.15/day per capita, 2017 PPP), is expected to have increased by 1.2 percentage points to 51.1 percent in 2021, an increase of 0.8 million in the number of extreme poor, reaching 12.8 million people.

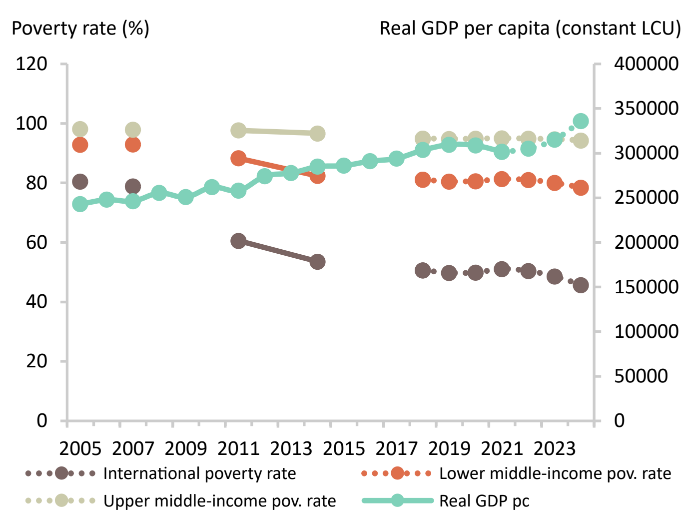
Growth is projected to recover to 5 percent of GDP (1.2 percent in per capita terms) in 2022, as agriculture production normalizes following an average rainy season. On the demand side, public and private investment will benefit from large-scale infrastructure projects, while higher food prices may weigh on private consumption. The current account deficit is projected to

FIGURE 1 Niger / GDP growth, current account and fiscal balances



Sources: INSN and World Bank staff estimates.

FIGURE 2 Niger / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

further widen to 14.9 percent of GDP, amid extractive projects-related imports and higher food imports.

Inflation reached 5.2 percent in the first half of the 2022. Monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO). Its reserves declined to 5.2 months of imports in June 2022, from 5.5 months in 2021, due to higher energy prices and food imports caused by the Ukraine crisis. To counter inflation pressures, the BCEAO raised rates for liquidity calls (2 percent to 2.5 percent) and the marginal lending window (4 percent to 4.5 percent) in June and September 2022.

The fiscal deficit will increase to 6.7 percent of GDP in 2022, above the budgeted level of 5.4 percent of GDP, to accommodate additional spending to address food scarcity, implement an emergency plan to support agriculture and livestock, and to start construction of new schools. As a result of the widening fiscal deficit and the CFAF depreciation vis-à-vis the US dollar, public and publicly-guaranteed debt will increase to 54.8 percent of GDP by the end of 2022 - an increase of 15 percentage points since 2019.

The extreme poverty rate is expected to decline to 50.4 percent in 2022 as growth, particularly in agriculture, recovers. However, export bans on some staple foods from neighboring countries, agricultural production deficits recorded in several areas (Tahoua and Tilaberi) and ongoing insecurity is negatively impacting the supply of cereals, putting 4.4 million people (18 percent of the population) at risk of food insecurity in 2022.

Outlook

Growth is expected to gain traction in 2023 (7.1 percent, equivalent to 3.2 percent in per capita terms) and surpass 10 percent in 2024 on the back of the start of large-scale oil production and exports. Inflation will moderate to 4 percent and 3 respectively in 2023 and 2024 as food prices normalize. An ambitious fiscal adjustment supported by an IMF program aims to bring the fiscal deficit down to around 3 percent in 2024 through a series of measures to improve the structurally low level of domestic revenues. This would put the debt-to-GDP ratio onto a declining path.

The poverty headcount rate is projected to decline in line with higher non-oil growth and lower inflation in 2023 and 2024. However, despite projected GDP growth being above Niger's population growth rate of 3.8 percent, the absolute number of poor will remain roughly constant between 2021 and 2024 and progress will depend on progress with the aforementioned reforms. This outlook is subject to a high degree of uncertainty and multiple downside risks including intensified climate change-related shocks, security risks, tighter global financial conditions, food security challenges, delays in oil production expansion and social discontent from high inflation. The war in Ukraine, and additional monetary tightening in the eurozone represent additional risks through elevated food and energy prices, and debt refinancing costs on the regional market.

TABLE 2 Niger / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	5.9	3.6	1.4	5.0	7.1	10.1
Private Consumption	4.3	7.7	-0.2	3.0	5.3	5.8
Government Consumption	7.0	5.0	9.8	2.1	10.0	12.5
Gross Fixed Capital Investment	12.5	-3.4	7.7	9.5	4.5	2.5
Exports, Goods and Services	1.1	-6.3	6.7	2.0	29.1	40.8
Imports, Goods and Services	6.2	2.7	6.9	5.0	9.8	7.0
Real GDP growth, at constant factor prices	6.1	4.2	1.0	5.1	7.1	10.1
Agriculture	3.4	7.7	-5.1	5.0	6.5	7.0
Industry	9.0	1.9	4.1	6.4	12.0	26.0
Services	7.0	2.1	5.4	4.4	4.8	3.0
Inflation (Consumer Price Index)	-2.5	2.8	2.9	5.3	4.0	3.0
Current Account Balance (% of GDP)	-12.2	-13.2	-14.4	-15.0	-13.7	-11.4
Net Foreign Direct Investment Inflow (% of GDP)	5.3	2.5	3.3	4.3	4.3	4.3
Fiscal Balance (% of GDP)	-3.6	-5.4	-6.1	-6.7	-4.8	-3.2
Debt (% of GDP)	39.8	45.0	51.3	54.8	54.9	52.7
Primary Balance (% of GDP)	-2.6	-4.4	-5.0	-5.6	-3.4	-1.7
International poverty rate ($2.15 in 2017 PPP)[a,b]	49.8	49.9	51.1	50.4	48.6	45.7
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	80.5	80.6	81.3	81.1	80.0	78.4
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	94.8	94.9	95.0	94.9	94.7	94.3
GHG emissions growth (mtCO2e)	4.5	4.0	3.9	3.6	4.2	4.4
Energy related GHG emissions (% of total)	6.8	6.8	6.8	6.5	6.6	6.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2018-EHCVM. Actual data: 2018. Nowcast: 2019-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2018) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

NIGERIA

Table 1	2021
Population, million	211.4
GDP, current US$ billion	429.1
GDP per capita, current US$	2029.9
Poverty rate (national poverty line, %)[a]	41.6
Gini index[a]	35.1
School enrollment, primary (% gross)[b]	87.5
Life expectancy at birth, years[b]	55.0
Total GHG Emissions (mtCO2e)	363.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018).
b/ WDI for School enrollment (2018); Life expectancy (2020).

While economic growth in Nigeria has rebounded, macroeconomic stability has weakened. Amidst global commodity shocks, a depreciating currency, and monetization of the deficit, inflation is surging and pushing millions of Nigerians into poverty. Meanwhile, a costly petrol subsidy, low oil production and non-oil revenues, and increasing interest rates are causing fiscal challenges. Risks are tilted to the downside stemming from the lack of macro-fiscal reforms, an uncertain external outlook, deteriorating security, and the upcoming 2023 elections.

Key conditions and challenges

Following a contraction of 1.8 percent in 2020 because of the COVID-19 pandemic, GDP growth rebounded to 3.6 percent in 2021 driven by base effects in most non-oil sectors. However, macroeconomic stability has weakened due to a depreciating currency, increasing inflation, higher fiscal pressures, and declining forex reserves.

High inflation has been chronic in Nigeria for the last two decades, but since 2019 inflation has accelerated driven by the multiple exchange rates, trade restrictions, and monetization of the public deficit. These policies have pushed inflation from 11.8 percent in 2018-2019 to 17 percent in 2021, almost double the inflation target of 9 percent set by the Central Bank of Nigeria (CBN). Nigeria's fiscal position has been deteriorating since 2015 due to low and declining oil and non-oil revenues and rising expenditures, resulting in persistently high fiscal deficits.

To put the economy on a sustainable and inclusive growth path, it will be critical to stabilize the macroeconomy by reducing inflation, increasing revenues, and adopting a single market-driven exchange rate regime. It would be also important to reopen land borders for trade, remove import and FX restrictions on staple foods and medicines, and reduce subsidized CBN lending to medium and large firms. Such reforms will be essential for diversifying the economy out of oil, building resilience, and creating quality jobs that are critically needed to reduce poverty.

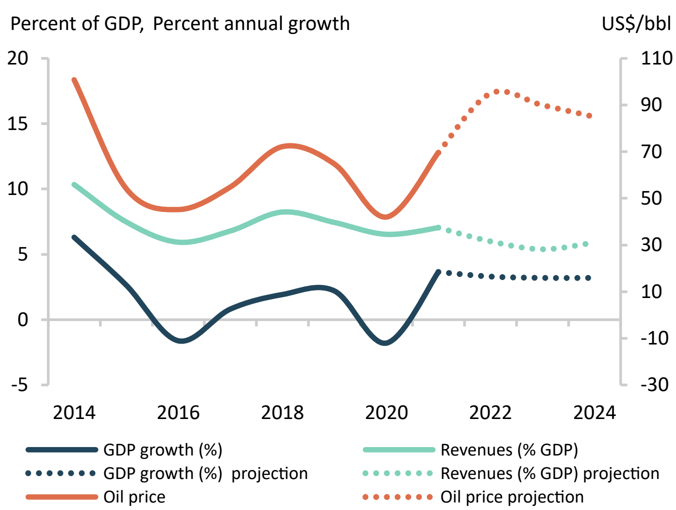
Recent developments

In H1 2022, GDP grew by 3.5 percent, driven by trade, transport, telecommunication, and financial services. In contrast, the oil sector shrank by 19.7 percent despite the sharp increase in global oil prices. The subdued oil production — below the OPEC quota — is the result of funding shortfalls, lack of adequate maintenance, and security risks.

Inflation spiked and reached 19.6 percent in July 2022. The monetary authorities have responded by increasing the monetary policy rate by 250 basis points since May 2022. However, this measure has not been fully effective in containing inflation due to the monetarization of the deficit, a depreciating currency and an increase in imported food and energy inflation. The banking sector remains robust, and credit expanded by 21.3 percent in Q1 2022 spurred by CBN's development finance interventions.

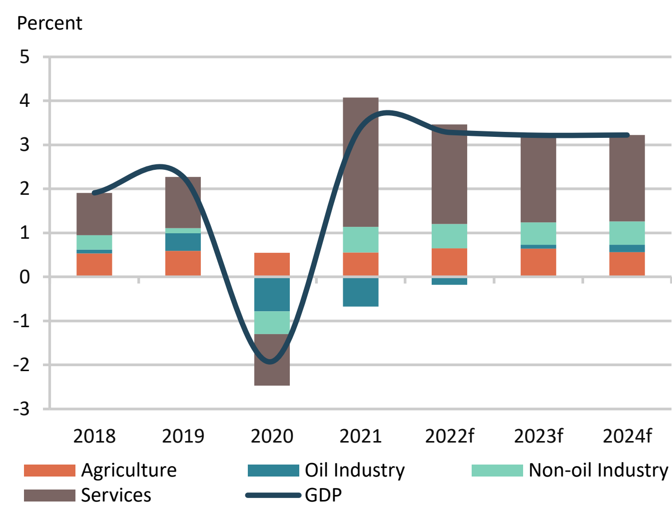
On the fiscal front, the decoupling between oil prices and oil revenues that started in 2021 continued in 2022. While oil prices have risen globally, the fiscal position has worsened because the cost of the petrol subsidy has increased to about 2.7 percent of GDP and oil production has fallen to a three-decade low. Low non-oil revenues and high interest payments compound fiscal pressures. Thus, the fiscal deficit is expected to remain above 5 percent in 2022,

FIGURE 1 Nigeria / Oil price shock transmission channels



Sources: National Bureau of Statistics and World Bank.

FIGURE 2 Nigeria / Real GDP growth and contributions to real GDP growth



Sources: National Bureau of Statistics and World Bank.

breaching the stipulated limit of 3 percent specified by the 2007 Fiscal Responsibility Act. This will keep the public debt stock at over 37 percent of GDP and push the debt service to revenue ratio from 85.4 percent in 2021 to 102.3 percent in 2022.

The current account balance (CAB) recorded a surplus of 2.3 percent of GDP in Q1 2022, driven by a 129-percent increase in crude oil exports reflecting higher oil prices. This CAB surplus, which is expected to shrink during the rest of the year as a result of higher import prices of food and refined petroleum products, has not translated into increased foreign reserves due to higher FX interventions, new FX schemes, and lower capital inflows.

Outlook

The economy is projected to grow by an average of 3.2 percent per year between 2022 and 2024, slightly above the population growth rate of 2.6 percent. Growth will be driven by services, trade, construction, and agriculture. Oil production is projected to remain subdued in 2022 because of inefficiencies and insecurity. From the demand side, growth will be driven by private consumption and investment reflecting the strong growth in the services and construction sectors.

Inflation is projected to average 18.5 percent in 2022 and decrease slightly to 15.5 percent in 2023, as the main sources of inflationary pressure are expected to persist, hampering poverty reduction. With Nigeria's population growth continuing to outpace poverty reduction, the number of Nigerians living below the national poverty line is set to rise by 11.8 million between 2019 and 2024.

Fiscal, external, and debt pressures are expected to persist over the outlook period due to rising global and domestic interest rates and low oil revenues resulting from the moderation in oil prices and inability to significantly increase oil production. While the current account is expected to remain positive in 2022 and 2023, this is not expected to translate into higher international reserves. Meanwhile, non-oil revenues will not increase as a share of GDP without significant tax revenue reforms. As a result, the fiscal deficit will remain high and average more than 6 percent of GDP in 2022-2024, pushing debt service to balloon to about 111 percent of revenues by end-2024.

Downside risks to Nigeria's outlook have intensified. Growth may be affected by a further decline in oil production amidst deteriorating security, scarcity of foreign exchange, and tighter liquidity. In parallel, debt pressures will increase if the petrol subsidy is not phased out and planned reforms to increase non-oil revenues do not materialize. The February 2023 general elections are another source of risk if they lead to large government spending and/or cause social unrest. The authorities can strengthen the economy by implementing macroeconomic reforms to: (i) reduce inflation, (ii) address mounting fiscal pressures, and (iii) catalyze private investment to create quality jobs.

TABLE 2 Nigeria / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	2.2	-1.8	3.6	3.3	3.2	3.2
Private Consumption	-1.0	-1.0	25.6	4.5	2.6	2.9
Government Consumption	8.8	61.6	-34.0	-14.0	-3.6	1.0
Gross Fixed Capital Investment	8.3	-14.7	4.6	7.9	3.9	8.0
Exports, Goods and Services	15.0	-33.4	-32.1	0.5	9.0	3.6
Imports, Goods and Services	27.3	-61.9	44.4	4.0	4.3	9.0
Real GDP growth, at constant factor prices	2.3	-1.9	3.4	3.3	3.2	3.2
Agriculture	2.4	2.2	2.1	2.7	2.7	3.0
Industry	2.3	-5.8	-0.5	-1.4	5.8	3.6
Services	2.2	-2.2	5.6	5.4	2.5	3.1
Inflation (Consumer Price Index)	11.4	13.2	17.0	18.5	15.5	13.5
Current Account Balance (% of GDP)	-3.1	-4.0	-0.4	1.1	1.2	0.1
Net Foreign Direct Investment Inflow (% of GDP)	-0.5	-0.2	-0.4	-0.3	-0.3	-0.3
Fiscal Balance (% of GDP)	-4.6	-5.1	-5.9	-5.9	-6.4	-5.9
Debt (% of GDP)	30.5	36.0	37.7	37.6	37.6	38.0
Primary Balance (% of GDP)	-2.6	-2.7	-3.7	-2.2	-2.7	-2.1
Poverty rate (national line, %)[a]	40.2	42.1	41.6	41.3	41.0	40.7
GHG emissions growth (mtCO2e)	2.5	1.1	1.5	1.3	1.1	1.0
Energy related GHG emissions (% of total)	37.2	37.2	37.0	36.4	35.5	34.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2018-LSS. Actual data: 2018. Nowcast: 2019-2021. Forecasts are from 2022 to 2024. These calculations use the national poverty line of 137,430 naira per person per year, in 2018/19 prices. The national line is used, as it will remain the yardstick on which policymakers in Nigeria focus, even as the PPP price data and international poverty lines for cross-country comparisons are updated. For further details see https://blogs.worldbank.org/africacan/what-does-moving-2017-ppps-and-new-international-poverty-lines-mean-nigeria

RWANDA

Table 1	2021
Population, million	13.3
GDP, current US$ billion	11.0
GDP per capita, current US$	825.1
International poverty rate ($2.15)[a]	52.0
Lower middle-income poverty rate ($3.65)[a]	78.0
Upper middle-income poverty rate ($6.85)[a]	92.2
Gini index[a]	43.7
School enrollment, primary (% gross)[b]	131.3
Life expectancy at birth, years[b]	69.3
Total GHG emissions (mtCO2e)	7.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2016), 2017 PPPs.
b/ WDI for School enrollment (2019); Life expectancy (2020).

Rwanda is facing new challenges from increases in food and fuel prices, compounded by other spillovers from the war in Ukraine. Real GDP growth is projected at 6.0 percent in 2022 and 6.9 percent on average in 2023–24, after a 10.9 percent in 2021. Inflation is expected to rise to around 12 percent, raising households living costs. After increasing in 2020, poverty is expected to reach pre-crisis levels in 2024.

Key conditions and challenges

Rwanda achieved impressive economic growth over 2010-2019, averaging 7.2 percent, aided by a large public investment push. Capital accumulation, mostly large-scale public investment in infrastructure, was the main growth driver. Limitations of the state-led development model have become apparent. Labor productivity and total factor productivity are low for its income level. To sustain growth and create jobs to reduce poverty, the government must facilitate private sector-led development. Key reforms should aim to enable competitive domestic enterprises, foster innovation, develop long-term finance, and promote regional integration.

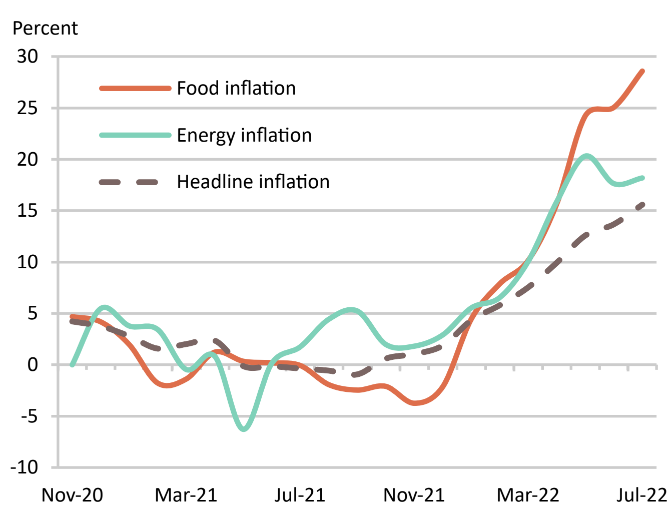
Rwanda remained with some wounds from the COVID-19 pandemic. Economic scarring may manifest in persistent increases in poverty and inequality, reductions in potential growth and increased debt vulnerabilities. Learning losses due to school interruptions, lower returns to spending on education due to the lack or low quality of remote learning, and premature youth employment following school dropouts, may result in permanent losses in lifetime earnings and productivity, especially among children from poor households. Negative impact on potential growth could be accentuated by the additional human capital depreciation through prolonged unemployment and deteriorating health conditions of productive individuals. With recent increases in public and publicly guaranteed debt levels, at 73.3 percent of GDP in 2021, meeting spending needs, while safeguarding fiscal sustainability and containing debt vulnerabilities, will require stepping up efforts to ensure spending is well-targeted and cost-effective, secure concessional financing, and implementing measures to mobilize domestic revenues. Rwanda has relatively higher poverty rates than African peers with similar income per capita, and poverty reduction has become less responsive to growth in recent years. Inequality in Rwanda measured by the Gini coefficient is the second highest among low-income countries at 43.7 (2017). Rwanda now faces challenges in fully translating its strong growth into commensurate gains in poverty and inequality reduction.

High reliance on rainfed agriculture and livestock production, makes Rwanda highly exposed to seasonal weather patterns. Rapid urbanization and depletion of forest and water resources in recent years led to increased vulnerability to flood risks, land degradation, and biodiversity loss.

Recent developments

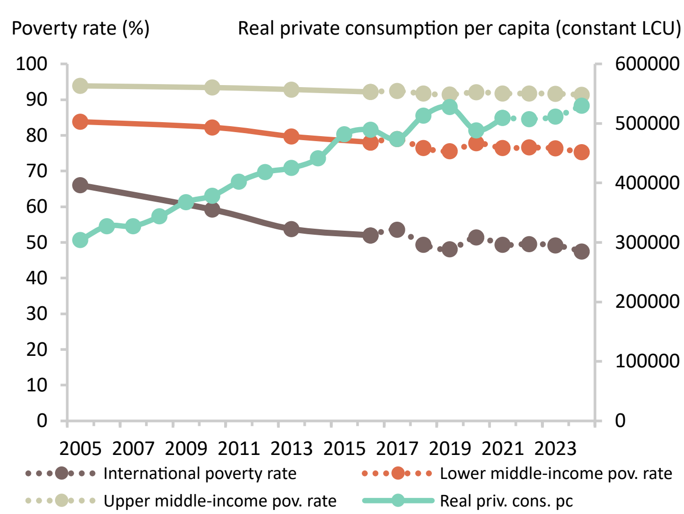
Early economic indicators point to potential moderation in growth in H1-2022, as inflation pressures, due to spillovers from the war in Ukraine, depress consumption and investment. The index of industrial production for formal activities increased by 9.4 percent compared to 21.4 percent in the same period of 2021. The composite indicator of economic activities rose by

FIGURE 1 **Rwanda** / Headline, food and energy inflation



Sources: World Bank staff estimates.

FIGURE 2 **Rwanda** / Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Notes: see Table 2.

12.1 percent compared to 21.8 percent of the same period in 2021. In 2022, food production fell by 2.3 percent. Furthermore, external demand for Rwanda's goods and services has moderated, potentially widening Rwanda's trade deficit (about 0.7 percent of GDP in 2022).

Headline inflation reached 15.9 percent in August 2022, mostly due to high food inflation (29.2 percent), amid rising global commodity prices and adjustments to fuel and fertilizer prices and reduced agricultural food production. Poorer households are expected to be more affected by food inflation since food purchases represent more than 70 percent of their budgets. To reduce inflationary pressures and preserve the purchasing power of consumers, the National Bank of Rwanda raised its policy rate to 6.0 percent from 5.0 percent in August 2022, building on a 50-basis point increase in February.

The government maintained a fiscal stimulus to protect human capital and support the recovery. The pandemic response significantly accentuated the prioritization of human capital spending. The share of social sectors in total spending was maintained at about 23 percent for the last three FYs to FY22, reflecting the expansion of spending on health and social protection to protect the most vulnerable. The Economic Recovery Fund, amounting to US$250 million, has been the cornerstone of the support the recovery from the COVID crisis. Additionally, the government fast-tracked a US$250 million package—through the Manufacture and Build to Recover Programme—to support private investments in manufacturing and construction. With grant increases, the fiscal deficit is estimated to have declined to 6 percent of GDP in FY21/22 from 7.5 percent in FY20/21.

Outlook

GDP growth is expected to accelerate to 6.9 percent on average in 2023–24 due to uncertainty surrounding the war in Ukraine. Tapering growth in private consumption is expected to drive small reductions in poverty to reach pre-crisis levels (below 48 percent) in 2024. Rwanda is being affected through slower external demand, inflation (higher oil and fertilizer prices) and higher Central bank interest rate. Industrial activities will continue benefiting from government support of the manufacturing and construction sectors and a recovery in tourism activities. However, softening global growth momentum will negatively affect Rwanda's current account deficit in the near term. The Central Bank projects headline inflation to average about 12.1 percent in 2022, well above the upper bound of the central bank's target range of 5±3 percent. The inflation will start trending toward its target range in mid-2023. Persistence of higher levels of inflation, especially in food, has the potential to delay or even revert the expected small poverty gains in the next few years. If food inflation is twice as high as non-food inflation, as has been the case for the last few months, poverty in 2024 is projected to be 2.4 percentage points higher than the pre-war projection.

The government plans to rationalize both recurrent non-wage spending and capital budgets to preserve space for growth-enhancing investment. This will be driven by phasing out COVID-related spending, tight recurrent spending control, discontinuing underperforming public investment and avoiding inefficient spending (through digitalizing delivery of some public goods and strengthening the oversight of SOEs). On the revenue side, the implementation of the Medium-Term Revenue Strategy through tax policy reforms (personal/corporate income tax and value-added taxes). Fiscal consolidation, however, faces rising challenges, including from the increased spending pressures from measures to contain the impact of the war in Ukraine (such as the current fuel and fertilizer subsidy).

TABLE 2 Rwanda / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	9.5	-3.4	10.9	6.0	6.7	7.0
Private Consumption	5.5	-5.0	7.2	2.2	3.5	6.4
Government Consumption	17.5	-1.9	4.3	4.1	6.2	8.3
Gross Fixed Capital Investment	32.1	-2.3	21.1	24.6	2.2	0.7
Exports, Goods and Services	19.9	-9.2	2.8	34.5	25.1	13.2
Imports, Goods and Services	18.0	-3.4	3.6	30.8	8.9	5.9
Real GDP growth, at constant factor prices	8.9	-3.5	10.9	6.0	6.7	7.0
Agriculture	5.0	0.9	5.8	2.9	5.5	5.0
Industry	16.6	-4.2	14.7	9.7	9.2	8.5
Services	8.3	-5.5	12.2	6.2	6.3	7.4
Inflation (Consumer Price Index)	2.4	7.7	0.8	12.1	8.0	5.0
Current Account Balance (% of GDP)	-11.9	-12.2	-10.9	-12.4	-11.2	-10.1
Net Foreign Direct Investment Inflow (% of GDP)	2.5	1.0	1.9	3.0	3.2	2.9
Fiscal Balance (% of GDP)	-9.2	-10.4	-7.9	-7.1	-6.2	-6.0
Debt (% of GDP)	56.8	72.4	73.3	73.1	75.9	76.4
Primary Balance (% of GDP)	-7.7	-8.8	-5.7	-4.6	-3.8	-3.6
International poverty rate ($2.15 in 2017 PPP)[a,b]	48.1	51.4	49.4	49.6	49.2	47.5
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	75.6	77.8	76.5	76.6	76.4	75.3
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	91.5	92.1	91.7	91.8	91.7	91.4
GHG emissions growth (mtCO2e)	1.3	1.7	3.4	4.0	4.3	4.4
Energy related GHG emissions (% of total)	17.0	17.4	17.6	17.7	17.8	17.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2010-EICV-III and 2016-EICV-V. Actual data: 2016. Nowcast: 2017-2021. Forecasts are from 2022 to 2024.
b/ Projection using average elasticity (2010-2016) with pass-through = 0.7 based on private consumption per capita in constant LCU.

SÃO TOMÉ AND PRÍNCIPE

Table 1	2021
Population, million	0.2
GDP, current US$ billion	0.5
GDP per capita, current US$	2361.7
International poverty rate ($2.15)[a]	15.6
Lower middle-income poverty rate ($3.65)[a]	44.8
Upper middle-income poverty rate ($6.85)[a]	79.7
Gini index[a]	40.7
School enrollment, primary (% gross)[b]	106.8
Life expectancy at birth, years[b]	70.6
Total GHG emissions (mtCO2e)	0.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2017), 2017 PPPs.
b/ WDI for School enrollment (2017); Life expectancy (2020).

São Tomé and Príncipe (STP)´s economy is suffering with the surge in commodity prices associated with the war in Ukraine, which worsened terms of trade despite better tourism prospects. Persistent electricity outages further weaken growth prospects. Inflation picked in end-June as fuel and food prices increased due to global supply bottlenecks. Expanded social protection has kept poverty stable. Geopolitical factors and delays in the implementation of structural reforms pose risks to the outlook.

Key conditions and challenges

STP is a small, remote, island economy heavily exposed to external shocks and constrained by a weak private sector and low human capital. Growth opportunities are further limited by underdeveloped infrastructure, especially unreliable and expensive electricity. STP is highly dependent on overseas development aid (ODA) and has pursued a "public expenditures-led" growth model. This growth model is unsustainable due to declining external financing and low domestic revenue mobilization.

STP's fast-growing population is young and lacks employment opportunities, relying on informal and subsistence activities. Poverty remains high, with about 15.3 percent of the population living on less than US$ 2.15/day (in 2017 PPP terms) in 2022 while another 29 percent of the population lives on less than US$ 3.65/day (the poverty line for lower middle-income countries). To reduce the poverty impact of the pandemic, the Vulnerable Families Program, introduced in 2019, was complemented with the COVID-19 response cash transfer program to provide support to 16,000 families.

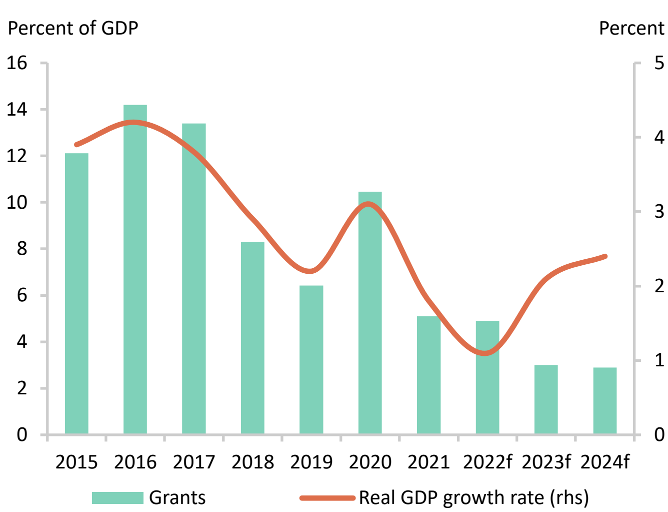
Despite a stronger tourism's recovery, the ongoing energy crisis, destructive flooding in late 2021 and May 2022, and lower-than-expected externally financed public investments continue to take a toll on STP's economy in 2022. STP remains highly vulnerable to climate change and risks stemming from its fragile energy sector that needs urgent investment and governance reforms. Reducing reliance on ODA and building the private sector's ability to generate jobs are essential for sustainable and inclusive poverty reduction. Its natural wealth, including extensive marine zone, and growing human capital present important opportunities if barriers to business can be reduced.

Recent developments

Real GDP growth is estimated to decline from 1.8 percent in 2021 to 1.1 percent in 2022 owing to persistent energy shortages, lower external financing for public investments, notwithstanding a strong recovery of tourism. The current account deficit (CAD), excluding grants, is projected to worsen to 23.6 percent of GDP due to higher fuel and other import prices and lower global demand for commodities. However, tourism's recovery is being led by the resumption of international travel, additional air connectivity to STP, and progress on COVID-19 vaccination (46.4 percent of the population fully vaccinated). The number of annual tourist arrivals reached 14,160 by July-2022 compared to 15,101 in all of 2021. Lower external financing, higher import bill, and unexpected flood-related spending reduced net international reserves to about US$ 16.3 million in end-March 2022, covering less than two months of imports.

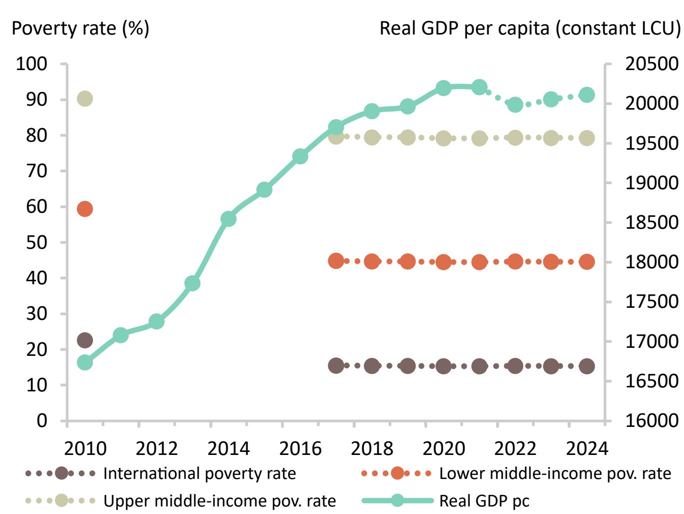
Overall fiscal revenue performance will be undermined by lower levels of domestic revenue mobilization as economic activity slows down, and delays in external grants

FIGURE 1 São Tomé and Príncipe / Real GDP growth and Grants



Sources: Ministry of Finance, IMF, World Bank MTI.

FIGURE 2 São Tomé and Príncipe / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

disbursements. Expenditures are expected to increase driven by higher cost of goods and services and adjustment in civil service wages in June, which represent around half of the total current primary spending. The domestic primary deficit (excluding oil) is projected to increase slightly from 4.5 percent in 2021 to 4.6 percent of GDP in 2022, while public sector gross debt will increase from 91.6 percent to 93.4 percent of GDP.

Inflation has surged to 16.7 percent in June 2022 from 9.5 percent in end-2021, reflecting higher global prices of imports, higher local food prices exacerbated by more expensive inputs, and the fuel price adjustments of April. Given its currency peg, the real exchange rate has appreciated, undermining competitiveness. To help in curbing inflation, the central bank raised the base interest rate from 9 percent to 10 percent in June, tightening excess liquidity.

Despite high inflation, slow recovery, and population growth outpacing economic growth, growth in agriculture, a key sector of employment, and the extension of pandemic cash transfers through the end of 2022 have propped up household incomes sufficiently to avoid increases in poverty.

Outlook

Real GDP growth is projected at 2.1 percent in 2023 supported by higher externally funded infrastructure development projects and a more robust recovery of tourism. Since growth will barely outpace projected population growth of 1.9 percent, poverty is expected to fall only marginally, reaching 15.0 percent by 2024. The CAD is projected to improve to around 20.9 percent of GDP in 2023 as tourism receipts and demand for high-value commodities gradually increase and fuel imports should gradually decline as the energy sector becomes more efficient.

The improvement in domestic resource mobilization through the introduction of VAT coupled with planned energy reforms is expected to improve the government's fiscal position, contributing to narrowing the domestic primary deficit to about 3.1 percent of GDP in 2023.

At the same time, since the COVID-19 expansion of cash transfers will end in December 2022 (reducing the number of beneficiary families from 16,000 to 4,500), it will be important to use the country's growing social protection system strategically to mitigate the poverty impact of higher consumer prices due to these reforms.

The central bank is expected to support the peg, as external financing improves and the inflation differential to the euro area moderates. Reforms in the energy sector continue to be critical to address unsettled external arrears.

The outlook is subject to substantial risks. Delays in the implementation of much needed reforms (the introduction of VAT and energy sector reforms) could narrow the fiscal space for social and infrastructure spending. Furthermore, the legislative elections on 25 September further contribute to delays in the reform agenda due to political uncertainty. Climate-related events could undermine the agricultural and fisheries sectors, and delays in externally funded projects could subdue industrial activity and strain the economy. Risks to the reform agenda are partially mitigated by the support of the multilateral development partners.

TABLE 2 São Tomé and Príncipe / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	2.2	3.1	1.8	1.1	2.1	2.4
Real GDP growth, at constant factor prices	2.5	2.3	1.5	1.1	2.1	2.4
Agriculture	1.0	-1.1	-1.0	1.0	1.5	2.0
Industry	0.7	4.4	-1.5	-1.2	-0.5	1.3
Services	3.2	2.2	2.5	1.7	2.7	2.7
Inflation (Consumer Price Index)	7.7	9.4	9.5	17.2	10.7	9.3
Current Account Balance (% of GDP)	-19.9	-11.4	-17.1	-20.3	-18.9	-17.5
Fiscal Balance (% of GDP)	-2.6	-4.9	-5.9	-6.2	-4.9	-4.0
Debt (% of GDP)	99.9	87.6	91.7	94.2	92.6	88.5
Primary Balance (% of GDP)	-2.0	-4.6	-5.7	-5.7	-4.5	-3.6
International poverty rate ($2.15 in 2017 PPP)[a,b]	15.4	15.3	15.3	15.4	15.4	15.3
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	44.7	44.5	44.5	44.7	44.6	44.6
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	79.4	79.2	79.1	79.4	79.3	79.3
GHG emissions growth (mtCO2e)	2.3	1.2	0.9	1.3	1.4	1.6
Energy related GHG emissions (% of total)	36.6	37.0	37.1	37.5	38.0	38.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Projection using point to point elasticity at regional level with pass-through = 0.87 based on GDP per capita in constant LCU. Actual data: 2017. Nowcast: 2018-2021. Forecasts are from 2022 to 2024.
b/ Actual data: 2017. Nowcast: 2018-2021. Forecasts are from 2022 to 2024. Actual data: 2017. Nowcast: 2018-2021. Forecasts are from 2022 to 2024.

SENEGAL

Table 1	2021
Population, million	17.2
GDP, current US$ billion	27.6
GDP per capita, current US$	1607.3
International poverty rate ($2.15)[a]	9.3
Lower middle-income poverty rate ($3.65)[a]	37.4
Upper middle-income poverty rate ($6.85)[a]	74.4
Gini index[a]	38.1
School enrollment, primary (% gross)[b]	83.0
Life expectancy at birth, years[b]	68.2
Total GHG emissions (mtCO2e)	35.0

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ Most recent WDI value (2020).

Growth is projected to decelerate to 4.8 percent in 2022, after reaching 6.1 percent in 2021, as domestic and external shocks dampen industrial and agricultural production. The fiscal deficit is expected to remain high, at 6.2 percent of GDP, while poverty has stagnated. Risks, mainly on the downside, include continued inflationary pressures associated with a prolonged conflict in Ukraine, ECOWAS sanctions on Mali, regional instability, climate, and domestic social unrest.

Key conditions and challenges

Senegal's economy is weathering the impact of several adverse shocks. The ongoing Ukraine conflict poses immediate challenges through higher energy and food prices. Elevated energy prices are increasing the cost of doing business, and negatively impact growth in extractive and manufacturing industries. Real GDP growth averaged 5.5 percent between 2015-21, but didn't translate into significant poverty reduction or reduced inequality. Senegal's structural long run constraints to inclusive and sustained growth include insufficient competition, inadequate private financing and uneven tax enforcement, inequitable and inefficient public social spending, and high and rigid labor costs that have constrained the development of the private sector, limiting job creation in productive sectors.

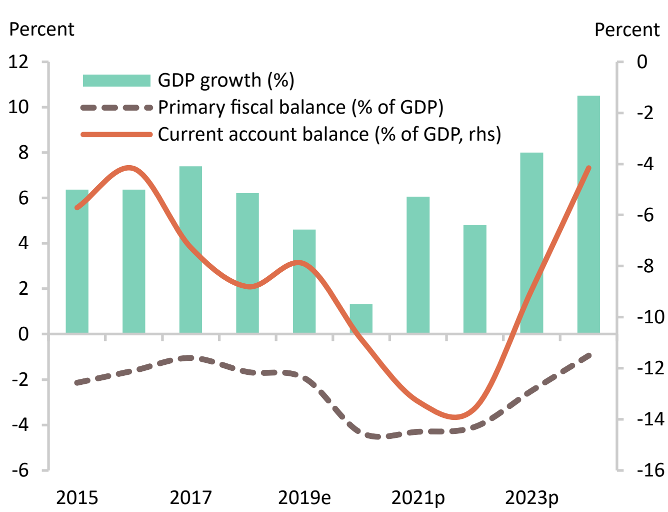
Risks are mainly on the downside. A prolonged conflict in Ukraine could keep inflation pressures elevated and further strain fiscal space to cushion the effect of the crisis on the poor, creating discontent and political instability. Senegal is also negatively affected by sub-regional insecurity, rising social and geopolitical tensions, and the tightening of international and regional financing conditions. Finally, Senegal is exposed to climate shocks (floods, droughts, and associated health hazards), which could reduce agricultural productivity, exacerbated by the recent increase in the prices of fertilizer imports.

Recent developments

Growth is estimated to decelerate to 4.8 percent in 2022 (2.1 percent in per capita terms), from 6.1 percent in 2021 (3.3 percent in per capita terms). The higher international prices for oil, fertilizer and food have depressed private consumption, and slowed industrial production in 2022. The poverty headcount rate is expected to remain stable around 37 percent (using the lower middle-income poverty line), as growth is driven mainly by urban services, while the majority of the poor derive their incomes from agriculture. High food inflation, which accounts for about half of final household consumption, has also hindered poverty reduction.

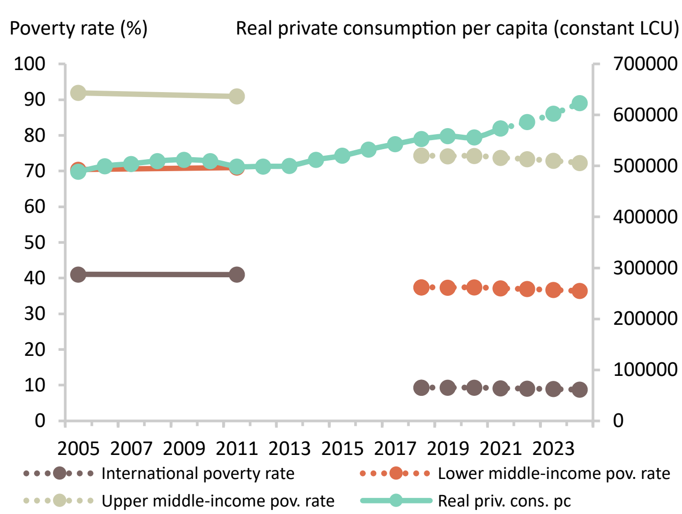
Inflationary pressures continue to negatively impact livelihoods and affecting nonmonetary dimensions of welfare, especially human capital. Inflation accelerated to 11.3 percent (y/y) in August 2022, driven mostly by a sharp increase in food prices (+17.1 percent). Rising food prices are already causing the poorest households to replace higher quality foods with poorer substitutes, with the possibility of worsening malnutrition. Previous negative shocks, such as the 2020 pandemic have already worsened food insecurity with the incidence of (moderate) food insecurity increasing from 33 percent in 2018/19 to nearly 50 percent in 2020.

FIGURE 1 Senegal / Evolution of main macroeconomic indicators



Sources: Senegalese authorities and World Bank staff calculations.

FIGURE 2 Senegal / Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Notes: see Table 2.

Monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO). Its reserves declined to 5.2 months of imports in June 2022, from 5.5 months in 2021, due to higher prices of energy and food imports from the war in Ukraine. To counter inflation pressures, the BCEAO in June and September 2022 raised rates for liquidity calls (2 percent to 2.5 percent) and the marginal lending window (4 percent to 4.5 percent). The trade deficit deteriorated to 9.4 percent of GDP in H1 2022 from 6.8 percent in H1 2021, driven by higher imports (38.9 percent, y/y), mainly petroleum products, food, and raw materials and subdued exports (a 24.6 percent (y/y) increase, driven by higher exports of phosphoric acid and petroleum products).

On the fiscal front, Government's response to rising food and energy prices included suspending customs duties on oil, rice and sugar imports, doubling budgeted energy subsidies, increasing the prices of high-octane gasoline (+15 percent) and diesel (+20 percent) and electricity tariffs for medium and high consumers (+18 percent). Social tariffs remained unchanged compared to 2021. The fiscal deficit in H1 2022 widened to 4.4 percent of GDP, compared to 3.9 in H1 2021. The 2022 budget deficit of 6.2 percent may be exceeded without additional fiscal consolidation measures in the second half of the year. Transfers and subsidies (+22 percent, y/y), interest payments (+19.6 percent) and the wage bill (+17.1 percent) drove the increase in Government consumption in H1 2022. The debt-to-GDP ratio reached 73.2 percent of GDP in 2021, a +9.4 ppt increase since 2019.

Outlook

The recovery's momentum remains uncertain and is likely to be influenced by oil price developments, social unrest, regional insecurity and monetary policy tightening, which could depress external demand. Real growth is expected to decelerate to 4.8 percent in 2022, but should rebound in 2023-2024 to an average growth of 9.3 percent, mainly driven by hydrocarbon production. Average annual inflation is expected to peak at 8.7 percent in 2022, but decelerate in the medium term as global inflation pressures and consequently government consumption for social support eases.

The Current Account Deficit (CAD) is expected to widen to 13.6 percent of GDP in 2022, as import prices, notably for energy, increase. Hydrocarbon receipts and increased regional trade should significantly improve the CAD to an average of 6.5 in 2023-2024, financed by oil-sector related foreign investment and a mix of concessional and commercial borrowing.

Government remains committed to fiscal consolidation in the medium term to keep debt on a sustainable path. Fiscal policy is expected to remain expansionary in 2022, but to decline afterwards as increases in wages, transfers and energy subsidies are not expected to continue in the medium term. The fiscal deficit is projected to average 3.8 percent in 2023-2024 driven by domestic revenue mobilization and the gradual phasing out of energy subsidies. Fiscal consolidation and growth are expected to support a decline in the debt-to-GDP ratio in 2023-2024, to an average of 68.8 percent.

TABLE 2 **Senegal** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	4.6	1.3	6.1	4.8	8.0	10.5
Private Consumption	3.8	2.2	6.0	4.9	5.5	6.1
Government Consumption	7.5	2.6	5.4	8.8	4.7	4.0
Gross Fixed Capital Investment	10.3	4.3	7.4	8.5	9.7	8.0
Exports, Goods and Services	14.7	-13.2	14.7	-1.6	10.7	22.1
Imports, Goods and Services	6.8	7.0	8.0	5.5	5.7	5.6
Real GDP growth, at constant factor prices	4.5	1.9	5.8	4.8	8.0	10.5
Agriculture	4.3	12.8	-1.0	-2.0	3.5	3.6
Industry	5.0	-0.4	10.9	3.9	10.6	17.5
Services	4.3	-0.1	5.7	7.2	8.1	9.0
Inflation (Consumer Price Index)	1.0	2.5	2.2	8.7	6.1	5.0
Current Account Balance (% of GDP)	-7.9	-10.9	-13.3	-13.6	-8.9	-4.2
Fiscal Balance (% of GDP)	-3.9	-6.4	-6.3	-6.2	-4.6	-3.1
Debt (% of GDP)	63.6	69.2	73.2	75.1	71.5	66.0
Primary Balance (% of GDP)	-1.9	-4.4	-4.3	-4.1	-2.5	-0.9
International poverty rate ($2.15 in 2017 PPP)[a,b]	9.3	9.3	9.2	9.1	8.9	8.8
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	37.4	37.4	37.1	36.9	36.7	36.4
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	74.2	74.3	73.7	73.3	72.9	72.3
GHG emissions growth (mtCO2e)	3.9	1.1	3.1	1.6	3.9	4.8
Energy related GHG emissions (% of total)	26.6	25.5	25.3	25.1	25.8	26.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2009-, 2014-, and 2018-EHCVM. Actual data: 2018. Nowcast: 2019-2021. Forecasts are from 2022 to 2024.
b/ Projection using point to point elasticity at regional level with pass-through = 0.7 based on private consumption per capita in constant LCU.

SEYCHELLES

Table 1	2021
Population, million	0.1
GDP, current US$ billion	1.5
GDP per capita, current US$	14691.9
International poverty rate ($2.15)[a]	0.5
Lower middle-income poverty rate ($3.65)[a]	1.2
Upper middle-income poverty rate ($6.85)[a]	6.7
Gini index[a]	32.1
School enrollment, primary (% gross)[b]	100.8
Life expectancy at birth, years[b]	77.2
Total GHG emissions (mtCO2e)	0.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ Most recent WDI value (2020).

Seychelles' economy continues to recover, with real GDP growth projected at 11.0 percent in 2022, driven largely by a recovery of tourism. Key risks to the outlook include inflationary pressures and lower-than-expected tourism stemming from the Ukraine war, and new COVID-19 variants. These risks could reduce household income, increase poverty, and limit the effectiveness of social transfers. Fiscal consolidation and structural reforms are therefore critical for sustaining inclusive growth.

Key conditions and challenges

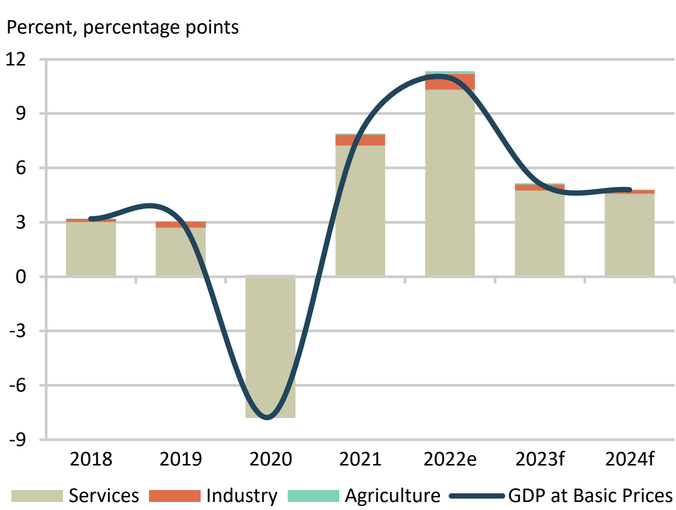
Seychelles is a small island economy heavily dependent on tourism and fisheries. Tourism centers on large hotels that offer comprehensive packages, exhibiting a high degree of vertical integration, with limited participation of local operators offering complementary services such as local restaurants, taxis, and other accommodations. The fishing industry also contains little local value added. Yet, Seychelles' tuna canneries are among the largest in the world, contributing 8 to 20 percent to GDP annually and employing 17 percent of the population. Climate change and rising sea levels have affected soil salinity and aquifers,, constraining agriculture and fisheries' growth. During the extreme rainfalls of 1997-1998 El Nino and 1998-2000 La Nina, fisheries accounted for 45 percent of total losses, followed by agriculture and tourism.

The limited domestic sources of growth, combined with a heavy reliance on imports, exposes Seychelles to external shocks. These are transmitted mainly through disruptions in international travel and tourism demand, fluctuations in fishing stocks, and unstable prices of essential commodities. In addition, Seychelles is vulnerable to new COVID-19 variants. A potential external shock from new infection waves (despite a vaccination rate of 84 percent) could adversely impact Seychelles' main tourist markets. The service sector accounts for the largest share of employment (with tourism alone directly employing an estimated 27 percent of the labor force). Adverse shocks to services could once again derail the downward trend in poverty. The recent Ukraine war would exacerbate these effects by undermining the authorities' efforts to mitigate the impact of high food and energy prices. Specifically, the needed increase in social transfers could lead to a deterioration of fiscal and debt sustainability.

Recent developments

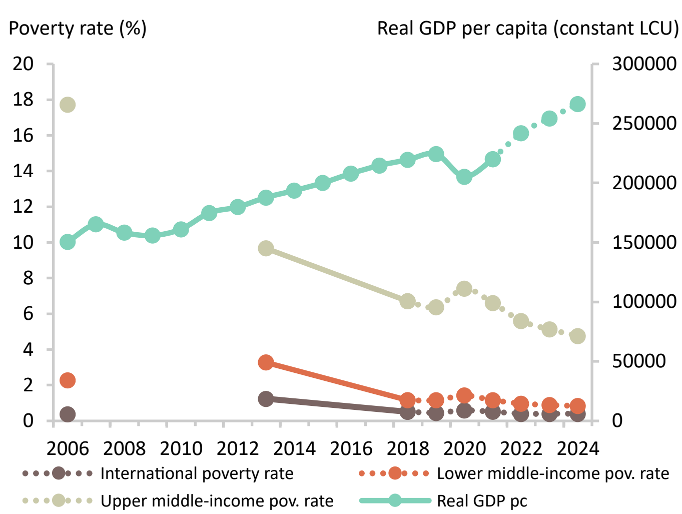
The economy has continued on its recovery path in 2022, driven by a rebound in tourism and the services sector. In the first half of 2022, tourist arrivals have been strong, reaching about 70 percent of the 2019 level (in contrast to the 60 percent decline in 2020). Although the war hurt tourist arrivals from Russia and Ukraine, increased tourist arrivals from Western Europe have helped offset this loss. As a result, tourism earnings in Q1 2022 reached pre-pandemic levels (at around SCR 650 million). Tourism growth has also helped catalyze growth in the industrial and agriculture sectors (through linkages to fisheries and canneries), buoyed by growth in private consumption. Average annual inflation has moderated, in line with an appreciation of the Seychelles rupee (as tourism has recovered). This has partly offset the upward pressure on prices from the Ukraine

FIGURE 1 Seychelles / Real GDP growth and sectoral contributions to real GDP growth



Sources: National Bureau of Statistics and World Bank staff calculations.

FIGURE 2 Seychelles / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

war and residual cost-push factors arising from pandemic-related disruptions of production, trade, and distribution channels. On the external front, the current account deficit (CAD) narrowed in the first half of 2022 due to higher tourism receipts. As a result, gross international reserves remained close to 2021 levels, reaching USD 668 million as of June 7, 2022 (or 4.1 months of imports). Freezes on staffing and wages, coupled with a year-on-year 37 percent expansion of revenues (for Q1 2022) due to robust economic growth, is expected to keep the fiscal deficit on a declining path and support debt reduction.

As tourism continues to pick up, poverty rate is projected to decline to 7.2 percent in 2022 from 7.4 percent in 2021 (when measured against the new poverty line for upper middle-income countries of USD 6.9 a day per capita in PPP terms). However, the ongoing inflationary pressures may undermine this projection if the recently announced subsidies/assistance are not well targeted to the most vulnerable households.

Outlook

The ongoing rebound in tourism and activity will lead to growth peaking at 11.0 percent in 2022 before eventually moderating to about 5.0 percent in the medium-term. Tourist arrivals and investments in large resorts will continue to be the key growth driver over in the medium-term, complemented by growth in private consumption. Higher food and fuel prices are expected to raise inflation in 2023. Thereafter, price pressures should moderate, reflecting strong growth prospects and a stable rupee backed by recovering tourist arrivals. The current account deficit is projected to peak in 2022 (due to higher import prices of fuel and wheat), then narrow over the medium term as tourism inflows rebound and FDI inflows increase. Tourist earnings are expected to reach 2019 levels by 2024.

Fiscal consolidation is the key priority for a sustained downward debt trend, with an expected reduction in the deficit to 3.8 percent by end-2022. The GoS will continue to contain wages and salaries, at around 11 percent of GDP over the medium term, and to rationalize expenditures on goods and services. Increased capital expenditure on some new capital projects (i.e., drug rehabilitation center, La Digue hospital) will be financed by grants. Revenues are projected to remain buoyant, supported by efforts to improve tax administration and compliance. Savings from fiscal consolidation will help finance increased transfers (of an estimated 0.3 percent of GDP), to support low-income households in dealing with the impact of higher- than-expected inflation.

As growth continues to pick up, poverty will reach pre-pandemic levels of 6.4 percent by 2023 and decline further to 5.7 percent by 2024 as inflation stabilizes. This may further be boosted as Aeroflot is planning to resume direct flights to Seychelles before the end of the year since Russian tourists made up nearly 14 percent of Seychelles tourists in early 2022 before the onset of the Ukraine war. However, given how long the war is dragging on, this prospect is not fully certain.

TABLE 2 Seychelles / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	3.1	-7.7	7.9	11.0	5.2	4.8
Private Consumption	5.9	-5.0	8.9	9.2	2.5	5.9
Government Consumption	0.8	11.0	2.3	4.3	2.1	1.7
Gross Fixed Capital Investment	-1.7	-33.6	22.0	18.9	9.9	4.0
Exports, Goods and Services	3.1	-35.7	12.3	17.6	17.3	17.3
Imports, Goods and Services	2.0	-34.2	14.4	15.3	14.4	14.9
Real GDP growth, at constant factor prices	3.1	-7.7	7.9	11.0	5.2	4.8
Agriculture	2.2	-0.3	2.7	6.9	3.4	1.1
Industry	3.2	0.8	5.1	7.8	3.0	2.0
Services	3.1	-8.9	8.4	11.5	5.5	5.2
Inflation (Consumer Price Index)	1.8	1.2	9.8	4.1	4.7	1.5
Current Account Balance (% of GDP)	-16.1	-21.9	-20.1	-22.4	-19.3	-17.4
Net Foreign Direct Investment Inflow (% of GDP)	16.0	10.7	10.2	11.0	10.6	11.2
Fiscal Balance (% of GDP)	-0.8	-18.4	-5.6	-3.8	-0.8	1.1
Debt (% of GDP)	58.0	88.7	76.2	73.3	67.0	61.3
Primary Balance (% of GDP)	2.6	-14.8	-2.9	-1.4	1.8	2.9
International poverty rate ($2.15 in 2017 PPP)[a,b]	0.5	0.6	0.5	0.4	0.4	0.4
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	1.2	1.4	1.2	1.0	0.9	0.8
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	6.4	7.4	6.6	5.6	5.1	4.8
GHG emissions growth (mtCO2e)	5.0	-2.0	-29.2	8.2	5.3	7.2
Energy related GHG emissions (% of total)	78.8	79.8	70.7	72.3	73.1	74.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2018-HBS. Actual data: 2018. Nowcast: 2019-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2018) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

SIERRA LEONE

Table 1	2021
Population, million	8.1
GDP, current US$ billion	4.0
GDP per capita, current US$	490.5
International poverty rate ($2.15)[a]	26.1
Lower middle-income poverty rate ($3.65)[a]	64.3
Upper middle-income poverty rate ($6.85)[a]	89.9
Gini index[a]	35.7
School enrollment, primary (% gross)[b]	141.3
Life expectancy at birth, years[b]	55.1
Total GHG emissions (mtCO2e)	9.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ Most recent WDI value (2020).

A nascent economic recovery from the pandemic was disrupted in 2022 by a net negative terms-of-trade shock with the onset of the war in Ukraine. Domestic inflation accelerated and presented risks to social and political stability. Back-to-back economic shocks have aggravated fiscal pressures and risks to debt sustainability. Slower growth and higher food inflation have intensified food insecurity and slowed the pace of poverty reduction.

Key conditions and challenges

Sustained economic growth has been constrained by (i) exposure to multi-dimensional exogenous shocks (economic, epidemic, climactic); (ii) fragile institutions; and (iii) limited fiscal space. Agriculture and mining account for two-thirds of all economic output. Thus, the economy is vulnerable to global commodity price fluctuations and climatic shocks. Institutions are under-resourced, and inefficiencies compounded by corruption. Fiscal space is limited and insufficient to bridge significant social and physical infrastructure deficits.

Since the 2010s, the economy has been affected by back-to-back crises, interspersed with periods of short-lived recovery: the Ebola epidemic (2014-16), the collapse in global commodity prices (2015-16), mudslide in Freetown (2017), COVID-19 pandemic (2020), and implications of the war in Ukraine (March 2022 onwards).

Accelerating inflation and intensifying fiscal pressures pose significant risks to the economic outlook. Risks of social instability have also risen, as witnessed during the violent riots in August 2022 which left 20 people dead.

Recent developments

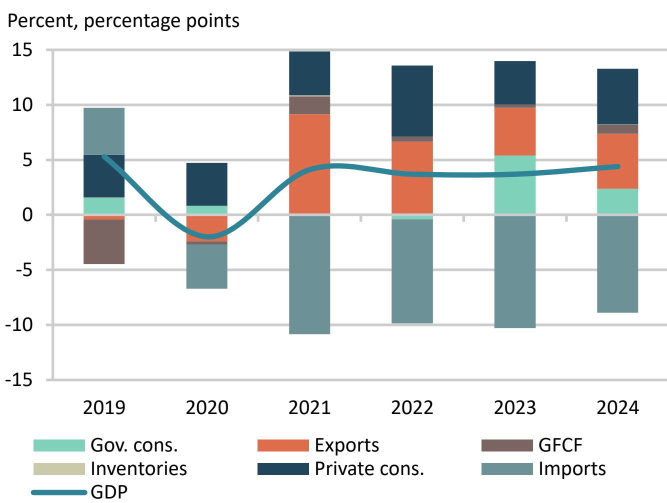
In 2021, GDP growth reached 4.1 percent, driven by a rebound in private consumption and mining activity. However, in 2022, this nascent recovery was disrupted by a net negative terms-of-trade shock with the onset of the war in Ukraine and the rise in global food and fuel prices (only partially mitigated by higher prices for key exports). The rise in fuel prices also caused pervasive power outages.

Higher inflation has put pressure on the Leone, which has depreciated by over 20 percent since end-2021, further fueling imported inflation. Bank of Sierra Leone raised the monetary policy rate by 175 basis points during 2022, but monetary policy effectiveness is limited by a shallow financial sector and fiscal dominance (over 3/4th of domestic credit is to the government). This sovereign-banking nexus has supported stability in the financial sector, despite an increase in nonperforming loans (by 2.4 pp during 2021 to 14.8 percent of loans).

Fiscal pressures have intensified. In response to COVID-19, the deficit rose from 3.1 percent of GDP in 2019, to average 6.2 percent of GDP during 2020-21. During 2022, inflationary pressures have prompted authorities to increase energy subsidies and cash transfers to vulnerable households, slowing the planned fiscal consolidation.

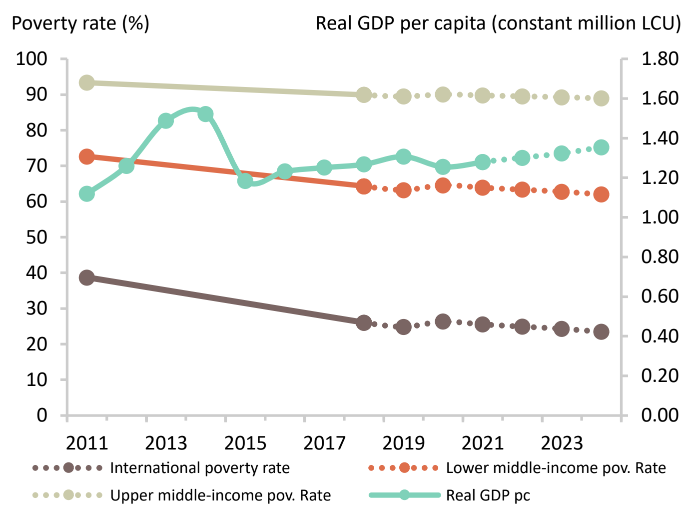
After dropping to 7.0 percent of GDP in 2020, the current account deficit rose to 14.5 percent of GDP in 2021, in line with historical averages, as the economy recovered, and trade flows resumed. An increase in mining FDI due to resumption of operations at the Marampa mine, an additional allocation of Special Drawing Rights (SDR), and emergency support from the IMF and WB boosted external reserves

FIGURE 1 Sierra Leone / Real GDP growth and contributions to real GDP growth



Sources: Sierra Leone authorities and World Bank staff estimates and projections.

FIGURE 2 Sierra Leone / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

(>5 months of imports) in 2021. However, rising debt service obligations and increased forex demand for imports have eroded reserves through 2022.

High food and fuel inflation, and lower-than-normal agricultural yields, had significant social impacts. According to the World Food Programme (2022), 73 percent of Sierra Leoneans are food insecure. The poverty rate is estimated to have increased during the pandemic in early 2020. However, since 2021, poverty is estimated to have declined, albeit slowly, because GDP growth occurred mostly in the capital-intensive mining sector. These estimates are based on real per capita GDP growth and don't consider the additional distributional impact of food and energy inflation, which have a proportionately higher effect on the poorer segments of the population.

Outlook

GDP growth is now projected at 3.7 percent during 2022, down from 5 percent projected at the end of 2021. It will be supported by: (i) resumption of iron-ore mining at Marampa and Tonkolili, for the first time since Ebola; and (ii) a gradual recovery in consumption demand. However, supply chain disruptions and inflationary pressures caused by the war in Ukraine will dampen investments and slow the recovery in private consumption. Over the medium-term, GDP growth is projected to average 4 percent, but remain below the long-term average of 4.3 percent, reflecting economic scarring from repeated shocks. Inflation will remain elevated (averaging 22 percent in 2022) and moderate gradually to 18 percent by 2024, in line with global projections for commodity prices and pick-up in domestic food production.

The overall fiscal deficit is projected at 5.0 percent of GDP in 2022, 1.2 percentage points higher than the original budget. However, it is expected to decline to about 3 percent of GDP by 2024, as the authorities strengthen expenditure controls and improve revenue mobilization through the development of a medium-term revenue strategy.

The current account deficit is expected to narrow to 12.7 percent of GDP by 2024 as the recovery in the mining sector boosts exports. However, import growth is also expected to remain high driven by persistent high food and fuel prices, and a gradual rebound in aggregate demand (including from public investments). The deficit is expected to be financed over the medium-term by FDI in mining and agriculture and continued access to concessional financing from multilateral.

The poverty rate (at PPP US$2.15/day) is expected to decline moderately given the pick-up in economic growth, driven largely by the mining sector. Reducing poverty and food insecurity would require raising agricultural productivity, which employs nearly 80 percent of the population, and creating jobs outside agriculture for low-skilled workers.

Besides commodity price fluctuations, the main risks to the outlook stem from rising public discontent, and uncertainties associated with the upcoming general elections. Any aggravation of the negative terms-of-trade shock could destabilize inflation and cause further public expenditure overruns. Higher food inflation would hurt the poor disproportionately. Rising inflation can further spur public discontent and rioting, which could hamper the authorities' reform appetite ahead of general elections in mid-2023, resulting in the populist policies.

TABLE 2 **Sierra Leone** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022f	2023f	2024f
Real GDP growth, at constant market prices	5.3	-2.0	4.1	3.7	3.7	4.4
Private Consumption	4.3	4.3	4.2	6.7	4.0	5.1
Government Consumption	5.1	2.7	0.1	-1.2	18.2	7.0
Gross Fixed Capital Investment	-34.2	-4.1	22.2	5.3	3.4	9.5
Exports, Goods and Services	-1.6	-9.8	40.8	22.0	12.2	13.0
Imports, Goods and Services	-7.0	7.5	18.5	14.2	14.0	11.0
Real GDP growth, at constant factor prices	5.3	-2.0	4.1	3.7	3.7	4.4
Agriculture	5.4	1.6	2.5	2.8	3.0	3.2
Industry	10.9	-7.1	17.4	9.0	8.0	9.8
Services	3.8	-5.9	3.3	3.5	3.4	4.5
Inflation (Consumer Price Index)	14.8	13.5	11.9	21.9	21.0	18.0
Current Account Balance (% of GDP)	-15.3	-7.0	-14.5	-14.9	-13.9	-12.7
Net Foreign Direct Investment Inflow (% of GDP)	7.9	3.4	8.7	8.4	6.4	5.5
Fiscal Balance (% of GDP)	-3.1	-5.8	-6.6	-5.0	-4.5	-3.0
Debt (% of GDP)	70.9	76.3	78.8	81.0	80.7	78.1
Primary Balance (% of GDP)	-0.4	-2.7	-3.4	-2.1	-1.5	0.1
International poverty rate ($2.15 in 2017 PPP)[a,b]	24.9	26.3	25.6	24.9	24.3	23.5
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	63.2	64.6	63.9	63.3	62.8	62.0
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	89.5	90.1	89.8	89.5	89.3	88.9
GHG emissions growth (mtCO2e)	-2.7	-1.4	0.7	6.4	0.8	0.6
Energy related GHG emissions (% of total)	9.5	9.1	9.0	8.5	8.5	8.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2011-SLIHS and 2018-SLIHS. Actual data: 2018. Nowcast: 2019-2021. Forecasts are from 2022 to 2024.
b/ Projection using point-to-point elasticity (2011-2018) with pass-through = 0.6 based on GDP per capita in constant LCU.

SOMALIA

Table 1	2021
Population, million[a]	15.2
GDP, current US$ billion	7.6
GDP per capita, current US$	502.2
International poverty rate ($2.15)[b]	70.7
Gini index[b]	36.8
School enrollment, primary (% gross)[c]	33.0
Life expectancy at birth, years[d]	57.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Estimates based on 2013 population estimates by UNFPA and assumes an average annual population growth of 2.8%.
b/ Most recent value (2017), 2017 PPPs.
c/ Somali Poverty and Vulnerability Assessment Report (World Bank, 2019).
d/ Most recent WDI value (2020).

2021 saw a modest economic rebound at 2.9 percent, on par with the population growth rate. Despite an improvement in political stability following the conclusion of the elections, economic growth in 2022 is projected to decline to 2.2 percent. Drought conditions have worsened, commodity prices have increased, and humanitarian support has been insufficient for addressing high levels of food insecurity. Internal displacement is widespread, and poverty is projected at 72 percent.

Key conditions and challenges

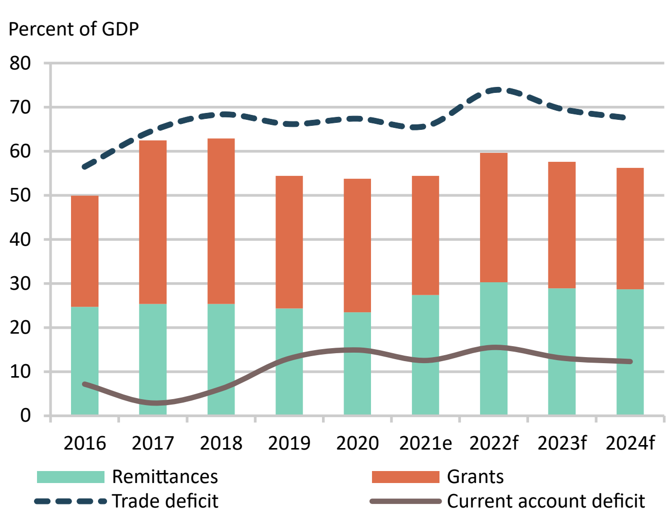
As a legacy of decades of conflict and fragility, the Somali economy does not generate the jobs and incomes needed to reduce poverty. Economic growth has been slow and insufficient to keep up with population growth. Real GDP growth averaged only 2.9 percent between 2014 to 2021 with no growth in per capita terms. Overall employment remains low; less than half of the Somali working-age population is actively participating in the labor market with lower participation among women and youth, at 43 percent and 39 percent, respectively. The economy is extremely vulnerable to natural disasters and external economic shocks. Cycles of floods and droughts have become increasingly frequent, damaging traditional agriculture-based livelihood systems, and contributing to widespread food insecurity and internal displacement. Somalia is in debt distress and depends on official development assistance (ODA) and external remittances to finance consumption and the large trade deficit which averaged 67 percent of GDP in 2020 and 2021.

To achieve sustained economic growth, Somalia will need to build resilience to shocks. While more urbanized parts of the economy continue to develop, including the booming new services sectors such as telecommunications, there are insufficient jobs to move people out of poverty. The country lacks monetary policy instruments and there is negligible fiscal space to respond to shocks or to invest in much-needed human and physical capital. Encouraging broad-based private sector activity including entrepreneurial activities for women and youth can help the economy to increase domestic production capacity and move away from a consumption-driven economy dependent on external flows. Somalia is participating in the Heavily Indebted Poor Countries (HIPC) initiative to address high levels of indebtedness for loans contracted before the civil war. Reaching the HIPC Completion Point milestone is envisaged in the second half of 2023, which would enable Somalia to qualify for debt relief and provide enhanced access to finance for development priorities.

Recent developments

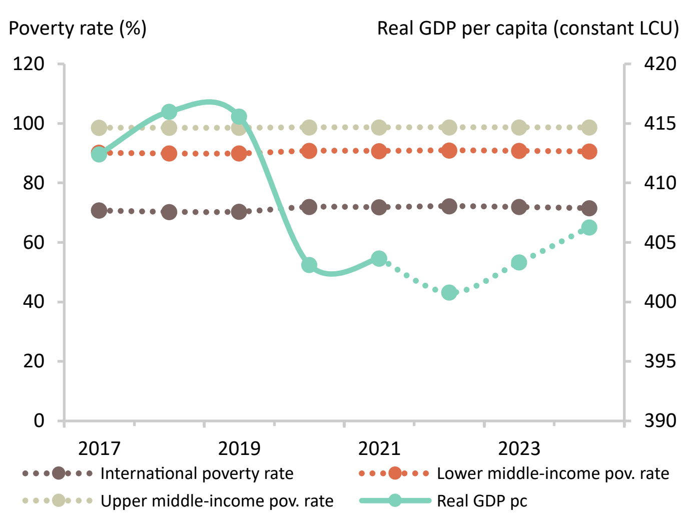
Somalia is experiencing a severe drought with famine conditions emerging in some parts of the country, which is preventing the economy from sustaining a modest rebound in growth. Real GDP growth is projected to slow down to 2.2 percent in 2022, from 2.9 percent in 2021. Exports, which are dominated by livestock, have been adversely affected by the drought, while the import bill has risen by 10 percent y-o-y as food and energy costs increased globally. Overall, the trade deficit is estimated to widen by 8.3 percentage points to 74 percent of GDP. Commodity prices which started rising in mid-2021 following challenges in global supply chains continue to

FIGURE 1 Somalia / External position



Source: Somalia Authorities & World Bank Staff Calculations.

FIGURE 2 Somalia / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

increase due to the worsening drought conditions, as well as the impacts of the Ukraine war. Inflation reached 7.7 percent in July 2022 (y-o-y) compared to 4.3 percent in the same period in 2021.

Poverty in Somalia is deep and widespread, increasing susceptibility to negative shocks. An estimated 72 percent of the population lived below the poverty line in 2021 with the majority of the population having experienced a reduction in income compared to pre-pandemic levels. The modest economic rebound pushed nominal GDP per capita to US$502 in 2021 from US$466 in 2020, but there has been no growth in real GDP per capita. The worsening drought conditions are estimated to have led to nearly 50 percent of the population being food insecure and 1 million people displaced from their homes as rural dwellers seek access to food and basic services in urban areas by end of July 2022. This growing size of the internally displaced population is likely to contribute to greater vulnerability and poverty overall. Increasing remittance inflows and grants (jointly estimated at 60 percent of GDP) as well as the government's social protection program, Baxnaano, are providing some relief to the challenging economic situation.

Somalia's fiscal situation has been challenging in 2022. While domestic revenue mobilization recovered to the pre-COVID-19 pandemic levels, the tax-to-GDP ratio remains low at 2 percent. Following the peaceful conclusion of parliamentary and presidential elections in 2022, the new government should be in a position to focus on taking measures to build economic resilience including expanding revenue mobilization, which is currently dominated by trade-related taxes.

Outlook

The economy is expected to pick up over the medium term, with growth projected to expand to 3.6 percent in 2023 and 3.7 percent in 2024. The peaceful conclusion of elections is expected to increase business confidence and encourage new investments. Improved growth conditions for Somalia's main trading partners, the Gulf Cooperation Council countries, are projected to contribute to an increased demand for the country's livestock exports. Ongoing investments in sectors such as energy, transport, education, and health are expected to improve conditions for trade and gradually contribute to improvements in human capital. Furthermore, upon reaching the HIPC Completion Point milestone Somalia is expected to access new sources of financing to boost economic growth and resilience.

The international poverty rate is projected to remain at around 72 percent between 2022 and 2024. Accelerating the pace of poverty reduction will require policy interventions and public investments that raise productivity, create jobs, and expand pro-poor programs which focus on women and youth.

TABLE 2 Somalia / Macro poverty outlook indicators (percent of GDP unless indicated otherwise)[a]

	2019	2020	2021e	2022f	2023f	2024f
Real GDP growth, at constant market prices	2.7	-0.3	2.9	2.2	3.6	3.7
CPI inflation, annual percentage change	4.5	4.3	4.6	8.5	3.6	3.8
Current account balance	-13.0	-14.9	-12.5	-15.5	-13.1	-12.3
Trade balance	-66.2	-67.4	-65.7	-73.9	-69.6	-67.5
Private remittances	24.3	23.5	27.4	30.3	28.9	28.7
Official grants	30.1	30.3	27.0	29.4	28.7	27.6
Fiscal balance[b]	0.3	0.4	-1.1	0.2	-0.1	-0.2
Domestic revenue	3.5	3.1	3.0	3.1	3.4	3.7
External grants	1.7	4.3	1.9	4.3	3.3	2.2
Total expenditure	4.9	7.0	6.0	7.3	6.8	6.1
Compensation of employees	2.5	3.3	3.3	3.3	3.1	2.9
External debt	82.0	56.8	45.0	44.0	6.5	9.0
International poverty rate ($2.15 in 2017 PPP)[c,d]	70.3	71.9	71.9	72.2	71.9	71.5
Lower middle-income poverty rate ($3.65 in 2017 PPP)[c,d]	90.0	90.8	90.8	90.9	90.8	90.6
Upper middle-income poverty rate ($6.85 in 2017 PPP)[c,d]	98.5	98.7	98.7	98.7	98.7	98.7

Sources: Federal Government of Somalia, IMF, and World Bank staff estimates.
Notes: e = estimate; f = forecast.
a/ GDP baseline estimates 2019-21 are by Somalia National Bureau of Statistics (SNBS, June 2022).
b/ Federal Government of Somalia (FGS).
c/ Calculations based on 2017 SHFS-wave 2. Actual data: 2017. Nowcast: 2018–21. Forecasts are from 2022–24.
d/ Projection using neutral distribution (2017) with pass-through = 1 based on private consumption per capita in constant US dollars.

SOUTH AFRICA

Table 1	2021
Population, million	60.0
GDP, current US$ billion	421.2
GDP per capita, current US$	7015.8
International poverty rate ($2.15)[a]	20.5
Lower middle-income poverty rate ($3.65)[a]	40.0
Upper middle-income poverty rate ($6.85)[a]	61.6
Gini index[a]	63.0
School enrollment, primary (% gross)[b]	98.4
Life expectancy at birth, years[b]	64.4
Total GHG emissions (mtCO2e)	560.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2014), 2017 PPPs.
b/ WDI for School enrollment (2019); Life expectancy (2020).

The South African economy continues to recover, albeit more slowly than expected, with growth estimated at 1.9 percent in 2022. Employment growth picked up in the first half of 2022, but the labor market situation remains challenging. Poverty has reached levels not seen for more than a decade, while inflation has increased to a 13-year high. The outlook is clouded with risks, and sustained reforms and investments are required to support better growth outcomes and poverty reduction.

Key conditions and challenges

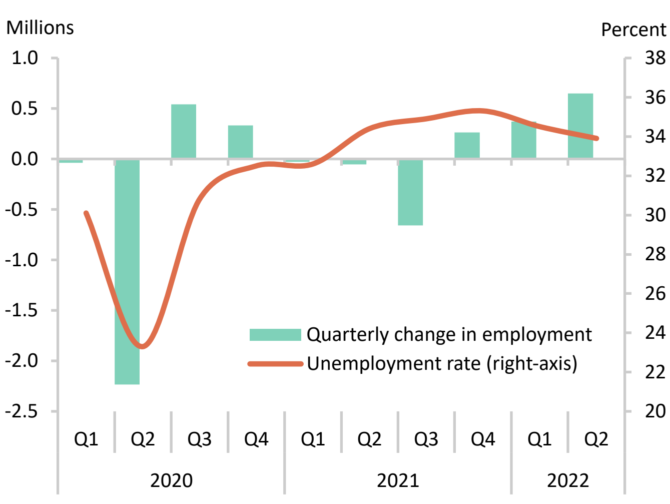
South Africa's economy only expanded by an average of 1.0 percent between 2012 and 2021, leading to a contraction of income per capita of 5.6 percent during this period. GDP rebounded 4.9 percent in 2021 but remained below pre-Covid levels. The country's long-standing weak performance has been rooted in persistent structural constraints, especially in the energy sector, and in low and uneven human capital development. Low investment has been a significant drag on economic performance, exacerbating the decline in potential output amid weak business confidence and limited competition in several priority sectors.
The adverse welfare effects of the pandemic remain visible. In April, South Africa ended a two-year National State of Disaster related to COVID-19. However, the virus has left significant scarring on the economy since around 821 thousand fewer people were employed in Q2-2022 compared to pre-COVID levels. The absence of pro-job growth explains that only 38.7 percent of the working-age population is employed. Job losses have been higher for the more vulnerable, exacerbating inequality, which was already among the highest in the world (Gini Index of 67 in 2018). As a result, it is estimated that poverty rates (63.1 percent in 2021 based on the upper middle-income poverty line) have climbed back to levels of more than a decade ago, and an additional 1.5 million people are poor relative to 2019.

South Africa's growth recovery is fragile as it is not broad-based and exposed to the negative impacts associated with the energy crisis on businesses and households. External and fiscal accounts have benefited from the recent upswing in commodity prices but the country's heavy trade reliance on commodities and the government's high debt level continue to make them vulnerable to shocks, including weaker global growth and climate risks. Today, real GDP per capita resembles the levels seen over a decade ago. A lack of improvement in living standards would threaten social stability and put additional pressure on public finances, which are already strained.

Recent developments

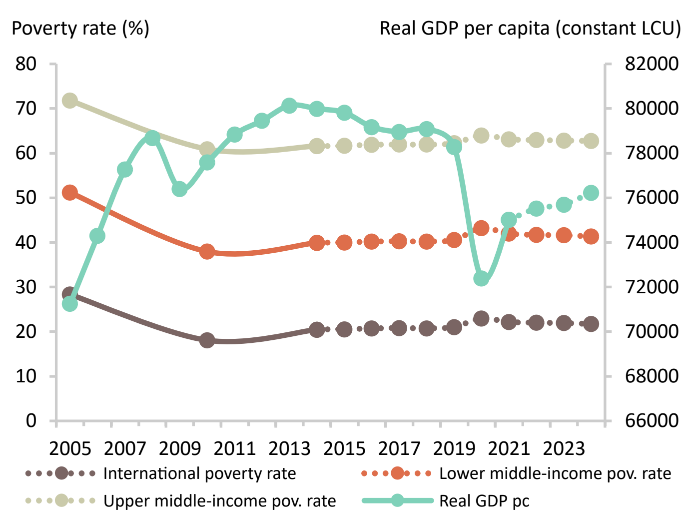
South Africa's economy began 2022 on a positive note but a multiplicity of shocks subsequently hit economic momentum. Real GDP increased by 1.7 percent QoQ in the first quarter, driven by manufacturing, trade, and financial services. However, the economy contracted in Q2 by 0.7 percent because of the devastating flooding in the KwaZulu-Natal province, and the intensification of electricity supply shortages, which hurt confidence and restrained industrial output and activity in other sectors. Price pressures also increased due to the effects of the Ukraine war. The escalation of load shedding drove the government to launch a new energy plan in July to end the power crisis in the medium-term. While growth momentum was disrupted, the unemployment rate declined

FIGURE 1 South Africa / Employment growth and unemployment rate



Sources: Statistics South Africa and World Bank.

FIGURE 2 South Africa / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

to 33.9 percent in Q2, albeit still above the elevated pre-pandemic levels.

The war-induced spike in commodity prices boosted South Africa's export prices but also raised input costs. The current account surplus improved to 3.7 percent of GDP in 2021 but deteriorated in the first half of 2022. Higher mineral prices provided a windfall for tax revenues as miners' earnings remained firm, leading to a lower than expected fiscal deficit of 5.0 percent of GDP in FY2021/22. Public debt as a share of GDP was equal to 67.4 percent at the end of FY2021/22, lower than in FY2020/21 due the relatively rapid GDP growth rate.

The shock from the Ukraine war propelled the rise in domestic energy and food prices, underpinning the increase in headline inflation to a 13-year high of 7.8 percent YoY in July. To counter inflation risks and contain the rise in inflation expectations, the South African Reserve Bank accelerated monetary tightening in recent months, taking its cumulative hikes to 275 basis points thus far in the current cycle.

Outlook

GDP growth is expected to ease to 1.9 percent in 2022 and average below this rate in 2023 and 2024. The outlook is in the context of strong realized growth in the first quarter, the full reopening of the economy, planned infrastructure spending, and the partial rebound from the direct shocks which hindered growth in Q2, particularly severe flooding. In the absence of reforms, structural bottlenecks will continue to hamper growth outcomes, including the extent of electricity shortages and logistical constraints. Investment is expected to slightly improve from low levels.

The economic outlook is clouded with risks, concerning slowing global growth, persistent spillovers from the war in Ukraine on input costs, and a further tightening in global financial conditions.

South Africa's expected growth remains insufficient to address socio-economic challenges. The unemployment rate is expected to remain elevated over the medium run, hindering progress in reducing poverty and inequality. The poverty rate is estimated to hover around 63 percent between 2022 and 2024. Headline inflation is projected to average 6.8 percent in 2022, heavily affecting the most vulnerable and eliciting further monetary tightening.

Revenue overperformance has mitigated the deterioration in public finances over the last two years, but significant vulnerabilities persist. The revenue windfall associated with higher global commodity prices is considered temporary, and limiting fiscal slippages remains critical. The acceleration in inflation has fueled demand for wage increases. Nevertheless, keeping the growth of the wage bill under control, limiting transfers to financially distressed SOEs, and containing the expansion of social protection programs (beyond the SRD grant) will be essential to protect fiscal sustainability. Public sector financing needs are expected to remain large, and higher interest rates will impact the pace of fiscal consolidation.

TABLE 2 South Africa / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	0.3	-6.3	4.9	1.9	1.4	1.8
Private Consumption	1.2	-5.9	5.6	2.6	2.2	2.0
Government Consumption	2.1	0.8	0.6	0.4	-1.7	0.8
Gross Fixed Capital Investment	-2.1	-14.6	0.2	4.2	4.8	4.8
Exports, Goods and Services	-3.4	-11.9	10.0	6.7	2.3	3.0
Imports, Goods and Services	0.4	-17.4	9.5	11.9	4.9	4.5
Real GDP growth, at constant factor prices	0.2	-5.9	4.7	1.9	1.4	1.8
Agriculture	-6.4	14.9	8.8	0.9	2.0	2.0
Industry	-1.5	-12.5	6.1	-2.5	1.5	1.1
Services	1.1	-4.4	4.1	3.3	1.3	2.0
Inflation (Consumer Price Index)	4.1	3.3	4.6	6.8	5.7	4.6
Current Account Balance (% of GDP)	-2.6	2.0	3.7	0.2	-1.6	-2.1
Net Foreign Direct Investment Inflow (% of GDP)	0.5	1.5	9.7	0.5	0.6	0.6
Fiscal Balance (% of GDP)	-5.0	-10.0	-5.0	-5.8	-5.7	-5.3
Debt (% of GDP)	57.2	70.2	67.4	71.8	74.9	77.4
Primary Balance (% of GDP)	-1.5	-5.8	-0.8	-0.9	-0.5	0.0
International poverty rate ($2.15 in 2017 PPP)[a,b]	21.0	23.0	22.2	22.0	21.9	21.7
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	40.6	43.2	42.0	41.7	41.6	41.3
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	62.3	64.0	63.1	63.0	62.9	62.8
GHG emissions growth (mtCO2e)	1.0	-1.0	0.7	0.6	0.3	0.5
Energy related GHG emissions (% of total)	78.3	78.0	78.2	78.0	77.7	77.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2014-LCS. Actual data: 2014. Nowcast: 2015-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2014) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

SOUTH SUDAN

Table 1	2021
Population, million	11.4
GDP, current US$ billion	5.0
GDP per capita, current US$	437.3
International poverty rate ($2.15)[a]	67.3
Lower middle-income poverty rate ($3.65)[a]	86.5
Upper middle-income poverty rate ($6.85)[a]	96.6
Gini index[a]	44.2
School enrollment, primary (% gross)[b]	73.0
Life expectancy at birth, years[b]	58.1
Total GHG emissions (mtCO2e)	60.8

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2016), 2017 PPPs.
b/ WDI for School enrollment (2015); Life expectancy (2020).

Despite high oil prices, the economy is projected to contract by 2.8 percent in FY2021/22 due to falling oil production and weather-related and external shocks. These, coupled with structural challenges related to weak governance, inadequate service delivery, and ongoing localized conflict, contributed to high levels of food insecurity and widespread poverty. Key downside risks include heightened conflict, climate shocks, and adverse terms of trade amid limited fiscal resources and pressing humanitarian needs.

Key conditions and challenges

A decade after independence, South Sudan's development prospects remain constrained by high levels of fragility amid localized/inter-communal conflict. A 2018 peace agreement ended five years of civil war; however, the transition period needed for its full implementation has been extended until 2025. The country is vulnerable to climate change and external shocks. Oil accounts for nearly all exports and around 90 percent of government revenues. A modest economic recovery in 2019 was upended by historic floods and the COVID-19 pandemic that led to a massive loss in oil revenues. The government's response – salary arrears and reliance on monetary financing – further compounded economic hardship and added to currency and inflation pressures.

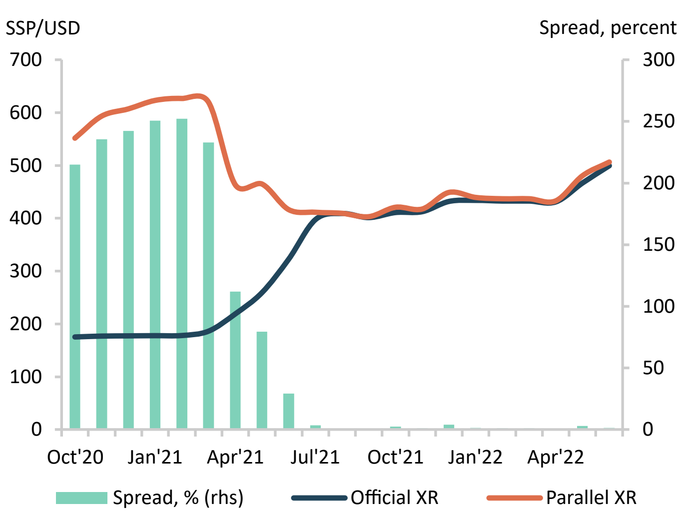
Since 2021, reforms initiated under an IMF staff-monitored program have helped improve macroeconomic and price stability. Higher oil prices following the Ukraine war have supported FX buffers and fiscal revenues. Poverty, however, remains dire, with 7 in 10 people living in extreme poverty. Some 8.3 million people, comprising 75 percent of the population, face severe food insecurity made worse by higher global food prices and domestic floods. In addition, 2.2 million people are internally displaced (55 percent of whom were women and girls), up from 2 million in 2021. An additional 2.3 million remain refugees in neighboring countries.

External risks relate to adverse global oil and food prices that reduce scarce fiscal resources amid pressing humanitarian needs. Implementing the 2018 peace deal, the timeline for which was recently extended by 2 years, is essential for domestic peace and stability and the resumption of growth. Macroeconomic, governance, and transparency reforms are urgent to ensure scarce resources are spent on development needs and to facilitate a sustainable and inclusive economic recovery. Reforms and investments are especially critical in agriculture, which supports livelihoods for 80 percent of the population; these will help to support diversification away from the oil sector, create jobs, and build resilience to climate change.

Recent developments

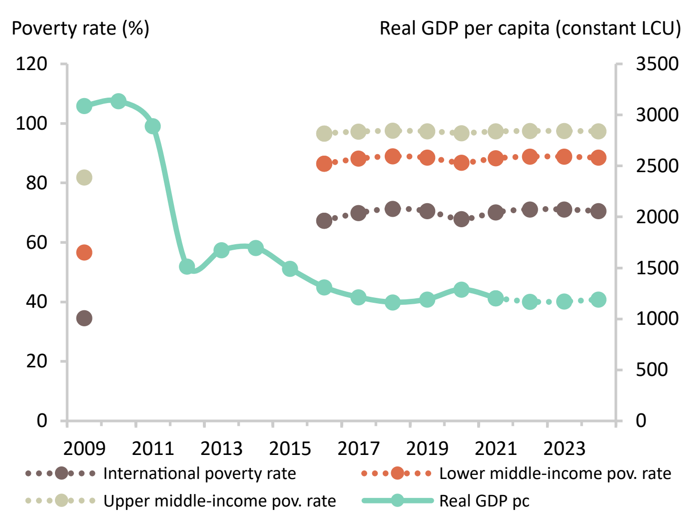
Economic activity has remained weighed down by a fourth consecutive year of flooding, lingering impacts of the COVID-19 pandemic, violence flareups, and higher food inflation due to the war in Ukraine. Oil production fell 8.6 percent in FY2021/22 due to floods and COVID-related delays in investments to replace exhausted wells. Agricultural prospects remain disappointing: the cereal deficit in 2022 is estimated at 541,000 tons (16 percent higher than in 2021), mainly driven by reduced yields due to widespread floods and prolonged dry spells. GDP is estimated to contract by 2.8 percent in FY 2021/22,

FIGURE 1 South Sudan / Exchange rate developments



Source: World Bank.

FIGURE 2 South Sudan / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

following a 5.1 percent decline the previous year.

Tighter monetary policy and successful exchange rate reforms in 2021 helped to ease inflation pressures, which averaged 22 percent in FY2021/22, vs. 43.1 percent in FY2020/21. Official Juba CPI data shows year-on-year inflation dropped to -11.5 in June 2022; however, monthly inflation momentum has increased since March in line with global food prices. The exchange rate premium between official and parallel markets has increased, albeit modestly, following the appreciation of USD and drawdown on FX deposits at the central bank by the Ministry of Finance to reduce salary arrears.

Notwithstanding higher oil revenues, fiscal pressures remained significant in FY2021/22due to rising road investments, reduction of arrears, and unanticipated debt repayments.

The FY2022/23 draft budget envisages sustained increases in capital expenditures, a 20 percent increase in public sector salaries to protect against the impacts of inflation, and rising transfers to regions, which will widen the fiscal deficit. Public financial management (PFM) reforms to strengthen expenditure controls and cash management have been initiated, including an IFMIS. But there is limited transparency on oil revenues, including servicing of nonconcessional external debt. South Sudan remains at a high risk of debt distress for both external and domestic debt.

Rising food import costs have been offset by higher oil export revenues, completion of transfers to Sudan, and weaker demand for capital imports. Consequently, the current account shifted to a surplus of 0.8 percent of GDP from a deficit of 5.5 percent.

Outlook

GDP growth should remain negative in FY2022/23, reflecting the continued impact of floods on agricultural and oil output, with oil production projected to drop by 3.8 percent. Nonetheless, higher government current spending should support a return to positive growth in the service sector.

Over the medium term, growth should rise to above 2 percent as oil output recovers and non-oil activity improves, supported by higher government outlays on critical public investments, health and education, and moderating inflation. This outlook is predicated on prudent monetary and fiscal policies that anchor macro-stability, progress on governance, transparency, and structural reforms, and steady implementation of the peace deal. The current account surplus is expected to benefit from the completion of financial transfers to Sudan, but eventually narrow as the peak in global energy prices passes.

Poverty is tenacious and expected to remain stagnant at around 71 percent in the medium term as real growth prospects are limited. Addressing this reinforces the urgency of fiscal and PFM reforms that generate budgetary resources to increase social expenditures. While efforts to modernize tax administration using digital solutions and expand the tax base will help, fiscal pressures will remain substantial given sizable debt service obligations, reduction of legacy arrears, and ramping up social and humanitarian expenditures. It is, thus, also vital to strengthen the management and transparency of oil revenues.

TABLE 2 South Sudan / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	3.2	9.5	-5.1	-2.8	-0.8	2.1
Real GDP growth, at constant factor prices	3.2	9.5	-5.1	-2.8	-0.8	2.1
Agriculture	9.9	6.0	-4.0	-1.8	-1.8	2.5
Industry	20.9	27.5	-2.3	-3.4	-1.8	1.2
Services	-12.1	-9.6	-9.7	-2.0	1.1	3.5
Inflation (Consumer Price Index)	63.6	33.3	43.1	22.0	28.0	16.1
Current Account Balance (% of GDP)	-6.3	-20.3	-5.5	0.8	3.5	1.9
Net Foreign Direct Investment Inflow (% of GDP)	-1.7	-0.4	0.9	1.0	0.9	2.4
Fiscal Balance (% of GDP)	-1.0	-9.8	-6.8	-3.0	-7.0	0.9
Debt (% of GDP)	32.7	40.7	57.6	59.5	46.4	34.9
Primary Balance (% of GDP)	-0.5	-7.8	-4.4	-0.8	-5.2	2.0
International poverty rate ($2.15 in 2017 PPP)[a,b]	70.5	67.8	70.1	71.1	71.1	70.5
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	88.5	86.9	88.3	88.9	88.9	88.5
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	97.4	96.8	97.4	97.5	97.5	97.4
GHG emissions growth (mtCO2e)	-10.2	0.2	0.7	0.1	0.0	0.3
Energy related GHG emissions (% of total)	2.9	3.3	3.3	3.3	3.4	3.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2016-HFS-W3. Actual data: 2016. Nowcast: 2017-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2016) with pass-through = 0.87 based on GDP per capita in constant LCU.

SUDAN

Table 1	2021
Population, million	44.9
GDP, current US$ billion	34.3
GDP per capita, current US$	764.3
International poverty rate ($2.15)[a]	15.3
Lower middle-income poverty rate ($3.65)[a]	49.7
Upper middle-income poverty rate ($6.85)[a]	86.2
Gini index[a]	34.2
School enrollment, primary (% gross)[b]	79.0
Life expectancy at birth, years[b]	65.5
Total GHG emissions (mtCO2e)	127.1

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2014), 2017 PPPs.
b/ WDI for School enrollment (2018); Life expectancy (2020).

Real GDP growth is projected at 0.3 percent in 2022, following a contraction in 2021. Annual inflation remains in triple digits, and balance of payments pressures have increased due to high global food and fuel prices from the Ukraine-Russia war. Extreme poverty is estimated to have increased in 2021, and the political impasse may delay HIPC completion, undermining efforts to tackle significant external debt vulnerabilities. Failure to reach domestic political consensus is a key downside risk.

Key conditions and challenges

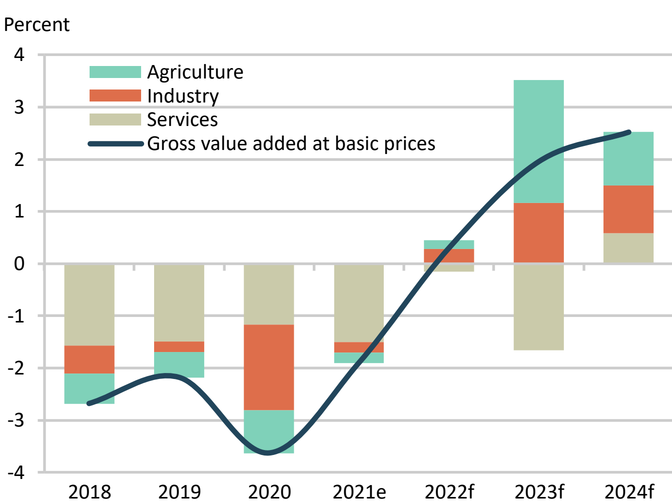
The political impasse that started with the October 2021 military takeover has severely impacted the Sudanese economy. Grants were expected to provide almost one-third of revenues in 2021-2022, but international assistance has been on hold since the military takeover. The pause in external grants caused a depreciation of the SDG, weakening the balance of payments. This has been exacerbated by the Ukraine war because Sudan imports about half its wheat from Russia. As a result, higher global food prices, coupled with higher import needs have raised import costs, worsening the balance of payments, and food insecurity. The World Food Program projects that as much as 39 percent of the population could become food insecure by the Fall of 2022. Recent floods could further devastate agriculture production, displacing populations, and worsening household welfare.

Reduced fiscal space has caused the government to cut public expenditures, limiting much-needed investment and service delivery spending. Protests and ongoing civil disturbances have disrupted trade and food distribution channels, including blockades of some national trade routes. This has stalled growth. The country faces a dilemma of either raising prices and potentially exacerbating unrest or increasing subsidies, and returning to monetization of a larger fiscal deficit at the risk of serious macroeconomic destabilization. Reforms are need to stimulate growth and contain inflation. Sudan plans to reach HIPC completion point in the coming years and has remained current on its debt servicing to the IMF and World Bank. Failure to reach domestic political consensus is a key downside risk; the economy remains highly vulnerable to external shocks amidst limited policy buffers.

Recent developments

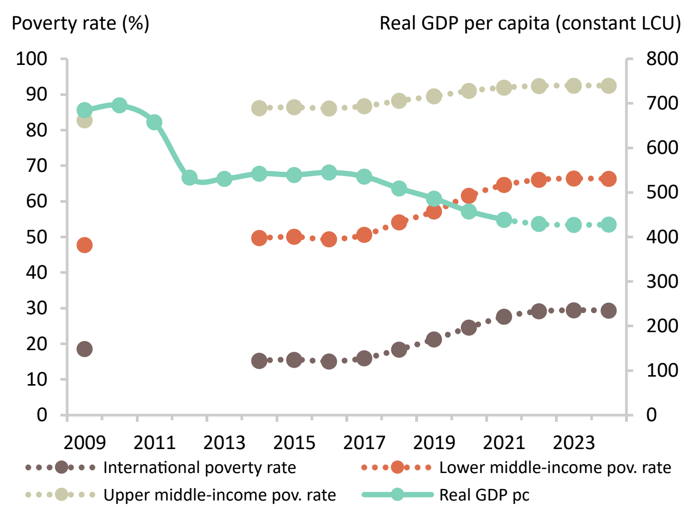
The October 2021 military takeover coupled with the pause in donor support led to an estimated 2 percent growth contraction in 2021. Economic activity continued to stall during 2022H1, largely due to reduced mobility and disruption of critical business services, including logistics and telecommunications. But increased public spending on wages and goods and services, coupled with higher exports of gold and live animals, provided some support to the economy. Although declining, inflation remains extremely high at 150 percent in June 2022, following a significant reduction in commodity subsidies in 2021, and more recently due to higher global food and fuel prices arising from the Ukraine war. Following a shift to a freely floating exchange rate in early March 2022, the Pound depreciated from SDG600 to SDG800 to the dollar in one week. However, following a reversion to a managed float in late March, it appreciated back to SDG680 on the parallel market and SDG585 on the formal market. In 2022Q1,

FIGURE 1 Sudan / Real GDP growth and sectoral contributions to real GDP growth



Sources: National Bureau of Statistics and World Bank's Staff Calculations.

FIGURE 2 Sudan / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

following a US$46.47 million drawdown, reserves are roughly US$1.6 billion (or 2.1 months of imports).

In the wake of the political impasse and pause in grants, the authorities significantly cut subsidies on fuel, wheat, and medicines and reduced capital spending, narrowing the fiscal deficit in 2021. With lower spending, overall public debt declined to 215.6 percent of GDP in 2021 (from 249.1 percent in 2020). A portion of the savings financed higher spending on wages, social transfers, and electricity subsidies in 2022H1. Between H12021 and H12022, the deficit declined from SDG45.8 million to SDG 37.1 million, driven by higher nontax revenues, goods and services taxes, and direct taxes.

Based on the latest household survey (2014) and GDP growth projections, poverty continued to increase from 18.4 percent in 2018 to 29.1 percent in 2022, at a line of $2.15/day (in 2017 PPPs). The protracted economic crises, compounded by COVID-19, the military takeover in October 2021, the Ukraine war, food insecurity, and climate shocks are expected to have contributed to nearly 10 percentage points increase in extreme poverty. Cash and food transfer programs could help assist at-risk populations.

Outlook

Growth is expected to average around 2 percent over 2023-2024, driven by agriculture, especially exports of livestock, as well as mining and a recovery of services. Inflation is expected to decline but remain high, following the government's commitment to contain the fiscal deficit and limit monetization.

>Balance of payment pressures on the exchange rate will continue into 2023, mainly due to the fallout from the Ukraine crisis. Sudan will need to import a substantial amount of food and wheat at much higher prices. Higher fuel prices will not adversely affect the balance of payments because higher inflows from crude exports and transit fees from South Sudan almost exactly offset higher payments for petroleum and fuel imports. However, pressures could ease somewhat if the political impasse is resolved in the coming months, prior to the start of 2023, and Sudan reengages with the international community.

The fiscal deficit is projected to average around 2 percent over 2023-2024. In the absence of grants to finance increased wages and transfers, the authorities are expected to delay capital spending and rely on trade receipts and revenues from exports of gold and animal products. Total expenditures are expected to average 12.4 percent of GDP, while total revenues as a share of GDP are expected to average 10.2 percent of GDP. With the authorities expected to limit the contraction of additional debt and maintain its debt service obligations, the debt-to-GDP should decline further; even so, debt ratios are expected to remain elevated with delays in reaching HIPC completion point.

Substantial efforts are needed to curb the poverty trend. Projections suggest that extreme poverty will continue to increase until 2023. Even though extreme poverty is expected to stagnate in 2024, poverty rates measured by all poverty lines are still higher than the pre-Russia-Ukraine conflict levels in 2024.

TABLE 2 Sudan / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	-2.2	-3.6	-1.9	0.3	2.0	2.5
Private Consumption	-0.6	-3.4	-0.8	0.3	2.1	2.7
Government Consumption	-6.5	-8.8	-9.8	2.5	2.7	3.3
Gross Fixed Capital Investment	-0.2	-2.0	-2.1	-1.8	2.0	3.0
Exports, Goods and Services	7.0	5.2	2.0	3.5	4.0	5.2
Imports, Goods and Services	13.8	-9.0	-0.5	4.8	5.0	6.7
Real GDP growth, at constant factor prices	-2.2	-3.6	-1.9	0.2	1.9	2.5
Agriculture	-1.5	-2.5	-0.6	0.5	2.0	2.9
Industry	-0.7	-5.7	-0.7	1.0	2.0	3.1
Services	-3.8	-3.0	-3.9	-0.6	1.9	1.8
Inflation (Consumer Price Index)	51.0	163.3	359.7	190.0	105.0	47.0
Current Account Balance (% of GDP)	-15.6	-17.5	-5.9	-6.6	-7.0	-6.6
Net Foreign Direct Investment Inflow (% of GDP)	-2.9	-2.7	-1.6	-1.6	-1.8	-2.3
Fiscal Balance (% of GDP)	-10.9	-5.9	-0.3	-2.7	-2.3	-1.6
Debt (% of GDP)[a]	200.3	249.1	215.6	183.8	168.5	157.7
Primary Balance (% of GDP)	-10.7	-5.9	-0.3	-2.4	-1.9	-1.2
International poverty rate ($2.15 in 2017 PPP)[b,c]	21.3	24.6	27.6	29.1	29.4	29.4
Lower middle-income poverty rate ($3.65 in 2017 PPP)[b,c]	57.2	61.6	64.6	66.1	66.4	66.3
Upper middle-income poverty rate ($6.85 in 2017 PPP)[b,c]	89.5	91.0	92.0	92.4	92.5	92.5
GHG emissions growth (mtCO2e)	-0.3	-1.3	-1.1	-0.7	-0.4	-0.1
Energy related GHG emissions (% of total)	20.8	19.8	19.1	18.5	17.8	17.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Debt projections do not include any restructuring achieved during the HIPC process.
b/ Calculations based on 2014-NBHS. Actual data: 2014. Nowcast: 2015-2021. Forecasts are from 2022 to 2024.
c/ Projection using neutral distribution (2014) with pass-through = 1 (High (1)) based on GDP per capita in constant LCU.

TANZANIA

Table 1	2021
Population, million	61.7
GDP, current US$ billion	65.8
GDP per capita, current US$	1066.0
International poverty rate ($2.15)[a]	44.9
Lower middle-income poverty rate ($3.65)[a]	74.3
Upper middle-income poverty rate ($6.85)[a]	92.3
Gini index[a]	40.5
School enrollment, primary (% gross)[b]	96.9
Life expectancy at birth, years[b]	65.8
Total GHG emissions (mtCO2e)	158.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ Most recent WDI value (2020).

The Tanzanian economy continues to expand but below its potential. GDP grew by 4.3 percent in 2021, up from 2.0 percent in 2020. Poverty is estimated to have dropped somewhat in 2021 but remains above pre-pandemic levels. Continued recovery hinges on strengthened implementation of supportive private sector policies, but faces risks from an uncertain external environment. Policy priorities should be to strengthen pandemic response while laying the groundwork for inclusive private-sector-led growth.

Key conditions and challenges

Tanzania remains a lower middle-income country despite the global pandemic-induced contraction of GDP per capita in 2020. Thanks to a sustained long period of high GDP growth and macroeconomic stability, Tanzania graduated to LMIC status in July 2020. Over the period of two decades to 2020, GDP growth averaged 6.5 percent per annum and inflation remained low while both current account and fiscal deficits were manageable. Private investment was a key driver of growth. However, in recent years, a combination of lower extractives FDI and difficult business environment (excessive bureaucracy, high taxes, inadequate infrastructure, and skills shortages) have resulted in a slower growth of private investment. Moreover, with the global pandemic and Russia-Ukraine crisis, the macroeconomic framework faces challenges, including BoP and inflation pressures.

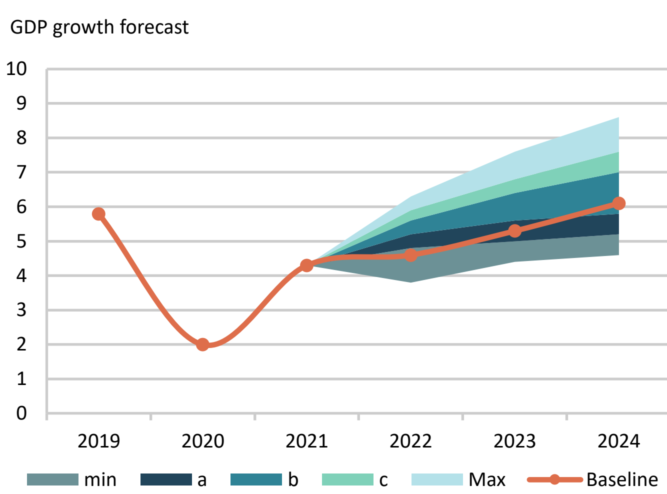
The pace of poverty reduction in Tanzania has been slow in recent years. During 2011-2018, it fell less than 2 percentage points from 28.2 to 26.4 and based on the international poverty line it remained unchanged. High population growth and limited wage job creation, among other factors, have hindered the inclusiveness of growth. The COVID-19 pandemic and changing rainfall patterns have further exacerbated these challenges.

Strengthening the pandemic response and supporting private sector-led inclusive growth will remain priorities over the medium term. Priority policy actions should focus on saving lives, protecting poor and vulnerable households, attracting new foreign and domestic investment, supporting an employment-intensive and resilient growth, including in the agricultural sector, and expanding the available fiscal space while maintaining debt sustainability. Achieving Tanzania's development vision of successful transition to a middle-income country with shared prosperity for the population will require the government to revise, strengthen, and expand its existing efforts to support struggling firms while implementing structural reforms to address longstanding constraints on private investment and women's access to economic opportunities as well as addressing the skills challenge.

Recent developments

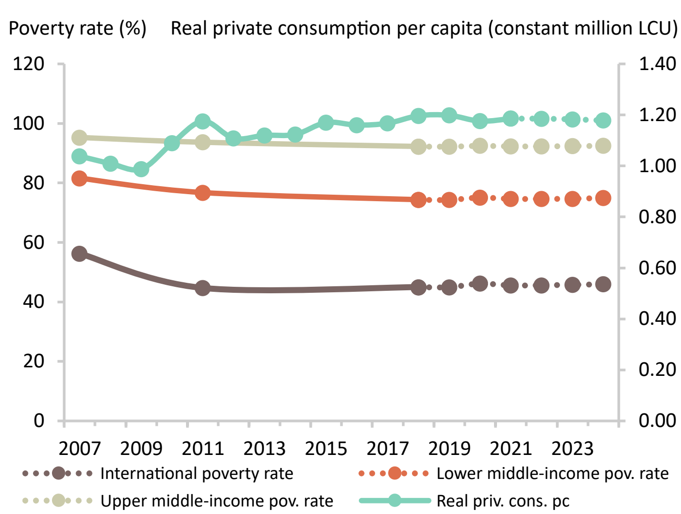
Tanzania's economic activities are recovering, with real GDP growth estimated at 4.3 percent in 2021, up from 2.0 percent in 2020. The accommodation and restaurants, mining, ICT, transport, and electricity sectors drove the recovery. While economic activities were expanding, they have not reached pre-pandemic levels. Leading indicators such as cement production, electricity generation, private-sector credit, goods and services exports, nonfuel goods imports, telecommunications, and tourist arrivals have continued to increase by June

FIGURE 1 Tanzania / Real GDP growth forecasts under alternative scenarios



Sources: World Bank Staff Estimates and Projections (2018-2024).

FIGURE 2 Tanzania / Actual and projected poverty rates and real private consumption per capita



Sources: World Bank. Notes: see Table 2.

2022. Driven by higher energy and food prices, inflation has increased but remains manageable at 4.6 percent in August 2022.

The current-account deficit widened to 5.3 percent of GDP in the year ending in June 2022, as the cost of imports grew faster than exports earnings. A combination of high value of oil and other industrial supplies (+45 percent y-o-y), lower value of gold exports (-11 percent) more than offset the increased earnings from tourism and manufactured goods export (+30 percent). The current-account deficit was funded largely by external loans and foreign reserves. The Tanzanian shilling remains relatively stable against the currencies of major trading partners. To partly finance the BOP, the gross official reserves declined to US$ 5.2 billion by end-June 2022 from US$6.7 billion at end-October 2021.

Due to increased expenditures associated partly with implementation of the fuel subsidy program, the fiscal deficit is estimated at 3.5 percent of GDP in 2021/22. Both foreign and domestic loans funded the deficit. Public and publicly guaranteed debt remained relatively low at US$27.6 billion (39.5 percent of GDP) in June 2022 with interest payment consuming about 12 percent of domestic revenue. The latest joint IMF-World Bank Debt Sustainability Analysis, conducted in July 2022, concluded that Tanzania's risk of external debt distress remains moderate.

Poverty based on the international poverty line of US$ 2.15 per person per day (PPP 2017) is estimated to have risen by 1.3 percentage point in 2020, due to the economic slow-down that particularly affected household businesses. Poverty dropped somewhat in 2021 but remains above pre-pandemic levels.

Outlook

Tanzania's real GDP is projected to grow at 4.6 percent in 2022. A delayed recovery to potential GDP is based on worsening global environment following the Russia-Ukraine crisis. So, only a modest improvement in GDP growth is projected for 2022 and then a pick-up to 5.3 percent in 2023 as the global environment moderates and improved private sector policies deliver a private investment response. The current-account deficit is projected to widen to 4.4 percent of GDP in 2022 due to rising imports bill, which will more than offset an expected increase in exports earnings. The fiscal deficit is projected to narrow slightly to 2.9 percent of GDP in 2022, driven by increased domestic revenues from expanding economic activities.

Uncertainty of the macroeconomic outlook remains high, with real GDP growth ranging between 3.5 – 5.5 percent under alternative scenarios, below its long-run potential growth rate of about 6 percent. Tanzania's vulnerability to the global pandemic remains high amid the relatively low vaccination rates. Moreover, Tanzania remains vulnerable to a protracted Russia-Ukraine crisis, reduced capital flows, persistent inflationary pressures, elevated debt levels, and supply bottlenecks.

No significant reduction in the poverty rate is foreseen for 2022 as per capita private consumption is projected to stagnate. Year-on-year food price inflation reached 6.5 percent in July 2022, which particularly affects the poor, given the relatively high share of food in their total consumption pattern. Rising food price inflation is the top concern of Tanzanian citizens according to a nationally representative telephone survey released by Twaweza (an NGO) in August 2022. Poor rainfall in the recent long rainy season has put food production under pressure, further compounding the challenges faced by poor households and those living just above the poverty line. Boosting poverty reduction requires strengthening human capital, raising the resilience and agricultural productivity of smallholders, including through strengthening linkages to input and output markets, and the creation of quality jobs.

TABLE 2 Tanzania / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	5.8	2.0	4.3	4.6	5.3	6.1
Private Consumption	3.1	1.0	4.3	3.6	3.4	3.0
Government Consumption	2.3	7.4	14.9	9.0	2.6	2.9
Gross Fixed Capital Investment	8.0	2.4	6.8	8.4	8.6	9.0
Exports, Goods and Services	19.0	-8.6	8.7	8.3	10.6	11.8
Imports, Goods and Services	-1.4	-7.6	20.3	15.3	9.6	7.2
Real GDP growth, at constant factor prices	5.8	2.0	4.3	4.6	5.3	6.1
Agriculture	3.5	3.1	3.5	3.7	4.1	4.3
Industry	10.3	2.5	4.5	4.8	5.2	6.4
Services	4.2	0.9	4.7	5.1	6.3	7.0
Inflation (Consumer Price Index)	3.5	3.4	3.4	5.2	4.5	4.0
Current Account Balance (% of GDP)	-1.6	-1.3	-3.1	-4.4	-4.2	-3.3
Net Foreign Direct Investment Inflow (% of GDP)	2.0	1.1	1.6	1.8	2.1	2.6
Fiscal Balance (% of GDP)	-3.0	-2.3	-3.4	-2.9	-2.9	-2.6
Debt (% of GDP)	38.3	38.7	39.8	40.7	39.4	38.3
Primary Balance (% of GDP)	-0.5	-0.3	-1.6	-1.2	-1.1	-0.9
International poverty rate ($2.15 in 2017 PPP)[a,b]	44.9	46.2	45.5	45.6	45.7	46.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	74.3	75.1	74.6	74.6	74.7	75.0
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	92.2	92.5	92.3	92.3	92.4	92.5
GHG emissions growth (mtCO2e)	1.9	1.7	0.7	2.6	2.9	2.1
Energy related GHG emissions (% of total)	10.4	10.7	10.0	10.8	11.9	12.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2018-HBS. Actual data: 2018. Nowcast: 2019-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2018) with pass-through = 0.87 (Med (0.87)) based on private consumption per capita in constant LCU.

TOGO

Table 1	2021
Population, million	8.5
GDP, current US$ billion	8.4
GDP per capita, current US$	992.4
International poverty rate ($2.15)[a]	28.1
Lower middle-income poverty rate ($3.65)[a]	56.8
Upper middle-income poverty rate ($6.85)[a]	84.0
Gini index[a]	42.4
School enrollment, primary (% gross)[b]	126.3
Life expectancy at birth, years[b]	61.3
Total GHG emissions (mtCO2e)	9.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ Most recent WDI value (2020).

Disruptions associated with the conflict in Ukraine, with rising inflation, slowing external demand and tightening financing conditions, are expected to result in growth moderating to 4.8 percent in 2022, before recovering to a weaker-than-expected 5.6 percent in 2023 as the impact of these shocks gradually wane. The poverty rate is projected to decline modestly in 2022, and more significantly in 2023, as food price inflation moderates and agriculture production strengthens.

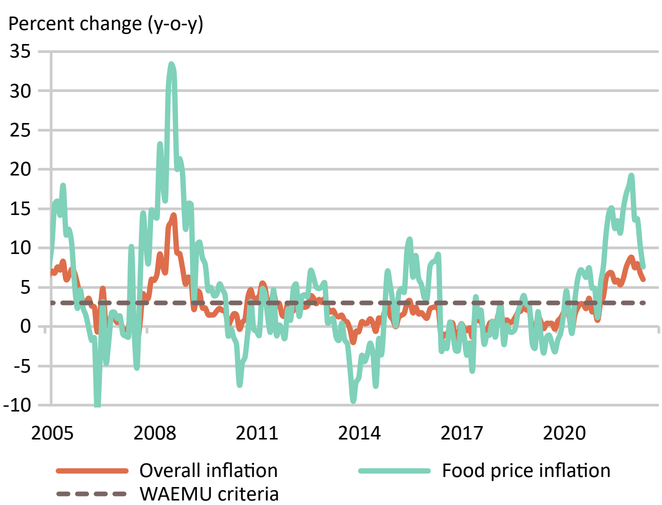
Key conditions and challenges

Togo was able to maintain relatively robust growth in recent years, but fiscal space has declined after stimulus measures since the onset of the COVID crisis. A successful period of fiscal consolidation prior to the global pandemic lowered public debt to 52.4 percent of GDP in 2019, from 60.1 percent in 2016, while a reform-induced pickup in private investment helped maintain real GDP growth at an average of 5.1 percent (2.5 percent in per capita terms) over that period. Since 2020, a sharp increase in public spending helped cushion the COVID-related slowdown and contributed to the recovery in 2021, but raised public debt to a 15-year high of 63.6 percent of GDP. The extreme poverty rate (percent of the population living below the new international poverty line of US$2.15 per capita per day, 2017 PPP) is estimated to have dropped to 26.6 percent in 2021, about 0.8 percentage points below pre-pandemic levels. The fallout from the conflict in Ukraine, slowing external demand and rising inflation are expected to restrain growth in 2022, while tighter financing conditions combined with higher-than-expected budget deficits hasten the need for fiscal consolidation. The outlook is subject to significant global risks, including escalating geopolitical tensions, recessions among major trading partners, and financial market turmoil which could impact Togo through volatile commodity prices, decelerating export demand, and debt refinancing pressures. At the regional and domestic level, persistent low precipitation and a greater frequency of extreme weather events could intensify food insecurity and exacerbate regional instability and social strife. These challenges will require reforms aimed at accelerating structural transformation and job creation, increasing resilience to shocks, and restoring fiscal space.

Recent developments

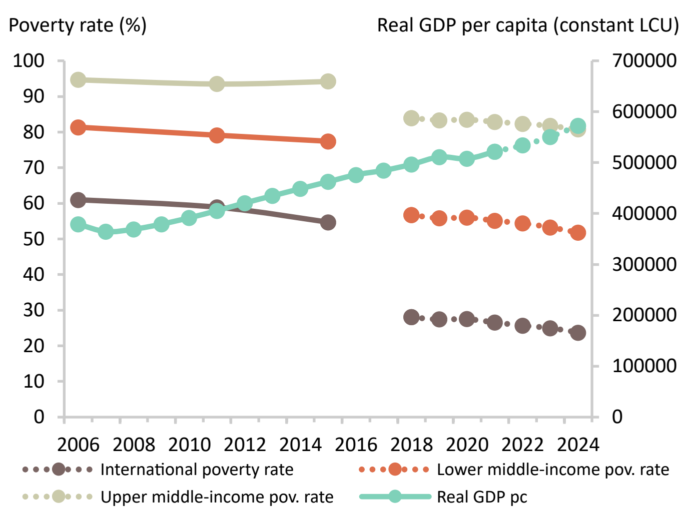
Following a robust recovery in 2021, growth lost momentum in the first half of 2022. Whereas the recovery in 2021 was largely driven by a rebound in manufacturing activity, amid booming external demand, activity deteriorated significantly in 2022, with industrial production expanding by only 0.9 percent year-on-year in May 2022, down from 10.6 percent in December 2021. This slowdown reflected weakening demand from major trading partners, global supply chain disruptions, and a significant rise in energy prices adversely affecting both supply and demand conditions. The agriculture sector also faced challenges in 2022, as reduced rainfall and rising fertilizer and energy prices contributed to slowing production and higher food prices.

FIGURE 1 Togo / Inflation



Source: Central Bank of West African States (BCEAO).

FIGURE 2 Togo / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

Rural populations who disproportionately rely on agriculture for own food consumption and income are at a greater risk of falling into poverty due to recent shocks, but real income in the agriculture sector is still expected to slightly outpace rural population growth this year. Weakening external demand and rising import prices for crude oil, wheat, and rice have contributed to a growing trade deficit in the first half of 2022, but this was partially offset by a sharp uptick in the price of phosphate and cotton boosting export revenues.

Togo's inflation rate was significantly above expectations in the first half of 2022 but appears to have peaked at 8.8 percent in March, hovering around 7 percent since then. While domestic food prices have been the most important driver of inflationary pressures, the rising cost of imported goods played an increasing role during the first semester of 2022. External price pressures are expected to taper off towards the end of the year as global commodity prices have started to retrench, but second-round effects on domestic value chains are expected maintain headline inflation above 6 percent throughout 2022. To alleviate adverse effects on the population, the government has implemented significant fiscal support measures, including large subsidies for fertilizers and fuel prices, higher public sector wages and pensions, and grants for education and transport expenses, which are expected to contribute to the budget deficit increasing to 6.4 percent of GDP in 2022, up from 4.8 percent in 2021.

Monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO). Its reserves declined to 5.2 months of imports in June 2022, from 5.5 months in 2021, due to higher energy and food import bills caused by the Ukraine crisis. To counter inflation pressures, the BCEAO raised rates for liquidity calls (2 percent to 2.5 percent) and the marginal lending window (4 percent to 4.5 percent) in June and September 2022.

Outlook

Growth is projected to pick up in 2023, but at a slower pace than previously expected, while inflation and budget deficit projections were revised up. Following a temporary dip to 4.8 percent in 2022, growth is projected to reach 5.6 in 2023, about 0.2 percentage points below previous expectations. The growth pickup in 2023 will be driven by public investment, notably associated with the extension of the rural road network and the rehabilitation of the Lomé-Kpalimé and Lomé-Aného roads, the unwinding of international supply chain disruptions and declining energy and food prices. However, the recovery will be constrained by persistent inflationary pressures, tighter financing conditions and slowing external demand.

The trade and current account deficit will remain elevated, at respectively 12.3 percent of GDP and 4.6 percent of GDP in 2023, despite terms of trade improving amid lower international energy prices.

TABLE 2 Togo / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	5.5	1.8	5.3	4.8	5.6	6.4
Private Consumption	2.7	-0.5	5.3	4.0	5.6	6.3
Government Consumption	-2.9	2.0	6.4	4.4	1.7	0.7
Gross Fixed Capital Investment	20.4	15.0	8.9	10.1	8.7	9.1
Exports, Goods and Services	2.1	-4.7	12.0	4.3	5.7	6.6
Imports, Goods and Services	1.4	0.8	13.8	5.9	6.3	6.3
Real GDP growth, at constant factor prices	4.4	2.0	5.1	4.8	5.6	6.4
Agriculture	1.9	1.3	6.0	4.0	4.5	5.7
Industry	6.5	5.3	6.8	3.8	5.4	7.5
Services	4.5	0.9	4.0	5.6	6.1	6.2
Inflation (Consumer Price Index)	0.7	1.8	4.5	7.1	4.7	2.9
Current Account Balance (% of GDP)	-0.8	-0.3	-1.3	-4.9	-4.5	-3.7
Net Foreign Direct Investment Inflow (% of GDP)	4.2	0.7	-1.1	0.5	0.6	0.6
Fiscal Balance (% of GDP)	-0.9	-6.9	-4.8	-6.4	-5.8	-3.9
Debt (% of GDP)	52.4	60.4	63.6	63.4	62.9	61.5
Primary Balance (% of GDP)	1.2	-4.6	-2.3	-4.0	-3.2	-1.4
International poverty rate ($2.15 in 2017 PPP)[a,b]	27.4	27.5	26.6	25.7	25.0	23.7
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	55.8	56.0	55.1	54.4	53.3	51.8
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	83.3	83.5	82.9	82.4	81.7	80.8
GHG emissions growth (mtCO2e)	3.3	2.9	4.9	3.1	2.3	4.2
Energy related GHG emissions (% of total)	23.2	22.9	23.3	22.3	21.4	21.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2018-EHCVM. Actual data: 2018. Nowcast: 2019-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2018) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

UGANDA

Table 1	2021
Population, million	47.1
GDP, current US$ billion	34.6
GDP per capita, current US$	733.9
International poverty rate ($2.15)[a]	42.2
Gini index[a]	42.7
School enrollment, primary (% gross)[b]	102.7
Life expectancy at birth, years[b]	63.7
Total GHG emissions (mtCO2e)	63.1

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2019), 2017 PPPs.
b/ WDI for School enrollment (2017); Life expectancy (2020).

Uganda's real GDP grew by 4.6 percent in FY22, following the reopening of the country in January 2022. Relentless upward pressure on prices induced monetary tightening. After shedding more than two percentage points in FY22, the fiscal deficit is expected to decline further in line with the fiscal consolidation effort. Nonetheless, sustained recovery in private investment and consumption will raise real GDP growth close to 6 percent in FY23 and FY24. Poverty is expected to inch down, though the pace of poverty reduction may be affected by increasing prices.

Key conditions and challenges

The pace of economic growth, poverty reduction, and policy reform in Uganda has slowed. Real GDP per capita grew by only 1.0 percent per year between 2011 and 2021 in a context of rapid population growth, drought and other external shocks, a less supportive external environment, and reduced reform momentum. Although poverty declined in the pre-COVID period, most households rely heavily on agriculture and are vulnerable to climate change and weather shocks.

Structural transformation is essential to reinvigorate economic activity and reduce poverty. Services constitute a large share of GDP but many jobs in the sector are informal and low-skilled. Furthermore, approximately two thirds of the Ugandan workforce is occupied in agriculture, which produces less than a quarter of the GDP. To unlock its growth potential as Uganda moves towards oil production, a more productive employment of this labor is fundamental. In addition, given Uganda's small domestic market and distortions, trade will be important in boosting economic growth and development.

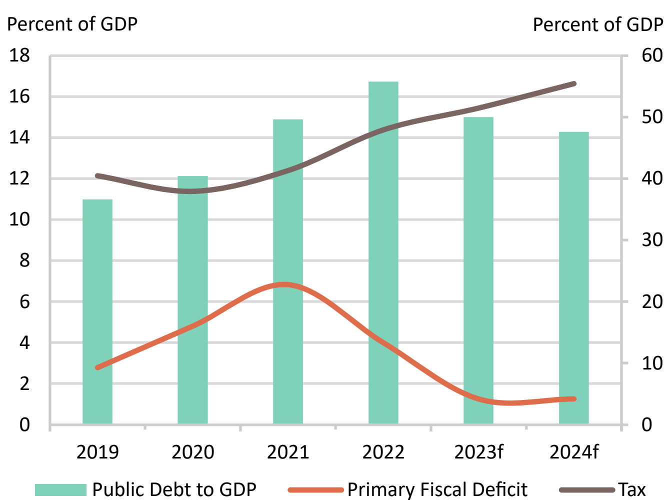
The private sector must drive growth. Uganda's growth model of debt-financed public spending – which emphasizes infrastructure and has crowded out private sector borrowing – is not sustainable. The state should instead support the economy through investments in human capital, regulations that facilitate investment and job creation, and measures to reduce inequality and strengthen resilience. The prospects for the shift to a private sector led growth model will also rely on maintaining macroeconomic stability; better supporting the vulnerable, farmers, and small enterprises; increasing the uptake of digital technologies; and more effective use of public resources.

Recent developments

The Ugandan economy grew at 4.6 percent during FY22, faster than had been anticipated, due to the up-tick of activities after the economy reopened in January 2022. On the supply side, the services sector and industry were the main drivers of economic growth for the fiscal year. There was a strong recovery in wholesale and retail trade, real estate activities and education services, while industry rebounded through construction and manufacturing. On the demand side, private investment and private consumption recovered towards pre-COVID levels. The current account deficit widened to over 9 percent of GDP in FY22 primarily reflecting a deterioration in the terms of trade and widened trade deficit.

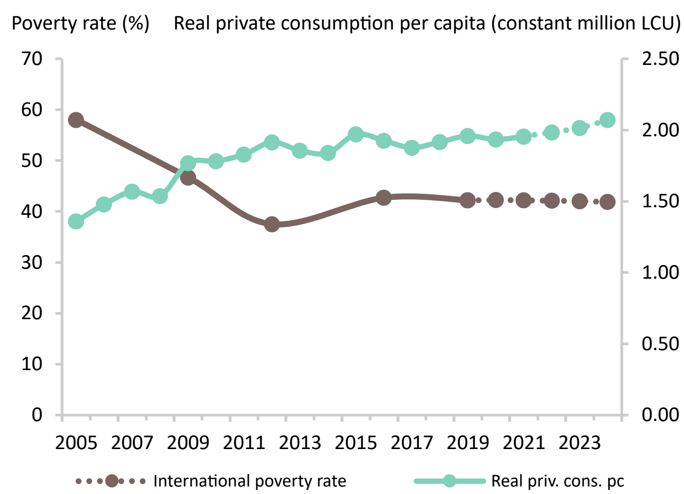
According to the high-frequency phone survey, employment rate fell from 91 percent in March/April 2021 to 79 percent in October/November 2021 and remained at this level in June/July 2022. Half of the population was moderately food insecure in June/July 2022. Households, in particular

FIGURE 1 Uganda / Fiscal adjustment



Sources: Ministry of Finance, Planning and Economic Development, and World Bank calculations.

FIGURE 2 Uganda / Actual and projected poverty rate and real private consumption per capita



Source: World Bank. Notes: see Table 2.

the poorest ones, are being negatively affected by increased prices, either through being unable to access food products or to buy the desired amounts.

Inflationary pressures increased in 2022, leading the Bank of Uganda to tighten monetary policy. Driven by the spike in commodity prices, which government allowed to pass through to consumers, and pandemic-related disruptions in global supply chains — both heightened by the war on Ukraine, the annual headline and core inflation reached 6.8 percent and 5.5 percent, respectively in June 2022, from 2.0 percent and 2.7 percent in June 2021. The central bank raised its policy rate by 1 percentage point in June 2022 to 7.5 percent. It adjusted the rate by an additional 1 percentage point in July and 0.5 percentage points in August.

The government has initiated a revenue-driven fiscal consolidation. In FY22, it was able to reduce the fiscal deficit to 7.3 percent of GDP (Table 2), despite increases in wages, the interest bill (primarily domestic borrowing) and use of goods and services driven by the reopening of schools and health sector supplies. Revenues benefitted from the increase in excise duty by UShs. 100 per liter of petrol and diesel, and increased collection of tax arrears. Notwithstanding the improvement in the fiscal balance, public debt rose to 56 percent of GDP, well above the path under the Charter of Fiscal Responsibility.

Outlook

Uganda's economic growth is expected to accelerate to about 6 percent in the medium-term, despite sustained commodity price driven inflation pressures, gradual fiscal consolidation, and tighter monetary policy. This will be bolstered by investments and exports of oil, and dividends from government's promotion efforts for tourism, export diversification, and agro-industrialization. Outside of the oil sector, the slowdown of global growth and heightened tightening of the global financial conditions constrain capital inflows.

Accelerated growth may slightly reduce the poverty rate from 42.1 percent in 2022 to 41.9 percent by 2024, but this projection is subject to several downside risks: The path of COVID-19, the evolution of the war in Ukraine, the pace of food inflation, and any environmental shocks that adversely affect households due to their limited adaptive capacity.

Inflation is projected to peak in 2023 due to lingering passthrough effects of commodity prices and a weaker shilling due to capital outflows as advanced economies raise interest rates further. In addition, drought conditions will exert pressure on food prices. The BoU is expected to maintain a 'tight' monetary policy stance to contain inflation around the policy target of 5 percent.

To sustain the fiscal consolidation into the medium-term, the planned reduction in recurrent spending is expected to be followed with improved efficiency in public investment projects and sustained revenue effort. A lower fiscal deficit is expected to ease pressure on debt, which combined with deliberate effort to minimize non-concessional borrowing should reduce fiscal risks. To avoid crowding out of the private sector, the government of Uganda plans to reduce domestic borrowing as a share of GDP to reach a debt to GDP ratio below 50 percent of GDP by FY26.

TABLE 2 Uganda / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	6.4	3.0	3.4	4.6	5.5	6.1
Private Consumption	5.9	2.0	4.2	4.3	4.2	5.4
Government Consumption	6.9	7.9	6.1	-24.8	6.6	7.9
Gross Fixed Capital Investment	9.9	-0.1	5.1	30.0	6.7	7.1
Exports, Goods and Services	6.3	-1.2	2.6	-20.5	26.2	8.3
Imports, Goods and Services	8.6	-5.4	8.6	1.8	15.4	7.1
Real GDP growth, at constant factor prices	6.4	3.0	3.4	4.6	5.5	6.1
Agriculture	5.2	4.6	3.8	5.1	5.4	6.2
Industry	9.0	3.1	3.4	5.5	6.5	6.6
Services	5.6	2.2	3.3	3.8	4.9	5.8
Inflation (Consumer Price Index)	2.6	2.3	2.5	3.0	7.2	6.5
Current Account Balance (% of GDP)	-7.1	-6.7	-10.2	-9.2	-12.7	-12.0
Net Foreign Direct Investment Inflow (% of GDP)	3.5	2.6	2.1	2.7	2.3	2.7
Fiscal Balance (% of GDP)	-4.9	-7.1	-9.5	-7.3	-5.5	-4.5
Debt (% of GDP)	36.6	40.4	49.6	55.7	50.0	47.6
Primary Balance (% of GDP)	-2.8	-4.8	-6.8	-4.0	-1.3	-1.3
International poverty rate ($2.15 in 2017 PPP)[a,b]	42.2	42.3	42.2	42.1	42.1	41.9
GHG emissions growth (mtCO2e)	2.1	2.4	2.8	3.4	3.7	4.0
Energy related GHG emissions (% of total)	19.9	20.3	20.3	20.5	20.8	21.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2016-UNHS and 2019-UNHS. Actual data: 2019. Nowcast: 2020-2021. Forecasts are from 2022 to 2024.
b/ Projection using average elasticity (2016-2019) with pass-through = 0.7 based on private consumption per capita in constant LCU.

ZAMBIA

Table 1	2021
Population, million	18.9
GDP, current US$ billion	19.3
GDP per capita, current US$	1019.1
International poverty rate ($2.15)[a]	61.4
Lower middle-income poverty rate ($3.65)[a]	77.5
Upper middle-income poverty rate ($6.85)[a]	90.7
Gini index[a]	57.1
School enrollment, primary (% gross)[b]	98.7
Life expectancy at birth, years[b]	64.2
Total GHG emissions (mtCO2e)	93.1

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2015), 2017 PPPs.
b/ WDI for School enrollment (2017); Life expectancy (2020).

Growth in 2022 is expected to ease at 3.3 percent, reflecting challenges in mining and agriculture despite strong momentum in services. A continuation of ongoing macro-fiscal and structural reforms should help restore macroeconomic stability and reinvigorate growth following multiple shocks—adverse weather, debt distress, COVID-19 pandemic, and the Russia-Ukraine war. Over the medium term, growth is expected to accelerate, despite a weaker global economy, but poverty will remain above the pre-pandemic level.

Key conditions and challenges

Zambia's economy is showing encouraging signs of stabilizing after a period of macroeconomic imbalances that weakened economic performance. Between 2015 and 2021, economic growth slowed down and averaged 2.5 percent per year, lower than the annual population growth rate of 2.9 percent. Poverty increased amid diminishing policy space and adverse weather shocks. Thus, the COVID-19 pandemic hit a struggling economy and the Russia-Ukraine war has weakened recovery. Consequently, Zambia slipped back into the low-income category in 2022 for the first time since attaining lower middle-income status in 2011.

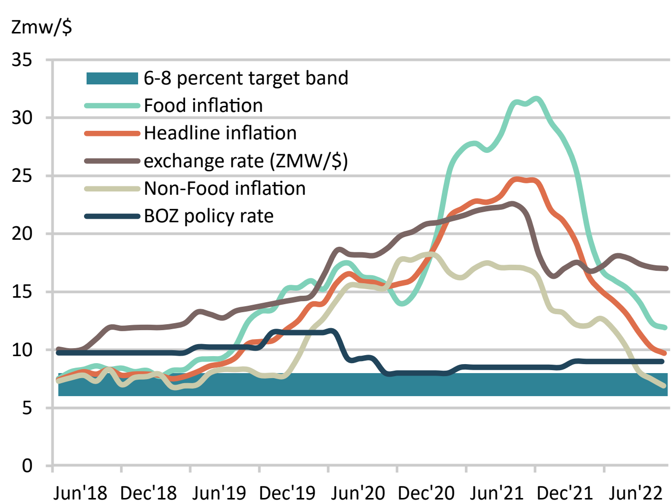
The key challenge for Zambia is to achieve sustained macroeconomic stability that lays the foundation for sustainable growth and to pursue structural reforms for an economic transformation that lifts more Zambians out of poverty. Implementation of the government's program, reflected in its 2023–25 medium-term budget framework and supported under the recently approved IMF Extended Credit Facility arrangement, combined with a deep and timely debt restructuring under the Common Framework, should help restore macroeconomic stability. Swift implementation of structural reforms to remove market distortions in such sectors as agriculture and energy, supported by structural fiscal reforms to improve public spending efficiency, budget credibility, and social spending, will be critical for economic transformation and sustainable job creation.

Recent developments

The momentum of Zambia's rebound from the pandemic eased in the first half (H1) of 2022. Real GDP growth moderated to 2.4 percent in Q1 2022, year-on-year, as agriculture and industry contracted. Copper output declined by 6.7 percent, year-on-year, in H1 2022 despite firmer copper prices, reflecting a prolonged rainy-season, lower ore grades, and management challenges at two notable mines. The Stanbic-Purchasing Managers' Index suggests that private sector business activity remained unchanged in Q2 2022, averaging 50.1 (same as in Q1 2022).

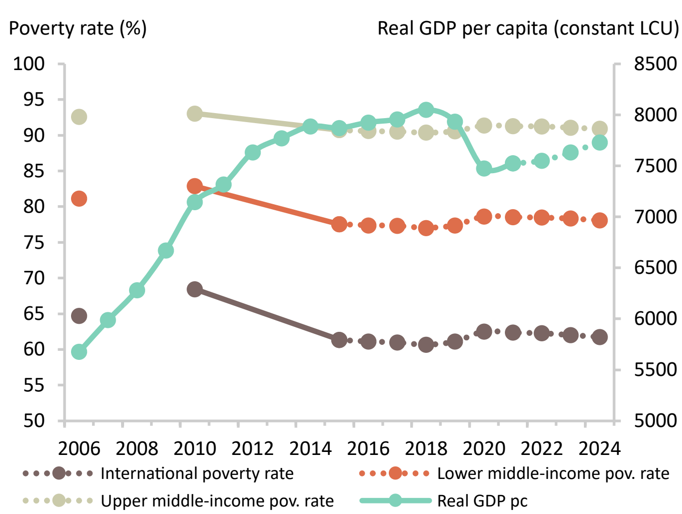
Fiscal revenues exceeded budgeted levels by 5.5 percent in H1 2022, supported by strong tax revenue and grants that offset lower-than-planned non-tax revenue. Expenditure fell below target by 14.7 percent, reflecting delayed recruitment and continued external debt service standstill. The current account balance remained positive in H1 2022, y/y, estimated at $700 million (about 3.4 percent of GDP) but the surplus moderated in Q2 affected by the decline in net exports as copper earnings reduced on account of declining prices. The exchange rate remained stable in H1 2022 with the appreciation in Q2 offsetting the depreciation in Q1 whereas international reserves increased by $0.2 billion to $3 billion, covering 3.6 months of imports in June,

FIGURE 1 Zambia / Inflation, exchange rate (ZMW/$) and Central Bank policy rate



Source: Zambian authorities.

FIGURE 2 Zambia / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

boosted by mining tax payments and inflows of project funds.

Fiscal and monetary policy restraint damped inflationary pressures (Figure 1). Inflation continued to decline throughout 2022, reaching single digits in June for the first time since mid-2019, and was at 9.8 percent in August, reflecting exchange rate appreciation, improved food supply, and high base effects from H1 2021. Improvement in fiscal consolidation has led to a drastic reduction in central bank lending to government that nearly halved on a year-to-date basis at the close of August. Zambia has made considerable progress towards debt restructuring under the G20 Common Framework. In July 2022, the Official Creditor Committee committed to negotiate debt restructuring for Zambia under the Common Framework.

Outlook

Zambia's economy is forecast to grow by 3.0 percent in 2022, 3.9 percent in 2023, and accelerating slightly to 4.1 percent in 2024, buoyed by improvement in the macroeconomic environment, stable and predictable mining policy, and improved electricity supply supported by new generation capacity at Kafue Gorge. The planned fiscal consolidation targets to achieve a positive primary balance by 2024 through the reduction of inefficient subsidies in agriculture, electricity, and petroleum products; cancellation of some public projects; rolling back of election-related spending; and improved revenue mobilization through various tax policy and revenue administration reforms. Although the planned fiscal adjustment is large—an adjustment of 8.5 percent of GDP since 2020—it is expected to have a muted impact on growth and poverty as it reflects cuts in waste and rents, while increasing social spending.

Poverty is projected to remain unchanged in the short term but will reduce over the medium term as economic reforms translate into higher per-capita growth and improved social spending. Since June 2020, urban food security improved only slightly while it worsened significantly among rural households. However, a World Bank Household Phone Survey, conducted in June 2022, shows that households' expectations are aligned with 60 percent of respondents indicating that they expect the general economic situation in the country to improve in 5 years' time, despite widespread food insecurity. The poverty rate is projected to remain at 62.3 percent in 2022, before marginally declining by a half percentage point by 2024.

Risks to the baseline outlook are firmly to the downside. A sustained downward trajectory in global copper prices will affect external stability and impact tax collections. Delays in concluding the debt restructuring process could dampen market confidence and perpetuate an uncertain economic environment whilst a worsening of Russia-Ukraine war could cause a resurgence in global fuel, fertilizer, and grain prices, which could in turn reverse the deceleration of domestic inflation in Zambia.

TABLE 2 **Zambia** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	1.4	-3.0	3.6	3.0	3.9	4.1
Private Consumption	2.3	3.1	3.6	4.5	4.5	4.5
Government Consumption	-10.1	10.8	5.6	-2.0	11.4	8.8
Gross Fixed Capital Investment	-14.1	-35.5	-9.5	31.5	11.5	-16.1
Exports, Goods and Services	-7.2	10.7	23.0	-2.0	7.0	17.5
Imports, Goods and Services	-13.7	-10.7	21.0	14.3	15.0	7.5
Real GDP growth, at constant factor prices	1.5	-2.5	3.6	3.0	3.9	4.1
Agriculture	7.7	17.2	-0.7	4.4	8.8	4.0
Industry	-3.3	0.6	4.2	3.3	3.5	3.9
Services	3.5	-6.2	3.8	2.6	3.5	4.2
Inflation (Consumer Price Index)	9.1	15.7	22.1	12.0	10.0	9.7
Current Account Balance (% of GDP)	0.6	12.8	8.7	2.0	0.5	4.1
Net Foreign Direct Investment Inflow (% of GDP)	-0.6	-1.0	2.1	3.4	3.4	3.4
Fiscal Balance (% of GDP)	-9.4	-13.2	-9.3	-9.4	-7.2	-6.3
Debt (% of GDP)	102.2	157.4	118.1	113.9	106.5	101.2
Primary Balance (% of GDP)	-2.5	-7.3	-2.9	-1.8	-0.1	0.7
International poverty rate ($2.15 in 2017 PPP)[a,b]	61.1	62.5	62.4	62.3	62.0	61.8
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	77.4	78.6	78.6	78.5	78.3	78.1
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	90.6	91.4	91.3	91.2	91.1	90.9
GHG emissions growth (mtCO2e)	1.4	0.5	1.4	1.1	1.0	1.2
Energy related GHG emissions (% of total)	8.3	7.8	8.0	8.0	8.1	8.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2015-LCMS-VII. Actual data: 2015. Nowcast: 2016-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2015) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

ZIMBABWE

Table 1	2021
Population, million	15.1
GDP, current US$ billion	29.1
GDP per capita, current US$	1929.1
International poverty rate ($2.15)[a]	39.8
Lower middle-income poverty rate ($3.65)[a]	64.5
Upper middle-income poverty rate ($6.85)[a]	85.0
Gini index[a]	50.4
School enrollment, primary (% gross)[b]	97.3
Life expectancy at birth, years[b]	61.7
Total GHG emissions (mtCO2e)	119.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2019), 2017 PPPs.
b/ Most recent WDI value (2020).

The economy is expected to grow in 2022, albeit at a slower pace, reflecting worsening agriculture conditions and price instability. Inflation has returned to triple digit levels while the local currency has depreciated by over 70 percent since January 2022, constraining demand. Allocated budgets are being eroded by inflation and currency depreciation, affecting service delivery. Although it has declined since its peak of 2020, the international poverty rate remains persistently high.

Key conditions and challenges

Zimbabwe's economic development continues to be hampered by price and exchange rate instability, misallocation of productive resources, low investment, and limited structural transformation. High inflation, multiple exchange rates, unsustainable debt levels, and ineffective control over government spending have increased the cost of production, reduced incentives for productivity-enhancing investment, and encouraged informality. Trade integration has declined, and foreign direct investment (FDI) remains low, limiting transfer of new technologies and investment in modernizing the economy.

Unsustainable debt levels and long-standing arrears to international financial institutions (IFIs) limit Zimbabwe's growth potential. External debt is estimated at 76 percent of GDP in 2022. Over 70 percent of the debt is in arrears, constraining access to concessional finance needed to support productive investment. The government has prepared an Arrears Clearance, Debt Relief and Restructuring Strategy and resumed token payments to IFIs and Paris Club creditors.

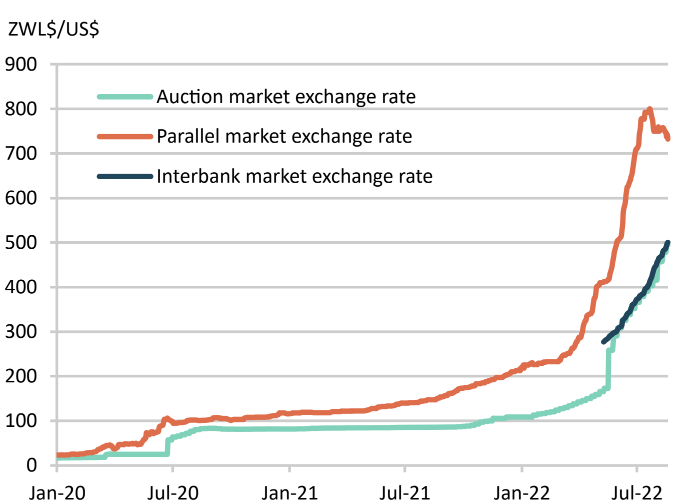
Although it has declined since 2021, the extreme poverty remains persistently high. Macroeconomic volatility, high dependence on low-productivity agriculture, slow pace of spatial and structural transformation, lack of creation of high-productivity jobs, and intermittent shocks such as droughts and pandemic have all contributed to increasing vulnerability in both urban and rural areas. However, Zimbabwe's social assistance programs have low coverage and may benefit from improved targeting.

Recent developments

Economic activity slowed in 2022, constrained by worsening agriculture conditions and price instability. Real GDP growth is projected to slow to 3.4 percent in 2022 from 5.8 percent in 2021. Mining, trade, and tourism took advantage of high commodity prices and relaxation of COVID-19 restrictions helping to drive growth in 2022. However, due to limited rains, agriculture production contracted after growing at double digits in 2021. Rising inflation, depreciation of the local currency, and higher interest rates have dampened consumption and investment. Strong remittance inflows mitigated to some extent the adverse impact on private consumption and together with higher gold exports have kept the external current account in surplus.

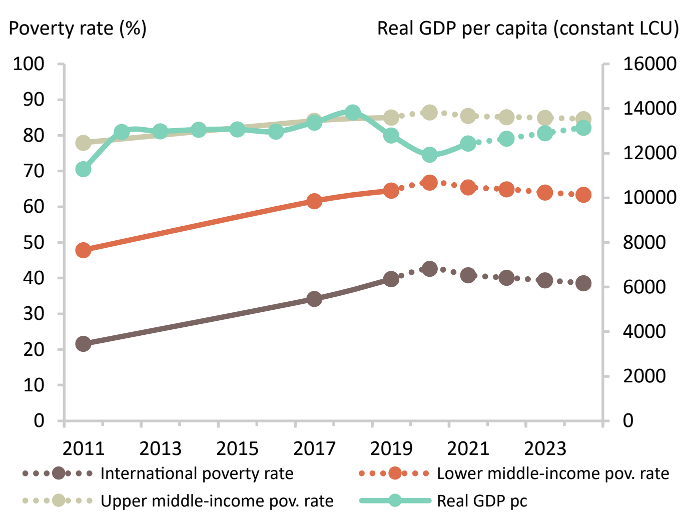
Annual inflation returned to triple digit levels, reaching 285 percent in August 2022, in response to further weakening of the local currency and surge in global prices due to the Russia-Ukraine war. Between January and August, the local currency depreciated by over 70 percent both on the parallel and official markets. To tame inflation, the Central Bank tightened monetary policy, raised the interest rates

FIGURE 1 Zimbabwe / Exchange rates



Sources: Zimstat and World Bank staff estimates.

FIGURE 2 Zimbabwe / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

(from 80 percent to 200 percent), further liberalized the forex market, and issued gold coins as a store of value. These measures have stabilized the parallel market and narrowed the parallel market premium to below 35 percent in September 2022. Nevertheless, inflation is estimated to average 213 percent in 2022.

In a high inflationary environment, fiscal deficit was kept low during the first half of 2022 (2022H1) but fiscal pressures have built up. Fiscal deficit stood at 0.3 percent of GDP during 2022H1, well below the initial target. However, inflation eroded allocated budget, necessitating a large supplementary budget. The additional spending was allocated mainly for cost-of-living adjustments, public investment, procurement of grain, and social protection. Pressures for further wage adjustments and pre-election spending are expected to keep the fiscal deficit at 1.8 percent of GDP in 2022.

In line with the modest economic growth in 2022, poverty rate declined marginally. However, these modest gains are threatened by a looming food crisis and limited fiscal space to mitigate the impact on the poor. With most of the poor relying on subsistence agriculture, international poverty rate is expected to remain high at 40 percent.

Outlook

Economic growth is projected to be around its potential in the medium term but risks to the outlook are significant. Real GDP growth is expected to grow at 3.6 percent in 2023 and 2024 supported by better agriculture season, slowing inflation, and relaxation of pandemic requirements. Agriculture production is projected to return to growth as the rain levels normalize and fertilizer prices go down. Manufacturing and services are expected to benefit from subsiding global and domestic prices, as well as the pandemic. However, downside risks to the outlook are high reflecting global slowdown of growth, volatile commodity prices, climate change, and ability of the government to control inflation and forex market distortions in an election period. Inflation is projected to slow down as monetary stance remains tight and global prices go down. Nevertheless, inflation levels will remain elevated and still in triple digits in 2023.

Fiscal deficit is projected to widen during the election year of 2023. Continuing wage pressures, demands for higher spending on agriculture and support to loss-making state-owned enterprises remain key fiscal risks.

Poverty rate is expected to decline modestly in the medium term, but vulnerability due to climate shocks and inflationary pressure remains high. The shocks to agricultural output due to changing and more volatile climate, and economic shocks such as inflation, supply-chain disruptions will continue to strain household finances.

TABLE 2 Zimbabwe / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	-6.1	-5.3	5.8	3.4	3.6	3.6
Private Consumption	-19.9	-4.3	11.3	3.3	3.4	3.2
Government Consumption	-1.7	-1.2	4.8	1.7	5.5	7.8
Gross Fixed Capital Investment	-9.0	-3.0	6.2	-2.9	4.6	3.2
Exports, Goods and Services	29.7	1.6	6.0	5.5	3.3	3.8
Imports, Goods and Services	-29.5	9.8	25.1	2.9	3.4	3.5
Real GDP growth, at constant factor prices	-7.5	-6.6	8.9	3.4	3.6	3.6
Agriculture	-17.8	4.2	17.3	-5.0	4.3	4.3
Industry	-11.1	0.0	6.4	3.5	3.2	3.2
Services	-2.1	-13.6	8.8	5.6	3.7	3.7
Inflation (Consumer Price Index)	255.3	557.2	98.5	212.7	105.5	50.5
Current Account Balance (% of GDP)	4.6	3.6	4.9	2.7	1.6	0.4
Net Foreign Direct Investment Inflow (% of GDP)	1.2	0.8	0.4	0.6	0.5	0.5
Fiscal Balance (% of GDP)	0.2	1.7	-1.7	-1.8	-2.1	-1.1
Debt (% of GDP)	94.8	109.7	79.6	78.9	78.8	76.3
Primary Balance (% of GDP)	0.4	1.8	-1.6	-1.7	-2.0	-1.0
International poverty rate ($2.15 in 2017 PPP)[a,b]	39.8	42.6	40.8	40.1	39.4	38.6
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	64.5	66.8	65.5	64.9	64.0	63.3
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	85.0	86.5	85.5	85.2	84.9	84.6
GHG emissions growth (mtCO2e)	-0.2	-1.3	2.4	1.7	1.5	1.6
Energy related GHG emissions (% of total)	11.8	10.8	10.9	11.2	11.4	11.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2019-PICES. Actual data: 2019. Nowcast: 2020-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2019) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

Macro Poverty Outlook

10/
2022

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