

10/2025

# MACRO POVERTY OUTLOOK

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



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# MACRO POVERTY OUTLOOK



# MACRO POVERTY OUTLOOK

*Annual Meetings 2025*

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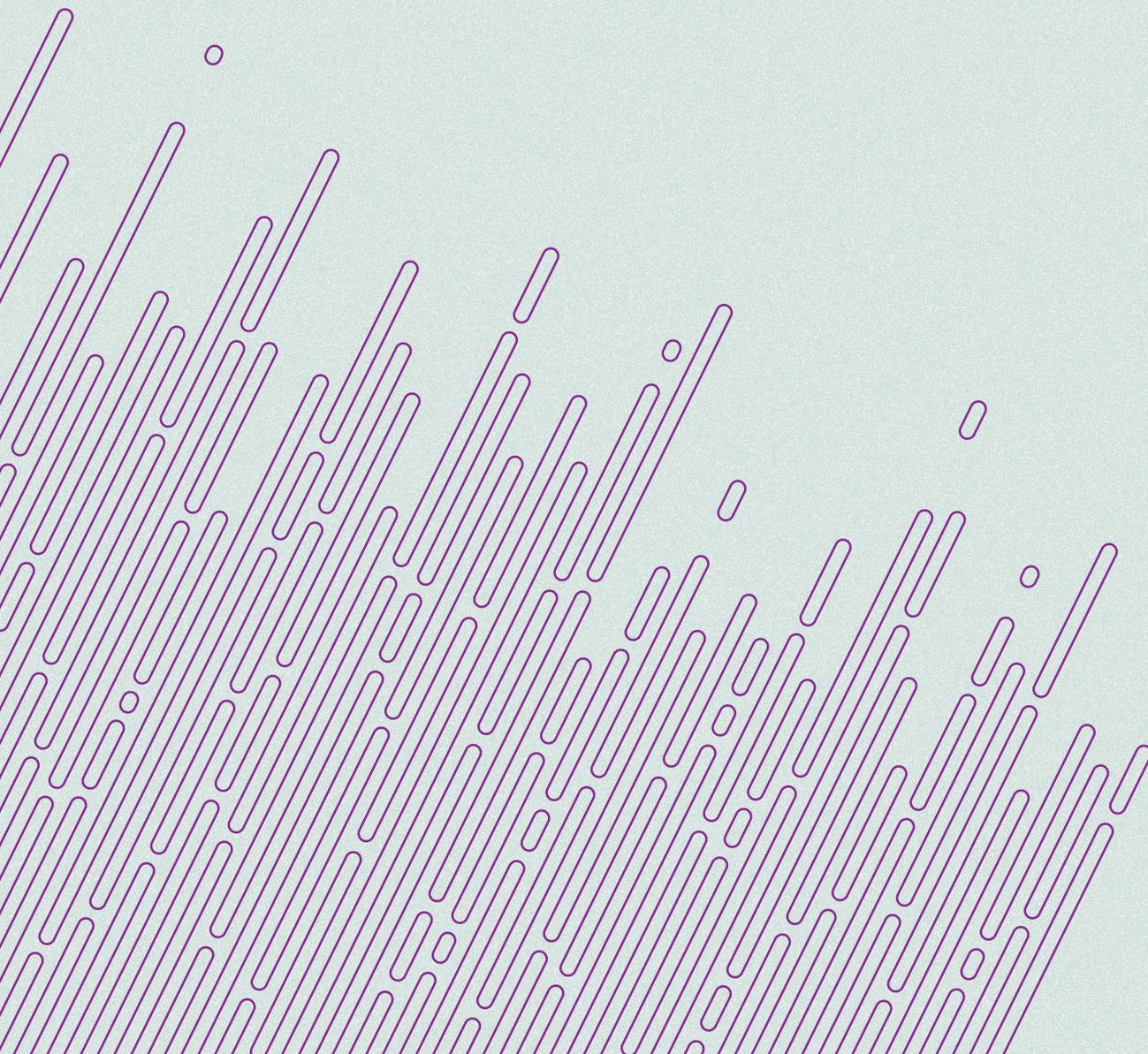
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*The Macro Poverty Outlook is jointly produced by the Poverty, and the Economic Policy Global Departments of the World Bank.*

The cutoff date for information for most countries was September 24, 2025.



Cambodia  
Central Pacific Islands  
China  
Fiji  
Indonesia  
Lao PDR  
Malaysia  
Mongolia  
Myanmar

North Pacific Islands  
Papua New Guinea  
Philippines  
Solomon Islands  
South Pacific Islands  
Thailand  
Timor-Leste  
Viet Nam

# East Asia and Pacific

# CAMBODIA

Cambodia faces multiple shocks—real estate slowdown, border tensions, and trade policy uncertainty. Domestic demand slowed, pressuring fiscal policy and exposing banking sector risks. Labor market strains and rising nonperforming loans threaten macro-financial stability. While foreign direct investment remains strong, poverty reduction is slowing. Authorities have fiscal and monetary space but must act to safeguard stability and support vulnerable groups.

## Key conditions and challenges

The Cambodian economy is experiencing multiple shocks. An ongoing correction in the domestic real estate sector has led to declining property investment and deteriorating labor market conditions. An escalation in border tensions with Thailand has added to labor market pressures with the return of 910,000 migrant workers. Exports have temporarily spiked due to frontloaded shipments ahead of anticipated trade restrictions, but this boom is expected to normalize in the coming period.

Fiscal policy is under pressure as weaker domestic demand has led to lower revenue collection. Monetary policy remains accommodative to support the economy, but deteriorating asset quality in the banking sector calls for heightened vigilance over macro-financial stability. The authorities have committed to safeguarding macro-economic stability and living standards, while addressing short-term structural bottlenecks and promoting diversification and competitiveness over the medium to long term.

The growth outlook remains subdued. While the authorities have fiscal space to respond to labor market shocks stemming from

Population <sup>1</sup> million	17.6	Poverty	..
Life expectancy at birth <sup>2</sup> years	70.7	School enrollment <sup>3</sup> primary (% gross)	111.4
GDP <sup>4</sup> current US\$, billion	46.9	GDP per capita <sup>5</sup> current US\$	2657.4

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2023. 3/ 2023. 4/ 2024. 5/ 2024.

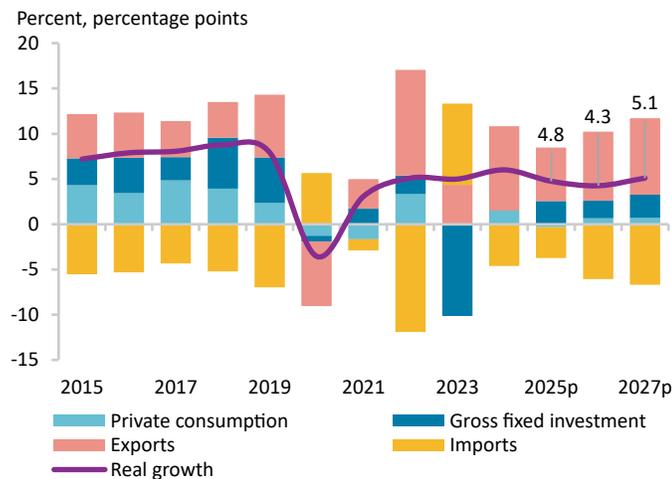
border tensions, they will also need to consider alternative measures to mitigate macro-financial risks. Rising nonperforming loans (NPLs), with loan restructuring masking underlying distress, underscore the need for bank-led resolutions and comprehensive legal reforms.

## Recent developments

Economic indicators point to a slowdown in domestic demand in the first half of (H1) 2025. Investment in real estate has continued to decline. Approved construction permit values declined 10.8 percent y/y in January–July 2025, consistent with an ongoing market correction, as property prices have trended down since 2023—including a 4 percent y/y fall in the Property Price Index in July 2025.

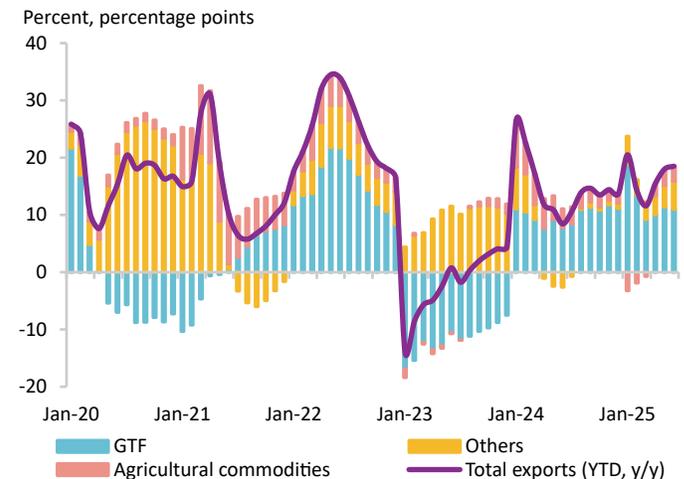
Domestic demand conditions were further weighed down by the escalation of border tensions between Cambodia and Thailand in July. In the very near-term, demand has been affected by declining remittances, cross-border trade, and tourism flows. A temporary spike in exports of manufacturing goods to the US has boosted external demand. Exporters front-loaded shipments of garments, travel goods, footwear, and bicycles ahead of anticipated trade restrictions.

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



Sources: Cambodian authorities and World Bank staff projections. Notes: e = estimate; p = projection.

**FIGURE 2 /** Merchandise export growth, and contributions to merchandise export growth



Source: Cambodian authorities. Notes: GTF = garment, travel goods, and footwear (and other textile products); YTD = year-to-date; y/y = year-on-year.

The slowdown in domestic demand has contributed to a consistent decline in core inflation since the beginning of the year. Headline inflation has also declined due to easing pressures on food and energy prices. However, early indications are that supply chain disruptions due to border tensions have already started to fuel price pressures in provinces bordering Thailand.

The spike in manufacturing exports contributed to a 10.5 percent y/y increase in manufacturing jobs. But weak domestic demand has weighed on non-tradable sectors with sluggish recovery in the large informal sector, including retail and wholesale trade, as well as construction sector workers. Labor market challenges have been exacerbated by the return of 910 thousand migrant workers from Thailand.

Ongoing conflict along the Cambodian-Thai border is exacerbating poverty by displacing families, undermining livelihoods, and disrupting economic activity. As of August 2025, the resulting tensions impose additional financial hardship on affected households with over 31,000 people including children still displaced, heighten the risk of impoverishment, and hinder the country's efforts to advance inclusive growth and poverty reduction. A combination of these factors has contributed to a slowdown in poverty reduction.

The expansion of manufacturing exports fueled rapid growth in imports, and a widening current account deficit. External pressures however have been moderated by strong foreign direct investment (FDI) inflows particularly in manufacturing—traditionally garments, travel goods, and footwear (GTF)—with rising investments in vehicle tires, home appliances, and furniture. FDI in the first half of 2025 grew by 28.4 percent y/y. This has supported a sustained appreciation of the Riel since July 2024. It has also helped boost forex reserves (equivalent to about 7 months of imports).

Domestic economic conditions have put pressure on fiscal policy, though the government has prioritized continued consolidation.

The fiscal deficit in H1 2025 is estimated to have stood at 1.6 percent of GDP compared to 1.2 percent in the same period last year. The higher deficit was driven by a 10 percent decline in revenue collection, associated with the economic slowdown, and a 4 percent increase in spending on salaries and wages. Monetary policy has remained accommodative with reserve requirements for U.S. dollar deposits held at 12.5 percent amid accelerating broad money growth, to support weak domestic demand and due to low inflation. Credit growth, however, has slowed down, reflecting economic conditions in non-tradable sectors.

## Outlook

Real GDP growth is projected at 4.8 percent in 2025 and 4.3 percent in 2026 (estimates in April 2025 stood at 4.0 percent and 4.5 percent respectively). The 2025 upgrade reflects front-loaded exports of GTF products, whilst the moderation in 2026 is reflective of weaknesses in domestic demand. Downside risks include growing labor market pressures, higher inflation, rising NPLs, and renewed border clashes. On the external front, risks include weaker global demand and a slower-than-expected recovery in China—Cambodia's main source of FDI and tourism.

The momentum in poverty reduction is likely to moderate, reflecting uneven sectoral performance, persistent regional disparities in economic opportunity, and ongoing disruptions in provinces bordering Thailand. This challenge is compounded by the absence of supplemental social assistance beyond the existing family package.

Cambodia has fiscal space to help mitigate labor market shocks stemming from border tensions, targeting support to the hardest-hit sectors and vulnerable groups. Monetary policy can remain accommodative to sustain demand, provided it is complemented by measures to curb macro-financial risks arising from weakening asset quality in the banking system.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	5.1	5.0	6.0	4.8	4.3	5.1
Private consumption	5.2	-0.2	2.5	-0.5	1.2	1.3
Government consumption	-1.2	35.1	-2.5	0.3	0.8	0.6
Gross fixed capital investment	5.4	-26.7	-0.2	10.3	7.5	9.6
Exports, goods and services	21.3	6.9	14.4	8.5	10.6	11.1
Imports, goods and services	18.6	-12.4	7.5	5.6	9.8	10.3
<b>Real GDP growth, at constant factor prices</b>	5.1	5.0	6.1	4.8	4.3	5.1
Agriculture	0.6	1.6	1.0	1.4	1.5	1.6
Industry	8.2	7.6	9.5	6.5	6.4	6.5
Services	3.6	3.4	4.0	3.9	2.6	4.6
<b>Inflation (consumer price index)</b>	5.5	2.1	2.2	2.7	3.0	3.0
<b>Current account balance (% of GDP)</b>	-18.8	1.3	0.7	-1.8	-3.7	-3.6
<b>Net foreign direct investment inflow (% of GDP)</b>	8.7	8.5	8.7	7.6	7.7	7.8
<b>Fiscal balance (% of GDP)</b>	-3.2	-3.9	-3.0	-3.4	-2.6	-2.1
<b>Revenues (% of GDP)</b>	17.2	15.9	15.3	14.8	15.5	15.6
<b>Debt (% of GDP)</b>	24.9	26.3	25.7	26.6	26.8	27.0
<b>Primary balance (% of GDP)</b>	-3.0	-3.6	-2.8	-3.1	-2.3	-1.8
<b>GHG emissions growth (mtCO2e)</b>	-3.8	1.2	1.6	1.1	1.0	1.0

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.  
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

# CENTRAL PACIFIC ISLANDS

Medium-term growth is expected to soften, with Kiribati and Tuvalu maintaining comparatively stronger performance. In Nauru, the Regional Processing Centre (RPC) renewal and Nauru-Australia Treaty will help ease fiscal strain. However, countries must manage the risks associated with limited economic diversification and climate risks to induce growth and reduce poverty. Asset price fluctuations could impact fiscal and economic trajectories in Kiribati and Tuvalu.

## Key conditions and challenges

**Kiribati** has an economy dominated by the public sector, with public expenditure at 98 percent of GDP in 2024. Recurrent spending on public wages, social protection, and the copra subsidy has continued to expand. This has helped reduce poverty but distorted markets and heightened fiscal risks, as volatile fishing license fees accounted for over two-thirds of revenues. To ensure fiscal sustainability and mitigate the risk of sharp adjustments that could reverse progress in poverty reduction, it is important to curtail recurrent spending, foster private enterprise, and stabilize fiscal revenues using the Revenue Equalization Reserve Fund (RERF), the country's sovereign wealth fund.

**Nauru** relies on volatile revenues from fishing and revenues from operating the RPC for refugees, with the latter accounting for 67 percent of fiscal revenues and 90 percent of GDP in 2024. With RPC earnings uncertain, broadening growth drivers is urgent. Investments in port infrastructure could support future fish processing, while improving the business environment would help foster the

	KIR	NRU	TUV
Population <sup>1</sup> thousand	134.5	11.9	9.6
Poverty thousand living on less than \$4.20/day	27.3 <sup>2</sup>	2.2 <sup>3</sup>	2.3 <sup>4</sup>
GDP <sup>1</sup> current US\$, billion	0.22	0.15	0.06
GDP per capita <sup>1</sup> current US\$	1702	12078	4908

Sources: WDI, World Bank. 1/ 2022. 2/ 2019. 3/ 2012. 4/ 2010.

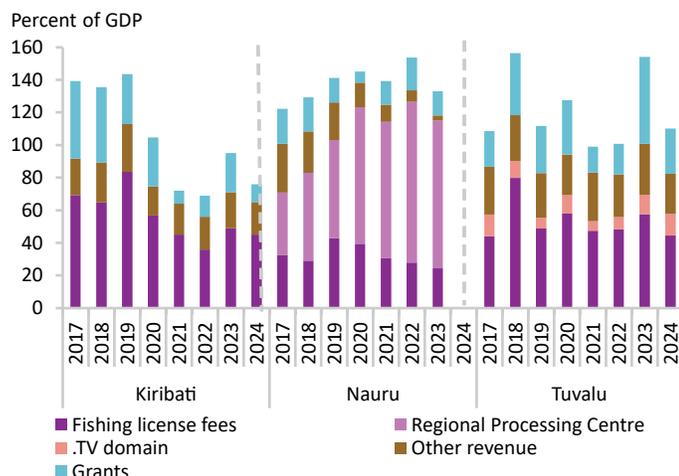
private sector. Nauru grapples with environmental challenges from climate change and land degradation linked to phosphate mining. Without diversification, the growth model and fiscal outlook will remain dependent on volatile resource rents.

**Tuvalu** remains highly exposed to climate-related risks, which pose serious challenges to its development. Private sector development is constrained by inadequate infrastructure and limited economies of scale. As of 2010, 21 percent of the population is estimated to have lived below the national poverty line. Structural reforms are essential to build resilience, improve infrastructure, sustain growth, and enable economic diversification.

## Recent developments

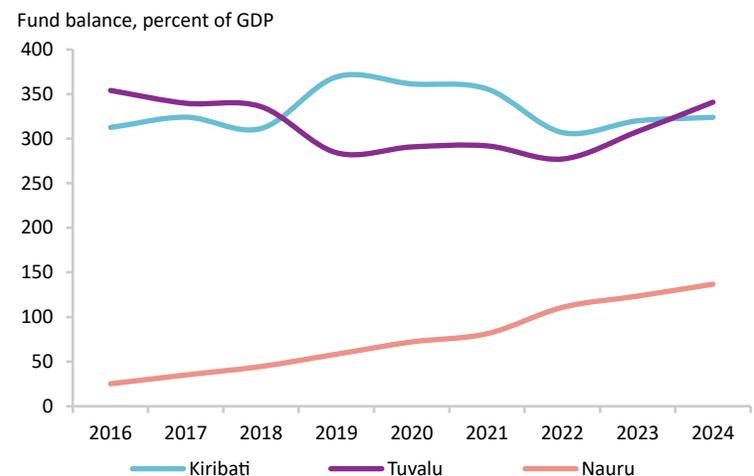
In 2024, Kiribati's public wage expansion lifted growth to 5.3 percent but increased the fiscal deficit to 22 percent of GDP, funded by withdrawals from cash reserves and the RERF. Inflation remains moderate at 2.5 percent due to global commodity price trends and improved supply conditions. Poverty is projected at 14.3 percent

FIGURE 1 / Selected fiscal revenues, 2017-2023



Sources: Country authorities, and World Bank and IMF staff estimates and projections. Notes: Nauru data are June years; Kiribati and Tuvalu are calendar years.

FIGURE 2 / Sovereign wealth funds, 2016-2024



Sources: Country authorities, and World Bank and IMF staff estimates and projections. Notes: Notes: Nauru data are June years; Kiribati and Tuvalu are calendar years. The Nauru Trust Fund was established in 2016.

in 2024 (using the US\$4.20 Lower Middle Income Country (LMIC) poverty line) down from 22 percent in 2019/20. As the estimate does not account for the expansion of social programs, including the copra subsidy, unemployment benefits, and disability and old-age payments, the actual rate is likely even lower. Public debt (12 percent of GDP) is sustainable but assessed at high risk of distress. The RERF was valued at 340 percent of GDP in December 2024 after a withdrawal worth 17 percent of GDP in 2024.

Nauru's economy grew by 1.8 percent in FY24, driven by higher consumption, reflected in wholesale and retail trade, financed by the RPC revenues. Inflation was 4.7 percent due to supply-side constraints. Grants increased sharply from 16 percent of GDP in FY23 to 33 percent in FY24, including higher budget support from China. This contributed to a fiscal surplus of 30 percent of GDP. Prepayments boosted the Intergenerational Trust Fund to 152 percent of GDP in March 2024, up from 111 percent in June 2022. Public debt, around 20 percent of GDP, is sustainable, and liabilities have been significantly reduced. Poverty data are outdated, with the last estimates (2012-13) showing 9.7 percent of the population in extreme poverty (below the US\$3 per day international poverty line). Further, 68.5 percent of the population were poor compared to Upper Middle Income Country standards (US\$8.30 per day). A new poverty estimate for 2024 is expected by the end of the year.

Tuvalu's economy is projected to grow by 3.1 percent in 2024, supported by infrastructure investments, public spending, and donor assistance. Inflation eased to 1.2 percent. The current account surplus narrowed sharply from 40 percent in 2023 to 7.3 percent in 2024 due to reduced fishing license revenue and lower grant inflows. Accordingly, the fiscal balance shifted from a surplus of 15.3 percent of GDP to a deficit of 8.2 percent of GDP. Public debt, at 11.1 percent of GDP, remains sustainable, but is assessed at high risk of debt distress due to climate vulnerability and revenue volatility. Assets held by the country's sovereign wealth funds rose to 341 percent of GDP at end-2024, providing an important buffer. Welfare and poverty data are scarce. An experimental longform census in 2022 estimated a national "cost of basic needs" poverty rate of 21.5 percent, but poverty using international poverty lines has not been estimated.

## Outlook

In Kiribati, growth is expected to moderate to 3.9 percent in 2025 and further ease to around 2.5 percent in 2027, as growth in household demand softens and investment projects stabilize. Inflation is forecast to peak at 7.8 percent in 2025 due to delayed fuel

and electricity tariff adjustments, before gradually easing. The fiscal deficit is projected to narrow to 15 percent in 2025, reflecting a nominal wage freeze and streamlined subsidies, but will remain heavily financed through withdrawals from the RERF. This could lead to substantial fiscal risk because the current RERF withdrawal rule allows withdrawals only if nominal returns exceed 2 percent. A rule based on the fiscal balance and not on volatile returns would stabilize financing and grow the RERF's real value. Growth is projected to reduce poverty further to 12.3 percent by 2027. Updated poverty estimates from a new 2023/24 HIES, which will capture the impact of various expansions in government transfers introduced during the COVID-19 pandemic, are expected by end of 2025.

Nauru's growth is expected to pick up to 2.1 percent in FY25, before moderating to 1.9 in FY26 driven largely by public demand, sustained donor support and the continuation of RPC operations. Inflation remains elevated at 6 percent in FY25 due to supply-side factors tied to shipment of imports and strong domestic demand. The fiscal surplus is expected to fall to 3.6 percent of GDP due to higher spending on healthcare, education, and social benefits, financed partly by a large surplus carried forward from the year before. The fiscal responsibility framework weakened in 2024 moving from requiring a surplus every year to a surplus across a 3-year rolling average. While this provides more flexibility, it weakens fiscal discipline and could reduce buffers against sudden shocks.

Tuvalu's growth is expected to moderate to 2.7 percent by 2027, driven by construction, hospitality, finance, and public administration. The 2023 Australia-Tuvalu Falepili Union Treaty is expected to boost remittances over the medium term, but outward migration could dampen productivity and long-term growth by reducing the supply of skilled labor. Inflation is projected to slow to 2.5 percent by 2027 as global inflation pressures subside. Weaker revenues will likely widen fiscal and current account deficits, while sovereign wealth fund values are projected to fall to 311 percent of GDP by 2027, reflecting asset volatility and lower returns. Despite strong sovereign assets, the economy's dependence on volatile revenues and external migration creates long-term risks for growth and fiscal sustainability.

The Central Pacific outlook faces several risks, including persistent trade policy uncertainty and a slowdown in global growth, which could weigh on exports, remittances, and donor financing. Rising outward migration and unstable revenue streams pose economic headwinds and threaten fiscal space. These challenges are compounded by the increasing frequency and severity of climate-related disasters that further threaten resilience across the region, economic stability and poverty reduction.

## Recent history and projections

	2022	2023	2024e	2025f	2026f	2027f
<b>Real GDP growth, at constant market prices</b>						
Kiribati	4.6	2.7	5.3	3.9	3.2	2.5
Nauru	2.8	0.6	1.8	2.1	1.9	1.7
Tuvalu	-11.8	4.0	3.1	3.0	2.6	2.7
<b>Poverty rates of Kiribati</b>						
International poverty rate (\$3.00 in 2021 PPP) <sup>1,2</sup>	4.2	3.9	3.2	2.9	2.7	2.5
Lower middle-income poverty rate (\$4.20 in 2021 PPP) <sup>1,2</sup>	17.6	16.6	14.3	13.3	13.1	12.3
Upper middle-income poverty rate (\$8.30 in 2021 PPP) <sup>1,2</sup>	70.5	69.7	67.4	66.2	64.7	63.8

Source: Country authorities and World Bank, Poverty and Economic Policy Global Departments.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

Nauru data are based on the fiscal year ended June. Kiribati and Tuvalu are calendar years.

1/ Calculations based on EAPPOV harmonization, using 2019-HIES.

2/ Poverty rates for 2020-2025 are projections based on real GDP per capita growth.

# CHINA

China's growth remained robust in the first half of 2025, but headwinds persist from a protracted property sector downturn, weak domestic demand, and shifts in global trade policies. Growth is projected to ease from 5.0 percent in 2024 to 4.8 percent in 2025 and 4.2 percent in 2026, with balanced risks. While fiscal and monetary easing have helped offset headwinds, structural reforms are critical to restore confidence, support job creation, and boost growth potential.

## Key conditions and challenges

China's growth momentum remained robust in H1 2025, underpinned by accommodative macroeconomic policies and strong exports. The country is navigating a challenging economic environment marked by a deep property sector contraction, subdued confidence, and deflationary pressures from weak domestic demand, alongside shifts in global trade policies. Higher fiscal stimulus and some monetary easing have partly offset headwinds to growth.

The economy faces structural headwinds from slowing productivity growth, high debt, and an aging population. Productivity growth has decelerated over the past 15 years despite ongoing innovation, reflecting less efficient resource allocation. Reliance on debt-financed stimulus is adding to already elevated debt, heightening financial vulnerabilities. Meanwhile, an aging population constrains growth by reducing the labor force and increasing fiscal pressures.

To raise medium-term growth, China should complement counter-cyclical stimulus with structural reforms—restructuring

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$8.30/day
1409.0	296.2
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
78.0	99.3
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
19004.9	13488.5

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

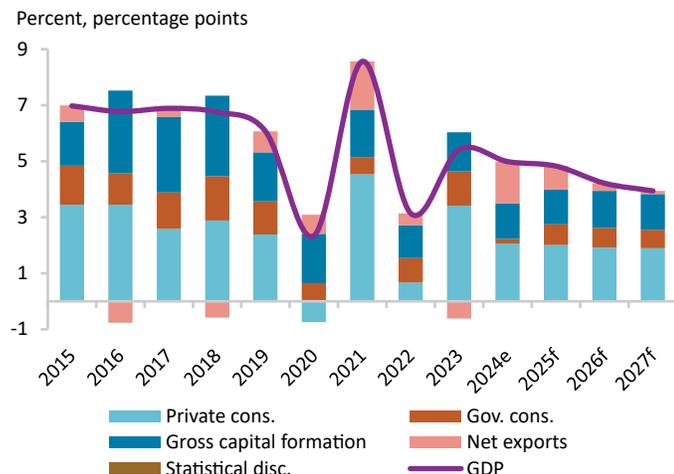
overleveraged property developers and subnational public debt, expanding social protection, and fully liberalizing the hukou (household registration system), as well as deepening business environment reforms such as lowering entry barriers, especially in the services sector, to raise investor confidence and support job creation.

## Recent developments

Real GDP expanded by 5.3 percent y/y in H1 2025, higher than 5.0 percent in the same period last year. Fiscal support through consumer subsidies helped sustain consumption. Infrastructure and manufacturing investment, supported by policy stimulus and export strength, partly offset the contraction in the property sector. Weak domestic demand kept inflation low and labor market conditions subdued.

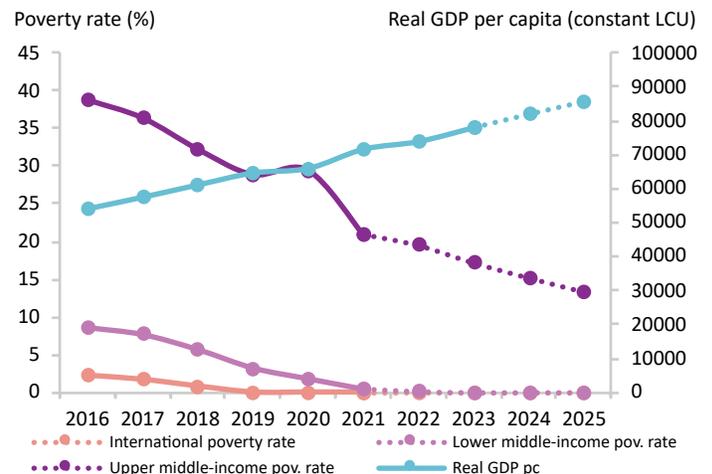
Exports remained resilient partly driven by frontloading. Merchandise exports grew 6.1 percent y/y in the first seven months, with exports to non-US markets offsetting contractions in US-bound shipments. Amid higher trade policy uncertainty, China has pursued broader trade integration and openness within the

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



Sources: China National Bureau of Statistics and World Bank staff estimates.

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



Source: World Bank. Notes: See footnotes in table on the next page.

region and beyond, for instance, through an upgraded China-ASEAN Free Trade Area 3.0. It also expanded zero-tariff imports from 53 African countries while diversifying agricultural imports.

The government has deployed fiscal and monetary measures to support domestic activity. A stimulus package focused on infrastructure investment, along with higher social spending and expanded subsidies for consumer goods and equipment upgrades, has widened the budget deficit, with a fiscal impulse estimated at 1.6 percent of GDP in 2025. The central bank cut policy rates and lowered the required reserve ratio, injecting liquidity of 4.1 percent of GDP in Q2. Yet, credit demand has remained subdued due to the property downturn, economic uncertainty, and high real borrowing costs.

Progress with structural reform has been incremental. Social measures such as childcare subsidies and free pre-school education aim to lower childcare costs and increase fertility rate, while gradual retirement age increases and hukou reforms in smaller cities have supported workforce participation and mobility. However, limitations to social protection schemes keep household precautionary savings high and consumption low. Property debt restructuring remains slow, while the RMB 12 trillion (0.8 percent of GDP) swap of off-budget for on-budget local government debt has eased near-term refinancing pressure.

Poverty reduction has broadly kept pace with growth. In 2024, an additional 28 million people attained a daily consumption level above US\$8.30/day, a benchmark used by the World Bank to compare poverty reduction across upper middle-income countries. This is fewer than 32 million people in 2023 amid slower growth. Per capita household disposable income grew faster (6.2 percent) in rural areas than in cities (4.7 percent) in H1 2025. For rural households, income from transfers (7.3 percent) and wages and

salaries (6.5 percent) were among the fastest growing segments. For urban households, net business income and wages and salaries grew by 5.8 percent and 5.0 percent respectively while income from property, which accounts for about 10 percent of household incomes, grew at 1.5 percent.

## Outlook

Growth is projected at 4.8 percent in 2025 and 4.2 percent in 2026. Export growth is expected to decelerate in the remainder of 2025, following a period of export frontloading. Elevated uncertainty will likely weigh on manufacturing investment and labor demand, but fiscal policy is expected to partly offset these headwinds. The protracted property downturn will continue to dampen real estate investment. Expanded policy support, including centrally funded childcare and preschool education subsidies, will support household consumption, contributing to a marginal uptick in consumer price inflation. Growth is expected to decelerate in 2026, driven by slower export growth and less accommodative fiscal policy, but also structural growth deceleration.

The pace of poverty reduction is expected to slow in line with growth in 2025 and 2026. The poverty rate at the World Bank's benchmark of US\$8.30/day is projected to fall to 13.4 and 11.9 percent, respectively, in 2025 and 2026.

Risks to the outlook are balanced but significant. Globally, uncertainty around trade policy and growth poses downside risks. Domestically, a longer-than-expected property slump could further curtail investment. Further softening of labor market conditions due to higher uncertainty and delayed corporate investment could weigh on consumption. On the upside, higher-than-expected fiscal spending could lift growth above baseline projections.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	3.1	5.4	5.0	4.8	4.2	3.9
Private consumption	1.7	9.0	5.2	5.1	4.9	4.8
Government consumption	5.3	7.3	1.0	4.5	4.3	4.0
Gross fixed capital investment	3.4	4.5	3.0	3.2	3.5	3.4
Exports, goods and services	-1.9	1.1	11.5	5.1	2.5	1.7
Imports, goods and services	-5.1	5.6	4.3	1.1	1.6	1.5
<b>Real GDP growth, at constant factor prices</b>	3.1	5.4	5.0	4.8	4.2	3.9
Agriculture	4.2	4.0	3.5	3.4	3.2	3.0
Industry	2.3	4.4	5.3	4.7	3.9	3.5
Services	3.6	6.3	5.0	5.1	4.6	4.4
<b>Employment rate (% of working-age population, 15 years+)</b>	62.0	62.3	62.3	62.3	62.1	62.2
<b>Inflation (consumer price index)</b>	2.0	0.2	0.2	0.3	1.4	2.0
<b>Current account balance (% of GDP)</b>	2.4	1.4	2.2	2.1	0.9	0.3
<b>Net foreign direct investment inflow (% of GDP)</b>	-0.1	-0.8	-0.9	-0.5	-0.2	-0.1
<b>Fiscal balance (% of GDP)<sup>1</sup></b>	-6.1	-5.5	-6.5	-8.1	-7.6	-7.0
<b>Revenues (% of GDP)</b>	31.7	31.7	29.9	28.9	28.7	28.6
<b>Debt (% of GDP)</b>	49.4	54.7	60.7	70.8	77.9	82.5
<b>Primary balance (% of GDP)</b>	-5.4	-4.7	-5.7	-7.1	-6.6	-5.9
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>2,3</sup></b>	19.5	17.2	15.2	13.4	11.9	10.5
<b>GHG emissions growth (mtCO2e)</b>	0.1	3.3	3.2	3.0	2.6	2.5

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ The adjusted fiscal balance adds up the public finance budget, the government fund budget, the state capital management fund budget and the social security fund budget.

2/ Last grouped data available to calculate poverty is for 2021 provided by NBS. Actual data: 2021. Nowcast: 2022-2024. Forecasts are from 2025 to 2027.

3/ Projection using neutral distribution (2021) with pass-through = 0.85 based on GDP per capita in constant LCU.

# FIJI

GDP growth is projected to soften to 2.9 percent in 2025, supported by sustained tourism. Expansionary fiscal policy is expected to persist through the 2026 election period, supporting growth but slowing debt reduction. Risks include elevated trade uncertainty, natural disasters, skilled labor shortages, and commodity price shocks. Structural reforms along with fiscal consolidation are critical to mitigate risks and ensure sustainable growth and poverty reduction.

## Key conditions and challenges

Fiji became an upper-middle-income country (UMIC) in 2014. To reach the government objective of high-income status within 20 years, it must overcome development challenges linked to its small size and remoteness such as import dependence and climate vulnerability. This requires implementing reforms that enhance private investment, productivity, workforce skills, and gender equality, including improving business climate to support growth.

Output returned to pre-pandemic levels in 2023, led by a strong tourism recovery following the reopening of international borders in late 2022. However, the pandemic left behind a substantially higher public debt, limiting fiscal space for future shocks. Tourism remains a key growth driver, but demand may be constrained by high destination costs and supply-side challenges such as limited hotel capacity and labor shortages.

The economic recovery has bolstered Fiji's poverty reduction efforts. Projections of poverty rates, as measured by the upper-middle-income country standard of living (US\$8.30/day in 2021PPP),

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$8.30/day
0.9	0.6
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
67.3	107.6
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
5.7	6085.5

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2019 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

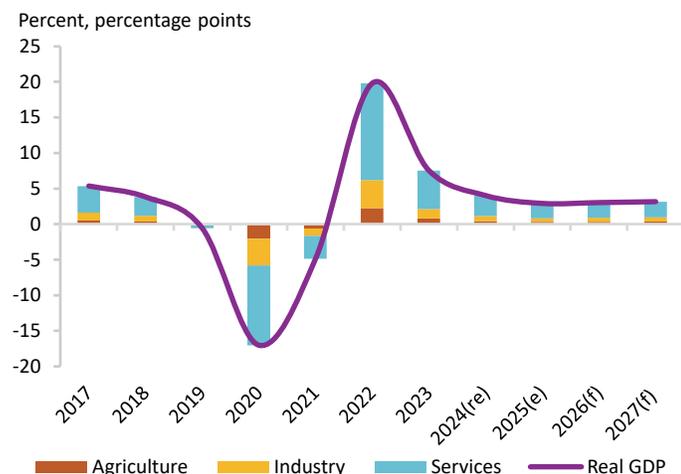
estimate that poverty fell to 58.7 percent in 2024, which is below the pre-pandemic level of 61.3 percent measured in the 2019/20 Household Income and Expenditure Survey. Extreme poverty (US\$3/day in 2021PPP) is very low in Fiji, at 4.7 percent in 2019/20 and estimated at 3.8 percent in 2024.

## Recent developments

The economy grew by 4 percent in 2024, above the 2010–19 average of 3.3 percent, driven by robust tourist arrivals that exceeded pre-pandemic levels by 10 percent. Key growth sectors include accommodation, transport, financial services, and retail. Average inflation reached 4.5 percent in 2024, partially attributed to VAT rate hike from 9 percent to 15 percent and minimum wage increase in August 2024. A monthly panel survey by the World Bank showed that nearly all households felt the pressures of inflation in 2024. Monetary policy remained accommodative with the overnight policy rate held steady at 0.25 percent since 2020.

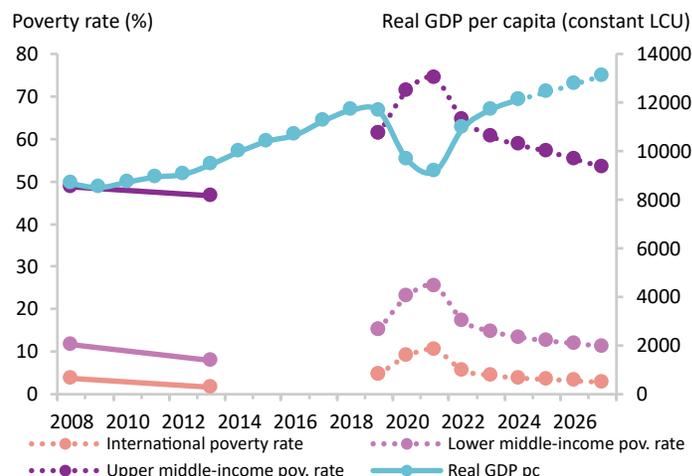
The current account deficit stabilized at 7.7 of GDP in 2024 due to steady tourism receipts and remittance inflows, partially driven

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



Sources: Ministry of Finance, IMF, and World Bank staff estimates.

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



Source: World Bank. Notes: See footnotes in table on the next page.

by Fijians in labor mobility schemes in Australia and New Zealand. Foreign reserves remain at a comfortable level, equivalent to six months of retained imports as of end-2024.

The fiscal deficit narrowed to 2.3 percent of GDP in 2024 from 4.5 percent in 2023, driven by tax buoyancy reflecting FY24 Budget fiscal consolidation measures that include adjustments to the VAT, corporate income tax, departure tax, water resource tax, and customs and excise duty rates. Gains from these fiscal consolidation policies were partly offset by higher recurrent spending. The deficit was financed through external concessional and domestic borrowing. Public debt declined from 81.2 percent of GDP in 2023 to 80.9 percent in 2024, supported by a primary surplus of 1.6 percent of GDP and above average economic growth.

## Outlook

The economy is expected to grow by 2.9 percent in 2025, up from the 2.6 percent projection made in April during the peak of the global tariff policy uncertainty. Growth is expected to reach 3.1 percent by 2027, supported by stable tourism. Robust growth is projected to reduce poverty to 57.2 percent in 2025 and 53.5 percent by 2027 by upper middle-income country standards. The World Bank's panel survey shows inflation eased slightly in early 2025, and respondents felt it was a better time to find work or start a business than in 2024. The headline inflation is projected to decrease to around 3 percent over the medium term.

The current account deficit is projected to reach 7.3 percent of GDP in 2025, driven by a narrowing trade deficit and stable inflows from tourism and remittances. Remittances are projected to stay above a tenth of GDP and tourism earnings to gradually approach a fifth of GDP over the medium term. The deficit will be largely financed by official borrowing. Foreign reserves are projected to remain adequate over the medium term at above 4.5 months of imports, slightly below the International Monetary Fund's (IMF) recommended threshold of 4.9 months which is based on the Assessing Reserve Adequacy (ARA) metric for Fiji.

The FY26 Budget adopted an expansionary fiscal stance in response to global tariff policy shifts, marking a departure from the fiscal consolidation path pursued in previous years. This is expected to continue through 2026, delaying the debt reduction and keeping projected public debt close to 80 percent of GDP by 2027. The IMF's 2024 Article IV Debt Sustainability Analysis (DSA) rated Fiji's risk of sovereign stress as moderate, considering its vulnerability to macroeconomic shocks and contingent liabilities. The World Bank's 2024 DSA also found Fiji's public debt sustainable but facing high risk of debt distress.

The outlook faces downside risks, including a renewed spike in global trade uncertainty, skilled labor shortages, international price shocks, and natural disasters. To mitigate these risks, structural reforms are essential, particularly those that enhance investment, productivity, and fiscal consolidation. These efforts are essential to strengthen resilience, preserve macroeconomic stability, and advance poverty reduction.

### Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	19.8	7.5	4.0	2.9	3.0	3.1
<b>Real GDP growth, at constant factor prices</b>	16.0	9.1	4.0	2.9	3.0	3.1
Agriculture	4.0	4.7	1.8	4.5	4.5	4.1
Industry	8.3	-4.9	7.9	3.6	5.0	5.8
Services	20.7	13.9	3.4	2.5	2.3	2.3
<b>Inflation (consumer price index)</b>	3.1	5.1	1.3	1.5	2.8	3.0
<b>Current account balance (% of GDP)</b>	-17.3	-7.7	-7.7	-7.3	-7.9	-7.5
<b>Net foreign direct investment inflow (% of GDP)</b>	1.8	1.1	2.8	3.8	4.0	3.6
<b>Fiscal balance (% of GDP)</b>	-10.3	-4.5	-2.3	-4.7	-5.2	-3.8
<b>Revenues (% of GDP)</b>	21.7	25.3	29.0	28.0	27.0	27.0
<b>Debt (% of GDP)</b>	86.5	81.2	80.9	81.4	81.6	80.7
<b>Primary balance (% of GDP)</b>	-6.6	-0.5	1.6	-0.9	-1.7	-0.5
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	5.6	4.4	3.8	3.5	3.1	2.8
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	17.2	14.7	13.4	12.5	11.9	11.1
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	64.7	60.7	58.7	57.2	55.4	53.5
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	19.8	7.5	4.0	2.9	3.0	3.1

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on EAPPOV harmonization, using 2019-HIES. Actual data: 2019. Nowcast: 2020-2024. Forecasts are from 2025 to 2027.

2/ Projection using neutral distribution (2019) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

# INDONESIA

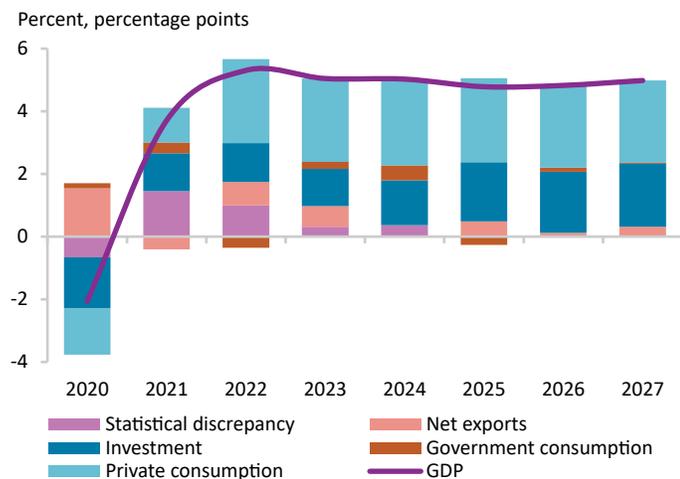
Supported by rising investment and fiscal stimulus, growth is projected at 4.8 percent despite challenging global environment and slightly softening consumption. Poverty continues to decline, underpinned by increased fiscal transfers, but limited creation of quality jobs has fueled social pressures. Sustaining robust growth and expanding better jobs will require accelerating structural reforms.

## Key conditions and challenges

Sustained strong growth has lifted 12 million out of poverty since 2000, enabling the country to reach upper middle-income status in 2023. Unemployment has halved and labor force participation is steady at 70 percent. Rising labor earnings have driven poverty reduction. However, jobs are concentrated in low-productivity, informal services. Due to barriers to competition and policy distortions, manufacturing and high-value services have not generated sufficient high-quality jobs, which entrenched informality, hampered productivity and real wage growth, and constrained opportunities for the growing workforce. Real consumption growth among middle-class has lagged both the poorest and richest groups, raising concerns about social mobility.

Achieving the government goal of high-income status by 2045 calls for a reversal of these trends. Beyond investments in human and physical capital, a more predictable and competitive business environment, and greater private capital mobilization into productive, job-rich activities will be critical. Reforms in licensing, investment liberalization, trade and logistics, digital

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



Sources: National Statistics Agency and World Bank.

Population <sup>1</sup> million	285.1	Poverty <sup>2</sup> millions living on less than \$4.20/day	56.7
Life expectancy at birth <sup>3</sup> years	71.1	School enrollment <sup>4</sup> primary (% gross)	100.2
GDP <sup>5</sup> current US\$, billion	1396.3	GDP per capita <sup>6</sup> current US\$	4897.7

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

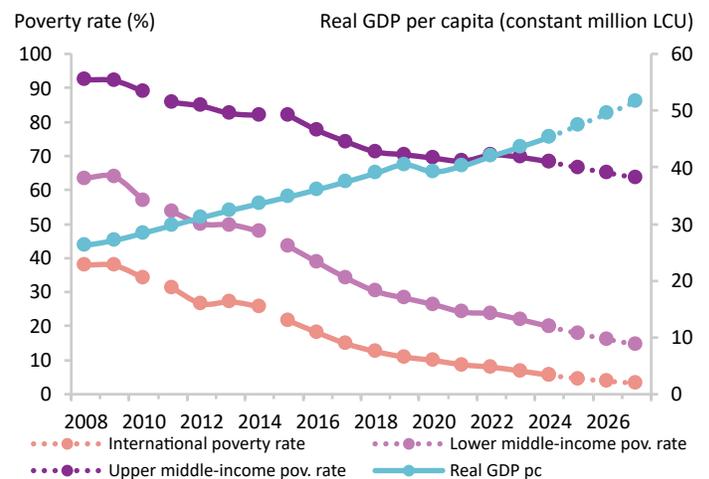
services, and financial sector deepening, could raise potential growth and foster better job creation.

## Recent developments

The economy grew by 5 percent year-on-year (y/y) in the first half of 2025 (H1-2025). Private consumption contributed more than half of this growth, buoyed by government stimulus. Investment added another 27 percent, driven by private construction and public procurement of defense equipment. On the supply side, growth was led by services such as tourism and transport (up 6.9 and 8.8 percent y/y, respectively), while tradable manufacturing grew more slowly (up 4.3 percent).

Inflation rose gradually from 1.6 percent at end-2024 to 2.4 percent y/y in July, partly driven by rice distribution delays and gold price rallies, but remained within Bank Indonesia's (BI) target band. With inflation low and the Rupiah relatively stable, BI cut interest rates by a cumulative 125 basis points in 2025. Yet, shallow financial markets have limited policy transmission, keeping lending rates elevated and private credit growth below BI's 2025 target of 8-11 percent.

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



Source: World Bank. Notes: See footnotes in table on the next page.

The fiscal deficit widened to 0.9 percent of GDP in H1-2025, as revenues declined while spending was re-prioritized towards social programs. Revenues dropped to 5.0 percent of GDP, reflecting lower commodity prices, forgone state-owned enterprise (SOE) dividends redirected to the new holding company Danantara, and VAT rate hike reversal. Meanwhile, spending fell to 5.9 percent of GDP, but shifted toward social transfers such as nutritious meals, housing, and cooperatives programs (combined 1.1 percent of GDP), two stimulus packages, as well as energy and food security. This helped support private consumption, but at the cost of investment weighing on future growth.

The current account deficit (CAD) remained flat at 0.1 percent of GDP in H1-2025. Tightening financial conditions led to a reversal of portfolio investment in April, prompting BI to intervene to stabilize the Rupiah, resulting foreign reserves dropped by USD 3.1 billion compared to end-2024 but remain adequate, covering 6.2 months of imports and external debt service.

Amid robust growth and low inflation, the poverty rate declined from 21.9 percent in March 2023 to 19.9 percent in March 2024 (USD 4.2 2021 PPP). However, the labor market remains soft, with unemployment at 4.8 percent in February 2025 and high informality. Job quality weakened further as real wages in high-value services declined. Nationwide demonstrations in August, highlight the risk of social unrest if growth does not deliver more inclusive opportunities.

## Outlook

Growth is projected at 4.8 percent in 2025 and will be anchored by private investment and private consumption supported through

lower interest rates, fiscal stimulus, and low inflation. Planned investments through Danantara are expected to gradually accelerate, further boosting domestic demand with growth projected to edge up to 5.0 percent by 2027. As the output gap closes, inflation is projected to pick up but will remain within BI's target band.

The fiscal deficit is projected to reach 2.8 percent of GDP by 2027 with increased fiscal spending on priority programs partly financed through higher revenue from improved tax administration. However, higher borrowing costs and budget deficits will increase interest payments to 2.5 percent of GDP and raise gross financing needs to 7.0 percent of GDP by 2027, financed largely from domestic sources.

The CAD is expected to widen to 1.7 percent of GDP by 2027 as commodity prices soften and growth slows in China. Downstreaming projects are expected to attract foreign direct investment (FDI), the largest source of external financing.

The risks to the outlook are balanced. Downside risks include global trade uncertainty, delays in implementing investment projects, social instability and shifts in fiscal priorities. Upside risks include a rebound in commodities prices, faster progress on deregulation, and new trade agreements that could boost exports and investment.

Sustained growth will drive continued poverty reduction through 2027, with the poverty rate falling by 5.2 percentage points to 14.7 percent. Employment growth and job quality, including expanding social insurance coverage, is crucial to providing greater security for vulnerable and middle-class households.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	5.3	5.0	5.0	4.8	4.8	5.0
Private consumption	5.0	4.9	5.1	4.9	4.9	4.9
Government consumption	-4.4	3.0	6.6	-3.6	2.0	0.5
Gross fixed capital investment	3.9	3.8	4.6	6.1	6.2	6.3
Exports, goods and services	16.2	1.3	6.5	7.0	6.0	7.0
Imports, goods and services	15.0	-1.6	7.9	5.9	6.7	6.9
<b>Real GDP growth, at constant factor prices</b>	4.9	5.1	5.1	4.8	4.8	5.0
Agriculture	2.3	1.3	0.7	3.6	3.0	3.0
Industry	4.1	5.0	5.2	4.0	4.2	4.2
Services	6.5	6.1	6.2	5.9	5.8	6.1
<b>Employment rate (% of working-age population, 15 years+)</b>	64.6	65.8	67.2	67.7	67.7	67.7
<b>Inflation (consumer price index)</b>	4.1	3.7	2.3	1.7	2.6	2.6
<b>Current account balance (% of GDP)</b>	1.0	-0.1	-0.6	-1.3	-1.6	-1.7
<b>Net foreign direct investment inflow (% of GDP)</b>	1.4	1.1	1.1	1.2	1.3	1.5
<b>Fiscal balance (% of GDP)</b>	-2.4	-1.6	-2.3	-2.7	-2.7	-2.8
<b>Revenues (% of GDP)</b>	13.5	13.3	12.8	11.9	12.2	12.4
<b>Debt (% of GDP)</b>	39.7	39.2	39.8	41.1	41.8	42.4
<b>Primary balance (% of GDP)</b>	-0.4	0.5	-0.1	-0.5	-0.3	-0.3
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	7.9	6.7	5.4	4.5	3.8	3.2
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	23.7	21.9	19.9	17.9	16.3	14.7
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	70.3	69.6	68.3	66.6	65.2	63.7
<b>GHG emissions growth (mtCO2e)</b>	6.5	4.2	3.4	2.5	2.7	2.9

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on EAPPOV harmonization, using 2011-SUSENAS and 2024-SUSENAS. Actual data: 2024. Forecasts are from 2025 to 2027.

2/ Projection using annualized elasticity (2011-2024) with pass-through = 1 based on GDP per capita in constant LCU.

# LAO PDR

Macroeconomic imbalances persist despite policy tightening, which has helped to stabilize the exchange rate and ease inflation. High public debt constrains growth and poverty reduction. GDP growth is projected to ease to 3.7 percent in 2025 while household income growth remains below inflation. Poverty, measured at the international poverty line for lower-middle income countries (\$4.20, 2021 PPP), largely remains unchanged relative to 2024 at 33.1 percent.

## Key conditions and challenges

Despite recent improvements, macroeconomic imbalances persist. Public and publicly guaranteed (PPG) debt declined but remained high at 94 percent of GDP in 2024. Between 2020 and 2024, deferred external debt repayments totaled around 15 percent of GDP, easing short-term foreign exchange liquidity pressures but leaving long-term solvency challenges unresolved. External debt service is projected to average \$1.2 billion (6 percent of GDP) annually from 2025-2029, implying liquidity and exchange rate risks.

Debt pressures weigh on exchange rate stability and inflation. Large debt servicing requirements make it essential to create fiscal space for human capital development and other growth-oriented priorities. Declining real wages and currency depreciation have fueled outward migration and discouraged wage employment. Recent growth has been driven by external demand, making it susceptible to slowdown in main trading partners.

Population <sup>1</sup> million	7.8	Poverty <sup>2</sup> millions living on less than \$4.20/day	2.5
Life expectancy at birth <sup>3</sup> years	69.0	School enrollment <sup>4</sup> primary (% gross)	96.8
GDP <sup>5</sup> current US\$, billion	15.4	GDP per capita <sup>6</sup> current US\$	1977.9

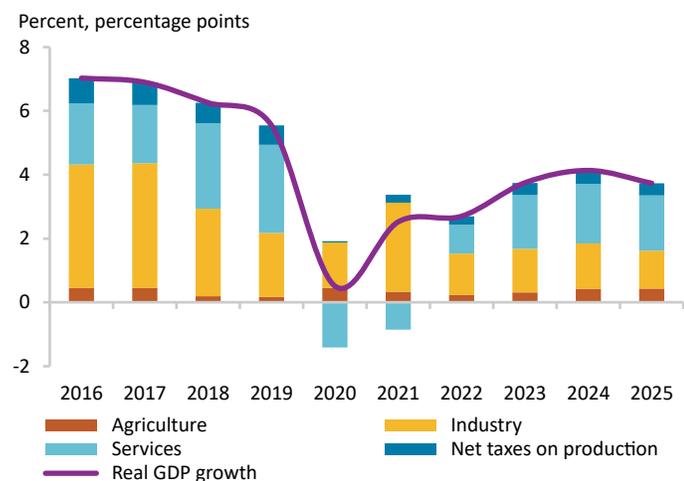
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2018 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

## Recent developments

Economic activity was resilient in early 2025, with real growth decelerating to 3.7 percent, supported by tourism, transport, mining, and electrical manufacturing. Inflation fell sharply from 26.1 percent in July 2024 to 5 percent in August 2025, aided by exchange rate stabilization. The average official Kip/US\$ exchange rate appreciated 1.3 percent during January-July 2025 year-on-year, and the parallel market gap narrowing to 1.1 percent in July. These developments eased pressures on households and firms but sustaining momentum will require addressing underlying structural imbalances.

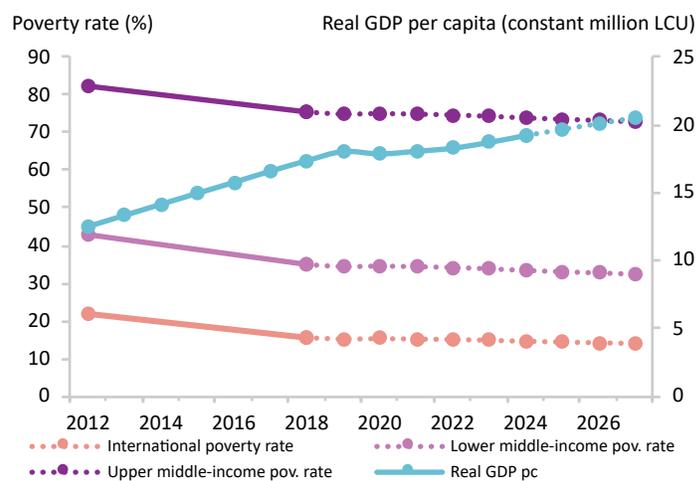
Macro instability reshaped labor market dynamics, with wage employment falling from 43.7 to 36.1 percent, while self-employment more than doubled from 27.6 to 58.6 percent and agriculture employment rose from 43.5 to 50.9 percent. Declining real wages and currency depreciation fueled outward labor migration, with official numbers to South Korea doubling and to Thailand rising by 25.2 percent between December 2023 and December 2024.

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



Sources: Lao Statistics Bureau and World Bank staff estimates.

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



Source: World Bank. Notes: See footnotes in table on the next page.

Recently, however, the shift toward self-employment has slowed and wage growth outpaced the growth of non-farm business profit in December 2024. The share of commercial farming households also increased from 55.4 to 60.2 percent between mid-2024 and January 2025. These trends highlight not only the costs of instability, such as reduced wage employment, heightened informality and labor outflows, but also the potential for stabilization to gradually restore more sustainable employment.

High inflation forced households to cut spending sharply: nearly half reduced food consumption and a third cut health and education spending in early 2025. Out-of-school rates increased to 7.4 percent in January 2025 from 6.6 percent a year earlier overall and particularly among rural and low-income households. These developments underscore how macroeconomic volatility directly erodes human capital and slows poverty reduction.

The external balance improved in the first half of 2025, with a larger current account surplus. This was supported by a 35 percent surge in exports, driven by front-loaded electrical equipment exports prior to anticipated trade barriers. Gross reserves rose to \$2.8 billion in May, but net foreign reserves, excluding the currency swap, covered only 2.1 months of imports, highlighting foreign exchange liquidity risks.

Fiscal consolidation strengthened, with fiscal and primary surpluses rising to 3.3 and 3.6 percent of GDP, respectively, in Q12025 from 1.2 and 1.9 percent a year earlier. Domestic revenue grew by 35 percent year-on-year, supported by hydropower royalties, income tax, and VAT, while fiscal spending remained stable. However, interest payments are projected to account for 19 percent of total expenditures in 2025, compared to only 10 percent for human capital investment.

Higher monetary policy rate and issuance of securities in 2024 slowed broad money growth, helping to ease exchange rate and inflation pressures. The introduction of the Treasury Single Account and repatriation and conversion requirements for foreign exchange complement these effects. The central bank is now

signaling gradual monetary easing, balancing stabilization with the need to support growth.

## Outlook

Growth is projected to ease from 4.1 percent in 2024 to 3.7 percent in 2025, with inflation moderating as the Kip stabilizes. Direct exposure to new trade barriers is limited (under 3 percent of exports), but spillovers from slower growth in China, Thailand, and Vietnam, destinations for over 80 percent of exports, pose larger risks. The authorities plan to sustain fiscal surpluses, through strengthening tax administration, restoring fuel excises, and control spending growth.

Macroeconomic volatility will continue to hinder poverty reduction efforts. Inflation, although easing, will continue eroding real wages and household incomes, while cuts in household spending on food and human capital spending threaten long-term poverty reduction. About 44.8 percent of low-income households reported climate-related crop losses, compared with 38.8 percent of better-off households, underscoring rising vulnerability. The poverty rate is projected to decline only marginally, from 33.4 percent in 2024 to 33.1 percent in 2025.

Risks remain significant. Global trade uncertainty and spillovers from key partners could weaken external demand and undermine exports. Foreign exchange liquidity pressures, limited capital market access, slow structural reforms, weak bank balance sheets, and rising financing needs pose vulnerabilities. Exchange rate volatility, higher-than-expected inflation, natural disasters, and emigration pose additional risks to growth.

Addressing macroeconomic instability requires five critical reforms: (i) revenue mobilization (curbing tax exemptions, restoring fuel excises, and reforming health taxes); (ii) establishing a strong institutional and legal framework for public-private partnerships; (iii) finalizing debt negotiations; (iv) enhancing bank supervision; and (v) modernizing registration, simplifying licensing process and advancing electronic customs procedures.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	2.7	3.7	4.1	3.7	3.6	3.4
<b>Real GDP growth, at constant factor prices</b>	2.7	3.7	4.1	3.7	3.6	3.4
Agriculture	1.6	2.4	3.0	3.1	3.1	3.0
Industry	3.3	2.6	3.7	3.1	3.1	2.9
Services	2.5	5.5	5.0	4.6	4.3	4.0
<b>Inflation (consumer price index)</b>	22.7	31.2	23.3	8.4	7.9	7.5
<b>Current account balance (% of GDP)</b>	-3.0	2.7	3.4	2.4	2.0	1.5
<b>Fiscal balance (% of GDP)</b>	-0.2	0.7	2.3	1.5	1.0	0.8
<b>Revenues (% of GDP)</b>	14.7	16.5	19.1	19.5	18.9	18.9
<b>Debt (% of GDP)</b>	130.9	115.9	94.0	91.6	86.0	82.0
<b>Primary balance (% of GDP)</b>	1.3	2.7	5.3	4.6	3.5	3.0
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	15.1	14.9	14.6	14.4	14.2	14.0
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	34.2	33.8	33.4	33.1	32.8	32.5
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	74.5	74.2	73.8	73.5	73.1	72.8
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-0.3	4.8	6.0	6.2	6.7	7.1

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on EAPPOV harmonization, using 2012-LECS and 2018-LECS. Actual data: 2018. Nowcast: 2019-2024. Forecasts are from 2025 to 2027.

2/ Projection using annualized elasticity (2012-2018) with pass-through = 0.7 based on GDP per capita in constant LCU.

# MALAYSIA

Malaysia's growth is expected to ease to 4.1 percent in 2025, reflecting external headwinds that are only partially offset by robust domestic demand. Fiscal consolidation has relied on spending cuts, yet high debt and weakening revenues highlight the need for stronger revenue mobilization. Poverty and inequality remain persistent challenges, requiring structural reforms and sustained efforts to create better jobs, manage living costs, and foster inclusive, sustainable growth.

## Key conditions and challenges

Malaysia's economy faces headwinds as external sector activity softened, while domestic demand remained the main growth driver. Growth is expected to ease further amid weaker global demand, heightened trade tensions, and persistent policy uncertainty. Although inflation has moderated, concerns about living costs remain, especially among low-income households. Perceptions that essential prices are rising faster than incomes are reinforced by the July 2025 electricity tariff hike, which adds further pressure on household utility expenses.

On the fiscal front, elevated debt levels highlight the importance of continued fiscal consolidation to comply with statutory debt ceiling limits. However, recent fiscal consolidation efforts have relied primarily on expenditure reductions amid declining revenues, with the 13th Malaysia Plan (13MP) envisaging development expenditure to average 3.3–3.4 percent of GDP between 2026 and 2030, compared to 4.4 percent during 2021–2025. To meet future spending priorities, strengthening revenue mobilization is critical.

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$8.30/day
35.6	1.0
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
76.7	98.8
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
422.2	11874.4

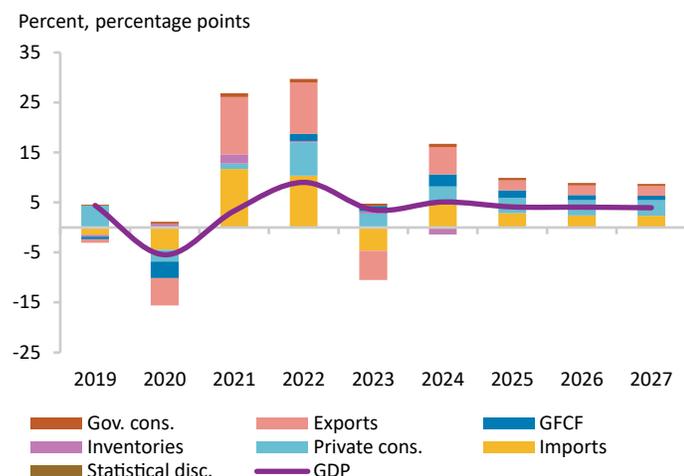
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

Moreover, with 48 percent of workers at high risk of automation, investments in skills, digital infrastructure, and social protection are critical to ensure AI adoption supports quality jobs. Green jobs—paying 3.1 percent more on average—are expanding, offering inclusive growth but requiring fiscal space for reskilling and safety nets.

## Recent developments

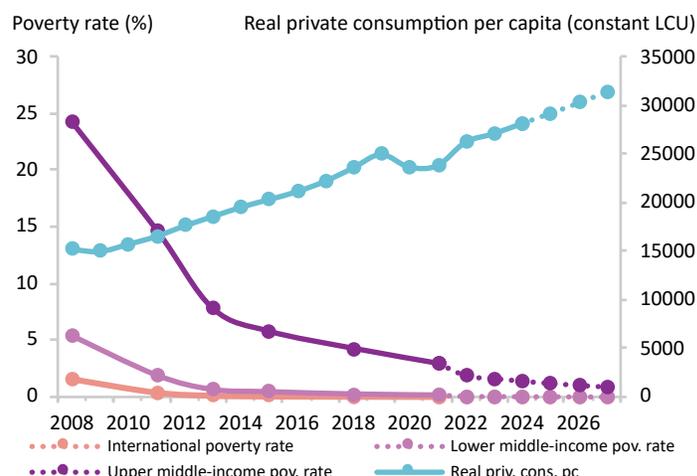
Malaysia's economy expanded by 4.4 percent in 1H 2025, sustained by domestic demand amid softer external activity. Private consumption rose 5.0 and 5.3 percent in 1Q and 2Q, supported by improving labor market conditions, higher minimum wages, and civil service pay adjustments. Gross fixed capital formation (GFCF) expanded 9.7 and 12.1 percent, driven by higher private machinery and equipment spending and stronger capital outlays by public corporations. In contrast, net exports growth slowed to 19.6 percent in 1Q before contracting 72.6 percent in 2Q, weighed down by lower mining exports, underscoring the economy's vulnerability to external shocks despite solid domestic momentum.

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



Sources: Bank Negara Malaysia and World Bank staff calculations.

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



Source: World Bank. Notes: See footnotes in table on the next page.

Headline and core inflation averaged 1.4 and 1.8 percent in 1H 2025, respectively. The decline in headline inflation reflected lower global commodity prices, the base effect from diesel subsidy rationalization, and improved domestic food supply chains. In July, the central bank cut the overnight policy rate by 25 basis points to 2.75 percent—the first adjustment since 2023—citing external headwinds and lowered its 2025 inflation forecast to 1.5–2.3 percent. These measures provide support to household purchasing power and domestic demand in the near term, but they also highlight reliance on domestic drivers as external trade weakens.

Labor market conditions improved modestly in early 2025, with employment growing 1.6 percent year-on-year in 2Q and real median wages rising by about 4 percent annually. Overall, average monthly household income increased to RM9,155 in 2024. These gains supported a continued decline in poverty, with the national poverty rate falling to 5.8 percent in 2024. Using the international upper-middle-income line (\$8.30/day, 2021 PPP), poverty stood at 2.9 percent in 2021. Meanwhile, income inequality also improved slightly, as the Gini index declined from 40.7 in 2021 to 39.0 in 2024.

## Outlook

Growth is projected to ease to 4.1 percent in 2025. This 0.2 percentage point upward revision from the April 2025 forecast reflects stronger-than-expected private investment and export growth in 1H 2025, alongside additional fiscal and monetary policy support. Private consumption is projected to expand 5.0 percent on firm labor markets, wage measures, and income support. Public consumption is projected to expand 4.0 percent, partly supported by civil servant salary and pension increases. GFCF is expected to

moderate to 7.2 percent, as investment realization is partly weighed by weaker business sentiment. Export growth is projected to ease to 2.9 percent, weighed by higher tariffs, a stronger currency, and lower commodity output, partly offset by tourism and resilient electronics and electricals demand. Inflation is projected to ease to 1.6 percent in 2025, as cost and demand pressures moderate.

Risks to the growth outlook are tilted to the downside. Externally, rising trade barriers, persistent policy uncertainty, and weaker growth in major economies could dampen global trade and investment, with sizable spillovers to Malaysia. Lower commodity prices could also weigh on terms of trade and commodity-linked fiscal revenues. Domestically, higher-than-expected inflation from subsidy rationalization may constrain household spending, while elevated uncertainty could delay investments. Adverse weather and extended maintenance could disrupt commodity output. Upside risks include favorable trade outcomes, stronger global growth, higher commodity prices, and more resilient household demand and investment implementation.

Poverty and inequality have declined but remain persistent challenges that demand structural reforms. The 13 MP's focus on "Enhancing Social Mobility" underscores the commitment to ensuring growth translates into broader opportunities and shared prosperity. To address immediate cost-of-living pressures, the government has introduced cash transfers, reduced retail fuel prices, and plans to rationalize RON95 fuel subsidies in October 2025. Over the longer term, sustained efforts to strengthen human capital, promote mobility, and broaden economic participation will be essential—not only to ease living-cost concerns but also to reinforce social cohesion and stability, laying the foundation for more sustainable and inclusive growth.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	9.0	3.5	5.1	4.1	4.1	4.0
Private consumption	11.4	4.6	5.1	5.0	4.9	4.9
Government consumption	5.6	3.4	4.7	4.0	3.6	3.4
Gross fixed capital investment	6.8	5.4	12.0	7.2	4.7	4.0
Exports, goods and services	14.5	-7.9	8.3	2.9	2.9	2.8
Imports, goods and services	16.0	-6.8	8.2	4.5	3.7	3.7
<b>Real GDP growth, at constant factor prices</b>	8.9	3.5	5.1	4.1	4.1	4.0
Agriculture	1.3	0.2	3.1	1.6	1.7	1.7
Industry	6.7	1.3	4.9	3.6	3.2	3.2
Services	11.5	5.3	5.5	4.8	4.9	4.8
<b>Employment rate (% of working-age population, 15 years+)</b>	63.1	63.1	63.2	63.2	63.2	63.2
<b>Inflation (consumer price index)</b>	3.4	2.5	1.8	1.6	2.2	2.2
<b>Current account balance (% of GDP)</b>	3.2	1.1	1.4	1.2	0.8	0.4
<b>Net foreign direct investment inflow (% of GDP)</b>	0.7	0.0	0.6	0.5	0.5	0.4
<b>Fiscal balance (% of GDP)</b>	-5.5	-5.0	-4.1	-3.8	-3.4	-3.2
<b>Revenues (% of GDP)</b>	16.4	17.3	16.8	16.4	16.6	16.3
<b>Debt (% of GDP)</b>	60.1	64.3	64.6	64.9	64.5	64.3
<b>Primary balance (% of GDP)<sup>1</sup></b>	-3.2	-2.5	-1.5	-1.2	-0.9	-0.8
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>2</sup></b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>2</sup></b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>2</sup></b>	1.8	1.6	1.4	1.2	1.0	0.9
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	3.7	-1.0	1.1	1.2	1.6	1.3

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ The primary balance excludes interest payments received.

2/ Projection using annualized elasticity (2013-2021) with pass-through = 1 based on private consumption per capita in constant LCU.

# MONGOLIA

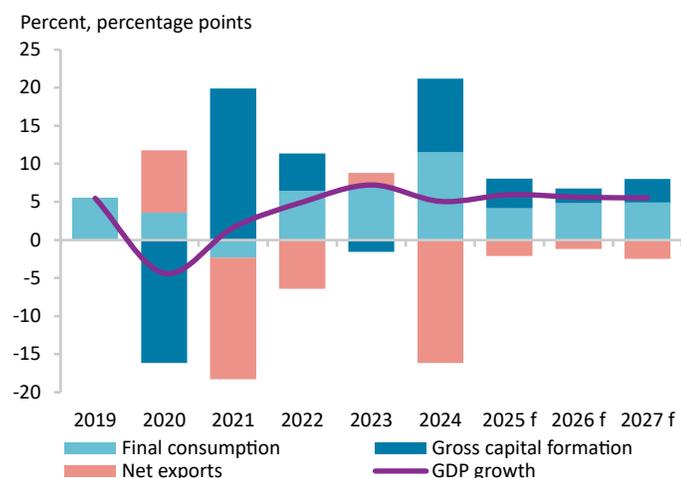
Mongolia's economy is projected to grow 5.9 percent in 2025, driven by a rebound in agriculture, higher copper production, and robust household consumption. Lower coal prices are weighing on fiscal performance and the external position, while global trade uncertainty could further weaken mining exports and dampen investor sentiment. Elevated inflation and stagnant real wages are expected to slow welfare gains, leading to a moderate decline in poverty.

## Key conditions and challenges

Despite robust growth, Mongolia's macroeconomic pressures have mounted as falling coal-related revenues, persistent inflation, and external imbalances eroded fiscal and external buffers. Prompted by the revenue shortfall, Parliament approved a mid-year budget amendment. Although expenditure cuts only partly offset revenue losses, the adjustment signaled greater budget discipline than last year. These developments highlight the risks of continued heavy reliance on the volatile mining sector and the urgency of advancing diversification and structural reforms.

After rapid progress in 2024, household welfare gains have slowed, reflecting the impact of high inflation and stagnating real wages on household purchasing power, particularly in the mining and services sectors. At the \$8.3 per day line (2021 PPP), the poverty rate is projected to decline from 14.8 percent in 2024 to 13.1 percent in 2025. With headline inflation remaining above the BoM's target (4-8 percent range) and expected to stay elevated due to exchange rate pressures and the necessary upcoming energy tariff reforms, the scope for further welfare gains is likely to be constrained.

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



Sources: National Statistics Office and World Bank.

Population <sup>1</sup> million	3.5	Poverty <sup>2</sup> millions living on less than \$8.30/day	0.8
Life expectancy at birth <sup>3</sup> years	72.1	School enrollment <sup>4</sup> primary (% gross)	95.8
GDP <sup>5</sup> current US\$, billion	23.6	GDP per capita <sup>6</sup> current US\$	6709.5

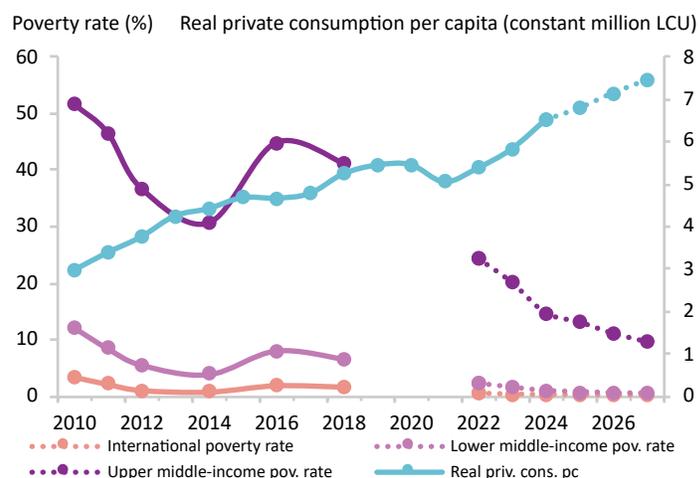
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

## Recent developments

The economy remained resilient, expanding by 5.7 percent in the first half of 2025, driven by a strong agricultural rebound after two years of dzud (harsh winter) related losses. Growth was also supported by the construction of major infrastructure projects and moderate gains in services. Mining growth was subdued as lower coal production offset gains from the Oyu Tolgoi (OT) copper and gold mine expansion. On the demand side, weak net exports were more than offset by robust private consumption and investment, boosted by the recovery of the livestock industry and rapid growth of consumer loans. The rebound raised rural incomes, spurring household consumption and contributing to higher investment as the herd was rebuilding. In contrast, government consumption and investment slowed amid mining-related revenue shortfalls.

Inflation eased to 8.1 percent in July 2025, from 9.6 percent in February, driven by slower food price increases. However, inflation remains slightly above the BoM's target. Price pressures persist from last year's energy tariff reform, both directly and from higher

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



Source: World Bank. Notes: See footnotes in table on the next page.

production costs, with a significant adverse impact on urban ger households reliant on electricity for heating.

While real household consumption surged in 2024 on the back of strong employment gains and rising pensions and wages, momentum has recently slowed. Despite robust wage-driven income growth and a dynamic labor market with low unemployment, consumption growth decelerated to 5.3 percent y-o-y in H1 2025, from 16.8 percent a year earlier.

During January to July 2025, the fiscal balance shifted to a deficit of 0.3 percent of GDP, compared with a surplus of 3.0 percent a year earlier, as coal-related revenues fell sharply due to weaker prices, slowing public debt reduction. At the same time, external pressures intensified, with the current account deficit widening to 6.6 percent of GDP in H1 2025, mainly due to a sharp drop in coal exports. Sluggish growth in imports of machinery and investment goods, combined with a rise in copper concentrate exports from the OT mine, helped cushion the impact. As a result, the BoM maintained international reserves of US\$5.5 billion, or about 3.7 months of imports of goods and services.

In response to these pressures, the 2025 budget was amended to revise down revenue and expenditure projections. To contain external imbalances and demand pressures from elevated off-budget spending and rapid consumption credit growth, the BoM has gradually tightened monetary and macroprudential policies since Q4 2024.

## Outlook

Despite a weaker global outlook and subdued coal performance, Mongolia's economy is projected to grow 5.9 percent, supported by a strong agricultural rebound and higher copper output from the OT mine. Although the budget amendment reduced capital spending, SOE- and off-budget-financed infrastructure projects remain key growth drivers. Low coal prices are projected to result in a narrow fiscal surplus and sustain a large external deficit.

The 2026-27 outlook remains stable, with GDP growth averaging 5.5 percent, supported by elevated copper mining, continued recovery in agriculture and food processing, and public infrastructure construction. Inflation is projected to fall just below the upper bound of the BoM's target, but slower wage growth is expected to weigh on household consumption. Poverty, measured at the \$8.3 per day (2021 PPP) line is projected to decline moderately, as lingering price pressures constrain further progress.

Risks to the growth outlook remain significant. Prolonged global trade policy uncertainty could further weaken demand in major trading partners, depress commodity prices, and weigh on export growth, fiscal revenues, and investor sentiment. Conversely, stronger-than-expected growth in China could boost external demand and commodity prices. Domestically, a prolonged drought threatens the fall crop harvest and livestock resilience over winter, raising risks of food shortages, higher prices, and a slower agricultural recovery.

### Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	5.0	7.2	5.1	5.9	5.6	5.5
Private consumption	8.1	9.7	13.1	5.5	6.4	5.4
Government consumption	6.9	3.2	14.2	1.0	1.1	5.5
Gross fixed capital investment	13.2	5.3	22.4	8.6	3.4	6.5
Exports, goods and services	32.3	33.2	0.7	2.8	6.3	5.3
Imports, goods and services	29.1	18.9	17.5	3.7	4.9	5.6
<b>Real GDP growth, at constant factor prices</b>	4.2	7.5	3.2	5.9	5.6	5.5
Agriculture	12.0	-8.9	-28.7	30.0	6.3	5.2
Industry	-4.5	12.9	6.0	4.5	6.2	5.9
Services	6.9	9.9	10.0	2.6	5.1	5.3
<b>Inflation (consumer price index)</b>	15.2	10.4	6.8	9.0	7.5	6.8
<b>Current account balance (% of GDP)</b>	-13.2	0.6	-10.5	-13.1	-12.3	-10.9
<b>Net foreign direct investment inflow (% of GDP)</b>	13.9	10.6	11.5	8.0	7.1	6.3
<b>Fiscal balance (% of GDP)</b>	0.7	2.6	1.3	0.2	0.3	-0.6
<b>Revenues (% of GDP)</b>	33.8	34.3	39.1	35.1	33.9	33.3
<b>Debt (% of GDP)<sup>1</sup></b>	62.0	44.4	42.8	42.6	37.6	34.3
<b>Primary balance (% of GDP)</b>	1.8	3.8	2.3	1.2	1.3	0.2
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>2,3</sup></b>	0.4	0.3	0.2	0.2	0.1	0.1
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>2,3</sup></b>	2.3	1.6	0.9	0.8	0.5	0.5
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>2,3</sup></b>	24.4	20.2	14.8	13.1	11.1	9.7
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	4.1	1.2	-2.7	3.9	5.0	4.8

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Debt excludes the BoM's liability under the PBOC swap line (3.8% of GDP as of the end of 2024).

2/ Calculations based on EAPPOV harmonization, using 2022-HSES. Actual data: 2022. Nowcast: 2023-2024. Forecasts are from 2025 to 2027.

3/ Projection using neutral distribution (2022) with pass-through = 1 (High (1)) based on private consumption per capita in constant LCU.

# MYANMAR

The economy suffered severe setbacks from conflict and disasters, including a March 2025 earthquake that caused \$10.97 billion in damage (14 percent of GDP). Poverty rose to 31 percent as job quality and incomes declined. Real GDP is expected to shrink by 2.5 percent in FY2025/26, marking a second consecutive year of decline; a modest 3 percent recovery is possible next year, but conflict and power outages remain key risks.

## Key conditions and challenges

Myanmar's economy remains weighed down by conflict, with natural disasters adding to severe structural weaknesses. The March 2025 earthquake, coming only six months after Typhoon Yagi caused a 1 percent contraction in FY2024/25, inflicted damage on the order of 14 percent of GDP. Conflict remains pervasive, with an estimated 3.5 million people displaced as of August 2025, disrupting transport, agriculture, tourism, mining, and border trade.

Poverty has climbed to 31 percent (based on the 2024/25 phone survey), well above the official estimate of 24.8 percent in 2017. Household consumption continues to be adversely affected by declining job quality and falling real income, with nominal wages failing to keep pace with inflation.

Labor is shifting back into low-productivity agriculture, even among the highly educated, from industry and services, reversing earlier gains in structural transformation. The share of college-educated agricultural workers rose from 18 to 22 percent between 2023 and 2024, while service sector employment dropped from

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$4.20/day
54.5	15.1
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
66.9	118.9
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
74.1	1359.3

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2017 (2021 PPPs). 3/ 2023. 4/ 2018. 5/ 2024. 6/ 2024.

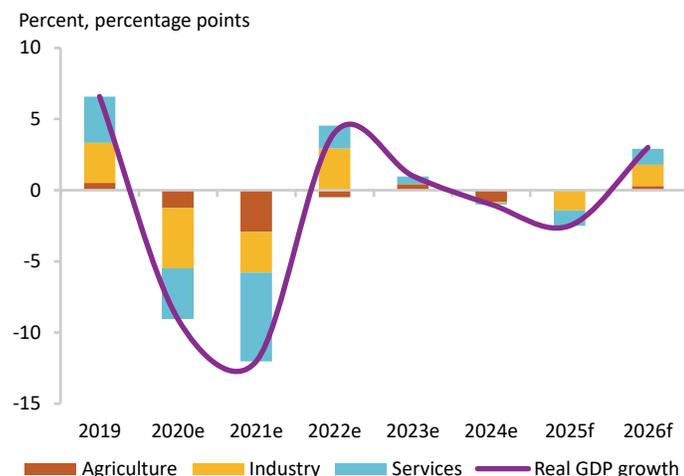
70 to 62 percent. Firms face mounting hiring challenges, driven by insecurity and conflict, natural disasters, and conscription.

These dynamics point to deepening structural vulnerabilities. Persistent conflict and recurring natural disasters are undermining Myanmar's human capital, discouraging private investment, and entrenching reliance on subsistence agriculture. Without greater stability and investment in resilience, the economy risks a prolonged period of stagnation, with limited poverty reduction and a reversal of progress in diversification and productivity growth.

## Recent developments

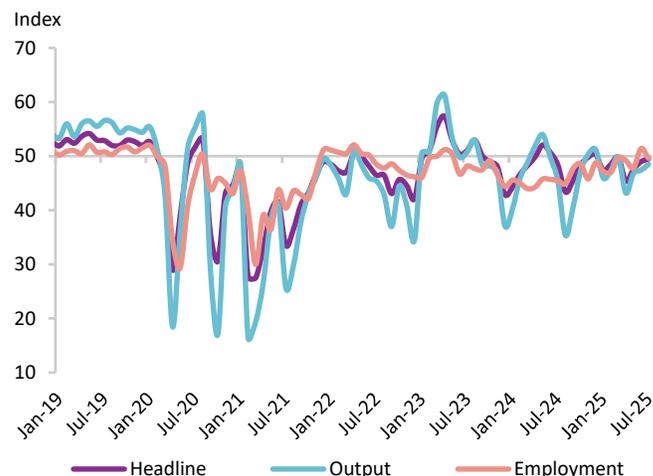
The March earthquake caused an estimated USD 10.97 billion in physical damages (14 percent of GDP) and a 4 percent loss in GDP (USD 2.6 billion), disrupting manufacturing and services sectors. The authorities' relief and reconstruction commitments, roughly USD 1 billion in total, cover only a fraction of recovery and reconstruction needs. Household consumption, in turn, is expected to decline by 3.9 percent, significantly above the GDP loss.

FIGURE 1 / Real GDP growth and contributions to real GDP growth by sector



Sources: Ministry of Planning and Finance, and World Bank staff estimates.

FIGURE 2 / Manufacturing Purchasing Manager's Index



Source: S&P Global Market Intelligence.

Economic activity has deteriorated across sectors. Manufacturing output contracted sharply following the earthquake, with the Purchasing Managers' Index (PMI) signaling steep declines in new orders, output and employment. Agriculture suffered from flooding and conflict, with rice production dropping by 6 percent to 16.3 million in FY2024/25. Firms report operating at two-thirds of capacity on average, while only one third of firms operate at full capacity. Power outages have intensified, affecting three-quarters of firms and constraining production.

The trade balance recorded a surplus of about 2 percent of GDP in the six months to March 2025, but this reflects import compression rather than stronger competitiveness. Imports fell 12 percent due to tighter import controls, trade restrictions and border conflict, while exports rose 7 percent, largely from stronger agriculture exports. Firms faced shortages of imported inputs, limiting production and fueling inflation.

Inflation, although easing, remains high. Headline inflation fell from 26.9 percent in July 2024 to 21.3 percent in July 2025. As both food and nonfood inflation moderated, due to more stable staple prices, and lower fuel, transport, and cement costs. The kyat stabilized against the US dollar since October, aided by Central Bank of Myanmar (CBM) foreign exchange interventions, import restrictions, and stricter currency controls. However, multiple exchange rates continue to distort prices and hinder investment.

Fiscal pressures have intensified. The budget deficit increased by 1.2 percentage points to 4.1 percent of GDP in FY2024/25, and is projected to widen to 4.9 percent by FY2025/26. Budget financing relies heavily on CBM given limited access to external borrowing.

Public debt is projected to remain around 63 percent of GDP, as higher domestic borrowing and slow growth are offset by the impact of inflation.

## Outlook

Real GDP is projected to contract by 2.5 percent in FY2025/26, driven mainly by the impact of the earthquake which has exacerbated existing fragilities, severely disrupting manufacturing, services and construction. Consequently, the economy is expected to be 13 percent smaller than its pre-pandemic size, with the poverty rate anticipated to rise by 2.8 percentage points, particularly in rural areas.

A modest, 3 percent rebound is projected for FY2026/27 supported by reconstruction and some recovery in business activity. However, financing constraints, logistics bottlenecks, power and labor shortages, trade restrictions, and weak domestic demand will limit the rebound. Without stronger investment and stability, growth is unlikely to restore the pre-crisis momentum.

Risks remain tilted to the downside. Delayed recovery in earthquake-hit areas, insufficient reconstruction support from the authorities, and persistent insecurity, including election-related conflict, could stall progress in business activity. Additional disasters or tighter trade restrictions and currency controls would worsen shortages of key imports, raise inflationary pressures, and further undermine business confidence and investor sentiment. In sum, the combination of conflict, disasters, and policy distortions threatens to lock Myanmar into a cycle of weak growth, rising poverty, and increasing vulnerability.

## Recent history and projections

	2021	2022	2023e	2024e	2025f	2026f
<b>Real GDP growth, at constant market prices</b>	-12.0	4.7	1.0	-1.0	-1.8	3.0
<b>Real GDP growth, at constant factor prices</b>	-12.0	4.0	1.0	-1.0	-2.5	3.0
Agriculture	-12.8	-2.2	2.0	-3.8	0.1	1.4
Industry	-8.2	8.0	0.0	-0.2	-3.7	4.1
Services	-15.5	3.1	1.6	-0.4	-2.5	2.6
<b>Employment rate (% of working-age population, 15 years+)</b>	52.8	53.5	53.6	53.5	53.5	53.5
<b>Inflation (consumer price index)</b>	9.6	27.2	27.5	28.8	26.5	22.1
<b>Current account balance (% of GDP)</b>	-2.4	-3.5	-2.2	1.2	-2.4	-2.1
<b>Fiscal balance (% of GDP)</b>	-1.4	-2.8	-2.8	-4.1	-4.9	-5.0
<b>Revenues (% of GDP)</b>	11.1	21.3	19.9	23.1	22.4	22.9
<b>Public sector debt (% of GDP)</b>	60.1	58.8	62.2	62.4	62.6	63.5
<b>Primary balance (% of GDP)</b>	0.0	-0.6	-0.9	-2.1	-2.9	-2.8
<b>GHG emissions growth (mtCO2e)</b>	-3.3	-4.3	0.6	0.4	-0.3	0.9

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

Estimates and projections are for years ended March. The GDP growth forecast for FY25/26 will be revised once the earthquake's economic impact becomes clearer.

# NORTH PACIFIC ISLANDS

The North Pacific sustained its recovery in FY24, driven by robust fisheries activity, public investment, and tourism. Growth will support a gradual decline in poverty, supported by Compact funding. The outlook remains vulnerable to natural hazards, while unresolved structural constraints, especially labor shortages, cloud long-term growth prospects. Maintaining fiscal buffers is crucial to respond to natural hazards without compromising long-term economic stability.

## Key conditions and challenges

The North Pacific's recovery is driven by robust fisheries activity, strong public investment, and a gradual rebound in tourism, but the momentum is uneven. A shrinking labor force and weak infrastructure constrain productivity, while climate shocks regularly disrupt activity and divert fiscal resources. Without a stronger private sector role and investment in diversification, growth will remain reliant on a narrow set of sectors and vulnerable. Enhancing resilience through climate adaptation and infrastructure upgrades is not only critical for sustaining stable growth but also for creating employment opportunities.

## Recent developments

In the Federated States of Micronesia (FSM), growth remained modest at 0.7 percent in FY24, supported by fisheries activity and public investment spending, but maybe too little for poverty reduction. Inflation eased to 5.4 percent but stayed above the

	FSM	RMI	PLW
Population <sup>1</sup> thousand	113.2	37.6	17.7
Poverty thousand living on less than \$4.20/day	47.4 <sup>2</sup>	2.9 <sup>3</sup>	..
GDP <sup>1</sup> current US\$, billion	0.47	0.28	0.22
GDP per capita <sup>1</sup> current US\$	4166	7466	11022

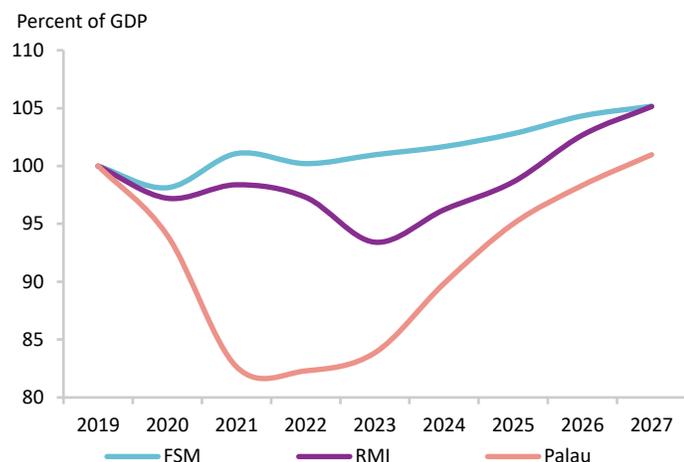
Sources: WDI, World Bank. 1/ 2023. 2/ 2013. 3/ 2019.

pre-pandemic average, weighing on household consumption. Fiscal surpluses remained large at 7.7 percent of GDP, reflecting the renewal of Compact funds and slow implementation of several public infrastructure projects. By end-2024, public debt remained low, at 15.1 percent of GDP.

In the Republic of the Marshall Islands (RMI), growth was stronger at an estimated 3.0 percent in FY24, supported by strong domestic demand, resilient fisheries activity, and solid public investment, and contributing to a decline in poverty. Inflation remained elevated at over 5 percent, reflecting the pass-through effects of minimum wage increases on demand and prices. A fiscal surplus of 3.1 percent of GDP is estimated in FY24, supported by stronger revenues, including grant inflows. Public debt declined to 17.9 percent of GDP, and preliminary assessments suggest an improvement in debt sustainability with the renewal of Compact grants.

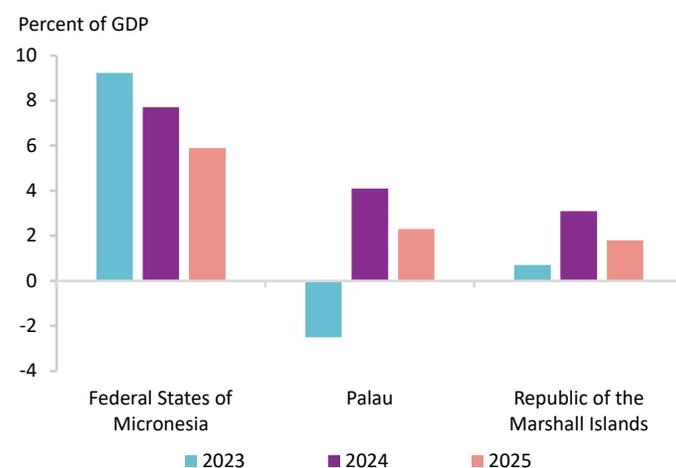
In Palau, economic growth reached an estimated 7.1 percent in FY24, driven by a rebound in tourism—a sector that accounted for roughly 40 percent of GDP before the pandemic. However, the recovery remains incomplete, with visitor arrivals still at just

FIGURE 1 / Real GDP, relative to 2019 GDP



Sources: National sources, IMF WEO, and World Bank projections.

FIGURE 2 / Fiscal balance



Sources: National sources, EconMap, IMF WEO, and World Bank projections.

60 percent of FY19 levels, falling short of earlier projections. Inflation decelerated to around 4 percent, reflecting reduced imported energy and food prices, compared to double-digit rates in the previous year. An overall fiscal surplus of about 4.1 percent of GDP is projected for FY24, supported by new Compact grants and higher tax revenues. The implementation of the new goods and services tax is expected to boost tax revenues by roughly 20 percent compared to FY23. Public debt remains high at around 70 percent of GDP but is largely concessional and on a declining path, helping mitigate sustainability concerns.

## Outlook

Growth prospects in the North Pacific remain positive, supported by public investment in FSM, fisheries and construction in RMI, and a delayed but strengthening tourism recovery in Palau. This outlook points to continued poverty reduction across the three countries, although projections are only available for RMI due to data limitations. Downside risks, however, dominate and relate to natural hazard and climate-related shocks combined with persistent global uncertainty. Structural challenges, such as limited labor resources, human capital constraints, and reliance on external funding, particularly Compact funds, add further to vulnerabilities. These factors could weigh on the sustainability of growth, poverty reduction, and fiscal outcomes across the region.

FSM's growth is projected to strengthen slightly to 1.0 percent in FY25, supported by a rebound in public investment linked to infrastructure development in Yap. Collaboration with the Philippines on labor migration is expected to temporarily offset labor shortages. However, growth is projected to gradually soften to 0.8 percent by FY27 as human capital constraints remain

unaddressed, limiting implementation capacity. Inflation is projected to continue moderating but remain above the pre-pandemic average. The fiscal surplus is expected to narrow further in FY25 and beyond, amid declining fishing revenues and despite higher Compact funds disbursements.

In RMI, growth is expected to soften to a still robust 2.5 percent in FY25, supported by an expansionary fiscal policy, income tax relief measures, and Compact-funded spending. Inflation is projected to ease slightly to 4.5 percent in FY25 but remains elevated in FY26 due to wage-driven cost pressures and the rollout of the Universal Basic Income (UBI). While UBI is expected to reduce poverty, its inflationary effects may dilute its impact. Modest fiscal surpluses are projected over the medium-term, supported by continued Compact funding, though rising expenditures will pressure fiscal balances. With population decline, real GDP growth translates into even higher per capita income gains, which are expected to contribute to poverty reduction through FY27.

In Palau, visitor arrivals are projected to increase, driving estimated growth of 5.7 percent in FY25. Arrivals are expected to reach about 90 percent of FY19 levels, supported by flights from Taipei and Australia. A full recovery to pre-pandemic levels is anticipated from FY26 onward, with the potential resumption of flights from Japan and the opening of a large hotel and resort. Thus, Palau's recovery hinges on expected tourism developments. Inflation is forecast to decline to 2.6 percent and remain near that level over the medium term. Following strong tax revenue growth in FY24, the pace of increase is expected to moderate in FY25 but remain positive, contributing to a projected fiscal surplus of 2.3 percent. Over the medium-term, a modest surplus averaging 1.2 percent of GDP is projected, supported by Compact funding and buoyant tax revenues linked to economic activity and tourism.

## Recent history and projections

	2022	2023e	2024f	2025f	2026f	2027f
<b>Real GDP growth, at constant market prices</b>						
Federated States of Micronesia	-0.9	0.8	0.7	1.0	1.5	0.8
Republic of the Marshall Islands	-1.1	-4.0	3.0	2.5	4.1	2.4
Palau	-1.3	1.9	7.1	5.7	3.5	2.7
<b>Poverty rates of the Republic of the Marshall Islands</b>						
International poverty rate (\$3.00 in 2021 PPP) <sup>1,2</sup>	1.9	2.0	1.9	1.8	1.0	0.9
Lower middle-income poverty rate (\$4.20 in 2021 PPP) <sup>1,2</sup>	6.3	6.3	6.3	5.5	4.5	3.8
Upper middle-income poverty rate (\$8.30 in 2021 PPP) <sup>1,2</sup>	33.6	34.8	34.1	32.2	28.8	25.5

Source: Country authorities and World Bank, Poverty and Economic Policy Global Departments.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

Values for each country correspond to their fiscal years ending September 30.

1/ Calculations based on EAPPOV harmonization, using 2019-HIES.

2/ Projection using neutral distribution (2019) with pass-through = 1 (High) based on GDP per capita in constant LCU.

# PAPUA NEW GUINEA

Papua New Guinea's economy is projected to grow by 4.7 percent in 2025, driven by the non-resource sector. Fiscal consolidation progressed, and the current account surplus widened. Many households continue to struggle with rising prices and hardship. Achieving more inclusive growth and poverty reduction will require enhancing human capital via improved access to quality services, prudent macroeconomic management, and a more supportive business environment.

## Key conditions and challenges

Since independence in 1975, the economy has more than tripled in size, but real GDP per capita has grown by only 0.9 percent annually. This is significantly below other lower-middle-income, resource-exporting peers. Growth has also been volatile, reflecting high exposure to swings in international commodity prices. The benefits of growth have not been broadly shared: the capital-intensive resource sector has limited spillovers, while the non-resource sector has consistently underperformed.

Weak human development outcomes present missed opportunities for faster and more inclusive economic growth. Papua New Guinea (PNG) has some of the poorest nutrition outcomes in the world, with 48.2 percent of all children under the age of five being stunted. Furthermore, one quarter of youth are not in training, education, or employment, representing a lost generation of potential workers. Weak governance undermines the government's capacity to address these challenges effectively, leaving the country vulnerable to external shocks and fragility-related risks.

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$4.20/day
10.6	5.1
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
66.1	109.5
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
31.5	2977.1

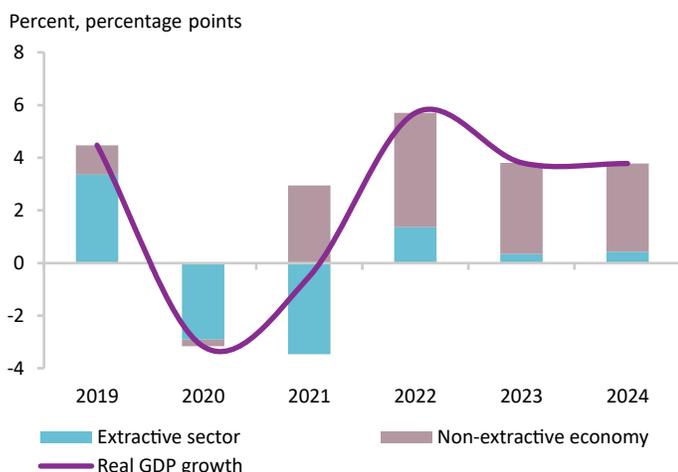
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2009 (2021 PPPs). 3/ 2023. 4/ 2018. 5/ 2024. 6/ 2024.

Large segments of the population remain excluded from socio-economic progress. According to the last household survey (2009), 40 percent of the population lived below the national poverty line, and more recent surveys show little change. In 2016/18, using close monetary correlates, the estimated poverty rate was 39 percent and 81 percent of the population were multidimensionally poor, one of the highest rates globally. In 2022, only 59 percent had access to safe drinking water and 15 percent to an electricity grid. High-frequency phone surveys conducted from April 2023 through June 2025 indicate persistently high food insecurity, a proxy for continued high poverty.

## Recent developments

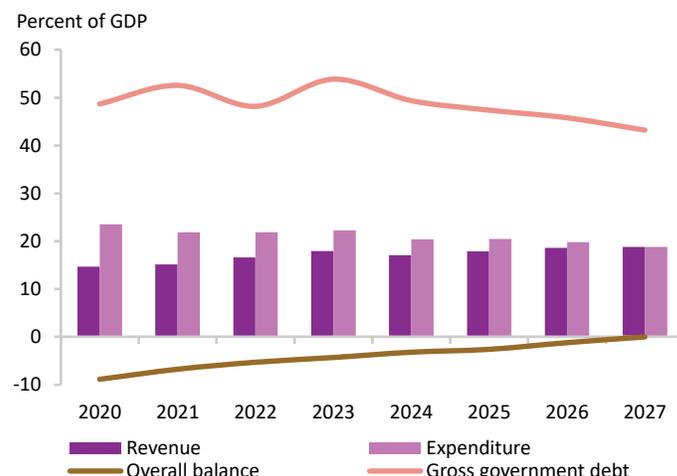
Real GDP growth reached 3.8 percent in 2024, similar to the 2023 growth rate and slightly below the structural peer average of 4.2 percent. Growth was underpinned by strong activity in the non-resource sector, which expanded 4.5 percent on the back of improved access to foreign exchange, increased agricultural production and higher agricultural commodity prices. This shows that

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



Sources: Country authorities, IMF, and World Bank staff estimates and projections.

FIGURE 2 / Key fiscal and debt indicators



Sources: Country authorities, IMF, and World Bank staff estimates and projections.

when foreign exchange constraints ease, the non-resource sectors can contribute meaningfully to growth, underscoring the importance of reforms that sustain private sector activity beyond the resource sector.

Headline inflation moderated to 0.6 percent in 2024, mostly driven by lower prices for some locally produced food items (e.g. betelnut). This more than offset the passthrough of the kina depreciation to domestic prices. Nevertheless, food inflation, particularly relevant for poorer households, remained high at 4.4 percent yoy through to Q2-2025, straining poorer households that spend most of their income on staples like rice.

Fiscal consolidation continued in 2024, resulting in a steady narrowing of the budget deficit to 3.2 percent of GDP, a 1.1 percentage point improvement from 2023. This was achieved mainly through tighter controls on goods and services spending and public wages. As a result, public debt continued declining to just below 50 percent of GDP.

The current account surplus improved significantly to 15.1 percent of GDP, approximately 6 percentage points higher than in 2023. This reflected a strong mineral export performance due to the re-opening of the Porgera gold mine, as well as soaring copper and gold prices. Agricultural exports also benefitted from high cocoa and palm oil prices.

However, robust growth and export windfalls have not translated into broad welfare gains, emphasizing the urgency of reforms to strengthen resilience and inclusion. During the early phase of the COVID-19 pandemic, poverty likely increased temporarily as indicated by high food insecurity, recorded in phone surveys conducted in 2020 and 2021. By June 2022, however, food insecurity had significantly declined, with only 9 percent of households reporting that they had gone an entire day without eating in the past 30 days—down from 21 percent in June 2021. Nonetheless, survey data from 2023 to 2025 reveal that many individuals continue to face significant challenges to their well-being.

## Outlook

Economic growth is projected to accelerate to 4.7 percent in 2025, driven by both the resource and non-resource sectors. Higher production at the Porgera gold mine and the Ok Tedi copper mine will drive resource sector growth. Medium-term growth is projected at 3 percent as mining production normalizes. Inflation is expected to rise to 4.8 percent in 2025 due to base effects and the passthrough from the kina's depreciation, and converge towards its historical average over the medium term.

The current account surplus will narrow modestly in 2025 as imports rebound, due to improved access to foreign exchange reserves. Nonetheless, the surplus is expected to remain above 10 percent of GDP over the medium term.

Continued implementation of the authorities' fiscal repair plan is expected to narrow the fiscal deficit, with a balanced budget projected from 2027. Public debt is set to decline, assuming continued fiscal discipline and successful implementation of the Medium-Term Debt Strategy (2024-2028).

The economic outlook is broadly positive, but risks are tilted to the downside. Slower growth could result from lower export demand, further decline in commodity prices, reduced business confidence, political and social instability, and the impact of droughts and other climate-related events. Given PNG's dependence on resource exports, commodity price declines could amplify the impact of trade uncertainty, while persistent conflict and violence pose ongoing threats to economic stability. The brief but disruptive episode of violence and looting in January 2024 underscores these risks. An important upside risk is the potential development of large-scale liquefied natural gas (LNG) projects. A positive final investment decision and the start of construction would significantly boost investment and growth prospects, but also reinforce the economy's exposure to resource-driven volatility.

### Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	5.7	3.8	3.8	4.7	3.5	3.1
<b>Real GDP growth, at constant factor prices</b>	5.8	3.1	5.3	4.8	3.6	3.1
Agriculture	3.1	1.0	7.1	3.5	3.4	3.4
Industry	6.6	1.6	0.6	4.1	1.6	0.0
Services	6.3	5.0	8.4	5.7	5.0	5.1
<b>Inflation (consumer price index)</b>	5.3	2.3	0.6	4.8	4.6	4.6
<b>Current account balance (% of GDP)</b>	14.4	9.1	15.1	10.8	12.7	11.3
<b>Net foreign direct investment inflow (% of GDP)</b>	-4.0	-0.9	-3.1	-1.2	-1.2	-1.2
<b>Fiscal balance (% of GDP)</b>	-5.3	-4.3	-3.2	-2.6	-1.2	0.0
<b>Revenues (% of GDP)</b>	16.6	17.9	17.1	17.9	18.6	18.8
<b>Debt (% of GDP)</b>	48.2	53.9	49.5	47.5	45.8	43.2
<b>Primary balance (% of GDP)</b>	-2.9	-1.8	-0.7	0.3	1.1	2.2
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	0.4	-0.1	0.1	0.3	0.2	0.2

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.  
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

# PHILIPPINES

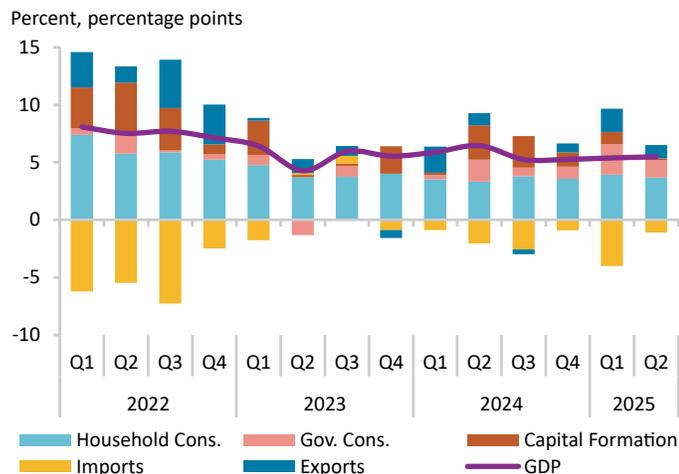
Economic growth remained robust in early 2025, driven by solid consumption and resilient exports. Inflation eased, the labor market remained strong, and poverty continued to fall. Growth is projected at 5.3 percent this year, supported by monetary easing and public investment. Sustaining growth momentum amid global uncertainty requires continued investment in infrastructure and human capital, and structural reforms to reduce business costs and boost resilience.

## Key conditions and challenges

Since 2010, the economy has doubled in size, and unemployment has fallen to record lows. This rapid growth expansion was driven by pro-investment reforms and public investment in infrastructure that crowded in private investment. Growth and job creation were particularly dynamic in lagging regions, helping narrow, although not eliminate, regional disparities. Overall productivity growth lagged regional peers, partly due to lower technology adoption and leading firms failing to scale up. Most new jobs were created in non-tradable sectors, while exports lost momentum. To grow faster-for-longer, the economy requires investing in infrastructure and future-ready skills, lowering trade costs, and enhancing the competitiveness and global integration of firms.

Recent economic activity has been underpinned by resilient goods trade, low inflation, and more accommodative macroeconomic policies. Sustained disinflation, largely from declining rice prices, improved household welfare that supported an uptick in private consumption and provided space for continued monetary policy easing. Goods exports grew faster than expected in the first half

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



Source: Philippines Statistics Authority.

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$4.20/day
115.8	19.4
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
69.8	93.4
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
461.6	3984.8

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2023 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

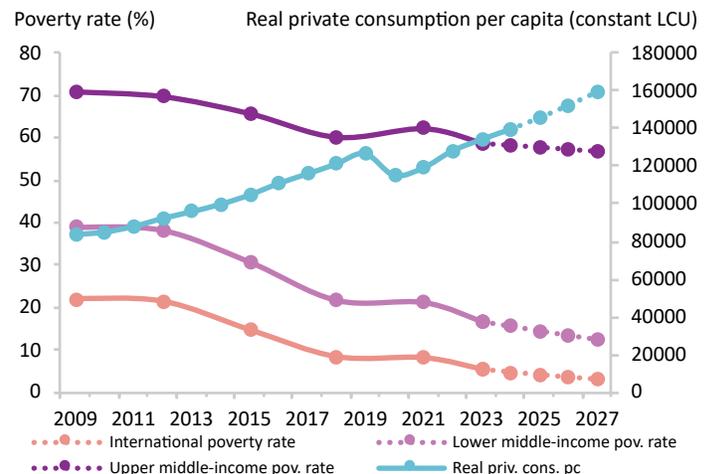
(H1) of 2025, but slower global growth and higher new tariffs taking effect in August are expected to dampen export growth in the near term. Even so, the medium-term growth outlook remains favorable, driven by resilient private domestic demand.

## Recent developments

Economic growth remained robust at 5.4 percent year-on-year in H1 2025. On the demand side, low inflation, a strong labor market, and steady remittance inflows buoyed private consumption. Goods trade growth accelerated as firms frontloaded shipments amid heightened global trade policy uncertainty, temporarily boosting manufacturing. However, the pre-election spending ban reduced public construction, and a slump in tourism weighed on services exports, underscoring the unevenness of the recovery across sectors.

Headline inflation averaged 1.7 percent as of August 2025, below the central bank's 2–4 percent target, due to rice and transport price disinflation. With inflation subdued, the central bank has cut its policy rate by 75 basis points in 2025 and signaled further easing, providing support to growth while maintaining price stability.

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



Source: World Bank. Notes: See footnotes in table on the next page.

The fiscal deficit narrowed to 4.6 percent of GDP in Q2 2025, in line with consolidation efforts. This improvement reflected a 1.1-percentage-points decline in spending, both recurrent and capital. Despite the narrowing deficit, public debt is expected to rise marginally to 61.5 percent of GDP in 2025.

Labor market and welfare outcomes highlight progress but also persistent gaps. Higher wages and shifts in employment from agriculture to services precipitated a steady decline in poverty, which fell to 15.5 percent in 2023, returning to pre-pandemic poverty levels. Even so, an estimated 4.8 million Filipinos cannot afford a basic food basket, and 16.9 percent lived on less than \$4.20/day (2021 PPP), the poverty line for lower middle-income countries. In 2023, inequality fell below 40, the international threshold identifying high income inequality, but remains among the highest in the region. This points to the need for policies that ensure growth translates more evenly into welfare gains.

Employment indicators were broadly stable: the employment rate steadied at 63.3 percent in June 2025, reflecting a marginal increase in unemployment and a decline in labor force participation. The underemployment rate fell to 7.2 percent, suggesting some improvement in job quality. Services dominate the economy, employing 61.4 percent of workers, while the primary sector accounts for 20.9 percent. Wage employment accounted for 63.0 percent of jobs, relatively high compared to regional peers, indicating a relatively formal labor market structure.

## Outlook

Despite weak global activity, annual growth is projected to average 5.4 percent in 2025–2027. Softer global demand and

persistent trade policy uncertainty will weigh on exports and manufacturing, but the economy is expected to remain one of the fastest-growing in East Asia and the Pacific. Growth will be underpinned by resilient domestic demand, supported by low inflation, monetary easing, and a strong labor market that will sustain consumption. Investment is also expected to remain robust, anchored by public infrastructure spending above 5 percent of GDP even as fiscal consolidation advances, and reinforced by reforms liberalizing key sectors such as telecoms, transport, logistics, and renewable energy.

Poverty is projected to decline to 14.5 percent in 2025 and 12.2 percent by 2027, driven by sustained growth in labor income. Yet nearly 30 percent of Filipinos remain at risk of falling into poverty due to low incomes and exposure to shocks, highlighting the need for improved job opportunities, stronger safety nets, and policies addressing climate shocks and food inflation.

Risks to the short-term outlook remain tilted to the downside. Globally, trade policy uncertainty could further weaken investment, trade, and confidence, while new trade restrictions may raise inflation in key economies and constrain monetary easing. Persistent geopolitical tensions risk lifting commodity prices or disrupting global shipping. Domestically, delays in fiscal and structural reforms could slow consolidation and weigh on medium-term growth, while adverse weather could disrupt supply, depress agricultural output, and raise food inflation. These risks underscore the importance of maintaining structural reform momentum, strengthening social protection and investment for climate adaptation, and safeguarding fiscal and monetary space to buffer shocks.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	7.6	5.5	5.7	5.3	5.4	5.5
Private consumption	8.3	5.5	4.9	5.3	5.5	5.6
Government consumption	5.1	0.3	7.3	7.2	6.7	6.4
Gross fixed capital investment	9.8	8.2	6.3	6.3	6.7	7.2
Exports, goods and services	11.0	1.3	3.3	4.1	4.5	4.6
Imports, goods and services	14.0	1.0	4.2	5.9	6.4	6.6
<b>Real GDP growth, at constant factor prices</b>	7.6	5.5	5.7	5.3	5.4	5.5
Agriculture	0.5	1.2	-1.5	1.3	1.1	1.1
Industry	6.5	3.6	5.6	3.8	4.2	4.3
Services	9.2	7.1	6.7	6.5	6.4	6.5
<b>Employment rate (% of working-age population, 15 years+)</b>	59.8	60.0	59.7	59.7	59.7	59.7
<b>Inflation (consumer price index)</b>	5.8	6.0	3.2	2.1	2.7	2.9
<b>Current account balance (% of GDP)</b>	-4.5	-2.8	-3.8	-4.3	-3.9	-3.8
<b>Net foreign direct investment inflow (% of GDP)</b>	-2.3	-2.0	-1.9	-1.8	-1.7	-1.7
<b>Fiscal balance (% of GDP)</b>	-7.3	-6.2	-5.7	-5.6	-5.2	-4.9
<b>Revenues (% of GDP)</b>	16.1	15.7	16.7	16.1	16.3	16.3
<b>National Government Debt (% of GDP)</b>	60.9	60.1	60.7	61.5	61.2	61.1
<b>Primary balance (% of GDP)</b>	-5.0	-3.6	-2.8	-2.4	-2.1	-1.7
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	..	5.3	4.7	4.1	3.5	3.0
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	..	16.9	15.7	14.5	13.3	12.2
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	..	58.7	58.3	57.9	57.5	57.0
<b>GHG emissions growth (mtCO2e)</b>	3.0	2.3	4.0	5.2	6.1	6.0

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on EAPPOV harmonization, using 2018-FIES and 2023-FIES. Actual data: 2023. Nowcast: 2024. Forecasts are from 2025 to 2027.

2/ Projection using annualized elasticity (2018-2023) with pass-through = 0.7 based on private consumption per capita in constant LCU.

# SOLOMON ISLANDS

Real GDP is projected to grow by 2.5 percent in 2025, driven by services, agriculture and mining, though contractions in logging and fishing will offset some gains. Fiscal deficit widened as infrastructure spending continued amid lower grants. Inflation eased with moderating global food and energy prices, cushioning vulnerable groups. Yet, high informality constrains job creation and service delivery, increasing vulnerability and risking setbacks in poverty reduction.

## Key conditions and challenges

Geographic dispersion—across nine provinces and 90 inhabited islands—combined with frequent natural disasters constrain economic growth and complicates effective public service delivery. With low adaptive capacity (127th of 182 on the 2020 ND-GAIN Readiness Index), the country faces multiple hazards—earthquakes, extreme temperatures, storm surges, heavy rainfall, strong winds, and volcanic activity—that threaten coastal communities, over 80 percent of whom live within 1.5 km of the shoreline. These challenges limit trade, service delivery, and private sector activity, which are key to sustainable development.

Overreliance on forestry—alongside weak regulatory oversight and limited transparency—undermines fiscal sustainability and growth, underscoring the urgency of economic diversification. Logging has long been central to growth, exports, and fiscal revenues, but its role has diminished sharply, with contributions to growth and fiscal revenues roughly halving in recent years. The sector is in structural

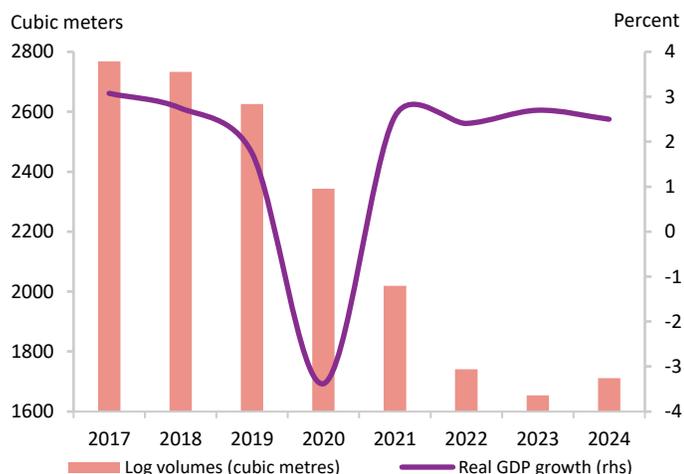
Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$4.20/day
<b>0.8</b>	<b>0.4</b>
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
<b>70.5</b>	<b>84.7</b>
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
<b>1.8</b>	<b>2152.9</b>

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2012 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

decline due to resource depletion and the exit of major operators. Without accelerating diversification into agriculture, fisheries, tourism, renewable energy, and responsibly developed mining, fiscal revenues and jobs will continue to erode. Addressing binding structural constraints, such as enhancing governance and public investment management, and reducing regulatory obstacles to private sector development, will be key to catalyzing new drivers of growth.

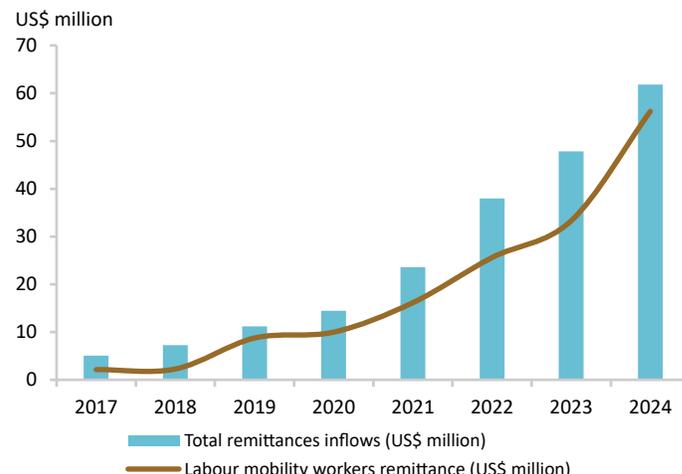
High unemployment, amounting to 7.9 percent in 2019, according to the Population Census, signals the formal sector's limited capacity to absorb a growing workforce. This constrains poverty reduction: 62.9 percent of the population were poor in 2012 based on the lower-middle-income poverty line (\$4.20 per day, 2021 PPP). Furthermore, persistent urban–rural gaps in multidimensional poverty (16 percent vs. 43 percent in 2019), highlight inequality of opportunity, while widespread deprivation in access to basic services and productive assets constrain the ability of low-income households to build resilience. Without stronger job creation and investment in human capital, poverty and inequality will remain entrenched, raising risks of instability.

FIGURE 1 / Real GDP and logging production



Sources: Solomon Islands National Statistics Office and Central Bank of Solomon Islands.

FIGURE 2 / Total remittances and labour mobility remittances



Sources: Solomon Islands National Statistics Office and Central Bank of Solomon Islands.

## Recent developments

Economic activity was mixed in the first half of 2025. Mining, agriculture, and services expanded, while logging and fishing contracted. Copra, cocoa, and palm oil production rose by double digits, but these gains were offset by sharp declines in logging and fishing. Services growth slowed as a result, although a 13 percent rise in tourist arrivals and ongoing government infrastructure projects provided some support. Private sector credit growth picked up by 3 percent, signaling tentative investment and business expansion, while easing inflation bolstered domestic demand. With price pressure subdued, the central bank maintained an accommodative stance, keeping the cash reserve requirement at 5.5 percent in March 2025 to support economic activity. Given these dynamics, real GDP growth in 2025 is estimated at a muted 2.5 percent, well below what is needed to generate stronger job creation and poverty reduction.

The fiscal deficit widened in the first half of 2025 as the government continues with infrastructure projects, while development partner support waned following the end of Pacific Games-related assistance. Domestic revenue increased to 13 percent of GDP, with non-tax revenue outpacing tax revenue as the government adjusted various fees. Expenditure expanded, led by capital spending, but was partly constrained by lower spending on goods and services. Public debt, at 23.7 percent of GDP, remains elevated, and debt service costs have risen to 10 percent of government revenue, narrowing fiscal space for social spending and investment.

The trade balance shifted to a surplus in the first half of 2025 as exports of minerals and agricultural commodities outpaced imports. Mining exports (gold, nickel, and bauxite) recorded double-digit growth, while higher production of copra, palm oil, and cocoa supported a more than 20 percent rise in exports year-on-year. Meanwhile, gross foreign reserves rose to 11 months of import cover in June 2025 from 10.4 months a year earlier, providing a robust buffer against external shocks.

## Outlook

The economy is projected to recover, with growth averaging 2.7 percent in 2025–2027, supported by infrastructure investments in transport, energy, and telecom, as well as increased mining activity. Tourism will continue to rebound, and labor mobility programs will boost household incomes through remittances. Easing global food and energy prices and accommodative monetary policy will keep inflation low, sustaining domestic demand. However, the decline in logging will weigh on transport, exports, and fiscal revenues. With rapid population growth, economic gains may not translate into significant poverty reduction.

The current account deficit is projected to widen to an average of 7.6 percent of GDP over 2025–2027, reflecting limited export growth (weak log exports) and strong import demand for infrastructure projects. Foreign reserves are expected to fall to 7 months of imports, remaining within the adequacy range. However, this trend highlights the need for economic diversification and prudent fiscal management to ensure external stability.

The fiscal deficit is projected to remain stable averaging 3.2 percent over the medium term, as 2023 Pacific Games and 2024 election spending eases and revenues rise. Ongoing tax and non-tax reforms are expected to offset part of the decline in aid and grants, but spending pressures to complete infrastructure projects will persist. Public debt is expected to continue rising with new borrowing for infrastructure, thus rebuilding cash reserves is needed to buffer future shocks and prevent debt stress.

Rising participation in Australian and New Zealand labor mobility schemes is expected to support household welfare, though the domestic social impacts remain uncertain. Subdued global growth, heightened policy uncertainty, and trade tensions could weigh on exports, and public finances. High climate-related risks threaten sustainability. Sustaining growth amid these headwinds requires prudent fiscal management, stronger buffers, and economic diversification into agribusiness, fisheries, and tourism to build resilience.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	2.4	2.7	2.5	2.5	2.6	2.8
<b>Real GDP growth, at constant factor prices</b>	2.3	4.3	2.5	2.5	2.6	2.8
Agriculture	3.3	1.8	1.0	0.8	0.7	0.8
Industry	1.0	12.8	7.2	6.5	6.3	6.5
Services	2.3	3.3	2.0	2.0	2.2	2.5
<b>Inflation (consumer price index)</b>	5.4	5.1	3.7	3.6	3.7	3.6
<b>Current account balance (% of GDP)</b>	-13.9	-10.6	-4.3	-8.1	-8.0	-7.9
<b>Net foreign direct investment inflow (% of GDP)</b>	2.7	4.4	0.9	2.3	2.6	2.7
<b>Fiscal balance (% of GDP)</b>	-2.4	-3.8	-3.0	-3.5	-3.3	-3.1
<b>Revenues (% of GDP)</b>	38.3	36.3	32.2	32.8	33.1	33.3
<b>Debt (% of GDP)</b>	15.5	20.3	22.0	24.4	26.2	28.1
<b>Primary balance (% of GDP)</b>	-2.1	-3.5	-2.6	-3.0	-2.7	-2.5
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	0.0	0.0	0.0	0.0	0.0	0.0

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.  
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

# SOUTH PACIFIC ISLANDS

Samoa and Tonga maintained solid growth in FY25, driven by strong remittances that boosted household spending, rising visitor arrivals, and higher public expenditure. Vanuatu's recovery was subdued following multiple shocks in FY24, while poverty continued to rise. To unlock stronger and more inclusive growth, structural reforms and adaptive fiscal policies will be critical for building resilience.

## Key conditions and challenges

Tourism- and remittance-dependent South Pacific economies are highly vulnerable to external shocks, which have hindered economic growth and fiscal stability. Fiscal policy should be directed towards building resilience to shocks by maintaining fiscal buffers, diversifying revenue sources, and ensuring prudent expenditure management. Sustaining growth requires structural reforms to enhance investment and private sector development, which will create more and better livelihood opportunities in the country. In the near term, reconstruction in Vanuatu from multiple natural hazards should be prioritized to restore growth and protect vulnerable households.

## Recent developments

In Samoa, growth slowed to an estimated 2.1 percent in FY25, following the sharp post-pandemic rebound in FY23 and FY24. Economic activity was supported by continued growth in remittances,

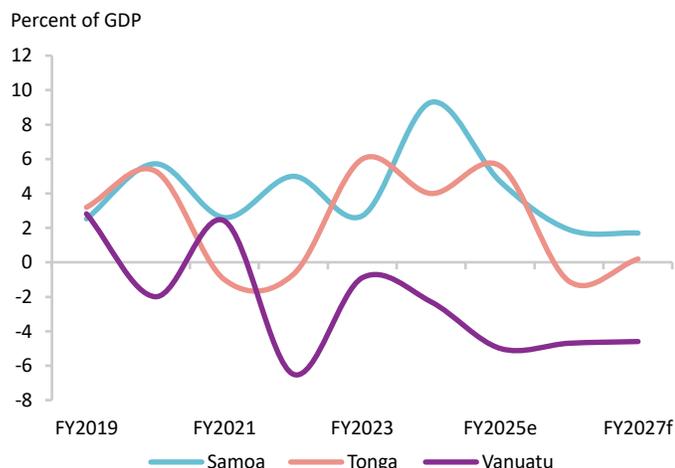
	WSM	TON	VUT
Population <sup>1</sup> thousand	218.0	104.2	327.8
Poverty thousand living on less than \$4.20/day	22.9 <sup>2</sup>	1.9 <sup>3</sup>	107.8 <sup>4</sup>
GDP <sup>1</sup> current US\$, billion	0.93	0.52	1.10
GDP per capita <sup>1</sup> current US\$	4114	4886	3323

Sources: WDI, World Bank. 1/ 2023. 2/ 2013. 3/ 2021. 4/ 2019.

tourism spending, and government outlays related to the Commonwealth Heads of Government Meeting (CHOGM) in October 2024. However, power outages in the first half of 2025 disrupted production across all sectors, underscoring infrastructure vulnerabilities. Annual average inflation has continued to decline to around 2 percent in FY25 from 3.6 percent in FY24, largely due to subdued growth in imported prices. Substantial current account surpluses of 4 to 5 percent of GDP were recorded in FY24- FY25, supported by tourism, remittances, and easing global commodity prices. The latest poverty data show 21.9 percent of the population living below the national poverty line in 2018; international poverty estimates are not yet available.

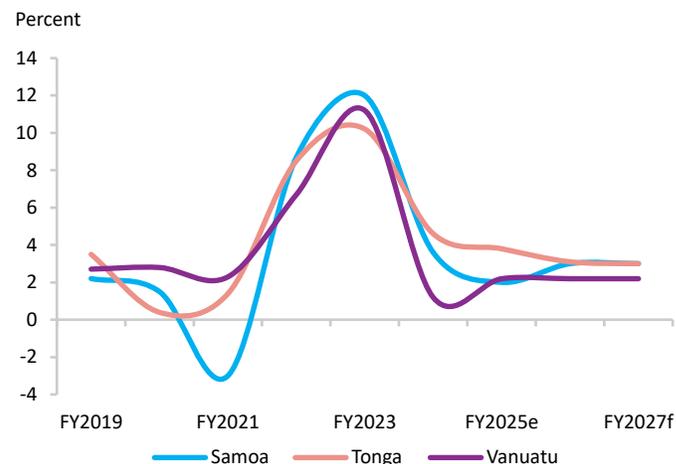
In Tonga, the economy grew by 2.7 percent in FY25, supported by domestic demand, public infrastructure investment, and recovery in agricultural production after El Niño effects last year. Headline inflation decreased to 3.8 percent in FY25, reflecting lower food and energy prices. Higher remittances continue, but higher goods imports, including those related to construction, widened the current account deficit to 5.2 percent in FY25. The fiscal balance remained in surplus at 5.6 percent of GDP in FY25, despite the high public investment. This

FIGURE 1 / Overall fiscal balance



Sources: National sources and World Bank projections.

FIGURE 2 / Inflation (annual average)



Sources: National sources and World Bank projections.

reflects stronger domestic revenues, temporary wage savings from slower public-sector vacancy refilling, and record-high grants from development partners, equaling more than 30 percent of GDP. Poverty rates in 2025 are estimated to be around 23 percent based on the upper-middle income poverty line, declining from around 28 percent in 2022, reflecting the economic recovery.

In **Vanuatu**, growth slowed to 0.9 percent in FY24 as the economy grappled with Air Vanuatu's voluntary liquidation in May 2024 and the resulting tourism disruptions, weaker agricultural output, delays in public investment, and a major earthquake in December 2024. Inflation eased to 1.2 percent in 2024, driven by lower global food and energy prices. The current account deficit widened to 15.4 percent of GDP in 2024, largely due to a sharp drop in travel receipts. The fiscal deficit rose to 2.3 percent of GDP, reflecting weaker revenues and increased expenditures. Poverty worsened, particularly in Shefa Province, where the earthquake severely affected livelihoods. Food security pressures were short-lived, but employment in Shefa declined by 14 percent between December 2024 to February/March 2025 and remained weak for the next few months. By June 2025, employment began to recover with the reopening of the Port Vila Central Market, while tourism's gradual revival is expected to restore more jobs going forward.

## Outlook

Although uncertainties in trade policy may weigh on global growth, the impact on the South Pacific's growth outlook is likely to be limited, given its modest export base. However, slower-than-anticipated growth in key trading partners such as New Zealand and Australia could weigh on exports—particularly tourism—and reduce remittances, a key source of income for many households. In Tonga, the November 2025 elections may bring some uncertainty but also mark a key moment for advancing reforms.

In **Samoa**, GDP is projected to grow by 2.5 percent in FY26 and over the medium term. Growth in FY26 will be driven by a pick-up in

investment, continued remittance inflows, and steady growth in tourism spending. While direct poverty estimates are not available, positive GDP per capita growth suggests further poverty reduction over the coming years. The FY26 budget has been deferred until after the August 2025 elections, but additional work on major public investment projects is expected to advance during the year. The fiscal surplus is therefore expected to narrow. Inflation is expected to rise to 3.0 percent in FY26, driven by increases in imported prices. Risks to the outlook include election-related uncertainty and the ongoing potential for global trade and supply chain disruptions.

In **Tonga**, growth is projected to moderate to 2.3 percent in FY26, supported by domestic demand and major infrastructure projects, including the bridge, wharf, and hospital. Headline inflation is expected to remain contained below the 5 percent reference rate in FY26 and subsequent years. However, underlying pressures are emerging due to high core inflation at almost 10 percent in June 2025. This is driven by higher prices for imported goods such as personal care products, clothing, and vehicles, as well as restaurants and hotel services. The current account deficit is projected to gradually widen as grants and remittances normalize, while capital spending remains elevated. The fiscal balance is projected to shift to a deficit in FY26. The poverty rate, measured by the upper-middle-income poverty line, is likely to decrease to approximately 21.3 percent by 2027.

In **Vanuatu**, the economy is projected to expand by 1.7 percent in FY25, supported by increased international flights that boost tourism, stronger construction activity linked to post-earthquake reconstruction and infrastructure development, and higher agricultural production. The recovery, however, is being held back by weak domestic connectivity, limited domestic accommodation, reduced cruise tourism, and uncertainty in trade policy. The fiscal deficit is forecasted to widen further to 5 percent of GDP as revenues decline and expenditures increase to support post-earthquake recovery. Poverty is expected to rise to 48.9 percent by 2027 as income growth remains weak.

## Recent history and projections

	2022	2023	2024e	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>						
Samoa	2.3	15.2	4.6	2.1	2.5	2.5
Tonga	-2.3	2.1	2.1	2.7	2.3	1.8
Vanuatu	5.2	2.1	0.9	1.7	2.8	2.7
<b>Poverty rate<sup>1,2</sup></b>						
Tonga (Upper-middle-income poverty rate, \$8.30 in 2021 PPP)	28.1	26.8	25.1	23.1	21.8	21.3
Vanuatu (Lower-middle-income poverty rate, \$4.20 in 2021 PPP)	44.2	45.0	46.7	47.9	48.3	48.9

Source: Country authorities and World Bank, Poverty and Economic Policy Global Departments.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise. Financial years for Samoa and Tonga are July-June, for Vanuatu it is January-December. Tonga improved the methodology for GDP calculation and revised the historical data in late 2024 release. Samoa has recently revised its GDP estimates from 2021-2025 based on improved source data.

1/ Calculations based on EAPPOV harmonization, using 2021 HIES for Tonga and 2019 NSDP Baseline Survey for Vanuatu.

2/ Projection using neutral distribution with pass-through = 1 (High) based on GDP per capita in constant LCU.

# THAILAND

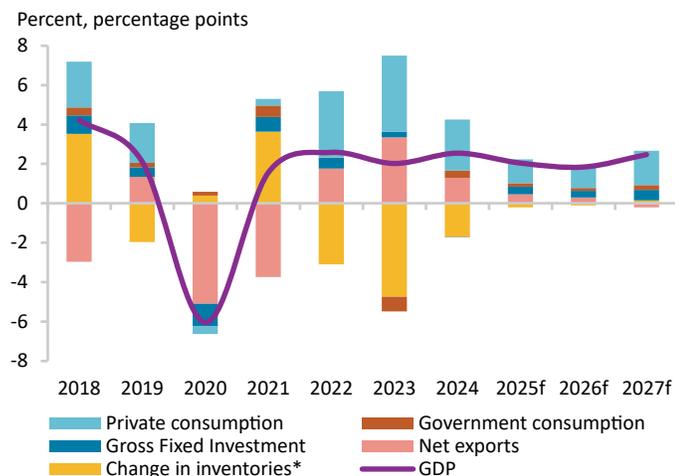
Stronger-than-expected growth in the first half of 2025 due to export front-loading masked weak underlying domestic demand amid household debt deleveraging and a sluggish tourism recovery. After accelerating to 2.5 percent in 2024, growth is projected to slow further to 2.0 percent in 2025. This slowdown is expected to hinder poverty reduction efforts, following a modest decline in the poverty rate to 7.1 percent in 2025.

## Key conditions and challenges

Despite sizable fiscal stimulus, including cash transfers to households earlier this year, private consumption growth slowed due to weak sentiment, household debt deleveraging and tightened credit. In the near term, fiscal rebalancing towards public investment, while safeguarding fiscal and financial stability will be essential to mitigate risks and support a more inclusive and sustainable recovery.

Thailand's protracted post-pandemic recovery, the weakest among peers, underscores mounting structural challenges. Medium-term growth is projected to fall to 2.7 percent in 2022–30, down from an average of 3.2 percent in 2011–21 driven by aging, slowing investment, and subdued productivity growth. At this pace, Thailand is unlikely to reach its high-income aspirations by 2037. To navigate these challenges, Thailand must prioritize structural reforms to boost productivity in emerging growth engines—such as digital services—while attracting quality investment and diversifying trade partnerships. Strengthening human capital, improving the investment climate, and accelerating digital transformation are critical to raising productivity and promoting better jobs across multiple sectors including, for example, commerce, finance and public health.

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



Sources: World Bank staff calculations and NESDC.  
Note: \*Includes statistical discrepancy.

Population <sup>1</sup> million	71.7	Poverty <sup>2</sup> millions living on less than \$8.30/day	7.1
Life expectancy at birth <sup>3</sup> years	76.4	School enrollment <sup>4</sup> primary (% gross)	103.5
GDP <sup>5</sup> current US\$, billion	526.1	GDP per capita <sup>6</sup> current US\$	7341.4

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2023 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

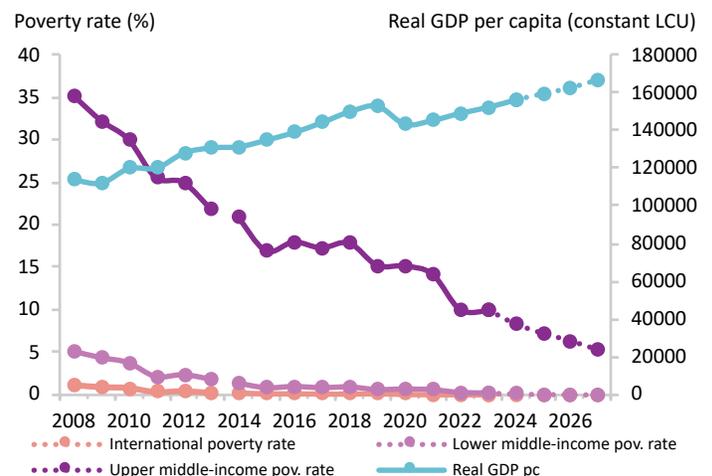
The drop in employment between 2024 and 2025—driven largely by losses in agriculture and manufacturing—along with deteriorating household credit quality, indicates risks to sustained poverty reduction over the medium to long term.

## Recent developments

Growth in H1 2025 was driven by temporary factors rather than a broad-based recovery. While the economy expanded in H1 on the back of buoyant frontloaded exports and surging public investment as public infrastructure projects resumed, tourism faltered, and underlying domestic demand momentum slowed. Private consumption slowed significantly due to tightened credit and household debt deleveraging, as well as the faded impact of fiscal cash transfers. On the supply side, manufacturing improved slightly but tourism recovery has slowed. In July, the arrivals reached only 79 percent of pre-pandemic levels as Chinese arrivals fell mainly due to safety concerns.

In July, headline inflation remained the lowest rate among ASEAN peers and emerging markets, falling to -0.7 percent. This was driven by lower energy prices, reflecting both falling global oil prices

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



Source: World Bank. Notes: See footnotes in table on the next page.

and continued government subsidies as well as weak domestic demand. Responding to persistently low inflation, BOT cut its policy rate further to 1.50 percent, to provide support for SMEs and vulnerable households facing mounting challenges. The fiscal stance became more expansionary, driven by higher current and capital spending.

The current account surplus narrowed to 0.4 percent of GDP in 2025 Q2 with imports accelerating more than exports, dipping tourism receipts, and falling repatriation of foreign earnings during dividend season. The nominal baht effective exchange rate (NEER) appreciated, reflecting a weaker U.S. dollar and an improved current account balance.

Labor market outcomes remain fragile. Employment fell by 0.5 percent between Q1 2024 and Q1 2025 driven by agricultural job losses. The labor force participation rate dropped from 99.4 to 98.2 percent. Gains in services were concentrated in hotels and restaurants but may prove short-lived given slowing tourism. The slightly weaker employment outlook threatens to constrain poverty reduction.

## Outlook

Growth is projected to slow to 2.0 percent in 2025 and 1.8 percent in 2026, down from 2.5 percent in 2024, amid intensifying global and domestic headwinds. The deceleration is driven by the negative impact of global trade shifts on exports in H2, following significant front-loading in H1, alongside subdued tourism and domestic demand. Private consumption is expected to moderate

amid household deleveraging, although fiscal stimulus will provide some cushion.

In 2025, the current account is projected to post an adequate surplus of 1.9 percent of GDP, down from a surplus of 2.1 percent in 2024, as global trade conditions soften and tourism earnings remain weak. Inflation will remain subdued, mainly due to falling global commodity prices. Core inflation remains low, highlighting persistent demand-side weaknesses and providing room for continued monetary accommodation.

Household debt has remained high (88.4 percent of GDP Q1 2025), while credit quality has deteriorated. Despite substantial fiscal cash transfers, the combination of falling employment and weakening household credit quality poses risks to sustaining poverty reduction in the medium to long term.

Downside risks to growth remain significant, stemming from global trade shifts and sluggish tourism, which can dampen exports and services growth, respectively. While Thailand's external position remains strong, the economy is increasingly exposed to global trade policy shifts due to a concentrated export goods basket. Continued border tension with Cambodia may result in labor shortages due to repatriation of workers. Internally, potential political transition could result in delays to next year's budget. Fiscal space is narrowing due to increased spending and slower revenue growth. Public debt may approach the ceiling of 70 percent of GDP in the next five years. In the near term, fiscal rebalancing towards public investment while safeguarding fiscal and financial stability will be essential to mitigate risks and support a more inclusive and sustainable recovery.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	2.6	2.0	2.5	2.0	1.8	2.5
Private consumption	6.2	6.9	4.4	2.0	1.9	2.9
Government consumption	0.1	-4.7	2.5	1.3	1.0	1.6
Gross fixed capital investment	2.2	1.2	0.0	1.6	1.4	2.3
Exports, goods and services	6.2	2.4	7.8	1.9	1.1	4.1
Imports, goods and services	3.4	-2.5	6.3	1.3	0.7	4.7
<b>Real GDP growth, at constant factor prices</b>	3.4	0.9	3.7	2.0	1.8	2.5
Agriculture	1.2	2.0	-1.1	2.3	1.6	1.8
Industry	4.1	-5.7	0.8	0.1	-0.4	2.0
Services	3.3	4.6	5.7	3.0	2.9	2.8
<b>Inflation (consumer price index)</b>	6.1	1.2	0.4	0.2	0.9	1.4
<b>Current account balance (% of GDP)</b>	-3.5	1.4	2.1	1.9	1.8	1.5
<b>Net foreign direct investment inflow (% of GDP)</b>	0.8	-1.4	0.5	-1.1	-1.1	-1.1
<b>Fiscal balance (% of GDP)</b>	-4.5	-2.0	-1.3	-3.2	-3.2	-2.8
<b>Revenues (% of GDP)</b>	19.8	20.8	21.2	21.4	21.4	21.6
<b>Debt (% of GDP)</b>	59.7	62.0	62.6	65.5	67.3	67.9
<b>Primary balance (% of GDP)</b>	-3.6	-1.2	-0.4	-2.3	-2.3	-1.9
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	0.2	0.1	0.1	0.0	0.0	0.0
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	9.9	9.9	8.2	7.1	6.3	5.2
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	3.6	2.0	2.4	1.9	2.2	3.0

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on EAPPOV harmonization, using 2016-SES and 2023-SES. Actual data: 2023. Nowcast: 2024. Forecasts are from 2025 to 2027.

2/ Projection using annualized elasticity (2016-2023) with pass-through = 1 based on GDP per capita in constant LCU.

# TIMOR-LESTE

Real GDP grew by 4.1 percent in 2024, driven by infrastructure and services. Vulnerabilities persist, including lack of fiscal sustainability, high import dependence and informality. Access to basic services has improved, but delivery is uneven. Medium-term growth relies on infrastructure spending ASEAN integration, and Greater Sunrise negotiations. Urgent reforms are needed to address fiscal fragility, limited diversification, climate shocks, and Petroleum Fund depletion.

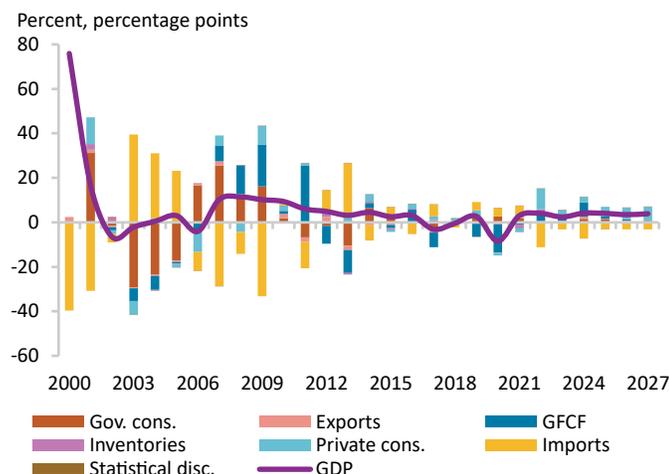
## Key conditions and challenges

While recent growth has been positive, the economy still face structural vulnerabilities—regional disparities, large external imbalances, a shallow financial sector, and unsustainable fiscal management. High social protection spending and rising remittances—now exceeding 11 percent of non-oil GDP—support household welfare but also raise reservation wages, discouraging labor force participation, and slowing the transition to a more diversified economy.

The Petroleum Fund (PF) has provided significant deficit financing—well above the Estimated Sustainable Income (ESI), jeopardizing fiscal sustainability. With oil production now halted, the Fund could be depleted by 2038. Without alternative revenue sources and stronger fiscal discipline, fiscal sustainability and the government's capacity to deliver public services will be at risk.

Despite progress in poverty reduction and human development, Timor-Leste remains among the poorest countries in East Asia and Pacific. Access to sanitation, electricity, education, and health services have improved, yet labor force participation is stagnant, productivity has declined, and informality remains high

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



Sources: Timor-Leste's Statistics Office (INETL) and World Bank staff calculations.

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$4.20/day
1.4	0.8
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
67.7	123.3
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
1.8	1289.0

Sources: WDI, PIP, and official data. 1/ 2024. 2/ 2014 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

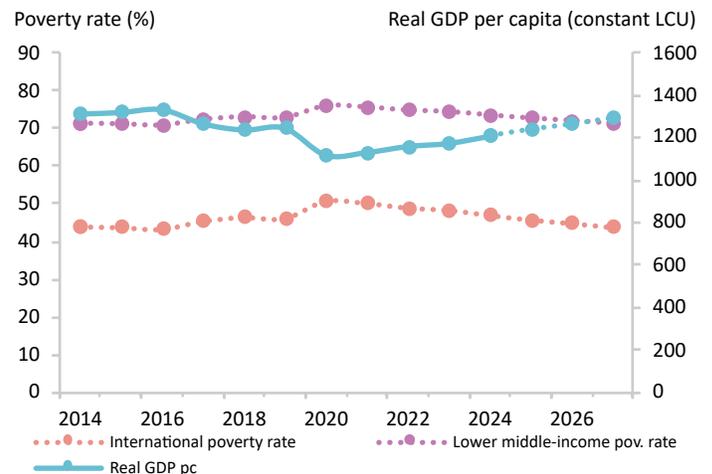
at 77 percent (2021). Looking ahead, opportunities from WTO and ASEAN accession in October could support growth, while tourism, agriculture, and digital services show early momentum. To seize these opportunities, Timor-Leste must prioritize productive public investment, advance land reform, improve access to finance, and maintain political stability.

## Recent developments

Non-oil GDP grew by 4.1 percent in 2024, the strongest pace in the last decade, driven by a 48 percent surge in public investment and 28 percent rebound in foreigners' arrival. Travel exports grew 43 percent and private sector credit expanded 39 percent. Although the financial sector is gradually deepening, it remains underdeveloped, with credit-to-GDP at 31.5 percent at end-2024—below the regional average and concentrated in loans to individuals, leaving firms underserved and growth still reliant on public spending.

Inflation plummeted in the first half of 2025 to 0.1 percent year-on-year from 3.4 percent last year, reflecting lower global commodity prices. Timor-Leste's real effective exchange rate (REER) appreciation reduced import costs, which helped ease inflation further but

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



Source: World Bank. Notes: See footnotes in table on the next page.

hurt external competitiveness. The current account deficit widened in early 2025 amid lower Petroleum Fund revenues and higher imports. Coffee exports edged up but remain too small to narrow the trade gap. Secondary income remained strong last year, due to increased remittance inflow while lower remittance outflow.

Fiscal outcomes show both progress and risks. In H1 2025, budget execution improved, with 31.4 percent of budget disbursed, but capital expenditure remains below pre-COVID levels. Financing still relies heavily on PF withdrawals. Excess withdrawals above the ESI have financed widening fiscal deficits over the last sixteen years, undermining fiscal sustainability and narrowing policy space for future shocks.

The upcoming 2024 Living Standards Survey will shed light on household income growth after a decade-long gap. The Population and Housing Census suggests that electricity access improved from 84 to 96 percent during 2015-22, but municipal discrepancies in living conditions and service delivery remain stark. The Labor Force Survey shows that labor force participation remained at 30 percent since 2013, the lowest among peers. Labor productivity declined at an average annual rate of 2.1 percent in 2013-21, with real wages declining. Non-agricultural employment has been dominated by the public sector, underscoring weak private sector dynamism. Without stronger private sector development and higher productivity, growth will remain heavily state-driven, with limited job creation and fragile welfare gains.

## Outlook

Growth is projected to average 3.7 percent in 2025-27, supported by continued public investment, expansion of the service sector,

improved digital and transport connectivity, rising tourism, and remittances that sustain private consumption. ASEAN accession in October, along with progress in Greater Sunrise negotiations could unlock new investment and trade opportunities. Nevertheless, growth remains heavily dependent on government spending, underscoring the need to strengthen budget execution, raise investment efficiency, and further improve service delivery so that fiscal stimuli translate into productivity gains and private sector-led growth.

Inflation is expected to average around 2.1 percent over 2025-27, reflecting lower global inflation, but food prices and external shocks remain key risks given Timor-Leste's reliance on imports and limited monetary policy tools. While price stability improves household welfare, heavy import dependence leaves consumers highly exposed to global food and fuel price volatility.

Fiscal policy is expected to remain expansionary. The 2026 General State Budget projects spending near 90 percent of GDP, with deficits above 50 percent, financed largely through PF withdrawals, far above the 3 percent ESI benchmark and set to rise further. This trajectory heightens fiscal fragility and could deplete the PF by 2038.

Risks to the outlook are tilted to the downside. A narrow export base, high import dependence, weak institutions, limited diversification, climate vulnerability, and political uncertainty all weigh on economic prospects. The most pressing risk is fiscal: without reforms to mobilize revenue, improve spending efficiency, and adopt a medium-term fiscal framework, macroeconomic stability could be at risk as the PF could be depleted by 2038.

## Recent history and projections

	2022	2023	2024e	2025f	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	4.0	2.4	4.1	4.0	3.4	3.8
Private consumption	14.0	3.4	3.3	6.0	7.0	8.0
Government consumption	-0.3	-0.8	2.6	2.0	0.8	0.3
Gross fixed capital investment	27.0	11.5	33.6	4.5	2.0	1.2
Exports, goods and services	30.3	31.9	34.0	9.5	10.0	10.0
Imports, goods and services	22.9	4.9	12.5	4.9	5.0	5.0
<b>Real GDP growth, at constant factor prices</b>	3.6	2.5	4.1	4.0	3.4	3.8
Agriculture	5.4	2.3	2.3	2.9	2.9	2.9
Industry	36.5	-22.4	10.0	2.4	2.4	2.4
Services	2.4	3.3	4.4	4.4	3.6	4.1
<b>Inflation (consumer price index)</b>	7.0	8.4	2.1	2.0	2.1	2.1
<b>Current account balance (% of GDP)</b>	24.3	-9.8	-29.3	-31.8	-32.3	-32.7
<b>Net foreign direct investment inflow (% of GDP)</b>	-17.1	7.3	12.6	9.8	9.7	9.8
<b>Fiscal balance (% of GDP)<sup>1</sup></b>	-59.5	-40.9	-50.5	-54.0	-50.2	-47.0
<b>Revenues (% of GDP)</b>	43.6	41.2	40.8	41.3	41.4	41.3
<b>Debt (% of GDP)</b>	15.1	14.4	14.3	14.3	14.3	14.3
<b>Primary balance (% of GDP)</b>	-59.3	-40.6	-50.2	-53.8	-50.1	-46.9
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>2,3</sup></b>	48.9	48.3	46.9	45.7	44.8	43.7
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>2,3</sup></b>	74.9	74.5	73.5	72.7	72.0	71.3
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-0.4	-1.2	-1.6	-1.5	-1.5	-1.5

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ The sustainable income from Petroleum Fund (PF) is transferred to Government as annual fiscal revenue (above the line), known as ESI (Estimated Sustainable Income). However, extra withdrawals from the PF are also used as the main source to finance the budget deficit (below the line).

2/ Calculations based on EAPPOV harmonization, using 2014-TLSLS. Actual data: 2014. Nowcast: 2015-2024. Forecasts are from 2025 to 2027.

3/ Projection using annualized elasticity (2007-2014) with pass-through = 1 based on GDP per capita in constant LCU.

# VIET NAM

Viet Nam's economy grew by 7.5 percent in the first half of 2025, boosted by frontloaded exports and domestic demand. Real GDP growth is forecasted to slow to 6.6 percent in 2025 as new trade restrictions take effect and external demand softens. Poverty is expected to decline from 3.8 percent in 2024 to 3.6 percent in 2025, supported by rising incomes and growing manufacturing employment. The outlook remains dependent on further trade developments.

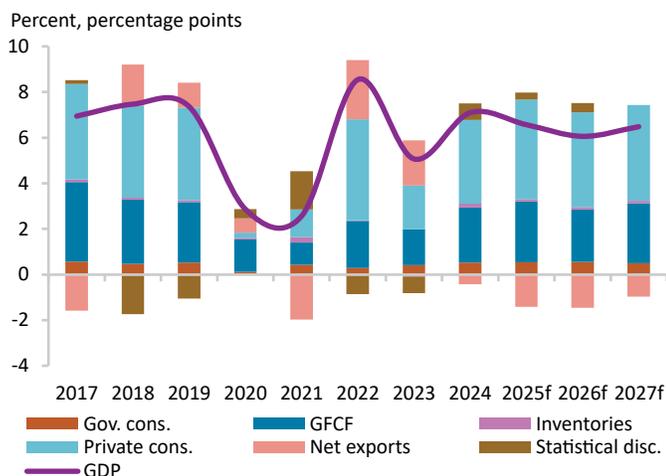
## Key conditions and challenges

Viet Nam is targeting double digit growth by 2030 and a high-income transition by 2045 through increased public investment and domestic private sector development. However, the country remains vulnerable to external shocks. Trade tensions have sparked renewed concerns over transshipment for Viet Nam given substantial use of imported inputs for export. Labor market inequities—rooted in limited foreign direct investment (FDI)—domestic ties, skills gaps, and low-skilled job concentration—risk stifling quality job growth and shared gains.

Financial sector risks persist due to loan forbearance, restructuring, and declining loan-loss coverage. Reinforcing the resilience of the banking system is needed, including tightening bank supervision, increasing liquidity and capital buffers.

The ambitious public investment plan aimed at boosting growth requires effective implementation. Viet Nam has engaged in a major institutional reform to enhance efficiency (consolidating central ministries from 18 to 14, merging provinces from 63 to 34, eliminating district-level authorities

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



Sources: Viet Nam's General Statistics Office and World Bank staff estimates.

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$4.20/day
101.0	4.2
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
74.6	122.5
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
471.3	4667.1

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

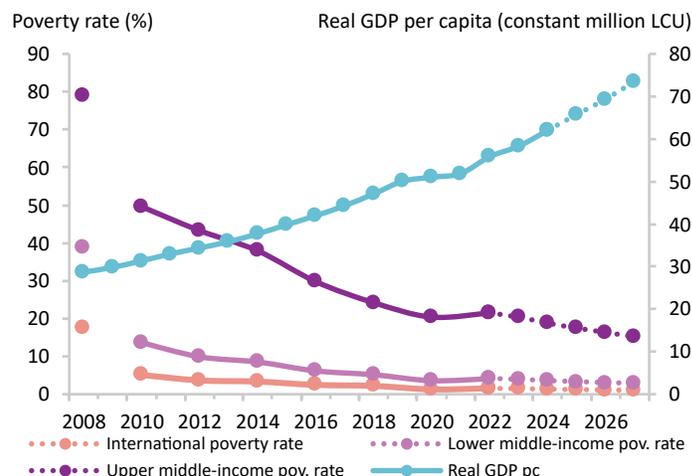
towards a two-tier system, and reducing public headcount by 20 percent over 5 years).

## Recent developments

Real GDP grew by 7.5 percent y/y in H1-2025 driven by the front-loading of exports amid trade policy uncertainties, supporting the expansion of manufacturing production and trade-related services. Investment accelerated in H1-2025 thanks to large infrastructure projects, while net FDI inflows remained resilient. Meanwhile, consumption and private investments are recovering at a slower pace, with growth remaining below pre-pandemic rates.

Headline inflation climbed to 3.6 percent by June 2025, driven by construction materials and electricity costs, while core inflation reached 3.5 percent in June 2025. Poverty rates using the lower middle-income country (LMIC) line of \$4.2 in 2021 PPP (and the upper middle-income country (UMIC) line of \$8.3 in 2021 PPP) are expected to have continued their decline driven by increased employment and labor income during H1-2025. Formal employment remained stable, and the unemployment rate declined marginally from 2.3 percent in Q2-24 to 2.2 percent in

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



Source: World Bank. Notes: See footnotes in table on the next page.

Q2-25. The average monthly real income of employees grew by 6.8 percent y/y in Q2-25. Nevertheless, global uncertainty and rising food prices pose a risk particularly for lower income households.

Banking credit surged to 18.1 percent y/y in H1-2025, largely attributed to the SBV front-loading credit quotas to banks at the beginning of the year. Underlying risks persist due to loan forbearance, restructuring, and declining loan-loss coverage. The systemwide non-performing loans (NPLs) were evaluated to have risen from 5.0 percent in 2024 to 5.3 percent (on-balance sheet) by February 2025. Rapid credit growth risks compromising credit quality, highlighting the need for stronger prudential oversight. The loan-loss coverage for non-performing loans has nearly halved over the past three years, indicating a significant decline in the banking sector's loss-absorbing capacity.

The external position deteriorated slightly due to a smaller current account surplus and larger financial account deficit. The current account surplus shrank in Q1-2025 as increased imports lowered the trade surplus. Large capital outflows turned the financial account into a deficit, driven by the net outflow in money and deposits in the banking sector, reflecting tighter foreign funding conditions or shifts in portfolio liquidity preferences.

The fiscal balance was positive in H1-2025, reaching 3.9 percent of GDP, due to faster revenue collection compared to government expenditure disbursements. Public investment surged by 36 percent y/y in H1-2025, reflecting both higher planned spending and higher execution rates (32.5 percent by June, +3.1pp).

In sum, the strong performance in H1-2025 masks rising vulnerabilities, an economy highly exposed to global trade shifts, households squeezed by food inflation and a financial system with thinning buffers.

The composition of growth marked by frontloaded exports and public investment emphasizes the need to deepen domestic demand, strengthen private sector confidence, and shore up financial resilience.

## Outlook

Real GDP growth is forecast to moderate to 6.6 percent in 2025, as export growth normalizes under new trade restrictions and softer external demand. GDP growth is projected to ease to 6.1 percent in 2026 before rebounding to 6.5 percent in 2027 supported by a pickup in global trade and Viet Nam's continued appeal as a competitive industrial base in global supply chains.

Headline inflation is projected to reach 3.8 percent in 2025 due to continued housing price increases, before decelerating to 3.5 percent by 2027. Poverty is expected to continue declining with sustained growth, and by 2027 poverty at the LMIC line of \$4.2 in 2021 PPP is expected to be 3.2 percent.

Downside risks are elevated. A prolonged period of policy uncertainty or a further escalation in global trade tensions could reduce FDI inflows and trade volumes. Fiscal policy should continue to take the lead in supporting medium-term growth and resilience, given limited monetary policy space due to persistent interest rate differentials and exchange rate pressures. Low public debt allows for increased investment, particularly to close infrastructure gaps in energy, logistics and transport, with an emphasis on efficient public investment management and prudent debt and risk oversight. Mitigating financial sector risks and vulnerabilities remains crucial, by improving banks' capital adequacy ratios and strengthening the institutional framework for prudential supervision and early interventions by the central bank.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	8.5	5.1	7.1	6.6	6.1	6.5
Private consumption	7.9	3.4	6.7	8.0	7.5	7.5
Government consumption	3.0	4.6	5.8	5.3	5.6	5.1
Gross fixed capital investment	5.9	4.6	7.1	7.6	6.6	7.4
Exports, goods and services	6.2	-2.5	15.5	13.4	8.7	8.9
Imports, goods and services	3.5	-4.5	16.1	14.9	10.0	9.6
<b>Real GDP growth, at constant factor prices</b>	8.8	5.3	7.2	6.9	6.0	6.4
Agriculture	3.7	3.9	3.3	2.4	3.0	3.0
Industry	8.2	3.7	8.2	6.9	6.5	6.5
Services	10.7	6.9	7.4	7.9	6.3	7.1
<b>Employment rate (% of working-age population, 15 years+)</b>	73.3	72.9	72.6	72.6	72.6	72.6
<b>Inflation (consumer price index)</b>	3.1	3.2	3.5	3.8	3.7	3.5
<b>Current account balance (% of GDP)</b>	0.3	6.0	6.5	2.6	2.6	2.6
<b>Net foreign direct investment inflow (% of GDP)</b>	3.7	3.1	-4.2	4.2	4.3	3.9
<b>Fiscal balance (% of GDP)</b>	0.7	-1.6	-1.0	-2.1	-2.2	-1.8
<b>Revenues (% of GDP)</b>	18.9	17.2	17.8	16.2	16.0	15.8
<b>Debt (% of GDP)</b>	36.9	36.0	36.2	36.7	35.0	33.8
<b>Primary balance (% of GDP)</b>	1.7	-0.8	-0.1	-1.2	-1.3	-0.9
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	1.6	1.5	1.4	1.3	1.3	1.2
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	4.2	4.0	3.8	3.6	3.4	3.2
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	21.5	20.8	19.8	18.9	18.1	17.3
<b>GHG emissions growth (mtCO2e)</b>	0.1	3.9	5.5	5.1	5.2	5.4

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on EAPPOV harmonization, using 2016-VHLSS and 2022-VHLSS. Actual data: 2022. Nowcast: 2023-2024. Forecasts are from 2025 to 2027.

2/ Projection using annualized elasticity (2016-2022) with pass-through = 0.7 based on GDP per capita in constant LCU.



Albania  
Armenia  
Azerbaijan  
Belarus  
Bosnia and Herzegovina  
Bulgaria  
Croatia  
Georgia  
Kazakhstan  
Kosovo  
Kyrgyz Republic

Moldova  
Montenegro  
North Macedonia  
Poland  
Romania  
Russian Federation  
Serbia  
Tajikistan  
Türkiye  
Ukraine  
Uzbekistan

# Europe and Central Asia

# ALBANIA

After two years of steady 4 percent growth, the economy expanded moderately through mid-2025. Consumption softened but remained a strong driver of growth, alongside tourism and construction. Inflation stayed below 3 percent, poverty declined amid stronger labor markets, and public debt continued its downward path. Though external risks persist, EU accession progress is likely to support investor confidence, policy continuity, and long-term growth.

## Key conditions and challenges

Albania is a small open economy with close linkages to the EU through exports, investment, and remittances. Despite structural challenges, it has maintained a steady growth, averaging 4.2 percent growth in 2022–2024. Tourism, while still the dominant growth engine, requires strategic investment in sustainability and diversification. Per capita income is still one-third of the EU average, with long-term convergence constrained by demographic pressures including outmigration and an aging population, persistent skill gaps, and fiscal pressures from climate events, such as the recent wildfires. Addressing these challenges requires raising additional revenues, improving spending efficiency, and accelerating EU-aligned reforms to boost productivity, labor force participation, and market integration. While poverty has declined, inclusive growth policies and stronger social protection are needed to support vulnerable groups.

## Recent developments

Albania's economy grew by 3.4 percent year-on-year (y-o-y) in the first quarter of 2025, slightly down from 3.7 percent in the same

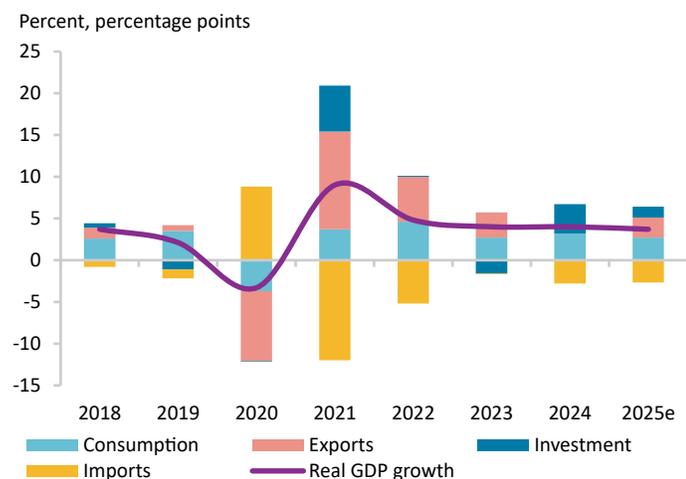
Population <sup>1</sup> million	2.4	Poverty <sup>2</sup> millions living on less than \$8.30/day	0.6
Life expectancy at birth <sup>3</sup> years	79.6	School enrollment <sup>4</sup> primary (% gross)	93.7
GDP <sup>5</sup> current US\$, billion	27.0	GDP per capita <sup>6</sup> current US\$	11377.8

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

quarter a year earlier, reflecting strong foreign demand and some moderation of domestic demand. Services and construction drove supply-side activity (despite a tapering of tourism growth), offsetting declines in agriculture and other parts of industry. Confidence indicators point to a slight acceleration in the second quarter. Service sector hiring offset job losses in agriculture in the first quarter of 2025, lowering the unemployment rate to 8.7 percent and lifting the employment rate (ages 15-64) to 69.5 percent for both men and women. This increased demand for labor drove up private sector wages by 9.6 percent y-o-y. Poverty (upper middle-income line, USD 8.30/day) declined to 23.8 percent in 2024 from 26.4 percent in 2023, reflecting the positive growth trajectory and improving labor market conditions.

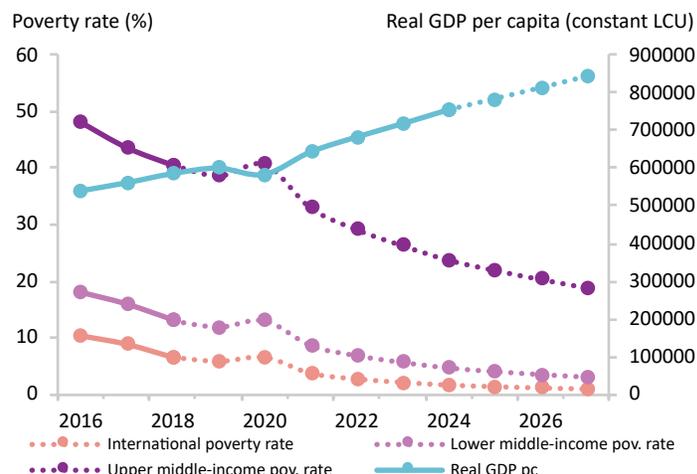
Moderation in consumption curbed demand-side pressures, while rising wages were tempered by productivity gains and squeezed profit margins. Low Eurozone inflation and a strong lek kept imported prices in check, leaving overall pressures contained. Inflation averaged 2.2 percent over the first seven months of 2025, rising to 2.5 percent in July, driven mainly by higher food prices and rents. Core inflation was higher at 2.9 percent in July. In response, the Bank of Albania cut the policy rate to 2.5 percent in July, reinforcing favorable financing conditions. This supported a

FIGURE 1 / Real GDP growth and contribution to real GDP growth



Source: INSTAT.

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



Source: World Bank. Notes: See footnotes in table on the next page.

12.9 percent y-o-y increase in private sector credit by June, led by household loans for consumption and mortgages and robust small and medium-sized enterprises (SME) lending, while lending to large firms and construction slowed. Non-performing loans fell to 4.0 percent in June 2025, down from 4.7 percent a year earlier.

In the first half of 2025, fiscal policy supported demand through moderate loosening, with the overall fiscal surplus narrowing to 2.7 percent of GDP from 4.3 percent a year earlier. Spending rose by 14.1 percent y-o-y, driven by social security, wages, and investment, outpacing revenue growth of 6.7 percent. External debt repayments reduced net borrowing, but liquidity remained firm, thanks to the Eurobond issued in the first quarter. As a result, public debt fell to 54.0 percent of GDP by June.

The lek appreciated in recent years due to strong inflows from exports, remittances, and foreign direct investment, signaling strength but reducing competitiveness, before stabilizing in early 2025 as foreign currency flows balanced and the Bank of Albania intervened. A 26 percent y-o-y rebound in goods exports narrowed the current account deficit to 3.2 percent of GDP in the first quarter of 2025 from 6.6 percent a year earlier. Modest goods imports growth alongside more favorable primary and secondary income balances added to the gains. Foreign direct investment held at 6.1 percent of GDP, and foreign currency reserves reached USD 7.7 billion by June, from USD 5.9 billion the previous year.

## Outlook

Economic growth is projected to moderate to 3.7 percent in 2025 and 3.5 percent in the medium term, amid global trade uncertainties and a shifting international outlook. Poverty is expected to decline to 22.0 percent from 23.8 percent in 2024. Inflation is projected to increase to the 3 percent target by early 2026 and to hover around that level, as wage growth and a stabilizing exchange rate offset easing international prices.

The fiscal deficit is expected to reach 1.8 percent of GDP in 2025 on accelerated capital expenditures and election related spending. It should narrow in 2026-27 as wage and interest pressures ease and the Medium-Term Revenue Strategy (2025-2027) is implemented, and the EU funds rise gradually. Public debt is expected to decline further, reaching 51.5 percent of GDP in 2027. The current account deficit is projected to stay below its historical average, narrowing to 2.3 percent of GDP in 2025 before stabilizing around 2.5 percent in the medium term, as rising imports for public investment are offset by recovering goods exports and robust tourism revenues.

Geopolitical tensions and global policy uncertainty pose risks to Albania's outlook, mainly through their impact on EU growth. However, strong tourism performance and progress on the EU Growth Agenda could provide important offsets.

### Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	4.8	4.0	4.0	3.7	3.5	3.5
Private consumption	6.0	2.9	3.5	3.2	3.0	3.0
Government consumption	2.2	4.4	6.0	3.5	2.4	2.5
Gross fixed capital investment	1.6	1.7	5.8	4.9	5.1	5.1
Exports, goods and services	17.0	8.6	0.1	6.8	6.0	5.7
Imports, goods and services	11.5	0.2	6.0	5.7	5.2	5.0
<b>Real GDP growth, at constant factor prices</b>	5.2	5.0	3.2	3.7	3.5	3.5
Agriculture	-4.8	-1.4	-2.0	-1.5	-0.8	-0.8
Industry	9.0	4.4	0.4	0.4	0.9	0.9
Services	7.0	7.3	6.2	6.8	5.7	5.6
<b>Employment rate (% of working-age population, 15 years+)</b>	55.5	56.5	58.2	59.1	58.7	58.5
<b>Inflation (consumer price index)</b>	6.7	4.8	2.2	2.5	3.0	3.0
<b>Current account balance (% of GDP)</b>	-5.9	-1.1	-2.4	-2.3	-2.6	-2.5
<b>Net foreign direct investment inflow (% of GDP)</b>	6.6	5.8	5.4	5.3	5.5	5.7
<b>Fiscal balance (% of GDP)</b>	-3.6	-1.3	-0.7	-1.8	-1.4	-1.3
<b>Revenues (% of GDP)</b>	26.6	27.2	28.2	28.3	28.7	28.9
<b>Debt (% of GDP)</b>	64.1	57.6	54.2	53.4	52.4	51.5
<b>Primary balance (% of GDP)</b>	-1.8	0.7	1.4	0.5	0.8	0.9
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	2.7	2.1	1.6	1.4	1.1	0.9
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	6.9	5.7	4.7	4.1	3.5	3.1
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	29.2	26.4	23.8	22.0	20.4	18.9
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-8.9	-4.5	-4.5	-3.6	-2.5	-1.4

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on ECAPOV harmonization, using 2017-SILC-C and 2019-SILC-C. Actual data: 2018. Nowcast: 2019-2024. Forecasts are from 2025 to 2027.

2/ Projection using point-to-point elasticity (2016-2018) with pass-through = 1 based on GDP per capita in constant LCU.

# ARMENIA

Growth is projected to moderate to 5.2 percent in 2025, as consumption and investment growth soften. The fiscal deficit is expected to widen to 5 percent of GDP, driven by greater expenditure on defense, social security, and debt service. Inflation is projected to converge to the Central Bank of Armenia (CBA)'s 3 percent target by year-end. The ongoing Peace Process with neighbors holds significant potential economic benefits for Armenia.

## Key conditions and challenges

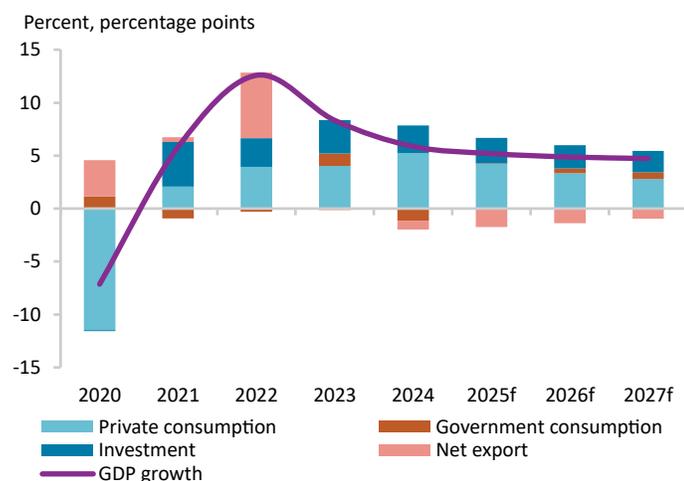
Since 2020, Armenia's economy has shown resilience, supported by sound macroeconomic management. As some of the exceptional drivers that boosted growth in 2022 and 2023 (such as net exports and financial inflows) have been fading, growth is converging to potential.

To maintain and, possibly, accelerate growth, Armenia needs to address structural challenges that hamper productivity and investment, including limited market competition, distortions from sector-specific taxes or regulations, barriers to trade and connectivity, constraints in access to finance, restrictive labor market regulations, and a shortage of skilled workers. Recent steps toward peace with Azerbaijan are expected to help boost trade, investment and productivity growth.

## Recent developments

Following deceleration in 2024 (after two exceptional years), real GDP growth continued to ease to 5.6 percent in H1 2025 (yoy).

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



Sources: Statistical Committee of Armenia and World Bank staff projections.

Population <sup>1</sup> million	3.0	Poverty <sup>2</sup> millions living on less than \$4.20/day	0.3
Life expectancy at birth <sup>3</sup> years	77.5	School enrollment <sup>4</sup> primary (% gross)	93.8
GDP <sup>5</sup> current US\$, billion	26.0	GDP per capita <sup>6</sup> current US\$	8556.2

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2023 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

Growth was mostly driven by private consumption (up 11.5 percent in real terms, yoy), followed by investment (up 25.8 percent, yoy).

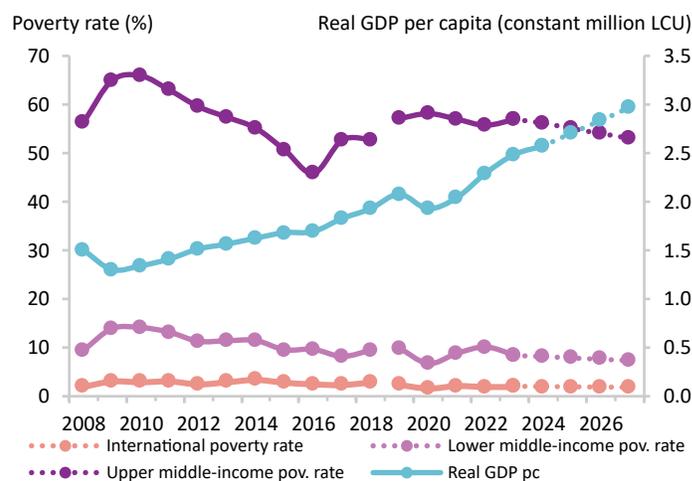
On the supply side, growth was led by Information and Communication Technology (ICT), financial services, and construction. Growth in the agricultural sector picked up (6.2 percent, yoy), whereas manufacturing contracted due to a fall in the production of alcoholic beverages and base metals.

Unemployment fell to 14 percent in Q1 2025, down from 15.5 percent in Q1 2024. In line with robust growth and supportive labor market trends, poverty (at USD 8.3, 2021 PPP) is expected to decline to 55 percent in 2025, down from 56.2 percent in 2024.

After rising in H1 2025, driven by increases in food and non-alcoholic beverages, inflation stabilized at 3.2 percent (yoy) by the start of Q3. In January–February, Armenia's Central Bank reduced the policy rate by 25 basis points, to 6.75 percent, and has kept it there since.

The trade deficit widened 26.8 percent in H1, as exports and imports decreased by 52.8 percent (yoy) and 38.6 percent (yoy), respectively, due to a 77 percent (yoy) collapse in the re-exports of precious stones and metals (equal to a third of total exports).

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



Source: World Bank. Notes: See footnotes in table on the next page.

However, traditional export categories, such as ready foods and agricultural products, rose 32 percent (yoy) and 36 percent (yoy), respectively. Tourist arrivals increased by 11 percent (yoy) as of July 2025. Net foreign direct investment (FDI) reached 0.4 percent of annual GDP in Q1, a fourfold increase (yoy) from a low base.

Over January–July, the AMD appreciated 3.5 percent relative to the USD but depreciated 6 percent against the EUR and 28 percent against the RUB. International reserves reached USD 4.1 bn as of end-June, covering 3.3 months of imports.

Armenia recorded a fiscal deficit in H1 of 0.4 percent of projected GDP, as expenditures rose 19.4 percent (yoy) in nominal terms, driven by high defense and social protection expenditure, while revenue grew by 15.2 percent (yoy) in nominal terms, driven by VAT and profit taxes. As of July, government debt was stable at 47.7 percent of the annual GDP forecast.

Armenia's financial system remains healthy. As of June 2025, exchange rate-adjusted deposits and loans were up 15.2 percent (yoy) and 29.5 percent (yoy), respectively (in nominal terms). Credit dollarization stood at 34 percent at end-June. The ratio of non-performing loans (NPLs) remained at 1.3 percent. And the return on assets was 4.3 percent.

## Outlook

Growth is projected to ease to 5.2 percent in 2025 and converge toward its potential rate of 4.5 percent in the medium term, as

consumption and investment growth moderate from their high bases. Inflation is projected to remain stable at 3 percent for the forecast period, in line with the CBA target.

The fiscal deficit is projected to widen to 5 percent of GDP in 2025, driven by greater expenditure on defense, social security, and debt servicing in the second half of the year, before gradually narrowing to 3.7 percent by 2027 because of higher tax collection and reduced defense expenditures. Tax revenue is projected to increase, reflecting the broadening of the regular tax regime and improvements in tax administration. Public debt is estimated to rise to 55.4 percent of GDP by 2027, up from 51.3 percent of GDP in 2025.

The current account deficit is expected to widen to 5 percent of GDP in 2025, with exports of goods weakening faster than imports, amid the elevated consumption. Deterioration in the trade deficit is expected to be partly offset by an improved services balance.

The poverty rate, as measured by the upper-middle-income poverty line of USD 8.3 per day (2021 PPP), is projected to fall to 53.1 in 2027, down from 55 percent in 2025. However, slower growth in agriculture and in services, the main employers of the poor, could undermine the projected reduction in poverty.

Risks to the outlook include geopolitical tensions, weaker partner growth, and election-related uncertainty, which could weigh on exports, capital inflows, and business confidence. On the upside, progress toward peace and regional normalization, deeper EU ties, and regulatory reforms to foster investment and competition and to facilitate trade and connectivity could lift long-term growth.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	12.6	8.3	5.9	5.2	4.9	4.7
Private consumption	5.6	6.1	8.0	6.0	4.7	4.0
Government consumption	-2.2	10.2	-9.5	0.6	5.4	7.2
Gross fixed capital investment	14.0	9.0	11.2	10.1	8.9	7.8
Exports, goods and services	59.9	35.8	27.6	-30.0	2.1	2.7
Imports, goods and services	35.0	35.4	28.3	-24.8	4.1	3.9
<b>Real GDP growth, at constant factor prices</b>	13.1	8.0	6.8	5.2	4.9	4.7
Agriculture	-2.8	-0.4	1.5	3.1	2.5	2.1
Industry	9.8	2.0	6.8	5.3	5.5	5.7
Services	18.1	12.3	7.6	5.5	4.9	4.7
<b>Employment rate (% of working-age population, 15 years+)</b>	50.9	52.8	50.7	51.5	52.0	52.2
<b>Inflation (consumer price index)</b>	8.6	2.0	0.3	3.0	3.0	3.0
<b>Current account balance (% of GDP)</b>	0.7	-2.8	-4.6	-5.0	-4.9	-4.8
<b>Net foreign direct investment inflow (% of GDP)</b>	4.7	2.2	0.3	2.1	2.4	2.7
<b>Fiscal balance (% of GDP)<sup>1</sup></b>	-2.2	-1.9	-3.5	-5.0	-4.2	-3.7
<b>Revenues (% of GDP)</b>	25.1	25.9	26.5	26.7	26.7	27.0
<b>Debt (% of GDP)<sup>2</sup></b>	46.7	48.2	48.0	51.3	53.4	55.4
<b>Primary balance (% of GDP)</b>	-0.5	0.1	-1.2	-2.0	-1.1	-0.4
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>3,4</sup></b>	1.9	1.9	1.9	1.9	1.9	1.9
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>3,4</sup></b>	10.0	8.4	8.2	7.9	7.6	7.4
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>3,4</sup></b>	55.7	56.9	56.2	55.0	54.1	53.1
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	2.3	6.9	6.5	8.4	8.5	8.3

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Represents the consolidated fiscal balance.

2/ Excludes CBA debt.

3/ Calculations based on ECAPOV harmonization, using 2011-ILCS, 2018-ILCS, and 2023-ILCS. Actual data: 2023. Nowcast: 2024. Forecasts are from 2025 to 2027.

4/ Projection using annualized elasticity (2011-2018) with pass-through = 0.69 based on GDP per capita in constant LCU.

# AZERBAIJAN

Growth is projected to decelerate to 1.9 percent in 2025, reflecting the expected reduction in crude oil production as well as moderation in non-hydrocarbon sector activity. After rising in Q1, inflation has stabilized and expected just below 5 percent in 2025. External and fiscal surpluses have narrowed as energy prices have dropped. Sluggish medium-term growth is expected to continue, hovering at around 1.8 percent.

## Key conditions and challenges

Continued reliance on hydrocarbons as a major source of export and fiscal revenue remains Azerbaijan's main vulnerability. Declining oil production, oil price volatility, and the global transition away from fossil fuels are challenges to long-term growth prospects.

Private sector development is constrained by the economy's large state footprint, an uneven playing field for companies, shallow financial markets, and a weak human capital base. Despite a reduced gap with developed countries in terms of per capita capital stock, convergence of per capita income has lagged, suggesting low productivity. Reforms are needed to enable a better allocation of productive resources and technology across businesses and sectors.

## Recent developments

Economic activity decelerated sharply in H1, 2025, with real GDP growth slowing to 1.5 percent, compared with 4.3 percent in H1 2024. Crude oil production fell 3.1 percent (yoy), while natural gas

Population <sup>1</sup> million	Poverty
<b>10.2</b>	..
Life expectancy at birth <sup>2</sup> years	School enrollment <sup>3</sup> primary (% gross)
<b>74.4</b>	<b>102.0</b>
GDP <sup>4</sup> current US\$, billion	GDP per capita <sup>5</sup> current US\$
<b>74.4</b>	<b>7287.2</b>

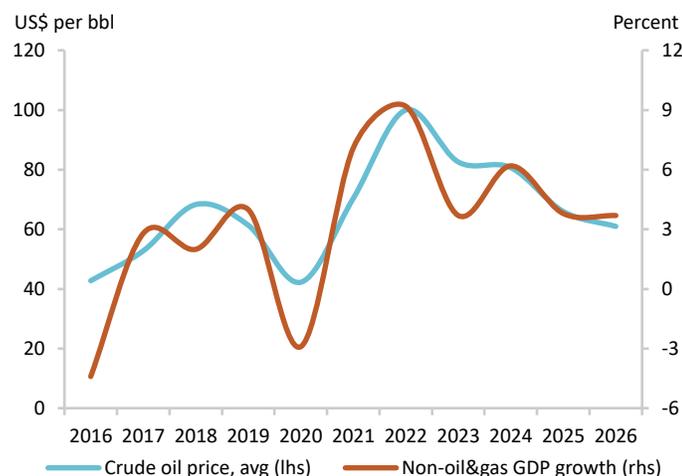
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2023. 3/ 2023. 4/ 2024. 5/ 2024.

production remained stable. Non-hydrocarbon sector growth also lost momentum, dropping from 6.9 percent in 2024 to 3.9 percent in H1 2025, as activity normalized in construction, transport, Information and Communication Technology (ICT), and retail following strong gains in 2024. Construction, a major driver of growth in recent years, lost momentum in H1 due to reduced public investment in reconstruction. On the demand side, real wage growth softened to 3.5 percent, with inflation constraining household purchasing power and dampening private consumption. Investment contracted 0.5 percent in real terms, largely due to reduced investment in the hydrocarbon sector. The unemployment rate levelled at 5.3 percent in H1 2025.

Average inflation increased to 5.7 percent in H1 2025 due to a hike in administrative prices and to higher imported inflation (from higher global food prices) in Q1. Inflation stabilized toward the end of Q2 and remains within Azerbaijan's Central Bank (CBAR) inflation target range of 4+/-2 percent. The CBAR has kept the policy rate unchanged at 7.25 percent since May 2024.

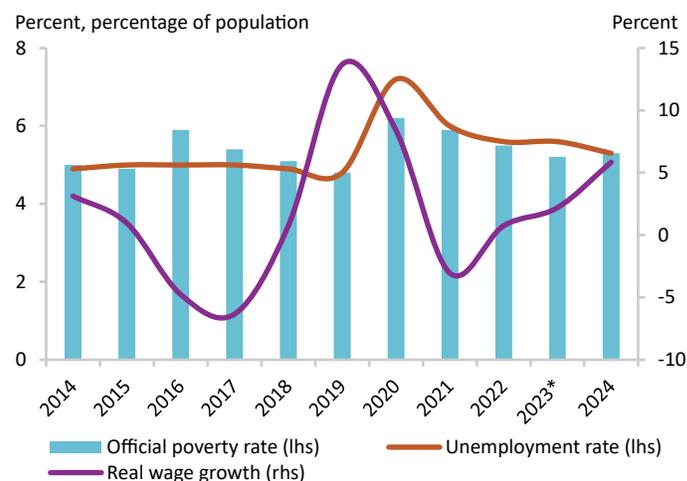
The fiscal surplus decreased to 7.7 percent of GDP in H1 2025, from 10.3 percent in H1 2024. Revenues fell 5.5 percent (yoy, in real terms) to 33.6 percent of GDP, primarily due to reduced

FIGURE 1 / Non-oil and gas GDP growth and oil price



Sources: State Statistical Committee and World Bank.

FIGURE 2 / Official poverty rate, unemployment rate, and real wage growth



Source: State Statistical Committee.

Notes: The World Bank has not yet reviewed the official national poverty rates for 2013–2023. \*Preliminary.

hydrocarbon sector receipts because of lower prices. Tax collection in the non-hydrocarbon sector decreased 3.4 percent in real terms. Government expenditure in H1 rose 1.8 percent in real terms, to 31.5 percent of GDP, driven by a real increase in capital expenditure of 5 percent and a real decline in current expenditure of 1.3 percent (yoy) as budget execution lagged.

Excluding gold imports by the State Oil Fund of the Republic of Azerbaijan (SOFAZ) (8.7 percent of GDP), the trade surplus widened to 12.4 percent of GDP in 2024, with exports levelling and import growth remaining subdued, due to domestic demand easing. CBAR reserves increased 2.1 percent to US\$11.1 billion by the end of H1 2025, equivalent to 5.6 months of import cover.

Credit to the economy moderated in H1 2025, growing 5.8 percent in real terms, with consumer and business lending growing 10.2 percent and 3.2 percent, respectively. The non-performing loan (NPL) ratio increased slightly to 1.7 percent. Bank deposits grew by 6.3 percent (yoy) in real terms, while banks' profits saw a 6.4 percent (yoy) decline in H1 2025.

## Outlook

GDP is projected to grow by 1.9 percent in 2025, reflecting the decline in hydrocarbon output. A modest recovery in non-hydrocarbon sector growth is expected in H2 2025, as execution in public expenditure improves toward year-end. Real GDP

growth is expected to remain subdued in the medium term, averaging 1.7 percent, with crude oil production contracting further and fiscal space narrowing due to less favorable hydrocarbon prices. This outlook underscores the urgency of advancing structural reforms to foster private sector-led growth in the non-hydrocarbon sector.

Inflation has already peaked and, in the absence of major external shocks, is expected to edge downward for the remainder of 2025 and stay within the CBAR's target in the medium term.

With energy prices projected to moderate, budget revenues are expected to contract, resulting in a narrowing of the fiscal surplus to an estimated 3.6 percent of GDP in 2025 and an average of 1.8 percent of GDP in 2026–2027. As fiscal space tightens, public expenditures (including investment) will need to decrease to ensure adherence to fiscal rule targets.

The current account surplus is expected to narrow to an average of 3.4 percent of GDP over the period 2025–2027, due to declining energy prices. Lower demand for imports because of low growth will partially offset the fall in exports, preventing further deterioration.

Downside risks to this outlook stem from subdued growth and declining energy prices, which could impact macroeconomic stability. On the upside, progress towards peace with Armenia would facilitate trade and attract greater foreign direct investment in the non-hydrocarbon sector.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	4.6	1.1	4.1	1.9	1.8	1.7
Private consumption	4.9	4.0	7.0	4.4	4.3	4.1
Government consumption	6.3	8.1	11.3	3.8	2.5	1.9
Gross fixed capital investment	5.7	9.6	-0.7	-0.3	-0.4	-0.7
Exports, goods and services	3.3	-2.9	1.2	0.1	0.2	0.2
Imports, goods and services	3.2	1.9	3.1	1.8	1.7	1.6
<b>Real GDP growth, at constant factor prices</b>	4.6	1.1	4.1	1.9	1.8	1.7
Agriculture	3.4	3.2	1.4	2.5	2.6	2.6
Industry	2.4	-0.9	1.1	0.8	1.0	0.9
Services	8.5	3.8	9.1	3.4	2.7	2.6
<b>Employment rate (% of working-age population, 15 years+)</b>	60.4	60.0	59.4	59.4	59.4	59.4
<b>Inflation (consumer price index)</b>	13.8	9.0	2.1	4.6	3.0	2.8
<b>Current account balance (% of GDP)</b>	29.7	11.6	6.3	4.2	3.7	3.3
<b>Net foreign direct investment inflow (% of GDP)</b>	-1.4	-1.1	-1.1	-1.0	-1.0	-0.9
<b>Fiscal balance (% of GDP)</b>	5.4	8.1	4.0	3.6	1.9	1.7
<b>Revenues (% of GDP)</b>	30.7	39.9	38.3	36.6	34.2	33.9
<b>Debt (% of GDP)</b>	11.7	21.8	21.7	22.4	23.8	23.7
<b>Primary balance (% of GDP)</b>	5.9	8.8	4.4	4.3	2.6	2.4
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	4.5	1.4	0.9	0.3	0.8	1.2

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

# BELARUS

Belarus's economy remains strained by sanctions, labor shortages, and dependence on Russia. GDP growth slowed in 2025 due to weak exports and inflation. Long-term growth prospects are limited by the effectiveness of stimulus policies, persistent inflation, and currency pressures. Poverty declined modestly, mainly in rural areas. Sustained high inflation and widening external imbalances, driven by continued isolation from global markets, further weaken Belarus's growth potential.

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$8.30/day
9.1	0.2
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
74.2	94.7
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
76.0	8319.8

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2020 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

## Key conditions and challenges

Belarus's economy remains centralized, controlled and increasingly isolated since Russia's invasion of Ukraine. Western sanctions have pushed it to reroute trade primarily through Russia and seek new trade partners in Africa, Latin America, Southeast and Central Asia, raising costs and causing payment delays. Import substitution, backed by Russian investments and subsidies, has strengthened a short-term economic resilience, but tightened Belarus's economic ties with Russia, leaving it vulnerable to any downturn in Russian demand.

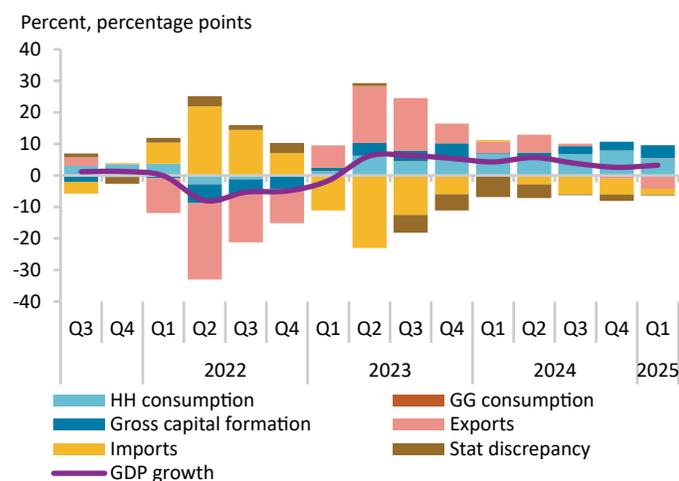
Sanctions on Belarus continue to weigh on growth prospects, compounding structural weaknesses such as labor shortages, economic overheating, and a worsening trade balance. Structural reforms are needed to address labor market rigidities and limited economic diversification to support sustainable growth. Inflationary pressures have increased due to exchange rate volatility, worsening current account, and inefficiencies in the state-dominated economy. The government plans to ease price controls while maintaining fiscal stimulus, including through the state-owned enterprises, to sustain growth and preserve macroeconomic stability.

## Recent developments

In the first seven months of 2025, GDP growth slowed to about 1.3 percent year-on-year, held back by weaker Russian demand and adverse weather that reduced agricultural output by 12.4 percent year-on-year. Construction expanded by 10.2 percent and the information and communications sector grew by 4.2 percent, both recovering from severe declines in recent years. On the demand side, private consumption and public investment remained the key drivers of growth. As domestic demand strengthened, imports rose faster than exports, leaving trade a drag on growth.

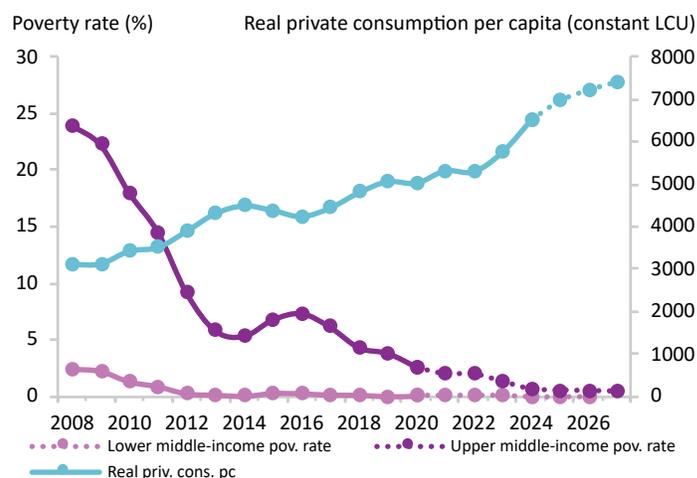
A widening trade gap drove the current account deficit higher in early 2025. The total value of exports in dollar terms rose marginally, helped by stronger demand from distant markets (Africa, Latin America, Asia). Imports, however, rose strongly due to rising wages and generous fiscal incentives. Consequently, the current account deficit expanded by over 18 percent in the first quarter, despite a 15 percent rise in remittances. The deficit was primarily financed through foreign direct investment—mainly reinvested earnings from Russian firms—with smaller contributions from Chinese investors. External debt slightly increased to 40 percent of GDP due

FIGURE 1 / Quarterly real GDP growth and contributions to real quarterly GDP growth



Source: World Bank based on national statistics.

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



Source: World Bank. Notes: See footnotes in table on the next page.

to trade credits, while foreign reserves rose to a record high of US\$11.5 billion by July 2025.

Despite price controls, inflation accelerated in January–July, rising by 6.4 percent year-on-year, with food prices up by 8.5 percent. The Belarusian ruble depreciated moderately against the Russian ruble amid sanctions and weaker trade flows, remaining closely tied to the fluctuations of the Russian ruble. In response, the National Bank of Belarus tightened monetary policy, increasing the base interest rate by 25 bps to 9.75 percent in June.

Labor market pressures led to a further decline in unemployment and pushed real wages up by 10.5 percent year-on-year. This increase in household incomes contributed to a further reduction in poverty during the first half of 2025, albeit at a slower pace due to rising inflation. According to official data, the decline in poverty was modest and largely concentrated in rural areas, particularly in the southern regions of the country.

Since the war in Ukraine began, regular publication of budget data has largely ceased, replaced by occasional and sometimes conflicting announcements from the Ministry of Finance. As a result, obtaining an accurate picture of the country's public finances has become increasingly challenging.

## Outlook

Growth is expected to pick up in the second half of the year as agricultural output rebounds. However, full-year GDP growth is projected to slow to 1.9 percent, below the 2024 level, primarily due to subdued economic activity in Russia, which continues to dampen

demand for Belarusian exports. In 2026–27, expansion will be limited by capacity constraints and labor shortages unless investment increases. Manufacturing will remain a key contributor to growth but lose momentum with softer Russian demand, while construction will benefit from state-led infrastructure development. Domestic trade should benefit from tight labor markets and generous fiscal support, and the IT sector is to rebound after recent declines.

Private consumption will remain the main growth driver but will weaken as inflation erodes purchasing power. Consequently, poverty, measured at the upper-middle-income poverty line of US\$8.30 (2021 PPP), is expected to continue declining, albeit more slowly. Investment will support growth but remain constrained by limited resources and absorption capacity. Net exports are projected to continue weighing on growth, due to Russia's dominance, ongoing sanctions, and persistent logistical challenges. The trade and current account balances are expected to deteriorate, with the current account deficit projected to reach around 3.0 percent of GDP in 2025, followed by a gradual improvement in the medium term.

Inflationary pressures are expected to stay high, with average annual inflation projected at 6.7 percent year-on-year in 2025. Persistently high prices, combined with falling corporate profits, rising losses, and structural inefficiencies, could limit the impact of stimulus measures. Even as price controls are eased, inflation is likely to remain above 6 percent in the medium term.

Belarus's medium-term growth is likely to remain below potential, held back by weak growth in Russia, and internal constraints. Ties with Russia, and state support for key industries should sustain short-term growth momentum.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	-4.7	3.9	4.0	1.9	1.3	0.8
Private consumption	-1.2	8.2	12.6	5.9	2.9	1.8
Government consumption	-0.1	0.2	0.1	0.1	0.0	0.0
Gross fixed capital investment	-13.3	17.2	7.8	14.5	4.0	2.9
Exports, goods and services	-12.3	19.0	2.9	-5.5	0.5	1.1
Imports, goods and services	-11.4	22.7	5.3	3.2	3.1	2.9
<b>Real GDP growth, at constant factor prices</b>	-4.7	3.7	4.1	1.9	1.2	0.8
Agriculture	4.4	0.0	2.2	2.5	3.1	2.3
Industry	-6.2	7.0	5.9	3.1	2.1	0.8
Services	-5.1	1.9	3.1	0.8	0.2	0.5
<b>Inflation (consumer price index)</b>	15.2	5.1	5.7	6.7	6.2	6.0
<b>Current account balance (% of GDP)</b>	3.6	-1.5	-2.5	-3.2	-1.2	0.7
<b>Net foreign direct investment inflow (% of GDP)</b>	1.9	2.7	2.1	1.5	1.5	1.5
<b>Fiscal balance (% of GDP)</b>	-1.5	1.2	1.3	1.0	0.5	0.1
<b>Revenues (% of GDP)</b>	36.0	40.7	41.9	40.6	40.1	39.7
<b>Debt (% of GDP)</b>	38.7	37.4	37.3	38.4	39.5	40.3
<b>Primary balance (% of GDP)</b>	-0.5	2.8	2.8	2.4	2.0	1.6
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	0.1	0.1	0.0	0.0	0.0	..
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	2.1	1.3	0.7	0.5	0.5	0.4
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-2.7	1.8	2.2	0.7	0.6	0.2

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on ECAPOV harmonization, using 2020-HHS. Actual data: 2020. Nowcast: 2021–2024. Forecasts are from 2025 to 2027.

2/ Projection using neutral distribution (2020) with pass-through = 0.87 (Med (0.87)) based on private consumption per capita in constant LCU.

# BOSNIA AND HERZEGOVINA

GDP growth slowed to 1.7 percent in Q1 2025 from 3.0 percent a year earlier, as industrial weakness, especially in manufacturing, weighed on activity. Stronger consumption, fueled by minimum wage hikes, couldn't offset weak investment and exports, while higher food prices lifted inflation to 3.4 percent in June. Looking ahead, growth is projected to recover to 3.2 percent by 2027, with the fiscal balance improving as reforms advance.

## Key conditions and challenges

Over the past thirty years, Bosnia and Herzegovina's (BiH) macro-economic stability has been underpinned by three factors: a currency board linked to the euro, efficient indirect tax collection and the prospect of EU membership. Robust fiscal policy delivered budget surpluses during 2015-2019, and while pandemic-driven deficits followed, public debt has remained modest at approximately 34 percent of GDP, reflecting prudent fiscal management.

Average real income growth of just 3 percent per year since 2015 has been insufficient to close the gap with the EU27 average, leaving per capita GDP at only one-third of the EU level in 2024. This slow pace of growth has limited progress in reducing poverty. Although the official poverty rate declined from 16.9 percent in 2015 to 13.5 percent in 2021, economic vulnerability persists—40 percent of adults say they could not cover expenses for more than a month if their main income is lost. Low labor force participation and high vulnerability among elderly households and those with multiple dependents remain pressing concerns.

Population <sup>1</sup> million	Poverty
3.2	..
Life expectancy at birth <sup>2</sup> years	School enrollment <sup>3</sup> primary (% gross)
77.8	87.2
GDP <sup>4</sup> current US\$, billion	GDP per capita <sup>5</sup> current US\$
24.4	7699.0

Sources: WDI, MFM0d, and official data. 1/ 2024. 2/ 2023. 3/ 2023. 4/ 2024. 5/ 2024.

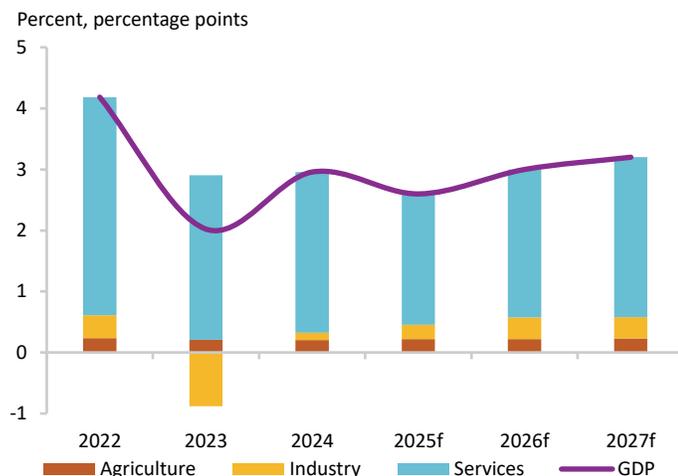
To unlock Bosnia and Herzegovina's growth potential, the country must shift from a consumption-driven model to one driven by higher investment and improved productivity. It will require accelerating key structural reforms, strengthening oversight of state-owned enterprises, improving the business climate, reducing labor costs, and advancing the transition to green energy.

## Recent developments

Real GDP growth decelerated to 1.7 percent in Q1 2025 from 3.0 percent in 2024. On the supply side this was due to weaker performance across key sectors, especially manufacturing (-5.3 percent) and construction (-0.8 percent).

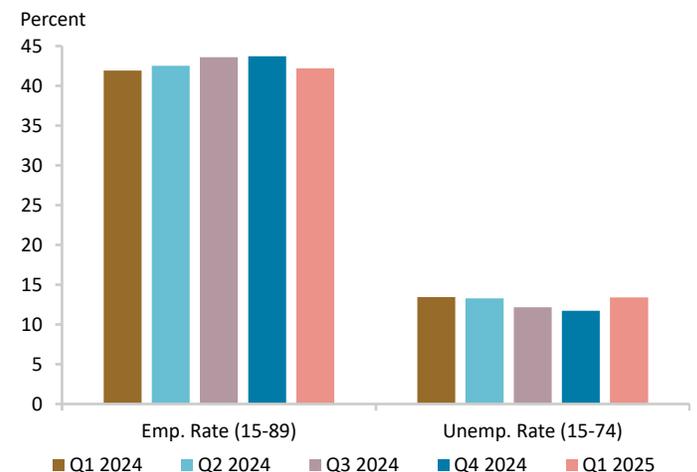
On the demand side, inflation eroded real disposable income, hence consumption and investment softened in Q1 2025. Exports grew only 0.4 percent in Q1 2025 while imports increased by 1.6 percent during the same period, further widening the trade deficit by 1.3 percent in nominal terms.

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



Sources: BiH Agency for Statistics (BHAS) and World Bank staff calculations.

FIGURE 2 / Labor market indicators



Sources: LFS 2023–2024 report, and World Bank staff calculations.

In H1 2025, inflation accelerated to 3.6 percent from 1.7 percent the year before, driven primarily by cost-push factors. Food prices increased faster than prices of most goods and services, resulting in core inflation (1.8 percent) falling behind food inflation (8.5 percent). The acceleration in food prices was triggered by supply disruptions due to the 2024 floods, the global trends reflecting economic uncertainty, and the FBiH Government's decision to increase the minimum wage by 60 percent that took effect in 2025.

Labor market conditions also softened in Q1 2025, amplifying the impact of higher prices on households. Unemployment rose to 13.4 percent in Q1, up 0.8 pp from end-2024, while the activity rate fell by 0.4 pp to 48.7 percent, suggesting fewer people are either working or actively seeking jobs. Participation is especially low among those with only primary education or less, who make up nearly 30 percent of the working-age population but recorded an activity rate of just 14.7 percent in Q1 2025. These shifts point to growing challenges in the labor market, particularly for vulnerable groups, and highlight the need for targeted policy interventions to boost labor market inclusion and support economic resilience.

Meanwhile, the current account deficit (CAD) widened to 8.9 percent of GDP in Q1 2025—0.6 pp higher than in Q1 2024 as the merchandise trade deficit widened to 23.1 percent of GDP. In Q1 2025 almost three-fourths of the CAD was financed by the foreign direct investment (FDI) inflows, which mainly went to the foreign-owned banking sector (new loans). Despite this external imbalance, total external debt remains relatively low, below 45 percent of GDP. Public debt is lower, at about 35 percent of GDP, thanks to a modest budget deficit. The deficit is projected to narrow further to 1.5 percent of GDP in 2025, driven by slightly lower spending on goods and services.

## Outlook

Real GDP growth is expected to decelerate modestly in 2025 (production approach) as ongoing political tensions continue to weigh

on the pace of essential reforms. Inflation is likely to peak at 3.5 percent in 2025, reflecting pressures from rising food and service prices, planned utility price increases, and ongoing global economic uncertainty. Despite these headwinds, consumption will remain the main driver of growth, providing some resilience in the short term. Unemployment remains unchanged, as the lack of consensus on the growth plan and the recent increase in the minimum wage have limited job creation.

From 2026 onward, growth is anticipated to regain momentum, reaching 3.0 percent in 2026 and 3.2 percent in 2027, supported by stronger investment, improving domestic labor markets, and more favorable external conditions as the EU economy recovers. Private consumption will continue to expand, while the introduction of the Carbon Border Adjustment Mechanism (CBAM) is expected to increase imports, leading to a slight deterioration in the CAD, which should stabilize at 4.7 percent of GDP by 2027. Prudent fiscal policy is set to return the balance to surplus in 2027, driven by highway-related revenues and a stable VAT regime, based on single VAT rate.

In this context, policymakers' near-term priorities should focus on finalizing the reform agenda for the EU Growth Plan, fulfilling legislative requirements to begin EU accession negotiations, and labor market reforms. These efforts, while likely to be delayed by the October 2026 general elections, are expected to accelerate in 2027, helping to underpin improvements in living standards and sustain growth.

The outlook has significant downside risks. A potential escalation of global economic uncertainty and domestic political frictions could lead to lower investments and delay essential economic structural reforms. Ongoing conflicts in Ukraine and the Middle East could also constrain the EU's economy, further affecting demand for BiH exports, FDI and remittances. Inflation, reduced domestic demand, and limited remittance inflows pose additional challenges for poverty reduction.

### Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	3.7	1.9	2.5	2.6	3.0	3.2
Private consumption	3.1	1.8	2.5	3.4	2.6	3.1
Government consumption	2.7	4.1	9.4	4.8	6.2	5.0
Gross fixed capital investment	16.9	2.1	2.3	0.0	1.8	1.6
Exports, goods and services	9.9	-6.0	-1.5	0.1	1.0	1.5
Imports, goods and services	12.0	-3.0	2.5	1.8	1.9	1.8
<b>Real GDP growth, at constant factor prices</b>	4.2	2.0	3.0	2.6	3.0	3.2
Agriculture	3.5	3.1	3.0	3.2	3.2	3.4
Industry	1.4	-3.4	0.5	1.0	1.5	1.5
Services	5.4	4.0	3.8	3.1	3.5	3.7
<b>Employment rate (% of working-age population, 15 years+)</b>	42.7	44.2	44.0	44.0	44.0	44.0
<b>Inflation (consumer price index)</b>	14.0	6.1	1.7	3.5	1.9	1.7
<b>Current account balance (% of GDP)</b>	-4.4	-2.3	-4.0	-4.3	-4.5	-4.7
<b>Net foreign direct investment inflow (% of GDP)</b>	3.0	3.2	3.2	3.1	3.1	3.4
<b>Fiscal balance (% of GDP)</b>	-0.4	-1.2	-1.8	-1.5	-0.7	0.3
<b>Revenues (% of GDP)</b>	39.9	40.7	41.9	42.4	42.2	42.5
<b>Debt (% of GDP)</b>	33.0	32.1	34.3	35.1	34.8	33.7
<b>Primary balance (% of GDP)</b>	0.2	-0.2	-0.4	-0.6	0.4	1.3
<b>GHG emissions growth (mtCO2e)</b>	0.0	0.3	-1.2	-2.4	-2.7	-1.8

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.  
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

# BULGARIA

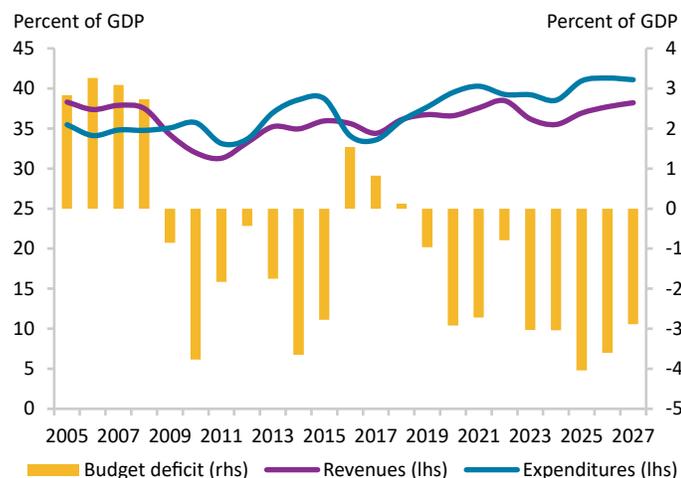
Against the backdrop of export underperformance, strong domestic consumption propped up growth in the first half of 2025. The improved medium-term outlook is underpinned by the upcoming adoption of the euro in 2026 and the expected recovery of the eurozone economy. Global trade and geopolitical uncertainties persist as downside risks. Domestically, the ongoing real estate and mortgage boom remains on the radar.

## Key conditions and challenges

Bulgaria has been characterized by gradual convergence to average European Union (EU) incomes, but key development challenges remain. In 2024, Gross Domestic Product (GDP) per capita in purchasing power parity terms reached 66 percent of the EU average, the lowest in the EU. Similarly, the at-risk-of-poverty rate and income inequality have consistently ranked among the highest in the EU. Regional disparities—as evidenced by significant spatial variation in prosperity measures and access to public services—stand out as a major development challenge, too.

Vested interests, facilitated by governance weaknesses and political disengagement, result in resource misallocation and constrain productivity growth. Net outmigration of working-age population after the start of transition, albeit reversing since the Covid-19 pandemic, further caps the country's growth potential. While economic growth is projected to decline to 1.3 percent by 2050 under a baseline scenario, ambitious reforms that enhance productivity, human capital and investment could accelerate Bulgaria's growth rate, reduce poverty and help the country converge to average real EU incomes in the next decade.

**FIGURE 1 /** General government budget expenditure, revenue, and balance



Source: World Bank.

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$8.30/day
6.4	0.3
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
75.7	95.9
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
112.3	17421.1

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2023 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2024. 6/ 2024.

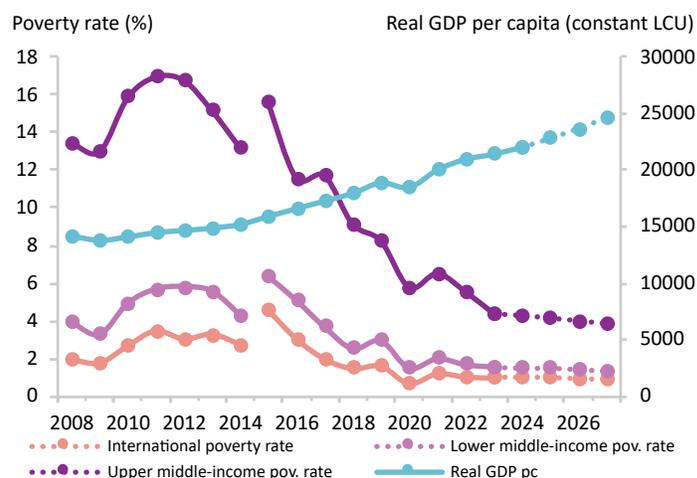
Despite its demographic and institutional impediments, Bulgaria has maintained macroeconomic stability, underpinned by a currency board arrangement and fiscal prudence. This, together with dedicated efforts since 2018, has enabled the country to meet the Maastricht criteria and be invited to join the eurozone from start-2026.

## Recent developments

Real GDP gained 3.2 percent year-on-year in the first half of the year, pushing the World Bank's projection for GDP growth for the year up to 3.0 percent. Against the backdrop of export underperformance, it was final consumption and investment that sustained headline growth. Private consumption has been fed by consumer credit expansion, particularly in the mortgage segment, and unabating wage growth.

While domestic credit grew by 14–15 percent nominally year-on-year in the four quarters up to Q2/2025, mortgage credit to households expanded at about twice that rate, mirrored by a real estate boom. The rapid increase of property prices fuels concerns about the formation of a real estate bubble and a potentially painful

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



Source: World Bank. Notes: See footnotes in table on the next page.

correction. On the upside, real wage growth appears to have slowed down, from 13.8 percent in H1/2024 to 7.4 percent on average in H1/2025, reducing the gap with productivity growth.

Strong domestic demand, albeit supportive of growth, might have contributed to recent inflationary pressures. Following gradual deceleration until May 2025, year-on-year inflation rose to 5.3 percent in July, driven by food, utilities, restaurants and entertainment prices. Bulgaria's fiscal position continued to loosen in the first half of 2025, as expenditure outstripped revenue growth. Payroll, pension and social spending, as well as capital expenditure grew rapidly, with the 2025 cash-basis fiscal deficit now projected at 4 percent of GDP, up from 3 percent in 2024.

Poverty (at \$8.30/ day in 2021 Purchasing Power Parity [PPP]) is projected to decline only slightly—from 4.4 percent in 2023 to 4.1 percent in 2025—as slowing real wage growth and rising food and utility prices weigh on household purchasing power, especially for vulnerable households that spend a significant share of their budget on food and energy.

## Outlook

Following a decent acceleration in 2025 on the back of strong domestic consumption, economic growth is forecast to adjust marginally in 2026 as demand moderates while EU activity slows down. The potential one-off effect on prices from upward

rounding after joining the eurozone in 2026—if any—would be offset by the projected downward adjustment of global energy prices in 2026. Thus, annual average inflation is set to decelerate from 3.3 percent in 2025 to 3.0 in 2026. Given export weakness amidst strong domestic consumption, the current account deficit is expected to widen to 2.6 percent of GDP in 2025, before consolidating moderately in 2026–2027. Bulgaria's eurozone accession in 2026 is anticipated to positively influence the country's medium-term economic outlook and external financial account. The expected reduction of transaction costs related to currency conversion, and lower interest rate premia are likely to enhance the overall investment climate, tourism, and foreign trade. Yet, this positive impact may be overshadowed by a potential escalation of global trade and geopolitical uncertainties, which could limit export recovery and take a toll on growth.

The improved economic outlook for 2026–2027 will increase revenues and support a reduction of the fiscal deficit, but measures to improve tax collection and curb current expenditure would be needed to bring the deficit below 3 percent of GDP by 2027. Budget consolidation on the expenditure side will become more pressing under a less favorable growth outlook.

With inflation expected to ease and economic growth projected to accelerate in 2026–2027, poverty rates are likely to decline modestly—assuming labor market gains and social protection measures keep pace with the acceleration of growth.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	4.0	1.9	2.8	3.0	2.9	3.1
Private consumption	3.9	1.4	4.2	7.3	3.3	2.5
Government consumption	8.0	1.1	4.5	5.7	0.5	1.1
Gross fixed capital investment	6.5	10.2	-1.1	4.9	5.8	5.9
Exports, goods and services	12.1	0.0	-0.8	-4.1	0.6	1.4
Imports, goods and services	15.3	-5.5	1.3	2.6	2.5	2.3
<b>Real GDP growth, at constant factor prices</b>	5.5	1.3	2.5	3.0	2.9	3.1
Agriculture	-7.2	-15.3	-7.0	0.4	0.9	1.0
Industry	12.8	-3.9	1.9	-1.5	0.6	1.2
Services	3.9	4.1	3.2	4.6	3.7	3.8
<b>Employment rate (% of working-age population, 15 years+)</b>	54.2	54.4	54.4	54.5	54.5	54.7
<b>Inflation (consumer price index)</b>	15.3	9.5	2.4	3.3	3.0	2.6
<b>Current account balance (% of GDP)</b>	-2.7	-0.9	-1.8	-2.6	-2.0	-2.3
<b>Net foreign direct investment inflow (% of GDP)</b>	4.1	4.2	2.2	1.7	1.8	2.0
<b>Fiscal balance (% of GDP)</b>	-0.8	-3.0	-3.0	-4.0	-3.6	-2.9
<b>Revenues (% of GDP)</b>	38.5	36.2	35.5	36.9	37.7	38.2
<b>Debt (% of GDP)</b>	22.5	22.9	24.1	30.5	32.4	33.6
<b>Primary balance (% of GDP)</b>	-0.4	-2.6	-2.5	-3.6	-3.0	-2.3
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	5.5	4.4	4.3	4.1	4.0	3.8
<b>GHG emissions growth (mtCO2e)</b>	7.4	-1.9	-1.3	0.5	1.6	1.7

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on ECAPOV harmonization, using 2024-EU-SILC. Actual data: 2023. Nowcast: 2024. Forecasts are from 2025 to 2027.

2/ Projection using neutral distribution (2023) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

# CROATIA

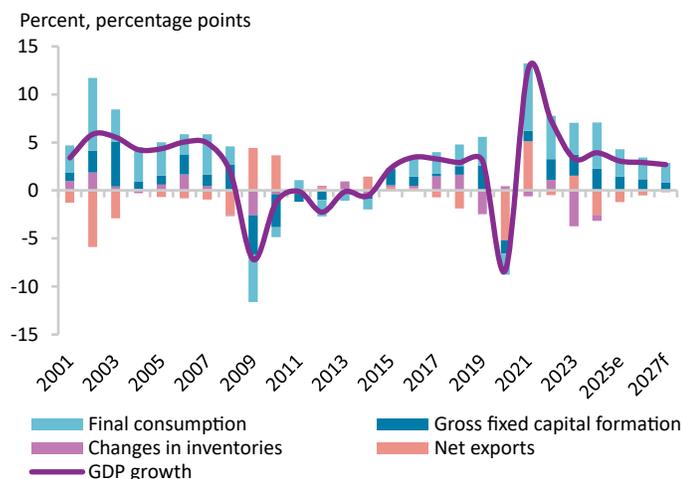
Economic activity in Croatia continued to expand during 2025, reflecting strong domestic demand. GDP growth is expected to remain robust in the medium term as recovery of external demand is likely to offset the slowdown in investment and private consumption. The fiscal deficit remains below 3 percent, supporting a gradual decline in the public debt-to-GDP ratio. Poverty is expected to marginally decline to 1.9 percent in 2025.

## Key conditions and challenges

Croatia's economic performance remains strong, with growth rates surpassing the European Union (EU) average. This positive trajectory is driven by resilient domestic demand, notably increased public and private investment bolstered by EU funds, as well as robust household consumption supported by significant wage growth and historically high employment levels. However, the Croatian economy continues to grapple with several structural challenges that may impact its competitiveness and the sustainability of its growth model. Productivity gains have been modest, while labor costs have risen considerably. The ongoing tight labor market, characterized by record-low unemployment and workforce shortages, has contributed to the upward pressure on wages. These factors raise concerns regarding cost competitiveness, particularly within export-oriented sectors such as manufacturing and tourism.

Risks to growth remain on the downside. Although a recent trade agreement between the US and the EU has alleviated some uncertainty, external conditions remain complex and pose ongoing risks to investment and export activities. Additionally, persistent labor

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



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

Population <sup>1</sup> million	Poverty <sup>2</sup> thousands living on less than \$8.30/day
3.9	78.5
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
78.5	100.5
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
92.7	23966.7

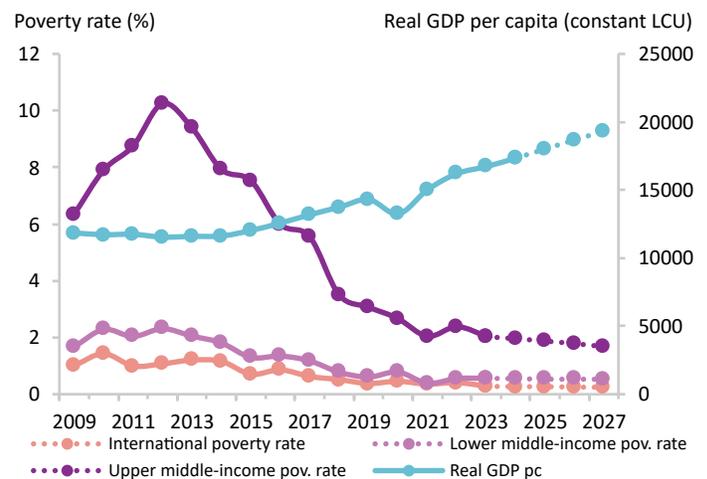
Sources: WDI, MFMod, and official data. 1/ 2024. 2/ 2023 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2024. 6/ 2024.

shortages could increasingly constrain growth. As a result, advancing productivity and fostering economic diversification will be essential for sustaining income convergence and enhancing economic resilience over the near to medium term.

## Recent developments

During the first half of 2025, Croatia's economic activity demonstrated continued expansion, with annual real GDP growth recorded at 3.2 percent for the first six months. This growth was primarily driven by robust domestic demand, which compensated for the negative impact of net exports. While private consumption initially declined amid retail chain boycotts, it subsequently rebounded, supported by increasing employment and a significant rise in wages and pensions. In contrast, although goods exports performed well early in the year, their growth decelerated markedly in the second quarter, due to global trade policy uncertainty and economic challenges among Croatia's main trading partners. Exports of services, following a marked reduction in 2024, remained subdued according to early third-quarter data on tourist arrivals, indicating the continuation of this trend. Meanwhile, imports of goods and services remained strong.

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



Source: World Bank. Notes: See footnotes in the table on the next page.

Labor market conditions remained stringent, as unemployment rates declined to historic lows in conjunction with ongoing employment growth. Wage gains persisted, influenced by developments in the private sector and substantial public sector pay increases following reform implemented in 2024. These factors contributed to continued inflationary pressures, and the average inflation rate reached 4.5 percent in the first eight months—with a strong rise in prices of food and services. Wages and social benefits rose in early 2025, driving higher government spending and widening the general government deficit. Although revenue growth helped offset some of these costs, it was not sufficient to fully balance them. Even so, the deficit remained contained, and the public debt-to-GDP ratio continued to decline.

Wage gains have not been evenly shared as the at-risk-of-poverty rate for employees rose from 5.8 percent in 2023 to 6.5 percent in 2024. Poverty (\$8.3/day, 2021 Purchasing Power Parity [PPP]) declined modestly from 2.5 percent in 2022 to 2 percent in 2023, yet about one-fifth of Croatians remain at risk of poverty. Income inequality has inched up in recent years but remains below the EU average.

## Outlook

Croatia's economic outlook remains positive, with average growth projected to be around 3 percent annually for the 2025–2027 period. Domestic demand will continue to drive growth, but its pace is expected to slow gradually. In 2025, nominal wage growth has already begun to ease, a trend likely to continue as inflation declines and labor productivity gains remain modest. These factors should

support continued, albeit slower private consumption growth. Moreover, with the completion of investments financed through the Recovery and Resilience Facility in 2026, capital investment growth is forecasted to slow. The reduced contribution from domestic demand will be largely counterbalanced by the expected strengthening of external demand, driven by continued economic recovery in major EU economies, which should bolster exports of goods and services. However, net exports is projected to weigh on overall growth. Inflation is expected to remain elevated in 2025 before converging towards the European Central Bank's (ECB) 2 percent target in subsequent years.

The budget deficit is projected to reach 2.5 percent of GDP in 2025, then decline, to around 2 percent of GDP in 2026 and 2027, as the effects of wage and social benefit increases fade and expenditure growth slows. Although the primary balance will remain negative, robust nominal GDP growth is anticipated to support a continued reduction in the public debt-to-GDP ratio, which is expected to fall below 55 percent by 2027.

Risks to the projected GDP growth are slightly negative, reflecting potentially weaker external demand than currently expected due to higher United States tariffs on EU products and subdued tourism sector activity driven by challenges related to price competitiveness.

Poverty is projected to decline marginally to 1.9 percent by 2026 and then to 1.6 percent in 2027. Slowing wage growth, limited productivity gains, and stagnant non-wage incomes risk reducing real household earnings, widening gaps between groups and increasing inequality.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	7.3	3.3	3.9	3.1	2.9	2.7
Private consumption	6.9	3.0	5.6	3.5	2.7	2.5
Government consumption	2.2	7.1	7.0	3.3	2.9	2.5
Gross fixed capital investment	10.4	10.1	9.9	5.9	4.7	3.2
Exports, goods and services	27.0	-2.9	0.9	1.7	2.3	2.4
Imports, goods and services	26.5	-5.3	5.3	3.7	3.0	2.5
<b>Real GDP growth, at constant factor prices</b>	8.4	3.5	3.6	3.2	2.9	2.7
Agriculture	1.3	2.0	0.4	0.8	0.8	0.7
Industry	5.9	0.6	2.1	2.0	2.0	1.6
Services	9.6	4.5	4.2	3.6	3.3	3.2
<b>Employment rate (% of working-age population, 15 years+)</b>	49.0	49.1	49.4	49.7	49.8	49.9
<b>Inflation (consumer price index)</b>	10.7	8.4	4.0	4.1	2.7	2.2
<b>Current account balance (% of GDP)</b>	-3.5	0.4	-1.2	-1.5	-1.4	-1.3
<b>Net foreign direct investment inflow (% of GDP)</b>	6.1	2.3	2.0	1.5	1.5	1.5
<b>Fiscal balance (% of GDP)</b>	0.1	-0.8	-2.4	-2.5	-2.0	-1.9
<b>Revenues (% of GDP)</b>	45.1	46.0	45.6	46.0	46.2	45.4
<b>Debt (% of GDP)</b>	68.5	61.8	57.6	56.8	55.5	54.5
<b>Primary balance (% of GDP)</b>	1.3	0.5	-1.3	-1.5	-0.9	-0.9
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	0.4	0.3	0.3	0.3	0.2	0.2
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	0.6	0.6	0.6	0.5	0.5	0.5
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	2.4	2.0	2.0	1.9	1.8	1.7
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	1.4	-1.9	1.0	0.8	0.3	-0.3

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on ECAPOV harmonization, using 2024-EU-SILC. Actual data: 2023. Nowcast: 2024. Forecasts are from 2025 to 2027.

2/ Projection using neutral distribution (2023) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

# GEORGIA

Growth is expected to ease to 7 percent in 2025, driven by private consumption and investment in public infrastructure. Inflation picked up in early 2025 but has eased since and is forecast at 3.5 percent in 2025. Fiscal performance remains solid. The current account deficit is projected to widen due to declining remittances from Russia and slower goods exports. The political unrest during 2024–2025 has hampered long-term investment.

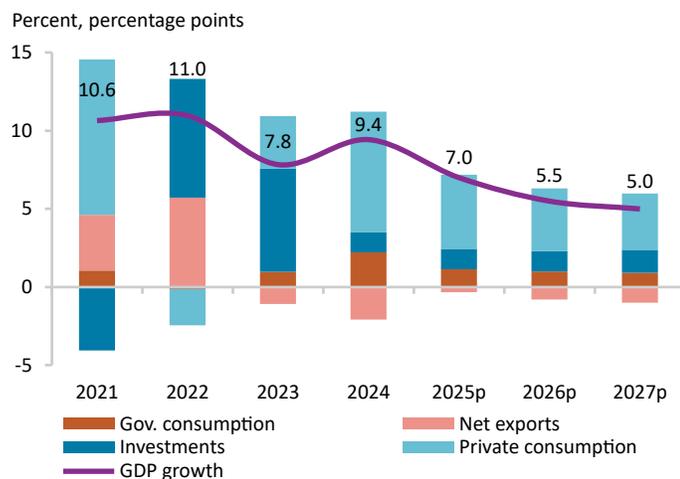
## Key conditions and challenges

Over the past two decades, Georgia has achieved significant economic growth through market reforms, improved macroeconomic policies, and a stable fiscal stance. This has led to rising incomes, better living standards, and a steady decline in poverty rates.

Nevertheless, structural challenges persist, which notably include weak growth of firm productivity and limited creation of high-quality jobs. About a third of the workforce remains engaged in low-productivity agriculture. Firms face critical obstacles, including in access to finance, particularly among small and medium enterprises, as well as skills deficiencies and mismatches. Educational reform and institutional strengthening are needed to boost growth and the creation of high-quality jobs. A more diversified range of financial instruments and a strengthened financial infrastructure could help broaden firms' access to finance.

Since last year, delay of European Union (EU) accession talks until 2028 and political unrest have affected long-term investments and business confidence.

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



Sources: Geostat, National Bank of Georgia, and World Bank staff estimates.

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$4.20/day
3.7	0.4
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
74.5	103.3
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
33.8	9129.2

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

## Recent developments

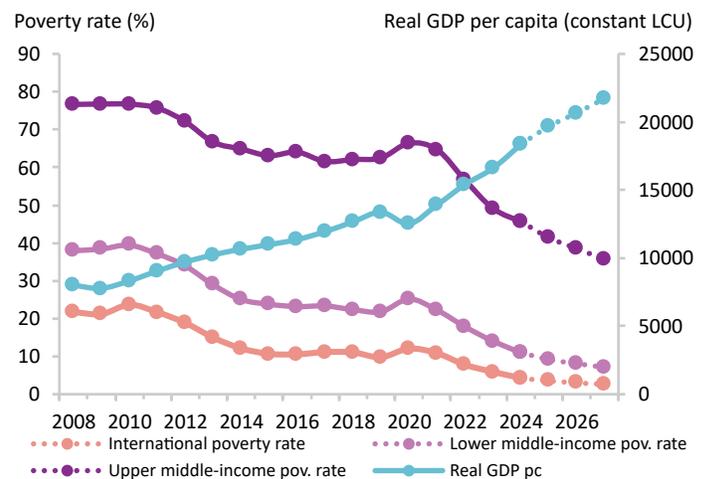
Economic activity grew 8.3 percent (yoy) in H1 2025, driven by private and public consumption. Domestic demand was bolstered by rising real wages (up 7.8 percent, yoy, in Q1) along with strong credit growth (up 14.6 percent in real terms, yoy, in H1). On the supply side, Information and Communication Technology (ICT), trade and construction were the main contributors to growth. However, unemployment increased to 14.3 percent in Q2 from 13.7 percent a year earlier.

Annual inflation accelerated to 4.3 percent in July 2025, up from 1.8 percent in July 2024, driven mainly by rising food prices and robust economic growth. The National Bank of Georgia has kept the policy rate at 8 percent since May 2024.

Financial sector indicators remain healthy, with non-performing loans at 2.5 percent of total loans; return on equity at 22 percent; and return on assets at 3.7 percent.

The current account deficit widened to 8.6 percent of GDP in Q1, reversing the improvement in 2024. This was driven by weaker

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



Source: World Bank. Notes: See footnotes in table on the next page.

performance in goods exports and by lower remittances, although exports of services remained strong. In H1, exports of goods grew 13.7 percent (yoy) in nominal USD terms, driven by a 20.7 percent rise in re-exports; domestically produced exports grew 6.4 percent. Imports recorded an 8 percent (yoy) increase when adjusted for a one-off import of artworks. Gross money transfers to Georgia grew by 3.6 percent (yoy) in H1 2025, as lower inflows from Russia were offset by stronger remittances from the EU and the US. Proceeds from international visitors increased 3.8 percent (yoy) in H1 2025. On the financing side, gross foreign direct investment inflows remained weak at 2 percent of GDP in Q1, reflecting cautious investor sentiment and limited interest in greenfield investments.

The Georgian Lari (GEL) appreciated against the USD by 0.5 percent at end-July, compared with July 2024. Official reserves increased 7.5 percent (yoy) to USD 5 billion (equivalent to 3.2 months of imports), supported by foreign exchange purchases and improved external earnings from services.

Georgia's fiscal performance remains solid, with a deficit of 0.2 percent of projected GDP in H1 2025. Tax revenues increased 9 percent (yoy) in nominal terms, driven by robust economic activity and increased compliance because of digitalization, e-invoicing, and gradual labor tax reforms. Current expenditure rose 13.4 percent (yoy, nominal terms), driven mainly by higher wages, social programs, and subsidies, whereas capital expenditure fell 13 percent (yoy, nominal terms) due to delays in project execution. Public debt continued to decline and stood at 34 percent of GDP at end-June.

In 2024, strong economic growth of 9.4 percent was accompanied by an estimated 3.4 percentage point reduction in poverty

at USD 8.3 (2021 PPP), supported by higher employment and gains in real wages.

## Outlook

Growth is expected to ease to 7 percent in 2025 from 9.5 percent in 2024. Rising real incomes will sustain consumption growth and public infrastructure projects are expected to drive investment. In the medium term, growth is expected to moderate to 5 percent, returning to its potential rate as consumption growth normalizes once the temporary boost from immigration and related money inflows dissipates. Based on the growth projections, poverty is expected to continue to decline in the coming years.

Inflation is forecast to converge to the 3-percent target by 2026, assuming continued prudent monetary policy.

The current account deficit is projected to widen slightly in 2026, due to slower growth in domestically produced exports, weaker remittances, and higher imports. However, services and tourism exports will partially offset this pressure.

The fiscal position will remain robust, with stable tax collection above 27 percent of GDP and a fiscal deficit close to the fiscal rule target of 3 percent of GDP.

The main risks to this outlook come from domestic political uncertainty and a slowdown in reform momentum including social discontent following local elections in October. Additional risks come from the possible reversal of gains from migration and transit trade in recent years. Global policy uncertainty may also hamper exports and foreign investment.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	11.0	7.8	9.4	7.0	5.5	5.0
Private consumption	-2.8	4.7	11.0	6.7	5.8	5.0
Government consumption	-0.8	7.5	17.1	8.2	6.6	6.5
Gross fixed capital investment	9.9	29.4	5.7	5.9	6.8	6.6
Exports, goods and services	37.4	9.5	5.9	5.1	5.5	6.0
Imports, goods and services	16.9	10.0	8.5	4.8	6.7	6.8
<b>Real GDP growth, at constant factor prices</b>	9.8	8.4	9.4	7.0	5.5	5.0
Agriculture	-1.8	-3.4	2.8	3.0	3.0	3.0
Industry	15.1	4.3	4.3	6.0	5.0	5.0
Services	9.6	10.9	11.5	7.6	5.8	5.2
<b>Employment rate (% of working-age population, 15 years+)</b>	42.9	44.5	47.1	48.1	49.1	49.8
<b>Inflation (consumer price index)</b>	11.9	2.5	1.1	3.5	3.0	3.0
<b>Current account balance (% of GDP)</b>	-4.4	-5.6	-4.4	-4.7	-4.9	-5.1
<b>Net foreign direct investment inflow (% of GDP)</b>	7.7	5.2	2.7	2.4	3.5	4.0
<b>Fiscal balance (% of GDP)</b>	-3.5	-2.8	-2.9	-2.9	-2.8	-2.5
<b>Revenues (% of GDP)</b>	26.6	27.4	28.0	27.7	27.6	27.6
<b>Debt (% of GDP)</b>	39.1	38.8	36.1	34.5	33.5	33.0
<b>Primary balance (% of GDP)</b>	-2.4	-1.3	-1.3	-1.5	-1.3	-1.0
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	7.7	5.8	4.2	3.6	3.0	2.7
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	17.8	14.0	11.0	9.2	8.2	7.2
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	56.6	49.1	45.6	41.4	38.4	35.6
<b>GHG emissions growth (mtCO2e)</b>	6.8	-4.1	-1.0	-0.7	0.1	0.8

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on ECAPOV harmonization, using 2024-HIS. Actual data: 2024. Forecasts are from 2025 to 2027.

2/ Projection using neutral distribution (2024) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

# KAZAKHSTAN

Growth is projected to increase to 5.5 percent in 2025, driven partly by oil production. Inflation is expected to increase to 11 percent despite monetary tightening, and the fiscal deficit to increase to 3.6 percent of GDP. Poverty is projected to decrease to 8.2 percent in 2025. In the medium term, growth is projected to ease towards potential and inflation slowly edging downwards.

## Key conditions and challenges

Kazakhstan has set an ambitious target of doubling its economy by 2030 from 2023 levels. To do so it needs to achieve higher growth by improving productivity. Productivity driven growth would also lead to creation of more and better quality jobs. Reducing the state presence in the economy is needed to increase contestability and encourage private sector investment. Kazakhstan also needs to improve infrastructure, human capital, and advance decarbonization to motivate diversification. Without a more productive and dynamic private sector, gains in earnings and job quality are likely to remain modest.

## Recent developments

Real GDP expanded by 6.2 percent y-o-y in H1 2025, up from 3.2 percent in the same period of 2024, driven by strong domestic demand. Consumer spending gained momentum, with retail sales rising 8.4 percent y-o-y—more than twice the pace of 2024—supported by increased household borrowing despite stagnant real incomes. Investment surged by 19.3 percent in real terms in 2025,

Population <sup>1</sup> million	20.6	Poverty <sup>2</sup> millions living on less than \$8.30/day	3.0
Life expectancy at birth <sup>3</sup> years	74.4	School enrollment <sup>4</sup> primary (% gross)	100.5
GDP <sup>5</sup> current US\$, billion	291.2	GDP per capita <sup>6</sup> current US\$	14140.2

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

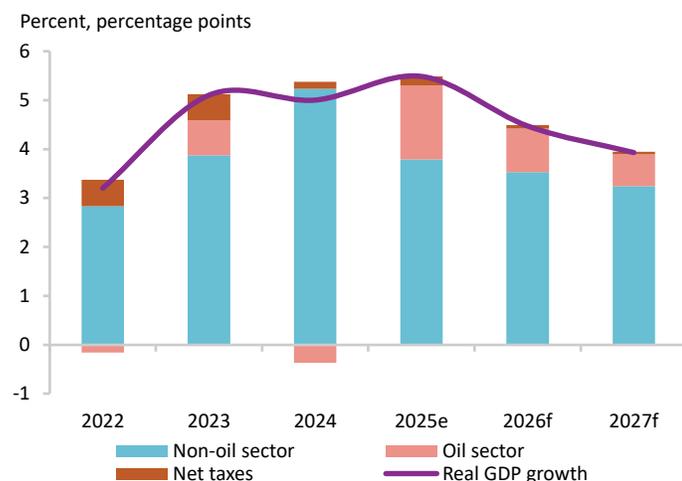
rebounding from a 3.5 percent contraction a year earlier, led by higher capital spending in manufacturing and public utilities. On the supply side, H1 2025 industrial output grew by 6.5 percent, bolstered by 11.6 percent rise in volume of oil production, while services expanded by 5.2 percent.

Inflation accelerated to 11.8 percent y-o-y in July 2025, up from 8.6 percent a year earlier, fueled by strong credit-driven domestic demand. Price increases were broad-based, with food prices rising 11.2 percent, non-food by 9.5 percent, and services surging to 14.9 percent, the latter reflecting higher utility tariffs. In response, the National Bank has kept the policy rate at 16.5 percent since March to anchor inflation expectations.

Unemployment remained stable at 4.6 percent in Q2 2025, with job creation concentrated in low-productivity service sectors. Real wages showed no improvement. As high inflation fully eroded the gains from nominal wage increases.

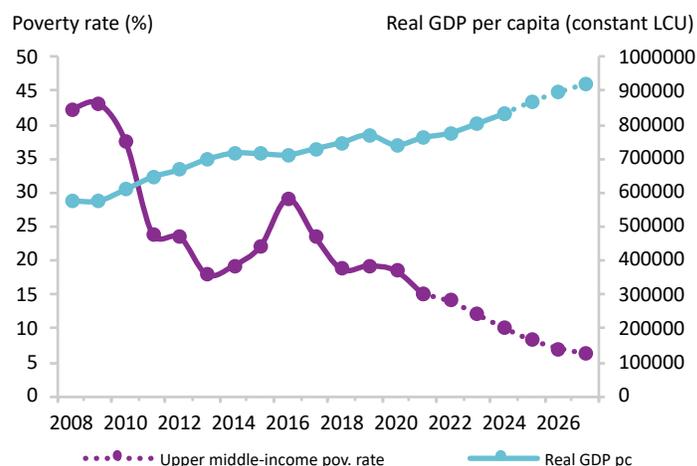
The current account deficit widened to 2.9 percent of GDP in H1 2025, up from 1.4 percent a year earlier, reflecting weaker oil exports amid a 15 percent drop in global prices and continued FDI-related outflows. As a result, the tenge depreciated 11.5 percent y-o-y against

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



Sources: Statistical Office of Kazakhstan and World Bank staff estimates.

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



Source: World Bank. Notes: See footnotes in table on the next page.

the US dollar in July. Since the beginning of the year, National Bank reserves rose by US\$6.3 bn to US\$52.1 bn in July (largely due to higher gold prices), covering about seven months of imports.

The fiscal deficit widened to 2.1 percent of GDP in H1 2025, up from 0.9 percent a year earlier, as lower oil prices dented oil-related revenues. Expenditure held steady at around 24 percent of GDP but quasi-fiscal activities outside the budget increased. Revenues decreased by 1.2 p.p. to 21.9 percent of GDP in H1 2025, reflecting a sharp drop in oil-related receipts to just 3.2 percent of GDP (5.6 percent of GDP a year earlier). Government debt rose to an estimated 24.5 percent of GDP, driven by domestic borrowing, while external debt remained low at 6.2 percent of GDP. Debt servicing costs increased to a record 2.7 percent of GDP.

Tight financing conditions slowed real credit growth to 7.9 percent y-o-y in June 2025 (+13.8 percent in June 2024). Consumer lending remained the key driver, expanding by 10 percent y-o-y, while corporate credit growth decelerated to 4.6 percent. Lending activity has been buoyed by the rise of installment-based purchases and continued subsidized loan programs for households and firms. The share of NPLs rose slightly to 3.4 percent in June (from 3.1 percent in 2024). The banking sector retained record profitability, with 32 percent return on equity in June 2025.

## Outlook

Growth is projected to accelerate to 5.5 percent in 2025, from 5.0 percent in 2024, rising above its potential rate, driven by temporary stronger-than-anticipated oil production, continued fiscal stimulus, including via quasi-fiscal operations, and resilient household borrowing. Over the medium term, growth is expected to moderate toward its potential rate (estimated at 3.5 percent) unless structural reforms enable faster private sector driven growth.

Inflation is expected to ease only gradually over the coming years. The positive output gap is expected to persist, keeping inflation above the National Bank's target through at least 2027, as tariff and fuel price liberalization, the VAT increase in 2026 under the approved new Tax Code, and potential exchange rate volatility are likely to fuel inflationary pressures.

Low oil prices and continued repatriation of investment income from mining are projected to keep the current account in deficit, averaging 2.9 percent of GDP over 2025–2027.

The fiscal deficit is projected to increase to 3.6 percent of GDP in 2025 and narrow gradually to 2.3 percent by 2027, supported by stronger revenue mobilization through a VAT increase and improvements in tax administration. The government's 2026–2028 spending plan outlines a gradual consolidation path, with tighter transfers to local governments, while keeping infrastructure as a priority through 2027. The deficit is expected to be financed mainly through domestic borrowing and further withdrawals from the National Oil Fund. Public debt is projected to increase from 23.4 percent of GDP in 2024 to 27 percent in 2027.

The poverty rate is projected to decline gradually to 6.2 percent by 2027 (at the US\$6.85/day threshold). However, a spike in inflation could quickly erode purchasing power, hitting low-income households the hardest.

The economic outlook remains subject to downside risks. A surge in oil global supply could outpace demand, exerting pressure on oil prices. Potential disruptions to the Black Sea pipeline, also pose a risk to Kazakhstan's oil exports. Domestically, expansionary fiscal policy and rapid credit growth could prolong elevated inflation, worsen macroeconomic conditions and investor confidence and erode real incomes for poor and vulnerable households.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	3.2	5.1	5.0	5.5	4.5	3.9
Private consumption	3.9	4.6	5.7	6.0	5.0	4.6
Government consumption	4.3	10.3	1.0	2.2	1.3	1.1
Gross fixed capital investment	3.8	20.7	6.5	6.1	4.8	4.0
Exports, goods and services	9.6	1.9	0.3	6.4	4.2	3.3
Imports, goods and services	13.1	14.7	2.1	5.8	4.3	3.9
<b>Real GDP growth, at constant factor prices</b>	2.9	4.9	5.2	5.6	4.5	3.9
Agriculture	9.1	-7.4	13.7	3.5	3.5	3.5
Industry	2.7	5.7	5.6	6.6	4.6	3.0
Services	2.5	5.6	4.2	5.2	4.4	4.6
<b>Employment rate (% of working-age population, 15 years+)</b>	68.3	67.9	67.3	67.3	67.3	67.3
<b>Inflation (consumer price index)</b>	20.3	9.8	8.6	11.0	9.7	8.5
<b>Current account balance (% of GDP)</b>	3.1	-3.6	-1.3	-3.0	-2.7	-2.7
<b>Net foreign direct investment inflow (% of GDP)</b>	-3.5	-1.1	-0.4	-1.0	-1.0	-1.0
<b>Fiscal balance (% of GDP)</b>	-0.1	-1.4	-3.3	-3.6	-2.7	-2.3
<b>Revenues (% of GDP)</b>	21.6	21.8	19.2	19.0	19.3	19.7
<b>Debt (% of GDP)</b>	22.5	22.1	23.4	24.8	25.7	27.0
<b>Primary balance (% of GDP)</b>	1.3	0.2	-1.7	-1.9	-1.1	-0.7
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	14.1	12.1	10.1	8.2	7.0	6.2
<b>GHG emissions growth (mtCO2e)</b>	0.1	-2.6	0.4	3.1	2.6	2.0

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on ECAPOV harmonization, using 2021-HBS. Actual data: 2021. Nowcast: 2022–2024. Forecasts are from 2025 to 2027.

2/ Projection using neutral distribution (2021) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

# KOSOVO

Economic growth remains resilient despite heightened domestic and external uncertainties. In 2025, inflationary pressures re-emerged, driven by higher energy and food prices, and eroding real disposable incomes. Over the medium term, growth is expected to stay close to 4 percent, supporting continued poverty reduction. However, prolonged delays in forming a new government could negatively impact investment and slow progress on structural reforms.

## Key conditions and challenges

Kosovo, one of Europe's youngest countries in a continent that is rapidly aging, has made significant strides in socio-economic development since independence. Between 2013 and 2023, the economy expanded at an average annual rate of 4.3 percent, lifting per capita income by more than 50 percent and driving a significant reduction in poverty. Prudent fiscal management and a rule-based fiscal framework have supported macroeconomic stability. However, despite recent progress, per capita income remains just 15 percent of the European Union (EU) average, and growth has failed to generate sufficient jobs. Much of the poverty reduction has been driven by private and public transfers rather than broad-based job creation. Moreover, the gains have been unevenly shared, widening disparities across different segments of society.

Low economic diversification and limited competitiveness are constraints to achieving higher and more sustainable growth. Efforts to attract foreign direct investments (FDI) and expand private sector investment have had limited success, and the economy continues to rely on micro, small, and medium enterprises (MSMEs)

Population <sup>1</sup> million	1.7	Poverty	..
Life expectancy at birth <sup>2</sup> years	78.0	School enrollment <sup>3</sup> primary (% gross)	97.4
GDP <sup>4</sup> current US\$, billion	11.1	GDP per capita <sup>5</sup> current US\$	6617.2

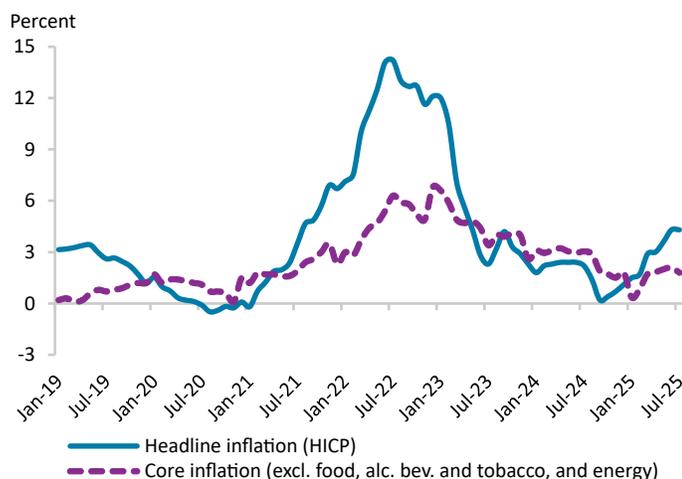
Sources: WDI, MFM0d, and official data. 1/ 2024. 2/ 2023. 3/ 2024. 4/ 2024. 5/ 2024.

which face growth constraints and are concentrated in a few sectors. Human capital remains underutilized with low labor force participation and employment, especially among women, limiting the country's growth potential. Declining fertility and persistent outmigration pose further strains on the labor market.

## Recent developments

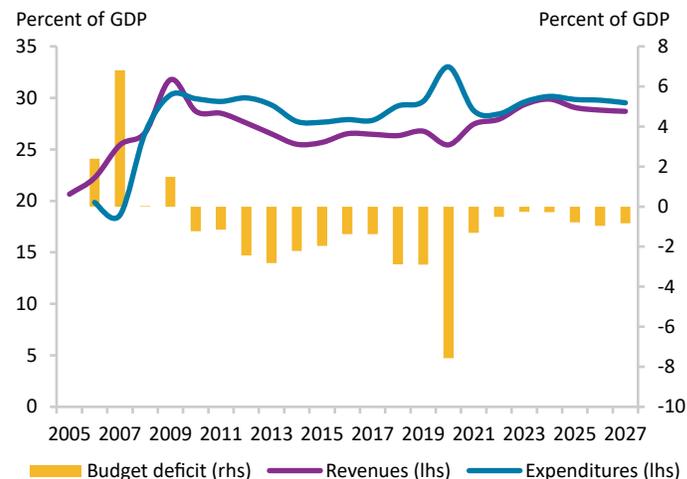
After growing by 4.4 percent in 2024, Kosovo's economy slowed to 3.6 percent in the first quarter of 2025 as household consumption eased and external demand weakened. Private consumption rose by 4.3 percent, still the main driver of growth though at a slower pace compared to the previous year. Real wages increased by 10.3 percent in 2024, supported by a higher minimum wage, but formal employment grew only modestly, averaging 1.4 percent in the first half of 2025. Investment also strengthened, with gross capital formation up 13.6 percent, fueling activity in construction and manufacturing, while financial services expanded alongside rising demand. Strong domestic demand also drove import growth, which surged 14.5 percent in the first five months of the year, outpacing a 12 percent rise in exports and widening the current account deficit. Remittances and FDI inflows provided only limited

FIGURE 1 / Headline and core inflation



Sources: Kosovo Statistics Agency and Central Bank.

FIGURE 2 / Fiscal indicators



Source: World Bank.

support, reaching 3.5 percent and 3.6 percent growth, respectively, by May. Higher domestic demand, including through higher government consumption, together with rising prices of food, beverages, electricity, and services fueled inflation in the first half of 2025. Consumer inflation reached 4.3 percent in July 2025, bringing the January–July average to 3 percent. Core inflation also increased steadily over the period, averaging 1.5 percent by July 2025. Fiscal and financial sector risks remain limited, providing a stable backdrop for the economy despite slowing growth.

The fiscal position continues to be supported by strong tax revenue growth (10 percent in the first half of 2025), driven by consumption, and continued formalization. At the same time, expenditure increased by 17 percent, driven by spending on goods and services, and expanded social transfers. Nonetheless, adequate fiscal buffers will support a deficit of 0.8 percent of GDP. The financial sector remained stable, supported by structural reforms and reflecting continued financial deepening. Private credit growth has continued to accelerate, with total new loans increasing by 17 percent in the first half of 2025. Bank liquidity and asset quality remains sound, with non-performing loans steady at 2 percent as of June 2025.

## Outlook

The outlook is favorable, with growth expected to stabilize around Kosovo's potential of 4 percent over the medium term,

driven by domestic demand. Consumption is expected to support growth, although at a reduced pace due to the negative impact of price increases. Investment in infrastructure, including in renewable energy generation as well as improvements in existing generation capacities, is expected to provide a positive contribution to economic activity supporting the country in its energy transition. Higher food and electricity prices are expected to drive inflation to above 3 percent in 2025, with negative repercussions on the poor and vulnerable. Increased outlays on current spending alongside higher public investment execution are set to maintain the fiscal deficit around 1 percent of GDP between 2026 and 2027. Risks to the outlook are tilted to the downside, and uncertainty remains elevated. Prolonged delays in forming a new government could slow the implementation of structural reform agenda and delay access to external financing, including under the new EU Growth Plan. Continued outmigration represents a drag on growth, while untapped domestic potential, particularly among women, could be unlocked by raising female labor force participation.

In this respect, addressing the lack of affordable childcare is critical. On the external front, continued geopolitical uncertainty and a further weakening of external demand could weigh on exports and FDI, with detrimental impacts on growth. Fiscal policy should continue to support inclusive growth while maintaining fiscal sustainability. With poverty particularly concentrated in rural areas, growth alone won't bridge the gap, hence targeted, rural-focused policies are needed.

### Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	4.3	4.1	4.4	3.8	3.8	3.9
Private consumption	3.4	3.1	5.7	4.1	4.1	4.1
Government consumption	0.2	5.9	0.2	5.6	2.5	3.0
Gross fixed capital investment	-3.2	4.5	5.0	4.4	4.4	4.9
Exports, goods and services	18.9	7.2	9.6	7.5	7.8	7.5
Imports, goods and services	5.4	4.7	8.9	6.8	6.5	6.3
<b>Real GDP growth, at constant factor prices</b>	5.2	3.6	2.8	3.8	3.8	3.9
Agriculture	4.5	-3.0	2.1	1.7	1.5	1.6
Industry	4.0	3.3	4.0	3.5	3.1	3.2
Services	6.0	4.7	2.3	4.2	4.5	4.7
<b>Inflation (consumer price index)</b>	11.6	4.9	1.6	3.4	2.9	2.5
<b>Current account balance (% of GDP)</b>	-10.3	-7.5	-8.9	-8.6	-8.2	-7.6
<b>Net foreign direct investment inflow (% of GDP)</b>	6.3	6.7	6.0	6.0	6.0	6.1
<b>Fiscal balance (% of GDP)</b>	-0.5	-0.3	-0.3	-0.8	-1.0	-0.8
<b>Revenues (% of GDP)</b>	27.9	29.3	29.9	29.1	28.8	28.7
<b>Debt (% of GDP)</b>	19.7	17.2	16.9	16.8	17.2	17.5
<b>Primary balance (% of GDP)</b>	-0.2	0.1	0.1	-0.5	-0.6	-0.5

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.  
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

# KYRGYZ REPUBLIC

Economic growth is projected at 9.2 percent in 2025, driven by services and construction. Rapid growth is putting pressure on prices, with inflation projected to rise to 7.9 percent. The fiscal balance is expected to remain in surplus thanks to buoyant revenues. Over the medium term, growth is expected to moderate, inflation to ease, the fiscal balance to shift into deficit and poverty to continue declining.

## Key conditions and challenges

The Kyrgyz Republic remains one of the poorest and most economically vulnerable countries in the Europe and Central Asia region. Growth and current account balances have been dependent on gold exports and remittances. Productivity and jobs creation are constrained by a weak business environment, privileged role of state-owned enterprises (SOEs), and high tax compliance cost.

The government is embarking on several large infrastructure megaprojects, notably the Kambarata-1 HPP and Uzbekistan-Kyrgyzstan-China railway, which are expected to boost growth, provided that macro-fiscal sustainability is maintained. It is also expanding state presence in the economy by creating new SOEs.

Since Russia's invasion of Ukraine, the country has benefitted from increased transit trade of goods (re-exports) from third countries to Russia, especially China. This stimulated economic activity contributing to growth and generating tax revenues from imports. These benefits are considered temporary, however, highlighting the fragile nature of the recent strong economic performance.

Population <sup>1</sup> million	7.2	Poverty <sup>2</sup> millions living on less than \$4.20/day	1.2
Life expectancy at birth <sup>3</sup> years	72.2	School enrollment <sup>4</sup> primary (% gross)	96.2
GDP <sup>5</sup> current US\$, billion	17.5	GDP per capita <sup>6</sup> current US\$	2419.5

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2023 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

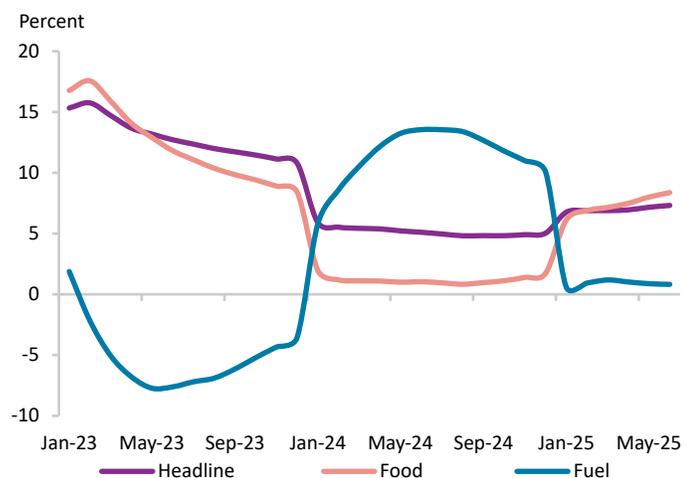
## Recent developments

The Kyrgyz economy continues to perform strongly, despite subdued re-exports owing to trade normalization. Real GDP expanded by 11.7 percent in H1 2025, fueled by robust private consumption and investment, which are estimated to have risen by 9.9 percent and 35 percent, respectively, in real terms. These gains were supported by real wage and credit growth. On the production side, real GDP growth was supported by growth in services (10 percent, in real terms), construction (42.5 percent) and industry (9.8 percent). The economy continues to operate beyond its potential output, which puts upward pressures on prices.

Average inflation rose to 7.3 percent in H1 2025, up from 5.1 percent in the same period in 2024. The increase was driven by a sharp rise in food prices and higher tariffs for electricity and heating. As inflation exceeded the 5–7 target range, the National Bank raised the policy interest rate by 25 basis points to 9.25 percent in July 2025.

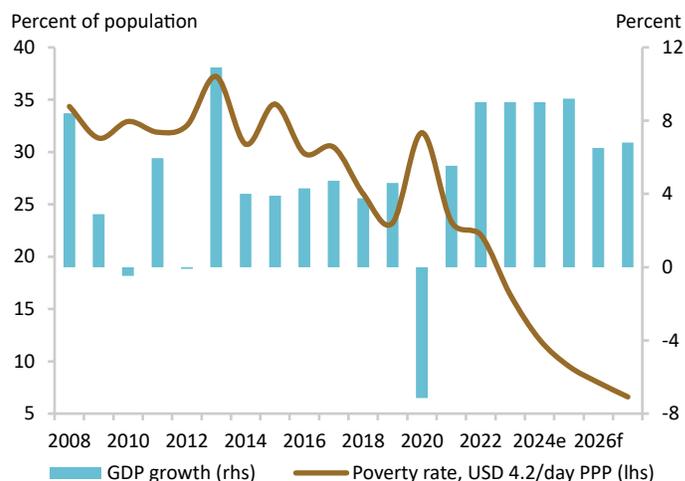
The current account deficit narrowed to 32.4 percent of GDP in Q1 2025, down from 77.6 percent in the same period a year ago.

FIGURE 1 / Headline, food, and fuel inflation



Source: Kyrgyz authorities.

FIGURE 2 / GDP growth and poverty rate



Sources: Kyrgyz authorities and World Bank staff.

The large deficit reflects the under-reporting of re-exports, which are captured under “Errors and Omissions” and estimated at 29 percent of GDP in Q1 2025. Remittances increased by 9.7 percent in Q1 2025 (in US\$) compared to the same period a year ago.

In H1 2025 the fiscal surplus rose to 7.7 percent of GDP, up from 5.3 percent in H1 2024, supported by strong revenue performance. Total revenues increased by 5.7pp to 47.7 percent of GDP, driven by a large increase in non-tax revenues. Expenditures grew by 3.2pp to 39.9 percent of GDP, due to higher spending on goods and services, pensions, and capital outlays. Public debt rose to 44.6 percent of GDP as of end-June 2025, up from 37.5 percent at the end of 2024, as the government issued Eurobonds worth US\$700 million in June 2025.

The US\$4.2/day poverty rate (2021 PPP) fell from 16.4 percent in 2023 to 12.1 percent in 2024. Yet, the Listening to Kyrgyz Republic survey shows HHs incomes stagnated in H1 2025, suggesting that rising inflation, reduced labor migration, and regional disparities could slow the progress.

## Outlook

GDP growth in 2025 is projected to reach 9.2 percent thanks to continued growth in services and construction. In 2026, GDP growth is expected to slow to 6.5 percent owing to a moderation of domestic demand growth and normalization of re-exports. From 2027 onwards, the construction of the infrastructure megaprojects is expected to pick up, with a positive impact on growth.

Average inflation is projected to reach 7.9 percent in 2025, as price pressures are expected to persist amid an overheated economy. Inflation will ease in the medium term as growth slows and the impact of monetary tightening is felt.

The current account deficit is projected at 13.1 percent of GDP in 2025, and to gradually decline to 8 percent in 2027. The improvement reflects normalization of re-exports, stronger external demand supported by geographic diversification of Kyrgyz exports, and continued growth in services exports.

The fiscal balance is projected to remain in surplus at 2.2 percent of GDP in 2025, driven by robust tax revenue growth aligned with projected economic growth, along with continued strength in non-tax revenues. Over the medium term, the fiscal balance is expected to shift into a deficit due to increased social spending and capital outlays associated with the large infrastructure megaprojects. Public debt is projected to increase to 46 percent of GDP by 2027.

Poverty is expected to decline further to 9.5 percent in 2025 and 8 percent in 2026, supported by continued economic growth, social protection programs and pensions. However, slower GDP growth may constrain future progress, making job creation essential for further poverty reduction.

Risks to this outlook arise from the potential impact of geopolitical developments on the economies of Russia and China, which could lead to lower trade and remittances, and higher prices for fuel and food. Further sanctions on the financial sector could impact on investor confidence and pose a risk to future growth.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	9.0	9.0	9.0	9.2	6.5	6.8
Private consumption	17.0	18.6	13.6	8.4	6.4	6.8
Government consumption	4.4	0.2	1.3	2.3	1.9	1.2
Gross fixed capital investment	6.9	30.6	15.5	11.6	14.8	17.3
Exports, goods and services	59.2	-3.0	22.9	-2.7	5.7	6.8
Imports, goods and services	66.7	37.6	-0.6	5.6	11.6	13.7
<b>Real GDP growth, at constant factor prices</b>	12.1	7.9	9.0	9.2	6.5	6.8
Agriculture	7.3	0.6	6.3	2.2	2.5	2.3
Industry	11.9	4.8	5.6	9.8	6.0	6.6
Services	16.0	14.4	12.1	13.2	8.9	9.1
<b>Employment rate (% of working-age population, 15 years+)</b>	62.7	62.8	63.3	63.3	63.3	63.3
<b>Inflation (consumer price index)</b>	13.9	10.8	5.0	7.9	6.8	6.0
<b>Current account balance (% of GDP)</b>	-42.4	-44.9	-25.3	-13.1	-9.5	-8.0
<b>Net foreign direct investment inflow (% of GDP)</b>	4.2	1.0	3.3	3.1	2.9	3.0
<b>Fiscal balance (% of GDP)</b>	-1.3	1.1	1.2	2.2	-2.0	-2.4
<b>Revenues (% of GDP)</b>	34.6	34.3	35.1	35.7	32.1	32.1
<b>Debt (% of GDP)</b>	46.8	42.0	37.5	44.6	43.5	45.8
<b>Primary balance (% of GDP)</b>	-0.2	2.1	2.3	3.3	-0.8	-1.3
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	4.5	2.7	1.6	1.0	0.8	0.6
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	22.1	16.4	12.1	9.5	8.0	6.6
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	76.8	72.1	66.6	62.5	59.5	56.5
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	0.6	1.6	2.4	2.8	1.5	1.7

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on ECAPOV harmonization, using 2017-KIHS, 2022-KIHS, and 2023-KIHS. Actual data: 2023. Nowcast: 2024. Forecasts are from 2025 to 2027.

2/ Projection using point-to-point elasticity (2017-2022) with pass-through = 0.7 based on GDP per capita in constant LCU.

# MOLDOVA

Moldova's economic outlook remains fragile, strained by energy shocks and spillovers from Russia's invasion of Ukraine. Fiscal and external deficits remain elevated. Growth is expected to stay modest in 2025, with medium-term prospects depending on the European Union (EU) accession progress and timely implementation of EU Growth Plan reforms. Key downside risks include prolonged conflict in Ukraine, energy-price volatility, and trade disruptions.

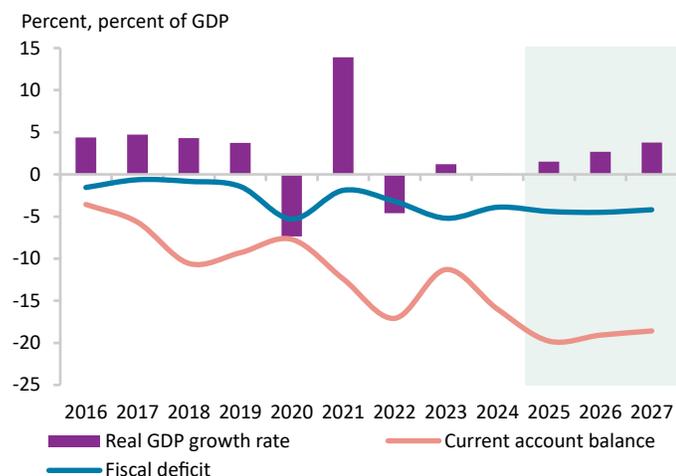
## Key conditions and challenges

Moldova's growth has been affected by successive shocks: COVID-19, spillovers from Russia's invasion of Ukraine, and energy price spikes. These shocks have exposed the limits of a remittance-led economic model and strained households and public finances. Structural constraints remain significant, including low domestic competition, weak market institutions, and labor and skills shortages. Poverty remains widespread, particularly in rural areas, reflecting distributional impacts of recent shocks. An aging population further constrains labor force participation, particularly for women, limiting jobs and welfare gains, and underscoring the need for urgent structural reforms. EU candidacy provides Moldova with a reform anchor to enhance productivity, competitiveness and institutional quality.

## Recent developments

Despite a modest 1.1 percent growth in the second quarter, Moldova's economy was flat in the first half of 2025. The increase in domestic demand could not offset the decline in net exports.

FIGURE 1 / Actual and projected macroeconomic indicators



Source: World Bank calculations based on national statistics.

Population <sup>1</sup> million	Poverty <sup>2</sup> thousands living on less than \$4.20/day
2.4	20.7
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
71.2	107.0
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
18.2	7508.7

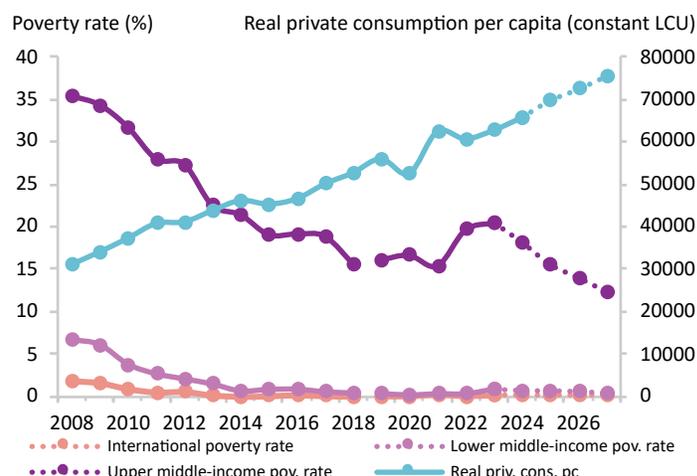
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2023 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2024. 6/ 2024.

Total consumption added 3.4 percentage points (pp) to growth, supported by strong wages and energy-related transfers. Capital investment added 8 pp amid favorable interest rates and inventory restocking. However, net exports were a major drag on growth, as imports growth was driven by stronger domestic demand, while exports declined due to drought-affected agriculture, reduced re-exports to Ukraine, and weaker external demand. On the supply side, growth was supported only by construction, information technology and energy sector, which together contributed 0.7 pp. Manufacturing, real estate and agriculture posted the largest declines, reducing growth by 0.9 pp.

On the back of weak external demand and higher energy imports, the current account deficit (CAD) reached a record high in the first half of 2025. It almost doubled year-on-year to US\$1bn, or over 23 percent of GDP. The deficit was financed through a drawdown of cash and deposits, debt issuance, and modest foreign direct investment (FDI) inflows. External debt increased by 1 pp to 57.7 percent of GDP, while international reserves reached US\$5.1bn at end-August.

Inflation has moderated compared to the beginning of the year, when energy prices spiked, but it remains in the upper bound of the target range. In the first eight months of 2025, consumer prices

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



Source: World Bank. Notes: See footnotes in table on the next page.

rose 8.2 percent, driven by energy tariffs and elevated food prices amid weaker agriculture output. In response, the National Bank of Moldova reduced the policy rate by 25 basis points to 6.25 percent.

The fiscal deficit narrowed to 3.3 percent of GDP in the first eight months of 2025, as revenue growth outpaced an increase in spending. Gains in social contributions, foreign grants, and VAT and income taxes offset higher spending on wages, goods and services, and social programs. Public and publicly guaranteed debt declined by 2.6 pp from end-2024 to 36.2 percent of GDP by June, while cash reserves rose by over 50 percent.

## Outlook

Growth in 2025 is projected to recover to a modest 1.5 percent, driven by improving disposable incomes, rising investment on the back of lower interest rates, and stronger agricultural yields in the second half of 2025. Weak exports, particularly to Romania, and rising imports as demand strengthens will continue to weigh on growth. In the medium term, the growth rate is expected to accelerate significantly, climbing to 3.8 percent by 2027. The economy will be supported by reforms to enhance competitiveness and diversification in line with EU accession. Growth will be led by private consumption and rising investments as EU funds are absorbed. IT and other services will lead the expansion, while industry is expected to gain momentum once external demand stabilizes. Lower interest rates will support finance and construction. Agriculture is expected to gradually improve, as EU-linked reforms take hold, helping to boost productivity and future growth.

The CAD is expected to remain elevated in 2025, reflecting a structural trade imbalance and higher energy prices, but is projected to

narrow in the medium term as import prices stabilize, exports benefit from closer EU integration, and trade logistics improve. The financing will also strengthen, with remittances and FDI remaining subdued in 2025 due to the lingering effects of the war in Ukraine, and shifting global trade dynamics, but gradually picking up as investor confidence improves and integration with EU markets deepens.

Average annual inflation is expected to reach 7.8 percent in 2025, exceeding the 5 percent target due to early-year energy price spikes. It is projected to return to the target range in 2026 and to fluctuate within the corridor over the medium term.

The fiscal deficit is projected to remain elevated at 4.4 percent of GDP in 2025, reflecting spending on energy subsidies, wage support and corporate assistance. While these measures will phase out in the medium term, spending is expected to remain elevated as EU growth plan funds and related investments increase. Consequently, the fiscal deficit and public debt are expected to remain above historical averages.

Lower prices, rising real wages, and fiscal support that bolster disposable incomes will help reduce poverty, with poverty at the UMIC line (US\$8.3, 2021 PPP) projected to decrease marginally from 18.1 percent in 2024 to 15.5 percent in 2025, then more notably to 14.0 percent in 2026 and 12.4 percent in 2027.

While the overall outlook is positive, significant risks persist, including a prolonged war in Ukraine, energy price volatility, political uncertainties, and slower growth among key trading partners, particularly Romania, amid volatile global trade. Despite expected EU transfers and FDI, the growing twin deficits remain a potential risk to macroeconomic stability.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	-4.6	1.2	0.1	1.5	2.7	3.8
Private consumption	-5.3	0.4	3.3	4.5	2.8	3.2
Government consumption	10.7	-4.0	-3.6	-0.8	0.2	0.1
Gross fixed capital investment	-10.5	0.0	8.0	23.9	14.2	14.9
Exports, goods and services	29.7	4.8	-5.0	-4.9	5.7	6.8
Imports, goods and services	18.2	-5.1	5.2	10.1	8.6	8.9
<b>Real GDP growth, at constant factor prices</b>	-4.1	2.4	0.2	1.4	2.7	3.8
Agriculture	-23.5	26.7	-18.9	4.3	2.1	2.8
Industry	-10.3	-8.8	3.3	1.0	2.6	5.8
Services	3.1	1.8	3.6	1.1	2.8	3.4
<b>Employment rate (% of working-age population, 15 years+)</b>	40.5	43.1	42.7	42.4	42.1	42.1
<b>Inflation (consumer price index)</b>	28.7	13.4	4.7	7.8	5.3	4.5
<b>Current account balance (% of GDP)</b>	-17.1	-11.3	-16.0	-19.8	-19.1	-18.6
<b>Net foreign direct investment inflow (% of GDP)</b>	3.7	2.0	1.3	2.4	3.1	3.8
<b>Fiscal balance (% of GDP)</b>	-3.2	-5.1	-3.9	-4.4	-4.5	-4.2
<b>Revenues (% of GDP)</b>	33.3	33.7	34.1	35.6	35.0	34.4
<b>Debt (% of GDP)</b>	34.5	34.3	37.5	40.0	42.2	44.8
<b>Primary balance (% of GDP)</b>	-2.2	-3.3	-2.5	-3.1	-3.0	-2.5
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	0.0	0.1	0.1	0.1	0.1	0.1
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	0.3	0.8	0.7	0.7	0.6	0.5
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	19.7	20.4	18.1	15.5	14.0	12.4
<b>GHG emissions growth (mtCO2e)</b>	-11.1	-2.9	1.7	-0.2	1.0	2.6

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on ECAPOV harmonization, using 2023-HBS. Actual data: 2023. Nowcast: 2024. Forecasts are from 2025 to 2027.

2/ Projection using neutral distribution (2023) with pass-through = 0.7 (Low (0.7)) based on private consumption per capita in constant LCU.

# MONTENEGRO

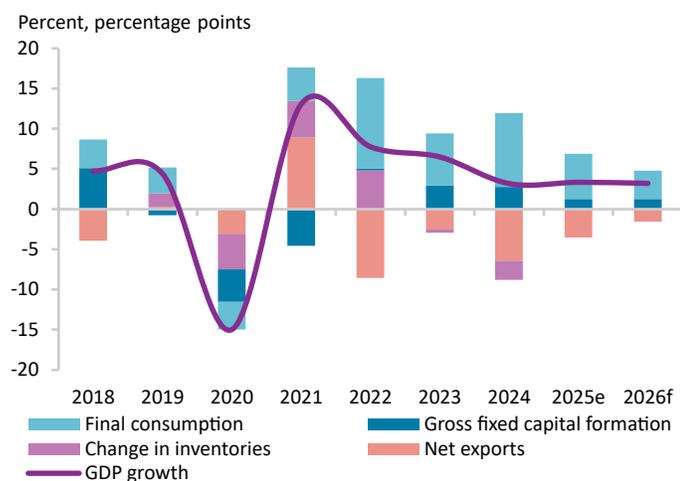
Growth is moderating from a high base, and inflation has been stronger than expected, while weak fiscal buffers and heavy debt repayments increase risks. In a turbulent global environment, Montenegro remains highly exposed to shocks. With European Union (EU) accession within reach, reinforcing fiscal discipline and advancing key reforms is essential to strengthen resilience and secure the benefits of integration.

## Key conditions and challenges

Montenegro's small, open economy is vulnerable to external shocks, making resilience critical. As a euroized economy without independent monetary policy, Montenegro relies solely on fiscal policy to achieve macro stability. This heightens the need for structural reforms and responsible fiscal policy. The economy's heavy dependence on tourism underscores the case for economic diversification and sustainable growth.

Before the pandemic (2016–19), Montenegro's annual growth averaged 3.9 percent, driven by highway construction and large tourism projects. But widening external deficits and rising debt left the economy vulnerable. In 2020, the pandemic caused a sharp contraction, pushing public debt to 104.5 percent of GDP. Growth rebounded sharply, averaging 9.1 percent in 2021–23, before slowing to 3.2 percent in 2024. The Europe Now program, launched in 2022 and expanded in 2024, lifted wages and pensions, reduced labor taxation, and boosted formal employment and living standards, even amid high inflation. But it also narrowed fiscal space, with deficits above 3 percent of GDP. Yet, owing to strong economic performance, public debt declined to 59.8 percent by 2024.

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



Sources: MONSTAT and World Bank.

Population <sup>1</sup> thousand	Poverty <sup>2</sup> thousands living on less than \$8.30/day
623.5	89.8
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
77.6	106.1
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
8.3	13263.3

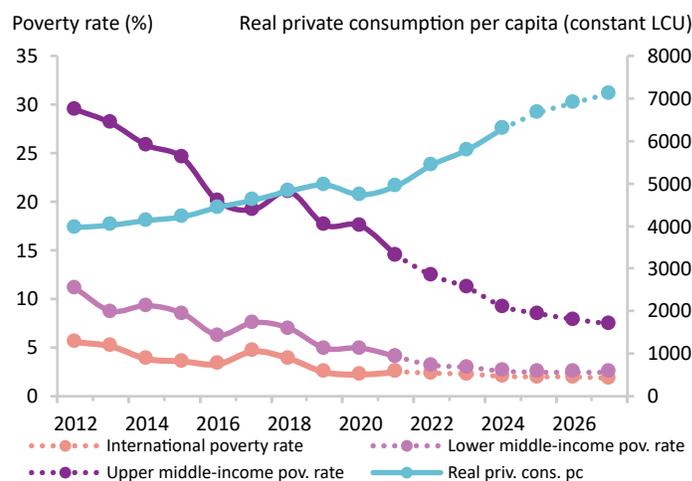
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

EU accession remains the key anchor for Montenegro's reforms and long-term transformation. As of August 2025, the country has provisionally closed seven of 33 negotiation chapters, while progress continues on others. Accession advances not only enhance investor confidence but also drive alignment with EU standards in fiscal governance, competitiveness, and institutional strengthening. EU financial support—through Growth Plan pre-financing and infrastructure investment grants—provides both resources and incentives for reforms. Montenegro's recent entry into the Single Euro Payments Area (SEPA) further deepens financial integration with the EU, lowers transaction costs, and supports investor confidence. With EU membership targeted for 2028, sustaining fiscal discipline and reform momentum is essential for stability, resilience, and inclusive growth.

## Recent developments

Growth moderation, which began in 2024, extended into 2025, with GDP expanding by 3.2 percent in the first half of the year. Robust household consumption and investment drove growth, even as tourism remained subdued. By July, overnight stays were down 4.3 percent year-on-year, with the sharpest decline recorded among

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



Source: World Bank. Notes: See footnotes in table on the next page.

Russian visitors. At the same time, industrial production grew 0.5 percent, as manufacturing gains offset reduced electricity output. Retail trade rose by 3.9 percent signaling solid domestic demand. This strength was underpinned by a nearly 20 percent surge in real net wages, supported by October 2024's minimum wage hike and reduced pension contributions.

Montenegro's labor market remains tight, but job growth is slowing. By July, employment grew by 4.7 percent according to administrative data, slower than in previous years. Strong household consumption and rising food and utility costs pushed inflation, climbing from 2.8 percent in January to 4.6 percent in August, averaging 3.6 percent in the first eight months of 2025.

Fiscal and external balances widened. The fiscal deficit reached 1.2 percent of GDP in the first seven months of 2025, slightly better than planned, thanks to strong value added tax, corporate tax, and excise revenues offsetting lower pension contributions. However, expenditure rose faster, driven mainly by higher capital spending. The €850 million Eurobond issued in March secured liquidity for 2025, keeping public debt near 60 percent of GDP. External pressures are intensifying. The current account deficit widened by 10 percent in the first half of 2025, reflecting a growing merchandise trade gap and flat service exports, with only a quarter financed by foreign direct investment, which itself fell 4.5 percent. This underscores Montenegro's rising reliance on debt and other external financing sources.

## Outlook

GDP growth is projected to average around 3.2 percent over 2025–27, supported by private consumption, rising real wages, and

continued investment. Large-scale infrastructure and renewable energy projects, alongside continued foreign interest in real estate, are expected to support medium-term growth. Highway construction, railway reconstruction, and solar and wind investments should sustain investment, improve connectivity, and accelerate the energy transition. However, the pace and efficiency of implementation will be critical. At the same time, higher import needs linked to these projects will keep the current account deficit widened, expected to average 18.1 percent of GDP in 2026–27.

Poverty is projected to decline to 6.6 percent in 2027, with most poor being chronically unemployed, students, or out of the labor force, mainly in the north. Reducing poverty requires targeted policies alongside sustained economic growth.

EU accession remains Montenegro's strongest driver of reform but also raises the bar for fiscal discipline under the new EU fiscal framework. With sizeable financing needs, a credible fiscal framework—sustainable, responsive to development needs, effective in managing fiscal risks, and aligned with EU standards—is essential to maintain investor confidence and ensure long-term growth.

The fiscal deficit is projected at 3.7 percent of GDP in 2025, narrowing gradually to 3 percent in 2027. Public debt is expected to remain broadly stable in the medium term, averaging about 61 percent of GDP. Ensuring sustainability will require continued fiscal discipline and fiscal risk management, particularly in light of the investment program, lumpy debt repayments and elevated external financing costs. Reforms will also be needed to accelerate growth and reduce debt over time.

Risks are two-sided: geopolitical and trade uncertainties could weigh on growth, while EU accession progress could boost prospects.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	7.7	6.5	3.2	3.3	3.2	3.2
Private consumption	13.5	7.0	10.5	5.9	3.6	3.2
Government consumption	1.9	2.8	1.6	1.6	1.3	1.1
Gross fixed capital investment	0.9	11.3	10.2	4.4	4.2	4.1
Exports, goods and services	19.3	9.0	-4.0	-1.6	2.9	3.4
Imports, goods and services	23.3	8.2	5.7	3.5	3.3	3.0
<b>Real GDP growth, at constant factor prices</b>	7.9	5.9	1.9	3.3	3.2	3.3
Agriculture	-2.9	-0.3	-26.3	-0.5	-0.2	0.1
Industry	-6.6	2.9	5.4	-1.0	3.4	3.7
Services	13.6	7.3	3.8	4.6	3.4	3.3
<b>Employment rate (% of working-age population, 15 years+)</b>	50.3	55.6	56.4	57.4	58.3	59.2
<b>Inflation (consumer price index)</b>	13.0	8.6	3.3	3.7	2.5	2.1
<b>Current account balance (% of GDP)</b>	-12.9	-11.2	-17.1	-19.0	-18.2	-17.0
<b>Net foreign direct investment inflow (% of GDP)</b>	13.2	6.1	6.4	6.5	6.6	6.7
<b>Fiscal balance (% of GDP)</b>	-3.7	0.6	-3.1	-3.7	-3.2	-3.0
<b>Revenues (% of GDP)</b>	39.1	41.6	41.7	40.6	40.5	40.4
<b>Debt (% of GDP)</b>	69.0	58.4	59.8	59.4	61.4	61.0
<b>Primary balance (% of GDP)</b>	-2.1	2.4	-1.1	-1.6	-1.0	-0.9
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	2.3	2.1	2.0	1.8	1.8	1.7
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	3.1	2.9	2.5	2.5	2.5	2.4
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	12.2	10.2	8.5	7.5	7.1	6.6
<b>GHG emissions growth (mtCO2e)</b>	2.4	1.4	1.1	-1.3	-0.4	-0.3

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on ECAPOV harmonization, using 2022-SILC-C. Actual data: 2021. Nowcast: 2022-2024. Forecasts are from 2025 to 2027.

2/ Projection using neutral distribution (2021) with pass-through = 0.87 (Med (0.87)) based on private consumption per capita in constant LCU.

# NORTH MACEDONIA

Growth straightened in the first semester of 2025, driven by services and construction, while the industry is recovering. Inflationary pressures intensified amidst rising food, services and labor costs. Revenue collection underperformance, rising debt service costs, and a steadily increasing debt level call for fiscal consolidation. The growth outlook remains positive, but is contingent on strong investments, which is essential for boosting growth and reducing poverty.

## Key conditions and challenges

Output growth gained momentum in 2025, reaching 3.2 percent in the first semester of 2025, following a 2.8 percent expansion in 2024. Poverty, measured by the USD 8.30 per day poverty line, is estimated to have marginally declined by 0.8 p.p. in 2024. This decline is due to an 8.8 percent increase in real wages since 2023 and a decrease in the number of adults in jobless households.

On the fiscal front, both deficit and debt are above the limits set by fiscal rules, which have not been adhered to since their introduction in 2022. Budget outcomes continue to lag plans, with capital spending and revenue collection underperforming, the latter due to weak collection. In contrast, current spending is increasing faster, driven by pensions, interest payments (which doubled in the last five years) and public sector wages. As a result, debt is expected to surpass the previous year's level and remain above 60 percent of GDP in 2025.

Population <sup>1</sup> million	1.8	Poverty <sup>2</sup> millions living on less than \$8.30/day	0.4
Life expectancy at birth <sup>3</sup> years	75.3	School enrollment <sup>4</sup> primary (% gross)	97.5
GDP <sup>5</sup> current US\$, billion	16.7	GDP per capita <sup>6</sup> current US\$	9134.7

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2019 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2024. 6/ 2024.

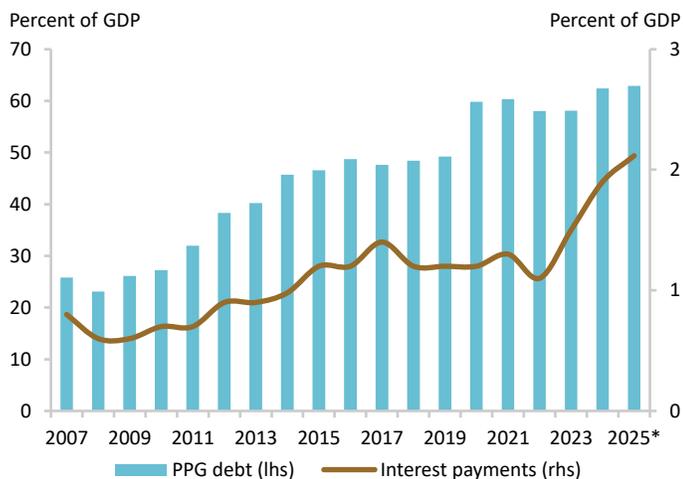
A return to the long-term average inflation rate remains difficult as cost pressures, initially driven by energy, and now increasingly fueled by food prices, have proven hard to control. Continued strong wage growth, not matched by productivity gains, added to these pressures, highlighting the need to boost productivity, remove anti-competitive barriers, and foster productive investment to strengthen market dynamics, lower markups, and ease inflationary pressures.

Achieving stronger long-term growth hinges on accelerating reforms to spur the structural transformation of the economy. Reforms of public administration, energy sector, digitalization, human capital, and private sector development, as outlined in the European Union (EU) Growth Reform Plan, are essential to fostering faster convergence with average EU living standards.

## Recent developments

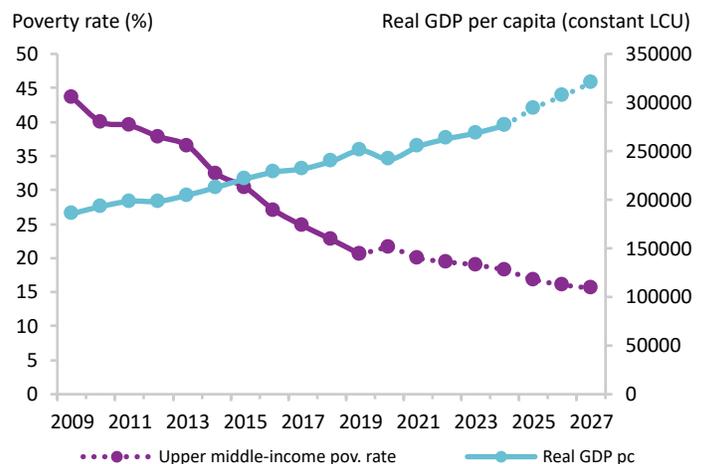
Output growth in the first semester of 2025 reached 3.2 percent, supported by domestic demand, while net exports remained

FIGURE 1 / Government debt and interest payments



Sources: North Macedonia State Statistics Office, Ministry of Finance, and World Bank staff calculations. Note: \* forecast.

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



Source: World Bank. Notes: See footnotes in table on the next page.

in negative territory. On the production side, growth was led by services and construction, largely related to highways, while manufacturing is slowly recovering.

Labor market indicators (15+) continued to improve in line with output gains in the first semester of 2025. In Q2, the activity rate rose by 0.1 p.p. year-on-year, while the employment rate increased by 0.6 p.p., indicating job creation outpaced labor force growth. Much of this gain came from an 11.3 percent surge in informal employment, mostly in the agricultural sector, boosting headline figures but raising concerns about job sustainability. The unemployment rate fell by 0.9 p.p. to 11.5 percent, with a significantly sharper drop among women at 2 p.p. and a 0.5 p.p. reduction in the youth unemployment rate to 26.4 percent, which remains high relative to the EU average.

Buoyant domestic demand, supported by rapid credit growth, together with rising food prices, which are highly inelastic, fueled inflationary pressures. The surge in food costs not only lifted headline inflation, which rose from a three-year low of 2.2 percent in August 2024 to 4.8 percent by July 2025, but also pushed up producer prices, which climbed above 6 percent in the first half of 2025. These increases spilled over into core inflation, now at 5.5 percent, prompting the Central Bank to keep its policy rate steady at 5.35 percent in August, further widening the interest rate differential with the Eurozone.

Stronger growth and rising inflation have supported revenue mobilization; however, revenues still fell short of ambitious targets, with collection at 40 percent below expectations in the first half of 2025. The deficit is projected to remain on target unless revenue

underperformance persists, and capital spending execution stays slow (at 32 percent of the plan by July 2025).

The current account deficit deepened to 3.4 percent of GDP by Q2 (on a four-quarter rolling basis) on account of a lower services surplus, largely due to stronger imports of construction services, as well as lower private transfers. Net foreign direct investment slowed down to 4.4 percent of GDP, while the level of external debt declined to 74 percent of GDP in Q1 2025, both on account of lower intercompany debt.

## Outlook

The medium-term outlook remains positive, but downside risks prevail. Growth is expected to average 3 percent in 2025–2027. Risks include underperformance of investment as well as a weakening of activity in key trading partners. Headline inflation is expected to fall below the long-term average of 2 percent in 2027, as underlying inflationary pressures take time to dissipate. Supported by the positive growth outlook, the USD 8.30 poverty rate is projected to decline a further 1.3 p.p. between 2025 and 2027.

The baseline scenario assumes an acceleration in EU accession negotiations accompanied by stronger reform efforts under the Growth and Reform Plan to advance structural transformation. Transitioning from middle to high income will demand higher productivity, enhanced competitiveness, and stronger sustainability of the country's growth model. Unlocking the full potential of the labor force, fostering fair market competition, spurring innovation, and channeling resources toward higher value-added sectors are essential for faster convergence.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	2.8	2.1	2.8	3.1	3.0	3.0
Private consumption	5.5	1.2	1.2	1.4	1.5	1.6
Government consumption	-4.3	-1.8	9.1	4.5	3.5	3.3
Gross fixed capital investment	2.7	12.5	0.9	9.8	6.7	5.9
Exports, goods and services	10.6	-0.6	-3.8	3.0	4.0	4.3
Imports, goods and services	13.6	-5.8	-0.6	2.5	3.4	3.6
<b>Real GDP growth, at constant factor prices</b>	2.9	2.3	2.6	3.1	3.0	3.0
Agriculture	-6.4	-3.0	-2.0	0.5	0.2	0.1
Industry	-5.6	-1.1	-0.9	1.5	1.2	1.1
Services	6.5	3.8	4.0	3.7	3.7	3.7
<b>Employment rate (% of working-age population, 15 years+)</b>	43.3	45.4	45.8	46.3	46.7	47.0
<b>Inflation (consumer price index)</b>	14.2	9.4	3.5	3.8	2.5	2.0
<b>Current account balance (% of GDP)</b>	-6.1	0.4	-2.3	-3.0	-2.4	-2.0
<b>Net foreign direct investment inflow (% of GDP)</b>	4.9	3.3	7.1	3.7	3.5	3.2
<b>Fiscal balance (% of GDP)</b>	-4.3	-4.4	-4.6	-4.0	-3.6	-3.3
<b>Fiscal balance with the state roads (% of GDP)</b>	-4.6	-4.6	-5.0	-4.5	-4.1	-3.8
<b>Revenues (% of GDP)</b>	31.6	32.7	33.9	35.2	35.3	35.5
<b>Debt (% of GDP)</b>	58.0	58.1	62.4	62.9	63.4	63.5
<b>Primary balance (% of GDP)</b>	-3.2	-3.0	-2.7	-1.9	-1.5	-0.9
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	19.4	19.0	18.2	16.8	16.0	15.5
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	7.7	-1.5	-1.1	0.3	1.3	1.8

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

NA data is adjusted for residuals and LFS data is smoothed for methodological changes.

1/ Calculations based on ECAPOV harmonization, using 2020-SILC-C. Actual data: 2019. Nowcast: 2020-2024. Forecasts are from 2025 to 2027.

2/ Projection using neutral distribution (2019) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

# POLAND

GDP growth is estimated to accelerate to 3.2 percent in 2025, thanks to public investment enabled by European Union (EU) funds. Inflationary pressures in a tight labor market, fiscal challenges and social protection gaps remain a concern. In the near term, downside risks to growth stem from political tensions and global economic uncertainty, while Germany's economic stimulus plan and potential progress toward resolving the Ukraine war present upside opportunities.

## Key conditions and challenges

The Polish economy has consistently shown resilience thanks to a well-diversified economy, integrated into regional value chains, macroeconomic stability, a sound financial sector, strong domestic labor markets and generous demographically-targeted social programs combined with reactive measures. Over the medium term, continued economic success hinges on sustaining productivity growth and economic competitiveness. A growth model driven by innovation, leveraging Poland's strengths in clean tech value-chains, and knowledge-based services will require deepening workforce skills and financial markets. The rapidly aging population remains a significant challenge to growth and fiscal sustainability. Public finances are under pressure from defense-related expenditures with public debt levels rapidly rising and domestic political uncertainty is impacting reform capacity.

Poland continues to be under the Excessive Deficit Procedure (EDP). Under the new EU Fiscal Framework, it has committed to a Medium-Term Fiscal Structural Plan to converge to EU fiscal deficit rules by 2028. Despite the activation in July of the National Escape Clause (NEC) permitting a temporary deviation of up to 1.5 percent

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$8.30/day
36.6	0.4
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
78.5	100.6
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
924.7	25296.4

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2023 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2024. 6/ 2024.

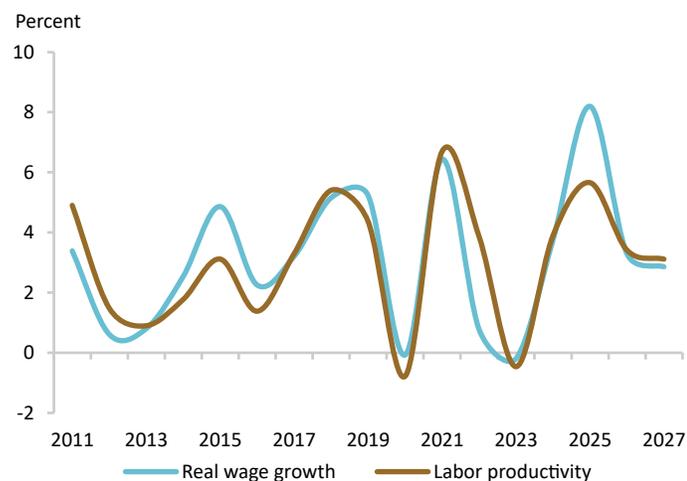
of GDP in net expenditure growth until 2028, provided the excess is defense-related, the path to sustainability requires more targeted measures. Reforms, notably on institutional strengthening, regulatory predictability, and the rule of law, may face hurdles in the current political environment.

## Recent developments

In 2024, growth reached 2.9 percent, supported mainly by consumption. While private consumption is expected to remain strong in 2025, public consumption is anticipated to moderate after an exceptionally high contribution in 2024, following electoral promises. The implementation of EU-funded projects is supporting an investment revival, although its scale so far remains moderate (at 2.4 percent in H125), as trade uncertainty continues to weigh on private sector investment decisions. On the supply side, in addition to services—which were the engine of growth already in 2024—a positive contribution is also expected from industry and construction.

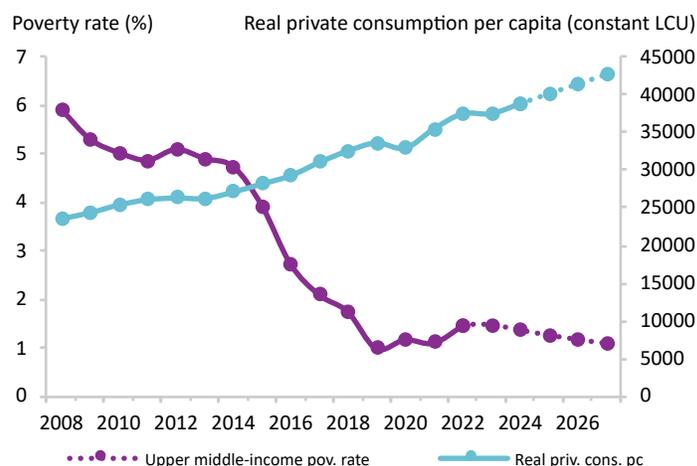
Household income growth in 2024 was driven by strong labor markets, robust pension and wage increases, and expanded universal

FIGURE 1 / Poland's wage competitiveness is eroding



Source: World Bank staff estimates.

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



Source: World Bank. Notes: See footnotes in table on the next page.

child benefits. These factors contributed to a 1.4 pp decline in the national extreme poverty rate to 5.2 percent, albeit still above its 2022 level. A two-year increase in the share of the population at risk of relative poverty—up 1.6pp to 13.3 percent in 2024—reflects the uneven distribution of wage gains and the erosion of several benefits in real terms. Population resilience has more broadly been undercut by deteriorations in the coverage and adequacy of minimum income programs despite substantial resources allocated to social protection. Without indexation, the progressivity of the personal income tax system has shifted during recent inflationary periods.

Despite continued strong private consumption, a sharp decline in energy price drove inflation down to 3.1 percent in July, bringing it back to the National Bank of Poland's (NBP) target range (2.5 percent, +/-1 percent). This development prompted the NBP to cut interest rates by 100 basis points. However, the gap between Polish rates and those in the eurozone and the USA remains, underpinning the strong zloty. The surplus on the current account has dissipated due to lower exports, reflecting subdued growth in the Euro area. Poland's fiscal deficit exceeded 6 percent of GDP in 2024 on the back of large defense spending and the fulfillment of election promises. Record high defense expenditures will cause the deficit to remain above 6 percent also in 2025.

## Outlook

Over the medium term, growth is expected to stabilize close to potential at 3 percent. Inflation should remain within the NBP target. The contribution of net exports to growth is expected to remain negative in the medium term, partly because of the uncertainty

over trade policy and indirect effects via German supply-chains. Political challenges to implement fiscal measures will likely complicate Poland's ability to meaningfully reduce fiscal deficits before the next parliamentary elections in 2027. High deficits are driving up public debt, which may exceed 60 percent of GDP in the coming years.

National extreme poverty rates are expected to return to 2022 levels by 2025 on the back of a dynamic labor market and the recalibration of minimum-income programs targeting the poorest households. Income growth among lower-income households is projected to slow, driven by more moderate increases in pensions and minimum wages going forward, and real declines in non-indexed benefits. Socially vulnerable households remain at risk due to limited coverage and adequacy of means-tested minimum income programs. Rising labor market participation among poorer households should persist, moderated by the significant tax wedge among secondary earners and continued obstacles to participation visible in rural areas. Rising life expectancy, early retirement—particularly among women—and declining replacement rates present a medium-term risk of elderly poverty.

To stay competitive, Poland must speed up its transition to cleaner energy sources, embrace new technology, and prepare its workforce for job market changes. Risks exist both to the downside and upside due to regional and global geopolitical developments and global trade uncertainty. Additionally, Poland's public finances will be strained over the medium term due to more extreme and frequent weather events, a fast ageing population, and the necessity for increased investment. With persistently high fiscal deficits, a flexible exchange rate and monetary policy may prove to be crucial in mitigating global risks.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	5.3	0.1	2.9	3.2	3.0	2.9
Private consumption	5.2	-0.3	3.1	3.1	2.9	2.6
Government consumption	0.6	4.0	6.7	3.2	3.3	1.5
Gross fixed capital investment	1.7	12.6	1.5	7.0	7.3	3.4
Exports, goods and services	7.4	3.7	1.2	2.4	2.8	4.2
Imports, goods and services	6.8	-1.5	3.3	3.6	4.4	3.7
<b>Real GDP growth, at constant factor prices</b>	5.5	1.2	2.1	3.3	3.0	2.9
Agriculture	1.0	14.3	1.0	1.0	1.0	1.0
Industry	6.2	-0.5	-0.8	1.6	2.7	2.9
Services	5.2	1.6	3.5	4.1	3.1	2.9
<b>Employment rate (% of working-age population, 15 years+)</b>	56.9	57.3	56.8	55.6	55.5	55.5
<b>Inflation (consumer price index)</b>	14.4	11.4	3.6	3.6	2.7	2.7
<b>Current account balance (% of GDP)</b>	-2.3	1.8	0.1	-1.4	-1.9	-1.8
<b>Net foreign direct investment inflow (% of GDP)</b>	4.2	2.4	1.3	2.1	2.0	1.9
<b>Fiscal balance (% of GDP)</b>	-3.4	-5.4	-6.6	-6.6	-6.2	-5.8
<b>Revenues (% of GDP)</b>	39.8	41.8	43.1	43.1	43.2	43.3
<b>Debt (% of GDP)</b>	48.8	49.7	55.6	60.3	65.4	69.7
<b>Primary balance (% of GDP)</b>	-2.5	-4.0	-5.1	-4.8	-4.4	-3.7
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	1.5	1.1	1.0	0.9	0.8	0.7
<b>GHG emissions growth (mtCO2e)</b>	-4.3	-5.3	1.9	1.0	0.5	0.1

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on ECAPOV harmonization, using 2019-EU-SILC and 2024-EU-SILC. Actual data: 2023. Nowcast: 2024. Forecasts are from 2025 to 2027.

2/ Projection using average elasticity (2018-2023) with pass-through = 0.7 based on private consumption per capita in constant LCU.

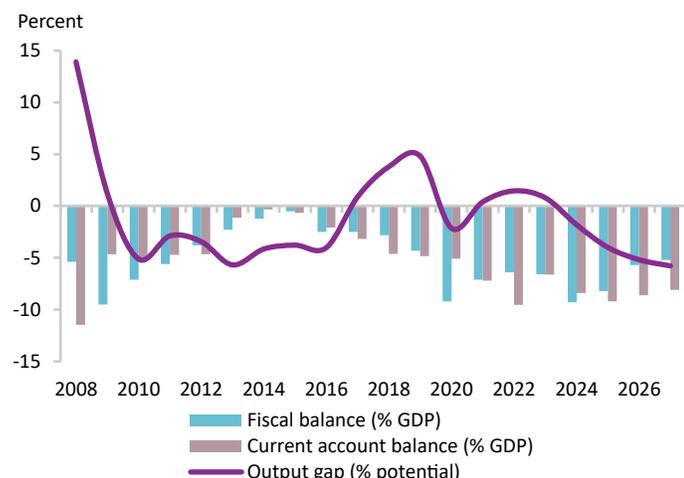
# ROMANIA

Growth slowed to 0.3 percent in H1 2025, amid domestic and geopolitical challenges, slowing down poverty reduction. The new administration is taking bold steps to stabilize macro-economic fundamentals. Over the medium term, growth is expected to gradually improve, hinging on effective fiscal consolidation, progress on economic reforms, and absence of major external shocks, with sustained recovery depending on translating reform gains into more productive jobs.

## Key conditions and challenges

Romania has advanced its economic development and convergence with the European Union (EU), but needs structural reforms for higher and more inclusive growth that is economically, fiscally and environmentally sustainable. Growth and competitiveness challenges persist, including regional disparities, institutional weakness, skilled labor shortages, a declining working-age population, compounded by vulnerabilities to natural hazards and climate change. Pro-cyclical fiscal measures have fueled consumption, leading to consistently high twin deficits. Romania's high fiscal deficit—exceeding 9 percent of GDP in 2024—remains the country's primary macroeconomic challenge. Fiscal consolidation is critical not only for restoring stability and market confidence, but also for creating space to advance structural reforms and investment priorities, including those from Cohesion Policy funds, thereby supporting innovation, competitiveness, and a durable recovery. Despite recently reaching high-income status, Romania features some of the highest poverty and inequality in the EU, with a large urban-rural divide.

FIGURE 1 / Output gap, fiscal and current account balances



Source: World Bank.

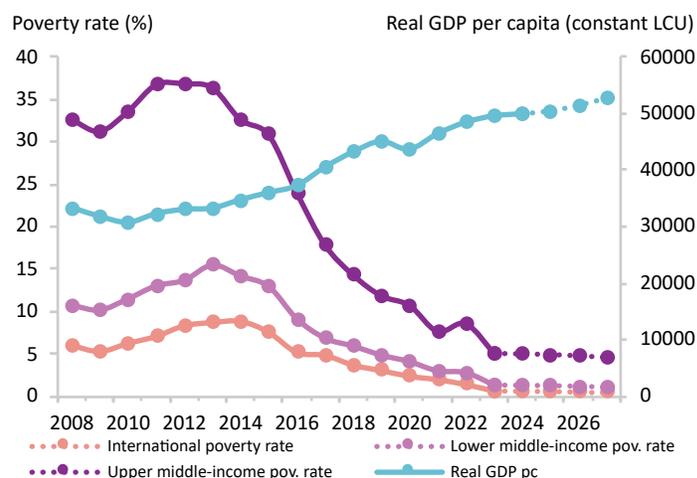
Population <sup>1</sup> million	19.1	Poverty <sup>2</sup> millions living on less than \$8.30/day	1.0
Life expectancy at birth <sup>3</sup> years	76.6	School enrollment <sup>4</sup> primary (% gross)	84.9
GDP <sup>5</sup> current US\$, billion	380.6	GDP per capita <sup>6</sup> current US\$	19957.4

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2023 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2024. 6/ 2024.

## Recent developments

Economic growth decelerated to 0.3 percent yoy in the first half of 2025, from 0.8 percent in 2024, driven by a slowdown in private consumption (from 5.7 percent in H2, 2024 to 1.4 percent in H1, 2025 on a yoy basis) amid sticky inflation and lower consumer confidence. EU funds and a favorable base effect supported investment, which grew by 2 percent yoy. This surge in EU-financed infrastructure and capital projects boosted construction activity (up 5.6 percent), particularly engineering works (up 10.5 percent). Services exports narrowed the overall trade deficit, but structurally import-dependent demand widened the goods deficit. Softer external demand and rising labor costs further weighed on industry (down 1.5 percent), with the liberalization of electricity prices from July 1, 2025, intensifying input cost pressures and adding to inflationary pressures. The annual inflation rate accelerated to 7.8 percent in July 2025, driven largely by electricity price liberalization, despite signs of labor market softening, with job vacancies down 10 percent yoy. Public sector wage freeze, which is part of the consolidation measures, further slowed nominal net wage growth to 7 percent in June 2025. Household lending rose sharply (up 10 percent yoy),

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



Source: World Bank. Notes: See footnotes in table on the next page.

lifting overall private credit growth to 9.1 percent in June 2025, as consumers, supported by last year's pension and public wage increases boosting disposable income, front-loaded durable purchases ahead of the Value Added Tax (VAT) hike. In this context, monetary policy remains tight, with the policy rate at 6.5 percent in response to inflation persisting above the target range.

To start reducing the unsustainable 9.3 percent of GDP fiscal deficit in 2024, which remained elevated at 3.7 percent in the first half of 2025, the government launched substantive fiscal reforms, with a first package approved in Parliament on July 7, 2025. It focuses on fast-to-implement, high-impact measures with about 80 percent of the revenue gains expected from raising the standard VAT rate from 19 to 21 percent and unifying reduced rates. On the expenditure side, public wages and pensions are frozen through 2026 following a large increase in 2024. The measures are projected to support a front-loaded deficit reduction to 3 percent of GDP by end-2030, as agreed with the EU to exit the Excessive Deficit Procedure.

Recent poverty reduction has stalled. At the \$8.3/day line (2021 Purchasing Power Parity-PPP), the poverty rate is estimated at 5.0 percent in 2024, only marginally down from 5.1 percent in 2023. Recent fiscal reforms, including social protection and pension changes, made the system more pro-poor and redistributive, but these measures have not offset slowing economic growth.

## Outlook

Impacted by necessary fiscal consolidation and renewed global trade headwinds, real GDP growth is projected to remain weak in 2025, at 0.4 percent. The main downside risk to the outlook

stems from a deviation from the agreed fiscal consolidation path. In the short term, higher taxes (VAT, excises, dividends) and energy price liberalization will weigh on consumption. However, the alternative—delaying consolidation—would have undermined market confidence, EU and private investment, and could have led to even weaker growth. Over the medium term, fiscal adjustment will strengthen confidence, lower financing costs, and create fiscal space for productivity-enhancing spending on innovation, infrastructure, and skills. Efficiency gains from tax reforms, combined with structural reforms, will further support competitiveness. Effective absorption of EU funds, higher private investments and productivity will be critical to offset near-term demand weakness while laying the foundation for stronger medium-term growth. Together, these reforms place public finances on a sounder footing and support the transition to a more sustainable, investment-driven growth model.

Poverty reduction is expected to slow through 2025 and into the medium term, as weak growth, fiscal tightening, and inflationary pressures, including higher VAT, excises, and energy prices, pose risks to household welfare, particularly for low-income and energy-poor groups. Compensatory measures such as means-tested energy vouchers and recent indexation of the minimum inclusion income partially offset the impact of fiscal tightening. Although real wage growth—in sectors such as construction—has supported incomes, the freeze on public wages and pensions through 2026 could constrain purchasing power. Labor market vulnerabilities persist, particularly among less-educated workers. Addressing these vulnerabilities could enhance the inclusiveness of future growth. Over the medium term, sustained poverty reduction requires translating resilient growth into broad-based growth in jobs and wages and stronger balance of revenue and expenditure measures to enhance equity.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	4.0	2.4	0.8	0.4	1.3	1.9
Private consumption	5.1	3.0	6.0	1.1	2.5	3.1
Government consumption	-1.4	6.3	0.7	-1.2	-0.9	-0.1
Gross fixed capital investment	5.4	14.5	-3.3	4.0	5.1	5.4
Exports, goods and services	9.3	-0.8	-3.1	3.1	2.8	3.6
Imports, goods and services	9.3	-1.1	3.8	5.4	5.1	5.7
<b>Real GDP growth, at constant factor prices</b>	3.1	2.1	0.1	0.4	1.3	1.9
Agriculture	-14.1	9.6	-5.9	5.5	1.1	1.1
Industry	-11.4	-2.2	-0.2	-1.1	1.2	1.9
Services	11.1	3.2	0.6	0.6	1.3	2.0
<b>Employment rate (% of working-age population, 15 years+)</b>	49.7	48.8	48.6	48.6	48.6	48.6
<b>Inflation (consumer price index)</b>	13.8	10.4	5.6	7.1	5.9	3.5
<b>Current account balance (% of GDP)</b>	-9.5	-6.6	-8.4	-9.2	-8.6	-8.1
<b>Net foreign direct investment inflow (% of GDP)</b>	3.8	2.1	1.6	1.7	2.2	2.5
<b>Fiscal balance (% of GDP)</b>	-6.4	-6.6	-9.3	-8.2	-5.7	-5.2
<b>Revenues (% of GDP)</b>	34.3	34.0	34.1	34.9	36.8	37.0
<b>Debt (% of GDP)</b>	47.9	48.9	54.8	58.6	59.8	61.4
<b>Primary balance (% of GDP)</b>	-5.1	-4.9	-7.2	-6.5	-4.0	-3.4
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	8.6	5.1	5.0	4.9	4.8	4.6
<b>GHG emissions growth (mtCO2e)</b>	-5.6	-7.1	-5.1	-4.1	-2.1	-1.6

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on ECAPOV harmonization, using 2014-EU-SILC and 2024-EU-SILC. Actual data: 2023. Nowcast: 2024. Forecasts are from 2025 to 2027.

2/ Projection using point-to-point elasticity (2013-2023) with pass-through = 1 based on GDP per capita in constant LCU.

# RUSSIAN FEDERATION

The economy expanded by 1.2 percent (yoy) in the first half of 2025, a marked deceleration from the strong growth recorded in 2024. The slowdown reflects weakening aggregate demand. As a result, inflation started to edge down, though remains considerably above the central bank's target. Growth is projected to moderate further over the medium term, as tight monetary conditions, alongside reduced fiscal stimulus, are expected to temper demand pressures.

## Key conditions and challenges

Economic performance continues to be shaped by the country's invasion of Ukraine and the resulting sanctions. Economic growth has been upheld by the sizable economic stimulus (11 percent of GDP in the last 3 years) comprising of soft lending and proceeds from National Wealth Fund (NWF). This growth model is not sustainable in the medium term owing to the rising strain on public finances and accumulation of vulnerabilities in the financial sector. In the short term, the main policy challenge is to bring inflation down to the central bank's target, while minimizing the slowdown in growth. In the medium-to-long term, the growth potential is by the adverse labor market dynamics and the restrictions on access to foreign markets and technology.

## Recent developments

After strong growth in 2024, the Russian economy started to cool off posting 1.2 percent in H1 2025, as demand pressures eased,

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$8.30/day
143.5	1.3
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
73.3	97.7
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
2174.3	15148.4

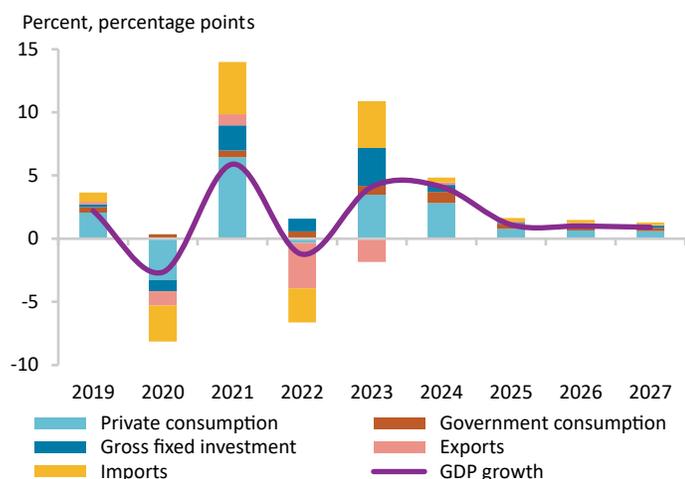
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2023 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

largely driven by moderation in consumption. High borrowing costs weighed on the household borrowing, which contracted 9.4 percent (yoy) in H1 dampening consumption, while marked slowdown in corporate lending dented investment growth. Real wage growth remained robust at 5.8 percent (yoy) in June 2025 as tight labor market conditions continued with unemployment rate remaining at 2.2 percent, softening fall in consumption. On the supply side, retail sales growth levelled due to cooling consumption while the mining contracted, however the manufacturing maintained robust growth, particularly in military-related and import-substituting industries.

Headline inflation moderated slightly in line with easing demand, with the consumer price index (CPI) edging down in Q2 2025, after a hike in Q1, and settling at 9.5 percent year-on-year in June 2025. The central bank cut the policy rate in June by 100 basis points to 20 percent in view of softening inflationary pressures.

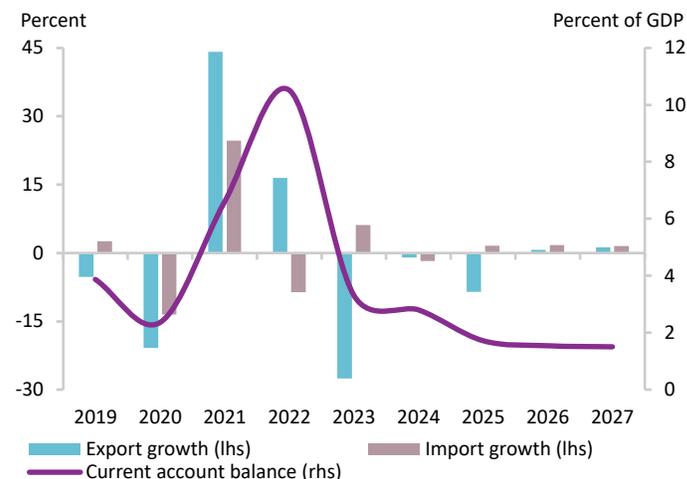
Fiscal spending increased by 8.9 percent in real terms in H1 2025 to 39.3 percent of GDP as expenditure execution remained high, while fiscal revenues declined by 3.2 percent in real terms,

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



Sources: Russian Federal State Statistics Service and World Bank.

FIGURE 2 / Current account balance and export and import growth



Sources: Central Bank of the Russian Federation and World Bank.

dragged down by declining oil and gas revenues. Fiscal deficit widened to 3.6 percent of GDP in H1 2025, mostly financed by domestic borrowing.

The current account surplus dropped to 2.1 percent of GDP in H1 2025, on the back of the narrowing trade surplus which dropped to 5 percent of GDP in H1 2025 from 7 percent in H1 2024 due to lower oil prices and reduced natural gas exports. Imports remained subdued, expanding 0.9 percent (yoy) in H1 2025 in line with slowing demand. Amid lower import demand and increased sales of FX denominated revenues by exporters, the ruble appreciated by 4.6 percent (yoy) by end-June.

Credit to the economy declined by 2.7 percent (yoy) in real terms in H1 2025, as household borrowing contracted and corporate lending, which has been a major driver of credit growth, levelled in real terms. NPLs rose to 12.1 percent of total consumer credit in H1 2025 from 7.6 percent in H1 2024, signaling a buildup of risks in the financial sector.

## Outlook

*It is presently difficult to produce growth forecasts for Russia due to the significant changes to the economy associated with Russia's invasion of Ukraine, and the decision by Russia to limit publication of economic data, notably related to external trade, financial and monetary sectors. Unavailability of data limits our ability to assess economic performance.*

Growth is projected to decelerate to 0.9 percent in 2025, and remain at around 1 percent during 2026–2027, as demand pressures ease amid tight monetary policy aimed at bringing inflation to target and constrained fiscal spending due to declining government revenues. Tight labor market conditions are expected to put pressure on labor costs weighing on production. Gross fixed capital formation is set to decline slightly during 2025–2026, as rising financing costs dampen private sector investment and state-led corporate lending is expected to moderate further, suppressing public sector investment.

Inflation is projected to decline in the medium term and is estimated to reach the central bank's target of 4 percent in 2027. The current account surplus is expected to moderate to 1.6 percent of GDP on average in 2025–27, owing to declining commodity prices. Exports are expected to rise at a slow pace in the medium term, with oil production growth constrained by OPEC+ quotas. Conversely, imports are projected to decelerate due to slowing domestic demand.

The fiscal deficit is projected to widen to 2.9 percent of GDP in 2025 and then remain at around 2.7 percent of GDP in 2026–2027, due to the reduction in revenues in 2025 from subdued energy prices, which are expected to recover only slightly, while public expenditures are expected to stabilize.

Downside risks from weaker commodity prices and slowing growth are significant and can exert pressure on macroeconomic stability while tightening of the sanctions regime can further dampen the growth outlook.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	-1.4	4.1	4.3	0.9	0.8	1.0
Private consumption	-0.6	6.0	5.4	1.2	1.1	1.0
Government consumption	3.0	3.7	4.8	2.3	1.8	1.3
Gross fixed capital investment	4.6	12.7	1.3	-0.4	-0.2	1.1
Exports, goods and services	-13.9	-8.2	1.0	0.5	0.4	0.3
Imports, goods and services	-11.0	16.9	1.5	1.1	1.0	0.8
<b>Real GDP growth, at constant factor prices</b>	-0.5	3.9	4.3	0.9	0.8	1.0
Agriculture	7.0	0.5	1.2	1.2	1.2	1.2
Industry	0.4	1.5	2.0	1.4	1.4	1.4
Services	-1.4	5.3	5.6	0.6	0.5	0.8
<b>Employment rate (% of working-age population, 15 years+)</b>	59.5	59.8	59.5	59.5	59.5	59.5
<b>Inflation (consumer price index)</b>	13.7	7.3	9.5	7.5	4.4	4.0
<b>Current account balance (% of GDP)</b>	10.5	3.3	2.8	1.7	1.6	1.5
<b>Net foreign direct investment inflow (% of GDP)</b>	-1.2	-1.2	-1.0	-0.9	-0.8	-0.8
<b>Fiscal balance (% of GDP)<sup>1</sup></b>	-1.3	-2.2	-1.6	-2.9	-2.7	-2.6
<b>Revenues (% of GDP)</b>	37.6	33.4	35.4	34.2	34.5	34.9
<b>Debt (% of GDP)</b>	13.4	13.5	13.5	13.8	14.0	14.0
<b>Primary balance (% of GDP)<sup>1</sup></b>	-0.4	-1.3	-0.7	-2.0	-1.8	-1.6
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>2,3</sup></b>	0.1	0.1	0.1	0.1	0.1	0.1
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>2,3</sup></b>	0.3	0.2	0.2	0.2	0.2	0.2
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>2,3</sup></b>	1.4	0.9	0.8	0.8	0.8	0.7
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-2.7	3.3	4.9	2.4	2.7	2.4

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Fiscal and Primary Balance refer to general government balances.

2/ Calculations based on ECAPOV harmonization, using 2024-VNDN. Actual data: 2023. Nowcast: 2024. Forecasts are from 2025 to 2027.

3/ Projection using neutral distribution (2023) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

# SERBIA

The growth of the Serbian economy has slowed in 2025 due to a mix of internal and external factors. GDP growth is expected to reach 2.8 percent this year, with risks tilted to the downside. The incidence of poverty declined to 9.5 percent in 2024 and is projected to continue falling, albeit at slower rate, as the remaining poor are often characterized by chronic unemployment and are thus less able to benefit from economic expansion.

## Key conditions and challenges

GDP growth slowed to an estimated 2 percent year-over-year in the first half of 2025, reflecting weaker consumption and a negative contribution from investment (by 0.2 pp) and net exports (by 2.3 pp). Looking at the production side, the construction posted the largest drag on growth (of 0.3 pp) while adverse weather conditions significantly affected agriculture. This high degree of volatility associated with agricultural output (and the related food industry) underscores the critical need for Serbia to introduce policy and investment measures to mitigate the impact of increasing weather shocks and to promote private sector participation in these measures.

The fiscal space for adaptation response and investments is limited by the commitment to large public investment projects. Domestic political uncertainty has disrupted policy dialogue and implementation of structural reforms needed to accelerate economic growth.

Population <sup>1</sup> million	6.6	Poverty <sup>2</sup> millions living on less than \$8.30/day	0.7
Life expectancy at birth <sup>3</sup> years	76.2	School enrollment <sup>4</sup> primary (% gross)	98.9
GDP <sup>5</sup> current US\$, billion	88.9	GDP per capita <sup>6</sup> current US\$	13491.6

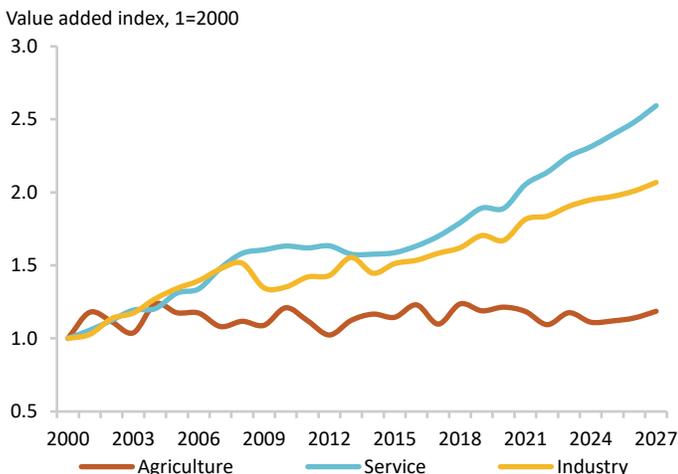
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2024. 6/ 2024.

## Recent developments

After a strong 2024, Serbia's economy has lost momentum in 2025. Last year growth was driven by a recovery of private sector consumption and a strong increase in investment. However, the first half of 2025 saw a significant slowdown in private investment (to a large extent driven by a drop in net foreign direct investment (FDI) inflows (by 58.7 percent in H1, compared to the same period of 2024), caused by global uncertainty and domestic political instability. However, industry proved resilient to weaker external demand—particularly from the EU—with output growing by 2.5 percent year-over-year in the first half of the year. Despite some slowdowns, private consumption stayed strong, supported by wage growth of 10.8 percent (6.3 percent real), a 10.8 percent rise in pensions in the first five months of 2025 and stable employment.

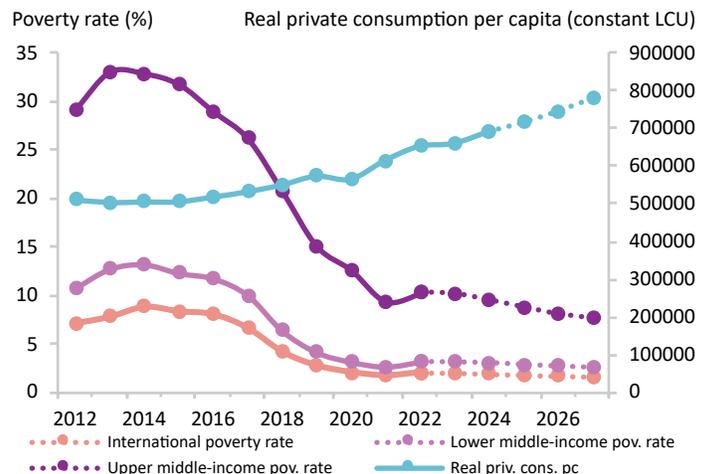
While the labor market appeared stable, deep structural challenges persist. The unemployment rate increased to 8.8 percent in H1 (compared to 8.6 percent in 2024), while youth unemployment remained at 23.5 percent nearly triple the national average,

FIGURE 1 / Indexes of the level of sectoral GDP



Source: World Bank staff calculations.

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



Source: World Bank. Notes: See footnotes in table on the next page.

due to skills mismatches and limited job opportunities. Many young Serbians migrate abroad, fueling brain drain and a shrinking workforce. While regional disparities are severe, there is very little internal labor mobility. Reflecting these labor market pressures and inflation eroding incomes, the poverty level (based on the upper-middle income line of \$8.30/day in 2021 PPP) was at an estimated 9.5 percent in 2024, staying broadly flat since 2021.

The inflation index edged up again due to an increase in food prices, rents, and utility services. It reached 4.9 percent in July, slightly above the target bound. Food prices were 7.4 percent higher in July than a year ago. As a result, the National Bank of Serbia (NBS) has kept its benchmark rate unchanged at 5.75 percent since September 2024.

Stronger-than-expected revenues failed to offset surging expenditures, and the fiscal deficit edged up in the first half of 2025, though it remained very low as a share of GDP. Government revenues performed well in the first half of 2025 (up 6.3 percent in nominal terms, or 1.6 percent in real terms, year-over-year), thanks to a higher-than-planned collection of contributions for social insurance, VAT, and PIT. However, expenditure increased by 9.3 percent in nominal terms (4.5 percent in real terms) pushing the consolidated fiscal deficit to just 0.2 of GDP. Public debt continues to decline gradually and reached 45.5 percent of GDP at the end of June.

The current account deficit (CAD) increased significantly in the first half of 2025 (to nearly 2 billion euros, or 2.3 percent of GDP). Exports are proving to be resilient (up by 10.8 percent in H1) but imports increased even more and from a higher base (up by 11.4 percent in H1). Financing of the CAD is less favorable than in earlier years since net FDI inflows decreased (to reach EUR 942 million in H1 2025). Foreign currency reserves decreased by nearly 2 billion euros in the first half of the year, but started to recover as of July

(up by EUR 930 million in July) to reach EUR 28.3 billion, covering 6.5 months of imports.

Overall credit increased by 12 percent (year-over-year) through June. Loans to businesses increased by 7.5 percent by June (year-over-year), while loans to households increased by 12 percent, which helped to recover consumption as of Q2, and loans to the government increased by 18.9 percent. Gross nonperforming loans declined to 2.3 percent in June 2025.

## Outlook

The Serbian economy is expected to grow at around 3–4 percent over the medium term, driven primarily by consumption and, to some extent, by investment. However, there are downside risks. These include potential budgetary support for struggling state-owned enterprises, weaker external demand for Serbian exports amid global trade policy uncertainty, and the impact of extreme weather on agriculture and infrastructure.

Inflation is expected to remain elevated in 2025 and 2026 and to reach the central point of the NBS target band only in 2027. The fiscal deficit is now projected to widen compared to 2023/2024 to reach around 3 percent of GDP since the government embarked on large-scale public infrastructure spending plans.

Economic growth, if sustained, will continue to lift more Serbians out of poverty. However, the remaining poor are increasingly concentrated among pensioners, the long-term unemployed, or those completely out of the labor force. Thus, targeted social assistance, care services for the disabled and elderly, job search support, and training programs will become essential to ensure further poverty reduction.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	2.6	3.8	3.9	2.8	3.0	4.0
Private consumption	3.5	0.5	4.2	2.8	3.5	4.0
Government consumption	1.3	-2.4	5.6	9.4	8.8	9.7
Gross fixed capital investment	2.2	9.7	12.5	3.1	2.0	0.8
Exports, goods and services	17.0	2.7	3.2	4.1	5.0	6.0
Imports, goods and services	16.2	-1.6	8.3	4.5	6.3	6.1
<b>Real GDP growth, at constant factor prices</b>	2.5	4.8	2.2	2.7	3.0	4.0
Agriculture	-7.6	7.4	-5.5	0.8	1.8	4.0
Industry	1.2	3.7	2.3	1.2	1.9	2.9
Services	4.1	5.1	2.9	3.6	3.6	4.5
<b>Employment rate (% of working-age population, 15 years+)</b>	52.8	52.5	53.0	53.0	53.0	53.0
<b>Inflation (consumer price index)</b>	11.9	12.1	4.6	4.5	4.0	3.0
<b>Current account balance (% of GDP)</b>	-6.6	-2.4	-4.7	-5.5	-5.5	-5.4
<b>Net foreign direct investment inflow (% of GDP)</b>	6.8	5.6	5.4	3.4	4.4	4.8
<b>Fiscal balance (% of GDP)</b>	-3.0	-2.1	-2.0	-3.0	-3.0	-3.0
<b>Revenues (% of GDP)</b>	41.6	39.4	41.0	41.3	40.8	40.6
<b>Debt (% of GDP)</b>	52.9	48.4	47.3	46.8	46.6	46.2
<b>Primary balance (% of GDP)</b>	-1.6	-0.4	-0.1	-1.5	-1.4	-1.4
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	2.0	2.0	1.9	1.8	1.7	1.7
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	3.2	3.1	3.1	2.9	2.7	2.6
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	10.3	10.1	9.5	8.8	8.1	7.7
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	2.6	-2.7	6.0	-0.5	0.9	1.7

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on ECAPOV harmonization, using 2023-EU-SILC. Actual data: 2022. Nowcast: 2023-2024. Forecasts are from 2025 to 2027.

2/ Projection using neutral distribution (2022) with pass-through = 0.87 (Med (0.87)) based on private consumption per capita in constant LCU.

# TAJIKISTAN

Growth is projected at 7.6 percent in 2025, driven by remittance-fueled household consumption and investment, and to moderate thereafter. Fiscal balances will deteriorate as Rogun Hydropower Plant construction picks up, but public debt is expected to remain sustainable. Poverty declined to 16.9 percent in 2024 and is projected to continue declining further.

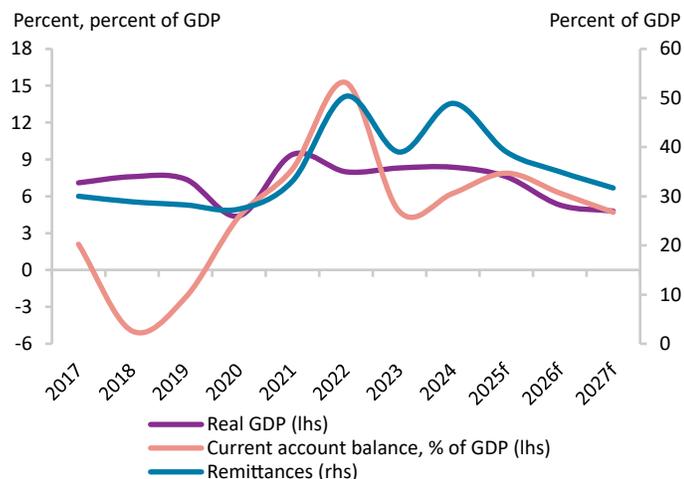
## Key conditions and challenges

Although Tajikistan has had strong economic growth over the past 25 years, the country remains the poorest in the Europe and Central Asia region with a gross national income (GNI) per capita of US\$1,650 (Atlas method) and a poverty rate of 16.9 percent (lower middle-income country (LMIC) poverty line) in 2024. Structural transformation has been minimal, and employment has not shifted to higher-productivity sectors.

Tajikistan's economy is heavily reliant on remittances (peaking at 49 percent of GDP in 2024) coming mostly from Russia, which finance consumption and high trade deficits. Many Tajik workers emigrate to seek higher-paid jobs, reflecting insufficient domestic job creation as private sector development remains limited.

A jobs-rich growth model for Tajikistan requires comprehensive structural reforms aimed at: (i) fostering private sector development by addressing distortions linked to state-aid, strengthening investor protection, and fostering market competition; and (ii) improving public sector efficiency, transparency, and accountability

FIGURE 1 / Real GDP, remittances, and current account balance



Sources: Statistical Agency, National Bank of Tajikistan, and World Bank staff estimates and projections.

Population <sup>1</sup> million	10.6	Poverty <sup>2</sup> millions living on less than \$4.20/day	1.8
Life expectancy at birth <sup>3</sup> years	71.8	School enrollment <sup>4</sup> primary (% gross)	100.6
GDP <sup>5</sup> current US\$, billion	14.2	GDP per capita <sup>6</sup> current US\$	1341.3

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

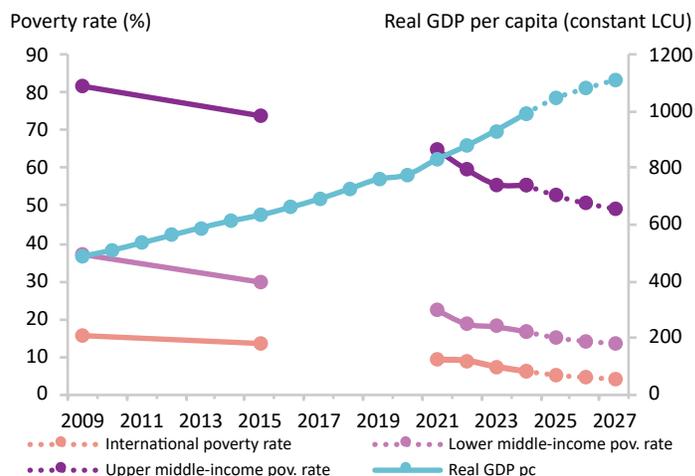
by addressing the governance of state-owned enterprises, energy sector inefficiencies, and basic social services delivery.

## Recent developments

Tajikistan's economy grew by 8.1 percent (y-o-y) in H1 2025. Growth was driven by remittances, which financed private consumption and investment. Remittances grew by 62.9 percent y-o-y in US dollar terms in Q1 2025, reflecting significant wage growth in Russia and a stronger ruble. Led by services and agriculture, the economy reported a broad-based expansion. However, the unemployed-to-vacancy ratio rose from 4.9 in late 2024 to 5.9 by May 2025, indicating a weakening labor market. At 44 percent, Tajikistan has one of the lowest labor force participation rates in the region, compared to over 50 percent in Uzbekistan and 60 percent in the Kyrgyz Republic.

The trade deficit widened slightly in H1 2025, to 32.9 percent of GDP, due to declining precious metals exports and higher imports of vehicles and machinery equipment—supported by currency appreciation (10 percent in H1 2025 against the US dollar). Foreign direct investment inflows remained low at 0.9 percent of GDP

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



Source: World Bank. Notes: See footnotes in table on the next page.

in Q1 2025, mainly consisting of Chinese investments in mining. Reserves reached US\$4.6 billion by June 2025, equivalent to more than seven months of imports.

Inflation remained stable at 3.6 percent y-o-y in June 2024 thanks to prudent monetary policy and lower global commodity prices. With a benign inflation outlook, the central bank cut the policy rate to 8.25 percent in May 2025 (from 9.5 percent in February 2024).

The fiscal balance turned to a surplus of 1.4 percent in H1 2025, (from 25.0 percent in H1 2024) as the government continued streamlining tax exemptions and collecting higher public service fees. Expenditures increased to 27.5 percent of GDP in H1 2025 (from 25.5 percent in H1 2024), driven by higher capital expenditures in social sectors such as education and social protection. Public debt is relatively low, at 25.4 percent of GDP in 2024 and remains sustainable.

Strong financial inflows lifted banking sector profits and helped lower NPLs to 6.8 percent in June 2025 (from 12.2 percent in June 2024). Concurrently, the return-on-equity climbed to 31.8 percent (up from 20.7 percent in 2024), while bank capitalization stood at 23.8 percent, above the 12 percent regulatory minimum.

The poverty rate declined to 16.9 percent in 2024, from 18.1 percent in 2023 (LMIC poverty line of US\$ 4.2 in 2021 PPP). Listening to Tajikistan (L2T) survey results indicate that the share of households with a member abroad fell to 28.1 percent in 2024, from 33.4 percent in 2023. In H1 2025, although fewer households received remittances (14.3 percent, compared with 21.8 percent in H1 2024), average monthly remittances were higher (TJS 2,298, up from TJS 1,855 in H1 2024).

## Outlook

Economic growth is expected to ease to 7.6 percent in 2025, converging to its potential of 4.5–5 percent in the medium term. Growth and remittance inflows are expected to gradually moderate due to lower expected growth in Russia, a weaker ruble, and tighter migration policies. Lower external demand for Tajikistan's metals and minerals, including gold, is expected to help maintain a current account surplus of about 3.8 percent in 2025, decreasing to a current account deficit of 0.8 percent of GDP by 2027, reflecting lower remittances.

Inflation is projected at 3.9 percent in 2025, and to gradually rise towards the central bank's target of 5 percent (+/- 2 percent) in the medium term.

Fiscal pressures will remain elevated with the ongoing construction of the Rogun Hydropower Plant and the forthcoming debt service spike. In 2025–27, amortization of the US\$500 million Eurobond and repayment of IMF's Rapid Credit Facility (RCF) are due. The projected fiscal deficit is capped at 2.5 percent of GDP—the government's fiscal anchor over the medium term—to ensure public debt sustainability.

Poverty is projected to decline to 15.0 percent in 2025 (LMIC poverty line).

The outlook faces several external downside risks, the largest being tightening of migration policies in Russia, which could lower remittance inflows, and the impact of geopolitical tensions on Tajikistan's main trading partners.

### Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	8.0	8.3	8.4	7.6	5.2	4.7
Private consumption	15.7	9.0	16.8	3.9	3.6	3.3
Government consumption	-0.7	-9.1	12.1	6.9	4.8	4.4
Gross fixed capital investment	11.9	-9.9	4.5	7.8	6.2	5.7
Exports, goods and services	-24.0	13.4	-5.5	7.9	3.6	3.3
Imports, goods and services	4.0	-4.3	3.5	3.8	3.7	3.5
<b>Real GDP growth, at constant factor prices</b>	9.0	7.4	8.4	7.6	5.2	4.7
Agriculture	-4.5	12.2	0.8	6.0	5.6	5.2
Industry	9.1	9.8	10.8	9.4	6.1	5.3
Services	16.9	2.3	9.3	6.2	4.0	3.5
<b>Employment rate (% of working-age population, 15 years+)</b>	36.4	36.5	36.4	36.4	36.4	36.4
<b>Inflation (consumer price index)</b>	6.6	3.7	3.6	3.9	4.4	4.8
<b>Current account balance (% of GDP)</b>	15.3	4.8	6.2	3.8	1.2	-0.8
<b>Net foreign direct investment inflow (% of GDP)</b>	1.5	0.8	1.3	1.1	1.3	1.4
<b>Fiscal balance (% of GDP)</b>	-1.3	-0.9	0.2	-2.4	-2.4	-2.5
<b>Revenues (% of GDP)</b>	27.2	29.6	27.9	26.5	26.0	26.2
<b>Debt (% of GDP)</b>	31.8	30.0	25.4	25.9	25.7	25.6
<b>Primary balance (% of GDP)</b>	-0.6	-0.2	0.8	-1.6	-1.5	-1.6
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	8.9	7.3	6.1	5.1	4.5	4.1
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	18.9	18.1	16.9	15.0	13.9	13.2
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	59.7	55.7	55.4	52.6	50.6	49.1
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	2.5	1.2	4.3	-0.3	-1.4	-2.0

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on ECAPOV harmonization, using 2024-HBS. Actual data: 2024. Forecasts are from 2025 to 2027.

2/ Projection using neutral distribution (2024) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

# TÜRKIYE

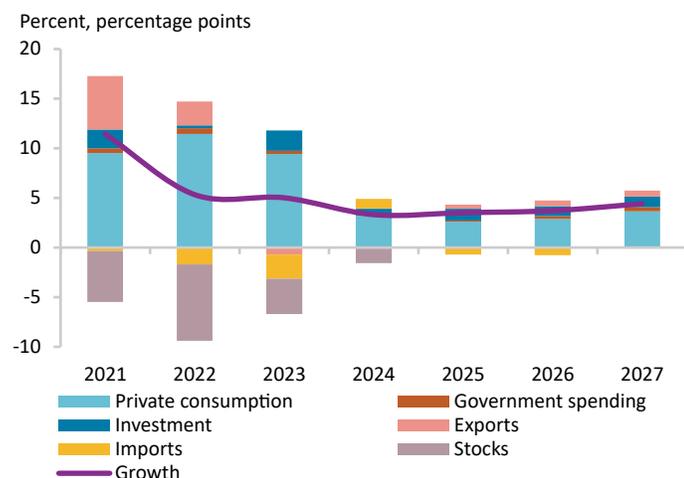
Macroeconomic stabilization continues with uninterrupted disinflation, low current account deficit, rebuilding of reserves, and moderate economic growth. After 3.3 percent in 2024, growth is projected at 3.5 percent in 2025 and 3.7 percent in 2026. Preserving tight monetary policy and further tightening fiscal policy will be critical for disinflation to advance further. High inflation and moderate growth call for social policies to protect the vulnerable.

## Key conditions and challenges

Türkiye is in the midst of macroeconomic stabilization aimed at taming inflation and creating the conditions for sustainable economic growth. The policy adjustment has been led mainly though a sharp tightening in monetary policy by the Central Bank of the Republic of Türkiye (CBRT), and now being accompanied by moderate fiscal consolidation. Macroeconomic stabilization has progressed well, with uninterrupted disinflation from its peak of 75 percent in May 2024 and projected to fall just below 30 percent by end-2025, low current account deficit, rebuilding of reserves, and continued (albeit moderate) economic growth.

Nevertheless, inflation expectations remain stubbornly in double digits even 24 months ahead. Making further progress with disinflation and reanchoring expectations necessitates maintaining tight monetary policy and further tightening fiscal policy, while social policies are strengthened to protect vulnerable groups. At the same time, removing structural barriers to productivity growth could support the adjustment by boosting economic performance.

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



Sources: Turkstat and World Bank staff calculations.

Population <sup>1</sup> million	85.5	Poverty <sup>2</sup> millions living on less than \$8.30/day	9.2
Life expectancy at birth <sup>3</sup> years	77.2	School enrollment <sup>4</sup> primary (% gross)	102.5
GDP <sup>5</sup> current US\$, billion	1359.0	GDP per capita <sup>6</sup> current US\$	15890.7

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2024. 6/ 2024.

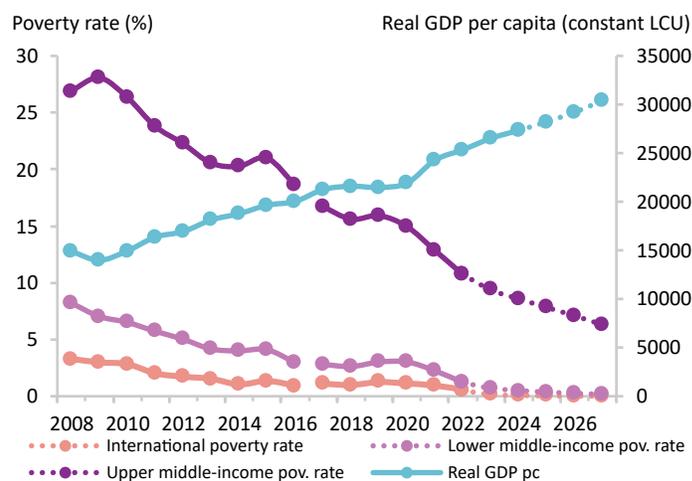
## Recent developments

After 1.3 percent qoq in Q4-2024 and 0.7 percent qoq in Q1-2025, economic growth momentum accelerated to 1.6 percent qoq in Q2-2025. While tight financial conditions dragged on private consumption (0.5 and 0.7 percent contractions in Q1 and Q2), investment picked up in Q2 (2.4 percent). The contribution of net exports to quarterly growth remains volatile, turning negative in Q2. Despite improving to 47.3 in August from 45.9 in July, the PMI remains below the threshold signaling weak economic activity in Q3.

The unemployment rate remains low at 8 percent in July, along with moderate growth, while the labor underutilization rate (including discouraged and underemployed) remains high at 29.6 percent. On the external side, the current account deteriorated slightly in January–July, recording a US\$22.2 bn deficit (around 1.3 percent of GDP), higher than the US\$12.9 bn deficit same period in 2024.

The heightened market volatility in March that led to a surge of CDS above 370 bps (from a low of 250 bps in January) and a significant loss of net reserves (almost US\$40b during March and April) has been overcome by swift measures taken—notably, April's policy

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



Source: World Bank. Notes: See footnotes in table on the next page.

rate hike by CBRT reduced uncertainty and rebuilt confidence, with markets stabilizing, disinflation advancing, and Moody's upgrading Türkiye's risk rating. The CDS has fallen to 250 bps as of mid-September and net international reserves excluding swaps reached US\$54.2 bn. After US\$10 bn in net outflows in the six weeks following mid-March, net portfolio investments rose by US\$7.3 bn by September. Year-to-date net FDI inflows are at US\$3.1 bn.

After increasing the policy rate by 350 bps in April, the CBRT reinitiated the rate cut cycle, bringing the policy rate to 43 percent in July and 40.5 percent in September. Tight monetary policy and weakening global demand helped inflation decrease to 33 percent in August, though services inflation remains high at 45.8 percent.

Tight monetary policy and macroprudential adjustments strengthened capital adequacy and financial stability. With high policy rates and the slowdown in activity, total loan growth eased to 30 percent nominal yoy in July. The capital adequacy ratio remains broadly stable at 18.2 percent while the NPL ratio slightly increased to 2.2 percent as of July. The banking sector remains resilient, despite concerns on profitability and asset quality.

The fiscal deficit, which stood at 4.7 percent of GDP in 2024, improved slightly in H1-2025 on the back of stronger revenues (through income and indirect consumption taxes) and a deceleration in non-interest expenditures. General public debt-to-GDP remains manageable at 25.3 percent as of Q1-2025.

## Outlook

Economic growth in 2025 is anticipated to remain moderate at 3.5 percent, given tight monetary policy, modest fiscal tightening, and

subdued global growth amid increased uncertainty. Growth is expected to accelerate to 3.7 percent in 2026 and 4.4 percent in 2027. Disinflation is forecast to progress gradually, with inflation declining to 29 percent by end-2025, 18 percent by end-2026, and 15 percent by end-2027. The current account deficit is expected to widen as growth recovers, reaching 1.2 percent in 2025 and 2 percent by 2027. The general government deficit is projected to fall to 4.3 percent of GDP in 2025 and to 3.6 percent in 2026, mainly with reduced earthquake-related expenditures, and smaller primary deficit, given increasing interest expenditures.

The fraction of people living under the US\$8.3 2021 PPP-adjusted poverty line decreased from 12.9 percent in 2021 to 10.9 percent in 2022, maintaining the downward trajectory observed since 2019, and it is expected to decrease further. Increases in wage income and robust labor market conditions are anticipated to contribute to poverty reduction. Nevertheless, due to the high labor underutilization rate and widespread informality, those excluded from the labor market may not benefit from economic growth. To protect these individuals from the effects of high inflation, well-designed and adaptable social protection programs are essential.

Risks continue to be skewed to the downside with considerable uncertainty around the forecasts. Inflation expectations are easing only gradually, and private consumption remains relatively strong. Any premature easing of monetary policy could prompt domestic investors to seek foreign exchange, potentially putting pressure on the exchange rate, inflation, and reserves. Delays in substantial fiscal consolidation and slow progress on structural reforms could further impede disinflation. Externally, increased global economic uncertainty and higher-than-expected oil prices present additional downside risks to Türkiye's outlook.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	5.4	5.0	3.3	3.5	3.7	4.4
Private consumption	16.2	10.5	4.3	3.4	3.8	4.8
Government consumption	4.5	2.3	-0.8	1.0	2.4	3.5
Gross fixed capital investment	4.4	7.3	2.7	4.8	3.9	4.2
Exports, goods and services	10.5	-2.3	0.1	1.9	2.6	2.8
Imports, goods and services	8.3	12.1	-4.4	3.5	3.8	5.0
<b>Real GDP growth, at constant factor prices</b>	6.0	4.2	2.9	3.5	3.7	4.4
Agriculture	1.2	0.4	5.1	0.9	1.3	1.5
Industry	-0.8	3.8	2.1	1.7	2.4	3.1
Services	10.4	5.1	3.4	3.9	4.5	5.2
<b>Employment rate (% of working-age population, 15 years+)</b>	47.5	48.3	49.2	49.3	49.4	49.5
<b>Inflation (consumer price index)</b>	72.3	53.9	58.5	34.1	20.9	16.2
<b>Current account balance (% of GDP)</b>	-5.0	-3.5	-0.7	-1.2	-1.9	-2.1
<b>Net foreign direct investment inflow (% of GDP)</b>	1.0	0.4	0.4	0.5	0.6	0.7
<b>Fiscal balance (% of GDP)</b>	-0.8	-5.1	-4.7	-4.3	-3.6	-3.7
<b>Revenues (% of GDP)</b>	27.3	29.6	31.6	32.1	32.3	32.6
<b>Debt (% of GDP)</b>	30.2	28.7	24.0	26.9	28.6	30.8
<b>Primary balance (% of GDP)</b>	0.5	-3.7	-3.2	-1.8	-0.7	-0.7
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	0.5	0.1	0.1	0.0	0.0	0.0
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	1.2	0.7	0.5	0.3	0.2	0.1
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	10.8	9.4	8.6	7.8	7.1	6.3
<b>GHG emissions growth (mtCO2e)</b>	-3.3	-2.7	0.6	2.7	2.2	3.0

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on ECAPOV harmonization, using 2019-SILC-C and 2023-SILC-C. Actual data: 2022. Nowcast: 2023-2024. Forecasts are from 2025 to 2027.

2/ Projection using average elasticity (2018-2022) with pass-through = 1 based on GDP per capita in constant LCU.

# UKRAINE

Economic disruptions and labor shortages related to the ongoing war are set to deepen. Growth projections have been revised down to 2 percent for 2025 and 2026. Inequality continues to rise due to uneven changes in labor income. Rising fiscal and external imbalances will require additional external financing and policy adjustments. Ukraine's pathway to EU membership remains a key anchor for reforms, with preparations underway to open the first negotiation chapters.

## Key conditions and challenges

The past year has marked an inflection point for macroeconomic management. Early in 2025, authorities had worked under the assumption that a ceasefire would be in place by year-end. With fighting now likely to persist, external and fiscal needs are mounting and growth prospects are likely to remain depressed due to the war. Meeting these needs will require continued donor support, domestic policy adjustments, and a new IMF program, which the government formally requested in September.

The inflection occurs amid intensifying structural challenges. Labor shortages are the most binding production constraint. Inflation remains high, keeping monetary policy tight and private sector borrowing costs elevated. Public debt has reached record levels, crowding out private lending. Undertaking needed complex structural reforms during the war remains challenging, and civilian capital spending remains limited by Ukraine's resource envelope.

Ukraine's pursuit of EU membership has become a critical path for progress, even amid ongoing adversity. EU-supported programs provide vital financing and a strong reform anchor, helping to keep

Population million	Poverty
..	..
Life expectancy at birth <sup>1</sup> years	School enrollment <sup>2</sup> primary (% gross)
73.4	92.8
GDP <sup>3</sup> current US\$, billion	GDP per capita current US\$
190.8	..

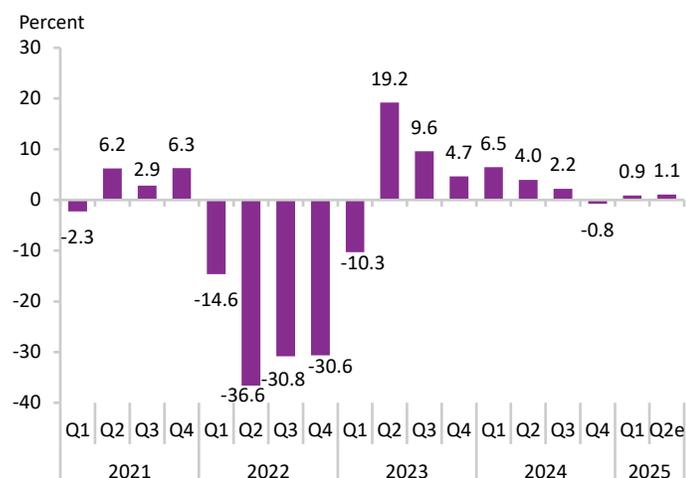
Sources: WDI, MFM, and official data. 1/ 2023. 2/ 2022. 3/ 2024.

the country's transformation on track. By September 2025, Ukraine had completed the screening of five out of six negotiation clusters and was preparing to launch negotiations, starting with its first chapter—a clear sign of steady, tangible progress toward accession.

## Recent developments

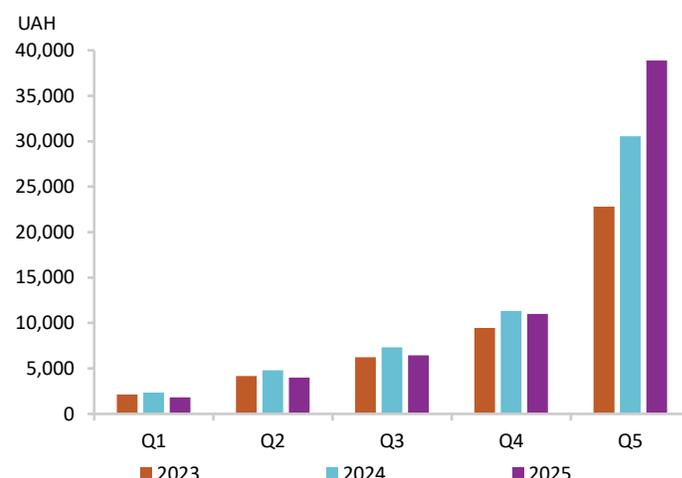
After growing by 2.9 percent in 2024, GDP expanded by a mere 0.9 percent year-on-year in the first quarter of 2025, and an estimated 1.1 percent in the second. Beyond structural constraints, direct impacts of the war dampened economic activity, including through intensified attacks, which damaged production capacities, particularly in coal and gas extraction and chemical production. Adverse weather disrupted early harvests and slowed the food processing and transport sectors; however, better late-crop yields in the second half of the year will improve the annual result. High-frequency data suggests a modest recovery began in the second half of the year, supported by the restoration of gas extraction facilities and increasing public sector demand for domestically-produced military goods. Rising real wages supported consumer demand overall, but rising inequality means that 20 percent of Ukrainians continue to perceive economic difficulties as a top challenge.

FIGURE 1 / Quarterly GDP growth, year-over-year



Sources: State Statistics Service and World Bank staff calculations.

FIGURE 2 / Real household income per adult equivalent in Ukrainian Hryvnia (UAH)



Source: 2023/24/25 L2UKR.

Note: Q1 refers to the poorest 20 percent of the income distribution and Q5 to the upper 20 percent.

Efforts to raise additional revenues, including an increase in the military tax rate on personal income at the end of 2024, boosted tax collections throughout 2025. By end-July, tax revenues were up 23 percent year-on-year, matched by expenditure growth, while a 40 percent rise in non-tax revenues suggests a moderately smaller fiscal deficit. External assistance has been disbursed reliably and is expected to fully cover financing needs and some frontloaded financing.

The current account deficit widened by over 50 percent year-on-year in the first half of 2025, reaching US\$19.1 billion, driven largely by a surge in trade deficit of US\$26 billion as imports of gas and military equipment rose. Suspension of EU trade preferences in June, reinstating pre-war tariffs and quotas for most goods, has started to weigh on exports. Official financing inflows cushioned the impact on reserves, which stood at US\$46.0 billion on September 1, equivalent to five months of imports.

Inflation accelerated in early 2025, peaking at 15.9 percent in May before easing to 14.1 percent, driven by food and labor costs. Households' cost-of-living concerns are persistent, with one third of households expecting a price spike in the next 30 days. The NBU kept monetary policy tight, raising the key policy rate to 15.5 percent in March and maintaining it steady since.

Economic changes have affected households unevenly, widening inequality, with poverty estimated to rise due to concentrated income losses among poorer households and in eastern regions. The Gini coefficient increased from 0.25 in 2021 to 0.42 in 2023 and 0.44 in 2024. Despite labor shortages, inefficiencies persist—causing job losses and barriers to labor-market activation

for vulnerable groups, with 13.9 percent of Ukrainians reporting job loss, mainly among the poor.

## Outlook

Ukraine's economic outlook hinges on the duration of hostilities, and the country's ability to maintain macroeconomic stability and secure sufficient donor support. The baseline scenario assumes that the war continues through 2026, with Ukraine implementing reforms for EU accession and securing adequate fiscal financing under a new IMF program. This would allow continued high levels of military expenditures in 2026 while containing inflation and supporting private sector development. Growth is estimated at 2 percent in 2025 and expected to stay at this level in 2026, with defense-related spending sustaining manufacturing. If hostilities subside in 2027 and reconstruction begins, growth could accelerate to 5 percent. Risks to this outlook are high, as a failure to mobilize fiscal resources or address labor shortages could trigger a contraction in 2026. Rising reliance on government transfers among poorer households—86 percent of bottom-quintile households relied on pensions or social assistance in 2025—and a growing share of vulnerable groups pose social sustainability risks.

Inflationary pressures are expected to ease slightly under a tight monetary policy but will remain above the central bank's 5 percent target well into 2027, due to labor shortages and post-war consumption. A high trade deficit will persist, reflecting high defense expenditure needs and eventual reconstruction imports, keeping the current account in deficit.

### Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	-28.8	5.5	2.9	2.0	2.0	5.0
Private consumption	-27.9	4.3	6.8	3.5	2.5	4.5
Government consumption	31.4	9.0	-4.3	0.4	3.1	-8.3
Gross fixed capital investment	-33.9	65.9	3.5	11.8	10.3	23.9
Exports, goods and services	-42.0	-5.9	10.3	5.0	5.0	7.0
Imports, goods and services	-17.4	8.9	7.7	8.9	8.0	8.5
<b>Real GDP growth, at constant factor prices</b>	-28.8	5.5	2.9	2.0	1.9	5.1
Agriculture	-25.2	11.1	-7.3	3.0	4.0	5.0
Industry	-42.7	32.8	3.9	2.5	2.0	8.0
Services	-24.7	-2.5	4.7	1.6	1.5	4.2
<b>Employment rate (% of working-age population, 15 years+)</b>	49.1	44.7	45.3	46.3	47.3	47.7
<b>Inflation (consumer price index)</b>	20.2	12.9	6.5	12.8	7.6	5.5
<b>Current account balance (% of GDP)</b>	5.1	-5.3	-7.2	-16.1	-13.0	-8.6
<b>Net foreign direct investment inflow (% of GDP)</b>	0.1	-2.6	-2.0	-1.0	-1.5	-3.9
<b>Fiscal balance (% of GDP)<sup>1</sup></b>	-15.6	-19.3	-17.2	-21.1	-18.0	-12.1
<b>Revenues (% of GDP)</b>	49.8	54.1	54.1	41.3	41.4	40.8
<b>Debt (% of GDP)</b>	77.8	78.3	87.4	108.6	111.4	106.2
<b>Primary balance (% of GDP)<sup>1</sup></b>	-12.5	-15.5	-13.2	-16.2	-14.2	-8.6
<b>GHG emissions growth (mtCO2e)</b>	-27.8	0.5	-3.0	-5.4	-1.6	-0.7

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Fiscal Balance and Primary Balance are excluding grants in 2022-2026.

# UZBEKISTAN

Economic growth is forecast at 6.2 percent in 2025, led by rising private consumption and foreign direct investment (FDI). Fiscal consolidation is set to continue via energy price reforms and lower state-owned enterprise (SOE) financing. Poverty is projected to fall from 20.7 percent in 2024 to 16.6 percent in 2025 (\$8.3/day, 2021PPP). The outlook remains positive, with ongoing reforms and private sector-driven growth and job creation.

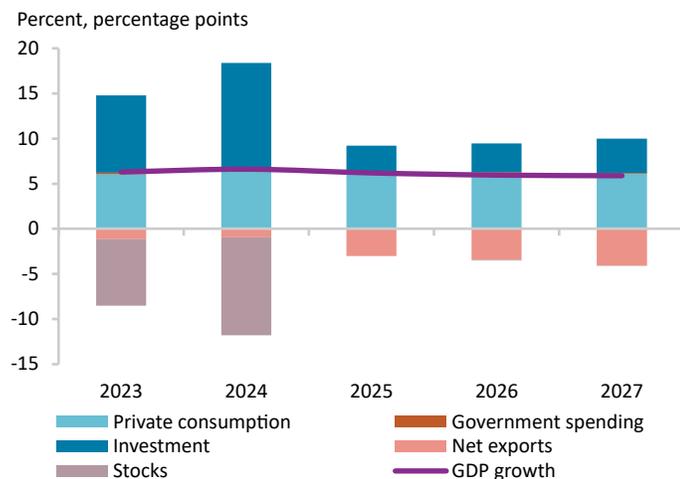
## Key conditions and challenges

Since 2017 Uzbekistan has strived to transform its economy by adopting a market-based system to ensure steady job creation for its growing population. GDP per capita grew at 3.7 percent per annum in 2017–24, surpassing the LMIC rate. Job creation has strengthened more recently: annual employment growth averaged 1.7 percent in 2022–24, exceeding the roughly 1 percent annual increase in the working age population. Sustaining job growth will require steadfast implementation of economic reforms. Key priorities are ensuring competitive neutrality for state-owned enterprises, liberalizing major economic sectors (e.g., telecom, financial, railways, chemicals, electricity, natural gas, trade in raw materials, cotton), achieving WTO membership, and boosting workforce skills, especially for youth and women.

## Recent developments

GDP grew by 7.2 percent in H1 2025, led by private consumption and net exports. In real terms household consumption growth accelerated to 9.5 percent in H1 thanks to wage and remittances

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



Source: World Bank staff calculations based on official data.

Population <sup>1</sup> million	36.4	Poverty <sup>2</sup> millions living on less than \$4.20/day	1.8
Life expectancy at birth <sup>3</sup> years	72.4	School enrollment <sup>4</sup> primary (% gross)	93.5
GDP <sup>5</sup> current US\$, billion	118.3	GDP per capita <sup>6</sup> current US\$	3254.3

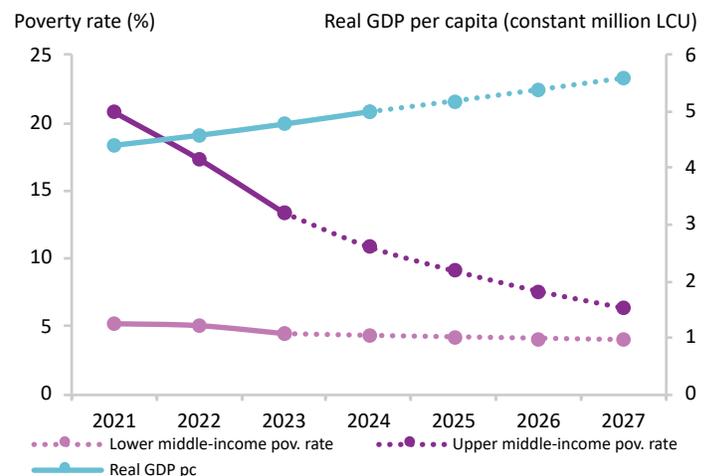
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

growth, while investment increased by 5.5 percent, driven by FDI growth. Investment growth was broad based (agriculture, transportation, storage, construction, including solar power plants, energy storage systems, and housing). Exports increased by 29.1 percent in H1 2025 (in US dollar terms) spurred by strong growth in gold, uranium, fruits, and services. Imports expanded by 7 percent in US dollar terms in H1 2025, led by food, metals, electric machinery and equipment and intermediate industrial goods.

The current account surplus was 6 percent of GDP in H1 2025 (compared to a deficit of 6.3 percent of GDP one year earlier); net remittance inflows were 11.2 percent of GDP (compared to 11.4 percent of GDP one year earlier), offsetting the trade deficit of 5.2 percent of GDP. Russia remained the primary source of remittances, while inflows from the EU, the US and the UK expanded rapidly. Between January and August 2025, the Uzbek sum appreciated by 3.5 percent against the US dollar due to the sharp increase in export revenues. International reserves reached US\$48.7 bn by end-July 2025 (and an increase of US\$11.3 bn yoy, mainly reflecting the sharp rise in global gold prices), representing 10 months of import cover.

On the fiscal side, budget revenue was 25.9 percent of GDP in H1 2025, while expenditure was 29.9 percent of GDP resulting in

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



Source: World Bank. Notes: See footnotes in table on the next page.

a preliminary budget deficit of 4 percent—lower than 5.1 percent in H1 2024. The budget deficit was reduced owing to both revenue increase (mainly from VAT) and expenditures cuts (mainly reduction in energy subsidies).

Inflation increased to 10.1 percent in February 2025 (y-o-y) stemming mainly from utilities and transport prices. In response, the CBU raised the policy rate by 50bps to 14 percent in March 2025. This helped slow inflation to 8.9 percent in July. During H1 2025, food inflation rose to 6.6 percent, while gas and electricity tariffs for households increased by 59 percent and 33 percent, respectively. To protect the poor from the energy tariff increases, a cash transfer of UZS 1 million (US\$81) per household will be distributed in November 2025 to low-income families, including those in the newly established poverty registry.

The banking sector remains adequately capitalized, with a capital adequacy ratio of 17.5 percent in July 2025, a slight improvement over a year earlier, and above the required 13 percent. Non-performing loans fell to 3.8 percent in July 2025 from 4.1 percent in July 2024.

Robust growth of real wages and labor household incomes contributed to reducing poverty to 20.7 percent in 2024 (applying the UMIC poverty line of US\$8.3/day).

## Outlook

Growth is projected to moderate to 6.2 percent in 2025 and to 6.0 percent in the medium term. Robust consumption—underpinned

by rising real wages and still elevated remittances (as more remittances now will come from the EU, the UK, and the US)—will support growth in 2025 and beyond. Imports are set to accelerate in 2025 and trend higher over the medium term. Supported by remittances, the current account deficit is projected to remain stable at 4.9 percent of GDP in 2025. Headline inflation is expected to decline to 8.9 percent in 2025 due to tight monetary policy, reduced fiscal deficit, and lower transportation costs, and gradually approach the inflation target of 5 percent by 2027.

The overall fiscal deficit is expected to decrease slightly to 3 percent of GDP in 2025 due to rapid GDP growth and fiscal consolidation measures, notably lower energy subsidies and reduced on-lending to SOEs. Fiscal consolidation is expected to continue in the medium term, keeping the budget deficit at around 3.0 percent of GDP, buoyed by reductions in tax expenditures and increased privatization revenues. Public debt is projected to stay at about 33 percent of GDP in 2025–27.

Higher remittances and real growth in private consumption are expected to lead to further poverty reduction, with the UMIC poverty rate projected to decrease to 16.6 percent in 2025 and to continue to decrease thereafter.

Downside risks to this outlook include a further deterioration in Russia and China economic performances (Uzbekistan's main trading partners), tighter-than-expected global financial conditions, global trade policy changes, and elevated uncertainty as geopolitical tensions persist. Upside risks include higher global gold prices, stronger domestic productivity growth, and greater FDI inflows from the ongoing structural reforms.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	6.0	6.3	6.6	6.2	6.0	5.9
Private consumption	11.5	7.0	7.5	7.1	7.0	6.8
Government consumption	3.5	1.4	1.1	1.2	1.1	1.1
Gross fixed capital investment	-0.3	23.4	27.6	5.6	6.2	7.5
Exports, goods and services	24.6	17.3	-5.9	11.6	11.2	10.9
Imports, goods and services	13.5	15.3	-1.5	16.8	16.6	16.8
<b>Real GDP growth, at constant factor prices</b>	6.0	6.3	6.6	6.2	6.0	5.9
Agriculture	3.6	4.1	3.1	4.0	3.9	4.0
Industry	5.6	6.2	7.3	6.8	6.6	6.6
Services	7.5	7.5	8.0	6.9	6.6	6.4
<b>Employment rate (% of working-age population, 15 years+)</b>	53.6	53.5	53.3	53.3	53.3	53.3
<b>Inflation (consumer price index)</b>	11.4	10.0	9.6	8.9	7.4	5.9
<b>Current account balance (% of GDP)</b>	-3.5	-7.6	-5.0	-4.9	-4.6	-4.5
<b>Net foreign direct investment inflow (% of GDP)</b>	3.2	2.4	2.4	2.5	2.5	2.7
<b>Fiscal balance (% of GDP)</b>	-3.5	-4.9	-3.2	-3.0	-3.0	-3.0
<b>Revenues (% of GDP)</b>	27.7	25.9	25.5	25.3	25.5	25.6
<b>Debt (% of GDP)</b>	24.6	27.4	32.9	33.2	33.2	32.9
<b>Primary balance (% of GDP)<sup>1</sup></b>	-3.1	-4.2	-2.1	-2.0	-1.9	-1.8
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>2</sup></b>	8.3	7.3	5.1	4.0	3.2	2.5
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>2</sup></b>	32.4	24.6	20.7	16.6	13.5	10.9
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-4.0	3.3	4.4	4.2	4.1	4.1

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Primary balance excludes interest received.

2/ Projection using annualized elasticity (2022-2024) with pass-through = 1 based on GDP per capita in constant LCU.



Argentina  
Bahamas, The  
Barbados  
Belize  
Bolivia  
Brazil  
Chile  
Colombia  
Costa Rica  
Dominica  
Dominican Republic  
Ecuador  
El Salvador  
Grenada  
Guatemala

Guyana  
Haiti  
Honduras  
Jamaica  
Mexico  
Nicaragua  
Panama  
Paraguay  
Peru  
Saint Lucia  
Saint Vincent and the Grenadines  
Suriname  
Trinidad and Tobago  
Uruguay

# Latin America and the Caribbean

# ARGENTINA

The stabilization program eliminated the fiscal deficit, reduced inflation, and improved sovereign risk. Higher reserves allowed exchange rate flexibilization. Real GDP is projected to grow 4.6 percent in 2025. Poverty has fallen, though progress may stall amid weak labor markets and subdued demand. The political cycle presents considerable risks to the economic outlook.

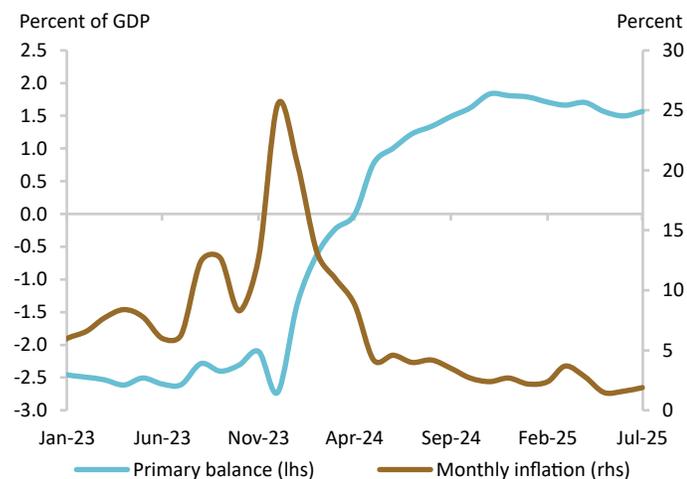
## Key conditions and challenges

Argentina's ongoing efforts to address structural macroeconomic challenges provide a favorable backdrop for sustainable growth. Abundant natural resources, skilled human capital, and comparative advantages in agroindustry and services remain key assets for long-term growth. However, decades of abrupt policy shifts and recurrent macroeconomic crises—driven by fiscal dominance, monetary financing of deficits, and rigid regulatory frameworks—have tempered resilience, constrained investment, and undermined confidence.

The authorities have advanced an ambitious stabilization program anchored in strict fiscal discipline, the phased removal of exchange and capital controls, and the dismantling of ineffective regulations. Complemented by unilateral trade liberalization and the “Large Investment Incentive Regime”, these reforms aim to unlock private investment and stimulate job creation.

Sustained inclusive growth hinges on stronger fiscal and external buffers, higher productivity, faster infrastructure investment, and revitalized human capital—critical drivers to boost resilience and unlock lasting investment opportunities.

**FIGURE 1 /** Central government primary balance and monthly CPI inflation



Sources: National Institute of Statistics and Censuses (INDEC), and Ministry of Economy.

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$8.30/day
45.7	6.9
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
77.4	108.7
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
638.9	13980.4

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2024. 6/ 2024.

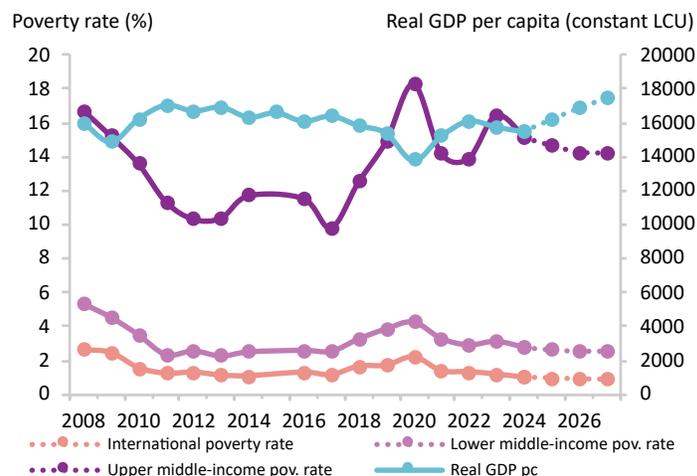
Balancing structural reforms with the need to protect vulnerable groups remains a central challenge. While Argentina's poverty rate of 15.2 percent in 2024 (using the \$8.30/day 2021 PPP poverty line) is lower than that of regional peers, a significant share of the population remains at risk of falling into poverty, earning above the poverty line but below middle-class levels.

## Recent developments

The economy is recovering after a 1.3 percent GDP contraction in 2024. Real GDP grew by 5.6 percent (year-on-year) in Q1 2025, although momentum appears to have stalled in Q3. Inflation (month-on-month) slowed sharply from 25 percent in December 2023 to 1.9 percent by August 2025, while the sovereign risk premium dropped from 2,000 basis points (bps) to around 1,100 bps by September 2025. On the fiscal side, the government recorded a primary surplus of 0.9 percent of GDP in H1 2025.

The social impact of the economic stabilization program, initially severe, has reversed rapidly. Poverty fell from 16.4 percent in 2023

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



Source: World Bank. Notes: See footnotes in table on the next page.

to 15.2 percent in 2024 (\$8.30/day 2021 PPP poverty line) and reached the lowest child poverty rate since 2018. Social protection programs helped cushion vulnerable households. However, labor market conditions have recently weakened: unemployment rose by 1.5 percentage points in Q1 2025 to 7.9 percent, the highest level since 2021.

Expectations of an exchange regime shift in Q1 2025 led to financial volatility, reduction in reserves, and a widening exchange rate gap. External pressures, exacerbated by an overvalued peso, contributed to a larger-than-expected current account deficit of over US\$5 bn (0.9 percent of GDP) in Q1. To boost external sustainability, the government launched a new exchange rate and monetary policy regime in April, supported by a new International Monetary Fund (IMF) program. The new crawling band system effectively closed the foreign exchange (FX) gap, ameliorated market volatility, and contained inflationary pressures. However, the transition from a broad monetary base ceiling to a monetary aggregates framework caused liquidity disruptions, leading to volatility in short-term interest rates and FX expectations, and resulting in substantially higher real interest rates. External vulnerabilities persist, with net international reserves still negative and sovereign spread elevated, limiting market access and refinancing capacity.

The official exchange rate depreciated by approximately 23 percent between mid-June and early September, approaching the upper limit of the FX band. While this heightened short-term uncertainty, it partially reversed the real appreciation accumulated since late 2023. By early September, the multilateral real exchange rate index had returned to April-2024 levels, enhancing external competitiveness.

## Outlook

Real GDP is projected to grow by 4.6 percent in 2025, driven by a large statistical carry-over, increased domestic demand and investment in energy, agriculture, and mining. Inflation is expected to continue declining gradually, reaching single digits by 2027, assuming the continuation of tight fiscal and monetary policies. Poverty is expected to improve in 2025, with continued social safety net coverage but modest real wage gains.

The primary fiscal surplus is projected at 1.6 percent of GDP in 2025 and is expected to rise to 2.5 percent by 2027, supporting an overall fiscal balance. Public debt is expected to decline from 78 percent of GDP in 2025 to 68 percent by 2027. Significant progress in reducing the exchange rate premium and anchoring expectations has set the stage for rebuilding international reserves, bolstering investor confidence. Nonetheless, external buffers remain weak and contingent on sustained capital inflows, export performance and the extent to which external policies enable reserve accumulation.

The outlook remains subject to significant downside risks. Domestically, the political cycle heightens the risk of currency pressures in the second half of 2025 and delays in FX accumulation, along with slower-than-expected disinflation. Moreover, a prolonged tight monetary stance, together with persistently high real interest rates, would constrain growth. Externally, challenges include lower commodity prices, tighter global financial conditions, and adverse climate events. A credible macroeconomic policy mix, anchored in fiscal prudence and exchange rate flexibility, remains essential to mitigate these vulnerabilities.

### Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	6.0	-1.9	-1.3	4.6	4.0	4.0
Private consumption	9.5	1.0	-2.9	7.5	2.4	2.5
Government consumption	2.8	2.1	-3.8	1.9	4.7	1.0
Gross fixed capital investment	10.5	-2.0	-17.2	21.4	10.6	8.3
Exports, goods and services	4.6	-9.5	19.8	7.4	4.7	4.8
Imports, goods and services	17.5	1.9	-10.2	29.5	4.1	3.1
<b>Real GDP growth, at constant factor prices</b>	5.0	-1.5	-1.4	4.6	4.0	4.0
Agriculture	-4.1	-23.4	30.8	4.4	3.0	2.6
Industry	5.7	-0.2	-7.0	6.5	4.0	4.1
Services	6.0	0.8	-2.1	3.7	4.2	4.1
<b>Employment rate (% of working-age population, 15 years+)</b>	57.3	58.5	57.3	58.4	59.0	59.5
<b>Inflation (private consumption deflator)</b>	71.4	129.1	217.6	40.7	14.5	8.5
<b>Current account balance (% of GDP)</b>	-0.6	-3.2	0.9	-1.7	-1.4	-1.1
<b>Net foreign direct investment inflow (% of GDP)</b>	2.1	3.3	1.4	1.1	1.7	1.6
<b>Fiscal balance (% of GDP)<sup>1</sup></b>	-4.7	-4.6	0.4	1.0	1.2	1.7
<b>Revenues (% of GDP)</b>	34.2	33.8	33.3	33.3	33.9	34.2
<b>Debt (% of GDP)<sup>1</sup></b>	92.2	170.0	88.5	78.6	75.2	67.2
<b>Primary balance (% of GDP)<sup>1</sup></b>	-2.7	-2.7	2.1	2.3	3.6	3.7
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>2,3</sup></b>	1.3	1.2	1.0	0.9	0.9	0.9
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>2,3</sup></b>	2.9	3.1	2.8	2.6	2.5	2.5
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>2,3</sup></b>	13.9	16.4	15.2	14.7	14.5	14.3
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	5.3	-2.2	-2.0	2.4	1.9	2.3

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Fiscal data refer to the general government.

2/ Calculations based on SEDLAC harmonization, using 2024-EPHC-S2. Actual data: 2024. Forecasts are from 2025 to 2027.

3/ Projections using microsimulation methodology.

# THE BAHAMAS

The Bahamas' economy, heavily reliant on tourism, has rebounded post-pandemic but faces constraints from its small size, limited diversification, high public debt, and vulnerability to external shocks. Growth is moderating, with fiscal consolidation and declining debt. Social disparities and skill shortages persist. Continued efforts are needed for inclusive, sustainable growth amid risks from global policy uncertainty and natural disasters.

## Key conditions and challenges

The economy of the Bahamas, a small island state, depends heavily on tourism from the United States, Canada, and the United Kingdom. While economic activity has rebounded to pre-pandemic levels, the country's growth prospects remain limited by its small size, narrow production base, and high reliance on imports. Other constraints include capacity bottlenecks in hotel infrastructure, vulnerability to extreme weather events and external shocks, skill shortages, and restricted fiscal space. Elevated public debt and significant gross financing needs further challenge fiscal stability. Since 1973, the Central Bank has maintained a strict 1:1 currency peg between the Bahamian dollar and the U.S. dollar, which provides monetary stability but restricts policy flexibility.

Despite developmental achievements, persistent economic and social disparities highlight the need for continued efforts to promote inclusive and sustainable growth. In 2013—the most recent data available—the poverty rate measured against the national poverty line was 12.8 percent, with markedly higher poverty among households with children. In 2022, the cost of a healthy diet in The Bahamas exceeded the

Population <sup>1</sup> million	Poverty
0.4	..
Life expectancy at birth <sup>2</sup> years	School enrollment <sup>3</sup> primary (% gross)
74.6	77.9
GDP <sup>4</sup> current US\$, billion	GDP per capita <sup>5</sup> current US\$
15.8	39455.2

Sources: WDI, MFMod, and official data. 1/ 2024. 2/ 2023. 3/ 2023. 4/ 2024. 5/ 2024.

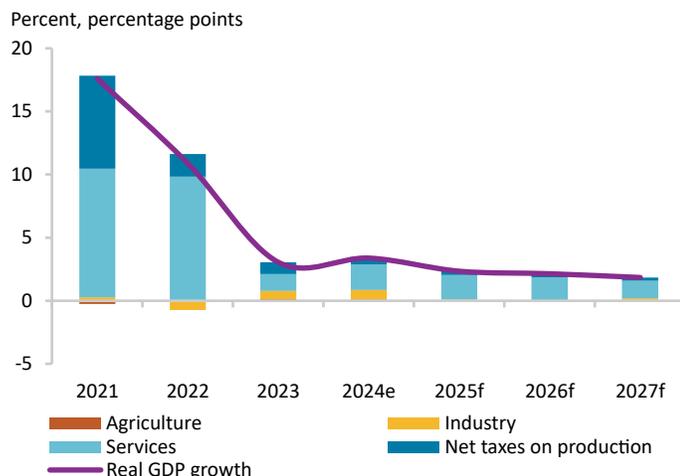
Latin American average, though food insecurity remains relatively low. Inequality is a persistent challenge: the Gini coefficient stood at 41.1, surpassing the international threshold for high inequality. In 2023, The Bahamas ranked 66th on the Human Development Index with a score of 0.82. However, after adjusting for inequality, its ranking fell by nine places due to significant gaps in income and life expectancy.

## Recent developments

The Bahamian economy has continued its growth trajectory in 2024, though at a more moderate pace compared to the post-pandemic rebound. Real GDP grew by an estimated 3.4 percent in 2024, primarily driven by the continued recovery in the tourism sector. Travel receipts increased by 16.5 percent in 2024 reflecting sustained demand for the country's tourism offerings. The economy continued to expand during the first half of 2025, albeit at a somewhat slower pace.

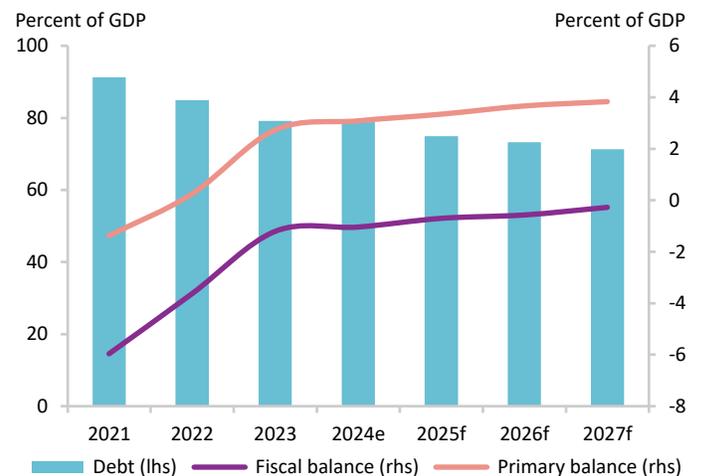
Labor force participation returned to pre-pandemic levels, and the unemployment rate continued its downward trend, reaching 9.4 percent in 2024. Ongoing national apprenticeship programs could

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



Source: Bahamas National Statistical Institute.

FIGURE 2 / Fiscal balance and public debt



Source: World Bank staff calculations.

further improve skill-matching and boost employment, provided they are supported by sufficient labor demand.

Fiscal adjustment was supported by better tax administration and improved VAT compliance, and a cyclical rebound in revenue. Revenue and grants increased to 21.0 percent of GDP in FY 2024/25. Total expenditure was 22.1 percent of GDP in 2024/25. Its levels were higher during these two years because of implementation of major infrastructure projects, including hospital developments in Grand Bahama and New Providence, roadworks across the Family Islands, and upgrades to educational facilities. The government achieved a primary surplus of 3.1 percent of GDP in 2024/25. The overall deficit contracted to 1.0 percent of GDP in 2024. Public debt decreased to 78.8 percent of GDP in 2024/25, reflecting fiscal consolidation.

The current account deficit narrowed to 6.7 percent of GDP in 2024, financed primarily through government external borrowing and foreign direct investments. Gross international reserves stood at 4.2 months of imports at the end of 2024.

Inflation moderated significantly, with the annual average consumer price index inflation at 0.4 percent in 2024 and at -0.4 percent in the year ending in April 2025. The decline in inflation compared to previous years was driven by lower food and beverage, gasoline, and diesel prices. The government's efforts to strengthen resilience to natural disasters in food supply chains,

through enhanced local production and innovation in agriculture, could further reduce economic risks for the poor.

## Outlook

GDP growth is expected to reach 2.3 percent in 2025 and moderate over the medium term, aligning with the long-term potential growth rate of about 1.8 percent. The economy will continue to rely on strong tourism activity, particularly cruise ship arrivals and related investment projects as key drivers of growth during this period. Inflation is expected to converge toward 1.9 percent. Fiscal consolidation is set to continue, with the overall fiscal balance improving from an expected -0.7 percent of GDP in 2025 to -0.3 percent by 2027. The primary surplus is expected to remain robust, above 3.4 percent of GDP, supported by ongoing tax reforms, normalization of capital spending, and further containment of current expenditures. The debt-to-GDP ratio should fall to 71.3 percent by 2027. The current account deficit is projected to widen in 2025 and decline gradually thereafter, financed by borrowing and investment. Labor market outcomes are expected to strengthen moderately.

Risks to the outlook include potential global economic and financial shocks and extreme weather events. Geopolitical conflicts could impact global commodity prices, raise inflation, and disrupt food supply chains.

### Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	10.9	3.0	3.4	2.3	2.1	1.8
Private consumption	2.2	9.1	3.2	1.5	2.0	2.0
Government consumption	-5.3	7.2	0.9	1.2	1.9	1.9
Gross fixed capital investment	4.9	6.6	20.7	0.9	1.8	1.8
Exports, goods and services	42.7	5.0	6.2	-1.0	2.5	2.0
Imports, goods and services	-0.9	15.2	12.7	3.6	2.1	2.1
<b>Real GDP growth, at constant factor prices</b>	10.4	2.4	3.3	2.3	2.1	1.8
Agriculture	-0.4	33.3	21.0	-1.0	0.0	0.5
Industry	-9.1	9.7	10.4	1.1	0.5	2.5
Services	12.5	1.7	2.6	2.5	2.3	1.8
<b>Employment rate (% of working-age population, 15 years+)</b>	65.4	65.9	65.9	65.8	65.8	65.7
<b>Inflation (consumer price index)</b>	5.6	3.1	0.4	0.9	1.4	1.9
<b>Current account balance (% of GDP)</b>	-7.6	-6.0	-6.7	-7.1	-6.8	-6.8
<b>Net foreign direct investment inflow (% of GDP)</b>	2.3	2.4	3.0	3.0	3.1	3.0
<b>Fiscal balance (% of GDP)<sup>1</sup></b>	-3.6	-1.2	-1.0	-0.7	-0.6	-0.3
<b>Revenues (% of GDP)</b>	19.3	19.8	21.0	21.6	22.5	22.7
<b>Debt (% of GDP)<sup>1</sup></b>	84.9	79.2	78.8	74.9	73.3	71.3
<b>Primary balance (% of GDP)<sup>1</sup></b>	0.2	2.7	3.1	3.4	3.7	3.8
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	3.5	3.5	1.4	1.2	1.5	1.8

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

<sup>1/</sup> Fiscal balances are reported in fiscal years (July 1st -June 30th).

# BARBADOS

Barbados faces high public debt and vulnerability to external shocks. The Barbados Economic Reform and Transformation (BERT) 2022 plan targets debt reduction and economic diversification. Recent growth, driven by tourism and construction, has helped reduce unemployment and poverty. Medium-term prospects include moderate growth, stable inflation, and ongoing fiscal consolidation, though risks from global shocks and natural disasters remain.

## Key conditions and challenges

Barbados faces several challenges as a small island nation. Its economy depends heavily on tourism and imports, making it vulnerable to natural disasters and external financial shocks. The country experienced hurricanes in 2021 and 2024, after going more than sixty years without such events. Barbados also struggles with high public debt, which, although declining, results in significant debt service costs and limits fiscal flexibility. To address these issues, the government is implementing the BERT 2022 plan that aims to reduce public debt to around 60 percent of GDP by 2035/36. The plan also focuses on promoting green energy, diversifying the economy, improving competitiveness, investing in education and health, providing affordable housing, and strengthening social safety nets.

In 2016/17, 15.8 percent of Barbadians lived below the international upper middle-income poverty line of \$8.30 per day (2021 PPP). While the Gini was relatively low, at 34.1, differences between population groups persisted: poverty rates were higher among women, girls, and those living in female-headed or larger households. By 2022, approximately 6,500 households—6 percent of the

Population <sup>1</sup> thousand	Poverty <sup>2</sup> thousands living on less than \$8.30/day
282.5	44.1
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
76.2	93.4
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
7.2	25378.2

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2016 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

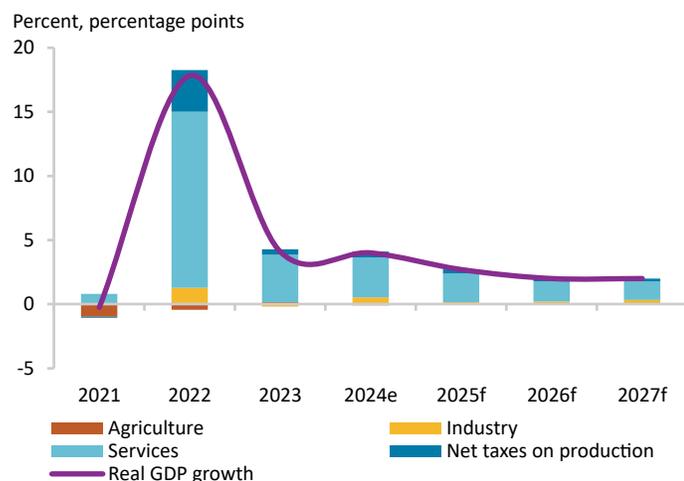
total—received support from the National Assistance Program (NAP), Barbados' flagship social assistance program. Meanwhile, the National Insurance Scheme (NIS), which provides social insurance, faces long-term sustainability challenges due to rising old-age pension costs driven by an aging population.

## Recent developments

Barbados's economy continued to show resilience through 2024 and into 2025, with real GDP growth at 4.0 percent in 2024, driven by robust activity in tourism, construction, and business services. Long-stay tourist arrivals surged by 11 percent, supported by expanded airline capacity and major events such as the International Cricket Council's Men's T20 World Cup, while cruise passenger arrivals and hotel earnings also saw significant gains. This momentum continues to support growth in 2025, albeit at a more moderate pace.

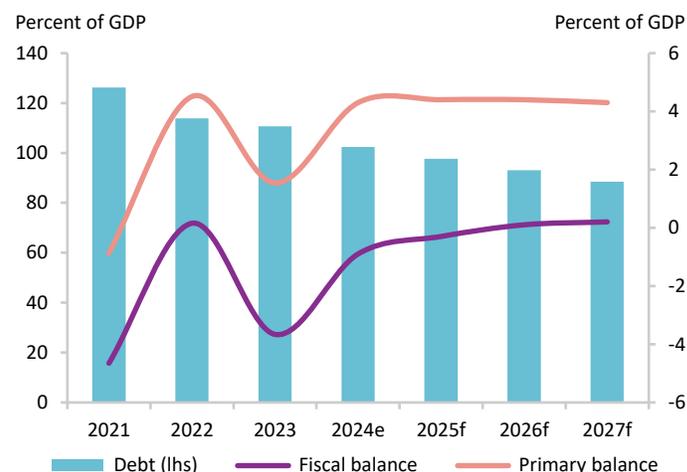
The construction sector expanded by 7 percent in 2024, propelled by hotel developments and public infrastructure projects, and continues contributing to growth in 2025. Business and other services grew by 4.6 percent, with credit to the non-financial private sector

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



Source: World Bank staff calculations.

FIGURE 2 / Fiscal balance and public debt



Source: World Bank staff calculations.

rising by about 5 percent, led by real estate and professional services—trends anticipated to persist into the coming year.

Inflation moderated to an average of 1.4 percent in 2024, reflecting lower global commodity prices and receding domestic inflation, and further eased to 0.9 percent by early 2025.

Fiscal performance remained strong, with a primary surplus of 4.3 percent of GDP in FY2024/25, supported by higher corporate income tax rate, early realization of profits by some companies to avoid the higher rate, receipts and new reporting standards for insurance companies that rendered some assets no longer deductible for tax purposes. Public debt fell to 102.4 percent of GDP in 2024. The current account deficit narrowed to 4.5 percent of GDP in 2024. Gross international reserves cover over seven months of imports.

Labor market conditions improved, as unemployment dropped to 7.1 percent in Q3 2024 compared to 8.3 percent in Q3 2023. Employment gains were strongest in manufacturing and education. In June 2025 the government increased minimum wage by 23.5 percent, potentially boosting earnings for wage-employed individuals at the bottom of the earnings distribution. With robust growth and contained inflation, poverty has likely decreased in the last five years. The share of Barbadians living on less than \$8.30 2021 PPP per day is estimated to have dropped from 16.1 percent in 2022 to 13.0 percent in 2025.

## Outlook

Barbados's economic growth is projected to moderate, with real GDP growth expected at 2.7 percent in 2025 and 2.0 percent annually in medium term. Tourism will remain the main growth driver, supported by government investments in renewable energy, sustainable tourism, and disaster preparedness. Inflation is expected to pick up to 2.6 percent in 2025, driven by rising non-fuel import costs and some domestic agricultural products, but then stabilize at 2.4 percent in 2026 and 2027, reflecting easing global commodity prices and lower domestic service costs. Slower growth may temper poverty reduction: the share of Barbadians living on less than \$8.30 2021 PPP per day is projected to decline slightly from 13.0 percent in 2025 to 12.2 percent in 2027.

Fiscal consolidation will continue, with the government targeting improved revenues through tax reforms and stronger fiscal institutions. The fiscal balance is projected to move from a slight deficit (-0.3 percent of GDP in 2025) to a small surplus (0.2 percent in 2027), while the primary surplus remains above 4 percent of GDP. The current account deficit is forecast to widen to 6.4 percent of GDP in 2025 as current transfers normalize but then narrow to 5.4 percent by 2027, and public debt is expected to decline to less than 90 percent of GDP in the medium term.

### Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	17.8	4.1	4.0	2.7	2.0	2.0
<b>Real GDP growth, at constant factor prices</b>	16.3	4.2	4.0	2.7	2.0	2.0
Agriculture	-18.0	9.4	-5.4	-1.0	0.0	0.5
Industry	8.5	-1.3	4.0	1.1	1.5	2.5
Services	19.0	5.1	4.2	3.1	2.1	1.9
<b>Employment rate (% of working-age population, 15 years+)</b>	58.0	58.4	58.2	58.3	58.3	58.3
<b>Inflation (consumer price index)</b>	4.9	5.0	1.4	2.6	2.4	2.4
<b>Current account balance (% of GDP)</b>	-9.4	-8.6	-4.5	-6.4	-5.6	-5.4
<b>Fiscal balance (% of GDP)</b>	0.2	-3.7	-0.9	-0.3	0.1	0.2
<b>Revenues (% of GDP)</b>	26.8	25.1	28.9	27.0	27.2	27.2
<b>Debt (% of GDP)</b>	113.8	110.7	102.4	97.6	93.1	88.5
<b>Primary balance (% of GDP)</b>	4.5	1.5	4.3	4.4	4.4	4.3
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	1.7	1.6	1.5	1.5	1.5	1.5
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	3.2	3.0	3.0	2.8	2.8	2.8
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	16.1	14.8	13.7	13.0	12.6	12.2
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	1.8	1.7	0.9	0.7	0.9	0.9

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on CONLAC harmonization, using 2016-BSLC. Actual data: 2016. Nowcast: 2017-2025. Forecasts are from 2026 to 2027.

2/ Projection using neutral distribution (2016) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

# BELIZE

Belize's economy depends on tourism, agriculture, and remittances, with the US as its key partner. Despite recent fiscal gains and modest poverty reduction, challenges remain, including energy price vulnerability, natural disaster risks, limited credit access, and high informality. After rebounding in 2024, economic growth is expected to slow, with moderating inflation and gradual public debt reduction projected in the medium term.

## Key conditions and challenges

Belize is an upper middle-income country whose economy depends heavily on tourism, agriculture, and remittances. The United States is central to Belize's economic health, serving as the main source of tourists and remittances, the leading destination for exports, and a key investor. As a net importer of oil and gas, Belize is sensitive to energy price fluctuations, and its exchange rate is pegged to the US dollar. The country is also exposed to significant risks from natural disasters. In recent years, Belize has made progress in stabilizing its economy by strengthening fiscal discipline and reducing public debt through debt restructuring and a blue bond issuance. However, Belize continues to face challenges in its business environment, including limited access to credit, inadequate infrastructure, skill shortages, and high crime rates.

Since the peak of the pandemic, poverty rates in Belize have declined. In 2024, 17 percent of the population lived on less than US\$8.30 a day (2021 PPP), the upper-middle income country poverty line, while the Statistical Institute of Belize reported that 22 percent were multidimensionally poor. Multidimensional poverty is higher in rural areas (31 percent) than urban areas (10 percent),

Population <sup>1</sup> thousand	Poverty <sup>2</sup> thousands living on less than \$8.30/day
417.1	75.0
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
73.6	97.0
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
3.3	7792.5

Sources: WDI, MFMod, and official data. 1/ 2024. 2/ 2018 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

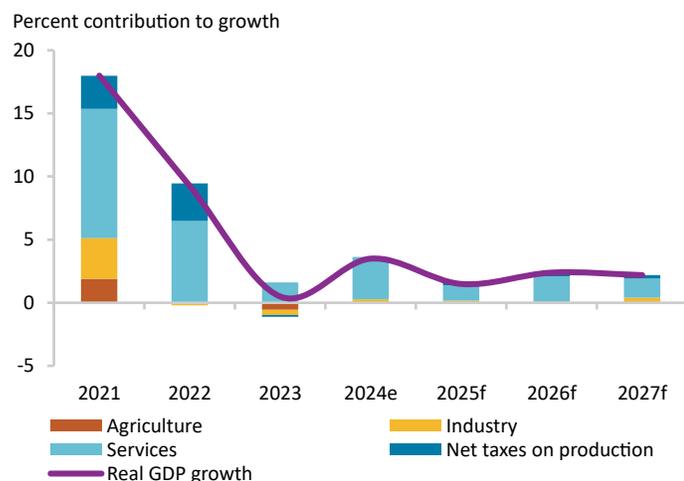
with the Toledo district most affected (68 percent). Poverty is especially pronounced among children, households with children, Belizeans of Maya descent, large households, and those with an uneducated head. Labor market outcomes for women and youth remain weak; women make up only about two-fifths of the labor force. Informal employment is widespread, with nearly 38 percent of workers in informal jobs, particularly in wholesale and retail trade and agriculture.

## Recent developments

Belize's economy rebounded in 2024, with real GDP growth reaching 3.5 percent, driven by surging tourism, trade, and transport. Growth has been moderating in the first half of 2025, as stayover visitor arrivals slow and agricultural output is hampered by adverse weather and disease. Inflation decelerated to 3.3 percent in 2024 and further to 0.8 percent for the year ending in August 2025, supported by easing pressures from major trading partners and oil prices.

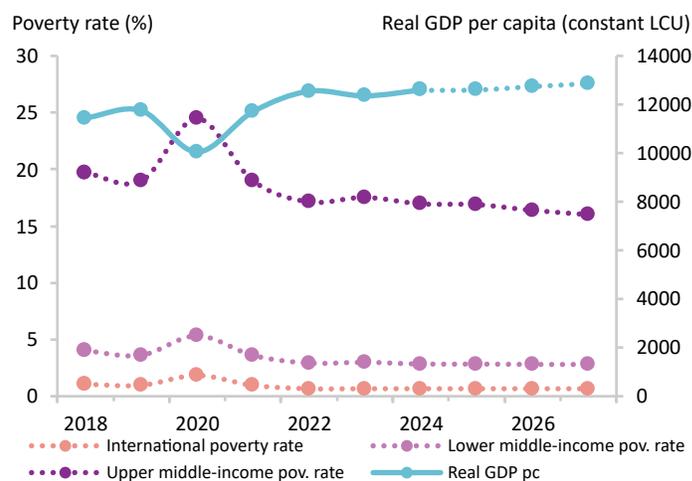
The external sector reflected these shifts: the current account deficit was modest at 1.6 percent of GDP in 2024, albeit somewhat

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



Source: World Bank staff calculations.

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



Source: World Bank. Notes: See footnotes in table on the next page.

higher than in the previous year, and has remained stable in 2025. Belize's monetary policy remains focused on stability, with the exchange rate pegged to the US dollar and international reserves covering four months of imports.

Fiscal performance improved in FY 2024/25, as the primary surplus rose to 1.6 percent of GDP, underpinned by strong revenue growth and prudent wage bill management. The overall balance was -0.3 percent of GDP in 2024 and is expected to be -1.2 percent of GDP in 2025. Public debt fell to 68.1 percent of GDP by end-2024, aided by continued fiscal consolidation.

The financial sector saw reduced risks in 2024, with banks accumulating additional capital and nonperforming loans decreasing. Nevertheless, recent signs of moderating growth have coincided with heightened attention to financial stability risks, highlighting the importance of continued vigilance and efforts to enhance private sector access to finance.

Reflecting Belize's recent economic momentum, labor market conditions have been improving in 2025, with labor force participation rising to 59.1 percent in April, up from 57.4 percent a year earlier, and unemployment falling to 2.1 percent. Employment gains were notable in real estate and business activities, services, and manufacturing, while government, agriculture, tourism, and construction saw declines. Despite these improvements, female and youth participation rates remain low

(46.9 and 42.1 percent, respectively). In parallel, public health-care access expanded with the nationwide rollout of the National Health Insurance program and the launch of the Belize Health Sector Strategic Plan, aiming to address persistent health system challenges.

## Outlook

GDP growth is projected at 1.5 percent in 2025 in the absence of major expansions in hotel and flight capacity. In the medium term, growth is expected to rise above 2 percent, supported by a pickup in tourist arrivals. Inflation is expected to stay below 2 percent in the medium term as external price pressures ease. The overall fiscal deficit is forecast to increase, averaging about 1.5 percent of GDP, due to slower nominal growth and higher salary spending. Primary balance will remain positive, and public debt will gradually decrease, falling to 59.1 percent of GDP by 2027. The current account deficit is projected to narrow from 1.5 percent of GDP in 2025 to 1.3 percent in 2027, supported by lower oil prices. Continued economic growth is projected to support a modest reduction in poverty, to 16 percent by 2027.

Risks to the outlook remain tilted to the downside, including global policy uncertainty, higher interest rates, and natural disasters, though large infrastructure projects could boost growth if implemented.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	9.3	0.5	3.5	1.5	2.4	2.2
Private consumption	10.4	1.5	2.8	0.3	2.9	1.6
Government consumption	6.6	2.9	2.5	0.7	3.4	2.6
Gross fixed capital investment	14.6	5.4	-1.2	1.3	5.3	0.8
Exports, goods and services	14.3	10.9	-1.3	-2.9	0.5	3.4
Imports, goods and services	10.3	-2.4	5.0	0.8	2.7	2.0
<b>Real GDP growth, at constant factor prices</b>	7.1	0.8	4.2	1.5	2.4	2.2
Agriculture	0.1	-6.2	-0.1	-1.0	0.0	0.5
Industry	-1.2	-2.5	1.7	1.1	0.5	2.5
Services	10.7	2.6	5.3	1.9	3.1	2.3
<b>Employment rate (% of working-age population, 15 years+)</b>	56.5	57.0	57.7	57.7	57.7	57.7
<b>Inflation (consumer price index)</b>	6.3	4.4	3.3	1.4	1.9	1.3
<b>Current account balance (% of GDP)</b>	-8.2	-0.6	-1.6	-1.5	-1.4	-1.3
<b>Net foreign direct investment inflow (% of GDP)</b>	4.6	0.5	-2.5	-2.5	-2.4	-2.3
<b>Fiscal balance (% of GDP)<sup>1</sup></b>	-0.7	-1.2	-0.3	-1.2	-1.5	-1.8
<b>Revenues (% of GDP)</b>	22.5	23.5	24.0	24.7	25.0	24.0
<b>Debt (% of GDP)<sup>1</sup></b>	71.0	71.8	68.1	60.4	59.3	59.1
<b>Primary balance (% of GDP)<sup>1</sup></b>	1.1	1.0	1.6	1.1	0.8	0.5
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>2,3</sup></b>	0.6	0.6	0.6	0.6	0.6	0.6
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>2,3</sup></b>	2.9	3.0	2.8	2.8	2.8	2.8
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>2,3</sup></b>	17.1	17.5	17.0	16.9	16.4	16.0
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-0.6	-0.2	0.2	0.3	0.0	-0.1

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Fiscal balances are reported in fiscal years (April 1st -March 31st).

2/ Projection using neutral distribution (2018) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

3/ Calculations based on CONLAC harmonization, using 2018-HBS. Actual data: 2018. Nowcast: 2019-2024. Forecasts are from 2025 to 2027.

# BOLIVIA

Real GDP is projected to contract by 0.5 percent, with annual inflation reaching 30 percent in 2025. The incoming government faces the urgent task of addressing persistently high fiscal deficits, low growth, high inflation, and the parallel exchange rate gap. A credible plan to tackle widening imbalances, rebuild fiscal buffers, and reignite growth is critical to stabilize the economy and reduce poverty.

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$8.30/day
12.4	2.0
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
68.6	98.9
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
46.6	3756.2

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2023 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

## Key conditions and challenges

Bolivia's macroeconomic imbalances have continued to accumulate since the 2014 commodity price collapse. Government spending—particularly on fuel subsidies—remained elevated despite a sustained decline in hydrocarbon revenues, leading to persistently high fiscal deficits, falling international reserves, rising inflation and the loss of access to international capital markets. These imbalances, together with a weak business environment, have constrained private-sector activity. Moreover, underinvestment in the gas sector has led to a secular decline in production in the context of a limited export base. Progress in poverty reduction slowed, and depleted buffers leave the country increasingly vulnerable to external and climate-related shocks.

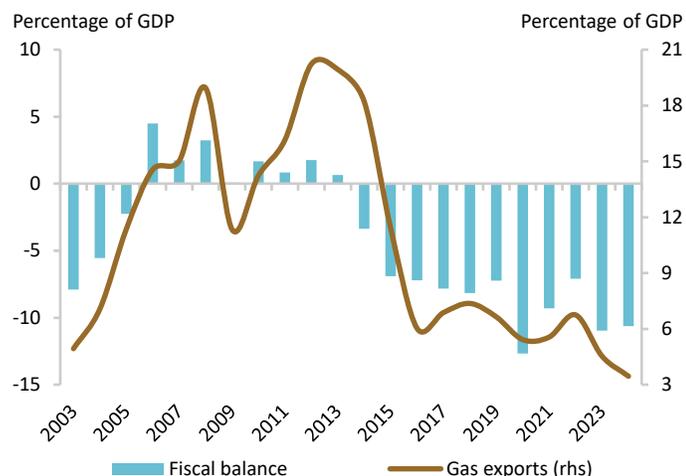
Low job quality is a structural issue in Bolivia, hindering economic growth and poverty reduction. The ongoing demographic transition also requires the creation of more jobs. Current social assistance programs do not effectively reach and support the poor and vulnerable and their categorical design limits their ability to respond swiftly to shocks. Bolivia lags behind the region in key development indicators, including maternal and infant mortality.

## Recent developments

Real GDP growth slowed to 0.7 percent in 2024, with a 2.6 percent contraction in the last quarter (y-o-y) marking a significant deterioration. The slowdown was driven by weaker government consumption, declining exports and capital formation. Private consumption growth also weakened, declining to just 0.6 percent amid ongoing fuel and goods shortages, and higher inflation, which surged to 24 percent y-o-y as of August 2025 (food price inflation reached 37 percent). Price controls and export restrictions have proven ineffective in curbing these inflationary pressures.

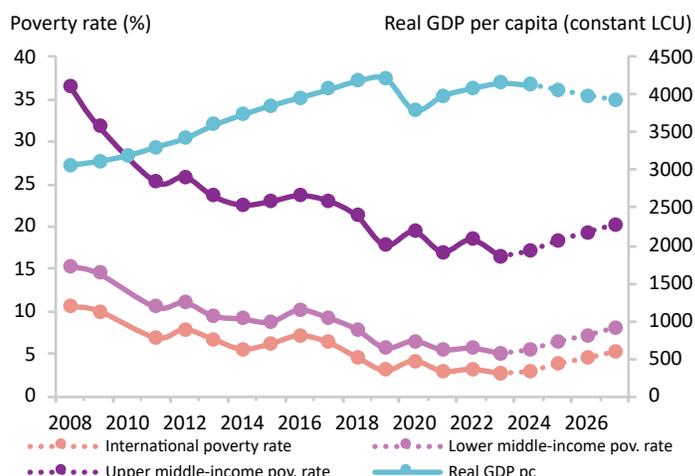
Labor force participation and employment rates slightly increased in 2024, yet average labor income declined in real terms as inflation picked up. In 2024Q4, half of the workforce earned less than the minimum wage. Other sources of household income declined in real terms, as public transfers are not indexed to inflation and remittances in dollars fell by 12 percent in 2024. In this context, the poverty rate is projected to increase in 2024 to 17.2 percent (\$8.30/day per capita 2021 PPP), from 16.5 percent in 2023.

FIGURE 1 / Fiscal deficits and gas exports



Sources: Ministry of Economy and Public Finance, and Instituto Nacional de Estadística of Bolivia (INE).

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



Source: World Bank. Notes: See footnotes in table on the next page.

The fiscal deficit reached 10.6 percent in 2024, driven by the declining gas revenues and persistently high spending, in particular fuel subsidies. The Government has increasingly resorted to monetary financing of the deficit, fueling inflationary pressures, in the absence of access to international capital markets and difficulties in obtaining legislative approval for external loans. Public debt stood at 98.0 percent of GDP by end-2024, rapidly increasing from 37.6 percent in 2014. Bullet payments of outstanding external debt are due starting in 2026Q1.

The current account deficit widened to 3.1 percent of GDP in 2024, up from 2.5 percent of GDP in 2024 with the continued decline in gas export revenues and weaker agricultural exports. Dollar shortages and the parallel exchange rate premium weighed on imports, which contracted 18.3 percent in 2024, but did not offset the drop in exports. Net international reserves stood at USD 2.9 billion in August 2025 (equivalent to 2.9 months of imports), slightly above the 22 tons of gold level mandated by law.

## Outlook

The new incoming government will face significant challenges in stabilizing the economy and addressing existing macroeconomic imbalances—challenges that, if effectively managed, could provide a significant upside to Bolivia's outlook. Under current policies, the economy is expected to contract by 0.5 percent in 2025, as weak exports, fuel shortages, high inflation, and heightened political uncertainty continue to weigh on overall economic activity. Both private and public investment are expected to continue

contracting amid financing constraints and deteriorating economic conditions. The fiscal deficit is projected to remain elevated due to declining hydrocarbon revenues and high subsidy spending. Continued reliance on monetary financing is expected to add to inflationary pressures, with headline inflation projected to increase to 30 percent in 2025. Dollar shortages further risk constraining imports and accelerating inflation. The current account deficit is projected to remain around 3 percent of GDP due to lower natural gas output and overall declining exports. Mobilizing foreign and public investment in lithium development and gas exploration will be limited in the short term due to their long investment horizons.

Poverty is projected to rise in the near term as economic activity contracts. Mounting inflationary pressures will further erode households' purchasing power, disproportionately affecting poor and vulnerable households.

Risks to the outlook are tilted to the downside, as lack of financing, inflationary pressures, and slowing growth increase the likelihood of deeper economic contraction and a disorderly adjustment.

To reduce inflation and address macroeconomic imbalances, it would be critical to adopt a credible medium-term economic stabilization program centered on frontloaded fiscal consolidation, subsidy reform, realignment of key relative prices, and rationalization of public investment. Strengthening private sector development and improving the investment climate will be key elements to support fiscal consolidation efforts, jobs creation, and poverty reduction.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	3.6	3.1	0.7	-0.5	-1.1	-1.5
Private consumption	3.4	3.2	0.6	-0.2	-0.4	-0.6
Government consumption	3.7	2.4	-1.5	-0.6	-0.2	-1.0
Gross fixed capital investment	5.6	5.7	-8.5	-2.8	-1.1	-1.7
Exports, goods and services	15.1	-8.8	-1.4	-1.0	-1.2	-1.5
Imports, goods and services	8.8	-2.5	-18.3	-2.0	1.3	1.3
<b>Real GDP growth, at constant factor prices</b>	3.7	3.1	1.1	-0.5	-1.1	-1.5
Agriculture	3.8	2.7	1.6	1.0	0.9	0.8
Industry	1.0	1.1	-0.2	-0.5	-1.2	-1.7
Services	5.7	4.6	1.9	-0.9	-1.7	-2.1
<b>Employment rate (% of working-age population, 15 years+)</b>	75.5	76.0	76.3	76.3	76.3	76.3
<b>Inflation (consumer price index)</b>	1.7	2.6	5.1	30.0	35.0	40.0
<b>Current account balance (% of GDP)</b>	2.1	-2.5	-3.1	-2.8	-3.0	-3.0
<b>Net foreign direct investment inflow (% of GDP)</b>	0.2	0.0	0.3	-0.1	-0.1	-0.1
<b>Fiscal balance (% of GDP)</b>	-7.1	-10.9	-10.6	-12.1	-12.8	-13.1
<b>Revenues (% of GDP)</b>	26.6	27.8	29.2	28.0	27.0	26.5
<b>Debt (% of GDP)</b>	80.1	90.8	98.0	104.5	111.2	115.6
<b>Primary balance (% of GDP)</b>	-5.5	-8.7	-7.5	-9.0	-9.4	-9.6
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	3.3	2.8	3.0	3.9	4.8	5.7
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	5.7	5.1	5.5	6.5	7.5	8.6
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	18.5	16.5	17.2	18.4	19.9	21.2
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-0.8	0.4	-0.1	-0.5	-0.3	-0.3

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on SEDLAC harmonization, using 2023-EH. Actual data: 2023. Nowcast: 2024. Forecasts are from 2025 to 2027.

2/ Projections using microsimulation methodology.

# BRAZIL

Growth is expected to moderate to 2.4 percent in 2025 amid global headwinds and tighter monetary policy. Medium-term growth is projected at 2.3 percent, supported by ongoing reforms. Continuing fiscal consolidation is essential for debt sustainability. Jobs and wage growth reduced poverty by 2.8 points in 2024, but further reforms are needed to sustain growth, create jobs, and reduce inequality.

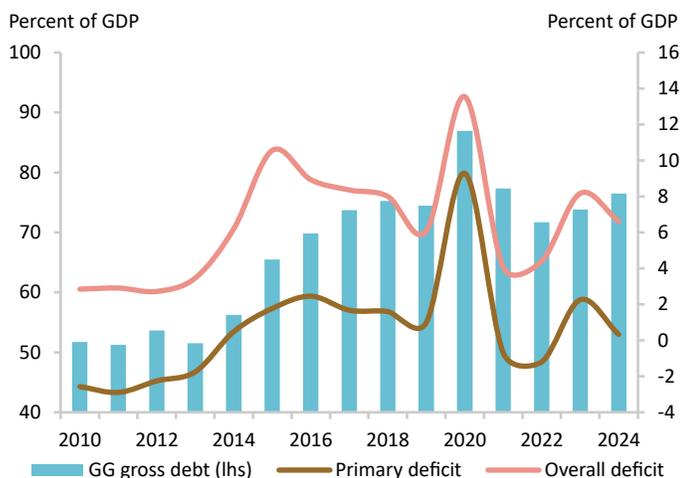
## Key conditions and challenges

Brazil's economy continued to recover post-pandemic, growing by over 3 percent annually in the past four years and reducing unemployment to record lows. While a robust labor market contributed to reductions in poverty and inequality, leading to Brazil's removal from the UN Hunger Map in 2025, structural challenges remain, including persistently high inequality, regional disparities, and the disproportionate poverty faced by Afro-Brazilians and children.

To sustain growth amid demographic shifts, further structural reforms are needed to enhance competitiveness and efficiency. Priorities include improving the business environment, fostering innovation and trade openness, strengthening education quality, increasing infrastructure investment, and advancing climate change adaptation and mitigation efforts.

Ensuring fiscal sustainability remains a critical challenge. Despite efforts to raise revenues, budget rigidity and indexed expenditure hinder the achievement of primary surpluses necessary to stabilize the debt-to-GDP ratio. With high and rising debt, and vulnerability to economic shocks such as increasing interest rates, a faster fiscal

**FIGURE 1 /** Fiscal balances and general government (GG) gross debt



Source: World Bank staff calculations.

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$8.30/day
<b>204.7</b>	<b>49.4</b>
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
<b>75.8</b>	<b>104.0</b>
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
<b>2179.4</b>	<b>10645.3</b>

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2023 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2024. 6/ 2024.

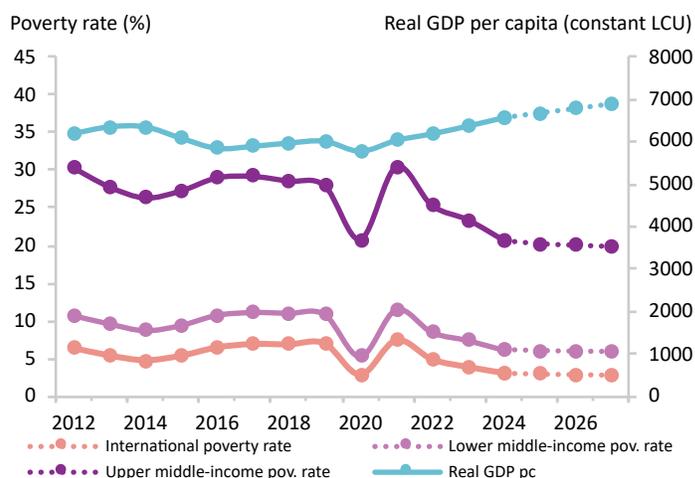
consolidation is key to anchor inflation expectations, improve debt dynamics, and allow for monetary policy easing. As the elderly population grows, curbing age-related spending will also be essential for compliance with fiscal rules.

## Recent developments

Following a 3.4 percent GDP growth in 2024, driven by investment recovery and private consumption, real credit expansion and fiscal stimulus (including social transfers), Brazil's GDP expanded by 2.5 percent y-o-y in the first half of 2025, mainly due to record agriculture output. Inflation increased from 4.8 percent in December 2024 to 5.1 percent in August 2025, exceeding the Central Bank's upper target limit of 4.5 percent, fueled by strong services demand and rising energy prices. In response, the Central Bank raised the policy rate by 450 basis points since September 2024, reaching 15.0 percent by August 2025.

The current account deficit widened to 3.5 percent of GDP in July 2025, reflecting strong demand and higher imports of goods and services, largely financed by net FDI inflows of 1.9 percent of GDP. By end-August 2025, the Brazilian Real had recovered 12.4 percent

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



Source: World Bank. Notes: See footnotes in table on the next page.

of its 2024 depreciation (27.9 percent y-o-y), amid elevated trade and geopolitical tensions. International reserves rose from 15.1 percent in 2024 to 16.0 percent of GDP in July 2025.

As of July 2025, the general government posted a primary deficit of 0.1 percent of GDP, improving from a 2.3 percent deficit in 2023, driven by strong revenue growth and expenditures restraint. However, gross public debt edged up to 77.6 percent of GDP due to elevated interest payments, which reached 7.1 percent of GDP.

The unemployment rate continues to reach new historic lows, falling to 5.6 percent by June 2025. Supported by growth of 0.4 percentage points in the labor force participation rate, there are 2.0 million additional employed workers compared to the first half of 2024. Over the same period, average real wages rose by 4.3 percent, above the 2.0 percent real increase in the minimum wage. The poverty rate fell from 23.4 in 2023 to 20.6 percent (at the US\$8.30 per day, 2021 PPP rate) in 2024, with over five million people coming out of poverty. Inequality fell by 1.4 percentage points to 50.3, as measured by the Gini Index.

## Outlook

Growth is expected to moderate to 2.4 percent in 2025, as high interest rates and global trade uncertainty weigh on investment and exports, while household consumption slows amid rising family's indebtedness, reduced government transfers, and a slowdown in labor market gains. Inflation is expected to gradually converge to

4.2 percent by 2027, as monetary tightening anchors price expectations. Medium-term growth is projected to stabilize at 2.3 percent, reflecting ongoing structural reforms impacts on potential growth. The current account deficit is projected to narrow to 2.5 percent of GDP by 2027, driven by weaker imports amid slower activity, with net FDI inflows being the main financing source. Poverty reduction is expected to be moderate, reaching 19.9 percent in 2027, due to lack of fiscal space for increased social spending and slowing wage growth in services sector, where 80 percent of the poor are employed.

The 2025 primary deficit is projected at 0.2 percent but turn into a surplus by 2027 due to consolidation efforts. Yet, public debt is projected to rise to 82.5 percent of GDP by 2027 before declining gradually, due to elevated financing costs, underscoring the need for continued and faster fiscal adjustments.

Macroeconomic risks remain tilted to the downside. Domestically, key risks include delays in fiscal consolidation and challenges in anchoring inflation expectations. While resilient activity and accelerated structural reforms could support stronger growth, prolonged monetary tightening and slow fiscal adjustment may weaken growth prospects and exacerbate debt vulnerabilities. Externally, heightened volatility could dampen investment and exports, while fueling exchange rate depreciation and inflationary pressures. Nonetheless, Brazil's robust financial system, sizable foreign reserves and cash buffers, flexible exchange rate regime, and low exposure to foreign-denominated debt provide important buffers against shocks.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	3.0	3.2	3.4	2.4	2.2	2.3
Private consumption	4.1	3.2	4.8	2.6	2.3	2.5
Government consumption	2.1	3.8	1.9	1.8	1.5	1.2
Gross fixed capital investment	1.1	-3.0	7.2	2.0	1.8	1.7
Exports, goods and services	5.7	8.9	3.0	4.0	3.2	3.0
Imports, goods and services	1.0	-1.2	14.7	4.5	3.0	2.6
<b>Real GDP growth, at constant factor prices</b>	3.1	3.4	3.1	2.4	2.2	2.3
Agriculture	-1.1	16.3	-3.2	6.5	3.0	2.5
Industry	1.5	1.7	3.3	1.2	1.4	1.6
Services	4.1	2.5	3.8	2.3	2.3	2.5
<b>Employment rate (% of working-age population, 15 years+)</b>	56.6	56.9	58.0	58.2	58.4	58.7
<b>Inflation (consumer price index)</b>	9.3	4.6	4.4	5.2	4.5	4.2
<b>Current account balance (% of GDP)</b>	-2.2	-1.3	-2.6	-2.8	-2.7	-2.4
<b>Net foreign direct investment inflow (% of GDP)</b>	2.1	1.7	2.1	2.0	2.2	2.3
<b>Fiscal balance (% of GDP)</b>	-4.0	-7.8	-6.3	-8.5	-7.5	-5.9
<b>Revenues (% of GDP)</b>	39.5	37.6	39.5	40.1	40.0	39.3
<b>Debt (% of GDP)</b>	71.7	73.8	76.5	79.6	81.4	82.5
<b>Primary balance (% of GDP)</b>	1.2	-2.2	-0.3	-0.2	0.0	0.3
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	4.9	3.8	3.0	3.0	2.9	2.9
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	8.5	7.5	6.2	6.0	5.9	5.9
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	25.3	23.4	20.6	20.3	20.1	19.9
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	0.7	-11.7	-13.1	2.8	-2.9	-0.4

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on SEDLAC harmonization, using 2024-PNADC-E1. Actual data: 2024. Forecasts are from 2025 to 2027.

2/ Projections using microsimulation methodology.

# CHILE

Growth accelerated to 2.8 percent in H1 2025 driven by strong exports. Inflation is expected to reach target by H1 2026. The fiscal deficit exceeded projections. Stagnant productivity is straining job creation amid rising labor costs, and unemployment has widened while gender gaps in the labor market persist.

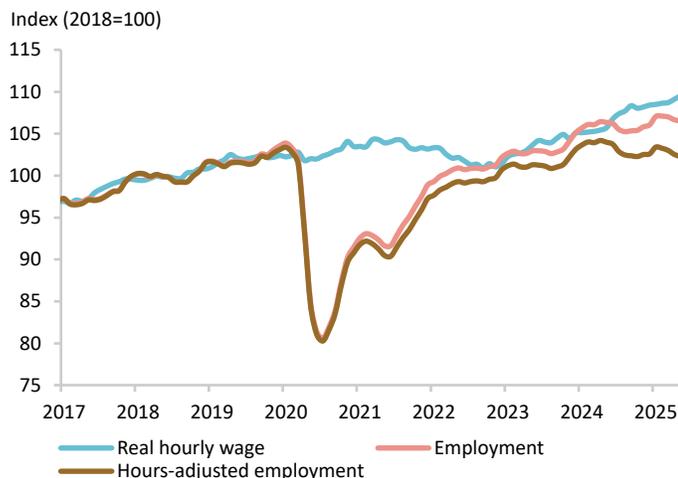
## Key conditions and challenges

Chile's strong macroeconomic institutions have helped it to manage global volatility effectively. GDP has recovered post-pandemic but remains constrained by limited growth potential. Headline inflation is nearing target, and the current account deficit is below its historical average.

But perennial challenges persist. Weak investment and stagnant productivity dampen potential growth and strain labor market outcomes. From June 2018 to June 2025, real wages rose 10.6 percent, pushing up unit labor costs amid flat labor productivity. The Central Bank attributes weak job creation to elevated labor costs, a slow recovery in labor-intensive sectors, and limited investment outside mining.

Over the past decades, Chile has significantly reduced income poverty, but progress is uneven across regions. For instance, between 2017 and 2022, poverty increased in the northern regions of Tarapacá and Antofagasta. Non-monetary poverty remains substantially elevated relative to monetary poverty, particularly in years of schooling lag, social

**FIGURE 1 /** Trends in real wages, employment, and employment adjusted for hours worked



Source: World Bank staff calculations based on data from the National Institute of Statistics.

Population <sup>1</sup> million	19.8	Poverty <sup>2</sup> millions living on less than \$8.30/day	1.1
Life expectancy at birth <sup>3</sup> years	81.2	School enrollment <sup>4</sup> primary (% gross)	100.2
GDP <sup>5</sup> current US\$, billion	330.3	GDP per capita <sup>6</sup> current US\$	16709.8

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2024. 6/ 2024.

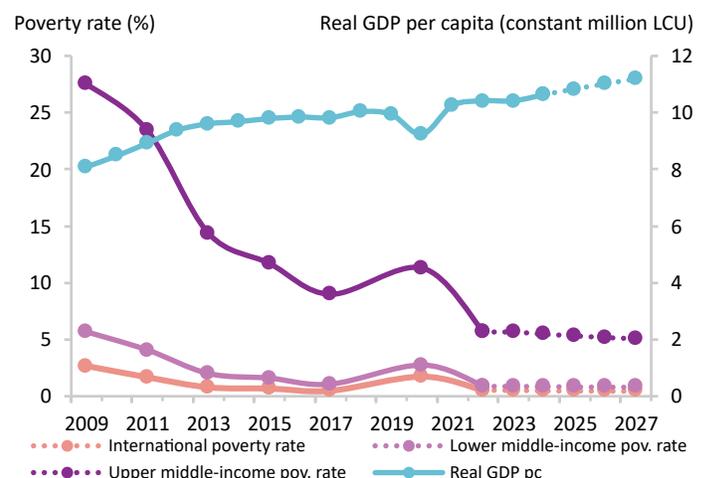
security coverage and habitability conditions. While income inequality has declined from a Gini coefficient of 45.3 in 2017 to 43.0 in 2022, it is still elevated.

## Recent developments

After recovering to 2.6 percent in 2024, real GDP growth edged up to 2.8 percent year-on-year in H1 2025, with non-mining GDP up 3.0 percent. Growth was driven by an 8.0 percent increase in exports, led by agriculture, forestry, fishing, and tourism. Copper exports also grew solidly, by 5.8 percent. Gross fixed capital formation rose 3.5 percent, in line with the expected reactivation of several large mining projects. Private consumption grew 2.5 percent.

Net job creation stagnated since June 2024 despite a growing labor force. Gains in mining (14 percent) and communications employment (18 percent) were offset by contractions in commerce (3 percent) and public administration (7 percent). As of June 2025, unemployment stands at 8.9 percent, up from 8.3 percent a year earlier, and the employment rate has fallen by 0.5 percentage points to 56.4 percent. Informal

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



Source: World Bank. Notes: See footnotes in table on the next page.

employment decreased by 7.9 percent year-on-year, with the informality rate dropping to 26.0 percent by mid-2025, being higher for women (27.6 percent) than men (24.8 percent). The poverty rate, measured at US\$8.3/day (2021 PPP), is estimated at 5.5 percent in 2024, and income inequality measured by the Gini coefficient at 43.1 points.

Inflation remained elevated at 4.3 percent y/y in July 2025, down from 4.9 percent in January 2025 when the phased adjustment of previously frozen electricity tariffs was completed. The Central Bank resumed its monetary easing cycle in July, cutting the policy rate by 25 basis points to 4.75 percent.

The current account deficit widened to 2.2 percent of GDP in Q2 2025, driven by income and services trade deficits, partly offset by a goods trade surplus. The terms of trade deteriorated by 1.4 percent as increases in energy import prices outpaced those in mining exports. Reserves stood at around 14 percent of GDP in June 2025, at 83 of the International Monetary Fund's (IMF) adequacy metric, but this is mitigated by the availability of liquid FX government assets, a favorable debt profile, and access to sizeable external credit lines.

After exceeding the fiscal deficit target in 2024, the government adopted corrective measures to meet fiscal rules, including a spending cut of 0.3 percent of GDP for 2025. The cyclically adjusted central government deficit target was revised to 1.6 percent of GDP for 2025, with the prior 1.1 percent target deferred to 2026 and a further reduction to 0.75 percent set for 2027.

## Outlook

Real GDP growth is expected at 2.6 percent in 2025 (up from 2.1 percent in the last MPO), supported by strong exports and a rebound in consumption, alongside rising foreign and domestic investment, especially in energy and mining. Inflation is projected to reach the Central Bank's 3 percent target by H1 2026 and remain near that level. The poverty rate (US\$8.3/day, 2021 PPP) is projected to decline to 5.1 percent by 2027.

The current account deficit is projected at 2.0 percent of GDP for 2025 and 1.8-1.9 percent for 2026-2027, reflecting higher copper prices and a moderate impact from recent global trade disruptions.

Fiscal revenues are projected to rise by 0.7 percentage points in 2025 due to reforms such as the new Mining Royalty and Tax Compliance Law. Expenditure is expected to fall by 0.6 percentage points as the government approaches the fiscal deficit rule. The fiscal deficit should drop from 2.8 percent of GDP in 2024 to 1.5 percent in 2025, but the government projects that the cyclically adjusted deficit will still exceed the 1.6 percent target by 0.2 percentage points. Public debt is expected to remain near 43 percent of GDP by 2027, below the 45 percent ceiling.

External risks stem from ongoing uncertainty in the global economy which could reduce demand for Chilean exports and weigh on domestic demand through weakened confidence. Domestically, policy uncertainty ahead of the November 2025 elections may delay investment.

### Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	2.2	0.5	2.6	2.6	2.2	2.1
Private consumption	1.6	-4.9	1.0	2.7	2.0	2.0
Government consumption	6.3	2.2	3.0	3.1	3.3	3.5
Gross fixed capital investment	4.6	-0.1	-1.4	5.5	3.3	3.4
Exports, goods and services	0.8	0.1	6.6	5.3	2.0	2.6
Imports, goods and services	1.3	-10.9	2.5	8.7	4.0	4.3
<b>Real GDP growth, at constant factor prices</b>	2.5	1.4	2.9	2.6	2.2	2.1
Agriculture	-0.1	-0.8	5.4	4.9	4.4	4.4
Industry	-1.4	2.9	3.3	2.1	1.6	1.6
Services	4.3	0.9	2.6	2.7	2.4	2.1
<b>Employment rate (% of working-age population, 15 years+)</b>	55.2	56.0	55.9	56.3	56.3	56.4
<b>Inflation (consumer price index)</b>	11.6	7.6	4.3	4.2	2.9	3.0
<b>Current account balance (% of GDP)</b>	-8.8	-3.1	-1.5	-2.0	-1.8	-1.9
<b>Net foreign direct investment inflow (% of GDP)</b>	1.6	2.9	2.7	2.4	2.4	2.4
<b>Fiscal balance (% of GDP)</b>	1.4	-2.3	-2.8	-1.5	-1.5	-1.1
<b>Revenues (% of GDP)</b>	28.1	25.1	23.9	24.6	24.4	24.7
<b>Debt (% of GDP)</b>	37.9	39.4	41.6	42.1	42.8	42.8
<b>Primary balance (% of GDP)</b>	2.0	-1.5	-1.8	-0.6	-0.6	-0.1
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	0.5	0.5	0.5	0.5	0.5	0.5
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	0.9	0.9	0.9	0.9	0.8	0.8
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	5.7	5.7	5.5	5.3	5.1	5.1
<b>GHG emissions growth (mtCO2e)</b>	2.8	-16.0	5.3	5.7	3.8	3.3

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on SEDLAC harmonization, using 2022-CASEN. Actual data: 2022. Nowcast: 2023-2024. Forecasts are from 2025 to 2027.

2/ Projections using microsimulation methodology.

# COLOMBIA

GDP growth is estimated at 2.4 percent in 2025, up from 1.6 percent in 2024, driven by private consumption. Disinflation and stable external deficits support activity, but fiscal deterioration and suspended fiscal rule have raised sustainability concerns, constraining growth prospects. Poverty fell to 37 percent in 2024, on labor gains, and should decline further. Risks include fiscal slippage, inflation persistence, and global uncertainty.

## Key conditions and challenges

Colombia's track record for macroeconomic stability rests on its stable institutions and a framework anchored in inflation targeting, exchange rate flexibility, and fiscal rules. Over two decades, these have delivered stable growth and notable poverty reduction, but stagnant productivity has constrained convergence with high-income economies and progress on inequality.

Beyond macroeconomic stability, limited global integration constrains diversification beyond commodities, while a complex tax system and low competition deter investment and innovation. Rigid public spending hampers infrastructure and service delivery and also contributed to recent fiscal deterioration and the suspension of the fiscal rule.

Wide regional disparities persist: Bogotá's income is nearly six times Chocó's, and in some municipalities up to 90 percent of 10-year-olds cannot read and understand a simple text. Raising productivity requires better infrastructure, public services, a fairer tax system, more efficient spending, and a more open business climate. More inclusive growth further requires

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$8.30/day
<b>52.9</b>	<b>19.7</b>
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
<b>77.7</b>	<b>104.8</b>
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
<b>418.8</b>	<b>7919.6</b>

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2023 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2024. 6/ 2024.

more effective fiscal transfers, modernized social security, and stronger labor markets.

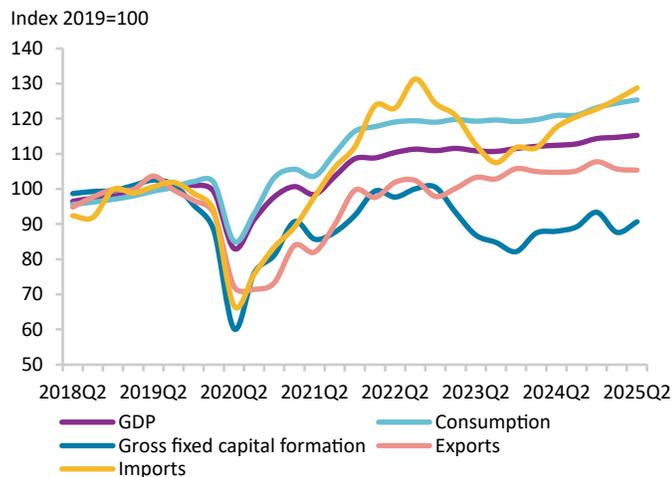
## Recent developments

Having grown by 1.6 percent in 2024, GDP growth picked up to 2.4 percent in 2025H1, driven by robust private consumption supported by higher government spending, recoveries in services, and continued growth in agriculture. Mining, manufacturing, and construction remained weak, reflecting and contributing to lower exports and investment.

Inflation eased from 6.6 percent in 2024 to 4.8 percent by June 2025, still above the 2–4 percent target, as core inflation persisted, partly due to indexation. The central bank cut its policy rate by 25 bps to 9.25 percent, balancing disinflation against fiscal and external uncertainty and tighter global conditions. These factors contributed to a 2.9 percent peso depreciation in the year to June.

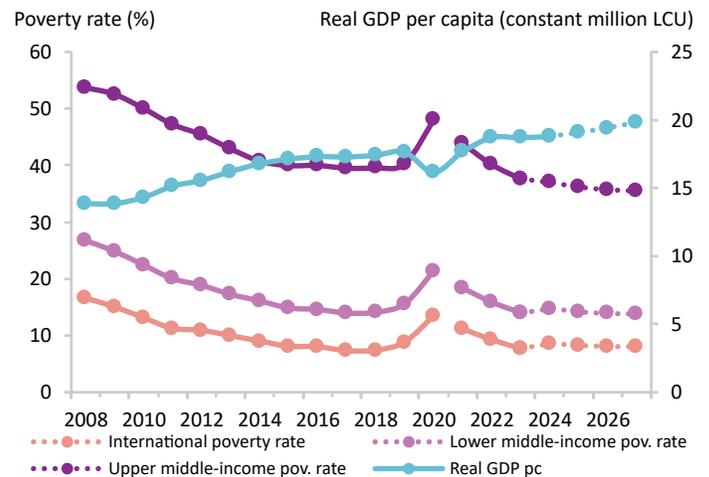
Fiscal accounts deteriorated further in 2025. The central government deficit reached a record 3.8 percent of GDP in June, with tax

FIGURE 1 / Levels of real GDP and real GDP expenditure, 2019=100



Sources: Departamento Administrativo Nacional de Estadísticas (DANE), and World Bank staff calculations.

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



Source: World Bank. Notes: See footnotes in table on the next page.

revenues 0.2 percent of GDP lower than last year and spending 0.4 percent higher. This prompted a temporary suspension of the fiscal rule for 2025–2027, triggering sovereign downgrades by credit rating agencies. Colombia's Emerging Markets Bond Index Global (EMBIG) spreads rose from 310 bps in 2024 to 347 in June, above regional and rating peers.

The current account deficit widened from 1.7 percent of GDP in 2024 to 2.1 percent as of June, as strong private consumption boosted imports and weaker oil and mining exports reduced receipts. Remittances eased from their 2024 peak but remained high at \$1.1 billion, while foreign direct investment (FDI) declined to \$0.8 billion in 2025H1. International reserves stayed healthy at \$65 billion, covering nine months of imports.

The poverty rate is estimated to have declined to 37 percent in 2024 (\$8.30/day, 2021 PPP), driven by labor market gains but partly offset by reduced incomes from social transfers to the poorest. Urban poverty declined more than rural, while rural extreme poverty stagnated and regional disparities persisted. High income inequality remained unchanged. Labor markets improved, with 798,000 jobs created y-o-y between March and May 2025, though about 75 percent were in self-employment, and gender employment gaps widened slightly.

## Outlook

GDP growth is projected at 2.4 percent in 2025, reaching its 2.9 percent potential by 2027, supported by private consumption, stable exports, and rising private investment. Commerce and manufacturing should stabilize. Inflation is expected within target by 2026, allowing gradual policy rate cuts.

The general government 2025 fiscal deficit is projected at 6.5 percent of GDP, above the suspended fiscal rule target, but expected to narrow gradually to allow the rule's reinstatement in 2028. Achieving fiscal targets will require structural reforms under a broad-based fiscal pact to raise tax revenues, reduce budget rigidities, reallocate earmarked spending and improve expenditure efficiency. Cash management will be key to preserve liquidity. Public debt-to-GDP is expected to reach 67.0 percent in 2025, up from 64.3 percent in 2024, stabilizing in 2027. The current account deficit is expected to widen to 2.5 percent in 2025 as domestic demand strengthens, stabilizing at 2.7 percent by 2027. FDI (3.3 percent of GDP) should remain the main external financing source.

The poverty rate is projected to decline slightly, to 36.2 percent in 2025 (\$8.30/day, 2021 PPP). However, reduced social transfers under fiscal consolidation, and climate shocks—particularly in Caribe and Pacífico—could affect vulnerable households. Raising job productivity and promoting a robust social protection system—by expanding coverage and adaptiveness—would enhance resilience.

Downside risks are significant, centered on fiscal consolidation, especially ahead of Colombia's 2026 presidential and legislative elections. Larger deficits or delays in fiscal consolidation could raise borrowing costs and slow monetary easing. Persistent inflation and policy uncertainty may suppress private investment and job creation. External risks include adverse terms-of-trade shocks, global tariff uncertainty, and tighter global financial conditions. Climate change poses medium-term threats to economic and fiscal stability, while ongoing regional armed violence may exacerbate territorial disparities.

Preserving macroeconomic stability requires a return to fiscal discipline, well-calibrated monetary policy, and structural reforms to strengthen resilience.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	7.3	0.7	1.6	2.4	2.7	2.9
Private consumption	10.8	0.4	1.6	2.9	2.8	2.7
Government consumption	0.8	1.6	0.7	3.0	0.1	-1.4
Gross fixed capital investment	11.5	-12.7	3.2	1.8	4.4	6.4
Exports, goods and services	12.5	3.1	2.5	2.4	4.4	5.5
Imports, goods and services	24.0	-9.9	4.4	3.2	3.4	3.5
<b>Real GDP growth, at constant factor prices</b>	6.6	1.2	1.6	2.4	2.7	2.9
Agriculture	-0.9	1.7	8.0	3.5	3.2	3.1
Industry	6.2	-1.3	-1.3	-0.4	2.4	3.1
Services	7.5	2.1	2.0	3.4	2.7	2.8
<b>Employment rate (% of working-age population, 15 years+)</b>	56.5	57.6	57.5	58.1	58.0	57.9
<b>Inflation (consumer price index)</b>	10.2	11.7	6.6	5.0	3.4	3.0
<b>Current account balance (% of GDP)</b>	-6.0	-2.3	-1.7	-2.5	-2.8	-2.7
<b>Fiscal balance (% of GDP)</b>	-6.3	-2.7	-5.8	-6.5	-4.5	-3.1
<b>Revenues (% of GDP)</b>	26.7	31.0	27.7	27.7	28.8	28.8
<b>Debt (% of GDP)</b>	64.6	59.9	64.3	67.0	68.2	68.1
<b>Primary balance (% of GDP)</b>	-1.9	1.4	-1.3	-1.6	0.4	1.5
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	9.3	..	8.5	8.3	8.1	8.0
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	15.8	..	14.7	14.2	13.9	13.9
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	40.2	..	37.0	36.2	35.7	35.6
<b>GHG emissions growth (mtCO2e)</b>	-1.1	-1.1	-1.4	-0.4	0.6	0.9

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on SEDLAC harmonization, using 2024-GEIH. Forecasts are from 2025 to 2027. The 2023 microdata was recently revised by the statistics office and will be updated for the next round of global data revisions.

2/ Projections using microsimulation methodology.

# COSTA RICA

Costa Rica's growth moderated to 4.3 percent in 2024 and is expected to ease to 3.6 percent in 2025, affected by external headwinds. Fiscal consolidation advanced, anchored in spending discipline and efficiency gains. Ongoing reforms are strengthening fiscal sustainability and reducing public debt, while safeguarding the poor and vulnerable. Poverty rates declined to 12.6 percent in 2024.

## Key conditions and challenges

Over the past two decades, Costa Rica has doubled its per capita income through an outward-oriented growth model, investments in human capital, and strong governance. The country diversified exports and reinforced its green identity through sustainable resource management and reforestation. However, rising expenditures without matching revenues from 2008 to 2018 created fiscal pressures, prompting reforms. Tax reforms and the fiscal rule introduced in 2018 helped increase revenues and control spending, but implementation was delayed by the COVID-19 pandemic and commodity price shocks. As a result, public debt rose from 24 percent of GDP in 2008 to 68 percent in 2021.

Despite accessible healthcare and education, weak integration between export-oriented and domestic sectors has contributed to income and territorial disparities. Social outcomes have lagged, with monetary poverty declining slightly from 18.8 percent in 2010 to 17.1 percent in 2022, then falling more rapidly to 12.6 percent by 2024 (US\$8.30/day 2021PPP). Inequality remains high, with a Gini index of 45.8 in 2024, and vulnerable groups—including Afrodescendants, indigenous populations, migrants, and women—face

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$8.30/day
5.1	0.6
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
80.8	107.6
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
95.4	18587.5

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2024. 6/ 2024.

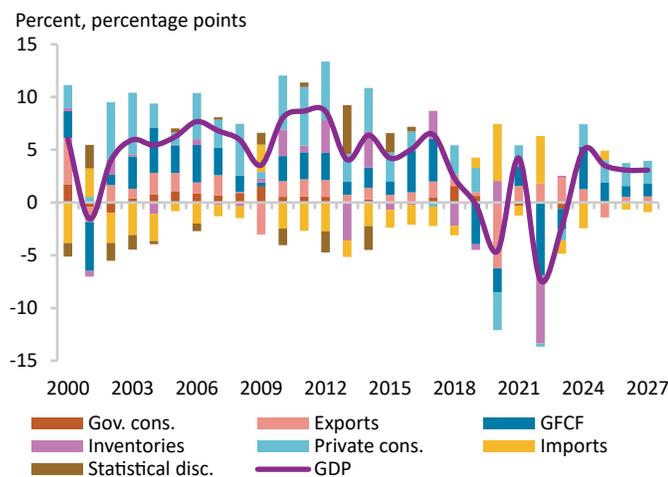
disproportionate challenges, reflected in low female labor force participation (51.8 percent in 2024).

Following the pandemic-induced downturn, Costa Rica's economy rebounded strongly. The government advanced its reform agenda, while public finances stayed on a consolidation path, restoring market confidence. The monetary policy framework—anchored in a floating exchange rate and inflation-targeting regime—is managed by an independent, credible Central Bank. The recovery was supported by a diversified export base, low external debt, and stable reserves. Inclusive and sustainable growth demands continued fiscal efforts, as well as effective policies that protect and create opportunities for vulnerable groups and non-central regions.

## Recent developments

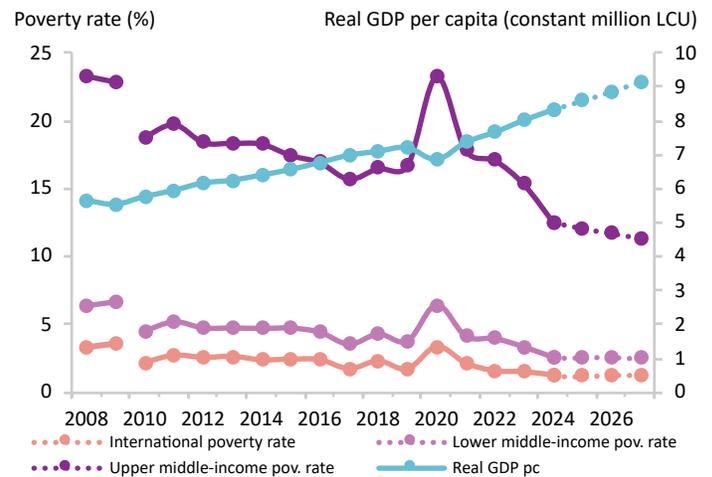
Costa Rica's economy grew 4.3 percent in 2024, due to strong domestic demand despite weaker demand from key trading partners. In H1-2025, activity grew 3.6 percent y/y (down from 4.3 percent in H1-2024), driven by private consumption and investment. On the production side, manufacturing, transport, business services, and finance led the expansion. Inflation returned to negative territory

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



Sources: Central Bank of Costa Rica and World Bank staff calculations.

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



Source: World Bank. Notes: See footnotes in table on the next page.

(-0.2 percent y/y in Jun 2025) driven by low expectations and international prices, despite continued monetary easing (to a neutral policy rate of 3.75 percent). Labor market conditions remain solid, leading to poverty reduction. Unemployment reached 7.4 in Q2-2025, the lowest since 2010, though with decreasing labor force participation (below 60 percent since 2022). Average wages increased by 5.8 percent y-o-y, mainly driven by services.

Costa Rica's current account deficit (CAD) narrowed to 0.1 percent of GDP in H1-2025, supported by stronger exports, particularly medical devices under the special regime, and moderate imports growth. Foreign direct investment (FDI) inflows remained strong, aligned to historical averages. As of June 2025, net international reserves reached USD 14.6 billion (14.3 percent of GDP), covering approximately 8.3 months of goods imports.

Fiscal consolidation advanced in H1-2025 y/y, with a narrower fiscal deficit (1.2 percent of GDP), larger primary surplus (1 percent of GDP), lower interest payments (2.2 percent of GDP), and reduced public debt (57.4 percent of GDP). Tax revenues declined by 0.2 p.p. of GDP to 6.5 percent of GDP due to lower income tax revenues, while spending fell drop by 0.4 p.p. of GDP to 6.3 percent of GDP driven by reduced interest payments and capital investment. Ongoing implementation of efficiency-enhancing reforms is helping mitigate fiscal risks and maintaining public debt on a downward trajectory. The Emerging Markets Bond Index (EMBI) spread stood at 197 bps, well below regional and global averages.

## Outlook

GDP growth is projected to slow to 3.6 percent in 2025, reflecting weaker external demand, trade policy changes,

and moderated private consumption and investment. Growth is expected to stabilize near potential (3.7 percent) over the medium term, as global conditions and trade policies normalize.

The poverty rate is projected to decline below 12 percent for 2025-2027. Improving targeting in social programs, with better coverage among the lowest income levels, could further reduce poverty and vulnerability.

The CAD is projected to remain moderate around 1.5 percent of GDP and supported by Costa Rica's strong external financing anchored in steady FDI inflows. Inflation is expected to return to BCCR's 3 percent target by 2027 as monetary policy normalizes.

Fiscal consolidation will continue, supported by spending controls, efficiency reforms, and improved tax administration. Additional reforms under discussion could further strengthen fiscal adjustment. Public debt is considered sustainable, projected to decline to 58.2 percent of GDP by 2027, supported by ongoing fiscal consolidation and responsive policy measures.

Downside risks amount amid persistent global uncertainty. The country remains vulnerable to external shocks, including reduced demand from key trading partners, lower FDI, and tighter global financial conditions that raise borrowing costs for both public and private sectors. Geopolitical tensions, trade policy disruptions, and oil prices volatility further compound these risks. On the domestic front, political uncertainty associated with the election year and vulnerability to natural disasters add to the risk landscape.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	4.6	5.1	4.3	3.6	3.6	3.7
Private consumption	2.6	5.0	4.0	3.7	3.9	3.9
Government consumption	2.4	0.1	0.7	0.9	1.1	0.8
Gross fixed capital investment	1.5	8.6	4.3	3.3	3.5	3.6
Exports, goods and services	18.5	10.0	5.8	5.2	5.4	6.1
Imports, goods and services	8.1	5.2	6.0	4.9	5.2	5.7
<b>Real GDP growth, at constant factor prices</b>	4.6	5.1	4.3	3.6	3.6	3.7
Agriculture	-2.3	3.5	2.0	2.1	2.5	3.3
Industry	2.1	8.3	4.1	3.2	3.5	4.1
Services	5.8	4.3	4.5	3.8	3.7	3.7
<b>Employment rate (% of working-age population, 15 years+)</b>	53.3	54.5	57.5	57.9	58.4	58.8
<b>Inflation (consumer price index)</b>	8.3	0.5	-0.4	0.7	2.5	3.0
<b>Current account balance (% of GDP)</b>	-3.3	-1.4	-1.4	-1.6	-1.5	-1.4
<b>Net foreign direct investment inflow (% of GDP)</b>	4.4	4.3	4.5	4.0	4.1	4.2
<b>Fiscal balance (% of GDP)</b>	-2.5	-3.3	-3.8	-3.2	-3.4	-3.1
<b>Revenues (% of GDP)</b>	16.4	15.3	15.0	15.1	15.2	15.2
<b>Debt (% of GDP)</b>	63.0	61.1	59.8	59.2	59.0	58.2
<b>Primary balance (% of GDP)</b>	2.1	1.5	1.2	1.4	1.2	1.4
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	1.6	1.5	1.3	1.3	1.3	1.3
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	4.0	3.4	2.6	2.6	2.6	2.6
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	17.1	15.3	12.6	12.1	11.7	11.4
<b>GHG emissions growth (mtCO2e)</b>	4.2	-7.9	4.8	3.0	3.5	5.3

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on SEDLAC harmonization, using 2024-ENAH0. Actual data: 2024. Forecasts are from 2025 to 2027.

2/ Projections using microsimulation methodology.

# DOMINICA

Resurgence in tourism and ongoing infrastructure projects fueled growth in 2025. Fiscal deficit and public debt are expected to decrease, owing to higher excise revenues and a moderation in capital expenditure. Continued investments in tourism, agriculture, and energy sectors are projected to sustain economic output over the forecast horizon. However, downside risks remain, including adverse external conditions and climate-related events.

## Key conditions and challenges

As a small island developing state, Dominica is highly dependent on tourism and agriculture and is exposed to climate and other external shocks. Hurricane Erica in 2015 and Hurricane Maria in 2017 caused close to US\$1.8 billion in damages and losses. Economic recovery from these disasters and the pandemic has been supported by infrastructure investments and a rebound in tourism. However, potential growth has declined due to skilled labor emigration and decreased total productivity.

Pandemic-related support, higher infrastructure spending, and fiscal measures to mitigate the impact of inflation on the most vulnerable led to high fiscal deficits, pushing public debt above 100 percent of GDP in 2020. As recurrent expenditures return to pre-pandemic levels and the government introduces measures such as higher excise taxes on certain goods and a new stamp duty, fiscal imbalances have begun to decrease. However, the deficit still remains above the fiscal responsibility rule target.

Dominica's dependence on tourism and agriculture leaves it vulnerable to external shocks, highlighting the need for economic

Population <sup>1</sup> thousand	Poverty
66.2	..
Life expectancy at birth <sup>2</sup> years	School enrollment <sup>3</sup> primary (% gross)
71.1	89.9
GDP <sup>4</sup> current US\$, billion	GDP per capita <sup>5</sup> current US\$
0.7	10405.3

Sources: WDI, MFMMod, and official data. 1/ 2024. 2/ 2023. 3/ 2023. 4/ 2024. 5/ 2024.

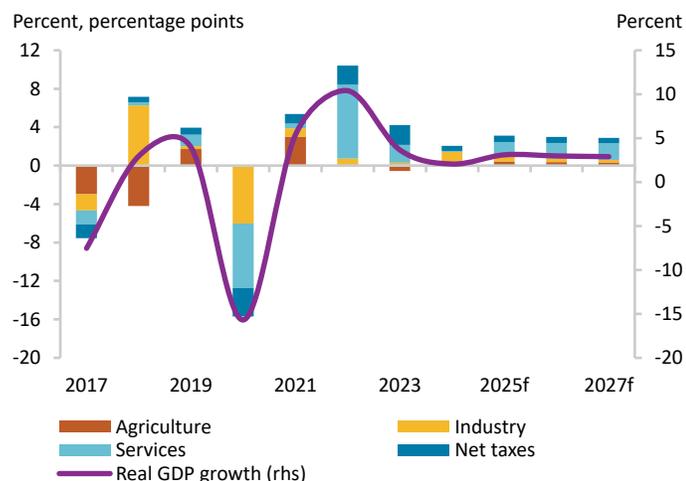
diversification, stronger fiscal buffers, climate-resilient investments, broader insurance coverage, and enhanced social support.

## Recent developments

Growth moderated to 2.1 percent in 2024 from 3.7 percent in 2023. It is supported by a recovery in tourism and agricultural initiatives and robust growth in services exports, despite a moderate slow-down in capital investment, largely due to reduced Citizenship by Investment (CBI) revenues.

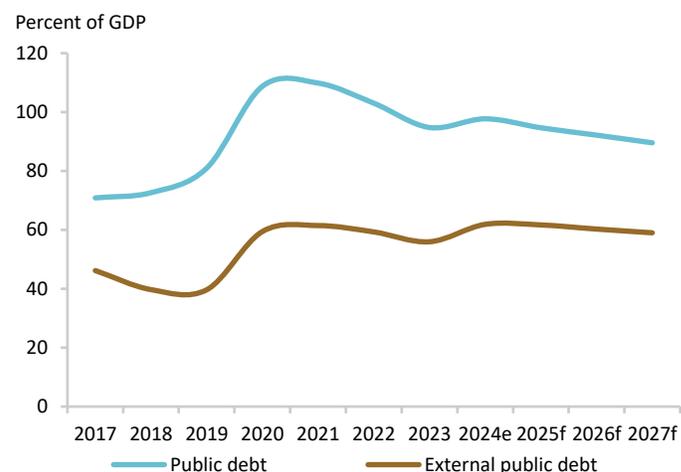
Inflation eased to 2.6 percent in 2024, partly driven by lower global commodity prices. Nevertheless, food prices rose more quickly than overall inflation, straining food security. In 2025, 40 percent of respondents to the Caribbean Food Security and Livelihoods Survey reported going hungry but not eating, roughly unchanged from 2024 but up from 18 percent in 2021. The share of respondents without food stocks rose 10 percentage points between 2024 and 2025. Education costs have also increased faster than overall inflation, coupled with declining secondary school gross enrollment and completion rates experienced during the last decade.

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



Sources: Eastern Caribbean Central Bank (ECCB), Government of Dominica, and World Bank staff calculations.

FIGURE 2 / Public debt



Sources: Eastern Caribbean Central Bank (ECCB), Government of Dominica, and World Bank staff calculations.

The fiscal deficit increased to 3.0 percent of GDP in FY24/25, compared to a surplus of 0.4 percent in FY23/24, primarily due to a 4.4 percentage point drop in revenue. This decrease in revenue was mostly driven by lower CBI receipts amid third-party security concerns about the program. Although CBI revenues declined, they remained substantial at 32.4 percent of GDP for FY24/25.

Expenditure fell to 60.3 percent of GDP in FY24/25, mainly because of a gradual reduction in capital spending. Public debt rose to 97.7 percent in FY24/25.

The current account deficit (CAD) narrowed to 25.6 percent of GDP in 2024 driven by increased tourism revenues and a normalization of capital goods imports. This deficit was primarily financed by CBI inflows and, to a lesser extent, by recovering foreign direct investment (FDI). In 2024, imputed reserves were sufficient, covering approximately 4.4 months of imports.

The financial sector is adequately capitalized but exposed to shocks due to weak asset quality and heavy reliance on credit unions (CUs). In March 2025, non-performing loans of commercial banks stood at 12.1 percent, exceeding the Eastern Caribbean Central Bank's (ECCB) 5 percent prudential benchmark.

## Outlook

GDP is expected to accelerate to 3.1 percent in 2025. Enhanced capacity in tourism and agriculture, along with transition to

geothermal energy will support growth, despite the expected deceleration in economic activity in the medium term as the major infrastructure projects are completed. Slightly higher inflation is expected in 2025, which will gradually decline to 2.1 percent.

Stable growth prospects and lower inflation should help reduce medium-term poverty. However, updated data on poverty and other key indicators, such as labor market statistics, are urgently needed to monitor households' wellbeing and guide policy.

The fiscal deficit is projected to narrow to 0.2 percent of GDP in 2027, driven by increased excise taxes, the introduction of new taxes such as tourism levy and solid waste management fee, stable economic performance, and the completion of infrastructure projects. While the CAD is expected to decrease—reaching 19.1 percent of GDP in 2027 due to lower imports and higher exports, as tourism benefits from the new international airport—restrictive trade policies are projected to negatively impact goods exports. The CAD remains financed by CBI and FDI inflows.

The economic outlook faces significant downside risks from fluctuating food and fuel prices, trade disruptions, and volatile CBI revenues. Additional risks include natural disasters, tighter global financial conditions, fiscal vulnerabilities, and public debt sustainability concerns. The financial sector is vulnerable to risks from the CUs.

### Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	10.4	3.7	2.1	3.1	3.0	2.9
<b>Real GDP growth, at constant factor prices</b>	10.4	2.0	1.9	3.1	3.0	2.9
Agriculture	0.4	-4.0	3.2	3.3	2.9	2.5
Industry	5.4	2.4	8.8	4.2	2.8	2.1
Services	14.3	3.3	0.2	2.8	3.0	3.2
<b>Inflation (consumer price index)</b>	2.9	5.1	2.6	2.7	2.2	2.1
<b>Current account balance (% of GDP)</b>	-26.3	-33.9	-25.6	-25.8	-20.5	-19.1
<b>Fiscal balance (% of GDP)<sup>1</sup></b>	-7.3	0.4	-3.0	-2.6	-1.1	-0.2
<b>Revenues (% of GDP)</b>	63.5	61.7	57.2	50.4	41.6	41.2
<b>Debt (% of GDP)<sup>1</sup></b>	103.0	94.7	97.7	94.6	92.1	89.5
<b>Primary balance (% of GDP)<sup>1</sup></b>	-4.4	3.0	0.1	0.5	1.6	2.4
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	3.8	4.3	4.3	2.8	1.8	1.2

Source: ECCB, Government of Dominica and World Bank staff calculations. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

<sup>1/</sup> Fiscal balances and public debt are reported in fiscal years.

# DOMINICAN REPUBLIC

The Dominican economy grew 2.4 percent in the first half of 2025, driven by agriculture, mining, and services. Rising remittances, a dynamic labor market, and strong foreign direct investment (FDI) bolstered stability and incomes, aiding poverty reduction. Still, low revenue mobilization and persistent disparities remain. Growth is expected to moderate in 2025, as weaker global demand and lower fiscal stimulus temper activity.

## Key conditions and challenges

The Dominican Republic (DR) stands out in LAC for sustained growth, significant poverty and inequality reductions over the last two decades. Between 2005 and 2024, GDP grew an average of 5.2 percent, poverty fell from 46.6 to 14.0 percent (US\$8.3 per day, 2021 PPPs), and the Gini index dropped from 50 to 39. Labor income growth and public transfers drove poverty decline during this period. However, important urban-rural disparities persist in living conditions, access to services, and market connectivity, alongside gender gaps in labor market outcomes. Prudent monetary and fiscal policies supported macroeconomic stability, underpinning growth, containing inflation, and a dynamic labor market.

However, the DR faces fiscal pressures as recent shocks, including surging commodity prices and floods, strained public finances. Public debt remains above pre-pandemic levels (58 percent of GDP); revenue mobilization is low (16.3 percent of GDP in 2024) and spending demands have grown. Transfers to cover the losses of the energy sector amounted to 1.4 percent of GDP, while

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$8.30/day
10.8	1.6
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
73.7	94.7
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
124.3	11479.2

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

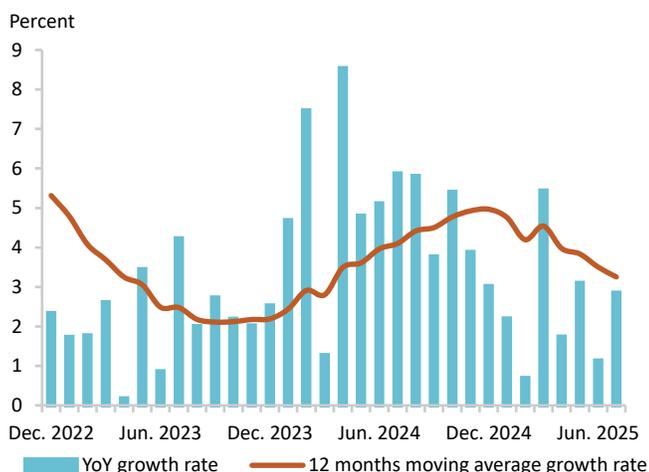
interest payments consumed 3.4 of GDP in 2024, constraining investment. The fiscal responsibility law caps primary expenditure growth at 7 percent and aims to reduce debt to 40 percent by 2035.

Institutional modernization advanced with the adoption of a new procurement law to improve spending efficiency and a revised penal code that strengthened anti-corruption tools. But sustained improvements in tax administration and spending efficiency are essential to expand fiscal space. Boosting productivity will require advances in education, competitiveness, innovation, and service delivery, complemented by reforms in labor market regulations and social protection to secure inclusive and sustainable growth.

## Recent developments

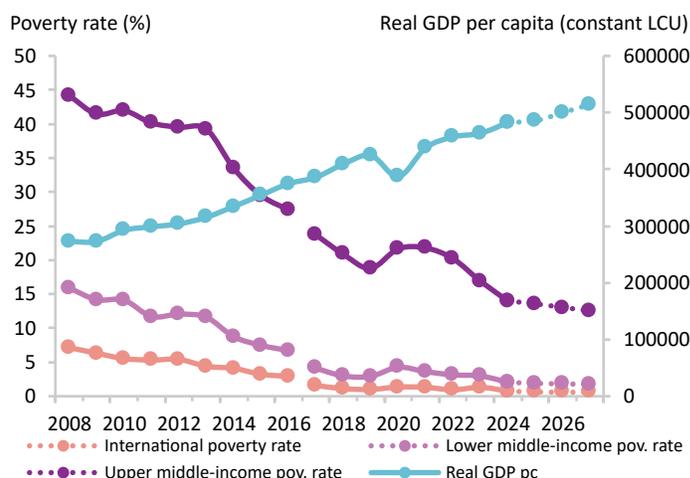
GDP grew by 5 percent in 2024 and moderated to 2.4 percent year-on-year in H1 2025. Agriculture expanded 4.9 percent, and mining recovered (2.3 percent) after earlier declines. Manufacturing posted modest gains, while construction contracted (-2.3 percent). Services grew 3.3 percent, driven by financial intermediation

FIGURE 1 / Monthly Index of Economic Activity (IMAE)



Source: World Bank staff calculations based on Central Bank of the Dominican Republic data.

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



Source: World Bank. Notes: See footnotes in table on the other page.

(7.9 percent) and transport (4.7 percent), though hospitality slowed (2.8 percent) as air arrivals rose only 1.1 percent. On the demand side, in Q1 2025, investment contracted (-3.7 percent), while final consumption rose (3.3 percent). Exports increased (3.8 percent) and imports grew more moderately (2.9 percent).

The current account deficit narrowed to 3.4 percent of GDP in 2024 and declined further in 2025 as remittances rose 11.2 percent in 2025H1 and exports grew by 10.4 percent, driven by a 48.3 percent surge in gold shipments. FDI reached US\$2.9 billion, up 15.3 percent, concentrated in tourism, energy, and real estate. International reserves totaled US\$14.8 billion (5.4 months of imports).

Inflation eased to 3.5 percent in June 2025, within the central bank's  $4 \pm 1$  percent target. The policy rate has remained at 5.75 percent since early 2025, marking a looser stance than in 2024. In June, the Monetary Board approved an RD\$81 billion liquidity program to support demand, credit growth, and financial inclusion.

Between 2023–24, official poverty fell 4 percentage points to 19 percent, driven mainly by higher real labor income (2.5 points). Job creation was concentrated in the formal sector, which expanded 6.2 percent versus 1 percent in the informal sector. In Q1 2025, employment rose 3.6 percent year-on-year, adding 176,581 jobs, mostly formal. Formal jobs now account for 52.1 percent of total employment, narrowing the gap with the LAC average.

The fiscal deficit reached 0.5 percent of GDP in Jan–May 2025. Tax revenues grew 8.2 percent, led by income tax (+15.1 percent). Expenditures rose 9.9 percent, driven by higher interest payments (+14.6 percent), transfers (+12.2 percent), and goods and services

(+10.3 percent). Consolidated public sector debt stood at 57.8 percent of GDP in Q1 2025.

## Outlook

Economic growth is projected at 3 percent in 2025, supported by looser monetary conditions, with inflation expected to remain within target. GDP is forecast to expand to 4.5 percent by 2027, while poverty is expected to fall from 13.4 percent in 2025 to 12.6 percent in 2027. Medium-term growth will be driven by consumption and investment, underpinned by structural reforms in energy and water, along with efforts to improve education and attract FDI.

A gradual fiscal consolidation is expected under the Fiscal Responsibility Law, supported by the phase-out of untargeted subsidies, efficiency gains from procurement reforms, streamlined institutions and social programs, and wage-bill savings. Public debt is projected to stabilize around 57 percent of GDP. Stronger revenue mobilization and tighter expenditure management could accelerate consolidation and create space to meet rising social needs.

The macroeconomic outlook faces downside risks, and it is extremely uncertain. First, greater than expected shifts in global trade policies could hinder trade, remittances and growth. The country is also vulnerable to worsening social and security conditions in Haiti. Domestically, structural bottlenecks, electricity disruptions and weather-related events may weigh on productivity and investment, affecting the external sector, growth, and fiscal performance.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	5.2	2.2	5.0	3.0	4.3	4.5
Private consumption	5.5	2.7	4.6	3.9	4.3	4.5
Government consumption	8.5	2.4	4.1	0.5	0.8	1.0
Gross fixed capital investment	5.1	2.0	2.9	1.0	3.9	4.0
Exports, goods and services	13.1	-1.6	7.8	3.5	4.0	4.5
Imports, goods and services	14.0	0.1	3.4	2.5	2.5	2.5
<b>Real GDP growth, at constant factor prices</b>	4.7	2.1	4.7	3.0	4.3	4.5
Agriculture	3.4	3.6	4.9	4.7	4.6	4.6
Industry	1.6	-0.8	2.8	2.0	3.6	3.8
Services	6.2	3.2	5.5	3.3	4.5	4.7
<b>Employment rate (% of working-age population, 15 years+)</b>	59.7	60.7	62.1	62.7	63.1	63.8
<b>Inflation (consumer price index)</b>	8.8	4.8	3.3	3.7	4.0	4.0
<b>Current account balance (% of GDP)</b>	-5.8	-3.7	-3.4	-3.1	-2.9	-2.8
<b>Net foreign direct investment inflow (% of GDP)</b>	3.6	3.6	3.6	3.6	3.6	3.6
<b>Fiscal balance (% of GDP)<sup>1</sup></b>	-3.2	-3.3	-3.1	-3.2	-2.9	-2.8
<b>Revenues (% of GDP)</b>	15.3	15.8	16.4	15.5	15.4	15.3
<b>Debt (% of GDP)<sup>2</sup></b>	58.6	58.3	57.4	57.6	57.3	56.9
<b>Primary balance (% of GDP)<sup>1</sup></b>	-0.4	-0.1	0.3	0.4	0.8	1.0
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>3,4</sup></b>	1.0	1.3	0.8	0.7	0.7	0.7
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>3,4</sup></b>	3.2	3.0	2.0	1.9	1.8	1.8
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>3,4</sup></b>	20.2	16.9	14.0	13.4	13.0	12.6
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	6.2	1.5	4.1	4.2	5.2	5.7

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Fiscal balances are shown for the non-financial public sector (i. e. excluding central bank quasi-fiscal balances).

2/ Consolidated public sector debt.

3/ Calculations based on SEDLAC harmonization, using 2024-ECNFT-Q03. Actual data: 2024. Forecasts are from 2025 to 2027.

4/ Projections using microsimulation methodology.

# ECUADOR

Ecuador faces structural challenges centered around low growth, low-quality employment, and strained fiscal accounts. The government's short-term priorities are focused on improving the fiscal stance, addressing the energy crisis and enhancing security. The economic outlook for 2025 anticipates a rebound in growth, gradual poverty reduction, and improving fiscal balances. Removing barriers to private sector development would further boost GDP growth.

## Key conditions and challenges

Real GDP growth averaged just 1.1 percent between 2015 and 2024. Structural challenges—such as rigid labor regulations, barriers to doing business, price distortions, fiscal uncertainty, and trade restrictions—have constrained economic performance. Furthermore, climatic shocks and rising crime have hindered capital accumulation and productivity growth.

During the commodity boom, growth relied on unsustainable fiscal spending, eroding critical fiscal buffers. The 2008 debt default has since constrained Ecuador's access to private international markets. In May 2024, the International Monetary Fund (IMF) Executive Board approved an Extended Fund Facility (EFF) program to stabilize public accounts. Despite progress, fiscal revenues remain volatile due to oil price dependence, and public spending stays elevated.

According to the national poverty rate as of 2024 one in four Ecuadorians lives in poverty, and one in ten in extreme poverty, with inequality remaining high and largely unchanged over the past decade. Job quality remains a challenge for poverty reduction, with

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$8.30/day
18.1	5.9
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
77.4	97.3
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
124.7	6874.7

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

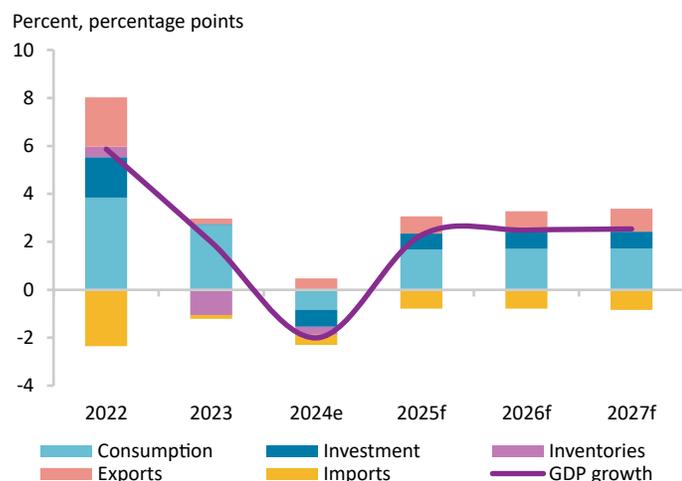
over half the workforce informal and 97 percent of formal businesses as micro or small enterprises. Women are particularly disadvantaged, making up 67.1 percent of part-time and below-minimum-wage jobs. To revitalize growth, Ecuador must boost private investment in competitive sectors like mining and agriculture by reducing barriers to private sector development, strengthening the insolvency framework, promoting competition and trade, and improving labor regulations.

## Recent developments

Real GDP grew by 3.4 percent y-o-y in 2025-Q1, following a contraction of 2.0 percent in 2024. Investment and private consumption were key drivers in revitalizing growth, as the improved availability of energy and the reduction of fiscal risks more than offset the uncertainty stemming from the general elections held in February and April.

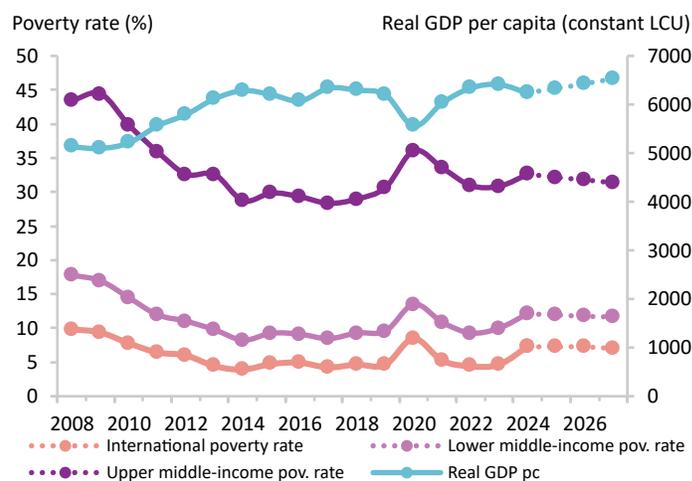
Unemployment rose in 2025-Q2 from 3.1 percent to 3.5 percent y-o-y, while labor informality increased from 53.5 percent to 54.5 percent, highlighting persistent challenges in job quality. Despite this, earnings in the bottom four deciles improved, driving

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



Sources: Central Bank of Ecuador and World Bank staff calculations.

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



Source: World Bank. Notes: See footnotes in table on the next page.

a 0.5 percentage point reduction in poverty (measured at US\$8.3/day, 2021PPP) to 32.2 percent in 2025. Inequality narrowed, with the Gini coefficient falling from 45.6 to 44.4.

The annualized fiscal deficit widened to 2.0 percent in 2025-Q1, up from 1.3 percent of GDP in 2024. While fiscal revenues increased due to the lagged effects of earlier policy measures, expenditure grew at a faster pace, driven by higher spending on goods and services and social security benefits. The IMF Board approved the second review of the EFF, including an augmentation of IMF financing from US\$4 billion to US\$5 billion, given the strong performance of the reform program. The sovereign spread trended downward from its peak of 1,908 bps on April 10, before the second round of the presidential elections, and fell below 700 bps by mid-September.

The current account balance recorded an annualized surplus of 6.4 percent of GDP in 2025-Q1. Goods exports rose by 13 percent, while imports increased by 7 percent. Remittances rose by 24 percent in the first quarter, amid expectation of a remittance tax in the US. Inflation remained low, reaching 1.5 percent y-o-y by June.

## Outlook

GDP is projected to rebound 2.3 percent in 2025, supported by reduced political uncertainty, increased energy supply, and diminishing fiscal risks. The government's congressional majority is expected to enable the passage of key reforms. Also, the government invested over US\$1.0 billion to expand power generation capacity, aiming to prevent power outages. The reduction in fiscal

and political uncertainty is anticipated to further sustain growth through 2026 and 2027. The current account surplus is expected to narrow, as recovering domestic demand stimulates imports. Inflation is projected to remain moderate. Poverty at the upper-middle income country international line of US\$8.3/day (2021) is projected to decline gradually to 31.4 percent by 2027.

In 2025, the fiscal deficit is expected to close below 1 percent of GDP. Public revenue may decrease slightly, as lower oil export prices and production offset higher tax revenues. However, expenditure is projected to fall further, reflecting adjustments in the wage bill, purchases of goods and services and transfers. As revenue and spending adjustments planned in the EFF program continue to be implemented, the fiscal balance is expected to continue improving, turning positive by 2027. Amortization pressures are expected to remain high and gross financing needs would exceed US\$ 8 billion in 2025, underscoring the importance of sustained fiscal adjustment. Public debt is expected to decline and reach 50 percent of GDP by 2027.

Several risks could affect this outlook. Domestically, natural hazards may constrain growth, further strain fiscal accounts, and limit poverty reduction. Energy sector risks persist due to reliance on volatile supply of hydroelectric power and imports. An eventual resurgence in crime could also impact investment and growth negatively. In the medium term, a relaxation of fiscal consolidation efforts or the phasing out of structural reforms could undermine growth prospects. Externally, Ecuador's reliance on oil revenues makes it vulnerable to price volatility and weaker-than-expected growth in major trading partners such as the United States and China.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	5.9	2.0	-2.0	2.3	2.5	2.5
Private consumption	6.0	4.2	-1.3	2.3	2.5	2.5
Government consumption	1.4	1.7	-1.2	1.1	0.4	0.5
Gross fixed capital investment	9.2	0.2	-3.8	3.6	3.8	3.7
Exports, goods and services	7.9	0.8	1.8	2.6	3.1	3.5
Imports, goods and services	9.5	0.6	1.7	3.0	3.0	3.2
<b>Real GDP growth, at constant factor prices</b>	5.7	2.0	-1.7	2.3	2.5	2.5
Agriculture	3.4	2.7	2.5	2.3	2.2	2.2
Industry	5.5	-0.3	-3.7	2.5	1.7	1.8
Services	6.1	3.0	-1.4	2.1	2.9	2.9
<b>Employment rate (% of working-age population, 15 years+)</b>	62.5	62.2	61.3	61.3	61.3	61.3
<b>Inflation (consumer price index)</b>	3.5	2.1	1.6	2.2	1.8	1.8
<b>Current account balance (% of GDP)</b>	1.8	1.8	5.7	4.0	3.8	3.6
<b>Net foreign direct investment inflow (% of GDP)</b>	0.8	0.3	0.3	0.8	0.9	0.9
<b>Fiscal balance (% of GDP)</b>	0.0	-3.5	-1.3	-0.9	-0.1	0.7
<b>Revenues (% of GDP)</b>	38.9	36.0	36.8	36.3	36.3	36.7
<b>Debt (% of GDP)</b>	57.2	54.3	53.8	53.2	51.2	50.0
<b>Primary balance (% of GDP)</b>	0.5	-2.6	-0.2	0.2	1.0	1.7
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	4.4	4.7	7.3	7.3	7.3	7.0
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	9.2	10.0	12.1	12.0	11.8	11.7
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	30.9	30.8	32.6	32.1	31.8	31.4
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	2.5	0.0	-2.1	0.5	0.4	0.5

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on SEDLAC harmonization, using 2024-ENEMDU. Actual data: 2024. Forecasts are from 2025 to 2027.

2/ Projection using neutral distribution (2024) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

# EL SALVADOR

El Salvador is addressing macroeconomic imbalances through comprehensive reforms that increase fiscal and external buffers and enhance economic and climate resilience. Growth is expected to slow to 2.5 percent in 2025 and 2026, but macroeconomic stabilization efforts should improve market confidence and increase investment, accelerating growth to 3.0 percent by 2027, while poverty is expected to remain stable at around 30 percent.

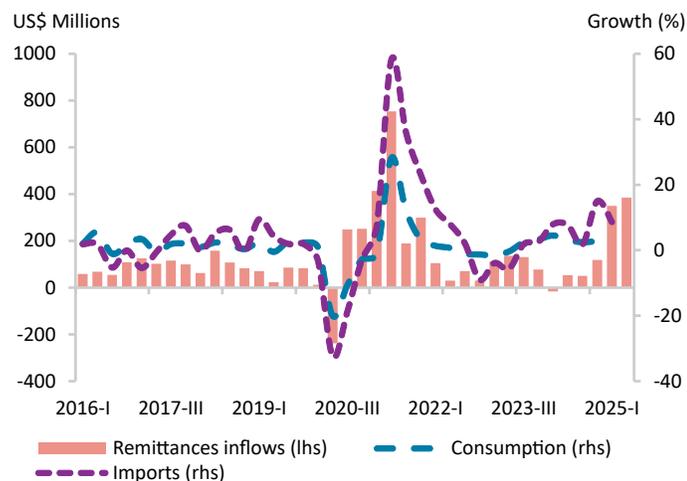
## Key conditions and challenges

Between 2000 and 2024, El Salvador grew at an annual rate of 2.1 percent, limited by crime and structural constraints. Since 2000, official poverty declined by 18 percentage points to 26.8 percent in 2019, supported by remittances, but increased afterwards to 30.3 percent in 2023. International poverty lines show a different trend with declining rates. Job creation remained a challenge, linked to low productivity and insufficient human capital, with 68 percent of workers in informal jobs in 2023.

A concerted effort since 2022 sharply reduced crime, boosting investor confidence and removing a key barrier to job creation and growth. The government has also taken steps to address fiscal and external imbalances. Three debt buy-backs in 2022–24 eased short-term financing pressures, followed by approval of an austere 2025 budget and an Extended Fund Facility with the IMF in February 2025. Consequently, sovereign spreads fell from a peak of 3,512 basis points in June 2022 to 400 basis points in September 2025.

Challenges remain, including addressing macroeconomic imbalances, strengthening climate resilience, and boosting productivity.

**FIGURE 1 /** Year-on-year growth in remittances, real consumption, and real imports (Quarterly)



Source: Banco Central de Reserva de El Salvador.

Population <sup>1</sup> million	6.3	Poverty <sup>2</sup> millions living on less than \$8.30/day	1.9
Life expectancy at birth <sup>3</sup> years	72.1	School enrollment <sup>4</sup> primary (% gross)	91.1
GDP <sup>5</sup> current US\$, billion	35.4	GDP per capita <sup>6</sup> current US\$	5579.7

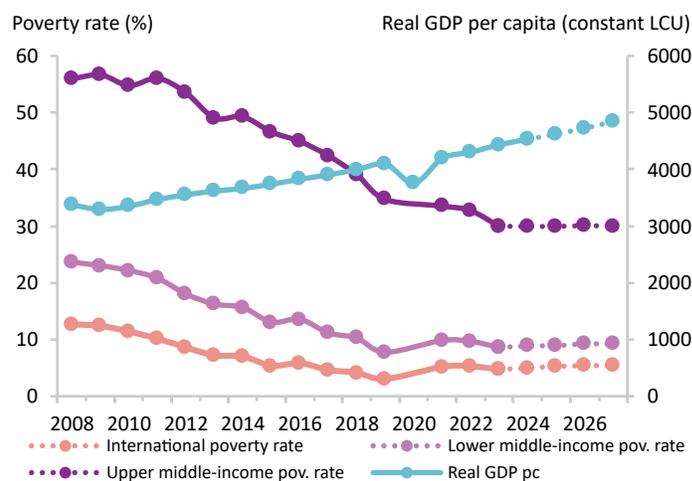
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2023 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

The authorities are addressing these challenges through a series of structural reforms, including support from multilateral development banks (MDBs), to make robust progress in restoring fiscal and external sustainability, and to advance comprehensive reforms that diversify the economy, attract foreign direct investment (FDI), and reduce poverty.

## Recent developments

El Salvador grew 2.6 percent in 2024, down from 3.5 percent in 2023, as severe flooding in the first half of the year slowed construction and public investment. Activity rebounded in the second half, supported by tourism and recovering investment. In Q1 2025, GDP grew 2.3 percent year-on-year, with strong consumption and investment partly offset by lower government spending and net exports. These trends reflect surging remittances, up 17.9 percent year-on-year in the first half of 2025, responding to changes in the immigration context and the upcoming 2026 remittance tax in the US. In 2024, inflation fell to 0.9 percent, due to lower food inflation and easing global prices. Compared to the first half of 2024, prices remain unchanged in 2025.

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



Source: World Bank. Notes: See footnotes in table on the next page.

The overall fiscal deficit narrowed by 0.2 percentage points to 4.5 percent of GDP in 2024, and the primary deficit nearly closed after declining by 0.6 percentage points of GDP. Revenues rose 0.6 percentage points to 25.5 percent of GDP, reflecting stronger tax administration and improved private sector activity. Current spending increased by 0.4 percentage points to 30.0 percent of GDP, mainly due to a one-off voluntary retirement scheme. Public debt peaked at 88.9 percent of GDP in 2024.

The current account deficit widened to 1.8 percent of GDP in 2024, as weaker remittances, lower exports, and higher imports offset record tourism gains. FDI recovered to 1.8 percent of GDP, although still below Central America's average (3.2 percent). Reserves rose by US\$634 million yet cover only 2.4 months of imports, underscoring external vulnerabilities.

According to 2023 data, one out of three Salvadorans lived below the international poverty line of USD 8.30/day (2021 PPP). International poverty was higher in rural areas (40.1 percent compared to 23.6 percent in urban areas), reflecting widespread educational disadvantages: nearly three out of four rural household heads have not completed primary education, which limits productivity and access to better jobs. Nonetheless, inequality remains among the lowest in the region.

## Outlook

Weaker global activity and fiscal consolidation are expected to slow growth marginally to 2.5 percent in 2025–26. Growth

is anticipated to increase to 3.0 percent by 2027, supported by macroeconomic stabilization, ongoing structural reforms, and improved market confidence, which are expected to boost investment in infrastructure, tourism, and construction. Inflation is projected to average 1.8 percent by 2027. The current account deficit is expected to stabilize at around 1.5 percent of GDP by 2027, following the transitory positive remittance shock in 2025 and adjustment in 2026. Poverty, measured at the upper-middle-income line of US\$8.30/day (2021 PPP), is estimated to remain around 30 percent by 2027, reflecting slowing remittance growth.

Fiscal consolidation is projected to reduce the deficit to 1.8 percent of GDP by 2027, driven mainly by expenditure-reduction measures. The public wage bill is expected to fall by 1.6 percentage points of GDP due to hiring and wage freezes in 2025 and subsequent civil service reform. Reforms are also underway to improve spending and investment efficiency. Revenues are expected to rise by 0.4 percentage points, supported by stronger tax collection and real sector performance after 2026. Consequently, the primary surplus is projected at 3.5 percent of GDP by 2027, with public debt falling to 86.0 percent of GDP.

The macroeconomic outlook remains positive, despite significant risks. Potential tighter global financial conditions, stricter immigration policies affecting remittances, and climate-related shocks could worsen external and fiscal balances. The government's commitment to fiscal consolidation, proactive debt management, and MDB-supported structural reforms and financing are expected to mitigate these risks.

### Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	2.9	3.5	2.6	2.5	2.5	3.0
Private consumption	-0.1	0.9	3.2	3.2	3.3	3.1
Government consumption	0.2	3.3	2.4	-5.4	-2.1	-0.3
Gross fixed capital investment	3.1	9.4	4.7	3.2	3.6	4.5
Exports, goods and services	12.0	5.3	12.1	5.4	3.0	3.1
Imports, goods and services	2.9	-1.4	8.0	3.3	3.0	3.0
<b>Real GDP growth, at constant factor prices</b>	3.5	3.4	1.9	2.5	2.5	3.0
Agriculture	-0.7	-0.6	1.0	1.1	1.2	1.5
Industry	1.9	3.8	0.4	2.3	2.3	2.9
Services	4.5	3.5	2.6	2.7	2.8	3.2
<b>Employment rate (% of working-age population, 15 years+)</b>	58.2	58.5	58.5	58.5	58.5	58.5
<b>Inflation (consumer price index)</b>	7.2	4.0	0.9	1.0	1.8	1.8
<b>Current account balance (% of GDP)</b>	-6.7	-1.1	-1.8	-0.8	-2.1	-1.5
<b>Net foreign direct investment inflow (% of GDP)</b>	0.5	2.1	1.8	1.9	2.1	2.3
<b>Fiscal balance (% of GDP)<sup>1</sup></b>	-2.7	-4.7	-4.5	-3.0	-2.1	-1.8
<b>Revenues (% of GDP)</b>	24.7	24.9	25.5	25.8	25.9	26.3
<b>Debt (% of GDP)<sup>2</sup></b>	79.5	85.2	88.9	89.2	88.1	86.0
<b>Primary balance (% of GDP)<sup>1</sup></b>	2.0	-0.8	-0.2	1.7	2.7	3.5
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>3,4</sup></b>	5.2	4.6	4.9	5.2	5.4	5.4
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>3,4</sup></b>	9.6	8.6	8.9	9.0	9.3	9.3
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>3,4</sup></b>	32.7	29.9	29.9	29.9	30.0	30.0
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	5.3	1.7	1.3	0.9	1.5	2.2

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Fiscal and Primary Balance correspond to the non-financial public sector.

2/ Debt is total public debt.

3/ Calculations based on SEDLAC harmonization, using 2023-EHPM. Actual data: 2023. Nowcast: 2024. Forecasts are from 2025 to 2027.

4/ Projections using microsimulation methodology.

# GRENADA

Grenada's economy has remained resilient, driven by tourism and construction. Despite the post-Beryl reconstruction needs and the activation of the fiscal rule's escape clause, the country is expected to reduce its debt due to strong revenues and disaster risk management. Adhering to fiscal rules after 2027 and implementing institutional reforms will be critical for Grenada to sustain growth and make continued progress in poverty reduction.

## Key conditions and challenges

Grenada's economy outperformed its Eastern Caribbean peers, achieving average annual GDP growth of 3.9 percent between 2015 and 2019. Fiscal adjustment has been supported by structural reforms initiated in 2015 with the Fiscal Responsibility Act, which was replaced by the 2023 Fiscal Resilience Act (FRA) to simplify rules, broaden the definition of public debt, and strengthen the medium-term fiscal strategy. The Eastern Caribbean Currency Union's (ECCU) fixed exchange rate and sound policies anchor low inflation and price stability.

Grenada's tourism-dependent economy is susceptible to global downturns and natural disasters, heightening poverty risks for its people. The most recent available data show that in 2018 about 1 in 5 Grenadians lived on less than \$8.30 a day (2021 Purchasing Power Parity). Inequality, measured by the Gini index, was 43.8 in 2018, which is high by international standards. Gender disparities in economic opportunities persist, and youth unemployment is significantly above the national average. The 2018 data also highlighted gaps in access to basic services such as improved sanitation, electricity and housing quality, and a digital

Population <sup>1</sup> thousand	Poverty <sup>2</sup> thousands living on less than \$8.30/day
117.2	22.7
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
75.2	83.4
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
1.4	12102.1

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2018 (2021 PPPs). 3/ 2023. 4/ 2021. 5/ 2024. 6/ 2024.

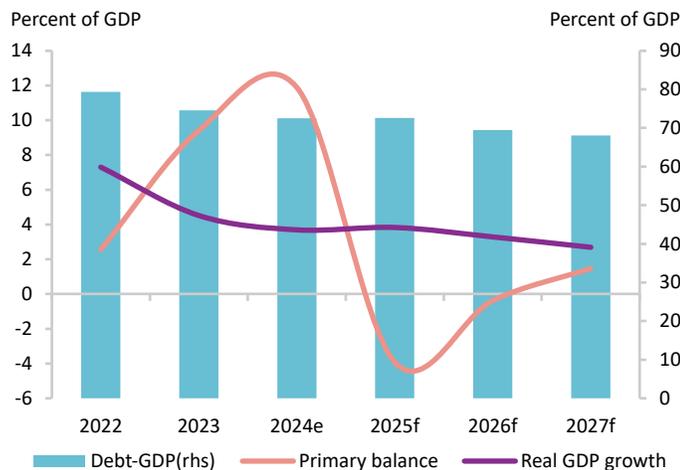
divide. The poor lagged the rest of the population by about 6–8 percentage points in basic services and 9–19 points in digital access indicators, with overall coverage around 89–95 percent for basic services and 28–76 for digital access.

Adherence to fiscal rules and enhancing public finances are crucial for inclusive growth, poverty reduction, social protection, and climate resilience. Although the escape clauses in the fiscal rule framework were activated in July 2024 and are anticipated to be reinstated in 2027, it is important to maintain budget discipline, strengthen revenue collection, and increase spending efficiency. Reforms are also needed to enhance trade facilitation, water and sewerage services, the financial sector, and disaster risk management.

## Recent developments

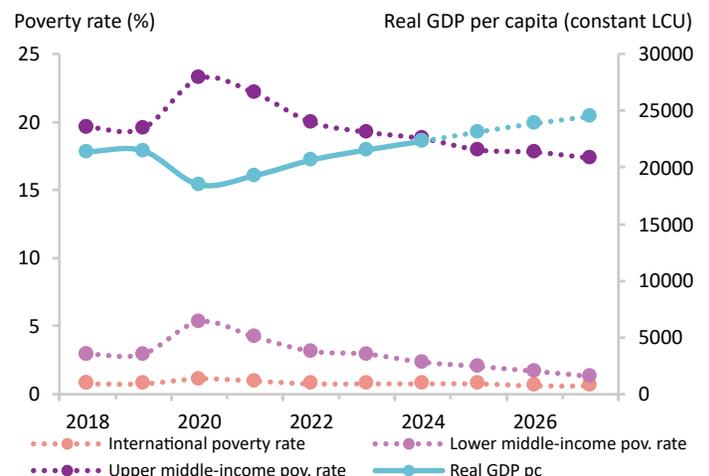
Grenada's economy maintained a growth rate of 3.7 percent in 2024, driven by robust performances in tourism and construction sectors, including ongoing reconstruction efforts following Hurricane Beryl's landfall in July 2024. Stayover arrivals increased by 9.5 percent in 2024. Inflation moderated from 2.7 percent in

FIGURE 1 / Key macroeconomic variables



Sources: Eastern Caribbean Central Bank and World Bank staff calculations. Notes: e = estimate; f = forecast.

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



Source: World Bank. Notes: See footnotes in table on the next page.

2023 to 1.1 percent in 2024, driven by lower import prices that offset price pressures from sizable minimum wage increases in early 2024. Poverty (\$8.30 a day in 2017 PPP) is estimated to have declined to 18.8 percent in 2024, falling below pre-pandemic levels in 2023.

The current account widened to 20.0 percent of GDP in 2024, up from 18.2 percent of GDP in 2023. The deterioration was largely due to the temporary impact of Hurricane Beryl, including higher import needs for food, relief supplies and construction materials. Remittance inflows increased to 5.5 percent of GDP in 2024, up from 5.0 percent in 2023. This is unlikely to have impacted poverty, as remittances tend to accrue most to the wealthiest households (as per 2018 data, 23 percent of those in the top welfare quintile received foreign remittances compared to about 11 percent in the bottom quintile). Foreign Direct Investment (FDI) and concessional loans fully financed the current account deficit in 2023 and 2024. Imputed reserves covered approximately 4.8 months of imports in 2024.

Higher revenues supported improved fiscal outcomes in 2024. Total revenue surpassed the budgeted target, increasing to 43.0 percent of GDP in 2024 due to higher citizenship by investment (CBI) revenue inflows and strong economic activity. Non-tax revenues, including CBI inflows, increased to an estimated 19.2 percent of GDP in 2024, supporting both public and private investment. As a result, the fiscal surplus reached 8.6 percent of GDP in 2024. Public sector debt decreased from 74.5 percent of GDP in 2023 to 72.5 in 2024.

## Outlook

Growth is projected at 3.8 percent in 2025, with an average of 3.0 percent over 2026-2027, driven by tourism and re-construction efforts. The agriculture sector is expected to recover gradually, following the devastation caused by Hurricane Beryl. Inflation is projected to pick up marginally to 1.5 percent in 2025 and converge to 2.0 percent thereafter. Grenada's current account is projected to have a negative balance of 17.4 percent of GDP in 2025, as reconstruction efforts and reduced exports of fish and fishery products is expected to continue, despite the expansion of tourism receipts. Poverty is expected to continue its downward trend, based on the positive growth outlook.

Public expenditures are expected to rise to 38.0 percent of GDP in 2025, amid post-hurricane reconstruction and higher wages, but are projected to decline thereafter amid reduced capital spending. Exceptional non-tax revenues, including strong past CBI performance, are expected to normalize over the projection period. Consequently, total revenue is projected to reach 31 percent of GDP in 2025, before subsequently stabilizing at 28.8 percent. The primary deficit is projected at 3.9 percent of GDP in 2025 and is expected to turn into a surplus in 2027. Public debt (72.6 percent of GDP in 2025) is expected to continue its downward trajectory.

The risks to the outlook are skewed towards the downside, with potential challenges including delays in the resumption of fiscal rules, escalating global geopolitical tensions, economic slowdown in key tourist-origin countries, reduced FDI, fewer CBI applications, lower remittances, natural disasters, and the impacts of climate change.

### Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	7.3	4.5	3.7	3.8	3.3	2.7
<b>Real GDP growth, at constant factor prices</b>	6.2	2.8	3.4	3.8	3.3	2.7
Agriculture	-16.8	-18.7	-15.3	7.4	2.5	2.5
Industry	17.4	-4.0	4.3	5.8	5.6	4.2
Services	5.5	6.4	4.2	3.2	2.7	2.3
<b>Inflation (consumer price index)</b>	2.6	2.7	1.1	1.5	2.0	2.0
<b>Current account balance (% of GDP)</b>	-12.1	-18.2	-20.0	-17.4	-13.8	-11.9
<b>Fiscal balance (% of GDP)</b>	0.9	7.9	8.6	-7.0	-2.4	-0.2
<b>Revenues (% of GDP)</b>	32.9	36.6	43.0	31.0	28.8	28.8
<b>Debt (% of GDP)<sup>1</sup></b>	79.3	74.5	72.5	72.6	69.4	68.0
<b>Primary balance (% of GDP)</b>	2.6	9.4	11.9	-3.9	-0.4	1.5
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>2,3</sup></b>	0.8	0.8	0.8	0.8	0.6	0.6
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>2,3</sup></b>	3.2	2.9	2.3	2.0	1.7	1.3
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>2,3</sup></b>	20.0	19.3	18.8	17.9	17.8	17.3
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	1.0	0.9	0.9	1.0	0.8	0.7

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ The debt coverage over the period 2023-2026 was expanded to include the non-guaranteed debt of all SOEs, aligned with the new FRA.

2/ Calculations based on CONLAC harmonization, using 2018 SLCHB. Actual data: 2018. Nowcast: 2019-2024. Forecasts are from 2025 to 2027.

3/ Projection using neutral distribution (2018) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

# GUATEMALA

Guatemala's medium-term growth prospects are robust, but it remains among the poorest and most unequal countries in Latin America. Increased remittances and public investment are forecast to push growth to 3.9 percent in 2025, moderating to 3.7 percent over 2026-2027. Reforms to enhance the business environment, revenue mobilization, and social spending are all critical for better jobs and poverty reduction.

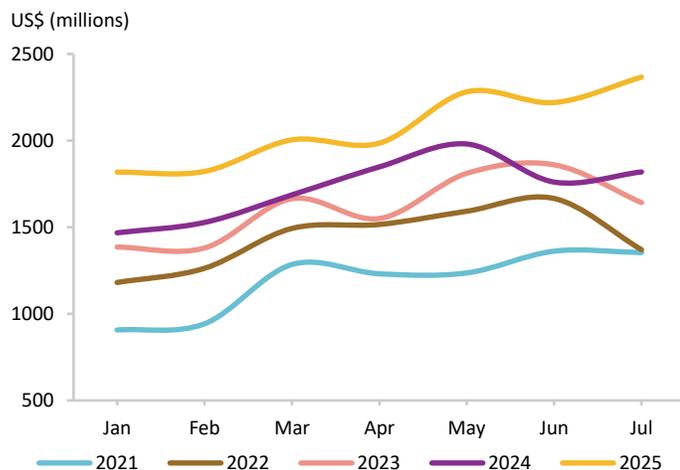
## Key conditions and challenges

Guatemala has grown at 3.5 percent annually on average between 2002 and 2024. Remittance inflows, amounting to nearly a fifth of GDP, are a key driver of consumption and investment, while also supporting external accounts and reserves. Conservative fiscal and monetary policies, and an inflation-targeting regime, have ensured macroeconomic stability.

Despite sustained growth, poverty remains stagnant at 47.3 percent (US\$8.30 a day, 2021 PPPs) in 2023. Inequality is high due to significant spatial, racial, and socioeconomic disparities. Educational outcomes are poor and 46 percent of children under five are malnourished, hindering human capital accumulation. High informality, low job quality and one of the lowest female labor force participation rates in the region (42 percent) also hamper poverty reduction.

Closing these human capital and infrastructure gaps are key to accelerating growth, poverty reduction and good jobs. The government has pledged to increase infrastructure and social spending, but more efficient public spending is also needed, as well as regulatory enhancements to attract more private investment.

FIGURE 1 / Monthly remittance inflows



Source: Central Bank of Guatemala.

Population <sup>1</sup> million	17.8	Poverty <sup>2</sup> millions living on less than \$8.30/day	8.6
Life expectancy at birth <sup>3</sup> years	72.6	School enrollment <sup>4</sup> primary (% gross)	103.0
GDP <sup>5</sup> current US\$, billion	113.2	GDP per capita <sup>6</sup> current US\$	6343.8

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2023 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

Improved public service delivery would strengthen trust and support revenue mobilization efforts, which are needed to finance this additional spending.

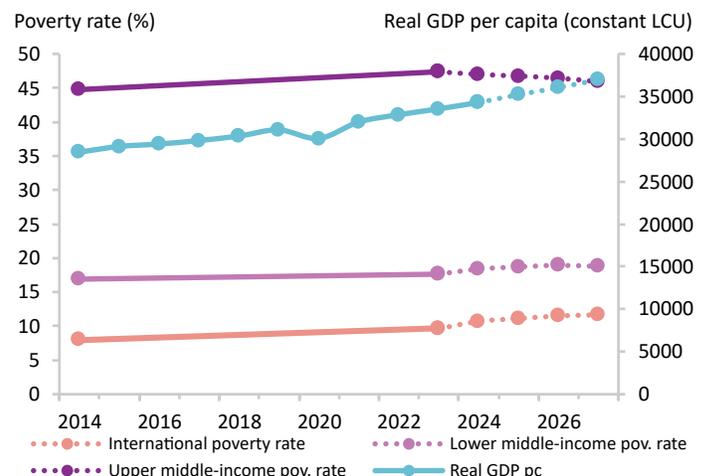
## Recent developments

Economic activity expanded 3.9 percent year-on-year in the first seven months of 2025, driven by the retail, construction and real estate sectors. Private consumption was the main driver of growth, buoyed by a 19.9 percent y-o-y rise in remittances over the same period. This likely reflected a 'frontloading' of remittances from the United States and an impending remittances tax.

Strong remittance growth led the current account surplus to more than double to US\$1.1 billion in Q1 2025, along with nominal export growth (8.6 percent), which outpaced import growth (7.7 percent). The quetzal appreciated by 0.6 percent against the U.S. dollar in the first eight months of 2025. As at end-August 2025, international reserves were adequate at 9.3 months of imports.

Headline inflation has been well below the official target range of 3 to 5 percent at 1.2 percent y-o-y in August 2025. Core inflation was

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



Source: World Bank. Notes: See footnotes in table on the next page.

near 4 percent and inflation expectations are anchored. The central bank cut the policy rate to 4.25 percent in August, the first time in over a year.

The consolidated general government budget surplus fell to 0.3 percent of estimated 2025 GDP in the first half of 2025 from 0.8 percent of GDP over the same period in 2024. Expenditure outpaced revenue growth, driven by increases in the public wage bill and public investment. In July 2025, Guatemala issued a Eurobond of US\$1.5 billion in two tranches, priced at 6.25 and 6.4 percent respectively. Prudent fiscal policy and low debt levels have earned Guatemala the lowest spreads in Central America (167 Emerging Markets Bond Index (EMBI) basis points as of early September) and the best sovereign credit ratings after Panama.

The labor market remains a limited contributor to poverty reduction, with informality reaching 68 percent in 2024 and disproportionately affecting women (74.2 percent vs. 63 percent for men), deepening gender disparities. Employment is concentrated in industry (24 percent) and services (50 percent)—sectors with stagnant or declining productivity—constraining labor income growth.

## Outlook

Growth is expected to moderately accelerate to 3.9 percent in 2025 due to remittance-fueled private consumption and decelerate thereafter to 3.7 percent in 2026 and 2027 as remittance growth decelerates. Government consumption and investment are expected to offset the drag from lower net exports. Inflation is expected to return to the midpoint of the target range by 2026-2027.

While higher GDP and remittances will reduce poverty, it is expected to remain high around 46.1 in 2025, and at 45.7 and 45.1 percent in 2026 and 2027 respectively, assuming that low poverty growth elasticity will persist. A faster decline would be observed if investment creates more and better jobs.

The current account surplus is expected to narrow over the medium term as remittance growth decelerates and import growth accelerates, in line with the implementation of infrastructure projects.

The government plans to increase public investment and social expenditure without adjusting tax rates. These are expected to be financed by improved tax administration and a wider revenue base, as well as more external borrowing. Assuming improved execution of public investment, the consolidated general government budget deficit is thus projected to increase slightly to 0.9 of GDP in 2027. Public debt is also expected to rise but will remain below 30 percent of GDP.

Risks are tilted to the downside. Domestically, political tensions could slow important structural reforms, including planned increases in infrastructure and social spending. Externally, changes in trade and migration policies, the U.S. labor market and the impending remittances tax taking effect in January 2026 could reduce remittance inflows. Lower incentives for outmigration, however, present opportunities for Guatemala to retain talent, which could boost long-term growth if accompanied by improvements in human capital. Natural disasters such as earthquakes and climate-related hazards remain a key risk.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	4.2	3.5	3.7	3.9	3.7	3.7
Private consumption	4.3	4.3	5.6	4.8	4.1	4.1
Government consumption	7.3	4.1	0.9	6.0	2.8	5.4
Gross fixed capital investment	4.3	7.9	4.8	4.9	5.5	5.8
Exports, goods and services	7.5	-2.4	2.2	2.0	2.4	2.4
Imports, goods and services	4.9	5.4	9.0	6.0	4.5	5.2
<b>Real GDP growth, at constant factor prices</b>	4.4	3.1	3.0	3.9	3.7	3.7
Agriculture	2.5	1.4	0.1	2.7	2.3	2.5
Industry	4.7	1.0	2.0	3.8	3.2	3.5
Services	4.6	4.1	3.8	4.1	4.0	3.9
<b>Inflation (consumer price index)</b>	6.9	6.3	2.9	2.4	4.0	4.0
<b>Current account balance (% of GDP)</b>	1.2	3.1	2.9	3.3	1.6	0.9
<b>Net foreign direct investment inflow (% of GDP)</b>	0.8	1.0	0.9	1.2	1.4	1.6
<b>Fiscal balance (% of GDP)</b>	-1.0	-0.8	0.1	-0.5	-0.6	-0.9
<b>Revenues (% of GDP)</b>	16.4	16.5	16.4	16.5	16.6	16.9
<b>Debt (% of GDP)</b>	29.0	27.2	26.3	27.4	28.3	29.3
<b>Primary balance (% of GDP)</b>	0.2	0.4	1.1	0.6	0.4	0.1
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	..	9.7	9.6	9.4	9.4	9.2
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	..	17.6	17.6	17.2	17.0	16.7
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	..	47.3	47.0	46.1	45.7	45.1
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-2.4	1.6	2.4	3.9	3.5	3.2

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on SEDLAC harmonization, using 2023-ENCOVI. Actual data: 2023. Nowcast: 2024. Forecasts are from 2025 to 2027.

2/ Projections using microsimulation methodology.

# GUYANA

Guyana remains one of the world's fastest-growing economies following the development of its oil and gas (O&G) sector. The government is implementing an ambitious investment program to transform the non-oil economy and address development needs. Assessing the progress in poverty reduction is limited by the lack of recent data. Sound management of O&G resources remains critical for inclusive growth.

## Key conditions and challenges

Guyana is a small state with abundant natural resources, including significant oil and gas reserves and extensive forest cover. With much of its territorial waters still unexplored, Guyana's gross oil resources are conservatively estimated at over 11 billion barrels, one of the world's largest on a per capita basis. The start of oil production in 2019 led to an unprecedented rate of economic growth.

Guyana's resource wealth is helping address longstanding social and economic needs—financing the pandemic response and addressing infrastructure gaps and human development needs. Poverty and social exclusion have been prevalent in the hinterland regions and among indigenous Amerindians. Agriculture, forestry, and fishing drive job creation and poverty reduction, as over 70 percent of the working-age population resides in rural areas. However, a lack of recent data constrains assessments of poverty reduction and social inclusion.

Guyana's oil revenues are held in the Natural Resource Fund (NRF), a sovereign wealth fund governed by the NRF Act 2021. The NRF

Population <sup>1</sup> million	Poverty <sup>2</sup>
0.8	..
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
70.2	99.0
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
24.7	29670.4

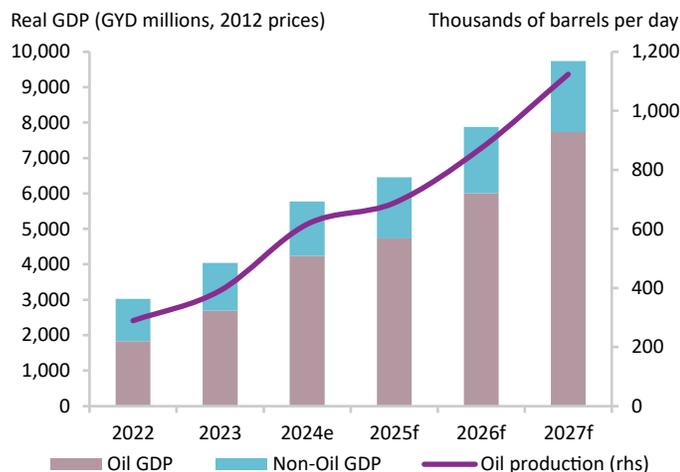
Sources: WDI, MFM, and official data. 1/ 2024. 2/ No recent data available (after 2000). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

Act was amended in 2024 to increase the pace of withdrawals and enable additional public investments. However, faster withdrawals also raise the risk of increasing spending inefficiency, accelerating inflation, and dampening competitiveness of non-oil sectors. A reliance on oil revenues may also contribute to economic imbalances and vulnerabilities to commodity price fluctuations. Transparent and accountable governance, along with robust public financial management, can help ensure equitable and sustainable growth.

## Recent developments

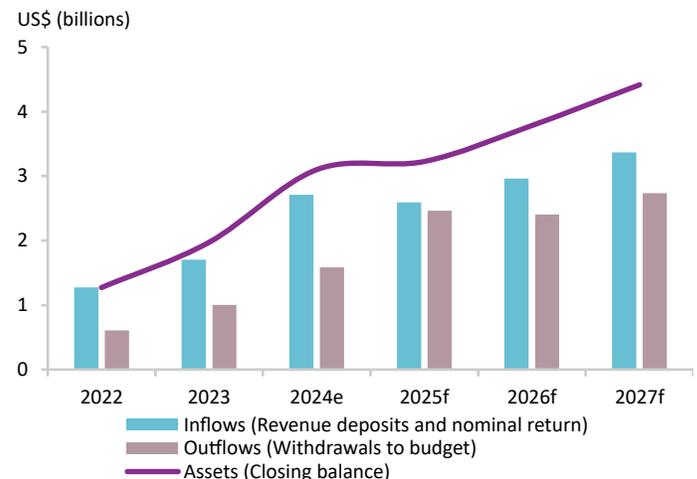
Real GDP growth accelerated to 43.6 percent in 2024, fueled by strong expansions in both the oil and non-oil sectors. Oil production averaged 616,000 barrels per day (bpd) as the third oil field reached full capacity, supporting an oil GDP growth of 57.7 percent. Production slightly increased to 640,000 bpd between January and June 2025. In August 2025, the fourth oil field started production, ahead of schedule. The non-oil economy grew by 13.1 percent in 2024, driven mainly by construction, manufacturing, and agriculture, supported by substantial public investment.

**FIGURE 1 /** Real GDP (oil and non-oil) and oil production, 2022-2027



Sources: Government of Guyana and World Bank staff calculations. Notes: e=estimate, f=forecast.

**FIGURE 2 /** Natural Resource Fund (NRF) assets, inflows, and outflows, 2022-2027



Source: Government of Guyana.

Notes: Projections from 2025 assume yearly withdrawal of maximum amounts allowed by the Fiscal Enactments (Amendment) Act 2024. e=estimate, f=forecast.

Inflation remained low in the first half of 2025, with the urban consumer price index increasing by an average of 3.2 percent. However, food inflation was relatively high, averaging 5.8 percent. Higher food prices tend to disproportionately affect the poor and vulnerable, who allocate a larger portion of their budget to food.

The fiscal deficit widened to 21.0 percent of non-oil GDP in 2024, despite NRF transfers to the budget of nearly US\$1.6 billion (18.4 percent of non-oil GDP), as capital expenditure expanded. As of July 2025, the closing balance in the NRF amounted to USD 3.4 billion. The central government debt-to-GDP ratio dropped to 24.3 percent of GDP in 2024 as the economy expanded. The latest IMF-WB Debt Sustainability Analysis (DSA), April 2025, assessed Guyana's risk of debt distress as "low", an improvement from the "moderate" risk rating in the previous DSA. The current account surplus increased to 16.5 percent of GDP in 2024, but the surplus was lower in Q12025 than in Q12024, as export receipts from oil fell. The nominal and real effective exchange rate remained stable in 2024 and Q12025, with a de facto stabilized exchange rate regime.

## Outlook

Strong GDP growth is expected over the medium term, as oil production continues to expand. After relatively slower growth in 2025 given the operationalization of the new oil field in the latter half of the year, growth will pick up in 2026 with four oil fields in full operation. The next two oil development projects are expected to

start operations in 2027, further boosting growth. Real non-oil GDP growth is projected to average 9.5 percent between 2025 and 2027, driven by positive spillovers from the oil sector supported by the Local Content Act and an expanding public investment program. Inflation is expected to rise gradually over the medium term as government investment and consumption increases. Poverty reduction will depend on the government's efforts to boost the purchasing power of poor and vulnerable households and job creation in non-oil sectors.

The fiscal deficit is expected to narrow in 2025 as increased revenue from carbon credits and NRF inflows outweigh expenditure growth, but widen in 2026 as revenue growth slows. Public debt will rise in 2025, due to higher external debt, but gradually fall thereafter as the economy grows. Increased exports, mostly of oil, will sustain the current account surplus, despite fluctuations linked to the importation of oil production platforms and commodity prices. Net foreign direct investment flows will remain negative due to the repatriation of oil sector investments.

Risks to the near-term outlook include a global economic slowdown, rising global uncertainty, and a stronger-than-expected decline in oil prices. The extractive sector is Guyana's dominant source of growth and fiscal revenues, making the country susceptible to oil-related shocks, and may face additional risks amid global decarbonization efforts. Prudent NRF management and strengthening the medium-term fiscal framework are critical for preventing the economy from overheating.

Recent history and projections	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at market prices (total)<sup>1</sup></b>	63.3	33.8	43.6	11.8	22.4	24.0
<b>Real GDP growth, at market prices (non-oil)<sup>2</sup></b>	11.5	12.3	13.1	12.2	8.7	7.7
Agriculture	11.7	6.9	11.0	11.4	7.2	6.1
Industry	12.7	16.7	22.1	18.3	13.7	11.4
Services	9.3	10.8	6.7	7.5	5.5	5.0
<b>Inflation (consumer price index)</b>	6.6	2.6	2.7	3.3	4.3	5.0
<b>Current account balance (% of GDP)<sup>3</sup></b>	26.0	9.9	16.5	8.2	24.3	16.8
<b>Net foreign direct investment inflow (% of GDP)</b>	-20.8	-6.7	-14.2	-10.8	-20.1	-14.1
<b>Fiscal balance (% of GDP)<sup>4</sup></b>	-11.8	-13.3	-21.0	-14.7	-16.3	-14.4
<b>Revenues (% of GDP)<sup>4</sup></b>	33.3	39.4	43.9	47.8	39.6	36.9
<b>Debt (% of GDP)</b>	24.9	26.7	24.3	28.4	27.0	23.0
<b>Primary balance (% of GDP)<sup>4</sup></b>	-11.2	-12.5	-20.0	-13.6	-15.2	-13.4
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	5.7	12.6	26.9	10.1	12.6	14.4

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Total GDP at 2012 prices.

2/ Non-oil GDP at 2012 prices.

3/ BOP definition in current US\$.

4/ Share of non-oil GDP.

# HAITI

An ongoing political crisis and increasing gang violence continue to depress economic activity, with GDP declining by an estimated 2.6 percent in H1FY25. Agriculture contracted the most, worsening food insecurity. Despite tighter monetary and fiscal policies, inflation accelerated, led by food and housing. GDP is projected to decline for a seventh straight year, deepening poverty.

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$3.00/day
11.8	4.1
Life expectancy at birth <sup>3</sup> years	School enrollment primary (% gross)
64.9	..
GDP <sup>4</sup> current US\$, billion	GDP per capita <sup>5</sup> current US\$
25.2	2142.7

Sources: WDI, MFMMod, and official data. 1/ 2024. 2/ 2012 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2024.

## Key conditions and challenges

By June 2025, gang-controlled territory had expanded, displacing 1.3 million Haitians and deepening an already severe humanitarian crisis. This, together with deep structural challenges including state capture and an un-conducive business environment limit growth and poverty reduction. Underdeveloped financial markets and weak competition fuel a large informal economy. The indefinite suspension of US commercial flights to the main airport and intermittent border closures with the Dominican Republic have isolated Haiti, constraining domestic resource mobilization. A weak labor market is dominated by low-quality, poorly remunerated jobs, alongside low human capital development.

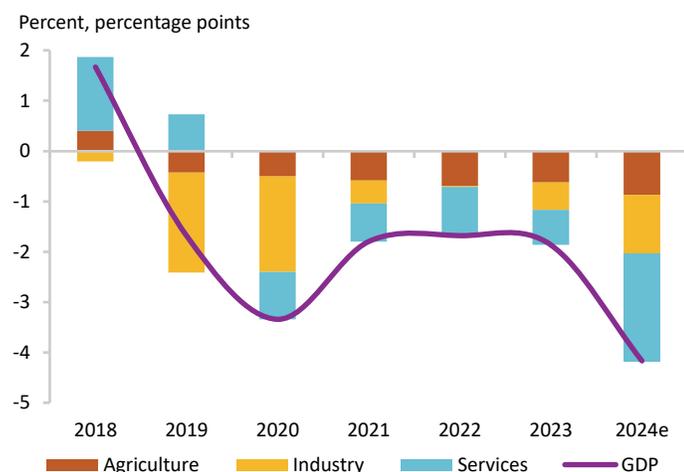
In this context, political uncertainty is rising, and humanitarian challenges are mounting. The nine-member Transitional Presidential Council, established to exercise presidential powers, is set to end by February 2026. However, general elections scheduled for late 2025 require substantial planning and face security constraints.

## Recent developments

Economic activity weakened due to expanding gang control in the Centre department, political discord, and abrupt leadership changes. The Haitian Institute of Statistics and Information composite economic activity index contracted by 2.6 percent in the first half of fiscal year 2025. Agriculture registered the largest decline (-5.8 percent), exacerbating food insecurity. Industry contracted by 4.5 percent, as trade policy uncertainty weighed on apparel, Haiti's main export. Services declined 1.4 percent, led by a weakening hospitality subsector. Despite strong remittances inflows, the current account deficit (CAD) widened by 0.1 percent of GDP from a balanced position in the same period in 2024, as imports ticked up.

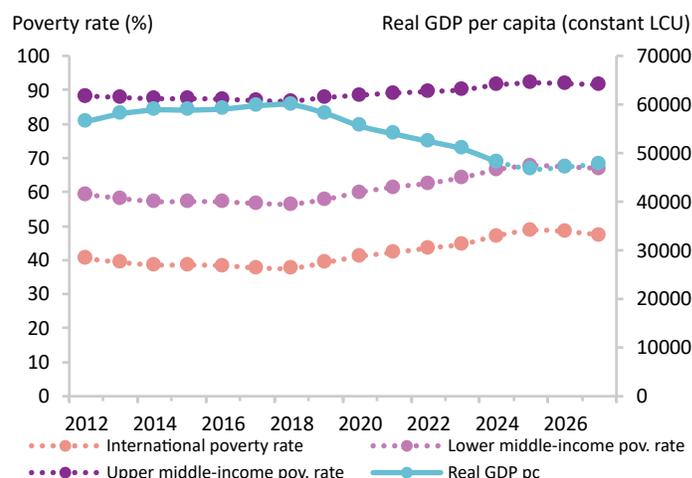
The bleak business environment contributed to weak tax revenues, estimated at 3.5 percent of GDP at the end of Q3FY25. Recurrent expenditures have performed according to the budget plan. Capital expenditures, however, have been constrained by weak procurement processes, inadequate project execution, and insecurity, including capital expenditure to support security forces. Weak revenues and slow capital budget execution yielded

FIGURE 1 / Real GDP growth and sectoral contributions to real GDP growth (supply side)



Sources: Haiti Statistical Office (IHSI) and World Bank staff calculations.

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



Source: World Bank. Notes: See footnotes in table on the next page.

a small fiscal surplus estimated at 0.1 percent of GDP by Q3FY25. Tight monetary policy, and strong remittance inflows eased pressure on the gourde, which appreciated 1.3 percent against the US dollar over the first nine months of the fiscal year. Against this backdrop, the current account registered a deficit of 0.07 percent of GDP during H1FY2025.

Inflation reached 28.4 percent by June 2025, up from 25.3 percent at the outset of the fiscal year in October 2024 as security conditions worsened. Inflation was led by higher food prices (31.5 percent in June 2025) and housing and electricity (43.9 percent in June). More than half of Haiti's population faced high levels of acute food insecurity in the March to June 2025 period, and an estimated 8,400 displaced people are experiencing catastrophic hunger. The share of Haitians living on less than US\$3.00/day 2021 PPP is estimated to have increased from 42.2 percent in 2021 to 48.7 percent in 2025.

## Outlook

GDP is forecast to contract 2.0 percent in 2025 owing to uncertainty about the political process, insecurity, an un conducive business environment, and receding private consumption. Modest GDP growth is expected by 2026 as investment increases from a low baseline, assuming marginal improvements on the political and security fronts. Uncertainty around the renewal of preferential access to

US textile markets may further depress textile exports in the near term. Exports are forecast to accelerate in 2026, contingent on reaching a trade agreement with the United States. The share of Haitians living on less than US\$3.00/day 2021 PPP would fall from 48.7 percent in 2025 to 47.3 percent by 2027, if GDP returns to growth over the medium term.

The current account deficit (CAD) is expected to narrow in 2025 supported by resilient remittances inflows, widening in subsequent years as imports pick up with modest GDP growth. Increased government spending ahead of planned elections is expected to contribute to inflationary pressure in 2025, moderating over the medium term if security conditions relax supply constraints. With election spending, the fiscal deficit is expected to reach 0.8 percent in 2025. Tax revenue may gradually improve over the medium term as a new general tax code goes into effect and tighter customs controls are implemented.

The path ahead remains fraught with downside risks and depends on an effective political transition and improvements in security. A credible budgetary framework and an appropriate mix of fiscal and monetary policy will remain key to reducing inflation and strengthening growth prospects. Inclusive growth will require strengthening the business environment, expanding social protection, and enhancing the institutional framework for disaster risk management, including better preparedness and response systems.

## Recent history and projections

	2021/22	2022/23	2023/24	2024/25e	2025/26f	2026/27f
<b>Real GDP growth, at constant market prices</b>	-1.7	-1.9	-4.2	-2.0	2.0	2.5
Private consumption	-0.7	0.1	-5.2	-4.6	1.6	1.1
Government consumption	17.6	3.3	1.6	35.0	7.4	2.0
Gross fixed capital investment	-9.9	-17.6	-36.3	-16.8	20.0	60.5
Exports, goods and services	2.4	-9.6	-31.9	-15.3	5.5	6.1
Imports, goods and services	4.9	-0.4	-16.2	1.0	6.5	7.3
<b>Real GDP growth, at constant factor prices</b>	-1.8	-3.6	-4.4	-2.0	2.0	2.5
Agriculture	-4.5	-5.6	-5.6	-3.2	1.0	2.0
Industry	-0.4	-3.8	-4.7	-0.6	2.5	3.4
Services	-1.6	-2.9	-3.9	-2.2	2.0	2.2
<b>Employment rate (% of working-age population, 15 years+)</b>	55.8	55.8	55.4	55.4	55.4	55.4
<b>Inflation (consumer price index)</b>	27.6	44.2	25.8	28.1	19.5	12.0
<b>Current account balance (% of GDP)</b>	-2.4	-2.6	-0.6	-0.4	-0.8	-1.4
<b>Net foreign direct investment inflow (% of GDP)</b>	0.2	0.1	0.2	0.2	0.1	0.1
<b>Fiscal balance (% of GDP)</b>	-3.2	-2.1	-0.1	-0.8	-0.5	0.1
<b>Revenues (% of GDP)</b>	6.6	7.4	6.0	6.2	6.7	7.2
<b>Debt (% of GDP)</b>	26.6	24.8	15.0	15.0	15.7	15.5
<b>Primary balance (% of GDP)</b>	-2.9	-1.8	0.2	-0.6	-0.3	0.4
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	43.5	44.6	47.1	48.7	48.3	47.3
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	62.5	64.2	66.4	67.7	67.3	66.8
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	89.5	90.0	91.5	92.1	91.9	91.5
<b>GHG emissions growth (mtCO2e)</b>	0.2	-1.5	-0.7	1.3	3.6	3.9

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on SEDLAC harmonization, using 2012-ECVMAS. Actual data: 2012. Nowcast: 2013-2025. Forecasts are from 2026 to 2027.

2/ Projection using neutral distribution (2012) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

# HONDURAS

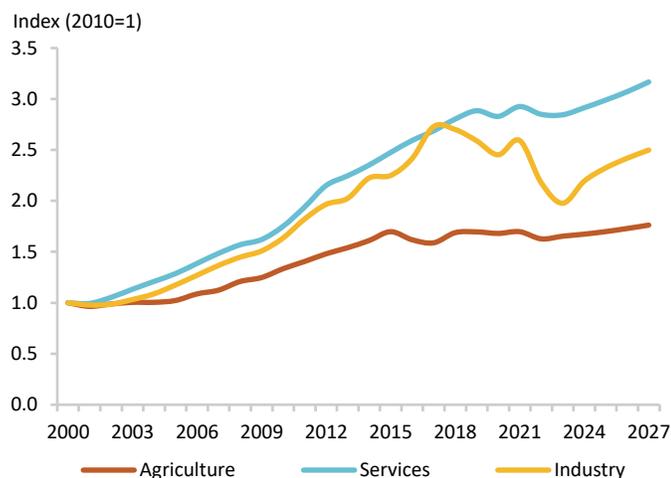
Real GDP grew 3.6 percent in 2024, driven by private consumption and investment. Growth is expected to slightly decelerate to 3.5 percent in 2025, despite rising exports, dampened by weaker public and private investment. Limited job creation and insufficient basic service delivery remain key challenges for poverty and inequality reduction in the medium term.

## Key conditions and challenges

During 2010–2019, Honduras' GDP averaged 3.7 percent annual growth, mainly driven by remittance-fueled households' consumption. Prudent macroeconomic management—anchored in the Fiscal Responsibility Law (FRL)—kept foreign reserves and the financial sector robust. Yet, productive capacity remains weak, with agriculture and light manufacturing representing main sources of jobs and exports, mainly destined to the US.

Honduras remains one of the poorest and most unequal countries in the region. By 2024, almost half the population lived on less than US\$8.3 a day (2021 PPP), the upper-middle income threshold. Persistent poverty is tied to wide gender disparities in the labor market (74 percent men vs 41 percent women participate), high informality, and unequal access to basic services. The share of rural households with unmet basic needs doubles that of urban. Food insecurity is widespread. Honduras's high vulnerability to natural disasters often overlaps geographically with poverty and low resilience.

FIGURE 1 / Sectoral value added (indexes, 2010=1)



Sources: Honduras Central Bank and World Bank staff calculations.

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$8.30/day
10.8	5.4
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
72.9	86.6
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
36.9	3409.4

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

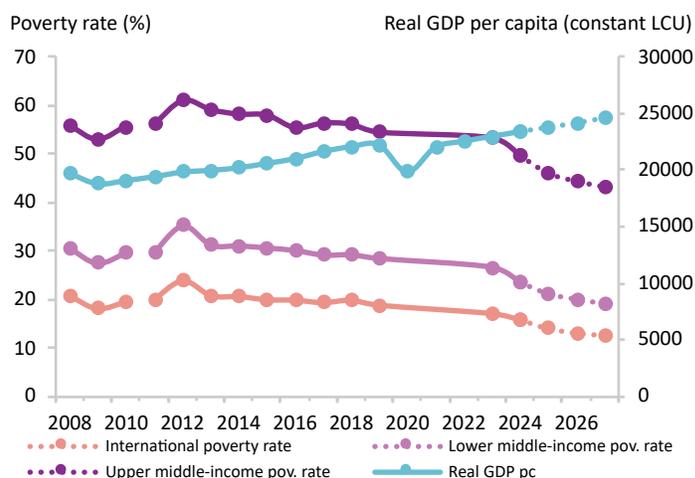
## Recent developments

Real GDP growth remained stable in 2024 at 3.6 percent, driven by remittance-fueled household consumption and private investment, despite weak exports from slower maquila orders and El Niño's negative impact on crops. In Q1-2025 the economy grew 5.3 percent y-o-y, supported by stronger exports, increased public investment, and steady private consumption boosted by rising households' income from salaries and remittances.

Headline inflation decreased to 4.6 percent in 2024, within the central bank's target range (4.0 percent  $\pm$  1.0 percentage points), driven by lower food and fuel prices and tighter monetary policy, including a 275 basis points hike in the policy rate (to 5.75 percent). Inflation was 4.7 percent y-o-y by H1-2025.

Labor market conditions and poverty slightly improved. Unemployment dropped 1.2 pp y-o-y in June 2024 (to 5.2 percent) with larger gains among women (2.3 pp decrease). The official poverty rate decreased from 64.1 percent of households in 2023 to 62.9 percent in 2024. Poverty under the US\$8.3/day threshold (2021 PPP) also decreased from 2023 by 3.6 pp. (to 49.8 percent, preliminary figure),

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



Source: World Bank. Notes: See footnotes in table on the next page.

although it remains higher than in most countries in the region. Inequality (Gini index) reached 45.7 points.

The current account deficit (CAD) widened to 4.6 percent of GDP in 2024, impacted by declines in major exports like textiles, coffee, bananas, palm oil, and shrimp due to lower demand, prices, and supply-side disruptions. Strong remittances' growth (6.2 percent y-o-y) partially counterbalanced. The CAD was primarily financed by multilateral debt and foreign direct investment. Reserves declined through October 2024, partly due to net debt repayments, but rebounded to US\$8.05 billion (5.3 months of non-maquila imports) by end-2024, supported by large external disbursements to government in Q4. In Q1-2025, the current account balance improved significantly to 5 percent from -4.2 percent in Q1-2024, driven by a 22.4 percent y-o-y surge in remittances. Export growth, boosted by favorable weather and record-high coffee prices, alongside moderating imports due to exchange rate adjustments and subdued credit growth, also contributed. Reserves rose to US\$9.3 billion by end-July 2025 (5.8 months of non-maquila imports).

The government posted an overall fiscal deficit of 1.0 percent of GDP in 2024, down from 1.3 percent in 2023, due to weak investment execution. Gross public debt remained approximately stable at 48.1 percent of GDP in 2024. In November 2024, Honduras issued its first sustainable sovereign bond for US\$700 million. By May 2025, the fiscal balance stood at 0.7 percent of GDP.

## Outlook

GDP growth is projected to hover around 3.5 percent in 2025 and 2026, with uncertainty about global prospects and the forthcoming

elections dampening investment, before picking up to 3.7 percent in 2027. Remittances are expected to stabilize after the H1-2025 surge, moderating household consumption. Inflation is expected to stay within the 4±1 percent tolerance range in 2025, supported by tighter monetary policy and lower fuel prices, despite moderate exchange rate passthrough, and remain subdued over the medium term. A fiscal deficit of 1.1 percent of GDP is projected in 2025, reflecting weakening investment execution and rising tax evasion, remaining at 1 percent thereafter in line with the FRL and the International Monetary Fund (IMF) program commitments.

The CAD is expected to narrow to 2.1 percent in 2025 supported by record-high coffee exports and remittances, lower fuel prices and moderating imports. Over the medium term, the CAD is expected to average around 4 percent and reserves above 5 months of non-maquila imports.

Driven by these forces, poverty at the US\$8.3/day threshold (2021 PPP) is expected to decrease from 46.1 to 44.5 percent between 2025 and 2026. Inequality is projected to remain stable. Informality and gender disparities in the labor market will continue limiting households' potential to generate income.

Downside risks stem from intensifying domestic political tensions ahead of the November presidential election, which could erode fiscal discipline, resulting in higher public deficit, debt and borrowing costs. Natural hazards could affect growth and livelihoods while raising financing needs. More returned migrants may strain the labor market. Significantly dampened remittances and higher import prices could weaken consumption and widen the CAD. Prolonged international trade tensions could hamper investment and exports, hindering growth and poverty reduction.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	4.1	3.6	3.6	3.5	3.4	3.7
Private consumption	5.7	4.6	4.3	3.4	3.3	3.5
Government consumption	-4.1	9.2	5.3	5.7	5.1	5.1
Gross fixed capital investment	2.6	11.2	6.2	2.9	3.4	3.8
Exports, goods and services	6.6	-7.0	-4.8	3.3	3.2	3.5
Imports, goods and services	8.5	-8.6	2.3	3.5	3.5	3.6
<b>Real GDP growth, at constant factor prices</b>	4.1	3.6	3.6	3.5	3.4	3.7
Agriculture	0.3	4.0	-0.7	3.4	3.0	3.2
Industry	7.0	-2.4	0.8	2.8	2.5	2.9
Services	3.8	6.3	5.7	3.8	3.8	4.2
<b>Inflation (consumer price index)</b>	9.1	6.7	4.6	4.5	4.3	4.2
<b>Current account balance (% of GDP)</b>	-6.9	-4.0	-4.6	-2.1	-3.8	-4.2
<b>Net foreign direct investment inflow (% of GDP)</b>	2.4	2.5	1.7	2.0	2.2	2.4
<b>Fiscal balance (% of GDP)<sup>1</sup></b>	-0.2	-1.3	-1.0	-1.1	-1.0	-1.0
<b>Revenues (% of GDP)</b>	29.9	29.4	28.8	28.6	28.8	28.8
<b>Debt (% of GDP)<sup>1</sup></b>	53.8	48.0	48.1	47.7	47.3	46.5
<b>Primary balance (% of GDP)<sup>1</sup></b>	1.2	0.2	0.1	0.5	0.6	0.6
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>2,3</sup></b>	..	17.0	15.7	14.0	13.1	12.6
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>2,3</sup></b>	..	26.6	23.5	21.1	19.9	19.0
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>2,3</sup></b>	..	53.3	49.8	46.1	44.5	43.3
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	1.0	-0.1	0.3	0.3	1.1	1.4

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Fiscal data refers to non-financial public sector.

2/ No data available for 2022. Calculations based on SEDLAC harmonization, using 2024-EPPHM. Actual data: 2023 and 2024. Forecasts are from 2025 to 2027.

3/ Projections using microsimulation methodology.

# JAMAICA

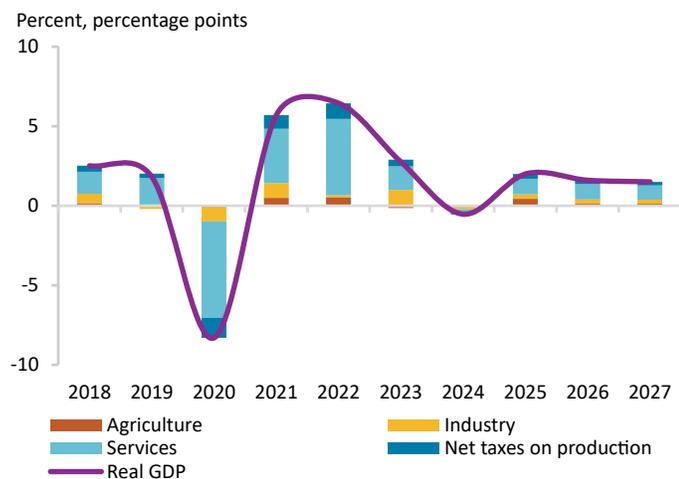
A series of weather-related shocks led to a 0.5 percent GDP contraction in 2024. Effective macroeconomic management enabled the country to address these challenges without undermining fiscal sustainability or poverty reduction. Public debt is well on track to reach its target by 2027, with real GDP growth converging to potential and poverty rates declining, albeit more gradually.

## Key conditions and challenges

Jamaica has emerged as a notable example of how to restore fiscal sustainability in the region. Since 2013, the Government has successfully implemented fiscal consolidation measures, reducing the public debt-to-GDP ratio by more than 70 percentage points to 62.4 percent of GDP in FY2024/25—the lowest level in 25 years. These efforts were maintained alongside targeted assistance to vulnerable households and businesses.

However, Jamaica remains one of the region's slowest-growing economies, with persistently low productivity driven by a weak business environment, limited innovation, and human capital constraints. The economy is concentrated on low-productivity services, mainly tourism, and lacks diversification. High connectivity costs, inadequate digital infrastructure, and pervasive crime hinder private investment, while fiscal consolidation and high debt service costs have limited public investment. In 2021, 22.9 percent of Jamaicans lived on less than US\$8.30 (2021 PPP) per day, and inequality was high with a Gini index of 39.9. Job quality and income instability are ongoing concerns, with nearly half of non-agricultural jobs being informal.

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



Sources: Statistical Institute of Jamaica and World Bank staff calculations.

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$8.30/day
2.8	0.6
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
71.5	84.5
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
21.9	7713.7

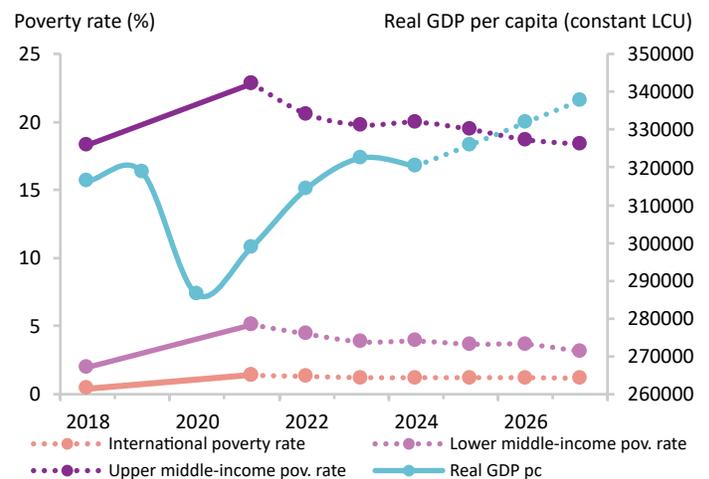
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

Jamaica is highly vulnerable to external shocks and weather events, particularly in agriculture and tourism, sectors that provide over a third of all jobs. The financial sector is liquid, well-capitalized, and profitable but exposed to these shocks. To build resilience to climate-related impacts, Jamaica is gradually integrating climate adaptation into its policy framework. Structural reforms targeting labor, education, infrastructure, and trade can also help address low productivity.

## Recent developments

The combined impact of Hurricane Beryl and Tropical Storm Rafael resulted in a 0.5 percent decline in economic activity in 2024. In the first quarter of 2025, real GDP increased 1.1 percent year-on-year, supported by agriculture and manufacturing. Remittances inflows remained resilient. Tourist arrivals continued to decline up to April 2025 but shifted to positive growth in May. Inflation pressures eased, following a temporary post-hurricane surge, averaging 4.5 percent between January and July 2025. With anchored inflation expectations and subdued economic activity, the Bank of Jamaica (BOJ) gradually reduced the key policy rate from 7 percent in August 2024 to 5.75 percent by May 2025.

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



Source: World Bank. Notes: See footnotes in table on the next page.

The fiscal stance was bolstered by non-tax revenues from the securitization of international airport income, alongside increased tax revenues in FY2024/25. Government spending rose due to hurricane response and public sector compensation restructuring, but less than revenues thanks to the multi-layered disaster risk financing tools. Public debt declined to 62.4 percent of GDP in FY2024/25 supported by a primary balance of 5.5 percent of GDP.

The current account surplus increased in 2024 to an estimated 3.1 percent as favorable terms of trade and lower imports outweighed lower tourist arrivals. By August 2025, reserves remained adequate, covering more than seven months of imports and supporting exchange rate stability.

The share of Jamaicans living on less than US\$8.30 per day fell from 22.9 percent in 2021 to 18.7 percent in 2025 according to the latest projections, with recent labor market improvements likely to further reduce poverty. Between 2024 Q2 and 2025 Q2, the unemployment rate declined from 4.2 percent to 3.3 percent, while time-related underemployment also fell slightly from 1.7 percent of employed people to 1.5 percent. Youth unemployment declined from 14.8 percent to 10.1 percent. The employment-to-population ratio rose slightly from 65.9 percent to 67 percent but remains over 10 percentage points higher for men than women. Despite labor market gains, food insecurity persists. In the 2025 Caribbean Food Security and Livelihoods Survey, 32 percent of individuals reported not eating for a whole day and 50 percent reported being hungry, both remaining above 2021 levels.

## Outlook

Growth is expected to recover to 2.0 percent in 2025 and converge to its potential averaging 1.6 percent over the medium term. Mining, construction, and tourism are expected to drive the recovery. Inflation is projected to stay within the BOJ's target range (5 ± 1 percent). As per capita real income improves, the share of Jamaicans living on less than US\$8.30 per day is projected to drop to 18.1 percent by 2027.

The medium-term fiscal forecast is consistent with the legislated debt-to-GDP target of 60 percent by FY2027/28. Revenues will be supported by tax mobilization efforts. Spending is projected to decline marginally, in part due to lower interest payments. The debt decline will be supported by solid economic outcomes and prudent fiscal management. The current account surplus is expected to decline slightly, averaging 0.3 percent of GDP between 2025 and 2027. Gross reserves are projected to remain adequate.

The near-term outlook is uncertain. Risks include a global economic slowdown, increased trade tensions, and frequent climate events. Recent trade measures may affect international prices and demand in major markets, but their full impact is unclear due to ongoing policy changes. Lower growth in major economies could disrupt tourism and remittances flows while uncertainty could reduce investment and growth, hindering climate adaptation and debt goals. On the upside, the tourism sector may see stronger-than-expected growth following the recent positive revision (May 2025) in the United States travel advisory.

### Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices<sup>1</sup></b>	6.4	2.7	-0.5	2.0	1.6	1.5
<b>Real GDP growth, at constant factor prices<sup>1</sup></b>	6.4	2.7	-0.5	2.0	1.6	1.5
Agriculture	8.2	-2.1	-1.2	6.8	2.2	2.2
Industry	0.7	6.2	-0.9	1.7	1.5	1.4
Services	7.9	2.4	-0.4	1.6	1.6	1.5
<b>Employment rate (% of working-age population, 15 years+)</b>	55.7	57.4	61.2	64.7	66.7	67.4
<b>Inflation (consumer price index)</b>	10.3	6.5	5.5	4.8	5.0	5.0
<b>Current account balance (% of GDP)</b>	-0.7	2.7	3.1	0.9	0.2	-0.1
<b>Net foreign direct investment inflow (% of GDP)</b>	1.4	1.8	0.7	1.2	1.4	1.4
<b>Fiscal balance (% of GDP)<sup>2</sup></b>	0.3	0.0	0.3	0.0	-0.9	-0.8
<b>Revenues (% of GDP)<sup>2</sup></b>	28.7	28.0	30.8	29.6	27.9	27.7
<b>Debt (% of GDP)<sup>2</sup></b>	74.6	68.5	63.8	59.7	57.0	54.4
<b>Primary balance (% of GDP)<sup>2</sup></b>	5.5	5.2	5.5	4.8	3.4	3.0
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>3,4</sup></b>	1.2	1.2	1.2	1.2	1.1	1.0
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>3,4</sup></b>	4.0	3.7	3.7	3.7	3.1	3.1
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>3,4</sup></b>	20.2	19.3	19.7	18.7	18.4	18.1
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	13.0	5.9	-2.5	1.2	0.8	0.7

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ National Accounts data has been revised in 2025, using the SNA 2008 framework, which led to an average increase of 7.8 percent in nominal GDP levels between 2015 and 2023.

2/ Fiscal ratios are calculated in fiscal year (April-March) divided by nominal GDP in calendar years leading to marginal discrepancies with official statistics.

3/ Calculations based on CONLAC harmonization, using 2021-JSLC. Actual data: 2021. Nowcast: 2022-2025. Forecasts are from 2026 to 2027.

4/ Projection using neutral distribution (2021) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

# MEXICO

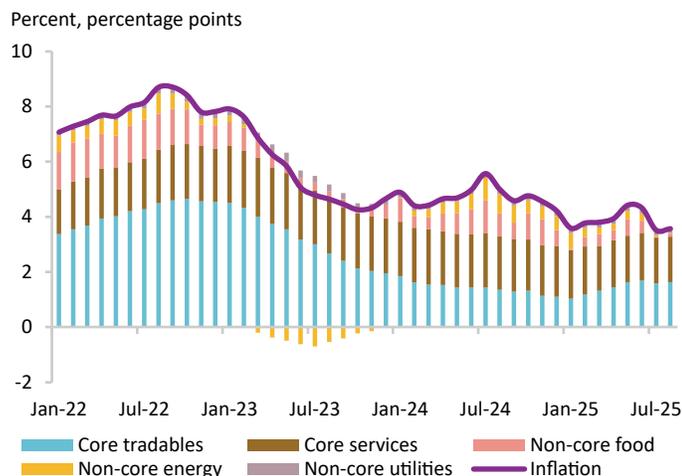
Mexico's GDP growth is slowing in 2025, reflecting fiscal consolidation, a stalled labor market, and uncertainty from tariff discussions and the United States-Mexico-Canada Agreement (USMCA) revision, which poses risks for investment and exports. Moderate growth is expected by 2027, with monetary poverty projected to decrease slightly over the medium term. Infrastructure needs and social spending may require measures to constrain public debt growth.

## Key conditions and challenges

Mexico has a strong track record of macroeconomic stability, underpinned by an independent central bank, a robust financial sector, and a flexible exchange rate. Prudent fiscal management has kept public debt relatively low and sustainable, although increased spending on social programs, large infrastructure projects, and continued fiscal support to Petróleos Mexicanos (PEMEX) have recently added to the strains on public finances. As one of the most open economies in the world, Mexico benefits from its macroeconomic framework, trade agreements (particularly the USMCA), and a diversified economy.

The official multidimensional poverty rate, which captures both income poverty and six dimensions of social deprivation, declined from 43.2 percent in 2016 to 29.6 percent in 2024, lifting 13.7 million people out of poverty. Most non-monetary poverty indicators have shown improvement, except for access to health services, where the deprivation measure increased by 18.6 percentage points, and to a lesser extent the education gap, which rose very slightly, by 0.2 percentage points. Income inequality has also

**FIGURE 1 /** Headline inflation and contributions to headline inflation



Source: National Institute of Statistics and Geography (Instituto Nacional de Estadística y Geografía).

Population <sup>1</sup> million	130.9	Poverty <sup>2</sup> millions living on less than \$8.30/day	28.4
Life expectancy at birth <sup>3</sup> years	75.1	School enrollment <sup>4</sup> primary (% gross)	102.0
GDP <sup>5</sup> current US\$, billion	1856.6	GDP per capita <sup>6</sup> current US\$	14187.7

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2024. 6/ 2024.

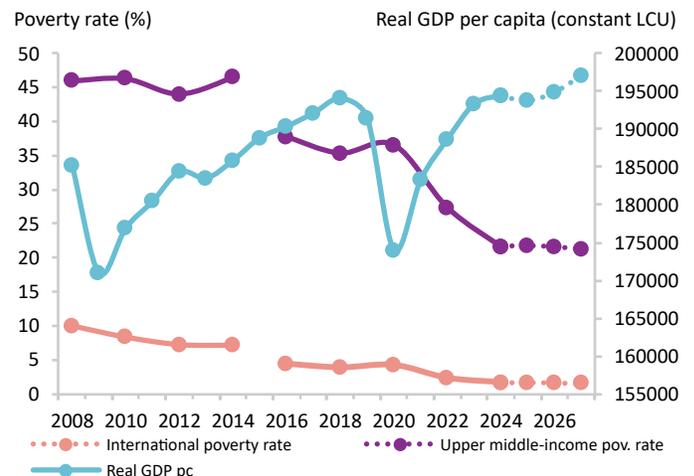
declined, reflected by a reduction in the Gini coefficient from 48.6 in 2016 to 42.0 in 2024.

Despite these positive developments, Mexico faces challenges including stalled productivity, violence across several of its regions, uncertainty around judicial reform, and persistent informality. Recent shifts in Mexico's trade environment pose additional challenges. To unlock its full potential, Mexico must boost infrastructure investment, improve the business environment, and facilitate access to finance, especially for small and medium enterprises. To achieve these goals, addressing insecurity, regulatory uncertainty, public service delivery, and gaps in the competition framework is essential.

## Recent developments

Real GDP growth slowed to 0.4 percent in 2025H1, compared with 1.4 percent in 2024 and 3.4 percent in 2023, reflecting weaker domestic demand, driven by tight fiscal and monetary conditions and softening private consumption. Tariff uncertainty also weighed somewhat on activity; nevertheless, exports rose by 4.4 percent y-o-y to USD 312.7 billion in 2025H1, supported by USMCA

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



Source: World Bank. Notes: See footnotes in table on the next page.

exemptions and the frontloading of imports from Mexico in other countries. On the supply side, services were the main contributor to growth (particularly retail trade, professional and technical services, and real estate rental and leasing).

The current account deficit widened to 1.2 percent of GDP in 2025H1 (from 0.9 percent in 2024), mainly due to higher primary income outflows, lower remittances, and a wider petroleum trade gap, partly offset by stronger non-oil trade. External buffers remain solid, with international reserves of USD 229 billion at end-2024, equivalent to about 4.3 months of imports. The peso had appreciated by 2 percent y-o-y in August 2025.

Inflation eased in 2025, with headline inflation falling from 5.6 percent in July 2024 to 3.5 percent in July 2025, despite core inflation rising from 4.0 to 4.2 percent over the same period. In response to the improved inflation outlook, Banxico reduced its policy rate to 7.75 percent in August 2025, down from 10.75 percent in August 2024.

Monetary poverty, measured at the international upper-middle-income line of \$8.30 per day per capita (2021 PPP), was 21.7 percent in 2024. The percentage of the population with family per-capita labor earnings below the food poverty line (referred to as labor poverty), remained flat at 35 percent between 2024Q2 and 2025Q2. Over the same period, the unemployment rate remained at 2.7 percent, while informality increased by 0.5 percentage points.

In 2025H1, Mexico's overall fiscal deficit narrowed to 3.2 percent of GDP, down from 5.7 percent in 2024. Public revenues rose by 3.4 percent in real terms y-o-y in 2025H1, supported by stronger tax collection. Expenditures decreased by 3.8 percent in real terms, explained by a contraction in investment

spending. Mexico maintains its investment grade with all the main credit rating agencies.

## Outlook

GDP growth is expected to moderate to 0.5 percent in 2025, recovering to 1.9 percent by 2027. This slowdown reflects trade policy uncertainty, the upcoming USMCA revision, and a loss of momentum in domestic demand. Inflation is projected to continue moderating, supported by Banxico's commitment to maintaining price stability.

An overall fiscal deficit of 4.3 percent of GDP is expected in 2025. This reflects sustained high social spending and elevated financial costs, partly offset by fiscal consolidation measures. The fiscal deficit should decrease to 3.6 percent of GDP by 2027.

Monetary poverty, measured at the international upper-middle-income line of \$8.30 per day per capita (2021 PPP), is projected to stay around the same level, at 21.8 percent in 2025, then decline to about 21.2 percent in 2027.

Downside risks to Mexico's macroeconomic outlook include a slowdown in the US economy and protracted trade uncertainty. The USMCA review in 2026 and investor perceptions regarding the judicial reform may add uncertainty and potentially weigh on capital inflows. Nevertheless, Mexico's solid macroeconomic fundamentals and potential for inward investment provide significant buffers. Strengthening the business environment, expanding strategic investments in human capital and infrastructure, and ensuring confidence in policy continuity will be critical to maintaining strong foreign direct investment inflows.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	3.7	3.4	1.4	0.5	1.4	1.9
Private consumption	4.8	4.3	2.8	1.7	1.9	2.2
Government consumption	2.0	2.3	1.6	1.2	0.6	1.1
Gross fixed capital investment	7.5	16.7	3.4	0.1	0.9	1.4
Exports, goods and services	9.5	-7.2	3.3	-1.7	1.4	2.8
Imports, goods and services	8.6	3.7	2.8	0.5	1.6	2.7
<b>Real GDP growth, at constant factor prices</b>	3.6	3.3	1.4	0.5	1.4	1.9
Agriculture	1.6	-1.1	-3.3	3.0	2.5	2.0
Industry	4.8	3.5	0.3	0.0	0.7	1.5
Services	3.1	3.5	2.3	0.6	1.7	2.1
<b>Employment rate (% of working-age population, 15 years+)</b>	59.0	60.0	60.0	60.0	60.0	60.0
<b>Inflation (consumer price index)</b>	7.9	5.5	4.7	3.8	3.6	3.5
<b>Current account balance (% of GDP)</b>	-1.2	-0.3	-0.3	-1.1	-1.2	-1.3
<b>Net foreign direct investment inflow (% of GDP)</b>	-1.5	-1.7	-1.7	-1.4	-1.3	-1.5
<b>Fiscal balance (% of GDP)</b>	-4.3	-4.3	-5.7	-4.3	-4.1	-3.6
<b>Revenues (% of GDP)</b>	22.4	22.0	22.1	21.9	22.3	22.4
<b>Debt (% of GDP)</b>	48.2	47.2	53.3	53.4	54.0	54.0
<b>Primary balance (% of GDP)</b>	-1.6	-1.0	-2.3	-0.6	-0.6	-0.2
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	2.3	..	1.7	1.7	1.7	1.7
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	27.4	..	21.7	21.8	21.6	21.2
<b>GHG emissions growth (mtCO2e)</b>	0.3	-1.8	-1.4	-1.7	-0.5	0.0

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on SEDLAC harmonization, using 2024-ENIGHNS. Preliminary data: 2024. Forecasts are from 2025 to 2027.

2/ Projection using neutral distribution (2024) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

# NICARAGUA

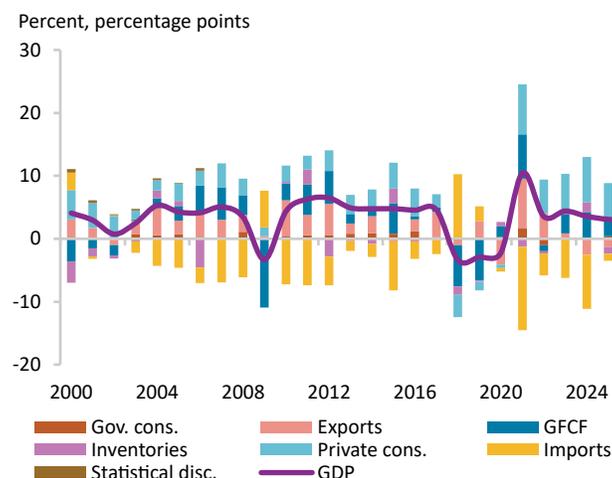
Nicaragua's economy is estimated to grow 3.1 percent in 2025, driven by remittances that supported private consumption and investment. Public debt is expected to drop to 50.3 percent of GDP despite fiscal challenges. Poverty is estimated at 14.4 percent in 2024 (US\$4.2/day 2021 PPP), as risks remain from potential global slowdown, trade disruptions, and natural disasters.

## Key conditions and challenges

Nicaragua has sustained robust growth after the pandemic, driven by a surge in remittances that has boosted private consumption, strong public and foreign direct investment, robust export performance, and prudent macroeconomic management. These factors have led to fiscal and current account surpluses and reduced public debt.

Several shocks (socio-political unrest, the pandemic, and hurricanes) contributed to bring poverty to an estimated rate above 16 percent (US\$4.20/day, 2021 PPP) and the Gini index to around 48 in 2020. As the economy rebounded in 2021, poverty is estimated at around 14 percent in 2022. Data on basic needs (from the Encuesta Continua de Hogares, INIDE) shows improvements in housing conditions and education from 2017 to 2022, but not on household economic independency (proxied by the ratio of age 14+ household members on employed members). Rural areas are behind urban ones on several dimensions, especially in terms of water and sanitation. Investing in human capital and infrastructure would boost productivity and create jobs.

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



Sources: World Bank staff elaboration based on data from World Bank, Ministry of Finance and Public Credit (MHCP), and Central Bank of Nicaragua.

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$8.30/day
6.9	2.8
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
74.9	105.9
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
19.7	2847.5

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2014 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

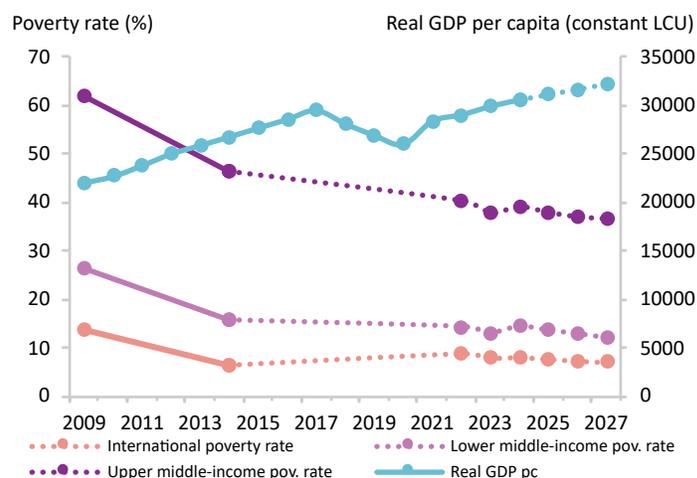
## Recent developments

In 2024, the economy grew by 3.6 percent, driven mainly by construction, mining, and robust services. Remittances increased from 26 percent of GDP in 2023 to 27 percent in 2024, supporting private consumption and partially compensating for the slowdown in net external demand. The current account surplus narrowed from 8.2 percent of GDP in 2023 to 4.2 percent in 2024 due to a deteriorating trade balance reflecting global trade shifts.

Poverty is estimated at 14.4 percent in 2024 based on the lower-middle income country poverty line of US\$4.20/day (2021 PPP), reflecting slower economic growth. The employment rate declined slightly in 2025 (to 64.2 percent in June 2025 from 64.7 in June 2024), while the unemployment rate remained low, at 2.8 percent in June 2025 (INIDE). The employment rate for women (54 percent in June 2025) has increased in recent years but remains well below that for men (75.6 percent).

Inflation dropped from 8.4 percent in 2023 to 4.6 percent in 2024, helped by moderately tight policy rates, declining global prices, and subsidies. Banks remained well-capitalized, and credit and deposits

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



Source: World Bank. Notes: See footnotes in table on the next page.

continued to grow. In 2024, capital adequacy and liquidity ratios for banks remained well above the regulatory requirement.

Driven by higher capital investments, government expenditure rose, resulting in a slight reduction in the fiscal surplus—from 2.6 percent of GDP in 2023 to an estimated 2.4 percent in 2024. Thanks to ongoing prudent fiscal management public debt declined, dropping from 56.9 percent of GDP in 2023 to 51.7 percent in 2024.

## Outlook

Growth is expected to slow slightly to 3.1 percent in 2025 and converge to 3 percent in 2026 and 2027, as global economic deceleration and uncertainty limit export opportunities and foreign investment. In the first half of 2025, the industry and services sectors grew by 3.1 and 4.1 percent (year-on-year), respectively, while the agricultural sector experienced a 1 percent decline following the impact of El Niño in 2024. Growth was driven mainly by trade and hotels and restaurants. Remittances are expected to moderate but continue supporting private consumption.

Inflation is anticipated at 2 percent in 2025 and projected to reach 2.7 percent in 2026 due to global inflationary pressures. Poverty (US\$4.20/day 2021 PPP) is forecast to be below 14 percent in

2025 and fall to around 12 percent by 2027, matching labor income expectations.

The current account surplus is projected to decrease to 2.4 percent by 2027, driven by weaker exports and remittances. This decline is attributed to higher tariffs and weaker migrant remittances, which will be further affected by a 1 percent tax on certain money-transfer channels starting in January 2026. In contrast, decline in crude oil prices will improve the balance as the country is a net oil importer. Foreign direct investment flows are estimated to be strong in 2025, at 7 percent of GDP, with a moderate drop to 6.1 percent over the medium term. International reserves, estimated at US\$7.2 billion in 2025 or 9.2 months of imports, strengthen the country's resilience to economic shocks.

Despite an anticipated relaxation of the fiscal stance (the primary surplus dropping from 4 percent to 1.7 percent of GDP), public debt is expected to fall to 50.3 percent in 2025 and then to 47.9 percent by 2027.

Potential downside risks to the broader economic outlook include ongoing global uncertainty, which could negatively affect trade, remittances, and investment flows. Slower economic growth in major trading partners, shifts in legislation that may dampen investor confidence, and inherent vulnerability to natural disasters also pose significant risks.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	3.6	4.4	3.6	3.1	3.0	3.0
Private consumption	6.8	7.7	8.6	6.5	3.8	3.0
Government consumption	-6.2	1.3	-1.2	2.9	3.0	3.1
Gross fixed capital investment	-3.9	13.0	17.3	9.8	1.1	2.6
Exports, goods and services	8.6	1.3	-4.9	-3.1	1.2	2.4
Imports, goods and services	5.2	9.1	12.0	1.4	2.2	2.5
<b>Real GDP growth, at constant factor prices</b>	3.2	4.0	3.3	3.1	3.0	3.0
Agriculture	0.6	-3.3	0.1	-1.0	0.0	0.5
Industry	2.6	4.4	2.2	3.1	2.8	2.5
Services	4.3	5.9	4.5	4.1	3.7	3.8
<b>Employment rate (% of working-age population, 15 years+)</b>	62.1	62.4	62.5	62.5	62.5	62.5
<b>Inflation (consumer price index)</b>	10.5	8.4	4.6	2.0	2.7	2.7
<b>Current account balance (% of GDP)</b>	-2.9	8.2	4.2	4.8	3.6	2.4
<b>Net foreign direct investment inflow (% of GDP)</b>	8.1	6.0	6.5	7.0	6.2	6.1
<b>Fiscal balance (% of GDP)<sup>1</sup></b>	0.6	2.6	2.4	-0.1	-0.1	-0.1
<b>Revenues (% of GDP)</b>	31.8	31.7	31.6	31.1	30.9	30.9
<b>Debt (% of GDP)<sup>2</sup></b>	61.2	56.9	51.7	50.3	48.5	47.9
<b>Primary balance (% of GDP)<sup>1</sup></b>	2.0	4.2	4.0	1.7	1.6	1.5
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>3,4</sup></b>	8.7	7.9	8.0	7.7	7.3	7.1
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>3,4</sup></b>	14.4	13.1	14.4	13.6	12.9	12.1
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>3,4</sup></b>	40.4	37.9	39.2	38.0	37.1	36.7
<b>GHG emissions growth (mtCO2e)</b>	0.7	0.9	0.9	0.8	0.8	0.8

Source: World Bank, Ministry of Finance and Public Credit (MHCP) and Central Bank of Nicaragua. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Fiscal and Primary Balance correspond to the non-financial public sector.

2/ Debt is total public debt.

3/ Calculations based on SEDLAC harmonization, using 2014-EMNV. Actual data: 2014. Nowcast: 2015-2024. Forecasts are from 2025 to 2027.

4/ Projections using microsimulation methodology.

# PANAMA

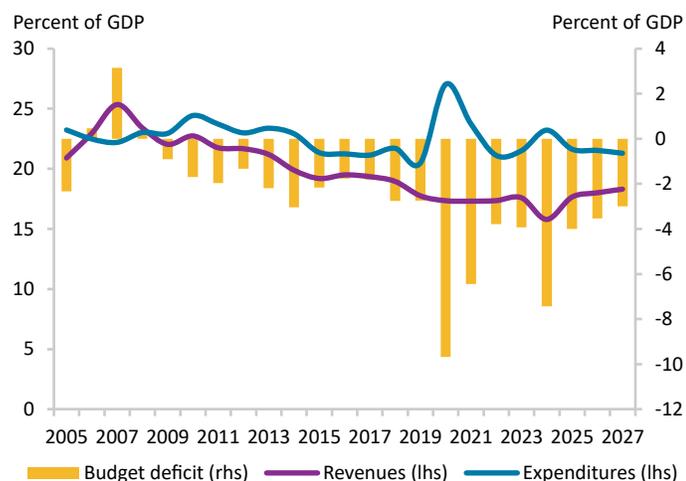
Growth is projected to recover to 4 percent in 2025-27, led by services and construction, despite global uncertainty. The government is on track to meet its 4 percent GDP fiscal target for 2025 through spending restraint and pension revenues. Between 2023-24, poverty decreased in rural areas but increased in urban. Strengthening fiscal prospects will entail additional reforms.

## Key conditions and challenges

Panama has experienced impressive economic growth and social progress in recent decades. From 1990 to 2019, growth averaged 5.8 percent annually, per capita income doubled relative to the U.S., and poverty (at \$8.3/day, 2021 PPP) fell from almost 60 to 17.8 percent. Strong growth has supported low debt-to-GDP ratios. Strategic investments in infrastructure—including the Panama Canal expansion, airport upgrades, and urban development—alongside prudent macroeconomic policies, fostered job creation and positioned Panama as a leading logistical and financial hub.

The economy recovered fully from the pandemic recession by 2022, but fiscal indicators carry the costs: the fiscal deficit and debt stood at 3.9 and 56.4 percent of GDP in 2023, above 2019 levels of 2.7 and 44.5 percent. Robust emergency programs helped prevent a rise in poverty. However, challenges in creating quality jobs have limited poverty reduction. Economic shocks at end-2023 and electoral spending pressures further deteriorated fiscal outcomes. Consequently, government bond spreads rose to 100–150 basis points above peers, surpassing 300 basis points in Q12024.

FIGURE 1 / Revenues, expenditures, and deficit



Sources: Ministry of Finance of Panama and World Bank staff calculations.

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$8.30/day
4.5	0.9
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
79.6	94.6
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
86.3	19102.9

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

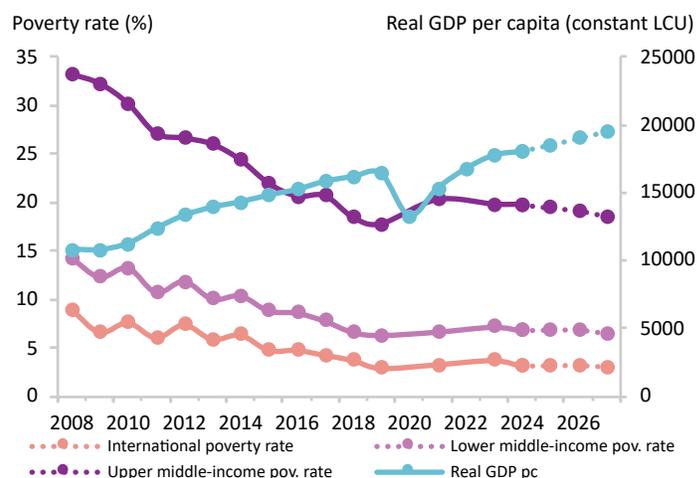
The new administration in place since June 2024 initiated corrective measures, including settling more than 1 percent of GDP in arrears. Continued efforts to strengthen fiscal institutions and regulatory frameworks, contain non-priority spending, and reverse the long-term tax erosion trend, are key to restoring market confidence and ensuring inclusive, resilient development.

Sustaining robust, private sector-led growth is vital for fiscal stability and social progress. To attract investment in dynamic sectors, Panama must continue removing barriers to foreign investment and enhancing its competitive advantages beyond fiscal incentives. Lifting human capital levels, while also considering Indigenous territories, is critical to expanding opportunities and narrowing urban-rural divides. While Panama's removal from the Financial Action Task Force list was a positive step, further reforms are needed to exit the EU's list of non-cooperative tax jurisdictions and boost competitiveness.

## Recent developments

Growth slowed significantly to 2.9 percent in 2024, mainly due to the suspension of the Cobre Panamá mine operations and

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



Source: World Bank. Notes: See footnotes in table on the next page.

prolonged drought disrupting Panama Canal traffic. Growth rebounded to 5.2 percent in Q1-2025, as the impacts of the mining closure eased and non-mining sectors gained momentum, supported by investments in transportation and logistics. Inflation stood at 0.7 percent in 2024 and shifted to a 0.7 percent deflation by May 2025, reflecting lower energy and food prices.

Between 2023 and 2024, poverty (at \$8.3/day, 2021 PPP) remained unchanged, around 19.8 percent, confirming a post-pandemic slowdown in poverty reduction. However, urban poverty increased by 1.8 percentage points (to 11.4 percent), partly due to reduced employment in industry and construction. In contrast, rural poverty declined markedly from 44.3 to 39.6 percent, supported by robust agriculture. Inequality (Gini coefficient) rose from 48.9 in 2023 to 49.7 in 2024.

Despite copper export losses in 2024, the external sector remained resilient. Re-exports from the Colón Free Zone (CFZ) generated a surplus of 1.9 percent of GDP (0.4 percent deficit excluding CFZ). Foreign direct investment (FDI) fell to 1.7 percent of GDP in 2023 following the mine closure but recovered to around 2.8 percent in 2024, in line with previous levels. Gross international reserves are estimated to cover 5.4 months of imports.

Panama's fiscal deficit widened to 7.4 percent of GDP in 2024 given weak revenues and overspending in first half of 2024. The new government curbed spending and settled arrears, but debt increased to 62.3 percent of GDP. Financing needs reached 11.4 percent, covered by external bonds and commercial loans amid rising bond spreads. As of March 2025, revenues grew 9.4 percent, while spending 10.8 percent, with interest payments up 20.5 percent.

## Outlook

GDP growth is projected at 3.9 percent in 2025, supported by infrastructure investments, and to average 4.1 percent in the medium term, driven by finance, business services, and logistics. Inflation is expected to remain low. Growth in agriculture and industry are expected to support gradual poverty reduction to 18.6 percent by 2027 (at \$8.3/day, 2021 PPP).

The CAD is projected at 0.9 percent of GDP in 2025, widening to 2.5 percent over the medium term—consistent with Panama's norm. FDI flows, averaging 2.8 percent of GDP in 2025-27, should finance the deficit.

Fiscal consolidation is set to resume in 2025 under the revised Fiscal and Social Responsibility Law. To achieve the 4 percent of GDP deficit target, the government has implemented additional spending cuts and raised payroll contributions under the recent pension reform. Medium-term efforts include strengthening tax administration, broadening tax base, and prioritizing spending. Public debt is projected to peak in 2027 and decline thereafter.

Panama remains vulnerable to external shocks, including trade tensions and climate risks affecting Canal operations, and tighter global financing conditions. Additional risks stem from spending pressures, mine arbitration liabilities, and potential rating downgrades. While government commitment to reforms is strong, political fragmentation and social unrest could delay progress. Upside risks include successful implementation of the government's broader reform agenda and resumption of copper mining activities.

### Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	10.8	7.4	2.9	3.9	4.1	4.1
Private consumption	3.0	4.8	3.4	3.6	3.9	3.9
Government consumption	2.9	3.4	2.7	2.5	2.1	2.7
Gross fixed capital investment	20.6	18.8	3.8	3.9	4.2	4.6
Exports, goods and services	22.3	5.1	-3.5	5.0	5.3	5.5
Imports, goods and services	24.0	7.1	-8.4	3.2	4.6	5.1
<b>Real GDP growth, at constant factor prices</b>	10.8	7.4	2.9	3.9	4.1	4.1
Agriculture	3.0	0.5	4.7	3.0	3.2	3.3
Industry	12.6	12.8	-4.0	5.3	5.5	5.3
Services	10.4	5.7	5.5	3.5	3.6	3.7
<b>Employment rate (% of working-age population, 15 years+)</b>	56.4	58.2	58.1	58.2	58.3	58.4
<b>Inflation (consumer price index)</b>	2.9	1.5	0.7	0.9	1.5	1.5
<b>Current account balance (% of GDP)</b>	0.0	-3.1	1.9	-0.9	-1.8	-2.5
<b>Net foreign direct investment inflow (% of GDP)</b>	3.0	1.7	2.8	2.5	2.7	2.9
<b>Fiscal balance (% of GDP)</b>	-3.8	-3.9	-7.4	-4.0	-3.5	-3.0
<b>Revenues (% of GDP)</b>	17.3	17.6	15.8	17.6	18.0	18.3
<b>Debt (% of GDP)</b>	58.0	56.4	62.3	64.0	64.5	64.8
<b>Primary balance (% of GDP)</b>	-2.1	-1.3	-4.5	-0.5	-0.4	0.0
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	..	3.7	3.1	3.1	3.2	3.0
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	..	7.2	6.8	6.9	6.9	6.5
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	..	19.8	19.8	19.5	19.2	18.6
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	3.3	3.4	2.6	3.3	3.3	3.0

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on SEDLAC harmonization, using 2024-EH. Actual data: 2024. Forecasts are from 2025 to 2027.

2/ Projections using microsimulation methodology.

# PARAGUAY

GDP growth is forecast at 4.2 percent in 2025, fueled by domestic demand. While growth is expected to reduce poverty to 19.3 percent and support employment, higher inflation may erode gains in purchasing power among poorer households. Sustaining growth and poverty reduction in the medium term will require a more dynamic and diversified private sector, alongside continued progress on structural reforms.

## Key conditions and challenges

Paraguay is a small, landlocked country that is a major global exporter of soy, beef, and hydropower. With prudent macroeconomic policies and an open trade and investment regime, per capita income has steadily expanded.

Nonetheless, 20 percent of Paraguay's population continues to live below the poverty line of US\$8.30 per day (2021 PPP), and income inequality remains high at 44.2 Gini points in 2024. Structural challenges related to job quality explain poverty prevalence across the country. About 62 percent of workers are employed in informal jobs in Q1 2025, with youth disproportionately affected. Female unemployment is 2.4 percentage points higher than that of males. These trends limit income generation and prevent Paraguay from maximizing its demographic dividend.

Accelerating growth and poverty reduction will require a more productive private sector to create more and better jobs, and additional investments in human capital and infrastructure. Recent reforms to enhance the business environment and attract private investment are steps in the right direction, although more systematic

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$8.30/day
6.4	1.3
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
73.8	92.4
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
44.9	7051.6

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

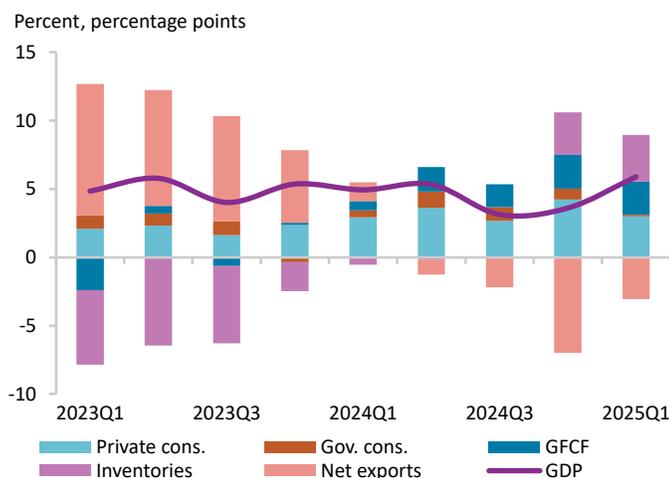
monitoring and evaluation of investment incentives are needed to ensure their effectiveness. Decisive implementation of these and other reforms to strengthen the rule of law and quality of public service delivery is key to sustaining progress.

## Recent developments

Real GDP growth accelerated to 5.9 percent y-o-y in Q1 2025 from 4.9 percent in Q1 2024. Strong performance in services and manufacturing offset a contraction in agriculture as a mild drought led soybean production to drop by 10 percent year-on-year. The monthly economic activity index rose 5.2 percent y-o-y in the first seven months of 2025, in line with an 18.9 percent rise in credit to the private sector in the first half of 2025.

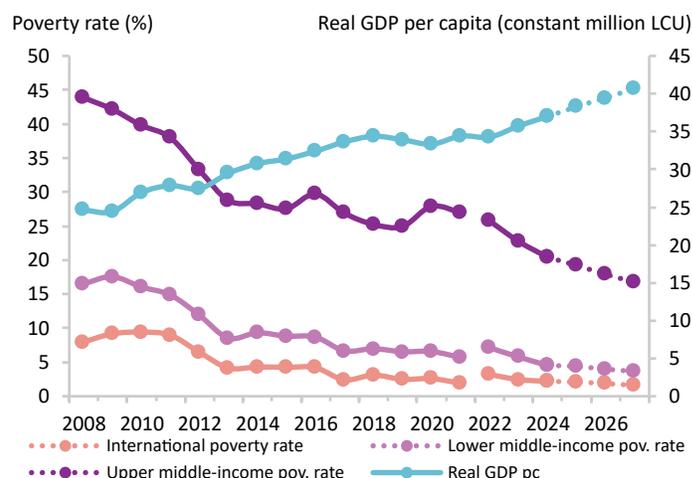
Buoyant activity led to an uptick in average headline and core inflation in the first seven months of 2025 to 4 and 4.1 percent, respectively. Although inflation stands above the midpoint of the central bank's target range (1.5 to 5.5 percent), the monetary policy rate has remained at 6 percent since March 2024.

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



Source: Central Bank of Paraguay.

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



Source: World Bank. Notes: See footnotes in table on the next page.

Strong growth in 2024 supported employment gains and contributed towards a reduction in the poverty rate from 22.8 in 2023 to 20.5 percent in 2024, using the US\$8.30 per day (2021 PPP) poverty line. This improvement was broad-based, with both urban and rural areas experiencing progress. The unemployment rate declined by 1.5 percentage points y-o-y to reach 4.9 percent in Q2 2025.

The current account deficit widened from US\$257 million in Q1 2024 to US\$499 million in Q1 2025, as import growth—driven by capital goods and machinery—outpaced exports, which declined as soybean export volumes and electricity export revenues fell. The Guaraní appreciated by 7.3 percent against the US dollar from January to August. As of August 2025, international reserves stood at 6.8 months of imports.

The fiscal deficit from January to July increased by 28.6 percent y-o-y. Revenues rose by 5.1 percent over the period, driven by higher collection of value-added taxes as cross-border price differentials led more Argentinians to shop in Paraguay. Expenditure rose by 6.1 percent, driven by the wage bill and social transfers. Public debt was at 40.7 percent of estimated 2025 GDP at the end of June. Paraguay's sovereign risk was rated investment grade in 2024.

## Outlook

Real GDP is anticipated to grow by 4.2 percent in 2025 and moderate to 3.7 percent in 2026-2027, in line with the growth of Paraguay's major trading partners. Inflation is projected to average 4 percent in 2025, moderating to 3.5 percent thereafter.

The central government fiscal deficit is expected to return to the legal ceiling (1.5 percent of GDP) beginning in 2026. Robust growth is expected to support revenues, while expenditures will decline as a share of GDP due to cuts in capital spending. Public debt is forecast to decline to 39.2 percent by 2027, driven by growth and a primary surplus.

The current account is projected to remain in deficit over the medium term, led by strong demand for capital goods for a large pipeline of greenfield investment projects. Net foreign direct investment (FDI) is expected to increase moderately as these projects are implemented.

Poverty is expected to decline to 17.9 percent by 2026, supported by growth and easing inflation. Moreover, government initiatives focusing on education and social services are projected to create employment opportunities specifically for low-income individuals. According to official figures, the Government's flagship program, Hambre Cero, has generated around 60,000 direct jobs in food preparation, logistics, and local supply chains, and enabled over 17,000 workers to enter formal employment.

Downside risks to the outlook include weaker than expected growth in major trading partners and extreme weather events. Geopolitical tensions and persistent market uncertainty could delay the materialization of FDI. Unexpected financial market volatility could raise debt servicing costs, given the large share of external debt denominated in foreign currency. Nonetheless, faster progress on reforms to attract investment and improve the business environment could lead to an upside.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	0.2	5.0	4.2	4.2	3.7	3.7
Private consumption	2.3	3.2	5.2	4.2	3.6	3.5
Government consumption	-2.2	5.1	7.1	-0.3	-0.3	0.4
Gross fixed capital investment	-1.8	-2.8	8.3	8.5	8.1	7.9
Exports, goods and services	-1.1	35.0	-1.6	4.5	4.6	4.3
Imports, goods and services	9.4	9.4	4.2	5.4	5.3	5.2
<b>Real GDP growth, at constant factor prices</b>	0.1	4.9	3.8	4.2	3.7	3.7
Agriculture	-8.6	15.9	3.9	1.5	3.0	5.0
Industry	0.7	4.0	2.2	4.5	3.1	3.1
Services	1.5	3.5	4.8	4.6	4.3	3.9
<b>Employment rate (% of working-age population, 15 years+)</b>	60.4	61.4	61.1	62.0	62.1	62.2
<b>Inflation (consumer price index)</b>	9.8	4.6	3.8	4.0	3.5	3.5
<b>Current account balance (% of GDP)</b>	-7.0	-0.4	-3.9	-2.8	-2.2	-2.0
<b>Net foreign direct investment inflow (% of GDP)</b>	1.9	0.8	0.7	1.3	1.5	1.7
<b>Fiscal balance (% of GDP)</b>	-2.9	-4.1	-2.6	-1.9	-1.5	-1.5
<b>Revenues (% of GDP)</b>	14.0	14.0	15.1	15.3	15.4	15.4
<b>Debt (% of GDP)</b>	37.7	38.3	40.2	39.8	39.4	39.2
<b>Primary balance (% of GDP)</b>	-1.7	-2.4	-0.6	0.0	0.3	0.3
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	3.2	2.4	2.1	2.0	1.8	1.6
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	7.2	5.8	4.5	4.4	4.0	3.7
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	25.8	22.8	20.5	19.3	17.9	16.7
<b>GHG emissions growth (mtCO2e)</b>	-3.0	0.8	1.3	1.0	0.9	0.9

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on SEDLAC harmonization, using 2024-EPHC. Actual data: 2024. Forecasts are from 2025 to 2027.

2/ Projections using microsimulation methodology.

# PERU

Economic growth is projected at 3.0 percent in 2025, driven by high commodity prices and private sector dynamism. Continued growth and moderate inflation are expected to lower the poverty rate in 2025. Risks include possible fiscal slippage in a pre electoral year and deteriorating external conditions. Low productivity and poor public service delivery limit medium-term growth and poverty reduction.

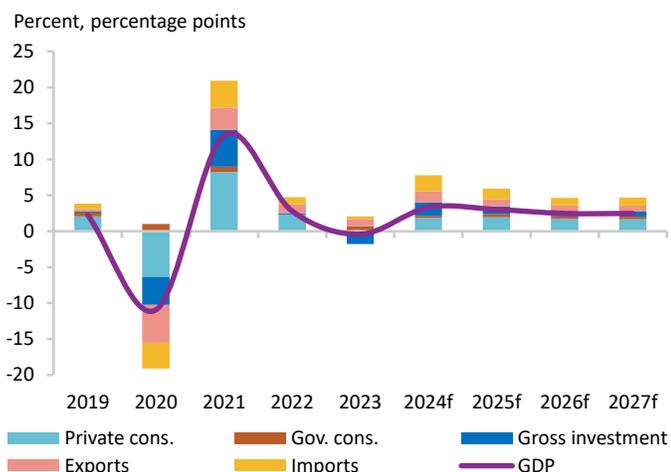
## Key conditions and challenges

Peru's macroeconomic environment—marked by low public debt, ample reserves, a credible Central Bank, and a well-capitalized financial system—has helped maintain fiscal stability amid shocks. However, fiscal risks have risen as Congress and state-owned enterprises have played a greater role in the deterioration of fiscal outcomes over the last years.

Low growth and structural constraints limit formal job creation and poverty reduction, with 70.9 percent of the workforce in informal labor. In 2024, 36.2 percent of Peruvians lived on less than US\$8.30 per day (2021 PPP), while more than half of the population faced food insecurity. Peru's Gini index of 40.1 in 2024 highlights the persistence of income inequality, even amid recent improvements.

Achieving higher growth depends on improving public service delivery and infrastructure, strengthening governance and the business environment, and safeguarding fiscal sustainability and political stability. Enhancing job quality, promoting formal labor and gender equality, and social protection are key to inclusive growth.

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



Sources: Central Reserve Bank of Peru (BCRP) and World Bank staff calculations.

Population <sup>1</sup> million	34.2	Poverty <sup>2</sup> millions living on less than \$8.30/day	12.4
Life expectancy at birth <sup>3</sup> years	77.7	School enrollment <sup>4</sup> primary (% gross)	107.5
GDP <sup>5</sup> current US\$, billion	294.8	GDP per capita <sup>6</sup> current US\$	8614.5

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

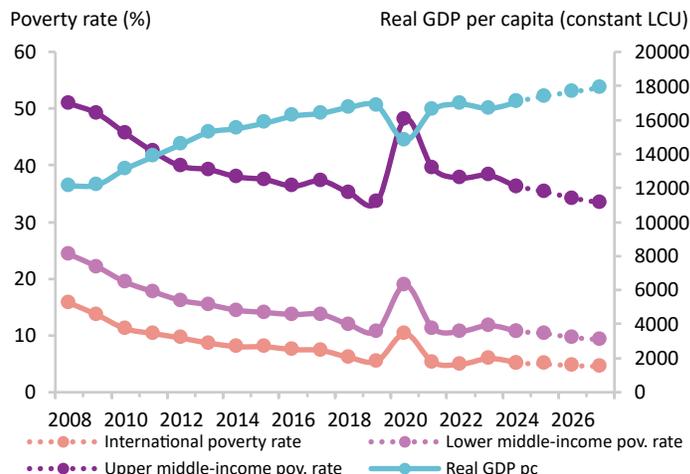
## Recent developments

The economy expanded by 3.4 percent during the first semester of 2025, continuing the recovery that began in 2024, following the 2023 recession. Private investment grew by 9 percent in the first half of 2025, the highest growth rate since 2013, except for the pandemic recovery, as business confidence rose to its highest level since 2019. Private consumption continued to expand in the first semester of the year, increasing by 3.7 percent, supported by low inflation and a dynamic labor market. In Lima, as of June, real wages exceeded pre-pandemic levels.

Poverty is projected to decline by 0.9 percentage points in 2025, reaching 35.3 percent, yet it will remain above the pre-pandemic level of 33.6 percent in 2019. Public perception mirrors these positive developments. As of June 2025, the share of households with a positive perception of their economic situation exceeded those with a negative perception—a situation not seen since 2019.

The annualized fiscal deficit fell from 3.5 percent of GDP at end-2024 to 2.6 percent by July 2025, though it remains above the year-end target of 2.2 percent. The fiscal consolidation was driven

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



Source: World Bank. Notes: See footnotes in table on the next page.

by revenue growth outpacing that of expenditures. Income tax regularization, boosted by higher commodity prices and greater economic dynamism in 2024, accounted for 31 percent of the increase in general government current revenue until July 2025. These consolidation efforts have reinforced confidence in the country's medium-term fiscal outlook. Public debt stood at 31.8 percent of GDP as of June 2025, and sovereign spreads were 140 basis points as of July 2025 –both among the lowest in the region.

Headline inflation stood at 1.7 percent in July 2025, remaining within the Central Bank's target range of 1-3 percent since early 2024. The policy rate has been on a downward trajectory since 2023, reaching 4.5 percent as of August 2025.

The current account posted an annualized surplus of 1.9 percent of GDP in the first half of 2025, benefitting from historically favorable terms of trade, which are expected to be the highest since the 1950s, and approximately 50 percent higher than in 2019. In a global context of a weaker dollar, the sol appreciated moderately by 4.8 percent between December 2024 and July 2025. Net international reserves reached 26.5 percent of GDP in July 2025, equivalent to 13.7 months of imports.

## Outlook

Growth is expected to reach 3.0 percent in 2025. Still relatively high commodity prices and revived business confidence are expected to

sustain momentum in the second half of 2025. The current low inflation environment is expected to support a neutral monetary policy stance. Fiscal policy will play a less significant role in economic activity than previous years, reflecting ongoing fiscal consolidation. Growth will also be supported by investments in mining projects (San Gabriel, Reposición Antamina, and Tía María), as well as investments from projects awarded by Proinversión in 2023 and 2024, with an estimated total value of 11 billion dollars. Poverty (US\$8.30/day, 2021 PPP) is projected to decline to 34.2 percent by 2026.

A moderate fiscal consolidation is expected in the second half of the year, with the fiscal deficit projected to reach 2.5 percent of GDP in 2025, exceeding the ceiling of 2.2 percent. Moderate pre electoral spending pressures and slower growth in the second half of the year contribute to this conservative outlook. The deficit is expected to gradually moderate to 1.7 percent of GDP in the medium term. Public debt is expected to remain at 32 percent of GDP in the coming years.

Political uncertainty ahead of the 2026 elections may heighten economic volatility in late 2025. Key risks include rising public spending that could undermine fiscal credibility, climate change impacts on growth, and external factors such as a global slowdown, falling commodity prices, and trade policy uncertainty affecting investment.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	2.8	-0.4	3.3	3.0	2.5	2.5
Private consumption	3.5	0.1	2.8	3.0	2.6	2.5
Government consumption	-0.2	4.9	2.1	3.1	2.5	2.4
Gross fixed capital investment	1.1	-4.5	5.6	4.3	2.5	2.8
Exports, goods and services	5.5	4.1	6.1	3.9	3.3	3.2
Imports, goods and services	3.6	1.3	8.4	5.2	3.8	3.8
<b>Real GDP growth, at constant factor prices</b>	2.9	-0.2	3.3	3.0	2.5	2.5
Agriculture	3.3	-3.7	5.9	2.8	2.5	2.4
Industry	1.6	-1.4	3.1	2.3	2.0	2.0
Services	3.6	1.0	3.2	3.5	2.8	2.8
<b>Employment rate (% of working-age population, 15 years+)</b>	71.6	69.1	69.2	69.4	69.7	70.2
<b>Inflation (consumer price index)</b>	8.5	3.2	2.0	2.1	2.0	2.0
<b>Current account balance (% of GDP)</b>	-4.0	0.3	2.2	1.8	1.7	1.2
<b>Net foreign direct investment inflow (% of GDP)</b>	4.7	1.1	1.9	2.0	1.6	1.5
<b>Fiscal balance (% of GDP)</b>	-1.7	-2.7	-3.5	-2.5	-1.9	-1.7
<b>Revenues (% of GDP)</b>	27.0	23.5	22.9	23.4	23.4	23.4
<b>Debt (% of GDP)</b>	33.3	32.4	32.1	32.4	32.1	32.0
<b>Primary balance (% of GDP)</b>	-0.1	-1.1	-1.8	-0.7	-0.3	-0.1
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	4.8	5.9	5.1	5.0	4.6	4.5
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	10.7	11.7	10.7	10.3	9.6	9.2
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	37.8	38.3	36.2	35.3	34.2	33.3
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	2.5	-1.3	0.1	0.3	0.5	0.7

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on SEDLAC harmonization, using 2024-ENAH0. Actual data: 2024. Forecasts are from 2025 to 2027.

2/ Projections using microsimulation methodology.

# SAINT LUCIA

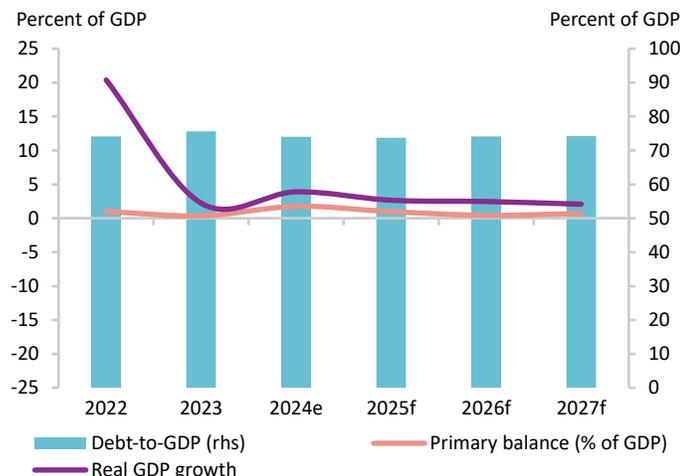
Saint Lucia's economy has stabilized after the pandemic, with growth of 3.9 percent in 2024, helping reduce poverty. However, high public debt, disaster vulnerability, and rising geopolitical tensions pose risks and could constrain development outcomes going forward. Structural reforms are needed to build fiscal buffers, address informality, create jobs, and enhance poverty reduction.

## Key conditions and challenges

Saint Lucia's small, tourism-dependent economy experiences high debt and volatile growth, averaging 1.4 percent from 2011 to 2019. The pegged exchange rate under the Eastern Caribbean Currency Union and its sound monetary policies help to ensure price stability. The country faces ongoing challenges from natural disasters, climate change, and global tensions, emphasizing the need to build resilience through fiscal buffers, better debt management, and improved domestic resource mobilization.

In 2015, the latest year with available data, fewer than 1 in 10 Saint Lucians were considered poor (US\$8.30/day, 2021 PPP). Inequality was high, with a Gini index above 40. Monetary poverty is estimated to have declined steadily since its pandemic peak. Recent census data point to improvements in non-monetary poverty between 2010 and 2022: the share of households without toilet facilities decreased from 6.2 percent to 1.9 percent, fewer households are living in houses with substandard material (reduction from 12.4 percent to 10.3), households with internet access increased from 26.5 percent to 89.1 percent, and education statistics indicate increases in educational attainment.

FIGURE 1 / Key macroeconomic variables



Sources: Eastern Caribbean Central Bank and World Bank staff calculations.

Population <sup>1</sup> thousand	Poverty <sup>2</sup> thousands living on less than \$8.30/day
179.7	13.6
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
72.7	100.7
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
2.5	14181.6

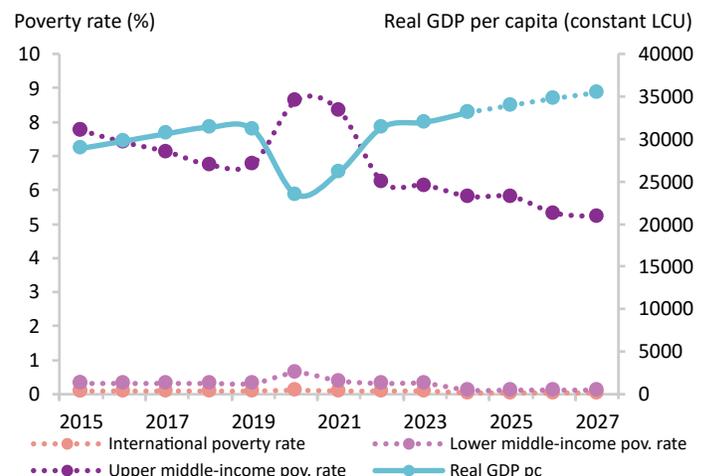
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2015 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

Although the financial sector remains stable, financial intermediation is lagging. Bank credit growth has been weak, reflecting weak demand, elevated sovereign risk, and limited progress in addressing non-performing loans. In addition, there are weaknesses in foreclosure processes and the implementation of the new Bankruptcy & Insolvency Act and Security Interest in Movable Property Act, hindering efficient use of property and movable collateral for lending. The Co-operative Societies Act strengthened the regulatory framework for the growing credit unions. The country has also made notable progress in addressing deficiencies in the Anti-Money Laundering and Combating the Financing of Terrorism framework.

## Recent developments

Real GDP growth reached 3.9 percent in 2024, driven by a fully recovered tourism sector and robust construction activity. Stayover arrivals rose 14.4 percent in 2024, mainly due to more visitors from the US and the Cricket World Cup. However, January–May 2025 arrivals fell 3 percent compared with the same period in 2024. Construction maintained its momentum in 2024, buoyed by the continuation and commencement of

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



Source: World Bank. Notes: See footnotes in table on the next page.

major projects. The agriculture sector rebounded by 3.6 percent in 2024, as weather conditions improved.

The current account deficit narrowed slightly to 1.0 percent of GDP in 2024. Foreign direct investment amounted to 7 percent of GDP in 2024, helping to fund the current account deficit. Imputed international reserves covered approximately three months of imports at the end of 2024.

Lower global commodity prices led to a 0.5 percent deflation in 2024. The pressure on food security, previously worsened by the pandemic and food price shocks, is now easing.

Since FY22/23, the country has run a primary surplus, consistent with the country's pre-pandemic track record. Tax policy reforms for FY24/25 – including a health and citizen security levy, an increase in cigarette excise tax, and tax amnesty – along with the robust performance of the tourism sector, boosted annual revenues. On the expenditure side, a temporary slowdown in FY24/25 in capital spending reduced total spending. Public debt has improved significantly since 2020 thanks to high nominal GDP growth and fiscal improvements.

## Outlook

Real output growth is projected to gradually moderate over the medium term, as tourism demand stabilizes at pre-pandemic levels and air-travel capacity constraints bind. Investments in major

construction projects, including several major hotels and roads, are expected to peak in 2025 and 2026. Agriculture is expected to moderately increase due to recent unfavorable weather conditions. Based on the expected economic growth trajectory, poverty is projected to continue declining in the medium term. Inflation is expected to stabilize at its equilibrium point of 2.0 percent in 2027.

Modest primary surpluses of an average 0.7 percent of GDP and overall deficits of an average 3 percent of GDP are expected over the medium term. The revenue-to-GDP ratio is projected to slightly decline to 22.4 percent in FY25/26 and 22.0 percent in FY26/27, reflecting the impact of recent fiscal measures that expanded zero-rating VAT items and the secession of the Tax Amnesty program in May 2026. Total spending is expected to increase, driven by capital expenditures peaking in FY25/26 and FY26/27. Public debt is projected to remain stable at around 74 percent of GDP. However, additional fiscal consolidation will be necessary to reach the regional target of 60 percent by 2035. The current account deficit is expected to improve gradually as the recovery in tourism offsets imports of construction materials, fuel, and food.

The risks to the outlook are skewed to the downside, including potential delays in fiscal consolidation, escalating global geopolitical tensions, economic slowdowns in key tourist-origin countries, reduced FDI, fewer revenues for the Citizenship-by-Investment Program, lower remittances, natural disasters, and the impacts of climate change.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	20.4	2.2	3.9	2.6	2.5	2.1
<b>Real GDP growth, at constant factor prices</b>	19.7	2.1	3.6	2.6	2.5	2.1
Agriculture	4.5	-17.0	3.6	4.0	3.1	3.0
Industry	1.7	12.4	5.6	4.5	3.0	2.0
Services	23.5	0.9	3.3	2.3	2.4	2.1
<b>Inflation (consumer price index)</b>	6.4	4.5	-0.5	1.6	1.8	2.0
<b>Current account balance (% of GDP)</b>	-3.6	-1.6	-1.0	-0.9	-0.8	-0.7
<b>Fiscal balance (% of GDP)<sup>1</sup></b>	-1.9	-3.2	-1.8	-2.7	-3.3	-3.0
<b>Revenues (% of GDP)<sup>1</sup></b>	20.9	22.2	23.0	22.4	22.0	21.6
<b>Debt (% of GDP)<sup>1,2</sup></b>	74.1	75.6	74.0	73.8	74.1	74.2
<b>Primary balance (% of GDP)<sup>1</sup></b>	1.0	0.3	1.7	1.0	0.4	0.7
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>3,4</sup></b>	0.1	0.1	0.0	0.0	0.0	0.0
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>3,4</sup></b>	0.3	0.3	0.1	0.1	0.1	0.1
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>3,4</sup></b>	6.2	6.1	5.8	5.8	5.3	5.2
<b>GHG emissions growth (mtCO2e)</b>	4.2	0.3	0.8	0.5	0.7	0.6

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Fiscal ratios are calculated in fiscal year (April-March) divided by nominal GDP in calendar years.

2/ Public debt includes payables and overdrafts/Eastern Caribbean Central Bank advances.

3/ Calculations based on CONLAC harmonization, using 2015 SLCHBS. Actual data: 2015. Nowcast: 2016-2024. Forecasts are from 2025 to 2027.

4/ Projection using neutral distribution (2015) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

# ST. VINCENT AND THE GRENADINES

Despite multiple shocks in recent years, economic activity recovered and remained strong in 2025, supported by tourism and infrastructure investment. The fiscal deficit is expected to decline as major projects conclude, but stricter fiscal adjustments are needed to meet debt targets. New tourism infrastructure should boost growth and jobs, though external uncertainties and natural disasters continue to pose risks.

## Key conditions and challenges

The economy is driven by tourism, agriculture, and construction. Ongoing investments in infrastructure—such as a new port, expansion of the international airport, roads, hotels, a hospital, water supply, and digitalization—support growth and foster economic diversification.

In 2008, the latest year with available data, 30.2 percent of the population lived below the national poverty line. Economic growth in subsequent years is expected to have reduced poverty levels. Despite similar school participation rates, St. Vincent and the Grenadines shows gender gaps in the labor market. In 2017, at 63.3 percent, women's labor force participation lagged that of men by 9.1 percentage points.

The fiscal balance deteriorated due to multiple shocks, including natural disasters, which caused significant damage to infrastructure and livelihoods. The country's main challenge is to reduce its fiscal deficit while directing resources toward recovery and high-priority

Population <sup>1</sup> thousand	100.6	Poverty	..
Life expectancy at birth <sup>2</sup> years	71.2	School enrollment <sup>3</sup> primary (% gross)	109.7
GDP <sup>4</sup> current US\$, billion	1.2	GDP per capita <sup>5</sup> current US\$	11500.8

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2023. 3/ 2023. 4/ 2024. 5/ 2024.

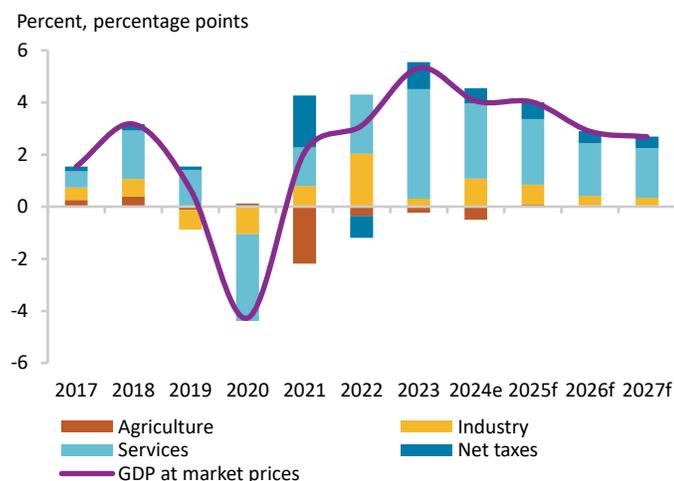
public investment projects in order to reach the regional debt target of 60 percent by 2035, all while preserving inclusive growth.

## Recent developments

St. Vincent and the Grenadines has been affected by a series of shocks after the COVID-19 pandemic, which included Dengue outbreaks in (2021 and 2024), the eruption of volcano la Soufriere (2021), and the passage of hurricanes Elsa (2021) and Beryl (2024). Each of these events had repercussions for lives and livelihoods. The eruption of volcano la Soufriere caused the displacement of about a quarter of St. Vincent and the Grenadines' population. Hurricane Beryl destroyed over 90 percent of buildings and critical infrastructure in the southern Grenadines. Real GDP growth slowed to 4.1 percent in 2024, due to the impact of Hurricane Beryl, which caused losses and damages estimated at US\$230.6 million (22 percent of 2023 GDP).

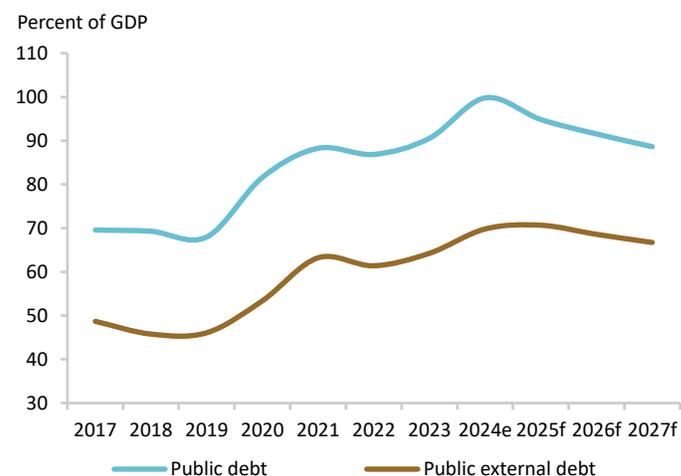
Despite these challenges, tourism remained resilient and benefited from the opening of new resorts and new airline routes, with

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



Sources: Eastern Caribbean Central Bank, and World Bank staff calculations.

FIGURE 2 / Public debt



Sources: Ministry of Finance, Eastern Caribbean Central Bank, and World Bank staff calculations.

stayover arrivals increasing 18 percent over pre-pandemic levels. Agriculture, the second largest employer (according to 2017 data), has been recovering slowly but remains hindered by persistent droughts and hurricane-related damages. Inflation eased to 3.6 percent in 2024 due to lower global commodity prices, helping mitigate food security concerns.

The fiscal deficit rose to 13.7 percent of GDP in 2024 due to hurricane-related spending, despite increasing revenues from pension and VAT reforms. The primary deficit widened to 10.5 percent, raising the debt-to-GDP ratio to 99.8 percent. Government financing needs are covered by both external and domestic sources. A US\$1.9 million insurance payout was triggered by hurricane damages.

The current account deficit (CAD) narrowed to 16.7 percent of GDP as strong tourism offset higher imports. Financed by foreign direct investment and external borrowing. International reserves covered nearly 5 months of imports. The financial system remained stable, with low take-up of hurricane loan moratoriums and non-performing loans down to 7 percent in 2024.

## Outlook

Growth is expected to remain robust at 4.0 percent in 2025, supported by reconstruction activities and large infrastructure investments, and converge to around 2.7 percent thereafter. Tourism is projected to continue expanding, supported by the new airport

and resort openings. Lower imports and stronger service exports are expected to cut the CAD to 11.7 percent of GDP by 2027.

Inflation will slow to 2.2 percent in 2025 amid more favorable global commodity prices but remain above the 2.0 percent target resulting from rising import prices driven by higher tariffs.

Growth is expected to expand employment opportunities in key sectors, with direct gains in construction and accommodation and food services, and indirect benefits extended to wholesale and retail trade. Combined with the impacts of easing inflation on household purchasing power, poverty is expected to continue declining.

The fiscal deficit is projected to decrease over the forecast horizon, reaching 4.0 percent of GDP in 2027. Public investment is expected to decline from 10.9 percent of GDP in 2025 to 5.4 percent of GDP in 2027, as major infrastructure projects and reconstruction activities conclude. During this time, capital expenditure on health, education, and other essential services will be prioritized, and current spending will be restrained. Consequently, the public debt is projected to decline to 88.6 percent of GDP by 2027. Realigning with the fiscal rule is crucial for debt sustainability.

As a small island economy, St. Vincent and the Grenadines is exposed to external market fluctuations, global economic shifts, and the impact of natural disasters. Building resilience will require diversifying the economy, enhancing disaster preparedness, and strengthening fiscal buffers.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	3.1	5.3	4.1	4.0	2.9	2.7
<b>Real GDP growth, at constant factor prices</b>	4.8	5.1	4.1	4.0	2.9	2.7
Agriculture	-6.8	-5.0	-11.9	2.1	1.6	1.6
Industry	14.8	2.1	7.3	5.1	2.4	1.9
Services	3.6	6.5	4.4	3.8	3.1	2.9
<b>Inflation (consumer price index)</b>	5.7	4.6	3.6	2.2	2.1	2.1
<b>Current account balance (% of GDP)</b>	-20.2	-16.8	-16.7	-15.8	-14.2	-11.7
<b>Fiscal balance (% of GDP)<sup>1</sup></b>	-6.8	-8.2	-13.7	-9.1	-7.6	-4.0
<b>Revenues (% of GDP)</b>	27.5	26.7	28.3	29.3	27.4	26.6
<b>Debt (% of GDP)<sup>2</sup></b>	86.9	90.5	99.8	94.8	91.5	88.6
<b>Primary balance (% of GDP)<sup>1</sup></b>	-4.5	-5.7	-10.5	-5.5	-4.0	-0.5
<b>GHG emissions growth (mtCO<sub>2</sub>e)<sup>3</sup></b>	3.8	2.9	2.2	2.6	1.5	1.4

Source: ECCB and World Bank staff calculations.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Budget balances are for the central government.

2/ Public debt includes central government and public bodies.

3/ Emissions data sourced from CAIT and OECD.

# SURINAME

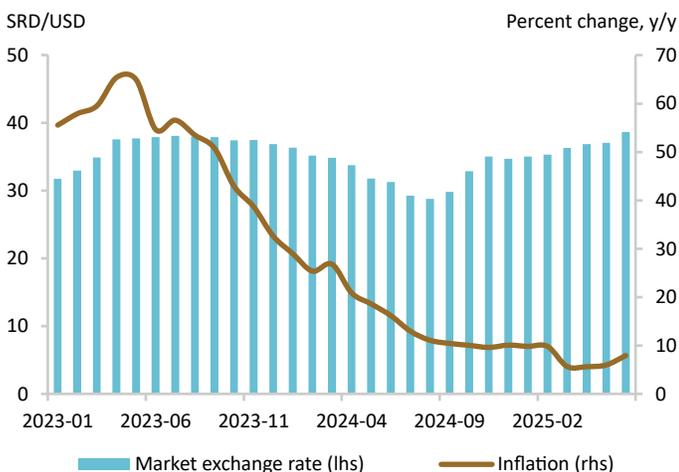
Suriname's economy has strengthened in 2024/2025, with higher growth and single-digit inflation. Medium-term growth is expected to accelerate as production begins at the new offshore oil field. Efficient and equitable management of oil wealth will require a strong institutional and fiscal framework, continued investment in human capital, improved public services, and effective environmental safeguards.

## Key conditions and challenges

Fiscal, monetary, and financial sector indicators have improved, supported by an International Monetary Fund (IMF) program which concluded in March 2025. Debt restructuring, subsidy reform, and improved tax policies have supported fiscal consolidation and improved debt sustainability. Tighter monetary policy has helped contain inflation, while exchange rate flexibility supported foreign exchange reserve accumulation. The financial system's capital position and profitability have strengthened, despite weaknesses in asset quality and governance.

At the time of the last poverty measurement, in 2022, 20.9 percent of the population lived below the upper middle-income poverty line of US\$8.30 (2021 PPP) per day. 46.5 percent of Surinamese face multidimensional poverty, with limited access to health, education, and income security. Poverty is higher in the interior, which is more exposed to floods and droughts. Limited educational attainment drives skill shortages, aggravated by Suriname's failure to turn women's favorable educational attainment—15 percent tertiary completion versus 6 percent

FIGURE 1 / Exchange rate and inflation



Source: Central Bank of Suriname.

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$8.30/day
<b>0.6</b>	<b>0.1</b>
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
<b>73.6</b>	<b>66.0</b>
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
<b>4.8</b>	<b>7512.3</b>

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

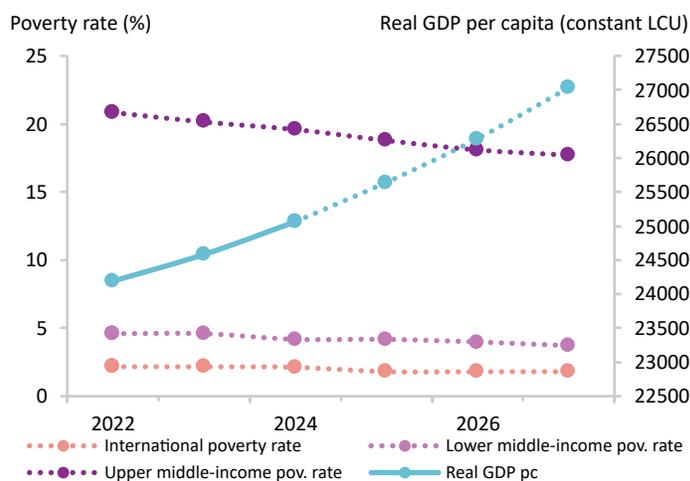
for men—into better labor outcomes (labor force participation is 59.3 percent for women versus 78.0 percent for men).

Recent discoveries of several offshore oil deposits have improved Suriname's medium-term economic prospects. Following the final investment decision in October 2024, production is expected to start by mid-2028 and is poised to significantly boost growth, fiscal revenues, and exports. To ensure that this growth is inclusive and sustainable, it will be essential to strengthen governance and institutional frameworks, improve fiscal management, enhance public services - including education- and advancing climate change adaptation measures.

## Recent developments

GDP growth continued to improve, reaching an estimated 2.8 percent in 2024 and accelerating further in the first half of 2025, fueled by infrastructure investment in preparation for offshore oil production. The monthly economic activity index rose by 3.5 percent year-on-year in February 2025 (latest available), fueled by a 43 percent surge in construction activity. This growth is estimated to have reduced poverty by 1.3 percentage points from

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



Source: World Bank. Notes: See footnotes in table on the next page.

2022 to 2024. Nevertheless, a prolonged drought in the country's interior that persisted into 2025 reduced crop yields and heightened food insecurity.

In the first half of 2025, the Surinamese dollar (SRD) depreciated by 5 percent against the USD, largely driven by increased money supply aimed at sustaining investment and economic activity. Despite the exchange rate depreciation, inflation moderated to 8.0 percent year-on-year in June 2025, down from 16.2 percent one year earlier, aided by lower food and energy prices. Inflation for food and non-alcoholic beverages (which represents about 40 percent of consumption in poor households) was 1.6 percent year-on-year, sharply down from a peak of over 70 percent in mid-2023.

The primary surplus fell to an estimated 0.3 percent of GDP in 2024, missing the 2.5 percent of GDP target under an IMF program. Fiscal balance deteriorated further in the first half of 2025 driven by weak non-tax revenues, elevated electricity subsidies, a rising wage bill, and higher social transfers.

Suriname has successfully reached debt restructuring agreements with all official creditors and most private creditors, resulting in sovereign spreads declining to historically low levels. In recognition of the country's progress on fiscal reforms and debt restructuring, Moody's upgraded Suriname's sovereign debt ratings in late 2024.

## Outlook

Real GDP growth is projected to accelerate to 3.2 percent in 2025, reflecting a gradual recovery of industry and services and increased private investment ahead oil production. GDP is expected

to strengthen further during the forecasting period, with a significant boost once offshore oil production begins in 2028. Inflation is anticipated to continue declining over the medium term, supported by restrictive monetary and fiscal policy. Driven by economic growth and lower inflation, poverty is projected to decline by 0.8 percentage points (y-o-y) in 2025 and by 0.7 percentage points in 2026.

The fiscal deficit is projected to widen to 7.4 percent of GDP in 2025, following budget amendments that raised the wage bill, electricity subsidies, interest payments, and social transfers. The fiscal balance is expected to improve over the medium term, supported by a broader VAT base, new fuel taxes, and reduced subsidies. Continued fiscal consolidation will create space for increased social spending and growth-enhancing infrastructure investment, with oil revenues further expanding fiscal capacity.

In May 2025, the government launched a royalty scheme, to share anticipated oil revenues. Payouts of US\$750 to the elderly and disabled have started, with broader disbursements to follow when oil revenues arrive. The short-term impact on poverty is expected to be limited, as most seniors already receive pensions and are non-poor.

The medium-term poverty outlook will depend on the timely implementation of additional reforms that prepare the country to transform oil wealth into broad-based prosperity. A solid institutional and fiscal framework, coupled with strong anti-corruption measures and investments in human capital, will be essential to manage future extractive revenues efficiently and equitably, strengthen non-oil competitiveness, and mitigate environmental impacts.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	2.4	2.5	2.8	3.2	3.4	3.7
<b>Real GDP growth, at constant factor prices</b>	2.4	2.5	2.9	3.2	3.4	3.7
Agriculture	-3.9	-1.8	2.4	2.6	2.7	2.8
Industry	2.5	2.1	2.9	3.1	3.6	4.0
Services	3.1	3.2	2.9	3.3	3.4	3.7
<b>Inflation (consumer price index)</b>	52.4	51.6	16.2	7.5	7.0	6.5
<b>Current account balance (% of GDP)</b>	2.0	4.3	0.2	-31.7	-43.7	-49.2
<b>Net foreign direct investment inflow (% of GDP)</b>	0.1	-1.8	-0.6	28.6	40.9	46.8
<b>Fiscal balance (% of GDP)<sup>1</sup></b>	-0.9	-1.9	-2.5	-7.4	-3.1	-1.7
<b>Revenues (% of GDP)</b>	26.0	27.6	25.2	28.3	30.4	31.3
<b>Debt (% of GDP)<sup>1</sup></b>	76.7	97.6	69.7	78.0	73.8	68.8
<b>Primary balance (% of GDP)<sup>1</sup></b>	0.8	1.4	0.3	-5.0	-1.0	0.3
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>2,3</sup></b>	2.2	2.2	2.1	1.8	1.8	1.8
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>2,3</sup></b>	4.6	4.6	4.2	4.2	4.0	3.7
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>2,3</sup></b>	20.9	20.2	19.6	18.8	18.1	17.7
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	1.3	1.2	1.6	1.1	1.2	1.3

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Budget balances and public debt are for the central government, with debt based on SDMO data.

2/ Calculations based on CONLAC harmonization, using 2022-SSLC. Actual data: 2022. Nowcast: 2023-2025. Forecasts are from 2026 to 2027.

3/ Projection using neutral distribution (2022) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

# TRINIDAD AND TOBAGO

Trinidad and Tobago's economy is resilient, underpinned by robust human development and financial buffers, though it continues to rely on the energy sector. Growth remains moderate amid fiscal, external and labor market pressures. Medium-term prospects depend on energy projects expected by 2028, with risks including delays, trade uncertainty, and volatile energy prices.

## Key conditions and challenges

Trinidad and Tobago showcases significant economic strengths, supported by robust human development and strong financial reserves. The country's human capital indicators—life expectancy at birth of 73.5 years in 2023 and nearly universal adult literacy—are among the highest in Latin America and the Caribbean. These achievements reflect substantial government investment in education and health, fostering a knowledge-based economy that is well-positioned to adapt to globalization and technological advancements.

Despite these advantages, the economy remains heavily reliant on the energy sector, which contributes significantly to GDP and exports but offers limited employment. Aging infrastructure and the expected timeline for major new projects, anticipated no earlier than FY2028, pose persistent risks. Efforts to reduce greenhouse gas emissions and expand renewable energy use signal progress toward a low-carbon economy, though the transition presents complex challenges that require careful management.

Population <sup>1</sup> million	Poverty
1.4	..
Life expectancy at birth <sup>2</sup> years	School enrollment <sup>3</sup> primary (% gross)
73.5	92.8
GDP <sup>4</sup> current US\$, billion	GDP per capita <sup>5</sup> current US\$
26.0	18976.8

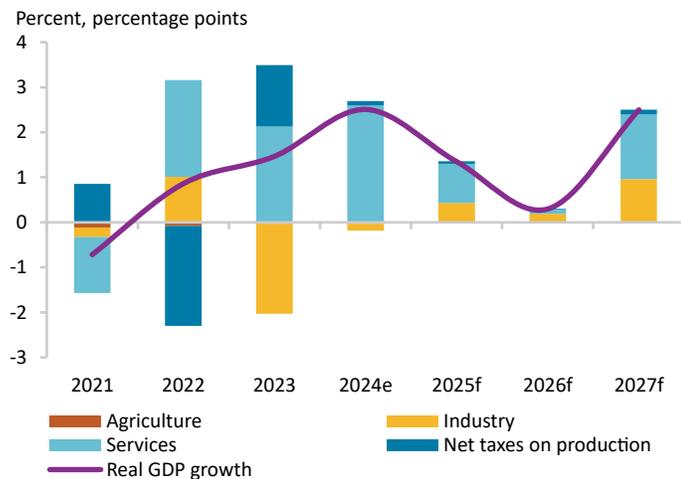
Sources: WDI, MFMod, and official data. 1/ 2024. 2/ 2023. 3/ 2023. 4/ 2024. 5/ 2024.

Financial resilience is further supported by the Heritage and Stabilization Fund, with assets nearing a quarter of GDP. Political stability has helped cushion the economy during periods of oil and gas price fluctuations. Nonetheless, structural inefficiencies in forex allocation favor large corporations over small and medium enterprises.

Recent data on poverty and inequality are limited, and while Trinidad and Tobago's Human Development Index (HDI) reflects its standing as a high-income country, important development challenges persist. Student performance in standardized tests exceeds regional averages, but lags the Organisation for Economic Co-operation and Development (OECD) benchmarks. Gender disparities persisted in 2024: women's labor force participation stood at 47.7 percent more than 15 percentage points below men's, and women faced higher unemployment rates. Adolescent fertility rates also remain elevated compared to other high-income countries.

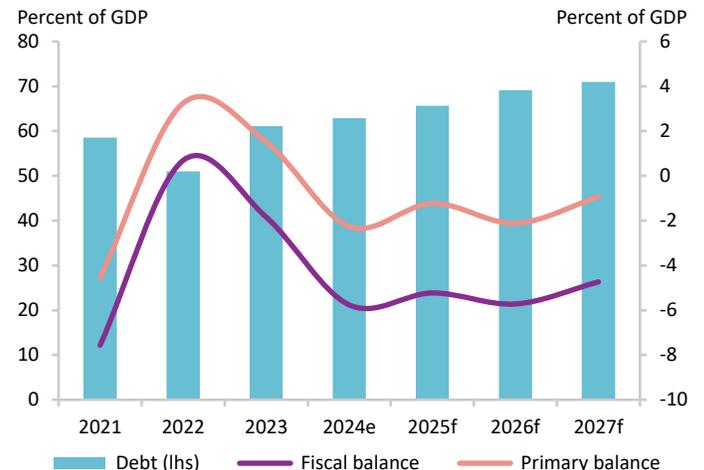
To address these challenges, the government is focusing on attracting investment, engaging the private sector, and integrating trade to drive diversification. Key reforms include enhancing the

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



Source: World Bank.

**FIGURE 2 /** Fiscal balance and public debt



Source: World Bank.

business environment, trade logistics, and public service delivery, alongside fiscal discipline and increased exchange rate flexibility.

## Recent developments

In 2024, economic recovery continued, with real GDP growth estimated at 2.5 percent. The energy sector expanded by modest 0.5 percent due to lower global prices and reduced production. The non-energy sector, particularly services, has been central to post-pandemic recovery, supported by policy measures that included incentives for SMEs and tourism. Monetary policy has also accommodated growth. The Central Bank maintained its policy rate at 3.5 percent and reduced bank reserve requirements from 14 to 10 percent in July 2024 to support liquidity and economic activity. Private sector credit expanded by 9.5 percent year-on-year as of April 2025, further supporting non-energy sector growth.

Inflation remained subdued, averaging 1.5 percent year-on-year in July 2025. End-of-year inflation for 2025 is expected at 2.4 percent, which reflects trends in international food and commodity prices.

Fiscal accounts worsened in FY2024, with the overall deficit reaching 5.8 percent of GDP, driven by increased spending on education, health, arrears repayment, and support for the state-owned water company. A tax amnesty windfall (1.5 percent of GDP) partially offset revenue losses from declining energy prices.

The external position weakened, with the current account balance turning negative in the fourth quarter of 2024 due to lower energy exports. However, international reserves remained

comfortable at 7.3 months of imports. Labor market conditions were mixed. Unemployment rose from 4 to 5 percent in 2024, with a sharper increase among men (1.1 percentage points) than among women (0.8 percentage points). However, comparing the first quarter of 2025 with the first quarter of 2024, the overall unemployment rate declined by 0.5 percentage points, driven by gains among men, while women's unemployment edged up modestly. Over the same period, labor force participation fell by 0.4 percentage points, mainly among men, while women's participation increased slightly.

## Outlook

Between 2025 and 2027, Trinidad and Tobago's GDP growth is expected to remain subdued until major energy projects come on stream in 2028. Real GDP growth is projected at just 1.4 percent in 2025 and 0.3 percent in 2026, rising to 2.5 percent in 2027 and 3.1 percent in 2028, as new natural gas fields become operational and boost the energy sector. Inflation is forecast to remain low and stable at just above 2 percent in the medium term. The overall fiscal deficit is expected to remain elevated, at 5.2 percent in 2025, 5.7 percent of GDP in 2026 and 4.7 percent in 2027, before improving to 2.7 percent in 2028 as energy revenues recover. The current account balance is projected to remain negative through 2027, turning positive in 2028. Public debt is expected to increase to 71.0 percent of GDP by 2027.

Risks to the outlook include delays in energy project implementation, global trade policy uncertainty, and a potential global economic slowdown's impact on energy prices.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	0.9	1.5	2.5	1.4	0.3	2.5
<b>Real GDP growth, at constant factor prices</b>	3.2	0.1	2.5	1.4	0.3	2.5
Agriculture	-13.2	-5.8	-5.4	-1.0	0.0	0.5
Industry	2.4	-4.7	-0.4	1.1	0.5	2.5
Services	4.1	3.9	4.6	1.5	0.2	2.5
<b>Employment rate (% of working-age population, 15 years+)</b>	52.3	53.4	52.3	51.7	51.5	51.7
<b>Inflation (consumer price index)</b>	5.8	4.6	0.5	1.5	2.3	2.2
<b>Current account balance (% of GDP)</b>	17.4	11.6	4.7	4.1	2.9	4.8
<b>Net foreign direct investment inflow (% of GDP)</b>	-7.3	-8.1	-2.9	-3.0	-2.8	-2.8
<b>Fiscal balance (% of GDP)<sup>1</sup></b>	0.7	-1.8	-5.8	-5.2	-5.7	-4.7
<b>Revenues (% of GDP)</b>	28.4	31.8	26.9	29.1	28.1	28.3
<b>Debt (% of GDP)<sup>1</sup></b>	51.0	61.1	62.9	65.7	69.1	71.0
<b>Primary balance (% of GDP)<sup>1</sup></b>	3.2	1.5	-2.3	-1.2	-2.1	-0.9
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	4.0	-1.6	1.2	2.5	0.6	2.4

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

<sup>1/</sup> Fiscal balances are reported in fiscal years (October 1- September 30).

# URUGUAY

Uruguay is projected to grow at an average annual rate of around 2.2 percent over the medium term, amid global headwinds. Fiscal pressures remain elevated, but inflation is stable and within the tolerance band. Household incomes have risen in real terms since 2023, supporting poverty reduction. Risks to the outlook remain tilted to the downside.

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$8.30/day
<b>3.5</b>	<b>0.2</b>
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
<b>78.1</b>	<b>108.8</b>
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
<b>81.0</b>	<b>23186.4</b>

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2024. 6/ 2024.

## Key conditions and challenges

Uruguay has LAC's highest income per capita and largest middle class, with poverty at 5.9 percent in 2024 (US\$8.30 per day, 2021 PPP). Yet, over the past decade, Uruguay has grown modestly, averaging 1.2 percent annually. This performance reflects not only external factors including lower commodity prices, the COVID-19 pandemic, and climate shocks, but also low productivity growth. In 2024, the economy rebounded by 3.1 percent, driven primarily by a surge in agricultural output and a recovery in hydropower and pulp production following the 2023 drought.

Progress in poverty reduction has stalled: the poverty rate remains at the same level as in 2016 while income inequality—measured by the Gini Index—has remained near 40 since 2012. Poverty among children and Afro-descendants is twice the national average, reflecting structural barriers that limit further reductions for vulnerable groups. Nearly half of youth (aged 21-23) lack a secondary diploma. The overall unemployment rate is 7.3 percent, but 8.8 percent among women, 26 percent among those aged 15-24, and 10.8 percent among Afro-descendants.

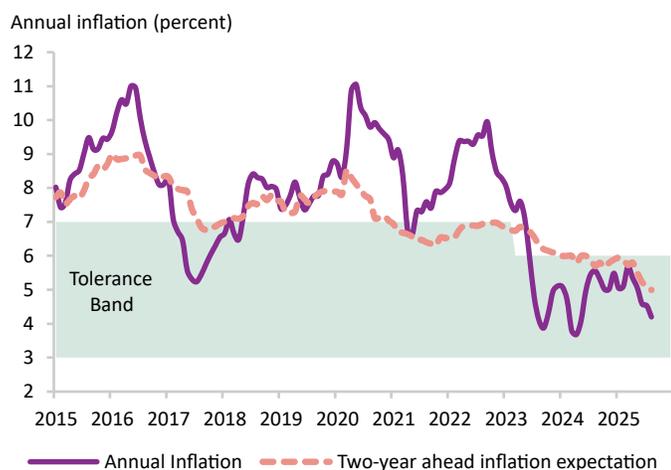
To accelerate inclusive growth, Uruguay will need to continue narrowing human-capital gaps, improving the business environment, and deepening integration into global value chains. Recently announced trade and FDI reforms, alongside competitiveness measures included in the draft five-year budget, signal commitment to this agenda. Uruguay has the lowest sovereign spreads in LAC, but its exposure to external shocks makes further strengthening of fiscal buffers a priority. Accordingly, the draft budget law proposes revising the fiscal rule by introducing a central government debt anchor of 65 percent of GDP, while upholding the structural fiscal balance target and the net borrowing cap.

## Recent developments

Uruguay's economy grew by 3.1 percent in 2024, rebounding from the severe drought in 2023. Real GDP ticked up by 3.4 percent y-o-y in Q1:2025, driven by private consumption, exports, and manufacturing. The average monthly economic activity index rose by 2.6 percent y-o-y in H1:2025, up from 2.3 percent a year earlier.

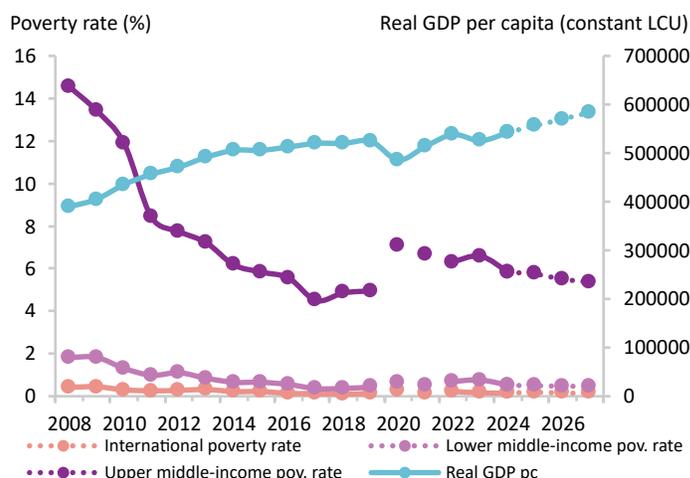
The current account deficit widened from 1.0 percent of GDP in 2024 to an estimated 1.2 percent in Q1:2025, as imports remained

FIGURE 1 / Annual inflation and inflation expectations



Source: Central Bank of Uruguay.

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



Source: World Bank. Notes: See footnotes in table on the next page.

strong amid robust domestic demand. Throughout H1:2025, the peso appreciated by 6.5 percent against the USD, reflecting tight domestic monetary policy, stable inflation, a strong external sector, and broader USD weakness. International reserves remained adequate at 11.7 months of imports as of July 2025.

Headline inflation eased to 4.2 percent y-o-y in August 2025, below the central bank's 4.5 percent inflation target, aided by moderating food and transportation prices. The BCU has maintained a contractionary stance through 2025 to guarantee the downward trajectory of inflation and keep expectations anchored. In H1:2025, credit to the nonfinancial sector increased by 15.4 percent y-o-y.

In July, the 12-month non-financial public sector (NFPS) fiscal deficit rose to 3.5 percent of estimated 2025 GDP, up from 3.4 percent in 2024. Revenues fell by 0.5 percent of GDP, mainly due to lower public enterprises' contributions, which were paid in advance in 2024, while expenditures grew 0.3 percent of GDP, driven by higher social security transfers. Gross NFPS's debt stood at an estimated 67.2 percent of GDP in Q1:2025, up from 62.7 percent in 2024.

Labor force participation and employment rates have registered slight gains since 2023, supporting a moderate recovery in real household per capita income, and a decline in poverty from 6.6 percent in 2023 to 5.9 percent in 2024 (US\$8.3 per day, 2021 PPP).

## Outlook

GDP growth is projected to slow to 2.3 percent in 2025, as the economy transitions away from the post-drought recovery surge.

Rising wages and contained inflation are expected to support private consumption, while investment is anticipated to rebound, anchored in Uruguay's stable macroeconomic framework and high investor confidence. Exports—mainly cellulose and tourism—are expected to moderate. Growth is forecast to average 2.2 percent in 2026-2027, amid global headwinds.

Inflation is expected to average 4.5 percent in 2025 under a tight monetary policy stance that will gradually shift toward neutrality as inflation expectations ease. In 2026-2027, some upward price pressures—mainly from wage adjustments and a potentially stronger U.S. dollar—are expected to materialize, but inflation is seen remaining within the BCU's tolerance band of 3-6 percent.

The NFPS fiscal deficit is projected to widen slightly in 2025 due to the settlement of expenditure arrears and further in 2026 as one-off revenues dissipate. The government foresees consolidation beginning in 2027, driven by improved revenue-collection efficiency and tax adjustments. Public debt is anticipated to reach 65.7 percent of GDP by 2027 amid rigid expenditures. The current account deficit is expected to average 1.1 percent of GDP in 2025-2027, with import growth remaining moderate in line with investment.

Given modest growth prospects, poverty reduction at the \$8.3/day (2021 PPPs) poverty line is likely to remain limited at less than one percentage point over the next three years.

Risks to the outlook include weaker external demand, shifts in global trade policy, geopolitical tensions, tight global financial conditions—especially in the U.S.—and extreme weather events.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	4.5	0.7	3.1	2.3	2.2	2.2
Private consumption	5.4	3.7	1.7	2.2	2.3	2.3
Government consumption	2.6	-0.7	2.0	1.1	1.1	1.1
Gross fixed capital investment	12.3	-5.7	-1.3	4.2	3.4	3.6
Exports, goods and services	11.3	0.8	8.3	2.2	3.0	3.0
Imports, goods and services	14.3	5.7	-1.5	2.5	3.5	3.5
<b>Real GDP growth, at constant factor prices</b>	4.4	0.8	3.1	2.3	2.2	2.2
Agriculture	-10.4	8.6	11.3	2.5	2.0	2.0
Industry	5.8	-3.4	4.4	3.7	1.5	1.5
Services	5.6	1.3	1.9	1.9	2.4	2.4
<b>Employment rate (% of working-age population, 15 years+)<sup>1</sup></b>	58.2	58.6	59.5	59.7	59.9	60.1
<b>Inflation (consumer price index)</b>	9.1	5.9	4.8	4.5	4.7	5.0
<b>Current account balance (% of GDP)</b>	-3.8	-3.4	-1.0	-1.2	-1.1	-1.1
<b>Net foreign direct investment inflow (% of GDP)</b>	4.1	3.6	-2.9	2.3	2.5	2.6
<b>Fiscal balance (% of GDP)<sup>2,3</sup></b>	-2.7	-3.3	-3.4	-3.5	-3.9	-3.4
<b>Revenues (% of GDP)</b>	27.4	27.4	27.9	28.4	28.5	28.9
<b>Debt (% of GDP)</b>	61.6	63.7	62.7	62.0	64.4	65.7
<b>Primary balance (% of GDP)<sup>2,3</sup></b>	-0.6	-1.0	-1.0	-1.1	-1.5	-1.0
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>4,5</sup></b>	0.2	0.2	0.2	0.2	0.2	0.2
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>4,5</sup></b>	0.7	0.7	0.5	0.5	0.5	0.5
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>4,5</sup></b>	6.3	6.6	5.9	5.8	5.5	5.4
<b>GHG emissions growth (mtCO2e)</b>	-2.8	1.1	2.1	0.9	0.5	0.7

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Employment rates may differ from official national estimates due to variations in the age group used for calculation.

2/ Non-Financial Public Sector. Excluding revenues associated with the "cincuentones".

3/ The 2025 fiscal deficit includes one-off revenues linked to the "Cuarentones Law" (Fideicomiso II de la Seguridad Social, Law No. 20.209), estimated at about 0.4 percent of GDP.

4/ Calculations based on SEDLAC harmonization, using 2024-ECH. Actual data: 2024. Forecasts are from 2025 to 2027.

5/ Projections using microsimulation methodology.



Afghanistan  
Algeria  
Bahrain  
Djibouti  
Egypt, Arab Republic of  
Iran, Islamic Republic of  
Iraq  
Jordan  
Kuwait  
Lebanon  
Libya

Morocco  
Oman  
Pakistan  
Palestinian territories  
Qatar  
Saudi Arabia  
Syrian Arab Republic  
Tunisia  
United Arab Emirates  
Yemen, Republic of

# Middle East, North Africa, Afghanistan, and Pakistan

# AFGHANISTAN

Afghanistan's economy faces severe challenges in 2025, including aid cuts, drought, and mass returnee inflows. GDP per capita is projected to contract by 4 percent, agriculture remains weak, and inflation is stabilizing. Despite maintaining fiscal balance, the trade deficit continues to widen. The outlook remains bleak amid refugee policy uncertainty and declining humanitarian aid.

## Key conditions and challenges

Afghanistan's economy remains fragile in 2025, with only a modest recovery after sharp contractions in 2021–2022. Foreign aid has declined significantly since the Interim Taliban Administration (ITA) took power, weakening fiscal stability. Trade and agricultural revival offer limited relief, but unemployment and low incomes persist amid large influx of returnees from Iran and Pakistan. The banking sector faces liquidity shortages, international restrictions, and a shift to Islamic finance, limiting credit access. Deflation has eased, yet food insecurity remains due to climate shocks, natural disasters, and poor infrastructure.

Medium-term prospects are constrained by structural challenges. Financial isolation restricts foreign investment and market access, while a cash-based informal economy hampers efficiency. Policy uncertainty and restrictive social measures—especially on female education and employment—undermine human capital. Rapid population growth, exacerbated by returnees from Iran and Pakistan, strains services and job market, deepening poverty challenges. Weak energy and transport infrastructure further limits industrial and commercial activity. Without meaningful reforms to

Population <sup>1</sup> million	Poverty
42.6	..
Life expectancy at birth <sup>2</sup> years	School enrollment <sup>3</sup> primary (% gross)
66.0	110.0
GDP <sup>4</sup> current US\$, billion	GDP per capita <sup>5</sup> current US\$
20.7	484.3

Sources: WDI, MFMMod, and official data. 1/ 2024. 2/ 2023. 3/ 2019. 4/ 2024. 5/ 2024.

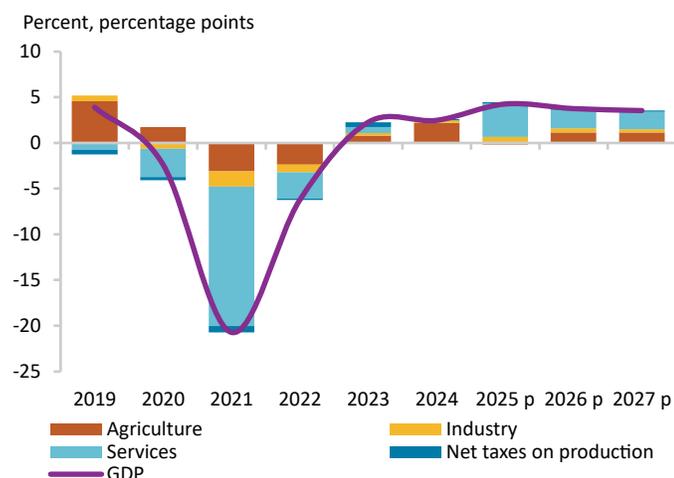
improve governance, enable private sector growth, and restore international confidence, Afghanistan risks prolonged stagnation, rising vulnerability, and continued dependence on humanitarian aid.

## Recent developments

Afghanistan's economy has been severely impacted in 2025 by a series of exogenous shocks, including reduced foreign aid, regional geopolitical tensions, drought, earthquakes, and a large influx of returnees from Iran and Pakistan. While the effects of these shocks are still unfolding, nearly 2 million Afghans returned during the first five months of the Afghan fiscal year (March 20 to August 2025), with a peak of approximately 800,000 in July, primarily from Iran. On an annual basis, the population is projected to grow by 8.6 percent in FY2025, with migration contributing 6.1 percentage points.

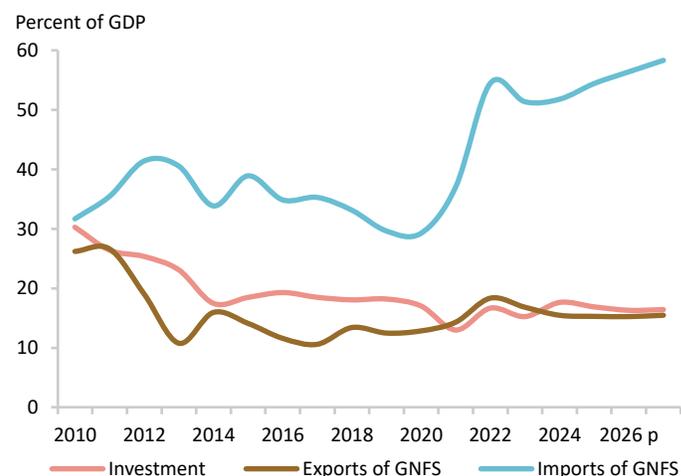
Meanwhile, aggregate GDP is expected to rise by only 4.3 percent—driven mainly by consumption—resulting in a projected 4.0 percent contraction in GDP per capita. This reflects a decline in capital per worker and the mismatch between economic growth and population expansion. Returnees' influx will contribute to an

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



Source: World Bank.

FIGURE 2 / Exports, imports, and investment



Source: World Bank.

estimated 8.5 percent growth in the services sector and 4.5 percent in industry. Agriculture remains challenged due to drought, contracting by 0.5 percent, despite resilient wheat production.

The large-scale and sudden return of migrants will significantly increase the number of low-skilled workers, a group already experiencing high levels of unemployment and underemployment. In the short term, this oversupply of unskilled labor is likely to drive wages down further, exacerbating the livelihood challenges and poverty risks faced by Afghan households.

Year-on-year inflation rose to 0.2 percent in June 2025 from negative 6.0 percent in June 2024, driven by higher non-food prices and recovering domestic demand. Returnee inflows have increased demand for housing and services, while food prices declined by 2.1 percent due to stable imports and a resilient local currency.

Afghanistan's current account deficit is projected to widen to 31.9 percent of GDP in FY2025, up from 24.6 percent in FY2024. This reflects a widening of the trade deficit by 3.0 percentage-points (pp) of GDP (pp), a 2.5 pp drop in remittances due to mass returnees and a 1.7 pp decline in external aid. The trade deficit is expected to reach 48.8 percent of GDP, with substantial contribution from the returnees.

Domestic revenue is forecasted to increase to 17.1 percent of GDP in FY2025, up from 16.7 percent of GDP in FY2024, partially offsetting a 1.9 pp decline in external grants to 12.1 percent of GDP. The Interim Taliban Administration (ITA) is expected to maintain a balanced budget, with total on-budget expenditures

also at 17.1 percent of GDP. Of this, current expenditures will account for 90 percent, while development spending remains low at 1.7 percent of GDP.

## Outlook

Afghanistan's economy is projected to grow 3.8 percent in FY2026 and 3.5 percent in FY2027, supported by higher private investment, a gradual recovery in capital per worker, and improved labor market absorption of returnees. These projections are approximately 1.2 percentage points higher than those published in April. However, sustained population growth and oversupply of low skilled labor will continue to limit gains in per capita GDP, making poverty reduction difficult.

The current account deficit is expected to remain around 34 percent of GDP over the next two years, despite continued declines in aid and remittance inflows. The ITA is projected to maintain a balanced budget, constrained by limited borrowing options.

Afghanistan's outlook remains bleak, with risks tilted to the downside. Uncertainty over refugee policies in Pakistan and Iran—particularly Pakistan's non-renewal of Proof of Residency (PoR) for hundreds of thousands of Afghan refugees—adds to instability. The humanitarian situation is dire: according to the UN Office for the Coordination of Humanitarian Affairs (OCHA), nearly half the population will require aid in 2025. Further declines in aid could weaken economic activity, deepen fiscal stress, and strain the external sector.

### Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	-6.2	2.3	2.5	4.3	3.8	3.5
Private consumption	0.6	6.4	4.9	7.0	5.0	4.0
Government consumption	-1.2	0.7	9.1	6.5	7.8	3.4
Gross fixed capital investment	29.2	-5.7	3.0	2.5	2.6	9.1
Exports, goods and services	18.6	-12.1	-3.0	2.5	3.0	4.0
Imports, goods and services	36.7	0.7	8.0	9.0	7.0	6.0
<b>Real GDP growth, at constant factor prices</b>	-6.4	1.8	2.5	4.3	3.8	3.6
Agriculture	-6.6	2.2	6.0	-0.5	3.2	3.2
Industry	-5.7	1.8	2.1	4.5	3.0	2.5
Services	-6.5	1.5	-0.3	8.5	4.5	4.2
<b>Inflation (consumer price index)</b>	10.6	-7.7	-4.3	2.0	3.0	4.0
<b>Current account balance (% of GDP)</b>	-18.8	-17.6	-24.6	-31.9	-34.8	-36.1
<b>Net foreign direct investment inflow (% of GDP)</b>	0.0	0.3	0.0	0.0	0.0	0.0
<b>Fiscal balance (% of GDP)</b>	-1.0	-1.2	-0.4	0.0	0.1	0.1
<b>Revenues (% of GDP)</b>	40.6	33.9	30.7	29.1	29.0	28.7
<b>Debt (% of GDP)</b>	13.9	13.6	12.8	12.1	10.4	8.4
<b>Primary balance (% of GDP)</b>	-1.0	-1.2	-0.4	0.0	0.1	0.1
<b>GHG emissions growth (mtCO2e)</b>	-0.3	1.5	2.0	2.8	3.0	3.1

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.  
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

# ALGERIA

Growth accelerated in early 2025, amid robust household consumption and investment, expanding agricultural output, and continued service sector dynamism. Inflation slowed, but weak hydrocarbon production and exports, growing investment-driven imports, and public spending are putting pressure on the fiscal and external balances. Authorities aim to diversify the economy by investing in infrastructure, attracting foreign investment, and developing non-hydrocarbon exports.

## Key conditions and challenges

Algeria's economy is dependent on public spending and the hydrocarbon sector. Government spending represented 35.5 percent of GDP between 2020 and 2024, and state-owned enterprises continue to play an important role across sectors. State-led development has resulted in important economic and social achievements as significant improvements in living standards, education, and health took place prior to the pandemic. Inequality is low, but poverty and vulnerability remain high for Algeria's level of development, while youth and female unemployment remains elevated. The oil and gas sector accounted for 13.3 percent of GDP, 83.7 percent of exports, and 48.2 percent of budget revenues between 2020 and 2024.

Growth has been robust since the pandemic, despite moderating hydrocarbon production, driven by dynamic investment and household consumption, amid growing public spending on wages and transfers. Inflation surged between 2021 and 2023 but moderated by end-2024. Falling hydrocarbon prices and a series of quota cuts by the Organization of the Petroleum Exporting Countries (OPEC), coupled with expanding investment-driven imports and

Population <sup>1</sup> million	46.8	Poverty	..
Life expectancy at birth <sup>2</sup> years	76.3	School enrollment <sup>3</sup> primary (% gross)	108.8
GDP <sup>4</sup> current US\$, billion	269.3	GDP per capita <sup>5</sup> current US\$	5753.0

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2023. 3/ 2023. 4/ 2024. 5/ 2024.

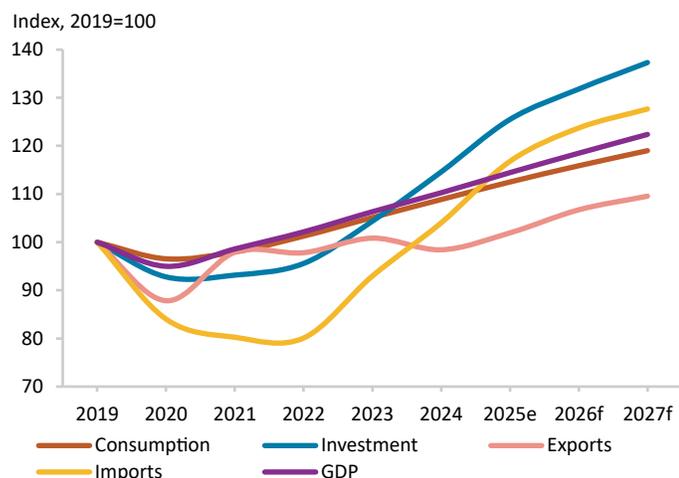
public spending growth have put the fiscal and external balances under pressure.

Over the last decades, growth has been supported by capital accumulation and the entry of new workers into the labor market, with limited contribution from productivity improvements, underlining the need for structural reforms. The 2022 Investment Law, the 2023 Banking and Monetary Law, the 2023 Economic Land Law, and efforts to dynamize the stock exchange evidence the government's commitment to a diversified, private-sector-led model of growth and job creation, while maintaining the social role of the state. The recently adopted Mining Law allows foreign firms to own up to 80 percent of joint ventures, simplifies procedures, and allows development in new areas to reduce hydrocarbon reliance.

## Recent developments

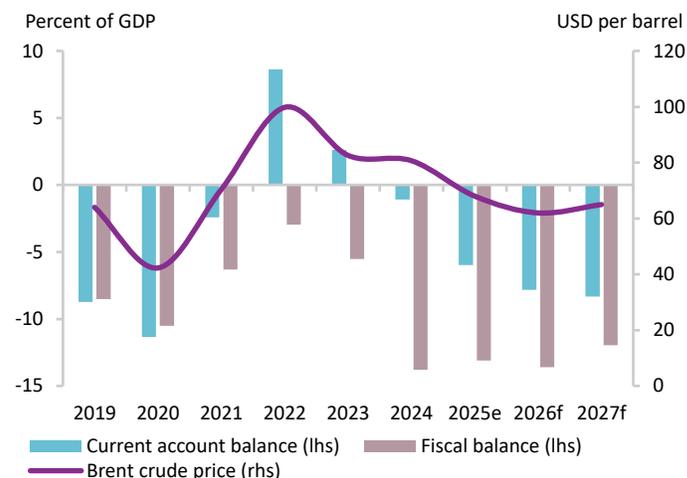
Economic activity accelerated in Q1 2025 (+4.5 percent y-o-y) as dynamic broad-based growth in non-hydrocarbon sectors (+5.7 percent y-o-y) compensated for a contraction of hydrocarbon output (-2.8 percent y-o-y). Robust household consumption (+4.7 percent y-o-y) stimulated services (+4.7 percent y-o-y), while demand from

FIGURE 1 / Real GDP and components



Sources: Algerian authorities and World Bank staff estimates.

FIGURE 2 / Hydrocarbon prices and fiscal and external balances



Sources: Algerian authorities and World Bank staff estimates.

accelerating investment (+13.9 percent y-o-y) was largely met through imports, and hydrocarbon and non-hydrocarbon export volumes contracted.

Satellite nightlights data suggest that non-hydrocarbon activity remained robust in Q2 2025 across regions and weather and satellite crop growth data suggest that crop yields would be weak in the western, but stronger in the central and northeastern regions, contributing to continued growth in agricultural output.

Driven by moderating hydrocarbon prices and strong investment-driven imports, the current account deficit reached US\$ 10.5 billion over H1 2025, up from US\$ 2.9 billion, or 1.1 percent of GDP, over 2024. Foreign exchange reserves reached 14 months of imports at end-2024. After reaching an estimated 13.8 percent of GDP in 2024, the budget deficit is expected to have decreased slightly as wage and transfer increases were offset by a consolidation of capital expenditures and elevated payment of dividends by the Bank of Algeria to the budget. As hydrocarbon savings were exhausted in 2024, the deficit would be financed through increasing public debt, which remains almost completely domestically held at long-term maturities and low interest rates.

Inflation continued to decelerate in H1 2025, reaching 3.3 percent, down from 4.0 percent in 2024, driven by food items, and supported by a stable official exchange rate, although the parallel market premium has widened further. Money supply growth decelerated, while credit growth remained robust (+5.4 percent) over H1 2025. The policy interest rate was decreased from 3 to 2.75 percent and the reserve requirement from 3 to 2 percent at end-August.

GDP per capita growth was positive in 2024, and household welfare likely benefited from slower inflation, including for food, the rise in civil servants' wages and pensions, and the introduction of new unemployment benefits. A recent National Office of Statistics (ONS) publication indicates 450,000 new jobs were created in 2024 and national unemployment stood at 9.7 percent at end-2024. The previous available rate dates to May 2019 (11.4 percent).

## Outlook

GDP growth is expected to remain stable in 2025 and 2026, driven by strong non-hydrocarbon output, before moderating in 2027 amid expected fiscal consolidation, even as hydrocarbon output recovers with an expected increase in OPEC quotas.

The current account deficit would widen, as investment-driven imports are expected to outpace hydrocarbon exports amid relatively low prices. The fiscal deficit would narrow slightly in 2025 but remain elevated over the projection period despite increasing revenues from recovering hydrocarbon exports and robust growth, combined with a spending slowdown in 2027 implied by the government's medium-term framework. With hydrocarbon savings exhausted, the deficit would translate into rapidly expanding public debt, reaching 71.2 percent of GDP by 2027.

The return of the twin deficits amid recent oil price swings underlines that fluctuating hydrocarbon prices represent a key risk to Algeria's growth, fiscal and external balances, exacerbated by trade uncertainty and geopolitical tensions. Climate change poses an important risk for agriculture and the global low-carbon transition is an important challenge for Algeria as it lowers demand for its key exports. The introduction of the European Carbon Border Adjustment Mechanism could lower the competitiveness of Algeria's non-hydrocarbon exports, concentrated in fertilizers and iron and steel products.

Algeria's path to a successful economic transformation depends on its capacity to accelerate growth and job creation through the private sector, ensuring inclusive and sustainable development. Diversifying the economy will require improving macroeconomic policy frameworks, maintaining fiscal discipline, strengthening the governance and performance of state-owned enterprises, and creating a more attractive environment for foreign investment. These efforts can help support the growth of domestic firms and boost non-hydrocarbon exports.

### Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	3.6	4.1	3.7	3.8	3.5	3.3
Private consumption	3.6	4.0	3.9	3.7	3.4	3.1
Government consumption	2.8	3.4	2.8	2.5	2.2	1.8
Gross fixed capital investment	2.6	9.2	9.8	9.5	5.0	4.2
Exports, goods and services	-0.1	3.1	-2.4	3.6	4.7	2.7
Imports, goods and services	-0.2	16.1	11.9	12.3	5.9	3.2
<b>Real GDP growth, at constant factor prices</b>	3.8	3.8	3.5	3.8	3.5	3.3
Agriculture	5.2	3.0	5.3	4.4	3.2	2.6
Industry	2.7	3.9	2.1	4.0	3.8	3.6
Services	4.3	3.8	4.1	3.6	3.4	3.3
<b>Employment rate (% of working-age population, 15 years+)</b>	36.6	37.1	36.7	37.0	37.2	37.3
<b>Inflation (consumer price index)</b>	9.3	9.3	4.0	2.8	3.4	3.7
<b>Current account balance (% of GDP)</b>	8.6	2.6	-1.1	-6.0	-7.8	-8.3
<b>Fiscal balance (% of GDP)</b>	-3.0	-5.5	-13.8	-13.1	-13.6	-12.0
<b>Revenues (% of GDP)</b>	29.7	31.9	23.0	24.6	23.3	22.9
<b>Debt (% of GDP)</b>	48.1	47.6	48.1	58.0	66.2	71.2
<b>Primary balance (% of GDP)</b>	-3.4	-5.5	-13.8	-13.0	-13.4	-11.5
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	4.8	3.6	2.6	3.1	3.1	2.9

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.  
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

# BAHRAIN

Bahrain's growth remains resilient despite regional and trade uncertainties. Non-oil sector accounts for a significant portion of GDP, with an important role for the financial and tourism sectors. Fiscal pressures persist with high deficits and rising debt. Key risks include oil price shocks, geopolitical tensions, and slower reform. A credible fiscal consolidation program could reinforce stability and encourage private investment.

## Key conditions and challenges

Despite global trade policy uncertainty and regional conflict, economic growth remains stronger than expected supported by a strong contribution from non-oil sectors, accounting for 86 percent of the economy in 2024 and tourism (17 percent of GDP in 2024) and tourism (11 percent) sectors are major contributors. Despite higher global tariffs, the aluminum sector is at the core of the manufacturing industry, with the aim of attracting local and foreign investment into more specialized products to serve the export markets. Fiscal pressures are however intensifying.

## Recent developments

Bahrain's real GDP growth reached 3.1 percent in 2024 supported by non-oil sectors, which grew at 3.8 percent. During the first quarter of 2025 (Q12025), the economy grew by 2.7 percent (y/y) by contribution from oil sector (5.3 percent) and non-oil sector (2.2 percent). The services sectors were the largest contributors to overall growth, notably accommodation and food services (+10.3 percent) and financial services and

Population <sup>1</sup> million	Poverty
1.6	..
Life expectancy at birth <sup>2</sup> years	School enrollment <sup>3</sup> primary (% gross)
81.3	93.7
GDP <sup>4</sup> current US\$, billion	GDP per capita <sup>5</sup> current US\$
47.7	29547.9

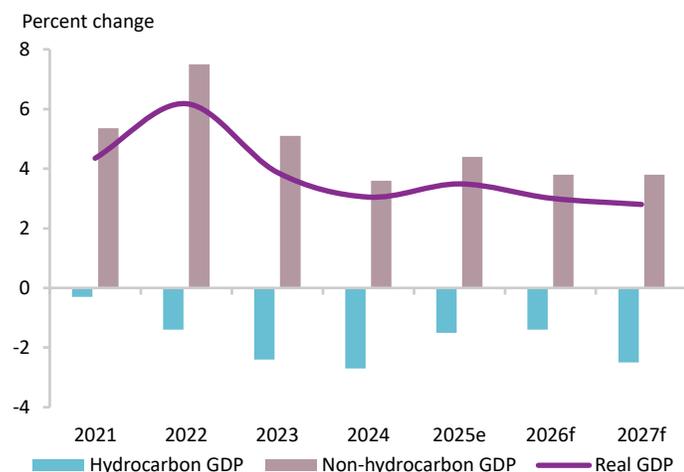
Sources: WDI, MFM0d, and official data. 1/ 2024. 2/ 2023. 3/ 2023. 4/ 2024. 5/ 2024.

insurance (+7.5 percent). More than two thirds of Bahrain's foreign direct investment (FDI) inflows originates from Kuwait, Saudi Arabia and the United Arab Emirates (UAE). According to the tourism survey, the number of overnight visitors increased by 8.6 percent (y/y), reaching 1.7 million visitors during Q12025. Inflation remained contained at 0.9 percent in 2024, and increased marginally by 0.5 percent in Q12025.

In 2024, Bahrain recorded a fiscal deficit of 10.5 percent of GDP, with expenditures reaching 28.9 percent of GDP and revenues 21 percent of GDP. The deficit is primarily driven by lower oil revenues and higher interest payments. Bahrain's ongoing efforts to achieve fiscal sustainability through the Fiscal Balance Program (FBP) launched to achieve a balanced budget by 2024 are focused on reducing government expenses, increasing non-oil revenue, and enhancing the efficiency of government services. The government is continuing its fiscal reforms in 2025 as part of an ongoing strategy to achieve long-term fiscal sustainability and address high public debt.

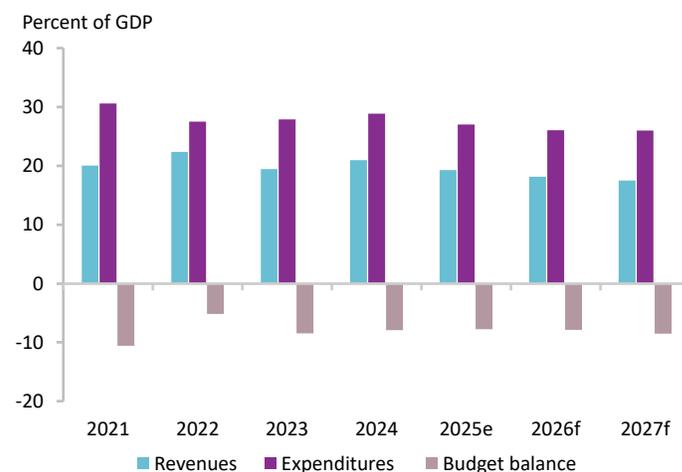
Bahrain's public debt was 131.8 percent of GDP in 2024. In February 2025, Bahrain issued an eight-year US\$1.75 billion sukuk and a 12-year US\$750 million conventional bond. The funds raised will be

FIGURE 1 / Real annual GDP growth



Sources: Bahrain authorities and World Bank staff estimates.

FIGURE 2 / General government operations



Sources: Bahrain authorities and World Bank projections.

used, in part, to refinance existing maturing debt, including US\$1 billion in October 2025 and US\$1.6 billion in January 2026.

The current account recorded a surplus of 4.8 percent of GDP in 2024, and a continued surplus of 7.5 percent of GDP in Q12025 (around 60 percent increase from the previous year). In Q12025, the total value of merchandise exports decreased by 2.5 percent (y/y), primarily driven by a 5 percent drop in oil exports. Base metals and basic metal products were the most significant exports from Bahrain, accounting for 57 percent of non-oil exports. Mineral products ranked second, contributing 17 percent of total exports. On the other hand, the total value of goods imported decreased by 4.1 percent (y/y). The net value of services exports rose by 30.5 percent (y/y). However, remittances have been declining: after falling to 5.6 percent of GDP in 2024, they further dropped by 0.9 percent in Q12025. FDI inflows increased by 3.5 percent (y/y) in Q12025. Financial and insurance services continued to make the largest contribution to FDI inflows by 64.2 percent in Q12025. Manufacturing ranked second, contributing 13.4 percent of FDI inflows.

The labor market did not see significant changes in employment and unemployment rates during recent years (ILO estimates), stabilizing at around 70 percent in 2024, and 1 percent, respectively. Significant disparities in labor market outcomes still exist among different groups. Women were considerably less likely to be employed than men (41.4 percent versus 85.6 percent) and had a much higher unemployment rate (3.65 percent versus 0.4 percent). Unemployment was also notably high among female youth aged 15–24, reaching 12.4 percent in 2024. No major changes in employment and unemployment rates are expected for 2025 and 2026, although some uncertainty remains.

## Outlook

Real GDP growth is projected to remain steady, reaching 3.5 percent in 2025 supported by higher export volume of refined

fuel from the Sitra oil refinery. The completion of the US\$7 billion expansion of the refinery expected later in 2025 will boost crude oil-processing capacity by about 50 percent, from 267,000 b/d to 400,000 b/d, thereby supporting manufacturing growth. Even though higher global tariffs will be in place, production and exports of aluminum are expected to rise thanks to new investments.

The fiscal deficit is expected to narrow to 7.7 percent of GDP in 2025, driven by government's efforts on revenue generation including the introduction of the 15 percent domestic minimum top-up tax in January 2025, as well as the introduction of a new corporate income tax. The government has pledged not to raise the value-added tax (VAT) rate further in 2025. The VAT rate remains at 10 percent, but excise tax rates on "harmful goods" are increased. Despite fiscal consolidation efforts, Bahrain's fiscal deficit is projected to be higher than 8 percent of GDP in the medium term. Debt-servicing costs will remain substantial, given the large stock of public debt.

The current account balance is projected to be in surplus over the medium term thanks to oil and aluminum exports. Merchandise exports will rise driven, in part, by the completion of the Sitra refinery, which is expected to sharply increase the volume of refined oil exports. Services exports are also expected to rise steadily led by financial and business services, as well as tourism.

Key downside risks to the outlook arise from elevated spending and delays in undertaking additional fiscal adjustments which pose fiscal and external vulnerabilities. The direct impact of trade uncertainty is expected to be limited, given that oil is exempted from US tariff revisions. Indirect risks arise from geopolitical tension which could significantly affect investments. On the upside, leveraging additional fiscal reforms and sustaining higher oil prices would reduce fiscal and external vulnerabilities and put debt on a firm downward path, while increasing employment opportunities for the youth.

### Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	6.2	3.9	3.1	3.5	3.1	2.9
Private consumption	6.9	4.7	4.8	4.9	4.2	3.3
Government consumption	2.1	7.3	5.3	5.0	3.5	3.1
Gross fixed capital investment	18.7	2.1	2.4	4.0	4.2	4.1
Exports, goods and services	9.2	-9.1	2.0	2.6	3.6	3.7
Imports, goods and services	11.9	2.6	3.5	3.7	4.7	4.6
<b>Real GDP growth, at constant factor prices</b>	4.3	3.8	3.1	3.5	3.1	2.9
Agriculture	4.4	4.7	2.1	3.0	3.2	2.8
Industry	1.7	0.1	4.1	6.5	5.8	4.0
Services	6.2	6.5	2.3	1.4	1.1	2.0
<b>Employment rate (% of working-age population, 15 years+)</b>	70.9	70.9	70.9	70.9	70.9	70.9
<b>Inflation (consumer price index)</b>	3.6	0.1	0.9	1.8	2.2	2.4
<b>Current account balance (% of GDP)</b>	14.7	5.8	4.8	4.4	4.0	3.7
<b>Net foreign direct investment inflow (% of GDP)</b>	0.0	13.2	4.6	1.5	2.2	2.2
<b>Fiscal balance (% of GDP)</b>	-5.1	-8.5	-10.5	-7.7	-7.9	-8.5
<b>Revenues (% of GDP)</b>	22.4	19.4	19.2	19.3	18.1	17.5
<b>Debt (% of GDP)</b>	111.6	123.0	131.8	127.1	130.9	134.1
<b>Primary balance (% of GDP)</b>	-1.7	-4.4	-6.3	-4.2	-4.1	-4.2
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	4.3	2.7	5.2	4.1	3.6	3.3

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD. Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

# DJIBOUTI

Djibouti's economy relies heavily on port activity, leaving growth exposed to global trade shocks, US tariffs, and regional tensions. Despite weaker port traffic in early 2025, GDP growth was revised upward, supported by construction gains from DDIDFTZ developments and steady trade flows with Ethiopia. Inflation at 1.6 percent, anchored by the currency peg, ensures stability, but high debt, costly energy, weak reserves, climate risks, and stalled reforms cloud the outlook.

## Key conditions and challenges

Djibouti's economic fortunes hinge on the cranes and cargo flows of its ports. As the country's lifeline, the logistics sector dominates GDP, fills government coffers, and provides jobs. Yet, this reliance on re-exports and transshipment leaves the economy exposed to global trade turbulence. Uncertainty over US tariffs and escalating regional tensions, particularly near the Bab el-Mandeb strait, could pose risks to port activity.

Climate change compounds this fragility. The World Bank's 2024 Country Climate and Development Report warns of rising seas, droughts, and water scarcity, which endanger both vulnerable households and critical port infrastructure.

Domestically, high electricity costs stifle private sector growth and deter potential investors in industry and services. Finance remains scarce, and a small domestic market limits opportunities for private sector growth. Together with the elevated public debt burden and exposure to regional instability, these factors can slow progress toward inclusive development.

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$4.20/day
1.2	0.5
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
66.0	64.4
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
4.3	3658.4

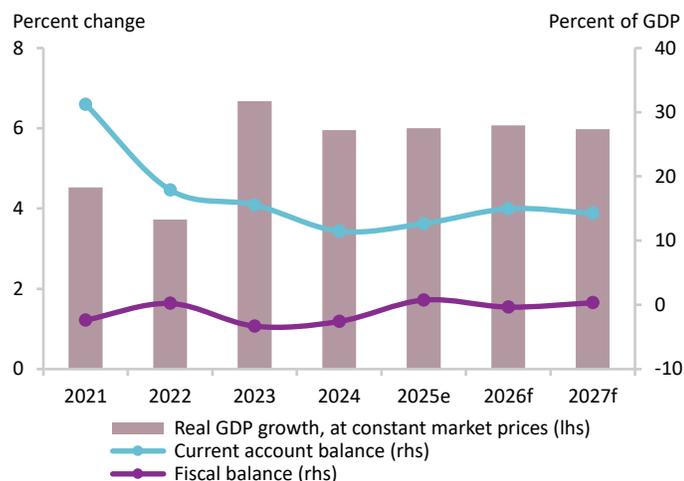
Sources: WDI, MFMMod, and official data. 1/ 2024. 2/ 2017 (2021 PPPs). 3/ 2023. 4/ 2021. 5/ 2024. 6/ 2024.

Welfare gaps and subsistence-level incomes remain structural features of the economy. Inequality is one of the highest in the Middle East, North Africa, Afghanistan, and Pakistan (MENAAP), with a Gini index of 41.6 (2017). Human capital development is constrained, with the Human Capital Index at 0.41 (2022), implying large productivity losses without improvements in health and learning. These figures underscore substantial disparities in access to services and the labor market: indeed, as of 2025Q1, unemployment stood at 36.4 percent, with persistent gender gaps. Building resilience will require time and targeted reforms, tackling energy costs, accelerating climate adaptation, and expanding space for private investment to grow.

## Recent developments

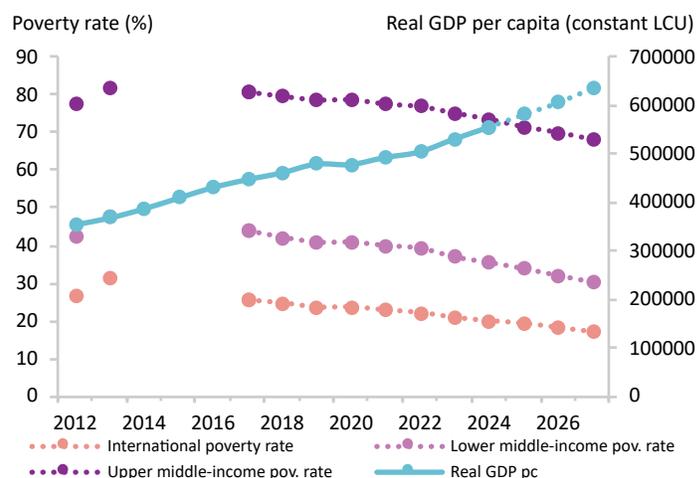
Djibouti's port activity is cooling in 2025 after a remarkable surge in 2024. Port throughput, the country's economic heartbeat, slipped by 7 percent in 2025Q1 year-on-year, driven by weaker transshipment. The throughput downturn reflects global trade uncertainty tied to US tariff risks and shipping disruptions in the Red Sea due to regional tensions. By mid-2025, total port traffic dropped 10.5 percent year-on-year, driven by a 26 percent fall in transshipment and

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



Sources: Government of Djibouti and World Bank staff projections.

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



Source: World Bank. Notes: See footnotes in the table on the next page.

a one-third decline in restow volumes, underscoring the economy's vulnerability to global shocks.

Despite this, the broader growth trajectory has shifted upward. The GDP forecast for 2025 has been revised upwards to 6 percent, an increase of 0.8 percentage point relative to the spring forecast. The DDID free-trade zone expansion fueled a surge in activity, with the construction sector expanding by 12 percent year-on-year in 2025H1 as infrastructure projects advanced; telecoms grew 7 percent amid rising digital demand; tourism edged up 3.4 percent; and fisheries surged 42 percent, buoyed by new facilities and exports. These gains, alongside fresh investment in logistics and energy corridors, have fueled domestic demand and softened global headwinds. Ethiopia's steady trade flows have added further stability, signaling a gradual diversification of Djibouti's growth base.

Poverty has declined in recent years: the share of people living below \$3.00/day fell from 25.4 percent to an estimated 19.3 percent between 2017 and 2025, while the \$4.20/day poverty rate dropped from 43.7 to 33.8 percent over the same period, and is projected to decrease to 30.3 percent by 2027. Still, poverty remains widespread. The 2024 Population Census, the 2025 household survey, and Djibouti's first labor statistics survey are expected to sharpen measurement and guide targeted, evidence-based policies.

In 2025, Djibouti posted a fiscal surplus, breaking years of deficit, thanks to tighter spending discipline and improved revenue mobilization, aided by the dissolution of the SWF and increased revenue from military base leases. This enabled a modest reduction in public debt, though debt sustainability pressures remain. On the external side, softer port earnings weigh on the current account, while import dependency persists. Inflation is projected to stay moderate at 1.6 percent, supported by lower oil prices and confidence in the

currency peg. While reserve coverage remains low, prudent monitoring will be critical to safeguard monetary stability.

## Outlook

Djibouti's medium-term outlook is cautiously optimistic, anchored in its ports and logistics backbone, with throughput expected to stabilize after the recent downturn. Public investment in transport and energy infrastructure should sustain momentum, but unless electricity costs fall the private sector may struggle to gain competitiveness.

Djibouti's fiscal balance is projected to shift from a 0.8 percent surplus in 2025 to a deficit of 0.3 percent in 2026, before recovering to 0.3 percent in 2027, amid revenue fluctuations and spending pressures linked to the planned port expansion and renewable energy projects. Debt sustainability remains a concern, with external debt service absorbing a large share of government income. Balancing fiscal prudence with adequate social spending will be key to easing poverty. Inflation is projected to stay moderate, helped by stable oil prices and the currency peg, though susceptible to potential external shocks in global fuel and food markets. The current account balance is projected to average 14.7 percent of GDP over 2026–27, partly supported by steady revenue from military bases.

Downside risks include regional tensions affecting Red Sea shipping, global trade and tariffs uncertainty, climate shocks - especially droughts and water scarcity, and slow progress on energy and private sector reforms. Yet an upside path exists. A global trade rebound, paired with reforms to lower energy costs and build climate resilience, could unlock investment, generate jobs, and accelerate poverty reduction.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	3.7	6.7	6.0	6.0	6.1	6.0
Private consumption	-0.6	4.4	5.4	6.7	6.7	6.7
Government consumption	-14.3	8.1	12.6	-7.6	-1.3	0.5
Gross fixed capital investment	2.7	12.4	9.4	4.3	-0.1	6.4
Exports, goods and services	-12.5	8.4	9.4	13.9	15.0	12.5
Imports, goods and services	-6.2	10.4	12.5	13.5	14.5	13.7
<b>Real GDP growth, at constant factor prices</b>	4.0	6.7	6.0	6.0	6.1	6.0
Agriculture	-0.5	5.9	5.9	5.9	5.9	5.9
Industry	7.2	10.0	9.7	8.3	8.0	7.8
Services	3.4	6.0	5.2	5.5	5.6	5.5
<b>Employment rate (% of working-age population, 15 years+)</b>	23.6	23.7	23.8	23.8	23.8	23.8
<b>Inflation (consumer price index)</b>	5.1	1.4	2.2	1.6	1.5	1.4
<b>Current account balance (% of GDP)</b>	17.9	15.6	11.5	12.7	15.0	14.3
<b>Fiscal balance (% of GDP)</b>	0.2	-3.3	-2.6	0.8	-0.3	0.3
<b>Revenues (% of GDP)</b>	19.1	17.3	18.1	21.4	18.1	18.9
<b>Debt (% of GDP)</b>	66.5	69.4	66.4	61.4	57.8	54.9
<b>Primary balance (% of GDP)</b>	1.0	-3.1	-2.3	0.9	-0.2	0.5
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	22.1	20.8	20.0	19.3	18.2	17.1
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	39.1	36.9	35.4	33.8	32.0	30.3
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	76.9	75.1	73.5	71.4	69.9	68.0
<b>GHG emissions growth (mtCO2e)</b>	5.1	2.0	0.9	1.3	2.0	2.5

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2017-EDAM. Actual data: 2017. Nowcast: 2018-2024. Forecasts are from 2025 to 2027.

2/ Projection using neutral distribution (2017) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

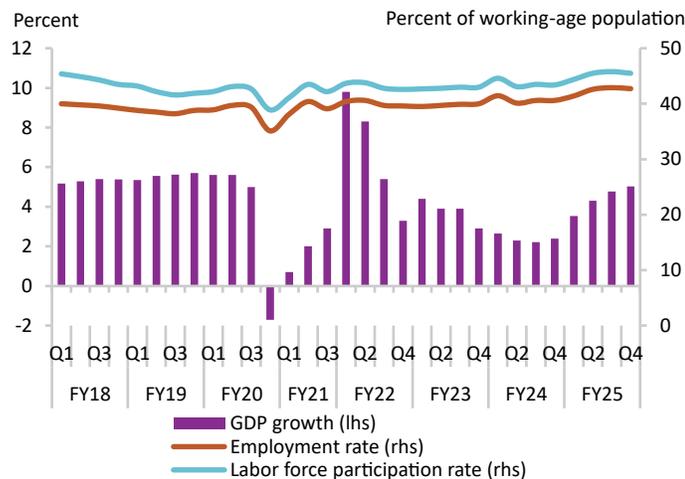
# ARAB REPUBLIC OF EGYPT

Egypt's near-term outlook is improving due to exchange-rate unification and easing inflation, but significant macroeconomic pressures remain, including high inflation, sluggish job creation and elevated fiscal and external vulnerabilities. Sustained reform momentum is essential to maintain stability and buffer against shocks. Priorities include tax reform, better-targeted subsidies, and reducing the state's footprint to unlock the private sector's potential.

## Key conditions and challenges

Egypt's economy faces deep structural challenges: revenue mobilization is below potential, exposure to external shocks persists, the state's role in the economy is sizable, private sector competitiveness needs strengthening, and labor force participation is low. These issues are compounded by elevated public debt, a narrow export base, and declining Suez Canal receipts, with regional tensions amplifying vulnerability to abrupt portfolio outflows and trade imbalances. Heavy reliance on imported oil and gas further increases exposure to global volatility. Consequently, job creation is weak and labor market participation has declined compared to historical levels, especially for women, limiting opportunities for improving household well-being. Employment is concentrated in non-tradable, low value-added activities, suppressing productivity and quality job growth. While the reform trajectory is broadly positive, sustaining momentum requires a faster shift toward a private sector-led, export-oriented model. Recent measures, supported by the IMF and development partners, have yielded gains in exchange rate unification, foreign direct investment (FDI) inflows, and easing inflation.

**FIGURE 1 /** Real GDP growth, employment and labor force participation rates



Sources: World Bank estimates based on Central Agency for Public Mobilization and Statistics (CAPMAS) and Ministry of Planning, Economic Development and International Cooperation (MoPEDIC).

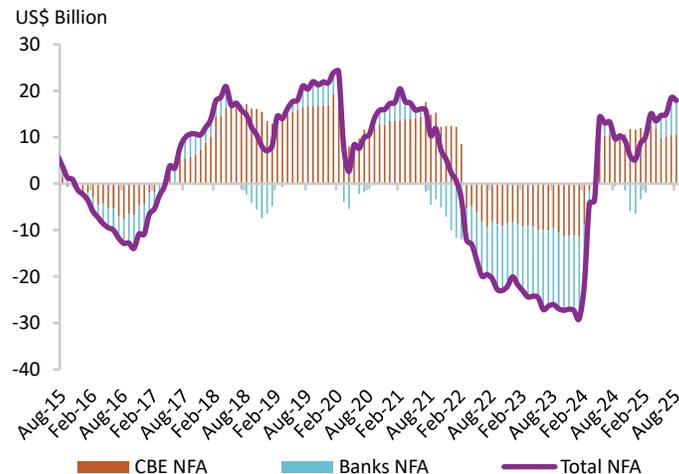
Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$4.20/day
<b>106.6</b>	<b>7.9</b>
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
<b>71.6</b>	<b>90.3</b>
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
<b>389.1</b>	<b>3651.2</b>

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

## Recent developments

Egypt's economy has entered a promising phase of recovery, with real GDP growth rebounding to 4.8 percent in Q3 and 5.0 percent in Q4 of FY25, up from 2.2 and 2.4 percent, respectively, a year earlier, and averaging 4.4 percent for FY25. This reflects the early impact of macroeconomic reforms, renewed external support, and a favorable base effect following foreign exchange (FX) shortages, import restrictions, and energy disruptions in the prior year. Recently, growth has been sustained by stronger exports, private consumption, and a pickup in private investment, especially as UAE-backed projects move from planning to execution, while public investment remains restrained. Non-oil manufacturing has revived as FX and import restrictions eased, though Suez Canal disruptions and extractive sector challenges persist. Urban inflation began to moderate, reaching 12.0 percent in August 2025, but remains elevated. Labor force participation continues to be modest, underscoring the need for sustained efforts to ensure economic gains translate into inclusive social progress and poverty reduction.

**FIGURE 2 /** Net Foreign Assets (NFA) of the banking system



Source: Central Bank of Egypt (CBE).

Egypt's fiscal dynamics reflect cautious progress amid enduring pressures. Public investment remains contained under fiscal ceilings, yet off-budget borrowing and contingent liabilities still weigh on fiscal risks. The debt-to-GDP ratio remains high but declined to 90.1 percent by end-FY24, with external government debt at 27.3 percent of GDP.

Externally, resilience has improved. The exchange rate has held steady without parallel market pressures, banks' foreign asset positions have strengthened, and foreign exchange buffers reached US\$59.9 billion by end-September 2025. Yet, vulnerabilities linger. Egypt faces US\$20.3 billion in external refinancing needs in H2 2025, continued arrears to international oil companies (IOC), and a current account deficit that could strain FX liquidity if regional tensions escalate. Delays in priority reforms have slowed IMF disbursements, underscoring the urgency of sustained reform momentum to anchor market confidence and safeguard macro stability.

Social gains remain limited. With modest per capita growth and persistent inflation, poverty reduction is constrained. Egypt's poverty remains high and uneven: in 2021/22, 33.5 percent were poor by the national line, with stark regional gaps. By the World Bank's updated lower middle-income country line of \$4.2/day (2021 PPP), the poverty headcount is estimated to have increased by around 5 percentage points between 2022 and 2024.

## Outlook

As the economy gradually gains momentum, Egypt's growth is projected to rise from 2.4 percent in FY24 to an average of 4.5 percent in FY25-FY27. The poverty rate (using the lower middle-income country poverty line of \$4.2/day in 2021 PPP) is estimated

to remain close to 2024 levels. With the IMF and other partners closely monitoring Egypt's policy trajectory, the current window offers a critical opportunity to lock in credibility. Accelerating reforms, especially on revenue mobilization and subsidy rationalization, while protecting the most vulnerable, will be decisive to convert short-term gains into lasting stability.

The fiscal outlook highlights this urgency. After a one-off boost from Ras El Hekma proceeds in FY24, the headline deficit is projected to widen to 7.4 percent of GDP in FY25, due to higher interest costs and softer non-tax revenues. From FY26, fiscal consolidation should accelerate, supported by VAT amendments, gradual rationalization of tax expenditures, and tax administration reforms to strengthen compliance and predictability. Alongside a phased reduction in energy subsidies, these measures can help rebuild buffers and anchor fiscal sustainability.

Debt dynamics are improving but remain highly dependent on consistent policy implementation. Government debt-to-GDP ratio is projected to decline from 90.1 percent at end-FY24 to 84.8 percent at end-FY25, supported by a primary surplus and favorable real interest rates. However, rising contingent liabilities, linked to energy sector support, electricity subsidies, and gas imports, highlight risks. Pressures from IOC arrears, a wide FY25 oil trade deficit, and a muted Suez Canal recovery should be offset by stronger remittances, tourism, and non-oil exports. Policy credibility, underpinned by the IMF's EFF, Eurobond issuance, and multilateral and bilateral financial support, will be critical to containing risks and putting debt on a sustainable path. Egypt's National Narrative for Economic Development launch is expected to anchor ongoing reforms and reinforce the government's commitment to a competitive, private sector-driven, export-oriented economy. Risks remain skewed to the downside due to regional uncertainty, modest global growth prospects, and potential reform slippages.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	6.6	3.8	2.4	4.4	4.3	4.8
Private consumption	2.8	3.6	8.0	6.3	7.0	5.0
Government consumption	4.9	-2.8	0.2	1.0	2.0	2.0
Gross fixed capital investment	18.5	-16.6	-6.6	-13.8	11.2	20.0
Exports, goods and services	57.4	31.4	-10.6	37.0	12.4	16.0
Imports, goods and services	24.3	1.1	4.7	24.3	22.0	19.0
<b>Real GDP growth, at constant factor prices</b>	6.2	3.6	2.3	4.4	4.3	4.8
Agriculture	4.0	4.1	3.8	2.8	3.8	3.9
Industry	6.9	-0.6	-1.9	4.7	3.3	4.2
Services	6.2	6.2	4.6	4.6	5.0	5.4
<b>Employment rate (% of working-age population, 15 years+)</b>	40.9	40.4	40.4	42.7	43.3	44.0
<b>Inflation (consumer price index)</b>	8.5	24.1	33.6	20.9	14.6	8.2
<b>Current account balance (% of GDP)</b>	-3.5	-1.2	-5.3	-4.4	-3.8	-2.6
<b>Net foreign direct investment inflow (% of GDP)</b>	1.8	2.5	11.7	2.7	3.0	3.2
<b>Fiscal balance (% of GDP)</b>	-6.2	-6.0	-3.6	-7.4	-6.7	-6.1
<b>Revenues (% of GDP)</b>	17.2	15.4	18.3	14.9	15.9	16.7
<b>Debt (% of GDP)</b>	88.3	95.2	90.1	84.8	81.7	80.0
<b>External government debt (% of GDP)</b>	19.5	25.1	27.3	24.0	24.1	23.9
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	7.1	10.2	12.6	12.5	12.5	..
<b>GHG emissions growth (mtCO2e)</b>	-0.2	-0.2	-0.6	0.5	1.0	1.5

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2010-HIECS, 2015-HIECS, and 2021-HIECS. Actual data: 2021. Nowcast: 2022-2024. Forecasts are from 2025 to 2027.

2/ Projection using annualized elasticity (2010-2015) with pass-through = 0.01 based on GDP per capita in constant LCU. Poverty estimates for 2023 and 2024 are based on microsimulations of the impacts of high inflation and government mitigating measures.

# IRAN, ISLAMIC REPUBLIC

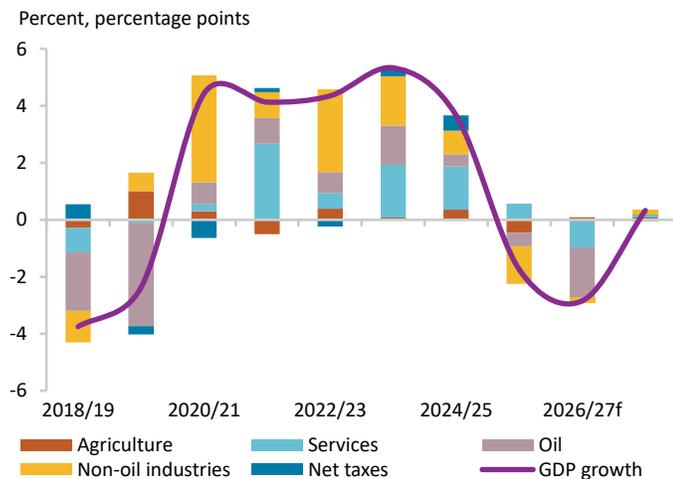
GDP growth is slowing, constrained by intensified sanctions, worsening water and energy shortages, and heightened uncertainty following the escalation in the conflict in the Middle East in June. Inflationary expectations and the financing of a growing fiscal deficit have increased inflationary pressures. Medium-term growth is projected to remain below recent trends and be exposed to heightened risks, including further economic sanctions and military tensions.

## Key conditions and challenges

After four years of moderate growth, the economy is facing an unprecedented security escalation, intensified sanctions, and entrenched structural challenges. The escalation in the conflict in the Middle East in June, compounded by tighter sanctions, has triggered currency depreciation and raised inflation expectations. The stock market has fallen by 26 percent from its May 2025 peak and inflation is accelerating again. A widening budget deficit is limiting government investment despite urgent infrastructure needs.

Growing energy and water shortages have led to rationing and disrupted economic activity. Water scarcity, driven by recurring droughts, climate change, and suboptimal resource management, has depleted rivers, lakes, and aquifers, causing severe land subsidence that threatens infrastructure and long-term productivity. Precipitation has declined by 41 percent since 2024 and electricity shortages are causing frequent outages.

**FIGURE 1 /** Real GDP growth and supply-side contributions to real GDP growth



Sources: Central Bank of Iran (CBI) and World Bank staff calculations.

Population <sup>1</sup> million	86.0	Poverty <sup>2</sup> millions living on less than \$8.30/day	32.7
Life expectancy at birth <sup>3</sup> years	77.7	School enrollment <sup>4</sup> primary (% gross)	104.5
GDP <sup>5</sup> current US\$, billion	475.3	GDP per capita <sup>6</sup> current US\$	5528.9

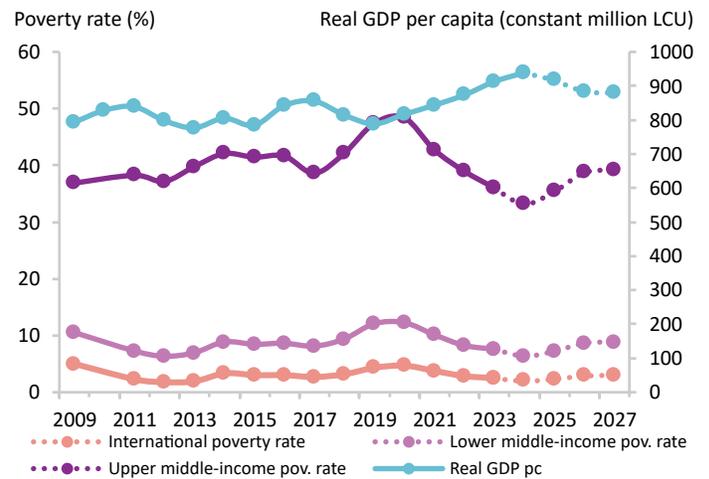
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2023 (2021 PPPs). 3/ 2023. 4/ 2020. 5/ 2024. 6/ 2024.

Recent growth headwinds add to labor market challenges. Despite moderate employment growth, on average, only 3.8 in 10 working-age Iranians are employed; for women, the rate is just 1.2 in 10. The services sector, employing over half of the workforce, has been impacted by conflict and post-war connectivity disruptions. Aging demographics and emigration, particularly among the highly educated youth, are eroding human capital and growth prospects.

## Recent developments

GDP growth slowed to 3.7 percent in 2024/25 (the Iranian calendar year starts on March 20), the lowest in five years, driven by a sharp deceleration in the oil sector. Oil GDP growth fell to 4.6 percent from 18.8 percent a year earlier, reflecting weaker demand and years of underinvestment. Non-oil GDP expanded by 3 percent, supported by services, particularly in wholesale and retail trade. High-frequency indicators in 2025/26 point to a marked weakening of economic activity, amid geopolitical tensions, supply constraints, and declining investor confidence.

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



Source: World Bank. Notes: See footnotes in the table on the next page.

Despite a planned contractionary budget in 2024/25, public spending exceeded targets by over 40 percent, resulting in an estimated fiscal deficit of 3.2 percent of GDP. To finance this gap, the government doubled planned bond issuance and tapped additional resources from the National Development Fund (NDFI) and the banking system. In 2025/26, the deficit has been widening, driven by higher spending. Oil revenues have faced pressure from stricter US sanctions, while non-oil tax revenues have been impacted by slower growth. Public debt remains modest relative to GDP and is almost entirely domestic. The ratio would be significantly higher when considering debt to NDFI (estimated at 21 percent of GDP in 2024/25).

The conflict has fueled inflationary expectations and triggered further currency depreciation, pushing inflation to 40.1 percent (Y-o-Y) in the first five months of 2025/26, driven by food price inflation of 44.5 percent. Disruptions to economic activity and limited access to foreign exchange caused non-oil exports and imports to decline by 6 percent and 16.3 percent (Y-o-Y), respectively, narrowing the non-oil trade deficit by 52 percent to US\$2.1 billion. With the economy facing stagflation and almost 90 percent of financing reliant on banks, the central bank remains under pressure to maintain monetary restraint. These pressures reinforce preexisting financial sector vulnerabilities, including the banking sector undercapitalization.

## Outlook

GDP growth is projected to slow sharply in the medium term, led by a contraction in the oil sector amid stricter US sanctions and weaker global demand. Under a scenario of 500 kbpd lower oil exports for the final 7 months of 2025/26 compared to 2024/25 and a further halving of exports in 2026/27, GDP is expected to

contract by 2.3 percent on average in 2025/26-2026/27, reflecting declines in both oil and non-oil activity. This outlook assumes the return of UN sanctions and falling oil demand from China, but no further military escalation. Non-oil sectors, already constrained by trade and financial sanctions, energy shortages, and liquidity constraints, will face additional post-conflict disruptions and the repercussions of the return of UN sanctions.

This contraction in GDP is expected to push 2 million people into poverty in 2025. The share of the population living below the UMIC poverty line (US\$8.30 a day in 2021 PPP) is forecast to increase from 33.2 percent in 2024/25 to 35.4 percent in 2025/26. Poverty is projected to further increase in 2026/27 to 38.8 percent, pushing an additional 3 million people into poverty. Those living below or near the poverty line are particularly vulnerable to an economic downturn. Vulnerable households are disproportionately likely to be female-headed, have less than a high-school education and to live in rural areas. Increased water scarcity will particularly affect the livelihood of households relying on agriculture, increasing rural-urban migration and the pressure on urban service-provision.

The fiscal deficit is projected to average 4.2 percent over the projection period due to expected lower oil export revenues and higher expenditures. Inflationary expectations and monetary financing of the budget deficit are forecast to push inflation to above 50 percent in 2026-27, disproportionately affecting low-income households.

Downside risks to the outlook have significantly increased. Key risks include renewed military tensions, further intensification of sanctions, disruption to cross-border trade, a sharp cut to oil exports, and slower global growth, which could further dampen growth, depress investment, and amplify fiscal and inflationary pressures.

## Recent history and projections

	2022/23	2023/24	2024/25e	2025/26f	2026/27f	2027/28
<b>Real GDP growth, at constant market prices</b>	4.4	5.3	3.7	-1.7	-2.8	0.3
Private consumption	5.3	1.6	3.5	-0.3	-2.0	0.5
Government consumption	-0.8	-0.6	3.8	-2.1	-3.3	1.2
Gross fixed capital investment	9.2	6.3	3.8	-4.9	-7.6	1.8
Exports, goods and services	7.7	13.2	6.0	-12.8	-16.2	-1.1
Imports, goods and services	8.8	1.5	2.7	-16.4	-24.0	2.3
<b>Real GDP growth, at constant factor prices</b>	4.6	5.0	3.1	-1.7	-2.8	0.3
Agriculture	3.7	0.8	3.6	-4.5	1.0	1.0
Industry	9.0	7.3	2.8	-4.3	-4.8	0.3
Services	1.2	4.0	3.3	1.2	-2.0	0.2
<b>Employment rate (% of working-age population, 15 years+)</b>	37.2	37.9	37.9	37.4	36.4	36.3
<b>Inflation (consumer price index)</b>	53.1	47.4	35.8	49.0	56.0	58.0
<b>Current account balance (% of GDP)</b>	3.4	1.9	2.8	-0.3	-0.1	0.3
<b>Net foreign direct investment inflow (% of GDP)</b>	0.0	0.0	0.0	-0.1	-0.2	0.0
<b>Fiscal balance (% of GDP)</b>	-2.6	-2.5	-3.2	-4.1	-4.7	-3.9
<b>Revenues (% of GDP)</b>	10.3	9.8	9.9	8.0	6.9	7.3
<b>Debt (% of GDP)</b>	28.1	26.1	24.3	26.6	29.0	29.4
<b>Primary balance (% of GDP)</b>	-2.2	-2.2	-2.7	-3.6	-4.2	-3.5
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	2.8	2.5	2.0	2.3	2.9	3.0
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	8.2	7.5	6.3	7.2	8.6	8.8
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	39.0	36.0	33.2	35.4	38.8	39.2
<b>GHG emissions growth (mtCO2e)</b>	1.1	1.2	2.6	0.7	0.5	1.1

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2017-HEIS, 2019-HEIS, and 2023-HEIS. Actual data: 2023. Nowcast: 2024. Forecasts are from 2025 to 2027.

2/ Projection using annualized elasticity (2017-2019) with pass-through = 1 based on GDP per capita in constant LCU.

# IRAQ

GDP growth is gradually recovering, driven by rising oil production while non-oil GDP growth has slowed in part due to water and energy shortages. Lower oil prices are driving fiscal and external account pressures. Poverty has declined but stark regional disparities persist. Medium-term growth outlook hinges on the oil sector. The outlook remains subject to significant risks, including the spillover of regional conflict and oil market volatility.

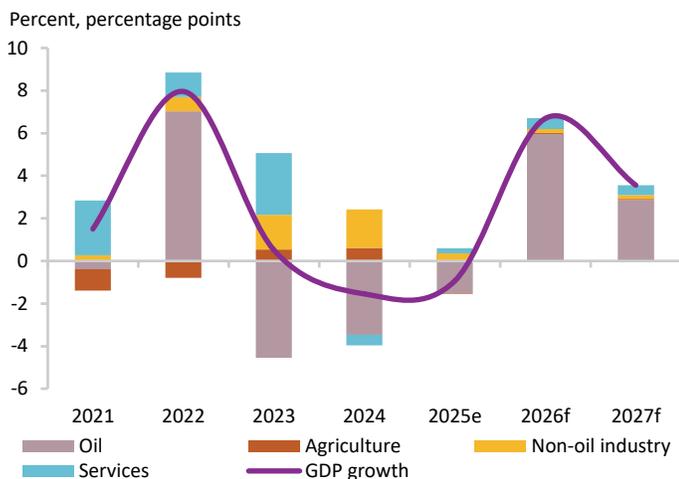
## Key conditions and challenges

GDP growth is gradually recovering, supported by higher oil production due to rising OPEC+ production quotas. Recent large energy and transport sector projects are supporting growth, job creation, and economic diversification, but these efforts need to be complemented with deeper policy reforms.

Lower oil prices have increased fiscal vulnerabilities, given the economy's high dependence on oil. Budget rigidities, including high wage and transfer expenses, reduce space for investment in human capital and infrastructure. The decline in oil prices has already led to cuts in government investment that also weigh on non-oil growth. The public debt burden is estimated to have increased to 46.3 percent of GDP in 2024 even with a partial execution of the planned budget. While the ratio is relatively modest, fiscal risks remain high due to significant contingent liabilities and the budget's sensitivity to oil market conditions.

Concern about economic prospects and jobs is the most frequently reported issue affecting individuals' well-being in Iraq (IHSES 2023/24). The unemployment rate stands at 13.5 percent, higher than

**FIGURE 1 /** Real GDP growth and supply-side contributions to real GDP growth



Sources: Commission of Statistics and Geographic Information Systems, and World Bank staff calculations.

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$8.30/day
<b>46.0</b>	<b>12.6</b>
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
<b>72.3</b>	<b>103.7</b>
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
<b>279.6</b>	<b>6073.6</b>

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2023 (2021 PPPs). 3/ 2023. 4/ 2007. 5/ 2024. 6/ 2024.

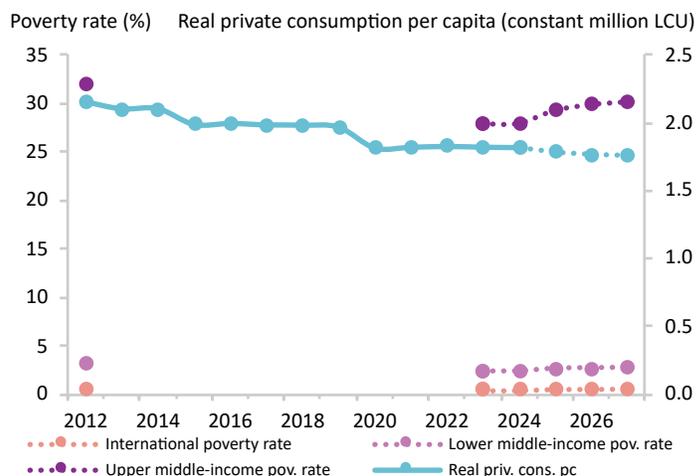
the regional average, while labor force participation remains persistently low at 38 percent. This is driven primarily by the low participation of women, which at 13.6 percent is among the lowest in the world. Employment growth is not responsive to GDP per capita growth, as growth is largely driven by the oil sector.

Iraq has weathered the recent escalation of conflict in the region relatively well, but weakening global demand could prove as headwinds for the economy. A slowdown in global growth could depress international oil prices, reduce Iraq's exports, and renew price pressures.

## Recent developments

The economy faced headwinds from the oil sector contraction in 2024 and early 2025. Real GDP contracted by 3.8 percent year-on-year (YoY) in the first half of 2025 (H1-25), following a 1.5 percent oil-based decline in 2024. The contraction in H1-25 was driven by a 6.6 percent decline in oil GDP, because of compensatory adjustment for past divergence from OPEC+ quota. Non-oil GDP contracted by 0.4 percent YoY, as agriculture contracted due to reduced rainfall and non-oil activity was impacted by electricity shortage. Inflation eased during H1-25 to 1.5 percent YoY

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



Source: World Bank. Notes: See footnotes in table on the next page.

supported by lower global commodity prices, weaker domestic demand, and trading partner currency depreciation. Excess liquidity, high reliance on cash and limited credit intermediation by banks, constrain monetary policy transmission.

The fiscal account registered a surplus in H1-25 due to under-execution of planned investments. In H1-25, government revenues declined by 5.9 percent YoY, due to a 3 percent decline in oil receipts. Non-oil revenues (9 percent of revenues) also declined sharply by 30.4 percent, due to lower economic activity. Expenditures increased by 1.8 percent YoY, driven by higher wages and social transfers, and despite investment spending falling by 32.6 percent. As a result, the fiscal account registered a surplus of 2.2 percent of GDP in H1-25.

Lower oil exports and rising imports pushed the current account into a deficit of 0.2 percent GDP in Q1-25, while foreign reserves declined to nine months of imports. The current account deficit was financed through drawdown on reserves, while net investment inflows declined YoY.

The national poverty rate declined to 17.5 percent in 2023/24 from 18.9 in 2012. Inequality remains stable with a Gini coefficient of 0.3. Stark regional disparities are persistent with southern governorates facing significantly higher poverty than the rest of Iraq and the Kurdistan region. Iraq is expected to launch its National Poverty Reduction Strategy (2026-30), aiming to halve the national poverty rate.

## Outlook

The economy is projected to grow in line with the oil sector. After a small oil-based contraction in 2025, a more accelerated unwinding

of OPEC+ production cuts is forecast to lift average annual GDP growth to 5.1 percent in 2026–2027. Non-oil GDP growth and job creation, however, are projected to slow due to energy and water shortages and lower execution of planned public investment. Without fiscal reforms, lower projected oil prices and rising recurrent expenditures are expected to push the fiscal balance into a deficit and raise the public debt-to-GDP ratio to 59.5 percent by 2027. While projected lower export revenues in 2025 and a small growth in 2026 are likely to be met with a slower growth in imports, the current account is forecast to remain in deficit in 2025–27 and lead to a decline in the reserve to import ratio to 6.6 months in 2027.

Iraq's social protection programs are expected to continue providing a buffer for vulnerable households against global market volatility and hold poverty rates steady. The cash transfer program reaches more than one-fifth of the population and its public distribution system for food rations is nearly universal. While public sector employment and welfare programs provide a safety net, diversified economic opportunities would offer poor households a more sustainable path out of poverty. Additionally, trade-induced volatility in prices may affect households higher up in the welfare distribution, potentially increasing poverty at the upper-middle income poverty lines.

Risks to the economic outlook remain significant. A sharper decline in oil prices or a sizable reduction in export volumes, either due to weaker global demand or disruptions to shipping routes would negatively impact growth prospects. A more concerted economic diversification drive, with a prominent role of the private sector, can foster economic resilience and create much-needed jobs. Trade facilitation, participation in trade corridors, energy cooperation, and improved regional security would facilitate the path for economic diversification and sustainable growth.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	5.0	1.7	-1.5	-0.9	6.7	3.6
Private consumption	2.7	2.0	2.0	0.2	1.0	1.3
Government consumption	1.4	3.5	4.4	1.9	-0.1	1.3
Gross fixed capital investment	3.3	-8.6	6.8	-22.7	1.2	2.4
Exports, goods and services	7.2	12.1	-0.1	0.5	10.5	5.7
Imports, goods and services	27.9	0.5	10.0	-2.0	1.5	3.2
<b>Real GDP growth, at constant factor prices</b>	8.0	0.5	-1.5	-0.9	6.7	3.6
Agriculture	-21.0	19.5	18.5	-1.0	1.0	1.0
Industry	12.0	-4.5	-2.7	-1.9	10.1	4.8
Services	3.5	9.2	-1.5	0.7	1.4	1.4
<b>Employment rate (% of working-age population, 15 years+)</b>	35.7	35.9	35.8	36.1	36.2	36.3
<b>Inflation (consumer price index)</b>	5.0	4.4	2.5	3.0	3.5	3.5
<b>Current account balance (% of GDP)<sup>1</sup></b>	19.0	9.7	0.1	-0.1	-1.0	0.2
<b>Net foreign direct investment inflow (% of GDP)<sup>1</sup></b>	0.8	2.1	2.9	2.6	2.7	2.6
<b>Fiscal balance (% of GDP)<sup>1</sup></b>	12.7	0.9	-0.1	-5.7	-6.0	-4.7
<b>Revenues (% of GDP)</b>	38.8	38.4	38.7	35.5	34.6	35.7
<b>Debt (% of GDP)<sup>1</sup></b>	39.1	42.4	46.3	54.6	58.6	59.5
<b>Primary balance (% of GDP)<sup>1</sup></b>	14.6	1.9	0.6	-5.2	-5.4	-3.9
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>2,3</sup></b>	..	0.5	0.5	0.6	0.6	0.6
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>2,3</sup></b>	..	2.4	2.4	2.6	2.7	2.7
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>2,3</sup></b>	..	28.0	28.0	29.2	29.8	30.2
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-5.2	-7.2	4.0	5.0	4.3	5.9

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Share of factor cost GDP. Primary balance excludes interest received.

2/ Calculations based on 2023-IHSES. Actual data: 2023. Nowcast: 2024. Forecasts are from 2025 to 2027.

3/ Projection using neutral distribution (2023) with pass-through = 0.7 (Low (0.7)) based on private consumption per capita in constant LCU.

# JORDAN

Despite regional turbulence, Jordan's economy expanded by 2.7 percent in Q1-2025. Inflation remained close to 2.0 percent during the first half of the year. However, the fiscal and current account deficits widened slightly. Medium-term growth is projected to remain at around 2.7 percent. Attracting private investment that generates employment, while enhancing resilience to climate-related shocks, will be essential to fostering further growth and prosperity.

## Key conditions and challenges

Jordan's economic stability remains intact. Nevertheless, renewed regional tensions and global trade headwinds present ongoing challenges. These pressures could weigh on investor confidence and contribute to higher logistical costs and trade disruptions.

Higher growth and stronger job creation are required to address relatively high unemployment. Strengthening an export-oriented private sector will be essential to complement the public sector's strong efforts to drive growth, particularly considering limited fiscal space as public debt levels remain relatively high.

Climate-related events also pose risks. In early 2025, hot and dry weather was believed to have contributed to the reduction in domestic grain production which, in turn, increased reliance on food imports and food price volatility. In the water sector, rising energy costs and unmet demand have deepened financial deficits and heightened fiscal risks, while supply-side solutions remain costly. The energy sector faces similar pressures, as hotter summers increase electricity demand, placing additional strain on generation capacity and system reliability.

Population <sup>1</sup> million	11.6	Poverty	..
Life expectancy at birth <sup>2</sup> years	77.8	School enrollment <sup>3</sup> primary (% gross)	98.3
GDP <sup>4</sup> current US\$, billion	53.4	GDP per capita <sup>5</sup> current US\$	4624.6

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2023. 3/ 2023. 4/ 2024. 5/ 2024.

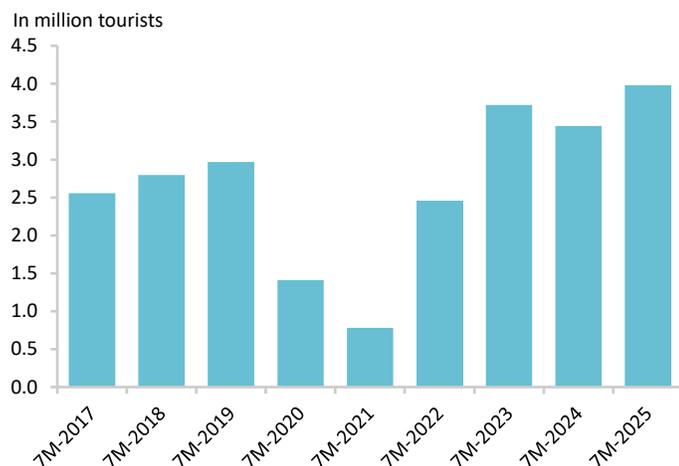
The national poverty rate in Jordan was 15.7 percent in 2018, based on the 2017-18 Household Income and Expenditure Survey. Results from the 2021-22 Household Income and Expenditure Survey have yet to be released.

## Recent developments

Jordan's economy expanded by 2.7 percent in Q1-2025, sustaining the pace of previous quarters. This follows solid 2024 growth of 2.5 percent despite regional headwinds. Agriculture, manufacturing, and services drove activity, with manufacturing posting its strongest-ever quarterly growth, supported by diversified exports.

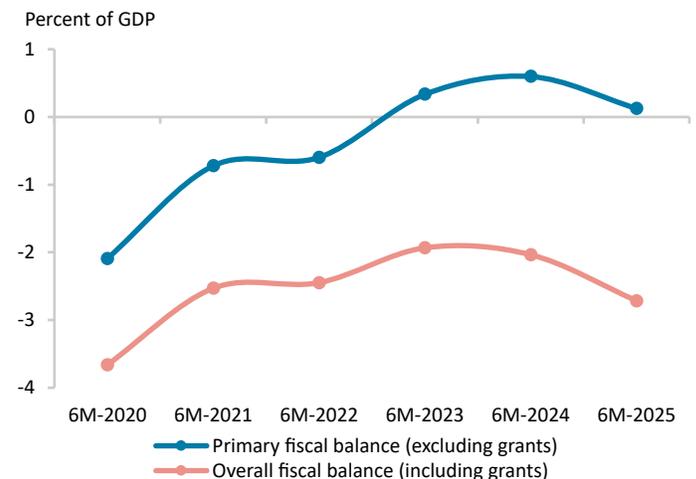
Unemployment in Q1 2025 was 21.3 percent, virtually unchanged from a year earlier. Labor force participation declined slightly to 32.9 percent in Q1-2025 (from 34.1 percent a year earlier), with both male and female participation rates falling to 51.2 percent (from 53.7 percent) and 14.5 percent (from 15.5 percent), respectively. Female labor force participation remains one of the lowest in the Arab region. Women who do join the labor force are disproportionately likely to be highly educated.

FIGURE 1 / Tourist arrivals surged, exceeding pre-crisis levels



Sources: Ministry of Tourism and Antiquities, and World Bank staff calculations.

FIGURE 2 / Central government fiscal deficit narrowed



Sources: Ministry of Finance and World Bank staff calculations.

As of August 2025, nearly 138,000 refugees registered with UNHCR have returned from Jordan to Syria. Dar'a is the most popular governorate of origin, accounting for 40 percent of returnees. An estimated 481,000 registered Syrian refugees still live in Jordan, half of whom are children. The number of Syrians living in camps has dipped below 100,000 for the first time since the start of the war.

Annual headline inflation remained contained at 1.9 percent in the first seven months of 2025, below the 2011–2024 average of 2.4 percent. The Central Bank of Jordan kept its policy rates unchanged in the first seven months of 2025, after a cumulative 100-basis-point reduction in 2024 in alignment with the U.S. Federal Reserve. Consequently, the overnight deposit window rate (the effective policy rate) stood at 6.25 percent in July 2025. Jordan's external competitiveness improved in the first half of 2025, supported by favorable relative price movements. Lower domestic inflation compared to trading partners and global currency trends made Jordanian goods and services relatively more affordable in external markets, thereby enhancing export potential.

Compared to the previous year, the overall fiscal deficit of the central government widened by 0.7 p.p. to 2.7 percent of the estimated full-year GDP in the first half of 2025. This was driven by weaker tax revenue from income and profits, higher capital expenditure, transfers, and interest payments. The primary balance (excluding foreign grants) continued to register a surplus, albeit narrowing, for the third consecutive year.

## Outlook

Economic growth is projected to average 2.7 percent in the medium term. Easing regional tensions would help attract more tourists

and investors. Lower oil prices are expected to provide some relief to Jordan's import bill and production costs, although remittance inflows could be negatively affected. A rapid economic recovery in Syria could potentially generate positive spillover effects for Jordan, given the potential for trade and investment flows. On the downside, global trade-related headwinds and policy uncertainty that follow pose additional risks. While the direct impact on Jordan is expected to be manageable, the resulting uncertainty from continued trade disruptions could dampen global demand, which in turn could weigh on demand for Jordanian exports.

Inflation is projected to remain contained, supported mainly by stable international prices for key imports. Annual headline inflation is expected to reach 2.2 percent in 2025 and to stabilize at 2.4 percent in subsequent years.

The twin deficits are projected to narrow, supported by continued revenue mobilization efforts, expenditure control, and the recovery in tourism. The fiscal deficit is expected to be financed through a combination of bond issuance, concessional borrowing, and grants. Nonetheless, fiscal pressures from utility companies may keep public debt levels elevated, while the external sector remains vulnerable to regional instability. Given moderate growth, debt reduction is expected to be gradual, underscoring the importance of steady fiscal consolidation and reforms to safeguard sustainability.

To reduce poverty and promote shared prosperity, Jordan must accelerate inclusive, private-sector-led growth, particularly in export industries. Building resilience to climate shocks in energy and water is essential for stability, alongside a robust social safety net to protect the most vulnerable. Preparing for pension reform will also be vital to ensure long-term fiscal sustainability and adequate retirement protection.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	2.6	2.9	2.5	2.6	2.7	2.8
<b>Real GDP growth, at constant factor prices</b>	3.0	3.2	2.7	2.9	2.9	3.0
Agriculture	3.9	6.4	6.9	7.4	4.5	4.0
Industry	4.4	4.3	3.7	3.3	3.0	3.0
Services	2.3	2.5	1.9	2.2	2.7	2.9
<b>Inflation (consumer price index)</b>	4.2	2.1	1.6	2.2	2.4	2.4
<b>Current account balance (% of GDP)</b>	-8.1	-3.6	-5.9	-5.6	-5.0	-4.7
<b>Net foreign direct investment inflow (% of GDP)</b>	1.7	3.6	3.0	3.2	3.4	3.5
<b>Fiscal balance (% of GDP)<sup>1</sup></b>	-5.8	-5.1	-5.5	-5.4	-5.2	-4.6
<b>Revenues (% of GDP)</b>	25.7	25.2	24.9	25.5	25.6	25.5
<b>Expenditures (% of GDP)<sup>1</sup></b>	31.5	30.3	30.5	30.9	30.8	30.0
<b>Consolidated debt (% of GDP)<sup>2</sup></b>	88.6	89.0	90.2	89.6	88.4	86.6
<b>Unconsolidated debt (% of GDP)<sup>2</sup></b>	111.2	113.5	116.6	117.5	117.7	117.1
<b>Primary balance (% of GDP)<sup>1</sup></b>	-1.5	-0.4	-0.1	0.2	0.3	0.1
<b>GHG emissions growth (mtCO2e)</b>	3.1	0.8	0.4	1.2	1.6	1.8

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Including the Adjustment on receivables and payables (use of cash) as per IMF Country Report No. 23/49.

2/ Consolidated debt coverage excludes the SSC's investment arm holdings. Projections indicate that SSC's financial surplus will gradually decline, turning into a deficit, causing the consolidated debt to converge to the unconsolidated debt over time.

# KUWAIT

The economy is recovering in 2025 after a year of recession, supported by the gradual unwinding of OPEC+ production cuts. Strong sovereign assets buffer shocks, but heavy oil reliance heightens exposure to price swings and long-term demand. Downside risks are elevated driven by oil price volatility, regional geopolitical tensions, slow diversification and reforms delays.

## Key conditions and challenges

Kuwait's long-term economic resilience hinges on advancing diversification and modernizing the economy. Substantial sovereign assets and oil revenues provide important financial buffers, yet reliance on hydrocarbons leaves the economy vulnerable to commodity price volatility and long-term demand shifts. It also underscores the urgency of fiscal and structural reforms to modernize the economy, safeguard stability and preserve investor confidence. Over the longer term, climate-related risks and the structural decline in global oil demand pose additional challenges to growth and sustainability. Structural reforms are therefore critical to foster private sector-led growth, generate productive employment, and meet the aspirations of a young and growing population. Durable fiscal consolidation will require tighter expenditure control, stronger budget frameworks, and greater mobilization of non-oil revenues. Moreover, reforms to the business environment and labor market are essential to attract investment and enhance productivity. Structural legal reforms are advancing under Vision 2035, including draft legislation to establish specialized economic courts to speed commercial dispute resolution and improve the investment climate.

Population <sup>1</sup> million	5.0	Poverty	..
Life expectancy at birth <sup>2</sup> years	83.2	School enrollment <sup>3</sup> primary (% gross)	101.9
GDP <sup>4</sup> current US\$, billion	144.9	GDP per capita <sup>5</sup> current US\$	29133.2

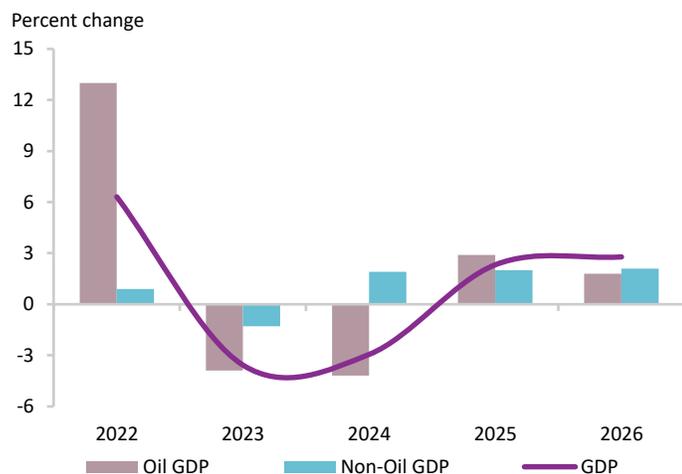
Sources: WDI, MFMMod, and official data. 1/ 2024. 2/ 2023. 3/ 2015. 4/ 2024. 5/ 2024.

These efforts are part of a broad review of 983 laws—about 25 percent completed in 2024—alongside reforms to judicial, nationality, tax, family, and digital frameworks, aimed at modernizing legislation, enhancing transparency, and aligning with international standards.

## Recent developments

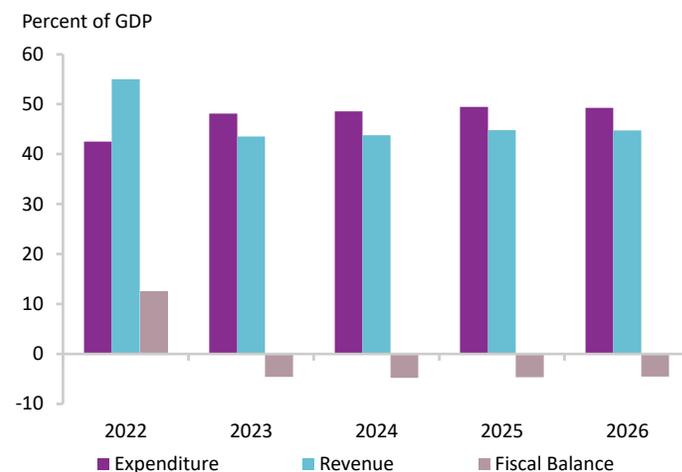
Kuwait's economy contracted in 2024, with real GDP declining by 2.9 percent, reflecting a sharp fall in oil sector output (4.2 percent) following OPEC+ production cuts. By contrast, the non-oil sector grew by 1.9 percent, demonstrating resilience despite the overall downturn. This was supported by large infrastructure projects such as Mubarak Al-Kabeer Port and the Silk City initiative, which helped cushion the downturn, create jobs, and attract investment. In 2025, private-sector credit growth strengthened further, with year-on-year growth accelerating to 6.5 percent in June 2025 from 4.6 percent in December 2024, signaling increased access to finance for private firms. Inflation eased to 2.4 percent in July 2025, from 2.9 percent in 2024, as demand pressures moderated and external price pressures receded, consistent with global disinflationary trends, while Kuwait's subsidies on fuel, electricity, water, and

FIGURE 1 / Annual real GDP growth



Sources: IMF WEO and World Bank staff estimates.

FIGURE 2 / Fiscal balance



Sources: IMF WEO and World Bank staff estimates.  
Note: Exclude investment income and FGF transfers.

some food items continued to buffer households from global price swings and keep inflation low and stable.

The fiscal deficit is estimated to have widened to 5 percent of GDP in 2024, compared with 4.8 percent in 2023, as lower oil prices and OPEC+ production cuts weighed on revenues. Despite continued expenditure restraint, fiscal pressures intensified, underscoring the sensitivity of public finances to oil market developments. The current account surplus continued to narrow to 24.3 percent of GDP in 2024 as lower oil prices and production reduced the trade balance, while in Q1 2025 it reached about 30 percent of GDP on the back of stronger oil receipts. Foreign direct investment inflows remained subdued, underscoring persistent structural barriers that constrain private-sector development, despite early-2025 measures like eased property-ownership rules for investor-licensed entities. While non-oil exports grew by 19.8 percent in 2024, their share in total exports remained modest at 9.3 percent, underscoring their limited contribution to overall trade flows and highlighting the economy's continued reliance on hydrocarbons. Official reserve assets declined yet continue to provide adequate coverage of external financing needs and help safeguard external stability.

## Outlook

Real GDP is projected to recover in 2025, with oil sector growth reaching 2.9 percent as OPEC+ production cuts are gradually unwound. Non-oil activity is forecast to expand by 2 percent, underpinned by a rebound in real credit growth and large-scale infrastructure projects such as the Northern Special Economic Zone. Over the medium to long term, however, sustaining higher and more inclusive growth will hinge on advancing structural reforms to strengthen the business climate, attract private investment, and diversify the economy away from hydrocarbons.

The fiscal deficit is projected to stay broadly constant at 4.7 percent of GDP in 2025, reflecting higher oil revenues but will persist despite continued expenditure restraint. Public debt is expected to

rise gradually from 2025 onward but remain low conditional on the implementation of the Financing and Liquidity Law. Financing needs are expected to be increasingly met through debt issuance, reflecting volatile oil revenues and rigid current expenditures. Over the medium term, fiscal pressures are likely to persist, as declining oil prices and rigid current spending continue to outstrip consolidation efforts, underscoring the importance of timely and comprehensive fiscal reforms.

Monetary policy is expected to ease and remain closely aligned with global central bank actions given the currency peg, supported by a declining inflation trajectory, with inflation projected to ease to 2.6 percent in 2025 and average around 2.2 percent over the medium term.

The external position is projected to remain strong, with the current account surplus expected to reach 23.9 percent of GDP in 2025, reflecting higher oil export revenues, and remain over 20 percent through 2027. Sizable sovereign assets are expected to provide a substantial cushion, mitigating external vulnerabilities and supporting confidence over the medium term.

Despite the overall economic contraction, ILO employment projections for 2025 point to a growth of about 2 percent y-o-y, stronger among women (2.4 percent y-o-y), thanks to the recovery of the non-oil sector. This is happening in a context of roughly stable labor force participation and unemployment rates. The latter is projected to hover around 2.1 percent in 2025, with virtually no change with respect to 2024. Yet, the unemployment rate is estimated to remain significantly higher at 14.9 percent among youth (15–24), with a peak of 28.3 percent among young women.

Downside risks to the economic outlook remain elevated, reflecting Kuwait's heavy reliance on hydrocarbon revenues and exposure to global commodity price volatility. A slowdown in global growth could weigh on oil demand and fiscal revenues, while heightened regional geopolitical tensions may dampen investor sentiment and increase uncertainty.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	6.3	-3.6	-2.9	2.3	2.8	2.7
Private consumption	1.8	1.1	2.8	2.6	2.5	2.5
Government consumption	3.9	1.2	1.4	2.6	2.6	2.8
Gross fixed capital investment	2.2	0.6	3.8	2.4	2.6	2.6
Exports, goods and services	12.0	-3.6	-5.4	2.4	3.0	2.7
Imports, goods and services	6.3	5.7	4.8	2.9	2.6	2.6
<b>Real GDP growth, at constant factor prices</b>	6.3	-3.6	-2.8	2.4	2.7	2.7
Agriculture	1.1	0.1	0.3	1.2	1.2	1.2
Industry	7.9	0.1	-2.1	2.5	2.5	2.3
Services	4.2	-8.8	-3.8	2.2	3.1	3.4
<b>Employment rate (% of working-age population, 15 years+)</b>	72.7	72.5	72.2	72.2	72.2	72.2
<b>Inflation (consumer price index)</b>	4.0	3.6	3.0	2.6	2.3	2.1
<b>Current account balance (% of GDP)</b>	32.4	26.2	23.8	23.9	23.1	22.4
<b>Net foreign direct investment inflow (% of GDP)</b>	-2.0	-2.2	-2.0	-2.3	-2.4	-2.4
<b>Fiscal balance (% of GDP)<sup>1</sup></b>	12.5	-4.6	-4.8	-4.7	-4.5	-4.0
<b>Revenues (% of GDP)</b>	55.0	43.5	43.8	44.8	44.8	45.0
<b>Debt (% of GDP)<sup>1</sup></b>	2.3	12.7	0.5	10.3	11.0	12.0
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	4.1	2.0	1.6	2.8	4.7	5.9

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Based on fiscal year cycle (April to March 31). Fiscal balances exclude investment income and FGF transfers.

# LEBANON

Following the conflict in 2024 and a cumulative contraction that approached 40 percent over the period 2019 to 2024, real GDP is projected to grow by 3.5 percent in 2025, driven by a rebound in tourism, sustained sizeable remittance inflows, a pickup in consumption, and the government's initiation of reforms. The 2026 outlook is cautiously optimistic, assuming continued reform momentum, higher reconstruction-related inflows, and further recovery in key sectors.

## Key conditions and challenges

The escalation in the regional conflict, which occurred at the height of the tourism season in June 2025, disrupted commercial flights and adversely impacted tourist arrivals. Capital inflows needed for recovery and reconstruction, estimated at US\$ 11 billion in the World Bank's Rapid Needs and Damage Assessment (RDNA), have also not yet materialized. Nonetheless, economic activity has benefited from a return to political normalcy following the election of a President and the formation of government, progress on the reform agenda and reinvigorated tourist activity in July and August 2025.

The government and parliament have begun to deliver on long-awaited reforms. A reformed Bank Secrecy Law marks a critical step toward transparency, accountability, and restoring confidence. The Banking Sector Restructuring Law has also been approved establishing a framework to rehabilitate Lebanon's insolvent banking sector, which has incurred losses estimated at US\$ 72 billion—approximately 300 percent of the country's GDP. The latter, however, will only become effective once a second law on the estimation and allocation of losses in the financial sector, the "Financial Gap Law", is drafted by the government and ratified

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$4.20/day
5.8	0.9
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
77.8	79.8
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
26.0	4473.3

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

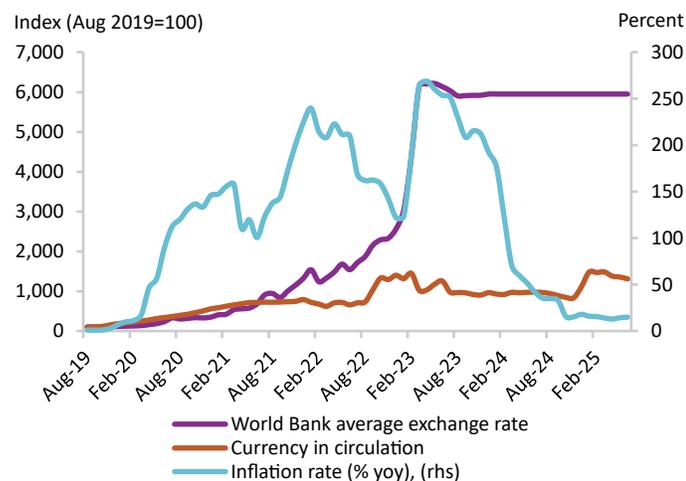
by parliament. In the governance sphere, the Council of Ministers (CoM) and parliament ratified the Judicial Independence Law to shield the judiciary from interference and rebuild trust in the justice system, endorsed a new merit-based public sector recruitment mechanism, and appointed regulatory bodies for various sectors, including civil aviation, electricity, and telecommunications, which had been without a regulator for years. The CoM also made overdue institutional appointments, including the public prosecutor for financial affairs, vice-governors at the Central Bank, the Banking Control Commission, and the chair and members of the Council for Development and Reconstruction Board of Directors.

## Recent developments

Economic activity strengthened in the first half of 2025, despite adverse impacts of the regional conflict on tourism. High frequency indicators of real economic activity, available through April 2025, confirm that the economy expanded in H1-2025, aided by a base effect.

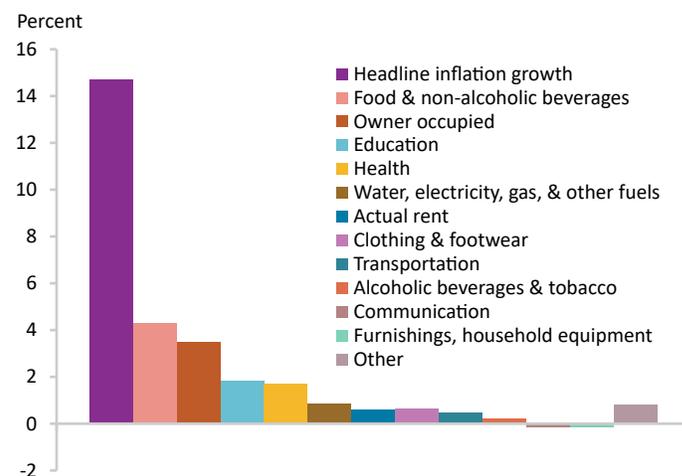
Indirect tax revenues rose in the first half of 2025, reflecting stronger excise and customs collections. Customs duties increased

FIGURE 1 / Inflation decelerates as Lebanese Pound (LBP) depreciation effect fades, but remains elevated



Sources: Lebanese authorities and World Bank staff calculations.

FIGURE 2 / Contributions to overall inflation in the first half of 2025



Sources: Lebanese authorities and World Bank staff calculations.

by 5.2 percent whereas total excises surged by 74.8 percent (yoy) in H1-2025. The fiscal stance is benefitting from prudent fiscal management. This has allowed to build some fiscal buffer to weather shocks, despite competing needs for spending to rebuild institutional capacity, increase current spending (on the public wage bill, essential services, retirement benefits, for example), and increase capital expenditures. Five years after the sovereign default, Lebanon has made little progress on restructuring, and debt remains unsustainable at 176.5 percent of GDP in 2024. Foreign currency debt accounts for about 98 percent of the total debt stock.

Headline inflation declined to 14.7 percent in H1-2025, amid sustained exchange rate stability since August 2023. The post-crisis surge in inflation was largely attributable to the pass-through effects from exchange rate depreciation. The fading impact of the one-off dollarization effects on the Consumer Price Index basket coupled with exchange rate stability, placed inflation on a downward trajectory. Notwithstanding this decrease, inflation continues to be significantly higher than global inflation due to limited product market competition, oligopolistic market structures, and domestic markup pricing.

Food security in Lebanon is gradually recovering, but vulnerabilities remain. The Integrated Food Security Phase Classification (IPC) estimates that 1.17 million people—around 20 percent of the population—were acutely food insecure between April and June 2025, down from 1.65 million earlier in the year following the 2024 conflict. This improvement stems from the ceasefire, increased food assistance, and partial market stabilization. Food security remains precarious as Lebanon, and particularly the Southern communities, grapple with damaged agricultural infrastructure, persistent inflation, and widening funding gaps in humanitarian programs.

In the first half of 2025, imports expanded at a faster pace than exports, resulting in a widening trade-in-goods deficit. H1-2025 data show imports and exports of goods rising by 14.6 and 23 percent (yoy), respectively. Nevertheless, owing to the larger import base, the trade-in-goods deficit widened by 12.9 percent (yoy). Remittances remain vital for external financing, although official figures likely understate inflows due to informal channels, weak balance of payments data, and Lebanon's highly dollarized cash economy. The current account deficit is financed from a heavily dollarized cash economy and large importers rely on offshore bank accounts to finance imports.

## Outlook

Positive economic momentum is expected to continue in 2026, with inflation projected to ease, yet balance of payments pressures are likely to persist, underscoring underlying external vulnerabilities. Sustained progress on the reform agenda and continued political stability could unlock external financing for reconstruction and investment. Inflation is projected to fall to single digits for the first time since 2019, amid exchange rate stability. An increase in the trade-in-goods deficit due to higher imports of raw materials and construction goods is projected to widen the current account deficit. Risks to the growth projection stem from lack of progress on the reform agenda and absence of investment flows. While the budget is projected to balance due to higher revenue collection, the current account deficit is expected to widen, heightening Lebanon's external financing risks. Terms-of-trade shocks or a decline in service exports and remittance inflows could further enlarge the financing gap. Short of a debt restructuring in 2026, debt will remain high, leaving Lebanon excluded from international capital markets.

## Recent history and projections

	2022	2023	2024	2025e	2026f
<b>Real GDP growth, at constant market prices</b>	-0.6	-0.8	-7.1	3.5	4.0
Private consumption	2.3	0.2	-4.6	1.5	2.9
Government consumption	34.9	-18.4	16.6	18.4	7.2
Gross fixed capital investment	-88.6	4.5	-31.6	54.7	83.0
Exports, goods and services	0.3	-1.1	-9.7	1.9	1.6
Imports, goods and services	3.5	-0.3	-0.1	-0.3	1.3
<b>Real GDP growth, at constant factor prices</b>	-0.6	-0.8	-7.1	3.5	4.0
Agriculture	-0.8	-0.2	-8.7	2.0	2.5
Industry	-0.6	0.1	-5.4	2.5	3.0
Services	-0.6	-1.0	-7.2	3.7	4.2
<b>Employment rate (% of working-age population, 15 years+)<sup>1</sup></b>	40.9	36.3	36.5	36.5	36.6
<b>Inflation (consumer price index)</b>	171.2	221.3	45.2	15.2	8.7
<b>Current account balance (% of GDP)</b>	-34.6	-28.1	-22.2	-15.8	-16.1
<b>Net foreign direct investment inflow (% of GDP)</b>	2.2	2.9	1.1	1.9	3.6
<b>Fiscal balance (% of GDP)</b>	-2.9	0.5	0.5	0.0	0.0
<b>Revenues (% of GDP)</b>	6.1	13.7	15.3	16.3	16.6
<b>Debt (% of GDP)</b>	211.1	219.0	176.5	157.4	148.7
<b>Primary balance (% of GDP)</b>	-2.5	1.4	0.9	0.1	0.1
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>2</sup></b>	5.9	6.1	7.8	6.9	7.3
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>2</sup></b>	16.0	16.2	20.8	17.4	19.6
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>2</sup></b>	50.7	51.2	55.4	53.8	54.6
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-6.1	2.7	-9.0	2.0	1.3

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ ILO data is through 2023, with 2024-2025 projections imputed using the World Bank model. These projections are highly uncertain due to the 2023-24 conflict's impact, causing a steep contraction in 2024 and a potential rebound in 2025, with the overall employment effect unclear.

2/ Calculations based on 2022-LHS. Projection using neutral distribution (2022) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

# LIBYA

Libya faces fiscal challenges from political fragmentation and unsustainable spending patterns. Both fiscal and trade surpluses declined due to increased government spending and higher imports. Oil production grew while non-oil sector development is underway. Despite currency devaluation, the gap between official and parallel exchange rates persists. Reforms are needed to diversify the economy and strengthen the investment climate for sustainable growth.

## Key conditions and challenges

Libya's political landscape remains marked by persistent division. The UN Support Mission in Libya (UNSMIL) presented a political roadmap to lead the country to legislative and presidential elections within the next 12-18 months. The roadmap is met with broad endorsement by political forces and international community.

Libya faces severe fiscal sustainability challenges rooted in political fragmentation and the absence of a unified budget, high spending, and heavy dependence on oil revenues. In the absence of a unified budget, public spending continues to be covered on a monthly-allocation basis. Moreover, expenditures remain skewed towards current spending with an inflated wage bill and distortionary energy subsidies at the expense of reconstruction and growth-enhancing capital spending. The Central Bank devalued the currency and introduced a foreign exchange tax, although a significant gap between the official and parallel exchange rate remains.

To foster diversification and reduce vulnerability to oil price volatility, Libya should prioritize reforms that address persistent

Population <sup>1</sup> million	Poverty
7.4	..
Life expectancy at birth <sup>2</sup> years	School enrollment <sup>3</sup> primary (% gross)
69.3	106.9
GDP <sup>4</sup> current US\$, billion	GDP per capita <sup>5</sup> current US\$
48.5	6569.4

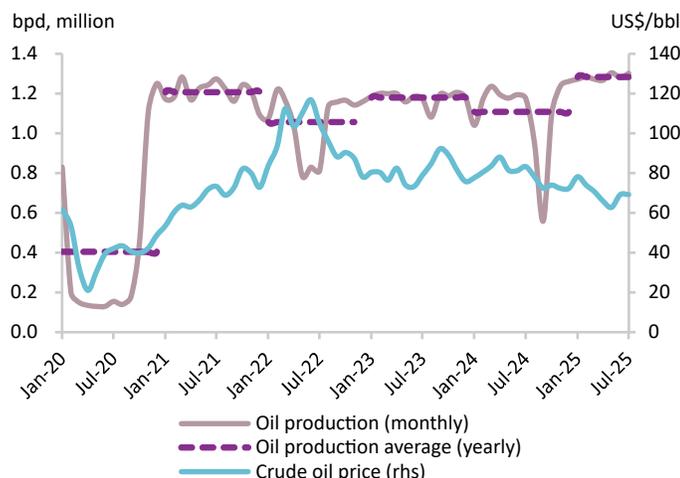
Sources: WDI, MFMMod, and official data. 1/ 2024. 2/ 2023. 3/ 2006. 4/ 2024. 5/ 2024.

obstacles to private sector development. Reforms should rationalize the state's heavy footprint in economic sectors, reduce the pervasive informality of the economy, establish a coherent regulatory framework for businesses, and expand access to credit and foreign exchange. Strengthening the investment climate and improving security conditions would encourage private sector activity in non-hydrocarbon sectors.

The employment rate in Libya is 41 percent (National Employment Survey, 2022), at 50 percent for men and 32 percent for women. Despite the gender gap, female employment rates are higher than other countries in the region, largely because public sector jobs serve as a form of social redistribution.

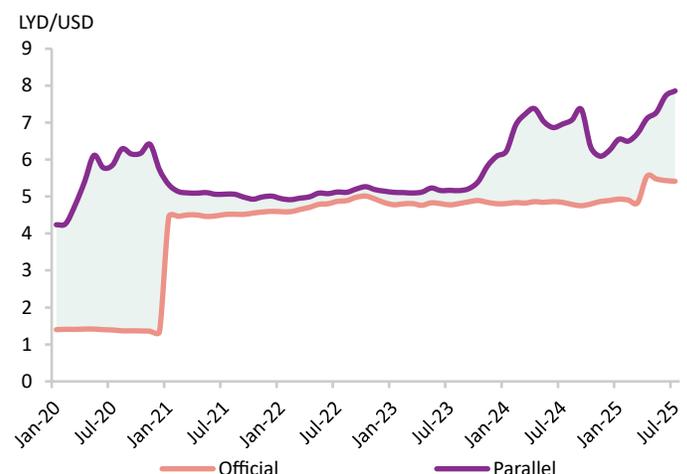
The labor market faces deep structural rigidities, with excessive public sector employment, high reliance on foreign labor, skills mismatches, and gender wage gaps. Containing further expansion of public jobs, diversification into non-oil sectors, coupled with strengthened education and vocational training, will be key to aligning labor supply with demand. Establishing a sound framework for migrant workers and promoting female participation would support more inclusive and sustainable growth.

FIGURE 1 / Crude oil production and international price



Sources: OPEC and World Bank Commodity Markets Outlook, Aug 2025.

FIGURE 2 / LYD/USD exchange rate in the official and parallel markets



Sources: Central Bank of Libya and World Bank staff calculations.

## Recent developments

During the first seven months of 2025, oil production averaged 1.28 mbpd (+9.6 percent y-o-y). With the aim to boost output to 2 mbpd by 2027, the Libyan authorities have launched a bidding round offering 22 exploration areas and entered into bilateral agreements with international oil companies to attract foreign investments. Meanwhile, and to foster non-oil sectors development, the Government of National Unity (GNU) launched a national diversification strategy prioritizing the enhancement of the investment climate, private sector participation, and the integration of Libya into global value chains.

Inflation remained subdued at 1.4 percent during the first half of 2025 according to the new Consumer Price Index (CPI) methodology implemented in January 2025. The revised CPI methodology may indicate a downward bias, particularly when compared with the cost of the minimum expenditure basket (includes food and non-food items) reported by the World Food Program Market monitor, which showed an increase of 9.7 percent in May 2025 compared to the official inflation rate of 1.6 percent.

During the first seven months of 2025, the GNU's fiscal surplus narrowed from 4.8 to 3.1 percent of GDP. In the period of January to July 2025, total revenues reached LYD 73 billion (+20 percent y-o-y) driven primarily by a 20 percent increase in hydrocarbon revenues and a 117 percent growth in tax revenues. On the other hand, public expenditures grew at a faster pace, reaching 32 percent, as a result of a 17 percent increase in the wage bill and a 120 percent increase in subsidies and social transfers following the termination of the oil-for-fuel barter system in April 2025. The recent announcement to shift to digital salary payments is expected to strengthen public finance and improve transparency—a positive infrastructural development and may serve as a channel for compensatory transfers if fuel subsidies are phased out.

The trade surplus declined to 8.5 percent of GDP in Q12025 from 10.6 percent of GDP in Q12024. Despite restrictions imposed on access to foreign exchange and trade financing, imports grew by

34 percent driven by the surge in public spending and the devaluation of the dinar in April 2025. Meanwhile, exports increased by 2 percent due to softening global oil prices despite higher production levels.

Notwithstanding the devaluation of the dinar against the US dollar by 13.3 percent and the restrictions imposed on access to foreign exchange, the gap between the parallel and official exchange rates widened from 28 to 45 percent during April–July 2025. The exchange rates divergence is fueled by the absence of a unified budget and the surge in public spending.

## Outlook

Libya's economic prospects over the medium term are shaped primarily by developments in the oil sector. Assuming the security and political environment remains overall stable, oil production is projected to average 1.3 million barrels per day in 2025, which translates into a 17.4 percent growth rebound in the oil sector and a 13.3 percent growth in the overall economy. The non-oil sector is expected to grow by 6.8 percent supported by consumption and a recovery in investments and exports. With the anticipation of continued recovery of oil output in the medium term, the Libyan economy is expected to expand by 3.7 percent during the period 2026–2027.

Inflation using the official CPI is projected to remain relatively contained at 2 percent. The fiscal and external balances are expected to improve in the medium term to reflect higher oil production levels despite softening energy prices. The GNU's fiscal surplus is anticipated to reach 3.8 percent of GDP in 2025 and average 3.7 percent of GDP in the medium term while the current account is expected to shift from a deficit of 4 percent of GDP in 2025 to a surplus of 2.8 percent of GDP in 2027.

The overarching risk remains the political and security environment. A timely and effective resolution of the political crisis is critical for Libya's economic recovery and the welfare of its citizens.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	-8.3	10.2	1.9	13.3	3.5	3.9
Private consumption	-1.3	5.3	2.3	5.0	4.2	4.0
Government consumption	-1.1	5.5	5.5	18.0	2.2	3.0
Gross fixed capital investment	-1.3	-10.7	-8.4	8.6	3.2	5.1
Exports, goods and services	-19.9	7.1	-6.9	19.1	3.7	3.8
Imports, goods and services	-13.9	-16.5	-3.0	8.2	2.8	3.4
<b>Real GDP growth, at constant factor prices</b>	-8.8	10.7	1.4	13.3	3.5	3.8
Agriculture	10.0	6.8	-0.9	2.0	2.3	2.2
Industry	-17.0	17.8	-5.5	17.4	3.8	3.7
Services	7.8	-1.0	15.2	7.1	3.0	4.0
<b>Inflation (consumer price index)</b>	4.5	2.4	2.1	2.1	2.1	2.0
<b>Current account balance (% of GDP)</b>	22.2	4.2	-4.3	-4.0	-2.6	2.8
<b>Fiscal balance (% of GDP)</b>	2.7	-0.1	0.1	3.8	3.3	4.1
<b>Revenues (% of GDP)</b>	64.1	59.3	52.7	63.3	63.6	59.9
<b>Debt (% of GDP)</b>	72.5	100.0	115.6	105.6	102.2	93.0
<b>Primary balance (% of GDP)</b>	2.7	-0.1	0.1	3.8	3.3	4.1
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-3.8	2.0	-1.9	8.5	1.5	1.5

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.  
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

# MOROCCO

Economic growth strengthened in 2025, supported by public sector-led infrastructure spending, rising FDI, better rainfall, and improving consumer sentiment. Inflation and fiscal and current account deficits remain contained, yet expanding fiscal space is crucial to advance priority social protection reforms and sustain infrastructure investment. The government also launched a jobs roadmap to address the persistent shortfall in job creation in Morocco's economy.

## Key conditions and challenges

Morocco is entering a stronger growth phase, propelled by preparations for the 2025 African Soccer Cup of Nations and the 2030 soccer World Cup, accelerated construction and infrastructure investment, sustained dynamism in tourism and some manufacturing sectors, and improving consumer sentiment. Nonetheless, Morocco faces significant labor market challenges. Job creation has consistently lagged the expansion of the working-age population, compounded in recent years by declining rural employment amid droughts. Unemployment rates remain elevated, particularly among youth and women, and labor force participation has declined. The government has launched a job creation roadmap that includes incentives for private investment, the revamping of active policies to improve youth skills, and measures to preserve rural jobs. To boost employment opportunities and enhance overall living conditions, further structural reforms would be needed to encourage formality, stimulate the emergence of job-creating high-growth firms, modernize labor regulations, and support women's employment.

Building fiscal buffers remains essential to sustain priority programs without jeopardizing other spending. This means creating

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$4.20/day
<b>38.1</b>	<b>3.9</b>
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
<b>75.3</b>	<b>114.5</b>
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
<b>160.6</b>	<b>4217.4</b>

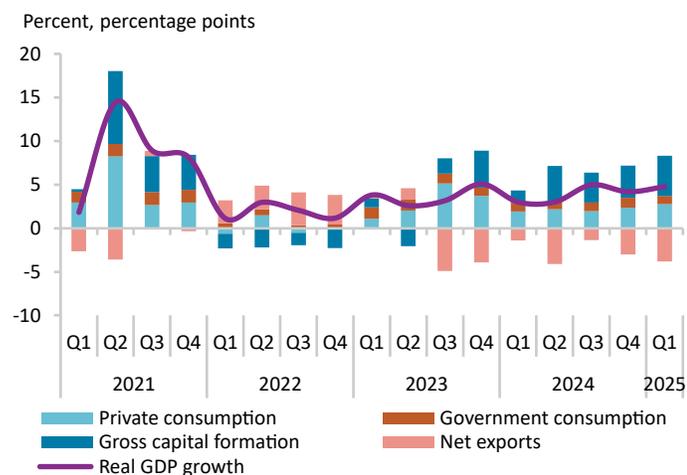
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2013 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

room for investments and social programs while keeping public finances sustainable, which could be achieved by improving spending efficiency and resource allocation, boosting revenue through tax policy and admin reforms, and mobilizing external finance using well-structured PPPs and better asset management beyond sale-and-leaseback operations.

## Recent developments

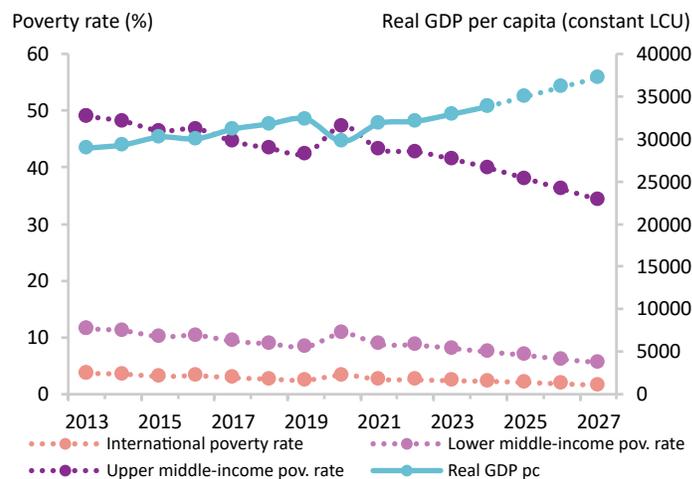
Following a significant revision of previous estimates, growth averaged 3.8 percent over 2023–2024. Morocco's economy outperformed expectations in early 2025, with real GDP accelerating to 4.8 percent in Q1, building upon a strong recovery in the second half of 2024 (4.6 percent vs 3 percent in 2024H1). The recent upturn was fueled by a 4.5 percent rebound in agriculture and a 4.8 percent rise in non-agriculture sectors, particularly tourism and construction. Investment became a prominent growth driver, supported by public investment and rising FDI inflows to automotive and extractive industries. Headline and core inflation declined gradually to 1.6 and 1.4 percent by March 2025, prompting the central bank to cut its policy rate to 2.25 percent. Headline inflation continued to moderate to 0.5 percent in July while core inflation stood

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



Sources: Haut Commissariat au Plan (HCP) and World Bank staff estimates.

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



Source: World Bank. Notes: See footnotes in table on the next page.

at 0.8 percent. The trade deficit widened in 2025H1 due to strong import demand linked to investment, and slower export performance in automobiles and phosphates. However, remittances and tourism revenues have partially offset the impact on the current account. International reserves remain adequate, covering over five months of imports. Investor confidence improved further, as indicated by the historic drop in credit default swaps' spreads, below 80 basis points.

The fiscal position registered modest improvement during 2025H1 compared to 2024H1, with the primary deficit declining from 0.7 to 0.6 percent of GDP. This has been driven by higher-than-expected revenues, particularly from corporate income tax and non-tax revenues, including sale-and-leaseback operations, which created room for the government to increase support for infrastructure state-owned enterprises (SOEs) and spending on wages.

Labor market trends are uneven, with urban employment growing but rural jobs shrinking—a pattern that disproportionately affects women and rural poor who rely on unstable agricultural incomes. Indeed, between 2024 Q2 and 2025 Q2, the economy gained 113,000 urban jobs, while rural areas lost 107,000 jobs. Unemployment slightly dropped from 13.1 percent to 12.8 percent during the same period, while labor force participation slightly dropped from 44.2 to 43.4 percent with the most prominent decline in female participation (from 20.1 to 18.9 percent).

## Outlook

Real GDP growth is expected to accelerate from 3.8 percent in 2024 to 4.4 percent in 2025 and stabilize around 4 percent in the medium

term. This should be supported by continued momentum in non-agricultural sectors. Services growth is expected to normalize to pre-pandemic levels, while manufacturing is projected to slow moderately given weaker external demand for automobiles and deceleration in phosphate exports. On the demand side, investment is expected to remain the main driver of growth, supported by a surge in SOE investment and rising FDI inflows to established and new sectors like green hydrogen. This momentum is likely to fuel a sustained increase in imports, particularly of capital goods. The current account deficit is expected to widen to 2.1 percent of GDP in 2025, on the back of higher public investment appetite.

As the government is committed to fiscal sustainability, the budget deficit is expected to decline from 3.9 in 2024 to 3.7 in 2025 and 3.4 in 2026 and stabilize around 3.2 percent of GDP in 2027, mainly through expenditure rationalization, and subsequently stabilize debt around 65 percent of GDP.

Risks around these forecasts remain balanced. Climate conditions threaten agricultural recovery, and geopolitical risks, trade tensions and lower growth in Europe could impact exports and FDI. However, robust non-agriculture activities, structural reforms, and strong trade ties position the country well to manage global uncertainty.

Growth is expected to lead to a 23 percent decline in poverty by 2027, bringing it to 1.6 percent at the international poverty line and close to 6 percent at the lower-middle-income threshold. To sustain improvements in living standards, reforms should focus on promoting job creation through a more dynamic private sector, and entrenching social protection systems, and reducing territorial disparities.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	1.8	3.7	3.8	4.4	4.2	4.0
Private consumption	0.1	4.8	3.4	3.4	3.6	3.8
Government consumption	2.6	6.1	5.6	5.0	4.5	3.7
Gross fixed capital investment	-4.0	2.3	12.8	10.3	8.0	5.1
Exports, goods and services	20.7	7.9	8.0	6.0	6.7	6.9
Imports, goods and services	8.8	9.5	11.6	7.7	7.4	6.4
<b>Real GDP growth, at constant factor prices</b>	1.9	3.4	3.4	4.4	4.2	4.0
Agriculture	-11.8	1.8	-4.5	4.7	2.9	1.3
Industry	-1.6	0.8	4.2	3.9	4.0	4.0
Services	6.8	5.0	4.6	4.2	4.3	4.3
<b>Employment rate (% of working-age population, 15 years+)</b>	39.1	39.7	39.7	39.9	40.0	40.1
<b>Inflation (consumer price index)</b>	6.6	6.1	0.9	1.1	1.8	1.6
<b>Current account balance (% of GDP)</b>	-3.5	-1.0	-1.2	-2.1	-1.9	-2.1
<b>Net foreign direct investment inflow (% of GDP)</b>	1.2	-0.1	0.6	1.4	1.5	1.5
<b>Fiscal balance (% of GDP)</b>	-5.4	-4.4	-3.9	-3.7	-3.4	-3.2
<b>Revenues (% of GDP)</b>	28.4	27.6	29.1	30.3	28.6	27.5
<b>Debt (% of GDP)</b>	71.4	68.7	68.0	67.1	66.7	65.2
<b>Primary balance (% of GDP)</b>	-3.2	-2.3	-1.8	-1.2	-1.0	-0.9
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	2.6	2.4	2.3	2.1	1.8	1.6
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	8.7	8.1	7.5	6.9	6.2	5.6
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	42.8	41.4	39.9	38.0	36.1	34.3
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-1.6	0.1	2.0	3.8	3.3	3.2

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2013-ENCDM. Actual data: 2013. Nowcast: 2014-2024. Forecasts are from 2025 to 2027.

2/ Projection using neutral distribution (2013) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

# OMAN

Manufacturing is the fastest growing sector with 8.3 percent annual growth in 2024, yet hydrocarbon dependence persists. Oman Vision 2040 prioritizes economic diversification and investment in non-hydrocarbon sectors. Fiscal and external positions are exposed to risks from the slowing global growth and downturn in oil prices. Geopolitical developments in the Middle East have not had a material impact on the Omani economy so far.

## Key conditions and challenges

Oman's diversification efforts have accelerated in recent years. Non-hydrocarbon activities have expanded in manufacturing, services, and construction sectors, and the share of the hydrocarbons sector has fallen to 30 percent of GDP since Q32024 (down from 37 percent in the early 2010s). A higher-than-expected decline in global oil prices may constrain capital spending plans with the fiscal balance falling into deficit.

Vision 2040 prioritizes employment and labor market development targeting the creation of 220,000 new jobs for Omani nationals by 2032. It emphasizes women's skills development and the localization of leadership and supervisory roles. This is supported by ongoing labor market reforms aiming at expanding job opportunities for Omanis across all sectors.

## Recent developments

Real GDP growth reached 1.7 percent in 2024, reflecting growth in non-oil activities and gas production. Growth accelerated in 2025,

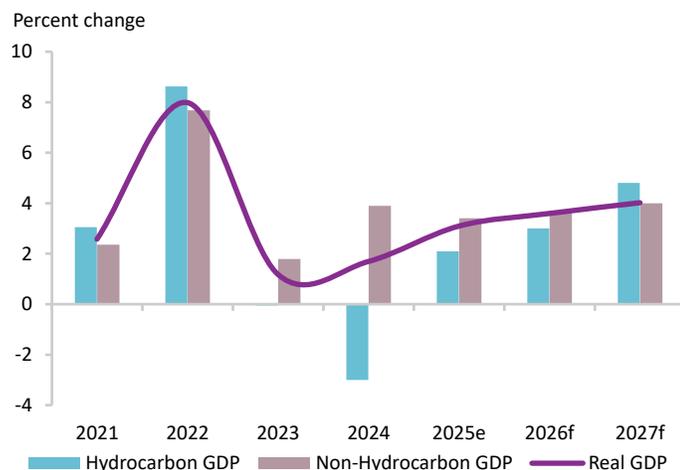
Population <sup>1</sup> million	Poverty
5.3	..
Life expectancy at birth <sup>2</sup> years	School enrollment <sup>3</sup> primary (% gross)
80.0	95.6
GDP <sup>4</sup> current US\$, billion	GDP per capita <sup>5</sup> current US\$
106.9	20238.8

Sources: WDI, MFM0d, and official data. 1/ 2024. 2/ 2023. 3/ 2023. 4/ 2024. 5/ 2024.

reaching 2.5 percent during the first quarter (Q1). The non-oil sector grew by 3.9 percent in 2024 and 4.4 percent in Q12025, led by an expansion in the manufacturing, construction and services sectors. Within the hydrocarbon sector, oil activities contracted by 0.4 percent in Q12025, whereas natural gas activities grew by 9.5 percent. Oil production rose to 997,000 barrels/day in June 2025, reflecting the accelerating rolling-back of OPEC+ and voluntary output cuts. During the first half of the year, average headline inflation remained stable at 0.8 percent, with a decline in the food inflation rate being offset by a rise in transport and hospitality prices.

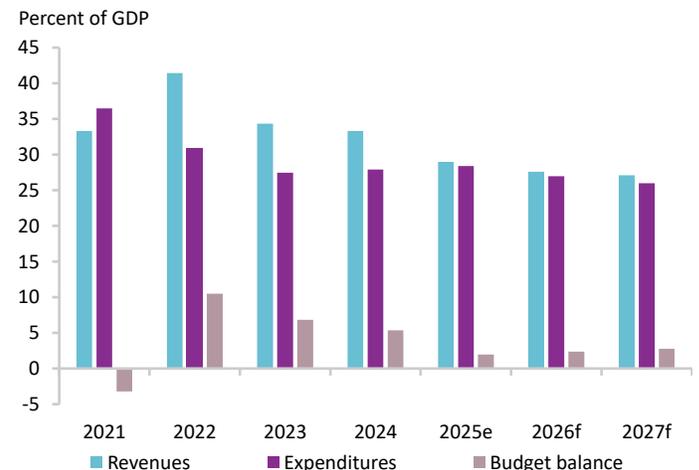
Fiscal pressures started manifesting in 2025, with the fiscal balance turning into a deficit of US\$673 million (around 1.2 percent of projected GDP) during the first half of the year (H12025). This deficit was primarily driven by lower oil prices and declining oil export revenues. Preliminary data show that total revenues fell from 30.5 percent of GDP in Q22024 to 25 percent of projected GDP in Q22025. To boost non-oil revenue and income redistribution, a personal income tax on high-income earners, expatriates, and larger business was introduced via royal decree in June 2025, effective January 2028. Meanwhile, public spending rose from 26.3 percent of GDP in Q22024 to 28.9 percent of

FIGURE 1 / Real annual GDP growth



Sources: Oman authorities, World Bank staff projections, and IMF projections.

FIGURE 2 / General government operations



Sources: Oman authorities and World Bank staff projections.

projected GDP in Q22025, mainly driven by increased capital expenditure. Oman's debt stock has declined due to voluntary debt buyback operations and early repayments. This has further contained debt-servicing costs and reduced public debt to 35.5 percent of GDP in 2024 (down from 37.5 percent in 2023). By the end of second quarter of 2025, public debt reached 14.1 billion rials (around 34 percent of projected GDP), down from 14.4 billion rials at the end of the same quarter in 2024.

The external position remains robust, underpinned by an increase in the current account surplus. This was driven by higher volumes of non-hydrocarbon exports (minerals, plastic and rubber products) and refined fuel exports from the new Duqm refinery, which are offsetting the impact of lower oil exports revenues. The value of non-oil exports increased to 15.5 percent of GDP in H12025, compared to 14.8 percent of GDP in H12024. Foreign direct investment (FDI) increased by 20.6 percent in Q12025, reaching 2.9 percent of GDP.

The employment and unemployment rates are estimated at 65.6 and 3.2 percent in 2024, respectively. Women and youth aged 15–24 continue to be the most vulnerable groups in the labor market, with the highest unemployment rates of 30.9 and 13.9 percent in 2024, respectively. Modeled ILO employment and unemployment estimates for 2025 and 2026 remain stable, but some uncertainty arise from oil price volatility and the implementation of labor market policies aimed at increasing employment among Omani citizens in the private sector.

## Outlook

Oman's growth prospects in the medium term will gain from the gradual unwinding of OPEC+ and voluntary oil output restrictions, which began in April 2025. Real GDP growth is estimated to reach 3.1 percent in 2025 with the increasing oil output and despite lower

global oil prices. Nonhydrocarbon growth will continue to be driven by growth in construction, manufacturing and services sectors. As per the Vision 2040, the government is expected to advance regulatory reforms to attract investments, encourage private sector-led growth notably in the above sectors, in addition to logistics, green hydrogen, renewable energy and mineral-processing activities. Inflation is estimated to reach 1.4 percent by end-2025 and projected to be around 2 percent in the medium term, as private consumption is expected to increase with falling interest rates, but will continue benefitting from the stabilizing effect of the currency peg to the US dollar as a credible monetary policy anchor.

The fiscal position is expected to weaken markedly due to lower oil prices and government revenues in 2025 and 2026 but is projected to improve in 2027 thanks to expenditure consolidation, while revenues continue to fall. Public debt is expected to remain high over the medium term.

On the external front, the current account balance is expected to remain in surplus, although declining due to lower oil prices. FDI inflows are projected to increase reflecting ongoing efforts to improve the business environment and the expansion of regional investments, in addition to the free trade agreements currently under negotiations.

Risks to the outlook are broadly balanced amidst elevated uncertainty. Key downside risks arise from a further decline in global oil prices, which could prompt cuts to capital spending. The economic impact of the additional US tariffs is expected to be limited given the low share of exports to the US in the exports' basket and the exemption of energy products from the recent blanket tariff. Yet, wider global economic uncertainty could constrain demand growth for Omani exports such as gas, chemicals and metals. On the upside, higher oil production, and the advancement of reforms aimed at supporting economic diversification and private sector participation, could further spur growth.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	8.0	1.2	1.7	3.1	3.6	4.0
Private consumption	7.1	5.4	3.3	2.8	2.7	2.8
Government consumption	0.9	4.0	2.0	2.9	2.5	2.4
Gross fixed capital investment	1.8	2.2	2.6	3.0	3.7	3.9
Exports, goods and services	9.1	1.9	1.5	3.1	4.1	4.7
Imports, goods and services	7.6	1.6	1.8	2.4	3.0	3.0
<b>Real GDP growth, at constant factor prices</b>	7.9	1.4	1.7	3.1	3.6	4.0
Agriculture	6.8	5.9	2.8	3.2	3.4	3.8
Industry	8.0	-0.2	2.6	3.0	3.6	3.8
Services	7.8	3.0	0.6	3.3	3.5	4.3
<b>Employment rate (% of working-age population, 15 years+)</b>	66.7	67.3	67.3	67.3	67.3	67.3
<b>Inflation (consumer price index)</b>	2.5	1.0	0.6	1.4	1.7	1.9
<b>Current account balance (% of GDP)</b>	4.0	2.5	2.2	0.8	0.7	1.2
<b>Net foreign direct investment inflow (% of GDP)</b>	4.5	2.2	4.6	4.8	5.0	5.1
<b>Fiscal balance (% of GDP)</b>	10.5	6.9	6.3	0.5	0.6	1.0
<b>Revenues (% of GDP)</b>	41.4	34.3	34.3	29.0	27.6	27.1
<b>Debt (% of GDP)</b>	41.7	37.5	35.5	35.7	35.7	36.1
<b>Primary balance (% of GDP)</b>	13.0	9.4	8.5	2.7	2.6	3.1
<b>GHG emissions growth (mtCO2e)</b>	6.3	4.6	3.3	4.4	0.4	0.5

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.  
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

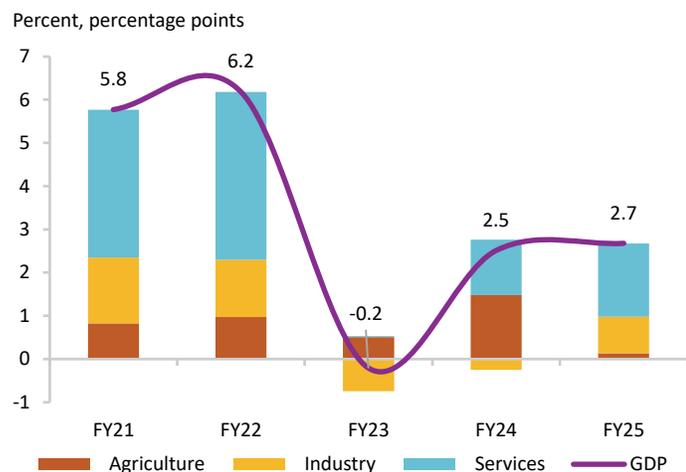
# PAKISTAN

Pakistan has achieved macroeconomic stabilization with declining inflation, rising reserves, and fiscal consolidation. Modest industrial growth and low food inflation have slightly reduced poverty. Economic growth was expected to strengthen, yet unfolding catastrophic floods create uncertainty, potentially lowering growth and affecting fiscal consolidation. Flood impacts will need to be managed amid ongoing risks, including limited fiscal space, and high external financing needs.

## Key conditions and challenges

In FY25, policy efforts stabilized Pakistan's economy despite a challenging global environment. Multilateral and bilateral inflows helped close the financing gap, restore confidence, and ease import restrictions. Industry and services supported growth, while agriculture underperformed. Economic growth remained fragile, dependent on the continued implementation of prudent macro-fiscal policies and a flexible, market-determined exchange rate. Ongoing catastrophic floods are expected to significantly disrupt economic activity, potentially slowing economic growth and affecting fiscal consolidation due to urgent relief needs. Additional risks include delays in structural reforms, volatile global trade, further climate shocks, and limited fiscal and external buffers. On the upside, sustained fiscal discipline and timely implementation of structural reforms under the Prime Minister's Economic Transformation Agenda and Implementation Plan and Uraan Pakistan, along with reducing the state's economic footprint and regulatory simplification would boost growth and employment, including for youth and women.

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



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

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$4.20/day
<b>251.3</b>	<b>101.5</b>
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
<b>67.6</b>	<b>82.7</b>
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
<b>371.8</b>	<b>1479.5</b>

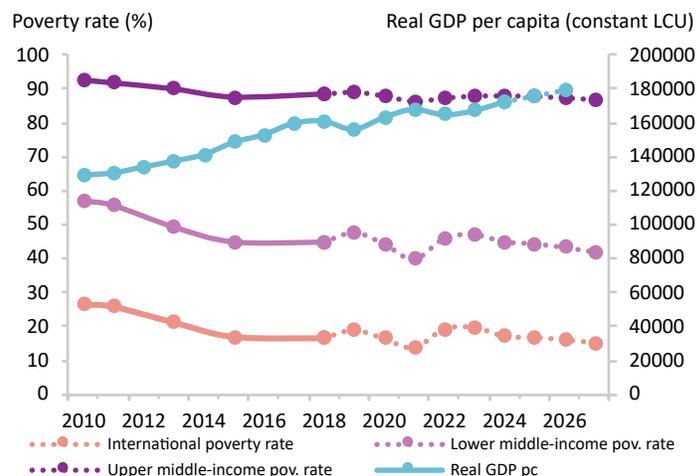
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2018 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2024. 6/ 2024.

## Recent developments

Real GDP at factor cost is expected to have grown by 2.7 percent y-o-y in FY25, slightly above FY24's 2.5 percent expansion. Agriculture, employing 37 percent of the labor force, grew 0.6 percent due to droughts, pest infestations, and high base effects from FY24. Industry, employing 24 percent of the workforce, rebounded by 4.8 percent, driven by increased electricity production and construction in the final quarter. Services, employing 39 percent of the workforce, expanded by 2.9 percent, constrained by weak spillovers from agriculture and underperformance in large-scale manufacturing. Poverty at the \$4.20 2021 PPP international threshold fell to 45 percent in FY25 from 47.1 percent in FY24, driven by higher labor incomes in construction and logistics, along with low food inflation.

The external position strengthened in FY25 due to record-high official remittances. The current account recorded a surplus of 0.5 percent of GDP, the highest in two decades, compared to a 0.6 percent deficit in FY24. Imports rose due to stronger demand, base effects, and eased import controls. Investment-related imports in power, textiles, and mining added to import growth. Remittances,

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



Source: World Bank. Notes: See footnotes in table on the next page.

combined with new external financing, contributed to a balance of payments surplus of 0.9 percent of GDP, and gross reserves rose to USD 15.8 billion (2.5 months of import cover) by end-June 2025.

Headline inflation decelerated to 4.5 percent y-o-y from 23.4 percent in FY24. Food inflation eased due to adequate supply and lower global commodity prices, while energy inflation declined as electricity tariffs stabilized. Core inflation moderated with lower transportation and production costs. Lower food prices improved the purchasing power of the poor. The policy rate was cut from 20.5 percent in July 2024 to 11.0 percent, though real interest rates remained elevated.

The fiscal deficit narrowed to 5.4 percent of GDP from 6.9 percent in FY24, supported by revenue growth and restrained spending. Total revenues rose to 15.7 percent of GDP, with tax receipts at 12.2 percent, reflecting higher income tax rates, fewer goods and services tax (GST) exemptions, and stronger collection. Non-tax revenues benefited from a one-time State Bank of Pakistan profits transfer. Total expenditure increased to 21.1 percent of GDP from 19.5 percent in FY24, mainly from higher provincial development spending. As revenue growth outpaced expenditures, the primary fiscal surplus more than doubled to a record 2.4 percent of GDP.

## Outlook

Real GDP growth was projected to accelerate to 3.4 percent in FY26 and 3.6 percent in FY27, supported by higher agricultural output, lower inflation and interest rates, recovering consumer and

business confidence, and a rebound in private consumption and investment. These gains were expected on the back of tight fiscal and monetary policies aimed at rebuilding buffers and reducing risks from domestic imbalances and global trade. However, ongoing catastrophic floods have introduced significant uncertainty, with the full extent of the damage still to be determined. Early estimates suggest at least a 10 percent drop in agricultural output in Punjab, affecting major crops such as rice, sugarcane, cotton, wheat, and maize. Without broader industrial and services spillovers and assuming a modest increase in development spending, this could reduce FY26 real GDP growth to 2.6 percent. Disrupted food supply may push inflation above 7 percent, higher than previously projected, easing gradually over the medium term.

Under the flood scenario, the current account deficit could reach 0.1 percent of GDP in FY26, with remittances and lower oil prices offsetting export losses and higher food imports. The fiscal deficit could rise to 5.5 percent of GDP with modest flood-related spending. Medium-term deficit reduction will depend on revenue mobilization, agricultural recovery, interest costs, and rationalizing expenditures.

Poverty is expected to edge down to 44 percent in FY26 and 43 percent in FY27. Faster, sustained reductions will hinge on structural reforms and stronger growth, particularly in agriculture, which many poor households depend on for income and cushion against shocks. Ongoing floods could jeopardize poverty reduction, highlighting the need for robust social protection measures to prevent lasting welfare erosion that could lead to long-term human development setbacks.

## Recent history and projections

	2021/22	2022/23	2023/24	2024/25e	2025/26f	2026/27f
<b>Real GDP growth, at constant market prices</b>	4.8	-0.4	3.0	4.8	2.6	3.4
Private consumption	7.0	2.0	6.0	4.3	3.3	4.0
Government consumption	-1.3	-3.9	-8.7	11.7	1.1	1.8
Gross fixed capital investment	4.6	-16.1	-1.8	10.3	3.3	4.3
Exports, goods and services	5.9	2.9	-1.3	-1.2	1.6	2.3
Imports, goods and services	11.0	0.6	5.8	5.2	4.5	4.8
<b>Real GDP growth, at constant factor prices</b>	6.2	-0.2	2.5	2.7	2.6	3.4
Agriculture	4.2	2.2	6.4	0.6	0.8	3.4
Industry	7.0	-3.9	-1.4	4.8	2.7	3.2
Services	6.7	0.0	2.2	2.9	3.3	3.5
<b>Employment rate (% of working-age population, 15 years+)</b>	49.7	49.7	49.7	49.7	49.7	49.7
<b>Inflation (consumer price index)</b>	12.2	29.2	23.4	4.5	7.2	6.8
<b>Current account balance (% of GDP)</b>	-4.7	-1.0	-0.6	0.5	-0.1	-0.5
<b>Net foreign direct investment inflow (% of GDP)</b>	0.5	0.2	0.6	0.6	0.6	0.6
<b>Fiscal balance, including grants (% of GDP)</b>	-7.8	-7.8	-6.8	-5.4	-5.5	-5.3
<b>Revenues (% of GDP)</b>	12.1	11.6	12.6	15.7	15.6	15.1
<b>Debt (% of GDP)</b>	80.6	81.8	73.1	75.4	75.7	74.9
<b>Primary balance, including grants (% of GDP)</b>	-3.1	-0.9	0.9	2.4	0.8	0.7
<b>National poverty rate (%)<sup>1,2,4</sup></b>	18.3	24.8	25.3	22.5	22.2	21.3
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2,3</sup></b>	13.8	19.3	19.8	17.2	16.8	16.1
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2,3</sup></b>	39.9	45.9	47.1	45.0	44.4	43.3
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2,3</sup></b>	86.4	87.3	87.9	87.9	87.8	87.4
<b>GHG emissions growth (mtCO2e)</b>	1.9	0.9	3.8	4.1	4.2	4.1

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on SAR-POV harmonization, using 2018-HIES. Actual data: 2018. Nowcast: 2019-2024. Forecasts are from 2025 to 2027.

2/ Poverty projections based on microsimulations using 2018-HIES and aggregate macroeconomic indicators (see Barriga-Cabanillas et al (2025)).

3/ Updated global poverty lines based on 2021 purchasing power parities (PPP).

4/ National poverty line is PKR 3,030 per adult equivalent in 2013/14 or PKR 8,231 in 2024 prices.

# PALESTINIAN TERRITORIES

The Middle East conflict, centered in Gaza, now nearing its second year, has caused the worst economic disruption in the Palestinian territories in over thirty years. Gaza's economy is paralyzed, and its humanitarian crisis is at critical levels. Meanwhile, spillover effects in the West Bank have led to massive job losses, crippled services, and deepened the fiscal crisis. The outlook hinges on the timing of a ceasefire, reconstruction, and the level of Israeli restrictions.

## Key conditions and challenges

Even before the recent conflict, the economic potential of the Palestinian territories was heavily curtailed by movement and access restrictions relating to the Israeli occupation of the West Bank (the Government of Israel states that these measures exist to safeguard its security and that of its citizens), and a near-total blockade in Gaza. Intermittent reform efforts by the Palestinian Authority (PA), and the internal divide between the West Bank and Gaza further stifled growth. As a result, the economy has been heavily aid-dependent, lacking sustained growth drivers beyond short-lived consumption rebounds. The labor market has been unable to absorb new entrants, heavily reliant on Israeli employment and polarized between low- and high-skill jobs.

The current conflict has exacerbated these challenges, widening disparities in living standards: by end-2024, Gaza's real income per capita fell below US\$200, just 5 percent of the West Bank's. World Bank data show an 11 percent drop in the Palestinian

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$8.30/day
5.3	1.5
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
65.2	92.1
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
13.7	2592.3

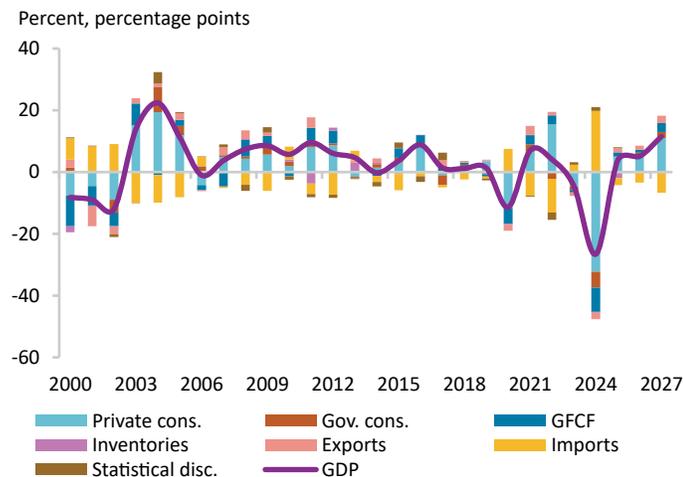
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2023 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

Gross National Income (GNI) per capita in 2023, and a further 26 percent in 2024. Consequently, the territories have shifted from upper-middle income status prior to the conflict to lower-middle income classification.

## Recent developments

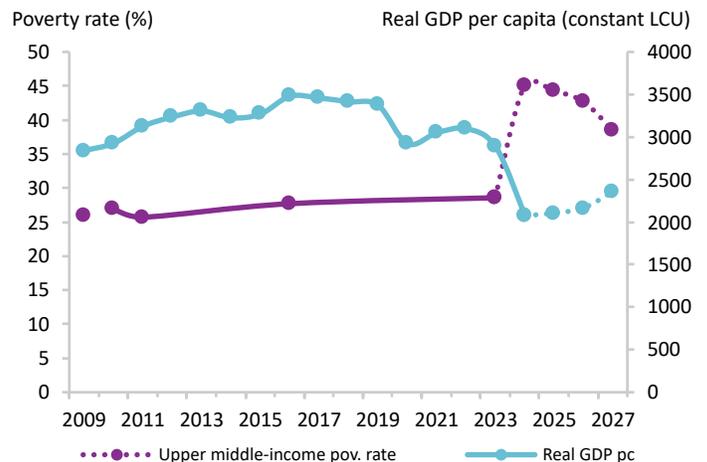
Following a sharp decline in 2024, the West Bank economy showed timid signs of improvement in Q1 2025—growing 10 percent year-on-year, due to a low base effect and a pickup in private consumption following a modest increase in the number of Palestinian workers employed in Israel. A two-month ceasefire in Gaza in Q1 2025 also helped boost consumer confidence in the West Bank. Gaza's economy, however, remains devastated. After contracting by 83 percent in 2024, it further contracted by 12 percent in Q1 2025, year-on-year. The conflict has significantly diminished Gaza's economic contribution, reducing its share of the overall Palestinian economy from 17 percent pre-conflict to less than 3 percent, despite hosting nearly 40 percent of the population.

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



Sources: Palestinian Central Bureau of Statistics and World Bank estimates.

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



Source: World Bank. Notes: See footnotes in table on the next page.

Following the early-2025 ceasefire, increased aid and food inflows into Gaza led to a temporary decline in the Consumer Price Index (CPI) for two consecutive months. However, with the ceasefire's end in March 2025 and the resumption of hostilities and restrictions, prices skyrocketed again. In August 2025, the CPI in Gaza increased by 78 percent year-on-year. In the West Bank, inflation remained relatively stable and slightly declined by 1.6 percent in August (year-on-year), reflecting subdued demand.

The PA's fiscal crisis deepened in 2025, due to Israel's suspension of clearance revenue transfers in recent months. Combined with declining domestic revenues and insufficient aid, this forced the PA to further cut public salary payments to 60 percent in May 2025 and 50 percent in June 2025, down from the 70 percent average since the conflict began. The PA resorted to additional borrowing from domestic banks, pushing public debt beyond the prudential limits set by the Palestine Monetary Authority, while arrears to public employees, the private sector and the pension fund also continued to accumulate.

By Q4 2024, labor force participation in Gaza had dropped to 30 percent and unemployment soared to 69 percent—women being disproportionately affected. Most remaining jobs were in public administration and retail, often in shelters or informal settlements, due to widespread destruction. In the West Bank, unemployment declined modestly to 29 percent in Q2 2025, down from a peak of 35 percent at the conflict's onset, supported by incremental improvements in the local economy and marginally higher employment of Palestinians in Israel.

In this context, poverty has risen sharply. The national poverty rate at the international line of \$8.30/day (2021 PPP) rose from 28.6 percent in 2023 to 45 percent by end-2024, the highest rate in over

two decades. In Gaza, nearly the entire population has been living in poverty since 2024, due to the conflict.

## Outlook

The Palestinian economy is projected to grow by 3.9 percent in 2025, under the baseline scenario. In Gaza, fixed asset losses will constrain activity through the medium term, while growth in the West Bank will hinge largely on labor mobility both within the territories and into the Israeli labor market. If reconstruction starts in late 2026, recovery would gain traction. But, even with these assumptions, GDP is not anticipated to return to pre-conflict levels soon, given estimated recovery and reconstruction needs of US\$53.2 billion in Gaza. Consequently, poverty is expected to remain high, reaching over 44 percent by end-2025.

On the fiscal front, despite high uncertainty, the baseline assumes a return of clearance revenue transfers to pre-conflict levels by late 2026, alongside a gradual uptick in domestic tax collection as economic activity rebounds. These factors, coupled with continued fiscal consolidation efforts by the PA, should improve the deficit trajectory over the medium term.

The outlook remains highly contingent on the reinstatement of a ceasefire, entrance of large-scale aid flows to Gaza, the post-conflict governance framework for Gaza, and the resumption of regular clearance revenue transfers. Downside risks remain elevated, amid shifting regional and global geopolitical dynamics. Escalating tension and violence in the West Bank, along with threats to potential territorial changes, pose additional risks to economic stability and poverty dynamics.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	4.1	-4.6	-26.6	3.9	5.1	11.6
Private consumption	17.7	-4.6	-32.5	5.5	5.9	11.8
Government consumption	-9.3	-5.5	-25.0	-0.1	4.2	9.8
Gross fixed capital investment	12.2	-3.4	-30.7	5.9	3.7	12.1
Exports, goods and services	5.9	-6.0	-11.1	5.9	5.8	10.3
Imports, goods and services	19.7	-3.7	-31.1	3.9	5.7	11.1
<b>Real GDP growth, at constant factor prices</b>	1.4	-7.2	-26.6	3.9	5.1	11.6
Agriculture	-5.6	-11.0	-21.0	4.5	5.8	11.0
Industry	3.5	-14.6	-32.2	5.5	6.3	13.1
Services	1.6	-4.8	-25.7	3.4	4.8	11.3
<b>Employment rate (% of working-age population, 15 years+)</b>	34.0	30.4	19.6	29.2	32.4	33.4
<b>Inflation (consumer price index)</b>	3.7	5.9	53.7	26.2	3.0	3.0
<b>Current account balance (% of GDP)</b>	-10.6	-13.0	-21.1	-15.5	-11.5	-10.4
<b>Net foreign direct investment inflow (% of GDP)</b>	2.0	1.6	1.7	1.7	1.6	1.4
<b>Fiscal balance (% of GDP)</b>	-1.8	-3.8	-9.5	-8.7	-7.5	-6.6
<b>Revenues (% of GDP)</b>	27.2	26.2	28.7	26.5	27.0	27.3
<b>Debt (% of GDP)</b>	53.1	59.0	81.5	90.2	91.3	87.7
<b>Primary balance (% of GDP)</b>	-1.1	-3.2	-8.5	-8.1	-6.4	-5.5
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	..	28.6	45.0	44.3	42.7	38.5

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2023-PECS. Actual data: 2023. Nowcast: 2024. Forecasts are from 2025 to 2027.

2/ Projection using neutral distribution (2023) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

# QATAR

Qatar is accelerating diversification under the Third National Development Strategy (NDS3) and towards a knowledge-driven economy. Momentum strengthened in 2025 with robust non-hydrocarbon growth, low inflation, and resilient external balances, despite a small fiscal deficit amid weaker hydrocarbon revenues. Medium-term growth is supported by expansion in LNG output, but risks arise from the global economic slowdown, geopolitical tensions, and trade vulnerabilities.

## Key conditions and challenges

Qatar is undergoing a strategic transformation aimed at building a diversified, knowledge-driven economy. This shift is anchored in the NDS3, launched in January 2024, which focuses on stimulating private sector growth and accelerating economic diversification. These efforts are reinforced by the digital agenda 2030, which was introduced in March 2024 to advance digital innovation, entrepreneurship, and e-government services and supported by a US\$2.5 billion government investment package in AI.

Parallel investments in clean technologies, carbon capture, and green hydrogen target a 25 percent reduction in greenhouse gas emissions by 2030.

Despite these initiatives, the economy remains heavily reliant on liquefied natural gas (LNG), leaving it exposed to fluctuations in global energy prices and external shocks, including geopolitical tensions. While non-hydrocarbon sectors (education, tourism, and manufacturing, mainly petrochemicals, fertilizers, and steel) have shown notable growth, achieving a

Population <sup>1</sup> million	Poverty
3.1	..
Life expectancy at birth <sup>2</sup> years	School enrollment <sup>3</sup> primary (% gross)
82.4	95.0
GDP <sup>4</sup> current US\$, billion	GDP per capita <sup>5</sup> current US\$
219.2	71054.0

Sources: WDI, MFMMod, and official data. 1/ 2024. 2/ 2023. 3/ 2022. 4/ 2024. 5/ 2024.

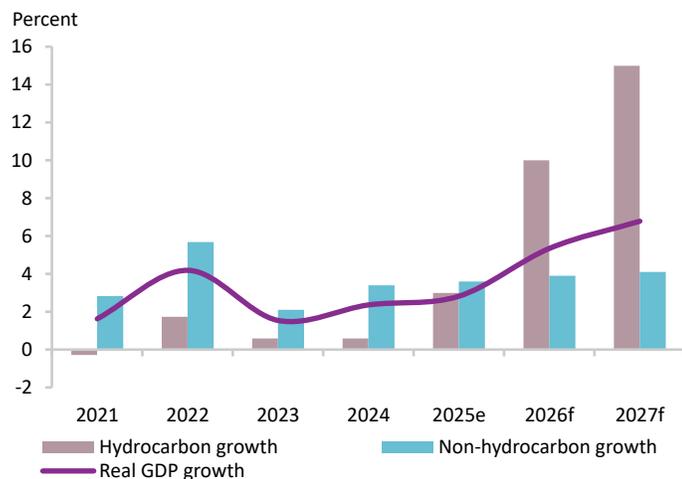
meaningful shift away from hydrocarbons remains the country's central challenge.

Global trade tensions and tariff measures are expected to have limited direct impact on Qatar, as LNG—its primary export to the United States—is exempt from tariffs, and the US market accounts for a small share of total exports. However, broader global trade uncertainty, particularly if it dampens demand from major trading partners notably China, could negatively affect export earnings.

## Recent developments

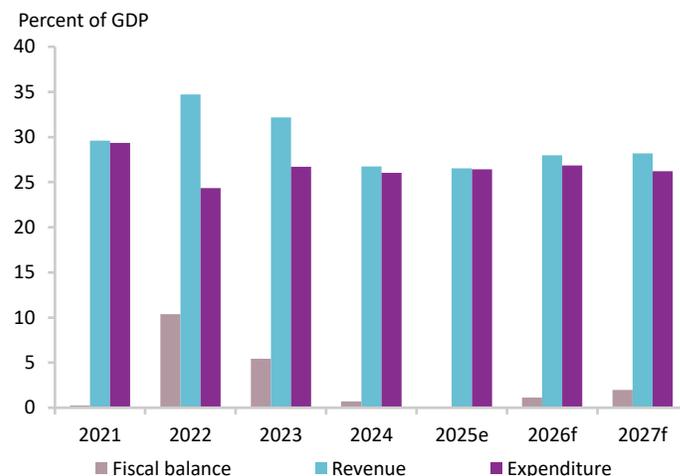
Following a modest real GDP growth of 2.4 percent year-on-year (y/y) in 2024, Qatar's economy strengthened in mid-2025, expanding by 3.4 percent in the first half of 2025 (H1-25). This acceleration was driven by a 5.3 percent increase in non-hydrocarbon activity, led by robust gains in accommodation and food services (13.6 percent), wholesale and retail trade (11.6 percent), and real estate (4 percent). Hydrocarbon output rose by 0.1 percent y/y, reflecting broadly stable production as the North Field expansion progresses. Business sentiment is evolving positively, with the Purchasing Managers' Index (PMI) (52 in June 2025) signaling

FIGURE 1 / Annual real GDP growth



Sources: Qatar authorities and World Bank staff estimates.

FIGURE 2 / Fiscal balance



Sources: Qatar authorities and World Bank staff estimates.

the strongest non-energy private sector expansion since March. Inflation remained subdued at 0.7 percent in July 2025 y/y, supported by subsidies, price controls, and the Qatari riyal's peg to the US dollar.

On the fiscal side, Qatar's fiscal balance shifted into a deficit of 0.3 percent of GDP in the first half of 2025 (H1-25), its first in over three years, compared to a 1.2 percent surplus a year earlier. This was mainly due to a 13.5 percent drop in hydrocarbon revenue, which still accounts for over 80 percent of government income, alongside a 1.7 percent increase in government spending, driven largely by a 7.2 percent rise in the wage bill. Strong nonhydrocarbon revenue growth of 31.5 percent (primarily driven by investment income from public enterprises and corporate income tax) helped to partially offset the decline in hydrocarbon receipts, highlighting Qatar's ongoing efforts to diversify fiscal revenue.

External balances remained resilient. The current account surplus stood at 15.6 percent of GDP in Q1-2025, underpinned by strong tourism and transportation services. The trade balance recorded a surplus of 28.9 percent of GDP in Q1-2025, surging by 5.4 percent y/y, owing to a wider services surplus, while remittance outflows remained stable. Net foreign direct investment (FDI) outflows increased to 4.7 percent of GDP in Q1-2025, up from 1.2 percent a year earlier, weighing on the financial account. International reserves rose to US\$71.2 billion in July 2025, a 3.3 percent increase from a year earlier.

The labor market remained stable, with an unemployment rate of only 0.13 percent in 2024. Employment rates stood at 91 percent for non-Qataris and 54.2 percent for Qataris in 2023. Labor force participation was 64 percent for women and 95 percent for men in the same year. No significant labor market shifts are anticipated in 2025–2026 years based on the modelled estimates from the ILO, although strong growth acceleration in 2027 may expand economic opportunities.

## Outlook

Qatar's medium-term economic outlook is strong, underpinned by LNG expansion. Real GDP growth is projected to reach 2.8 percent in 2025, rising to 5.3 percent in 2026 and peaking at 6.8 percent in 2027. Hydrocarbon output will drive much of this expansion, growing from 3 percent in 2025 to 15 percent in 2027, as the North Field expansion boosts LNG production by nearly 50 percent to 118 million tons per annum by 2027. Non-hydrocarbon growth will remain robust, rising to 3.6 percent in 2025 and averaging 4 percent between 2026 and 2027, supported by tourism, spillovers from LNG investments, and the continuation of structural reforms. Inflation is expected to edge up to 1.2 percent in 2025 due to higher food prices and the impact of a weaker US dollar which will be reflected in higher imported inflation and averaging around 2 percent in 2026–27. The currency peg to the US dollar will continue to provide a strong nominal anchor.

Fiscal and external balances are expected to remain in surplus albeit at lower levels than in previous years due to softer hydrocarbon prices. Fiscal accounts are expected to achieve a modest surplus of 0.1 percent of GDP in 2025 and then average 1.5 percent of GDP during 2026–27, as higher LNG earnings and prudent fiscal management support revenue. The current account surplus is projected at 10.5 percent of GDP in 2025 and will likely exceed 10 percent in 2026–27 as LNG production ramps up. Government debt is expected to decline gradually, and international reserves will remain strong.

Qatar faces downside risks from a deeper global economic slowdown that could weaken energy demand and LNG prices amid potential supply surpluses. Geopolitical tensions, and increased trade exposure to China add to those vulnerabilities, though the scale of upcoming LNG expansion, strong tourism and domestic investments provide some resilience against these challenges.

### Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	4.2	1.5	2.4	2.8	5.3	6.8
Private consumption	3.6	1.3	2.0	2.5	2.4	3.3
Government consumption	4.9	2.7	2.9	3.3	3.4	3.5
Gross fixed capital investment	3.8	2.4	2.9	3.3	4.4	5.8
Exports, goods and services	5.4	2.0	1.4	2.9	7.3	10.6
Imports, goods and services	8.1	5.6	3.3	3.2	4.5	7.6
<b>Real GDP growth, at constant factor prices</b>	4.1	1.6	2.3	2.8	5.3	6.8
Agriculture	7.7	5.4	1.0	2.4	3.9	2.9
Industry	1.7	1.1	1.0	2.5	5.2	7.2
Services	7.6	2.3	4.2	3.2	5.3	6.4
<b>Employment rate (% of working-age population, 15 years+)</b>	87.3	87.6	87.4	87.2	87.6	88.0
<b>Inflation (consumer price index)</b>	5.0	3.1	1.1	1.2	1.9	2.0
<b>Current account balance (% of GDP)</b>	26.8	16.8	17.4	10.5	9.8	10.7
<b>Net foreign direct investment inflow (% of GDP)</b>	1.0	0.1	0.5	-0.4	-0.5	-0.5
<b>Fiscal balance (% of GDP)</b>	10.4	5.4	0.7	0.1	1.1	2.0
<b>Revenues (% of GDP)</b>	34.7	32.2	26.7	26.5	28.0	28.2
<b>Debt (% of GDP)</b>	42.6	42.8	41.3	40.4	39.6	37.9
<b>Primary balance (% of GDP)</b>	10.4	5.4	0.7	0.1	1.1	2.0
<b>GHG emissions growth (mtCO2e)</b>	3.4	0.8	1.7	2.4	4.2	5.5

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.  
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

# SAUDI ARABIA

Saudi Arabia's economy is set to strengthen, supported by a recovering oil sector and steady expansion in services. However, fiscal pressures rose due to a decline in oil revenues, causing a widening deficit. Recent data show non-oil activity leading GDP gains, unemployment falling, and the external position stabilizing, but near-term risks stem from oil price fluctuations, global trade protectionism, and regional tensions that could deter investment and disrupt supply chains.

## Key conditions and challenges

Saudi Arabia faces risks from global oil price and production fluctuations. Global economic uncertainty and a resulting economic slowdown, especially in key trading partners like China, could put downward pressure on oil prices. Meanwhile, OPEC+ has started phasing out the voluntary oil production cuts since April 2025 at an accelerated pace, again putting downward pressure on oil prices. Fiscal pressures have been rising in 2025, and further decline in oil prices remains a key risk.

Potential indirect risks stemming from regional conflicts warrant close monitoring. Such instability tends to heighten uncertainty in the investment climate, discouraging foreign direct investment and delaying capital inflows. It can also disrupt vital oil supply chains, driving up transportation and production costs. Collectively, these dynamics could constrain economic growth and weaken the region's competitiveness.

Population <sup>1</sup> million	Poverty
<b>35.3</b>	..
Life expectancy at birth <sup>2</sup> years	School enrollment <sup>3</sup> primary (% gross)
<b>78.7</b>	<b>102.7</b>
GDP <sup>4</sup> current US\$, billion	GDP per capita <sup>5</sup> current US\$
<b>1239.8</b>	<b>35121.7</b>

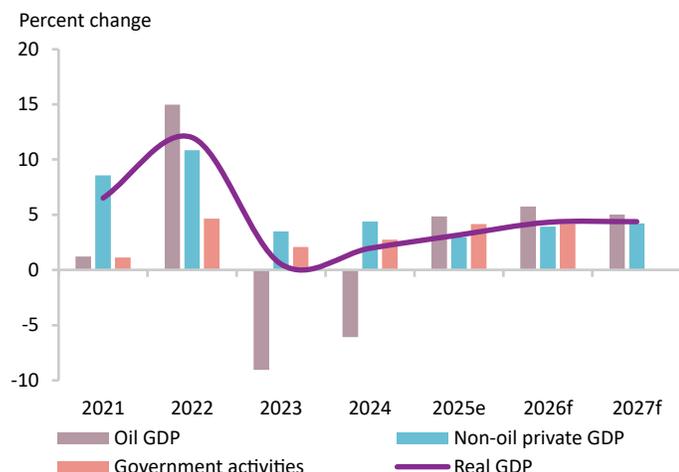
Sources: WDI, MFMod, and official data. 1/ 2024. 2/ 2023. 3/ 2022. 4/ 2024. 5/ 2024.

## Recent developments

Real GDP grew by 3.9 percent in the first half of 2025 compared to the same period in 2024, driven mainly by non-oil activities (+4.8 percent) while the oil sector recovered (+1.7 percent). After a brief contraction in Q1-2025 y/y, oil GDP grew by 3.8 percent in Q2, driven by the phasing out of OPEC+ production cuts from April onward at an accelerated pace. Non-oil growth was driven by services, particularly government services (+3.2 percent in Q1) and wholesale, retail trade, restaurants, and hotel sector (+8.4 percent).

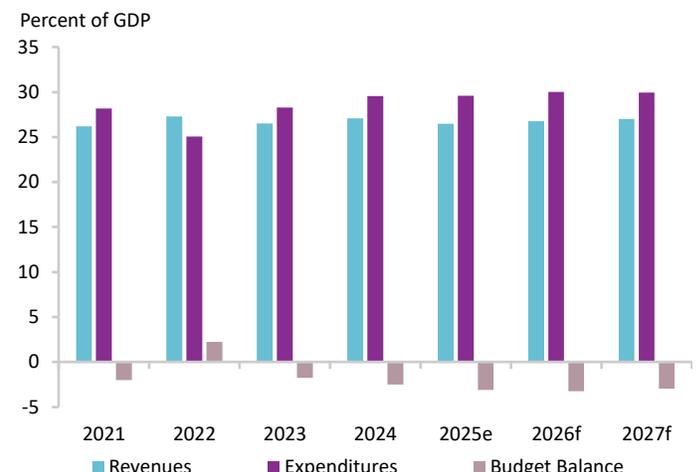
Fiscal pressures increased in 2025, with the central government's deficit widening to 5 percent of quarterly GDP in Q1-2025, up from 1.1 percent in Q1-2024. The decrease in government expenditures by 2.4 percent in H1-2025 was largely insufficient to compensate for the drop of revenue by 12.6 percent, caused by the decline of public oil revenue by 23.6 percent over the same period. Non-oil public revenue increased by 4.6 percent in H1-2025. On the expenditure side,

FIGURE 1 / Annual real GDP growth



Sources: GASTAT Saudi Arabia and World Bank staff estimates.

FIGURE 2 / Central government operations



Sources: GASTAT Saudi Arabia and World Bank staff estimates.

the government reduced operation expenses, cutting down on the purchase of general items (-26.5 percent), non-financial assets (-31.9 percent), and funding for municipal services (-25.1 percent), while propping up social benefits (+10.4 percent) and the wage bill (+3.3 percent).

Inflation remains low at 2.2 percent in H1-2025, stabilized by the exchange rate peg to the US dollar and subsidies to key sectors. Inflation was mainly driven by rising prices of housing, water, electricity, gas, and other fuels (+7 percent y/y in H1-2025), while food prices remained contained (+1.5 percent) and those of furnishings, household equipment, and maintenance (-2.3 percent) and communication (-1.5 percent) declined.

Saudi Arabia's external position stabilized. The current account deficit narrowed from 0.7 percent of GDP in H2-2024 to -0.1 percent of quarterly GDP in Q1-2025, thanks to the improvement of the trade balance from 0.3 percent of GDP to 1.2 percent. The kingdom's financial account remained broadly stable, with net FDI at 1.9 percent of GDP and remittance outflows increasing from 3.9 percent of GDP to 4.2 percent.

Employment statistics in Q1-2025 send strong and positive signals about the labor market. Unemployment settled at 2.8 percent in Q1-2025, against 3.5 percent on average in 2024. The same improvement is measured irrespective of nationalities and is mainly due to decreasing unemployment rates for women (-3.7 percentage points y/y) and for young people (-1.2 percentage points for 24–35 years old). Women labor market participation increased by 3.1 percentage points in Q1-2025,

marking further progress toward more gender balance in the Saudi labor market.

## Outlook

Despite the challenges ahead, the Saudi economy is projected to grow by 3.2 percent in 2025 and an average of 4.4 percent in 2026–2027, supported by both the oil and non-oil sectors. Following two challenging years in 2023–2024, oil sector growth is expected to recover (4.9 percent in 2025, 5.4 in 2026–2027) helped by the gradual increase of oil production from 9.44 million bpd in 2025 to 9.98 million in 2026 and 10.48 million in 2027. The service sector is expected to continue expanding steadily, at an average rate of 4.9 percent in 2025–2027, thanks to sustained diversification efforts under Vision 2030 and large-scale investments in the leisure and tourism sectors.

The current account balance is projected to remain slightly negative in 2025 (-0.3 percent of GDP), before turning into surplus in 2026 and 2027. This is driven by the recovery of the country's trade balance thanks to increased oil production and exports. Additional improvements are expected from non-oil merchandise exports (11.4 percent in 2025–2027 against 9.7 percent in 2024), and services exports (9.2 percent against 4.5 percent).

The general government deficit is projected to widen to 3.1 percent in 2025 and remain stable at an average of 3.1 percent in 2026–2027. On the monetary side, inflation is projected to remain low and stable in coming years.

### Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	12.0	0.6	2.0	3.2	4.3	4.4
Private consumption	5.8	7.6	2.7	2.9	3.0	3.1
Government consumption	9.6	5.5	1.9	4.9	3.5	3.5
Gross fixed capital investment	19.7	9.4	1.6	3.7	3.9	4.4
Exports, goods and services	19.5	-7.0	2.0	5.3	7.3	6.9
Imports, goods and services	12.2	9.7	5.3	4.9	5.3	5.1
<b>Real GDP growth, at constant factor prices</b>	11.9	0.2	1.9	3.4	4.3	4.4
Agriculture	1.8	4.6	5.1	2.0	2.0	2.0
Industry	16.2	-3.5	-0.9	2.2	4.1	3.6
Services	7.9	4.2	4.7	4.6	4.7	5.3
<b>Employment rate (% of working-age population, 15 years+)</b>	60.1	60.8	60.3	60.3	60.3	60.3
<b>Inflation (consumer price index)</b>	2.5	2.3	2.1	2.3	2.2	2.0
<b>Current account balance (% of GDP)</b>	12.1	2.9	-0.5	-0.3	0.3	1.0
<b>Net foreign direct investment inflow (% of GDP)</b>	2.2	1.9	0.9	1.0	1.1	1.3
<b>Fiscal balance (% of GDP)</b>	2.2	-1.8	-2.5	-3.1	-3.3	-3.0
<b>Revenues (% of GDP)</b>	27.3	26.5	27.1	26.5	26.8	27.0
<b>Debt (% of GDP)</b>	21.3	23.0	26.2	25.6	27.6	26.3
<b>Primary balance (% of GDP)</b>	2.9	-0.9	-1.7	-2.3	-2.4	-2.1
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	6.1	3.7	-0.3	0.4	1.6	2.6

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.  
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

# SYRIAN ARAB REPUBLIC

In December 2024, opposition forces ousted President Bashar al-Assad, sparking hopes of ending a 14-year conflict that displaced over half the population and caused economic collapse and widespread poverty. While this change has renewed Syria's international engagement, the situation remains highly volatile. Reconstruction and investments could drive the economic recovery if security conditions improve, the country stabilizes, and state institutions are strengthened.

## Key conditions and challenges

The transitional government installed in December 2024 faces the enormous task of reversing Syria's economic collapse and restoring confidence following the civil war. With over 409,000 deaths, this was the deadliest conflict of this century according to the Uppsala Conflict Data Program. GDP shrank by 53 percent between 2010 and 2022, prompting the World Bank to classify Syria as a low-income country in 2018. Nighttime light data—a proxy for economic activity—suggests an even larger contraction.

The conflict triggered massive waves of displacement. As of December 2024, approximately 5.5 million Syrian refugees were residing in neighboring countries, with an additional 1.2 million in Europe. Over 7 million people were internally displaced, and nearly half of the population lived in poverty.

The combined impact of conflict and sanctions has profoundly reshaped Syria's economic structure. Tourism, energy, and manufacturing have been hit particularly hard, while Captagon

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$3.00/day
24.7	3.7
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
72.1	79.6
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
21.4	869.0

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

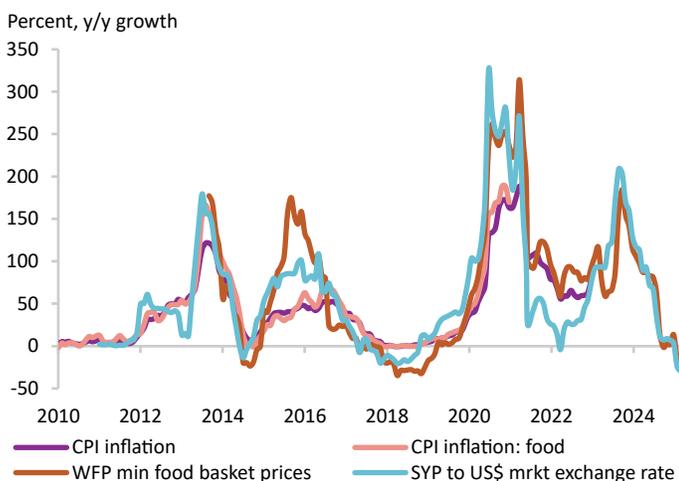
production and trafficking emerged as the economy's most valuable sector. Once the eastern Mediterranean's leading oil exporter, Syria has since been forced to rely on oil imports as domestic production dropped and non-state actors controlled operational fields. Dependence on food imports has also intensified, while the Syrian pound collapsed along with price stability.

## Recent developments

Opposition forces, led by Hayat Tahrir al-Sham, seized regime-held territories in a sweeping military operation in December 2024, bringing 78 percent of Syria's population and 60 percent of economic activity under the control of the transitional government. However, the transitional government controls only 9 percent of oil production, with the vast majority still under Syrian Democratic Forces (SDF).

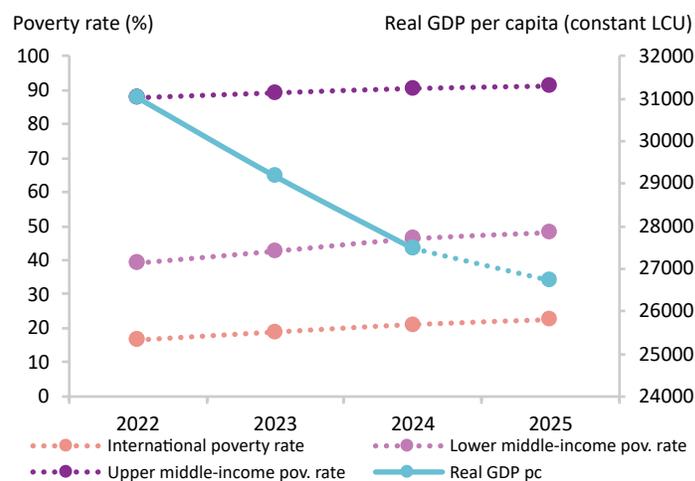
After the regime's fall, conflict dynamics shifted. Clashes between transitional government forces and armed groups

FIGURE 1 / Inflation and exchange rate movements



Sources: Central Bureau of Statistics Syria, World Food Program Market Price Watch Bulletin, and World Bank estimates.

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



Source: World Bank. Notes: See footnotes in table on the next page.

fueled sectarian violence in Latakia and Tartous in the West and Suwayda in the South-East. The violence in Suwayda also triggered fresh airstrikes by Israel including in Damascus in July 2025.

After a brief depreciation, the Syrian pound appreciated by about 29 percent between the pre-escalation level in late November 2024 and August 2025. The appreciation was driven by increased demand from returning Syrians and expatriates and the partial lifting of sanctions and foreign exchange controls. Syria's liquidity crisis persists as tight restrictions—including weekly withdrawal limits, suspended e-payments, and delayed government salaries—continue to strain cash availability.

After an initial spike, food prices have stabilized and since January 2025 started declining on a year-to-year basis. This followed the appreciation of the Pound, the removal of military checkpoints and the influx of cheaper imported goods, mainly from Türkiye.

The budget deficit remains significant at around 6 percent of GDP given the weak fiscal revenue capacity, the slowdown in economic activity and the persistence in recurrent expenditures. The deficit continues to put pressure on the high level of debt, particularly external (about 104 percent of GDP in 2024 according to Central Bank data).

Access to humanitarian assistance in Syria remains critically low. While the funding was up by 70 percent in the first 6 months of 2025 compared to the same period in 2024, mainly thanks to Turkish funding, it remains a third below 2023 levels.

## Outlook

Subject to extraordinarily high uncertainty, real GDP is projected to increase by 1.0 percent in 2025, after the 1.5 percent decline estimated in 2024. This would be the first—albeit modest—uptick in growth since 2022, supported by the easing of sanctions, increased electricity supply, returnees' economic contribution and growing international engagement. With a modest recovery, income per capita is estimated to contract in 2025 and extreme poverty to rise, as population growth outstrips the modest predicted income growth.

Syria's economic outlook is highly uncertain. Security challenges remain acute. Securing oil supply will be a major challenge for the government, as disrupted imports from Iran could raise fuel prices and inflation. While some sanctions have been eased, frozen assets and restricted access to international banking continue to impede trade and investment. The full implementation of sanction relief could enhance energy supply, foreign assistance, and humanitarian delivery. On the upside, reopened trade routes could facilitate the movement of goods and services and boost cross-border trade with neighboring countries.

Return movements have increased since the fall of the Assad regime. Around 780,000—12 percent of the 6.3 million Syrian refugees abroad—and 1.7 million—out of the 7.4 million Internally Displaced Persons—have returned since the regime change up until mid-August 2025 (UNHCR data). While returnees pose short-term challenges as they require assistance, their return could boost growth in the medium term, increasing aggregate demand and labor supply.

### Recent history and projections

	2022	2023	2024	2025e
<b>Real GDP growth, at constant market prices</b>	0.7	-1.2	-1.5	1.0
Private consumption	-11.4	8.8	-13.5	20.7
Government consumption	-49.4	25.6	20.4	13.7
Gross fixed capital investment	19.5	-9.1	37.0	-31.4
Exports, goods and services	30.7	23.5	-31.5	30.6
Imports, goods and services	-7.6	5.8	62.0	-38.0
<b>Real GDP growth, at constant factor prices</b>	0.7	-1.2	-1.5	1.0
Agriculture	-6.1	0.9	-3.0	0.0
Industry	-13.4	4.4	-1.0	1.0
Services	4.6	-2.4	-1.3	1.2
<b>Employment rate (% of working-age population, 15 years+)</b>	33.0	33.0	33.0	33.0
<b>Inflation (consumer price index)</b>	63.7	127.8	58.1	-12.7
<b>Current account balance (% of GDP)</b>	-12.2	-14.0	0.4	0.1
<b>Net foreign direct investment inflow (% of GDP)</b>	0.0	0.0	0.0	-0.9
<b>Fiscal balance (% of GDP)</b>	-6.8	-5.4	-5.4	-6.0
<b>Revenues (% of GDP)</b>	6.2	7.7	7.7	7.0
<b>Debt (% of GDP)</b>	37.2	34.3	30.3	14.9
<b>Primary balance (% of GDP)</b>	-3.4	-4.7	-1.6	-3.5
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	16.5	18.8	21.0	22.5
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	39.3	42.8	46.3	48.1
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	87.9	89.2	90.4	91.0
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-1.9	3.2	3.3	4.1

Source: World Bank, Poverty and Economic Policy Global Departments.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2022-HNAP. Actual data: 2022. Nowcast: 2023-2024. Forecasts are from 2025 to 2027.

2/ Projection using neutral distribution (2022) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

# TUNISIA

Tunisia's economy is expected to grow 2.6 percent in 2025, driven by increased agricultural and construction activity. At the same time, with limited external financing, elevated debt, and persistent fiscal risks, the outlook remains uncertain. To boost economic growth and job creation, sustain poverty reduction, and keep public debt at sustainable levels, it is important to engage in more ambitious fiscal reforms, improve the business environment, and facilitate competition.

## Key conditions and challenges

More than a decade after the 2011 revolution, Tunisia continues to face challenging economic conditions. Barriers to competition, limited access to finance, governance challenges, and low female labor force participation have resulted in a growth divergence from other middle-income countries. As private job creation stagnated, the state stepped in as an employer of last resort and price stabilizer. However, poverty reduction supported by the state without dynamic job creation is difficult to sustain. Furthermore, due to a limited external financing environment, the government tapped into financing from commercial banks and the Central Bank, which has likely crowded out credit to the rest of the economy and could affect the conduct of monetary policy.

Tunisia's growth prospects hinge on reform efforts to address economic distortions and reduce fiscal pressures. Priority actions could include making the tax system fairer and more efficient, improving public administration and state-owned enterprises (SOEs), and reducing barriers to business entry. Progress in these areas is critical to lay the foundation for sustainable and inclusive growth.

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$4.20/day
<b>12.3</b>	<b>0.3</b>
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
<b>76.5</b>	<b>103.5</b>
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
<b>51.3</b>	<b>4180.8</b>

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

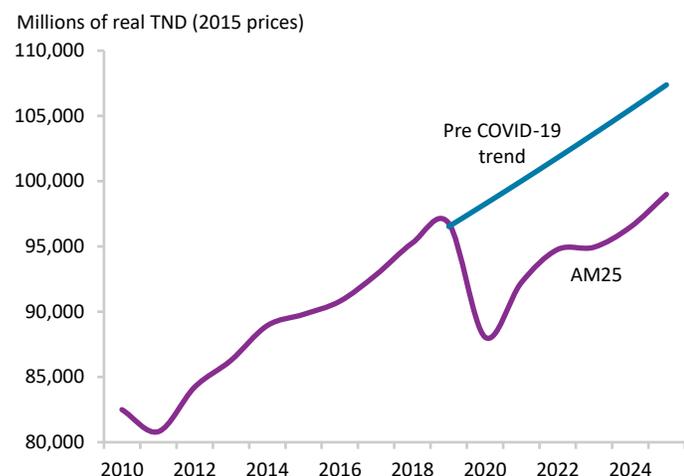
## Recent developments

Tunisia's growth has been modest and volatile since the sharp Covid-related contraction. After stalling in 2023 (0.2 percent growth) due to limited demand, drought, uncertain external financing conditions, and regulatory constraints, the economy slightly recovered in 2024 (1.6 percent growth). In the first half of 2025, however, economic growth picked up to 2.4 percent, driven by a recovery in the agricultural sector and increased construction activity.

Tunisia's external situation continued to improve in 2024. Growth in tourism revenues (+8.3 percent in 2023–24) and remittances (+11.2 percent) more than offset the increase in the merchandise trade deficit (+7.5 percent). As a result, the current account deficit declined from 2.3 percent of GDP in 2023 to 1.9 percent of GDP in 2024. At the end of 2024, foreign reserves covered 4 months of imports, on par with the previous year. For the first half of 2025, the current account deficit reached 2 percent of GDP.

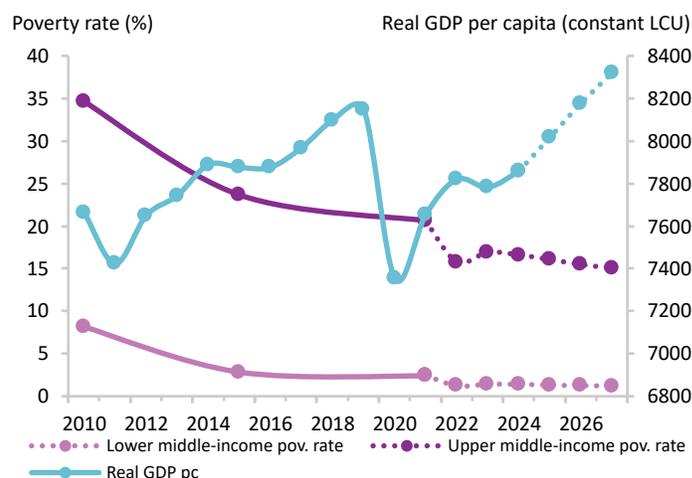
The pressure on public finances remains elevated. While the fiscal deficit moderated to 6.3 percent in 2024—down from 7.3 percent of GDP in 2023—it continues to be higher compared to

FIGURE 1 / Real GDP: Actual, forecast and pre-COVID-19 trend



Sources: World Bank estimates and National Institute of Statistics.

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



Source: World Bank. Notes: See footnotes in the table on the next page.

the pre-Covid period (2.9 percent of GDP in 2019). Public debt remained stable at 84.5 percent of GDP in 2024. Given the country's limited access to international markets, the authorities are increasingly relying on domestic sources to cover their financing needs, including foreign exchange (FX) borrowing from the Central Bank in both 2024 and 2025 to repay external debt.

Inflation continued its decline from the peak of February 2023 (10.4 percent), reaching 5.2 percent in August 2025. Core inflation fell to 5.4 percent in August 2025, down from 6.4 percent in August 2024. The decline appears to be driven by lower global prices and reduced domestic demand. As a response, the Central Bank lowered its main policy rate from 8 percent to 7.5 percent in March 2025. However, food inflation remains unchanged (5.9 percent) and continues to present a particular challenge for low-income households.

With economic growth picking up in the first half of 2025, the unemployment rate—while remaining high, especially for the youth—decreased slightly to 15.3 percent in Q2 2025 from 15.7 percent in the previous year. The labor force participation rate reached 46.2 percent in Q2 2025, with a stark difference between men and women (64.6 and 28.7 percent, respectively). The poverty rate, based on the Upper-Middle Income Poverty Line (US\$8.30/person/day in 2021 PPP), is nowcasted to have declined from an estimated 16.6 percent in 2024 to 16.0 percent in 2025.

## Outlook

After limited growth in 2023–2024, the economy is expected to grow by 2.6 percent in 2025, driven by a recovery in agricultural production—olive oil and cereals in particular—and increased

construction activity. In the medium term (2026–27), growth is expected to moderate to 2.4 percent on average amid a tight financing environment and barriers to market entry.

The budget deficit is expected to reach 5.7 percent of GDP in 2025 as the growth of subsidies and the wage bill remains subdued and tax revenues increase moderately. In the medium term, the deficit is projected to slightly decline to 4.4 percent of GDP in 2027, driven by a containment of the wage bill and subsidies. Public debt is expected to reach 83.6 percent of GDP by 2027, down from 84.5 percent of GDP in 2024.

The current account deficit is projected to increase to 2.7 percent of GDP in 2025 with a widening of the trade deficit, partly offset by moderate growth in tourism receipts and a decline in oil prices. In the medium term, the current account deficit is expected to increase slightly to 3.1 percent of GDP by 2027. With FDI projected to remain stable and minimal portfolio investments, external financing pressures would remain elevated. Given limited external financing options, the authorities may revert to FX borrowing from the Central Bank.

The 2025–27 growth forecast is subject to downside risks. In the near term, rising trade uncertainty, constrained external financing conditions, and a prolonged drought could raise growth and macroeconomic stability challenges for Tunisia. Medium-term prospects would improve markedly if Tunisia took steps toward strengthening fiscal policies, modernizing SOEs, and fostering greater competition.

The share of people living on less than the Upper-Middle Income Poverty Line (US\$8.30/person/day in 2021 PPP) is projected to slightly decrease from 16.0 percent in 2025 to 15.0 percent by 2027.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	2.8	0.2	1.6	2.6	2.5	2.2
Private consumption	1.9	0.8	1.1	4.0	3.6	3.3
Government consumption	1.2	-0.2	1.4	2.5	-0.6	-1.2
Gross fixed capital investment	2.2	2.0	1.2	-0.5	4.3	4.4
Exports, goods and services	17.4	9.0	-1.6	8.8	3.3	2.3
Imports, goods and services	11.6	5.1	3.9	10.8	4.1	3.5
<b>Real GDP growth, at constant factor prices</b>	2.7	0.0	1.6	2.6	2.5	2.2
Agriculture	2.1	-16.2	9.0	8.1	2.5	2.0
Industry	0.7	-0.9	-2.2	2.5	1.9	2.4
Services	3.5	2.9	2.0	1.9	2.8	2.2
<b>Employment rate (% of working-age population, 15 years+)</b>	39.3	38.9	38.2	38.3	38.3	38.3
<b>Inflation (consumer price index)</b>	8.3	9.3	7.0	5.7	5.2	4.8
<b>Current account balance (% of GDP)</b>	-8.8	-2.3	-1.9	-2.7	-2.9	-3.1
<b>Net foreign direct investment inflow (% of GDP)</b>	1.4	1.5	1.5	1.5	1.4	1.5
<b>Fiscal balance (% of GDP)</b>	-6.9	-7.3	-6.3	-5.7	-5.3	-4.4
<b>Revenues (% of GDP)</b>	29.6	29.0	29.6	27.1	26.7	26.4
<b>Debt (% of GDP)</b>	82.4	84.6	84.5	84.9	84.0	83.6
<b>Primary balance (% of GDP)</b>	-3.6	-3.4	-2.3	-1.7	-1.2	-0.6
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	1.2	1.4	1.4	1.3	1.2	1.2
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	15.8	16.9	16.6	16.0	15.5	15.0
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-2.2	-5.1	0.5	2.6	2.2	1.9

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2021-NSHBCSL. Actual data: 2021. Nowcast: 2022–2024. Forecasts are from 2025 to 2027.

2/ Projection till 2023 using point to point elasticity (2010–2015) with pass-through = 1 and from 2024 using neutral distribution (2021) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

# UNITED ARAB EMIRATES

The United Arab Emirates (UAE) economy remains strong and resilient, thanks in part to accelerated diversification through strategic investments in infrastructure, technology, and skills. This is backed by ample fiscal buffers, governance, trade, and energy reforms to strengthen resilience and competitiveness. Key risks arise from OPEC+ shifts, oil-price volatility, geopolitical tensions, and Red Sea supply-chain disruptions.

## Key conditions and challenges

The UAE's economic growth remains strong, supported by resilient domestic demand and ongoing structural reforms. The oil sector continues to anchor fiscal and external balances, while diversification efforts are accelerating to enhance resilience and reduce vulnerabilities. Non-oil growth is underpinned by strategic investments in infrastructure, technology, and human capital. Reforms in governance, trade, and energy are reinforcing sustainability and facilitating the shift toward a more diversified growth model. Cross-border energy ties are expected to intensify following announcements of a deepening energy investments plans with the USA.

Risks stem from supply chain challenges, including those from affected Red Sea routes, and could weigh on tourism, transport, and logistics. While the outlook remains subject to external uncertainties, substantial sovereign buffers, ongoing structural reforms, and strong investment momentum provide a solid foundation for sustained growth.

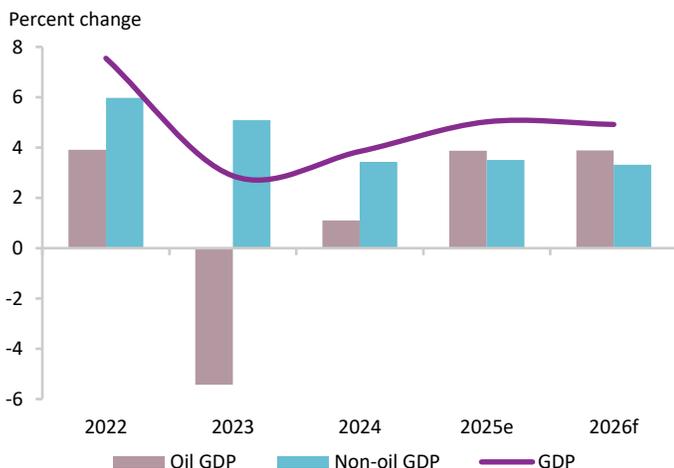
Population <sup>1</sup> million	Poverty
10.9	..
Life expectancy at birth <sup>2</sup> years	School enrollment <sup>3</sup> primary (% gross)
82.9	106.3
GDP <sup>4</sup> current US\$, billion	GDP per capita <sup>5</sup> current US\$
567.6	52186.9

Sources: WDI, MFMMod, and official data. 1/ 2024. 2/ 2023. 3/ 2023. 4/ 2024. 5/ 2024.

## Recent developments

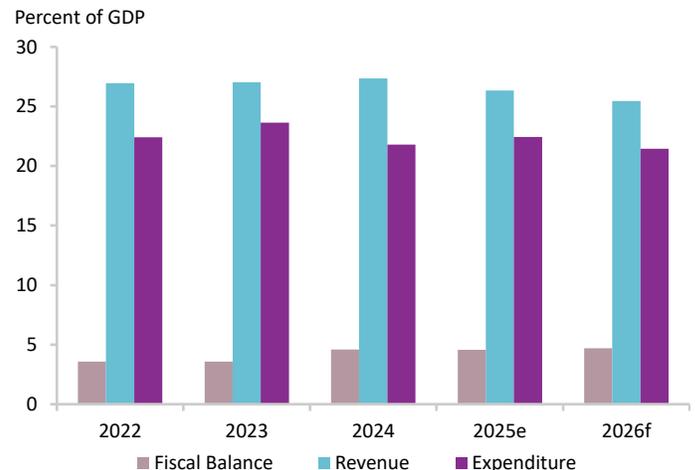
The UAE economy is showing continued momentum in 2025, following a robust real GDP growth of 3.9 percent in 2024. This reflected a 3.4 percent expansion in non-hydrocarbon sectors and a modest 1.1 percent growth in hydrocarbons. Economic activity remains broad-based, with notable contributions from financial services, construction, transport, and real estate, while diversification efforts continue to underpin overall resilience. In the first four months of 2025, crude oil output averaged 2.9 million bpd, a 0.4 percent decline relative to the same period in 2024, reflecting continued adherence to OPEC+ production targets. In April, however, output was ramped up slightly to 2.94 million bpd from 2.93 million in March, as OPEC+ began unwinding voluntary cuts and the UAE secured a 300,000 bpd quota increase effective through September 2026. Gas production increased by 2 percent year-on-year in Q1, supported by ongoing upstream capacity expansions and mid-stream efficiency improvements, including the initial phase of ADNOC Gas's Rich Gas Development project. Inflation in the UAE averaged 1.4 percent in Q1 2025, down from 1.9 percent in Q1 2024.

FIGURE 1 / Annual real GDP growth



Sources: World Bank and IMF WEO.

FIGURE 2 / Fiscal balance



Sources: World Bank and IMF WEO.

The moderation reflected weaker tradeable prices, continued declines in transportation costs, and easing food inflation in line with softer global trends, while higher non-tradeable prices provided some offset.

The fiscal position remains strong, underpinned by low public debt, sizeable buffers, and sustained hydrocarbon receipts alongside rising non-oil revenues. In 2024, the fiscal surplus stood at 4.8 percent of GDP, compared with 6.1 percent in the previous year. Total revenue increased by 1.2 percent year-on-year to 27.8 percent of GDP, with tax receipts rising by 15.5 percent and their share of total revenue reaching 66.2 percent (from 58 percent in 2023). Expenditure grew by 2 percent to 22.3 percent of GDP, driven by higher social benefits, goods and services, and wages. Capital expenditure increased, reflecting continued investment in infrastructure and the non-oil economy. In Q1-2025, the UAE's operating surplus declined to 15.1 billion dirhams, almost fifty percent lower than both a year earlier and the previous quarter. Revenues were broadly unchanged year-on-year but fell 20 percent from Q4-2024, while expenditures increased 16 percent over the year, reflecting higher government spending commitments and signaling rising fiscal pressures.

The external position remains strong, with the current account surplus reaching 8.2 percent of GDP, reflecting robust goods and export services. Total exports increased to 26.9 percent of GDP in 2024, up from 21.9 percent the year before. Non-oil exports account for 26.7 percent of GDP, driven by higher exports of gold and jewelry. Re-exports occupy a substantial part in trade activity, reaching 31.7 percent of GDP. At the same time, imports increased to 80.4 percent of GDP in 2024, up from 75 percent a year earlier, driven by imports of gold, telecommunications equipment, and vehicles.

Modelled estimates from the ILO suggest that the employment-to-population ratio will edge up to 76.2 percent in 2025, reflecting steady job growth—particularly among women. The unemployment rate is expected to remain low, holding at approximately 2.1 percent in 2025. However, women are likely to experience unemployment rates about three times higher than men. Young people aged 15 to

24 will continue to face greater challenges in the labor market, with youth unemployment and a notable gender gap persisting.

## Outlook

The UAE's economy is projected to grow by around 5 percent in 2025, with growth expected to remain broadly stable over the medium term. Oil GDP is strengthening as OPEC+ production cuts are phased out. A calibrated normalization announced by OPEC+ countries is expected to support oil market activity and boost oil revenue generation. Non-oil economic growth is projected to reach 3.5 percent in 2025, led by tourism, construction, transportation, and financial services. This diversification is supported by business climate reforms, infrastructure investment, and governance enhancements, while the ongoing energy transition—through investments in clean energy, carbon capture, and efficiency technologies—will further reinforce resilience and long-term sustainability.

The oil sector will continue to be the main anchor for fiscal and external balances, underpinning macroeconomic stability. Over the medium term, the fiscal surplus is projected to stay strong at around 4.6 percent of GDP, underpinned by sustained oil revenues from rising hydrocarbon exports. Ongoing tax policy reforms are expected to strengthen the revenue base, enhance international tax alignment, and support the accumulation of fiscal buffers.

Supported by substantial external reserves and sizeable sovereign wealth fund assets, the current account surplus is projected to remain at sustainable levels, reaching 7.9 percent of GDP in 2025 and narrowing to 6.5 percent in 2026 as oil prices stabilize and imports rise.

The economic outlook remains subject to external risks, including oil price volatility, geopolitical uncertainty, and disruptions to global trade. Global financial conditions and prevailing uncertainty may present additional challenges. At the same time, fiscal buffers, targeted investment, and structural reforms are expected to underpin stability and resilience over the medium term.

### Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	7.6	2.9	3.9	4.8	5.0	5.1
Private consumption	9.0	5.1	4.6	2.9	2.6	2.6
Government consumption	3.5	3.0	3.5	4.9	3.2	4.9
Gross fixed capital investment	6.0	5.9	4.2	2.9	3.1	3.3
Exports, goods and services	8.1	3.3	5.0	6.0	6.2	6.1
Imports, goods and services	7.4	5.3	5.6	4.8	4.6	4.6
<b>Real GDP growth, at constant factor prices</b>	7.6	2.9	3.9	4.8	5.0	5.1
Agriculture	3.4	3.5	2.9	2.7	2.5	2.5
Industry	8.8	1.2	2.5	1.3	2.0	1.7
Services	6.5	4.5	5.2	7.9	7.5	7.8
<b>Employment rate (% of working-age population, 15 years+)</b>	75.0	75.8	76.1	76.1	76.1	76.1
<b>Inflation (consumer price index)</b>	4.8	1.6	1.8	2.1	2.0	2.0
<b>Current account balance (% of GDP)</b>	11.9	9.2	7.8	7.1	7.7	5.8
<b>Fiscal balance (% of GDP)<sup>1</sup></b>	9.7	6.1	4.8	4.4	4.9	5.1
<b>Revenues (% of GDP)</b>	32.1	29.7	26.5	26.9	26.3	25.9
<b>Debt (% of GDP)</b>	31.5	28.2	28.5	30.3	28.3	26.1
<b>Primary balance (% of GDP)</b>	10.2	6.7	5.5	4.7	5.2	5.4
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	0.4	-1.6	-0.8	5.9	6.8	7.3

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.  
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.  
1/ Consolidated fiscal balance.

# REPUBLIC OF YEMEN

Yemen's situation continues to deteriorate, with both short-term and long-term risks intensifying. Food insecurity now affects over 65 percent of the population, while poverty is widespread. Fragmentation is deepening, driven by escalating domestic tensions between the two economic zones. Intensifying conflict and the blockade of oil exports have further compounded the crisis. The outlook remains highly uncertain, with limited avenues for economic stabilization.

## Key conditions and challenges

Yemen's crisis is rooted in a decade of conflict and deep political and economic fragmentation. Since 2015, real GDP per capita has contracted by 57 percent, erasing over two decades of progress. The country is divided into two distinct economic zones, each governed by separate institutions. Houthi-controlled areas reportedly host about 70 percent of the population, while Internationally Recognized Government (IRG)-controlled regions hold the country's oil and gas reserves. The oil sector has suffered a dramatic collapse due to the blockade in place since October 2022, along with lack of investment, and persistent insecurity. Non-oil sectors also face severe challenges due to supply chain disruptions, double taxation, corruption, market distortions, and weak institutions.

Food insecurity has reached alarming levels, with 70 percent of households in IRG-controlled areas and 66 percent in Houthi-controlled areas reporting inadequate food consumption. The unaffordability of basic goods, compounded by low humanitarian aid,

Population <sup>1</sup> million	Poverty
40.6	..
Life expectancy at birth <sup>2</sup> years	School enrollment <sup>3</sup> primary (% gross)
69.3	83.9
GDP <sup>4</sup> current US\$, billion	GDP per capita <sup>5</sup> current US\$
19.0	469.3

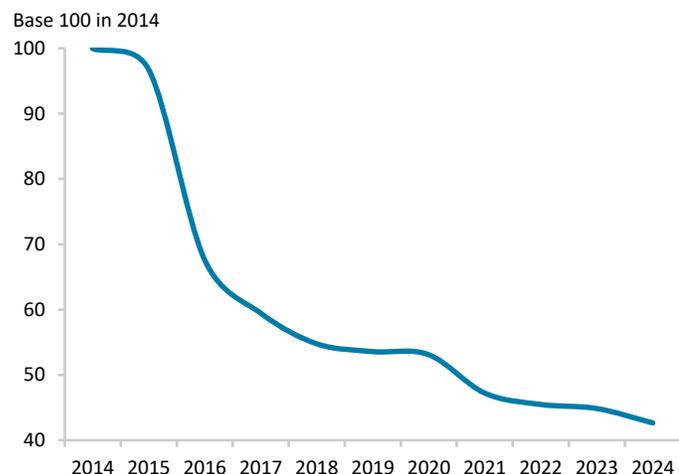
Sources: WDI, MFMod, and official data. 1/ 2024. 2/ 2023. 3/ 2016. 4/ 2024. 5/ 2024.

declining remittances, and limited employment opportunities, has forced many households to adopt negative coping strategies such as child marriage or begging, undermining both current and future welfare.

## Recent developments

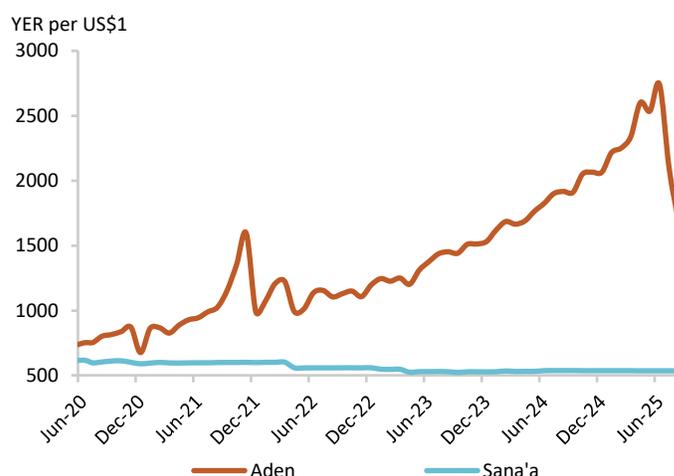
In the first half of 2025, Yemen's economy remained under acute strain. Oil-sector activity stagnated as a result of the ongoing blockade, while the non-oil economy faced mounting pressures stemming from a deteriorating operating environment. Food access constraints represent a worsening challenge across all regions of Yemen. In areas controlled by the IRG, inflation sharply eroded household purchasing power, with the cost of a Minimum Food Basket increasing by 26 percent year-on-year as of June. In Houthi-controlled areas, Israeli airstrikes damaged critical infrastructure, further restricting imports and placing additional strain on access to food and essential goods. Humanitarian funding has declined sharply: as of mid-September 2025, only 19 percent of the USD 2.5 billion required under the United Nations Office for

FIGURE 1 / Real GDP per capita



Source: World Bank staff calculations.

FIGURE 2 / Exchange rate trend: Sana'a and Aden



Sources: Telegram Exchange Market Group and World Bank staff calculations.

the Coordination of Humanitarian Affairs (OCHA)'s response plan had been secured, compared to 58 percent coverage in 2024. On the monetary front, institutional tensions between the Central Bank of Yemen in Aden and the one in Sana'a have resurfaced following the latter's issuance of new coins and banknotes to replace older denominations. In Houthi-controlled areas, the economy remains predominantly cash-based, with liquidity shortages continuing to worsen. Financial institutions have increasingly relocated from Sana'a to Aden in an effort to avoid U.S. sanctions.

The fiscal position of the IRG deteriorated in the first half of 2025, with revenues declining by 30 percent year-on-year. This drop was primarily driven by a reduction in grants, following substantial Saudi support in 2024. While revenues excluding grants increased by 22 percent, they remain well below pre-blockade levels, highlighting a structural shift that has fundamentally altered the fiscal envelope. In an effort to contain the widening fiscal deficit, the IRG implemented an 8 percent reduction in spending; however, this has disrupted the provision of essential services.

External imbalances have intensified. The Yemeni rial weakened sharply on the Aden market, hitting an all-time low of 2,905 per US dollar by mid-July. In response, the IRG introduced stabilization measures, including revoking licenses for money exchangers, imposing new limits on foreign exchange purchases for personal use, and establishing an import committee to oversee hard currency allocation. These actions led to a rapid appreciation of the rial to around 1,676 per US dollar. However, underlying vulnerabilities—particularly limited foreign exchange reserves—persist, casting doubt on the durability of these recent gains.

## Outlook

Economic prospects for 2025 and 2026 remain subdued. Persistent domestic challenges and adverse external conditions offer little hope for economic stabilization. With no clear path to peace and oil exports blocked, public finances and external accounts are predicted to remain under strain. Inflation is expected to remain elevated, especially as price controls contribute to supply shortages and further erode purchasing power. Acute liquidity shortages in Houthi-controlled areas are likely to persist, stifling consumption and business activity. The economic divide between the two economic zones is set to remain entrenched, marked by divergent monetary policies and currencies. Remittances and donors' support show little momentum, and near-term prospects for a significant pickup are uncertain. As a result, national real GDP is projected to contract by 1.5 percent in 2025 and stagnate through 2026. The latest IPC update warns of rising phase 3 and 4 food insecurity, with some risks of phase 5 (catastrophic hunger) by end-2025.

Downside risks are high. Intensified regional conflict could further damage infrastructure, disrupt imports, and widen the gap between limited foreign aid and pressing needs. Escalation of domestic tensions could prompt retaliatory actions by the Houthi movement, including resistance to bank relocations and against IRG's efforts to centralize import financing through the official banking system. Yemen's future continues to depend on achieving peace, reconstruction, and critical institutional reforms to restore business confidence and reignite the economy.

### Recent history and projections

	2022	2023	2024	2025e	2026f
<b>Real GDP growth, at constant market prices</b>	1.5	-2.0	-1.5	-1.5	0.0
<b>Inflation (consumer price index)<sup>1</sup></b>	29.8	0.9	33.9	33.0	15.0
<b>Current account balance (% of GDP)</b>	-16.1	-20.4	-26.6	-29.0	-23.4
<b>Fiscal balance (% of GDP)</b>	-2.2	-5.6	-2.4	-3.6	-3.0
<b>Revenues (% of GDP)</b>	10.0	6.2	6.4	3.8	4.5

Source: World Bank, Poverty and Economic Policy Global Departments.  
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.  
1/ Inflation rates refer to end-of-period figures.



Bangladesh  
Bhutan  
India

Maldives  
Nepal  
Sri Lanka

# South Asia

# BANGLADESH

GDP growth eased marginally to 4.0 percent in FY25, compared to 4.2 percent in FY24. International reserves increased, the exchange rate stabilized, inflation started to moderate, and investment activity slowed. Household welfare also deteriorated, with poverty at the US\$3.0 international line projected to rise to 8.9 percent, even as inequality declined slightly (0.2 Gini points). After a moderate FY26 recovery, growth should accelerate medium term.

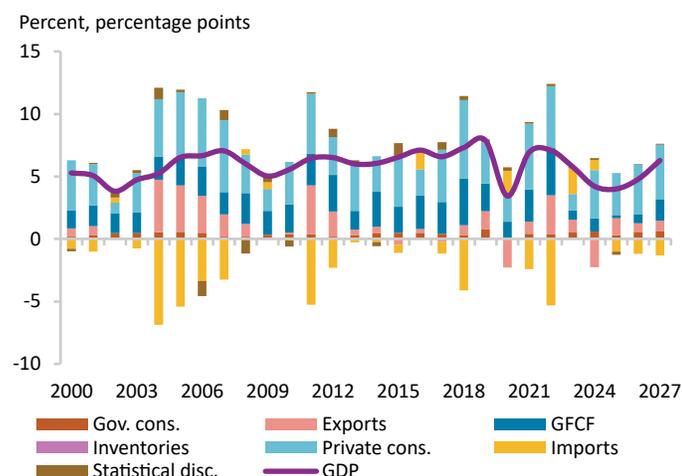
## Key conditions and challenges

Notwithstanding a sharp deceleration in the first quarter due to the uprising and floods, economic growth picked up in the final quarters of FY25. External sector pressures have eased. However, there have been limited signs of the investment climate improving, and financial sector vulnerabilities persisted. Inflation, while elevated, has moderated.

Between 2023 and 2024, labor force participation fell from 60.9 to 58.9 percent, driven mainly by lower female participation. The employment ratio fell 2.1 percentage points to 56.7 percent, while unemployment rose slightly to 3.7 percent. Job losses averaged 2.6 percent across sectors, with the sharpest decline in services (3.6 percent).

Bangladesh needs comprehensive reforms to mobilize revenue to finance development expenditure and improve business environment to create more and better jobs. For sustainable, broad based and equitable growth in the medium term, Bangladesh will need to improve governance and transparency, diversify its economy, strengthen the financial sector, boost the quality of human capital, and address climate risks.

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



Sources: Bangladesh Bureau of Statistics and World Bank staff estimates.

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$4.20/day
173.6	34.7
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
74.7	111.6
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
450.1	2593.4

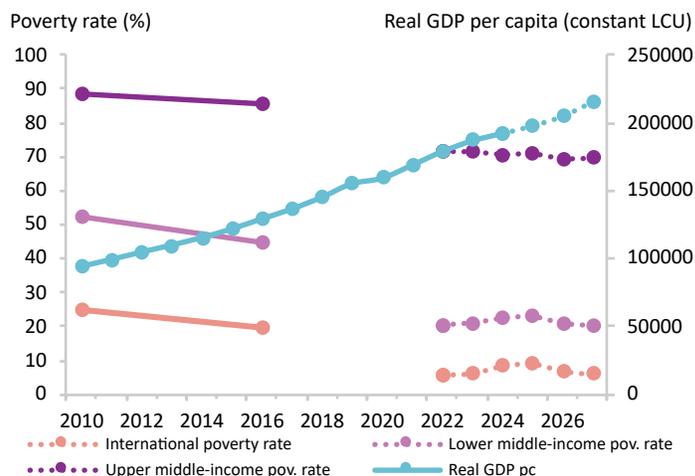
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

## Recent developments

Real GDP growth is expected to have eased marginally to 4.0 percent in FY25, marking a decline for the third consecutive year. The slowdown is primarily due to a moderation in investment growth to 0.8 percent from 3.3 percent in the previous year. Private investment remained subdued, constrained by political uncertainty, high interest rates, and rising production costs. Public investment also declined, with development expenditure contracting by 25.5 percent in FY25. On the external side, robust exports—particularly strong demand for ready-made garments—supported growth. Banking sector vulnerabilities continued, with Bangladesh Bank extending liquidity support to weak banks. Meanwhile, the non-performing loan ratio increased to 24.1 percent in March 2025 from 20.2 percent in December 2024.

Inflation moderated to 8.6 percent in July 2025 from a peak of 11.4 percent in November 2024, driven by easing food inflation and tight monetary policy. The policy rate has remained unchanged at 10 percent since October 2025, with Bangladesh Bank indicating a possible reduction if inflation falls below 7 percent. Persistently high prices and job losses eroded purchasing power, reducing real

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



Source: World Bank. Notes: See footnotes in table on the next page.

wages of low-paid workers by 1.9 percent in FY25. As a result, poverty at the \$3.0 USD line (2021 PPP) is projected to increase by 0.6 percentage points, pushing 1.2 million more people into poverty, while inequality declines slightly (0.2 Gini points) due to broad-based income pressures. Remittance-receiving households are likely to remain more resilient to economic shocks.

The current account balance turned to a surplus of US\$149 million in FY25 from a deficit of US\$6.6 billion in FY24, driven by strong growth in remittances (27.6 percent) and exports (11.0 percent). Substantial budget support from the development partners towards the end of FY25 supported the financial account. As a result, the external balance improved, and foreign exchange (FX) reserves rose to US\$26.2 billion in August 2025 (3.5 months of prospective FY25 import coverage). The fiscal deficit widened to 4.7 percent in FY25 from 3.9 percent in FY24 due to slower revenue growth and a rise in energy subsidy and interest payments.

## Outlook

Real GDP growth is projected to increase to 4.8 percent in FY26. As inflation declines, private consumption growth is expected to strengthen. Exports are expected to remain robust, supported by reduced uncertainty related to US tariffs. However, despite a marginal improvement, investment growth is likely to stay sluggish due to political uncertainty surrounding the upcoming election. Growth is expected to accelerate in the medium term, driven

by easing political uncertainty, falling interest rates, and a recovery in public spending.

Labor market conditions are expected to improve in FY26, with household labor income projected to rise by 2.9 percent. Poverty at the \$3.0 USD line (2021 PPP) is forecast to decline to 6.9 percent, while inequality is projected to narrow slightly to a Gini index of 33.2. However, the recovery is likely to be fragile, as many households will continue to face financial stress despite modest gains in labor incomes and poverty reduction.

The BoP is expected to remain in surplus, supported by resilient exports and remittances, a stable exchange rate, and continued support from the development partners. As a result, FX reserves are expected to increase gradually in the medium term. The fiscal deficit is expected to stay below 5 percent of GDP in the medium term, as revenue collection improves with expected reforms. With a new government in place, capital spending is expected to increase progressively. Public debt as a share of GDP is expected to rise gradually to over 40 percent of GDP but remain sustainable.

Risks are tilted to the downside. Further weakening of the banking sector, increased political instability surrounding the election, weak implementation of reforms, trade disruptions due to policy uncertainty, and persistent inflation could weigh on economic activities. On the upside, policy clarity and accelerated reforms following the election could support a faster growth rebound.

## Recent history and projections

	2021/22	2022/23	2023/24	2024/25e	2025/26f	2026/27f
<b>Real GDP growth, at constant market prices<sup>1</sup></b>	7.1	5.8	4.2	4.0	4.8	6.3
Private consumption	7.5	2.0	6.0	5.2	6.0	6.5
Government consumption	6.2	8.5	9.8	5.0	8.6	9.6
Gross fixed capital investment	11.7	2.2	3.3	0.8	2.3	5.7
Exports, goods and services	29.4	8.0	-17.1	12.9	6.2	7.1
Imports, goods and services	31.2	-9.8	-4.6	6.3	7.2	7.8
<b>Real GDP growth, at constant factor prices<sup>1</sup></b>	7.2	6.2	4.3	4.0	4.8	6.3
Agriculture	3.1	3.4	3.3	2.0	3.1	3.2
Industry	9.9	8.4	3.5	4.0	4.9	6.4
Services	6.3	5.4	5.1	4.4	5.1	6.9
<b>Inflation (consumer price index)</b>	6.1	9.0	9.7	10.0	7.4	5.7
<b>Current account balance (% of GDP)</b>	-4.0	-2.7	-1.5	0.0	-0.3	-0.9
<b>Net foreign direct investment inflow (% of GDP)</b>	0.4	0.4	0.3	0.4	0.4	0.5
<b>Fiscal balance (% of GDP)</b>	-4.6	-4.6	-3.9	-4.7	-4.7	-4.5
<b>Revenues (% of GDP)</b>	8.5	8.2	8.3	7.9	8.3	8.6
<b>Debt (% of GDP)</b>	33.8	37.0	37.6	38.1	40.3	41.8
<b>Primary balance (% of GDP)</b>	-2.7	-2.6	-1.7	-2.1	-1.9	-2.0
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>2,3</sup></b>	5.9	6.3	8.3	8.9	6.9	6.0
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>2,3</sup></b>	20.5	21.0	22.6	23.1	20.9	20.1
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>2,3</sup></b>	71.5	71.4	70.7	70.8	69.5	69.6
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	1.6	2.2	1.5	1.2	7.3	10.0

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ FY25 estimates based on BBS provisional estimates.

2/ Calculations based on SAR-POV harmonization, using 2022-HIES. Actual data: 2022. Nowcast: 2023-2024. Forecasts are from 2025 to 2027.

3/ Projections using microsimulation methodology.

# BHUTAN

Bhutan's growth accelerated to 7.0 percent in FY24/25, led by the commissioning of Puna-II hydropower plant and construction of two major hydropower plants. Fiscal deficit remained relatively low at 2.9 percent of GDP, while the current account deficit remained elevated. Growth is projected to remain robust at 7.3 percent in FY25/26. Poverty (\$8.3/day) is projected to decrease to 6.0 percent by 2026, employment remains a key challenge to its sustainability.

## Key conditions and challenges

Emigration is a critical challenge for Bhutan with around 9 percent of the population living abroad in 2025, although moderated in the past two years. Most emigrants are skilled working-age people seeking better education and wages post-pandemic. Youth unemployment rate remains high at 17.3 percent in Q2 2025, despite unemployment rate falling to 2.9 percent. To address these, the 13th Five Year Plan (FYP) focuses on private sector development and jobs creation. Fiscal deficits fluctuate partly due to weak public investment management, low tax revenue, and low spending efficacy in agriculture, education, and health sectors. International reserves and current account deficit (CAD) are recovering after huge cryptocurrency-related imports in FY21/22 and FY22/23.

Poverty level continues to decline, but employment remain a key challenge to its sustainability. Extreme poverty (\$3.0/day) fell below 0.1 percent, and the \$8.3/day rate dropped to 10.1 percent in 2022. However, spatial and group inequalities, and climate vulnerability persist in the labor market. Poverty ranges from 1.5 percent in Thimphu to 41.4 percent in Zhemgang, with 87 percent of the poor in rural areas. About 19 percent of Bhutanese face climate-related

Population <sup>1</sup> thousand	Poverty <sup>2</sup> thousands living on less than \$4.20/day
791.5	3.9
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
73.0	106.1
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
3.2	4020.2

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2024. 6/ 2024.

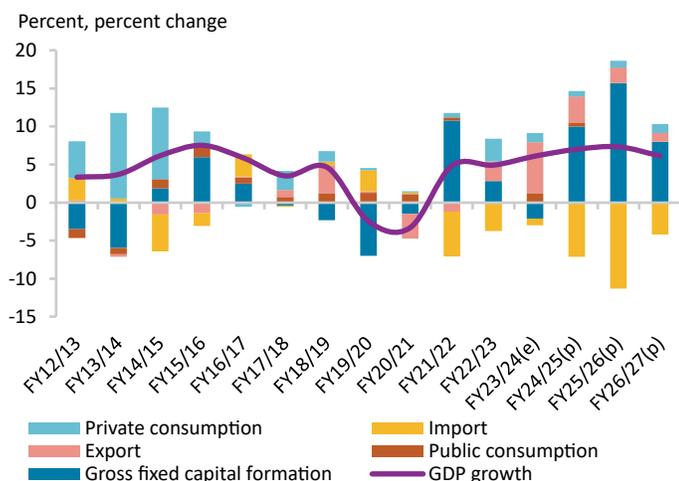
poverty risks that intersect with employment patterns, as majority of rural workers (60.5 percent) and women (50.7 percent) are employed in climate-sensitive agriculture. Joblessness skews toward the urban (5.4 percent) and educated (12.2 percent for bachelor's). Persistent high youth unemployment and these mismatches prompt many skilled young people to seek opportunities abroad.

Domestic risks to outlook include delays in hydropower projects and fiscal consolidation, and materialization of financial sector contingent liabilities. Major tax reforms in 2026 might pose fiscal risks if collections fall short during the initial phase. External risks include volatile commodity prices, lower than expected export price for the Puna-II hydropower plant, and climate-related hazards affecting livelihoods and infrastructure. Continued brain drain may hinder medium-term growth. Returns from cryptocurrency are volatile. The Gelephu Mindfulness City project could spur private sector development but pose fiscal risks, if not ring-fenced.

## Recent developments

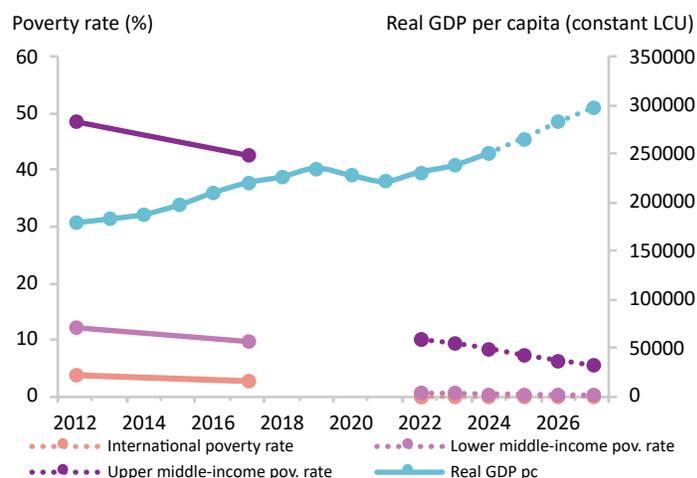
Real GDP is estimated to grow by 7.0 percent in FY24/25 (July 2024 to June 2025), driven by a 10.1 percent growth in the industry sector

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



Sources: National Statistics Bureau (NSB) and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

due to the commissioning of the Puna-II hydropower plant and construction of the Dorjilung and Khorlochhu hydropower plants. Agriculture growth is expected to be modest at 3.1 percent driven by the forestry and logging sectors. Services sector is estimated to have grown by 6.2 percent, buoyed by recovery in tourism and public administration spending. Demand side growth was driven by exports and private investments (construction of hydropower plants). Headline inflation declined from 4.3 percent in FY23/24 to 2.6 percent in FY24/25, due to fall in both food and non-food items.

The fiscal deficit is estimated to have increased to 2.9 percent of GDP in FY24/25, from 0.2 percent in FY23/24, as higher capital expenditure under the 13th FYP outweighed higher income tax collection and external grants. Primary non-wage recurrent expenditure is expected to remain moderate. The public debt declined slightly to 105.6 percent in FY24/25, from 107.8 percent in FY23/24.

The CAD is estimated to improve marginally to 18.9 percent of GDP in FY24/25, led by increases in both hydropower and tourism exports but largely offset by increase in imports (of vehicles and equipment for datacentres). Increased remittance inflows, external grants, and hydropower loans from India helped the gross international reserves to increase from US\$624 million in June 2024 to US\$940 million in June 2025 (6.3 months of FY24/25 total imports).

## Outlook

Real GDP growth is projected to be robust at 7.3 percent in FY25/26, as the growth in the industry sector accelerate to 14.8 percent with effects of Puna-II hydropower plant commissioning and construction of the Dorjilung and Khorlochhu hydropower plants continue. Growth in the hydropower and construction sector is projected to account for over half of the growth in real GDP from

FY24/25 to FY26/27. On the demand side, growth is supported by 13th FYP public investments, private investments, and exports. Medium-term growth will be driven by robust electricity production and construction of two major hydropower plants on the supply side, and growth of public and private investments on the demand side.

Poverty is projected to decline further, with the \$8.3/day rate falling to 6.0 and 5.1 percent in 2026 and 2027. The progress remains fragile with employment and livelihoods skewed towards climate-sensitive, low-productivity agriculture and slow job growth in other sectors, underscoring the need for a more diversified economy.

Fiscal deficit is expected to widen to 5.5 percent in FY25/26, as bulk of capital projects under 13th FYP are implemented. The introduction of Goods and Services Tax (GST) in January 2026 will boost indirect tax revenue, but major income tax reforms - merging of Business Income Tax into Personal Income Tax, and reductions in tax rates for Corporate and Personal Income Tax - are projected to reduce direct tax revenue in FY26/27, largely offsetting gains from GST. Increased grants from the Indian government will finance part of the increased capital expenditure under the 13th FYP. Public debt is expected to rise to 117 percent of GDP in FY25/26. Rising debt service could limit the fiscal space for social programs.

The CAD is projected to remain elevated at 20.0 and 20.9 percent of GDP in FY25/26 and FY26/27, with strong growth in exports and imports. Export growth in FY25/26 is projected to be led by higher hydropower generation, non-hydropower (mining and forestry) exports, and tourism. Imports growth is projected to be driven by imports of materials for the construction of hydropower plants. International reserves are projected to increase to US\$1,083 million in June 2026 (6.1 months of FY25/26 total imports).

## Recent history and projections

	2021/22	2022/23	2023/24	2024/25e	2025/26f	2026/27f
<b>Real GDP growth, at constant market prices</b>	4.8	4.9	6.1	7.0	7.3	6.1
Private consumption	1.2	6.1	2.4	1.4	2.0	2.7
Government consumption	1.9	-0.5	6.0	2.7	-0.8	0.3
Gross fixed capital investment	25.4	5.6	-4.1	21.6	29.9	12.6
Exports, goods and services	-4.1	9.8	24.2	10.6	6.1	3.4
Imports, goods and services	13.2	7.5	1.7	14.9	21.8	7.2
<b>Real GDP growth, at constant factor prices</b>	4.9	4.7	5.9	7.0	7.3	6.1
Agriculture	0.1	0.1	2.6	3.1	2.5	2.7
Industry	4.8	2.3	3.1	10.1	14.8	11.2
Services	6.3	7.4	8.4	6.2	4.1	3.6
<b>Inflation (consumer price index)</b>	5.9	4.6	4.3	2.6	3.1	3.5
<b>Current account balance (% of GDP)</b>	-28.1	-34.1	-21.8	-18.9	-20.0	-20.9
<b>Fiscal balance (% of GDP)</b>	-7.0	-4.7	-0.2	-2.9	-5.5	-6.1
<b>Revenues (% of GDP)</b>	25.1	25.3	26.5	27.0	29.7	27.3
<b>Debt (% of GDP)</b>	118.8	116.2	107.8	105.6	116.6	116.6
<b>Primary balance (% of GDP)</b>	-6.8	-4.1	0.6	-2.0	-4.4	-4.9
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	0.5	0.4	0.3	0.3	0.2	0.2
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	10.1	9.1	8.2	7.1	6.0	5.1
<b>GHG emissions growth (mtCO2e)</b>	-1.6	-1.8	-1.6	-1.6	-1.6	-1.6

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.  
Notes: e = estimate, f = forecast. Fiscal year is from July 1 to June 30 of next year. Data in annual percent change unless indicated otherwise.  
1/ Calculations based on SAR-POV harmonization, using 2022-BLSS. Actual data: 2022. Nowcast: 2023-2024. Forecasts are from 2025 to 2027.  
2/ Projection using neutral distribution (2022) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

# INDIA

GDP growth moderated to 6.5 percent in FY25 (2024–25), with decelerating industrial activity on the production side, and weaker investment growth on the demand side. Labor market conditions improved, although low female participation, elevated youth unemployment and pervasive informality persist. Despite trade related headwinds, growth is projected to remain strong in FY26 and to slow moderately in FY27.

## Key conditions and challenges

Over the past two decades, India's economy expanded nearly four-fold in real terms. Growth was driven primarily by capital deepening and gains in total factor productivity, supported by improvements in the business environment and infrastructure, and greater participation in global trade. In the post COVID period (FY23–FY25), growth averaged 7.8 percent, and India was the fastest growing large economy in the world.

Poverty declined significantly. Between 2011–12 and 2022–23, poverty declined from 57.7 to 23.9 percent (~390 million people out of poverty), while extreme poverty fell from 27.1 to 5.3 percent (footnote 2/). Social transfers, including subsidized food, supported poverty reduction. Rural poverty fell from 64.9 to 27.7 percent, while urban poverty dropped from 39.7 to 14.3 percent.

Labor market conditions have improved gradually, but challenges persist. Since 2021–22, employment has grown faster than the working-age population. Still, nearly half a billion working-age Indians are either unemployed or inactive. Since 2021, youth unemployment has fallen, but 29 percent (11.7 million) of tertiary-educated youth

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$4.20/day
1450.9	342.3
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
72.0	112.0
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
3910.2	2694.9

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

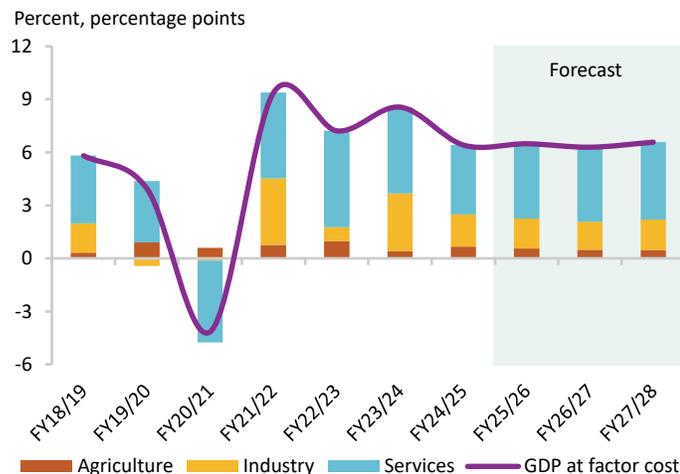
were unemployed in 2023–24. Among the paid workforce, there is a growing dependence on self-employment, especially in rural areas and among women. The number of women in paid self-employment has nearly tripled since 2017–18; in 2023–24, self-employment made up 53 percent of paid employment in rural areas.

## Recent developments

Growth moderated to 6.5 percent in FY25, from 9.2 percent in FY24. Agriculture expanded strongly, and services remained robust. However, industrial growth slowed, particularly manufacturing. On the demand side, private consumption growth accelerated, supported by higher rural wages, but investment growth slowed due to delays in public infrastructure spending, and subdued private investment.

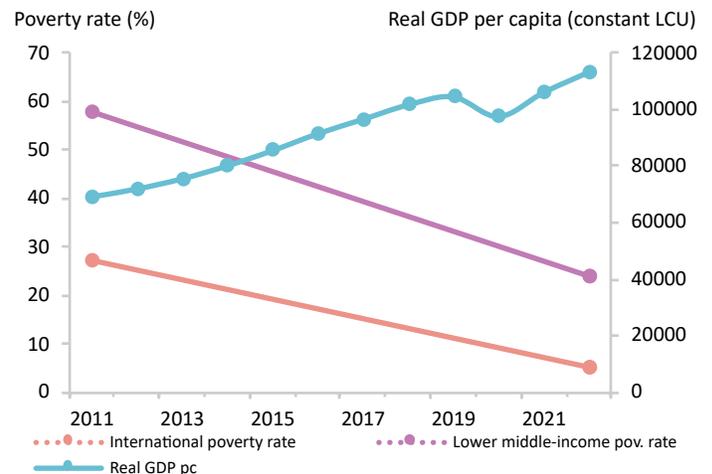
Urban labor force participation rose from 50.1 to 50.4 percent, and the worker population ratio from 46.8 to 47.2 percent between Q1 FY25 and Q3 FY25 (footnote 1/). Recent data shows a reversal of pandemic-era urban-to-rural migration, with rural male workers returning to urban areas for work, while rural female employment in agriculture has risen. Overall unemployment has declined consistently since the pandemic, although it has increased slightly from

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



Sources: National Statistics Office (NSO) and World Bank. Note: FY18/19 refers to the fiscal year 2018-19 (April 2018-19) and so on.

FIGURE 2 / Actual poverty rates and real GDP per capita



Source: World Bank. Notes: See footnotes in table on the next page.

5.1 to 5.2 percent between April and July 2025. Youth unemployment stood at 14.9 percent as of July 2025. Female labor force participation improved from 21.1 percent in 2017–18 to 35.6 percent in 2023–24, as against the middle-income country average of 47 percent.

Notwithstanding robust growth and labor market outcomes, headline inflation fell to 1.6 percent in July 2025 (from 4.6 percent in FY25), led by declining food and fuel prices. This allowed the Reserve Bank of India (RBI) to cut the policy rate by 100 basis points in the first half of 2025. The general government's fiscal deficit narrowed to 7.9 percent of GDP in FY25, from 8.8 percent in FY24. This was supported by buoyant non-tax revenues and modest growth in current expenditure at the central level. However, public debt increased slightly from 81.8 to 82.0 percent in FY25 on account of relatively slow nominal growth.

The current account deficit narrowed marginally to 0.6 percent of GDP in FY25 from 0.7 percent in FY24. Strong services exports offset a wider merchandise trade deficit. Meanwhile, net foreign direct investment fell to near zero (from 0.3 percent in FY24) and net foreign portfolio investment declined to 0.1 percent of GDP (from 1.2 percent in FY24). Weak inflows, together with RBI interventions to stabilize the rupee, reduced foreign exchange reserves from a peak of over US\$700 billion in October 2024 to US\$ 668.3 billion by March 2025 (equivalent to 11 months of goods imports).

## Outlook

Following a strong first quarter, growth is projected to remain strong at 6.5 percent in FY26. Robust domestic demand and a

favorable deflator effect should counterbalance the impact of external headwinds. Heightened global uncertainty and rising trade barriers are expected to depress goods exports and investment. However, private consumption should benefit from easing inflation, lower interest rates, tax cuts, and favorable agricultural prospects. Barring policy changes, services exports are expected to remain buoyant. In addition, growth will benefit from a lower GDP deflator due to lower input prices. Subdued food inflation should help keep inflation low, converging to the RBI's 4 percent target over the medium term.

The overall fiscal deficit is projected to narrow gradually, supported by continued consolidation in current spending and stable capital outlay as a share of GDP. Revenue losses from income tax cuts and Goods and Services Tax rate rationalization are expected to be partially offset by stronger compliance and consumption growth. The current account deficit is expected to average around 1.1 percent of GDP over FY26–FY28 and remain adequately financed by capital inflows and ample foreign exchange reserves.

The full effect of increased tariffs will materialize in FY27, but growth is projected to decelerate only modestly due to India's limited exposure to US trade. Risks to the outlook are significant on both sides of the baseline. A further escalation in tariffs, including through the discontinuation of exemptions or an extension of higher tariffs to services, could have large and exponential impacts. Conversely, a quick resolution of trade disputes would bolster external demand and boost investor sentiment given the strong underlying domestic momentum.

## Recent history and projections

	2022/23	2023/24	2024/25e	2025/26f	2026/27f	2027/28
<b>Real GDP growth, at constant market prices</b>	7.6	9.2	6.5	6.5	6.3	6.6
Private consumption	7.5	5.6	7.2	7.3	7.2	7.3
Government consumption	4.3	8.1	2.3	6.3	6.3	6.4
Gross fixed capital investment	8.4	8.8	7.1	6.9	6.7	7.1
Exports, goods and services	10.3	2.2	6.3	4.5	3.4	5.8
Imports, goods and services	8.9	13.8	-3.7	6.7	6.1	8.1
<b>Real GDP growth, at constant factor prices</b>	7.2	8.6	6.4	6.5	6.3	6.6
Agriculture	6.3	2.7	4.6	3.9	3.5	3.5
Industry	2.5	10.8	5.9	5.5	5.2	5.7
Services	10.3	9.0	7.2	7.7	7.6	7.8
<b>Employment rate (% of working-age population, 15 years+)<sup>1</sup></b>	51.6	53.2	52.0	52.2	52.5	52.5
<b>Inflation (consumer price index)</b>	6.7	5.4	4.6	3.1	4.0	4.0
<b>Current account balance (% of GDP)</b>	-2.0	-0.7	-0.6	-1.2	-1.2	-1.0
<b>Net foreign direct investment inflow (% of GDP)</b>	0.8	0.3	0.0	0.5	0.5	0.6
<b>Fiscal balance (% of GDP)</b>	-8.8	-8.8	-7.9	-7.4	-7.4	-7.1
<b>Revenues (% of GDP)</b>	20.5	21.5	21.9	22.1	22.0	22.0
<b>Debt (% of GDP)</b>	82.9	81.8	82.0	82.5	81.9	80.5
<b>Primary balance (% of GDP)</b>	-3.7	-3.6	-2.7	-2.3	-2.3	-2.1
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>2</sup></b>	5.3	..	..	..	..	..
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>2</sup></b>	23.9	..	..	..	..	..
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>2</sup></b>	82.1	..	..	..	..	..
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	6.3	4.3	3.1	3.2	2.6	3.3

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ These estimates are based on the current weekly activity status in the Periodic Labour Force Surveys, which is aligned with ILO recommendations. Since January 2025, the PLFS has been revamped to collect monthly estimates. The comparability of the series before-and post-January 2025 may be affected.

2/ Calculations based on the 2011-12 and 2022-23 Consumption Expenditure Survey, using the modified mixed reference period and a spatially and intertemporally deflated welfare aggregate. Poverty estimates for the period in-between survey years are not available.

# MALDIVES

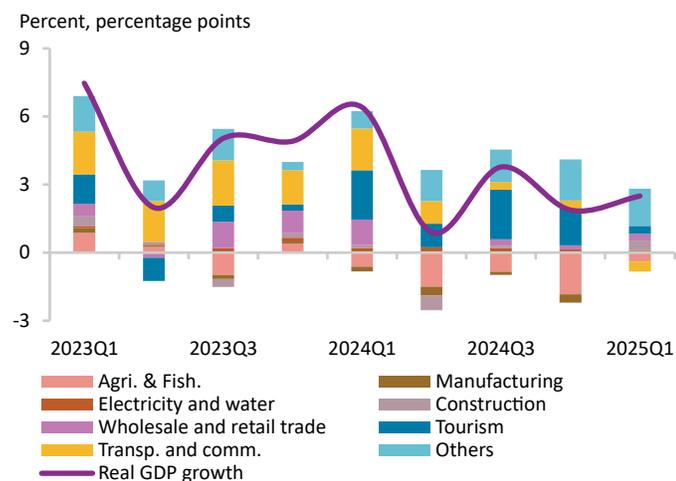
Steady economic growth is expected over the medium term driven by tourism. Substantial fiscal and external imbalances will likely lead to continued liquidity and solvency concerns. New foreign exchange (FX) regulations and a currency swap with the Reserve Bank of India (RBI) have supported a recovery in foreign reserves, but levels remain low. Maintaining economic stability requires substantial fiscal consolidation, while protecting the poor and vulnerable from adverse welfare impacts.

## Key conditions and challenges

Tourist arrivals continue to increase, with China, Russia, and Western Europe the leading markets. However, bed-night growth has moderated due to shorter tourist stays, lowering medium-term growth prospects. Fewer opportunities in the tourism sector could curtail employment for Maldivians, who account for only 40 percent of workers in the sector. Volatility in fisheries and agriculture—which contracted by 25.5 percent in 2024—also poses distributional concerns as people in the atolls are largely informal workers in these sectors.

Substantial increases in government spending and reliance on non-concessional borrowing for infrastructure projects over the years have intensified fiscal and external vulnerabilities and considerably elevated public debt. Persistently large fiscal and current account deficits have put significant pressure on foreign exchange reserves and led to an increase in the parallel market rate. Nevertheless, a high level of subsidies, while creating fiscal vulnerabilities, has contributed notably to supporting

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



Source: World Bank.

Population <sup>1</sup> thousand	Poverty <sup>2</sup> thousands living on less than \$8.30/day
527.8	54.8
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
81.0	97.5
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
6.9	13015.6

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2019 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

the budgets of vulnerable households, and any fiscal reforms would need to be accompanied by targeted compensation to the poor to prevent poverty increasing.

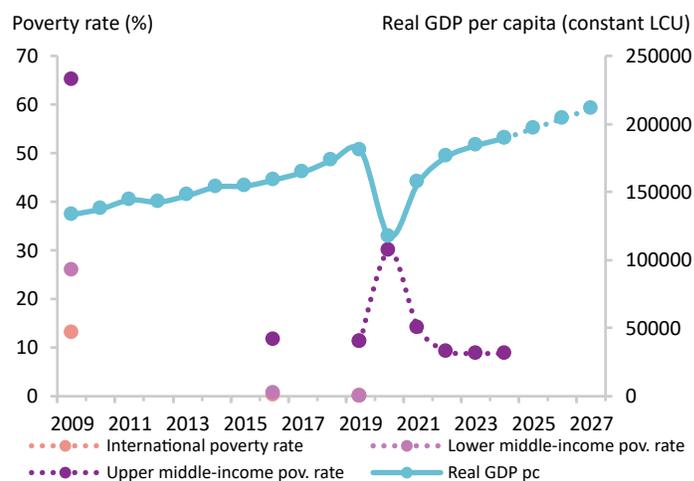
The implementation of key fiscal reforms envisioned by the government in 2024 has been delayed. This has led to a further build-up in expenditure arrears, which has intensified the financial difficulties in many sectors.

## Recent developments

The economy grew by 3.3 percent (y-o-y) in 2024 and 2.5 percent (y-o-y) in Q12025. Tourist arrivals reached 1.4 million by August and are projected to reach a historical high of 2.2 million in 2025 (8.9 percent above 2024). However, with a moderation in bed-night growth, rising arrivals are not expected to significantly increase growth. Real GDP growth is thus projected to be around 4.2 percent in 2025.

Overall headline inflation increased to an average of 5.0 percent (y-o-y) in H12025, driven by a sharp increase in food, fish, and restaurant and accommodation services inflation. This is especially

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



Source: World Bank. Notes: See footnotes in table on the next page.

concerning for less well-off households, who spend more than a third of their budget on food.

Driven by a strong recovery in fish exports of 69.2 percent (y-o-y) and a decline in goods imports of 1.7 percent (y-o-y) in H12025, the trade deficit narrowed by 3.6 percent (y-o-y) to US\$1.49 billion in H12025. With the support of the US\$400 million currency swap agreement in October 2024 and new FX regulations for the tourism sector in January 2025, official reserves increased from US\$371.2 million in September 2024 to US\$832.4 million in June 2025 (from 0.8 to 1.9 months of imports). While the new FX regulations supported official reserves, this has contributed to a significant rise in the parallel market rate given FX controls in the official market. Despite the recovery in official reserves, the coverage of usable reserves—less short-term essential imports and external debt service needs—remains low (less than one month).

Expenditures were reduced in 2025 driven by liquidity concerns, with recurrent expenditure falling by 1.6 percent (y-o-y) in H12025 and capital expenditure more sharply by 62.6 percent (y-o-y). With higher revenue collections, which rose by 13.2 percent (y-o-y), the fiscal account at end-June recorded a surplus of MVR 1.2 billion (US\$80.6 million), compared to a deficit of MVR 4.9 billion (US\$318.7 million) in 2024 over the same period. However, expenditure arrears are estimated to have accumulated further given continued commitments on existing infrastructure projects.

## Outlook

The new terminal at Velana International Airport is scheduled to be fully operational by October 2025, which is expected to support increased tourist arrivals. Nevertheless, with slower bed-night growth, GDP growth is projected to moderate to 4 percent on average over 2026–27. Inflation is expected to remain elevated over

the medium term, due to demand pressures for food and essential goods, which will stretch household budgets.

The baseline outlook assumes a limited expenditure reduction over 2026–27, considering the new credit line of US\$565 million provided by India for infrastructure projects. As a result, the fiscal deficit is expected to rise to around 13 percent of GDP over 2026–27 in the absence of fiscal reforms. Poverty reduction is expected to slow by 0.7 percentage points in 2025 relative to previous projections, although the impact on household welfare will depend on the nature and timing of any fiscal reforms. Public debt is projected to remain elevated at an average of 135 percent of GDP over the medium term.

Given limited fiscal reforms assumed over 2026–27, imports are expected to pick up over the medium term. As a result, the current account deficit is expected to rise to around 17.7 percent of GDP over 2026–27. Debt servicing obligations remain high at about US\$1.1 billion in 2026, which is expected to put significant pressure on official reserves and strain macroeconomic stability.

Major downside risks remain. Any shock to tourism could harm the growth outlook and would limit the scope for redistribution. Limited financing may further worsen the liquidity and solvency situation, especially with the approaching spike in external debt repayments. These risks could affect households through reduced purchasing power, limited access to essential goods, and fewer economic opportunities. Rising production costs could reduce labor demand and income, especially in the construction sector, increasing poverty and vulnerability. Limited local food production may heighten food insecurity. Lower global commodity prices over 2026–27 may provide some upside. A significant fiscal adjustment, along with a realistic debt financing strategy, remains the top priorities to address macroeconomic challenges.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices<sup>1</sup></b>	13.8	4.9	3.3	4.2	3.9	4.0
<b>Real GDP growth, at constant factor prices</b>	14.3	4.7	3.4	4.2	3.9	4.0
Agriculture	6.2	3.2	-25.5	12.2	3.0	3.0
Industry	19.6	3.3	-1.8	2.5	1.9	2.7
Services	14.3	5.0	5.8	4.0	4.2	4.1
<b>Inflation (consumer price index)</b>	2.3	2.9	1.4	4.6	4.2	3.9
<b>Current account balance (% of GDP)</b>	-16.9	-21.3	-18.3	-15.3	-18.0	-17.3
<b>Net foreign direct investment inflow (% of GDP)</b>	11.9	11.6	11.7	11.5	10.8	10.6
<b>Fiscal balance (% of GDP)</b>	-8.9	-10.6	-12.9	-9.8	-13.1	-13.0
<b>Revenues (% of GDP)</b>	30.5	33.7	32.3	34.4	34.7	34.5
<b>Debt (% of GDP)</b>	112.6	124.2	137.0	132.8	134.7	137.6
<b>Primary balance (% of GDP)<sup>2</sup></b>	-5.3	-6.5	-7.2	-3.5	-6.1	-5.6
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>3</sup></b>	9.2	8.7	8.7	..	..	..
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-1.6	7.4	7.9	7.3	6.5	5.9

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise. The fiscal projections do not include arrears, which might be significant.

1/ This MPO was prepared based on published data available on or before September 8, 2025.

2/ The primary balance excludes interest payments received.

3/ Calculations based on SAR-POV harmonization, using 2019-HIES. Projection using neutral distribution (2019) with pass-through = 0.7 (Med (0.87)) based on GDP per capita in constant LCU. Actual data: 2019. Nowcast: 2020–2024. Poverty Projections not available for 2025 onwards. Poverty rates for Maldives have been revised to reflect the adoption of the new international poverty lines based on 2021 PPPs. More information is available on the Poverty and Inequality Platform (PIP).

# NEPAL

Recent unrest and heightened uncertainty are likely to have a material short-term economic impact: growth is projected to decline weighed down by the services sector; poverty reduction is expected to slow; and the fiscal deficit is expected to widen. Economic recovery is predicated on reduced uncertainty and a pick-up in reconstruction activities. Key risks include continued political uncertainty and increased domestic financial sector vulnerabilities.

## Key conditions and challenges

Nepal experienced its worst unrest in decades on September 8–9, 2025. A social media ban triggered youth-led protests against corruption, followed by widespread unrest causing significant human and economic losses. The damage to public and private infrastructure is still being assessed. On September 9, Nepal's Prime Minister resigned and on September 12, the President appointed an interim administration tasked with holding a parliamentary election on March 5, 2026.

The protests reflected frustration with governance and deeper discontent over the lack of economic opportunities for Nepal's youth. This lack of opportunity stems from structural weaknesses holding back private enterprises, including a complex and uncertain business environment, corruption, high trade and transport costs, and inadequate infrastructure. As a result, growth has been slower than peers—at an average of 4.3 percent over FY12–24—and job creation has been limited. Youth unemployment reached nearly 22.7 percent in FY23, one of the highest levels in South Asia. As a result, labour migration has become the dominant livelihood strategy. Remittances, averaging nearly 23 percent of GDP over FY12–24,

Population <sup>1</sup> million	29.7	Poverty <sup>2</sup> millions living on less than \$4.20/day	2.7
Life expectancy at birth <sup>3</sup> years	70.4	School enrollment <sup>4</sup> primary (% gross)	123.0
GDP <sup>5</sup> current US\$, billion	42.9	GDP per capita <sup>6</sup> current US\$	1447.3

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

have sustained basic consumption. Without remittances, an estimated 2.6 million more people would have been in poverty.

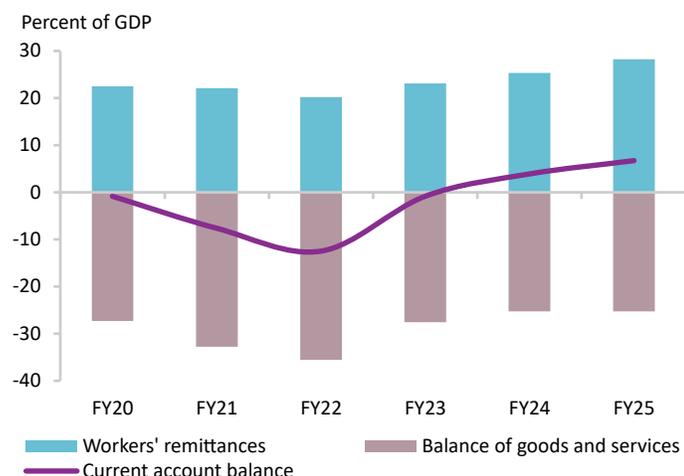
To address these structural challenges, implementing reforms proposed by the High-Level Economic Reform Commission in April 2025 will be critical. Key priorities include simplifying tax policy and streamlining tax administration, creating policy certainty, tackling corruption and cutting red tape, streamlining administrative processes, and accelerating infrastructure investment. Effective implementation could help strengthen governance, boost growth and shared prosperity, and create more jobs.

## Recent developments

Growth picked up marginally from 3.7 percent in FY24 to 4.6 percent in FY25, supported by a rebound in manufacturing and construction activities. Higher hydropower generation and stronger wholesale and retail trade also contributed to the pickup.

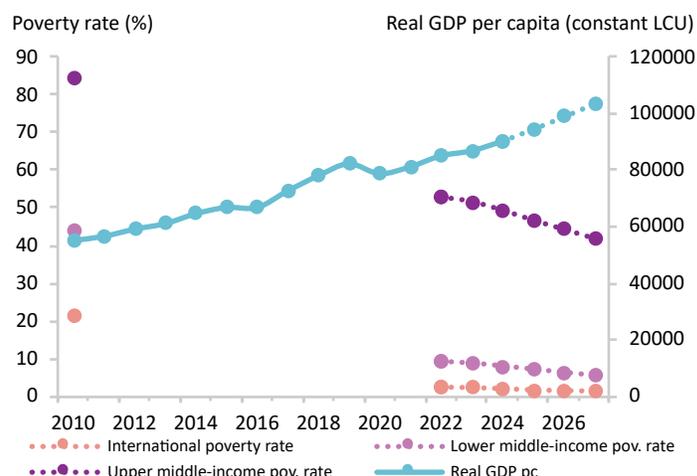
Headline inflation eased to 4.1 percent in FY25 from 5.4 percent in FY24, falling below the central bank's 5 percent ceiling. This moderation reflected declines in both food and non-food inflation possibly

FIGURE 1 / The current account surplus widened to a record high in FY25



Sources: National Statistics Office, Nepal Rastra Bank, and World Bank staff calculations.

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



Source: World Bank. Notes: See footnotes in table on the next page.

reducing the negative impact on vulnerable households. At the start of FY25, the central bank cut the policy rate by 50 basis points to stimulate private sector lending. However, credit-to-GDP remained sluggish despite ample liquidity, and non-performing loans (NPLs) rose to 4.6 percent, reflecting underlying weaknesses in the real sector.

The fiscal deficit narrowed to a nine-year low of 2 percent of GDP in FY25, supported by stronger tax collections and inability to execute the capital expenditure budget. Trade-related revenues were boosted by higher merchandise imports while non-trade revenues rose due to increased excise duties on alcoholic beverages reflecting higher production and rate adjustments. With public debt at 43.6 percent of GDP and a highly concessional external debt profile, Nepal remained at a low risk of debt distress.

The current account remained in surplus for second consecutive year in FY25 due to record-high re-exports of edible oils and remittance inflows. Imports were largely driven by crude edible oil purchases, mainly from Argentina and Brazil, while refined edible oil exports to India fueled export growth. This trade pattern is a direct result of tariff differentials that make domestic refining and re-export of edible oils profitable. Foreign exchange reserves strengthened, reaching 15.4 months of import coverage by end-FY25.

## Outlook

Reflecting recent unrest and heightened political and economic uncertainty, GDP growth is projected to decline to 2.1 percent in FY26 in the baseline scenario, with a potential range of 1.5–2.6 percent. As a result, poverty (USD 4.2/day) forecasts for FY26 (6.6 percent) and FY27 (5.9 percent) are slightly higher than the forecasts before the recent unrest (6.2 percent and 5.4 percent, respectively).

The baseline assumes a sharp decline in international tourist arrivals and spillover effects of asset losses on the insurance industry in FY26. Consequently, the services sector is expected to weigh on GDP growth. Industrial activity will slow as private investment, and non-hydro construction declines amid weaker investor confidence. The agricultural sector will be affected by delayed rainfall in a major rice-producing province. Reconstruction efforts are expected to begin in FY26 and gain momentum in FY27, supporting the recovery.

Inflation is expected to remain within the central bank's 5 percent ceiling over the medium term, supported by easing global commodity prices and moderating inflation in India. The current account surplus is projected to widen in FY26, reflecting higher remittances, savings repatriated by returning migrants, and slower imports growth, and is projected to narrow beginning FY27 as reconstruction-related imports pick up.

The fiscal deficit is expected to widen in FY26 due to higher spending on reconstruction and elections and slower revenue growth due to weaker imports growth. The deficit is expected to narrow in FY27 as revenues recover in line with imports. Public debt is projected to increase in FY26, reflecting the higher fiscal deficit, and stabilize thereafter. Overall, Nepal is projected to remain at a low risk of debt distress.

The outlook is subject to mixed risks. Key downside risks include persistent political uncertainty weighing on economic activity, higher NPLs straining the domestic financial sector, continued presence on the Financial Action Task Force (FATF) Grey List, and disruptions to public services and core administrative processes reflecting damage to public infrastructure. On the upside, a successful political transition and sustained macroeconomic management could strengthen investor sentiment and support a stronger economic recovery.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	5.6	2.0	3.7	4.6	2.1	4.7
Private consumption	6.8	0.7	1.1	1.8	1.2	2.8
Government consumption	9.6	-21.2	13.3	-0.4	11.6	0.4
Gross fixed capital investment	3.4	-15.8	2.0	1.5	0.9	13.0
Exports, goods and services	34.1	4.3	11.8	17.7	5.2	9.3
Imports, goods and services	16.4	-18.8	-2.5	3.2	1.7	7.3
<b>Real GDP growth, at constant factor prices</b>	5.3	2.3	3.4	4.0	2.1	4.7
Agriculture	2.4	3.0	3.4	3.3	2.4	3.1
Industry	10.7	1.3	0.1	4.5	4.1	8.3
Services	5.3	2.2	4.4	4.2	1.3	4.4
<b>Employment rate (% of working-age population, 15 years+)</b>	75.6	75.6	75.7	75.9	76.1	76.3
<b>Inflation (consumer price index)</b>	6.3	7.7	5.4	4.1	4.2	4.5
<b>Current account balance (% of GDP)</b>	-12.5	-0.9	3.9	6.7	7.3	6.5
<b>Net foreign direct investment inflow (% of GDP)</b>	0.4	0.1	0.1	0.1	0.1	0.1
<b>Fiscal balance (% of GDP)</b>	-3.2	-5.8	-2.5	-2.0	-2.8	-2.5
<b>Revenues (% of GDP)</b>	22.9	19.3	19.4	20.0	20.2	21.1
<b>Debt (% of GDP)</b>	40.5	42.8	42.6	43.6	45.2	45.2
<b>Primary balance (% of GDP)</b>	-2.4	-4.6	-1.2	-0.9	-1.6	-1.3
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	2.4	2.3	2.0	1.5	1.4	1.2
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	9.1	8.7	7.9	7.1	6.6	5.9
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	52.6	51.5	49.3	46.7	45.5	43.3
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-6.3	-0.5	3.1	3.1	2.8	3.5

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on SAR-POV harmonization, using 2022-LSS-IV. Actual data: 2022. Nowcast: 2023-2024. Forecasts are from 2025 to 2027.

2/ Projection using neutral distribution (2022) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

# SRI LANKA

Sri Lanka's economic recovery remains strong, supported by consumption and investment, robust remittances and tourism inflows, and significant revenue improvements. Poverty levels have declined but vulnerability remains high as real wages and labor force participation are below pre-crisis levels. Medium-term growth prospects hinge on sustained macroeconomic stability and the implementation of structural reforms that boost trade and attract non-debt-creating flows.

## Key conditions and challenges

After experiencing a balance of payments crisis and a sovereign debt default in 2022, the Sri Lankan economy began recovering in 2024. The crisis, caused by long-standing structural weaknesses and macroeconomic imbalances, and exacerbated by exogenous shocks, led to a contraction of 9.5 percent over 2021–23. Macroeconomic stability was restored with the implementation of reforms, including cost-reflective utility pricing and new tax measures. Real GDP expanded by 5 percent (y-o-y) in 2024. From its peak of 69.8 percent (y-o-y) in September 2022, inflation fell to single digits by mid-2023. External buffers were rebuilt, with usable reserves rising to US\$4.7 billion by end-2024 (equivalent to 3 months of imports), from US\$500 million at end-2022. The primary balance was in surplus in 2023–24. Public and publicly guaranteed (PPG) debt-to-GDP remains elevated at 103.9 percent (end-2024) but has fallen from end-2022 levels (119.2 percent).

Despite these improvements, the recovery is unfinished. Real output is below 2018 levels, poverty is double its 2019 levels, and the labor market recovery is slow. Long-term prospects for growth, jobs, and poverty reduction are hinged on increasing

Population <sup>1</sup> million	21.9	Poverty <sup>2</sup> millions living on less than \$4.20/day	2.5
Life expectancy at birth <sup>3</sup> years	77.5	School enrollment <sup>4</sup> primary (% gross)	95.9
GDP current US\$, billion	..	GDP per capita current US\$	..

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2019 (2021 PPPs). 3/ 2023. 4/ 2022.

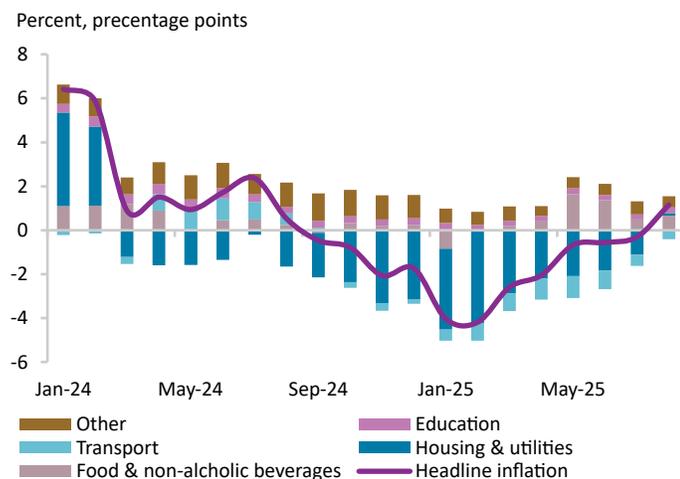
female employment, retaining skilled labor (in the context of an aging society), modernizing the labor law, improving the tax morale, strengthening trade linkages, improving logistics performance, and improving the business environment.

## Recent developments

The economy grew by 4.8 percent (y-o-y) in H1 2025, as industry, led by textiles, construction, and food manufacturing, continued to rebound, and services, led by financial and tourism-related services, grew steadily. Private consumption is beginning to recover, amidst rising wages, high credit growth, deflation, and a stable rupee.

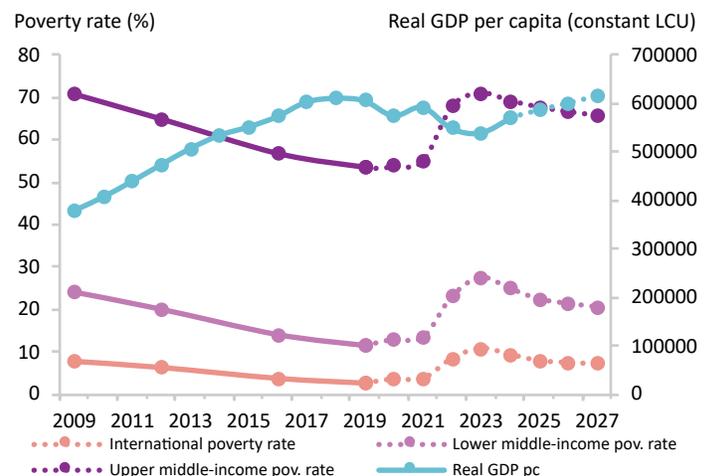
After eleven months of deflation, headline inflation turned positive in August 2025 (1.2 percent, y-o-y), driven by higher food prices and a rebound in administered energy prices. To steer inflation closer to its 5 percent target, the central bank cut policy rates by 25 basis points in May 2025 (a cumulative 825 basis point reduction since 2023). Accommodative monetary policy contributed to lower lending rates and a sharp pick-up in private sector credit growth to 19.6 percent (y-o-y) in July 2025.

FIGURE 1 / Contributors to headline inflation



Sources: Department of Census and Statistics and World Bank calculations. Note: Utilities include water, electricity, gas and other fuels

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



Source: World Bank. Notes: See footnotes in table on the next page.

The merchandise trade deficit widened by 22.5 percent (y-o-y) during January-July 2025, as imports – driven mainly by vehicles and consumer goods – outpaced sluggish exports. However, robust tourism earnings and remittances kept the current account in surplus (US\$1.7 billion during January-July 2025). External debt restructuring and development partner inflows contributed to a stable balance of payments. Despite continued (but slower) foreign exchange purchases by the central bank, usable reserves remained at end-2024 levels, and the rupee depreciated 3.2 percent against the dollar by end-August 2025 after appreciating in 2023-24. Further, the US imposed a 44 percent tariff on Sri Lankan imports in April 2025, revised down to 20 percent in August.

The primary surplus increased during January-July 2025, supported by a 26.5 percent growth (y-o-y) in revenue, mainly from taxes on imports and reduced capital expenditure. External debt restructuring is nearly concluded, with almost 98 percent of Eurobonds exchanged and several bilateral agreements with official creditors finalized.

While reductions in transport and energy costs in H1 2025 eased pressures on household budgets, crisis impacts persist. Poverty and malnutrition rates remain higher than pre-crisis levels, with food prices rising despite the recent deflation, raising concerns about prolonged food insecurity and longer-term human capital accumulation. Due to the scarring effects of the contraction, labor force participation was 47.4 percent in 2024, its lowest level since 2015. Real wages remain about 15 percent below their 2019 levels, with women (29.8 percent) and urban areas (44.3 percent) particularly affected. Spatial inequalities remain high.

## Outlook

Despite strong recent performance, in the absence of growth-enhancing structural reforms, medium-term growth prospects remain modest at 3.1 percent and are expected to be driven primarily by a recovery in consumption, with limited contribution from investment and exports. As demand picks up, inflation is projected to increase towards its target range. The current account is expected to remain in a moderate surplus, supported by lower global oil prices, tourism-led increases in service exports, and buoyant remittances. Continued primary surpluses are expected in the medium-term, and PPG debt is projected to trend downward. Supported by moderate inflation and economic growth, poverty is projected to decline in 2025 and beyond.

However, downside risks remain high. Moderating global growth and the recalibration of global trade could dampen export demand, deter investment, and result in potential trade-related job losses. The continued reliance on value-added and trade taxes could hinder the recovery in consumption and exports. Close monitoring of private sector credit growth is needed. Persistent under-execution of the capital budget poses risks for long-term growth.

To boost growth prospects and revitalize private sector led job creation, it is critical to maintain macroeconomic stability, policy consistency, and undertake structural reforms. This includes addressing rigidities in labor regulation and reliance on public sector employment that have constrained labor market dynamism and recovery in labor incomes. Higher broad-based growth that creates jobs across the country and increases labor incomes will contribute to sustained poverty reduction and increase households' resilience to shocks.

### Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	-7.3	-2.3	5.0	4.6	3.5	3.1
Private consumption	1.2	-1.9	4.0	3.8	3.7	3.6
Government consumption	1.4	-5.4	-1.8	0.6	0.8	1.0
Gross fixed capital investment	-24.6	-8.8	19.3	10.9	7.5	3.2
Exports, goods and services	9.8	13.2	12.5	6.2	0.5	1.9
Imports, goods and services	-19.9	8.9	22.5	8.3	4.0	2.4
<b>Real GDP growth, at constant factor prices</b>	-7.0	-2.6	4.6	4.6	3.5	3.1
Agriculture	-4.1	1.6	1.2	1.4	1.3	1.2
Industry	-16.0	-9.2	11.0	9.4	5.4	4.0
Services	-2.6	-0.2	2.4	2.8	2.9	2.9
<b>Employment rate (% of working-age population, 15 years+)</b>	47.5	46.8	47.3	47.3	47.3	47.3
<b>Inflation (consumer price index)</b>	46.4	17.4	1.2	-0.2	3.7	4.1
<b>Current account balance (% of GDP)</b>	-2.0	1.7	1.2	1.1	0.5	0.4
<b>Net foreign direct investment inflow (% of GDP)</b>	1.2	0.8	0.7	0.5	0.6	0.7
<b>Fiscal balance (% of GDP)</b>	-10.2	-8.3	-6.8	-4.5	-3.2	-2.8
<b>Revenues (% of GDP)</b>	8.4	11.2	13.7	15.3	15.6	16.0
<b>Debt (% of GDP)<sup>1</sup></b>	114.2	104.7	99.1	98.2	96.0	93.5
<b>Primary balance (% of GDP)<sup>2</sup></b>	-3.7	0.6	2.2	3.0	3.0	3.1
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>3</sup></b>	8.4	10.7	9.3	7.8	7.4	7.1
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>3</sup></b>	23.1	27.5	24.9	22.3	21.3	20.4
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>3</sup></b>	67.8	70.9	69.2	67.5	66.5	65.7
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-5.6	-3.9	4.3	5.0	5.6	4.9

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ The series uses central government debt figures.

2/ The primary balance excludes interest payments received.

3/ Calculations based on SAR-POV harmonization, using 2019-HIES. Actual data: 2019. Nowcast: 2020-2024. Forecasts are from 2025 to 2027.



Angola  
Benin  
Botswana  
Burkina Faso  
Burundi  
Cabo Verde  
Cameroon  
Central African Republic  
Chad  
Comoros  
Congo, Democratic Rep.  
Congo, Republic  
Côte d'Ivoire  
Equatorial Guinea  
Eritrea  
Eswatini

Ethiopia  
Gabon  
Gambia, The  
Ghana  
Guinea  
Guinea-Bissau  
Kenya  
Lesotho  
Liberia  
Madagascar  
Malawi  
Mali  
Mauritania  
Mauritius  
Mozambique  
Namibia

Niger  
Nigeria  
Rwanda  
São Tomé and Príncipe  
Senegal  
Seychelles  
Sierra Leone  
Somalia  
South Africa  
South Sudan  
Sudan  
Tanzania  
Togo  
Uganda  
Zambia  
Zimbabwe

# Sub-Saharan Africa

# ANGOLA

Growth slowed in H1 2025 due to lower oil output, but the non-oil sector remains strong. Growth could improve with faster reforms in infrastructure, human capital, and agriculture and using the Lobito Corridor initiative as a catalyst for economic diversification and connecting Angola to regional and global markets. The poverty rate is projected to rise to about 42.5 percent by 2025. Risks include excessive oil volatility, global uncertainty, and slow implementation of reforms.

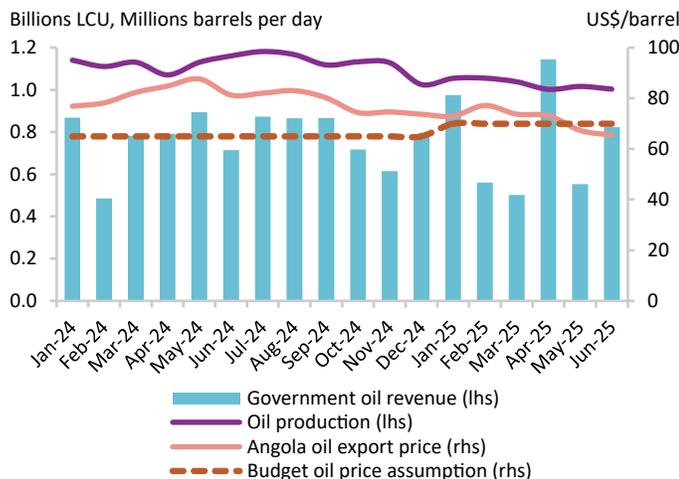
## Key conditions and challenges

Angola has significant economic and human potential thanks to abundant natural resources, fertile land, favorable climate, a long coastline, and a young population. Beyond oil and diamonds, the country is also rich in rare earths and other minerals.

However, Angola's economy remains heavily dependent on oil, which makes up about 20 percent of GDP and over 95 percent of exports. Declining oil production due to maturing oil fields, limited investment, and the global shift toward renewable energy have slowed growth and increased economic volatility.

Non-oil sectors face challenges such as poor infrastructure, low human capital, and complex regulations, preventing private sector development. Around one third of Angolans—especially youth and women—are unemployed. The labor force participation hovers around 90 percent, but most jobs are in the informal sector (about 80 percent). Chronic malnutrition affects about 42 percent of children. Weak institutions and governance have also hampered private sector development and economic

FIGURE 1 / Oil prices, production and government oil-revenues



Source: Angola's Ministry of Finance.

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$3.00/day
<b>37.9</b>	<b>12.3</b>
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
<b>64.6</b>	<b>86.7</b>
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
<b>116.8</b>	<b>3083.4</b>

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2018 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2024. 6/ 2024.

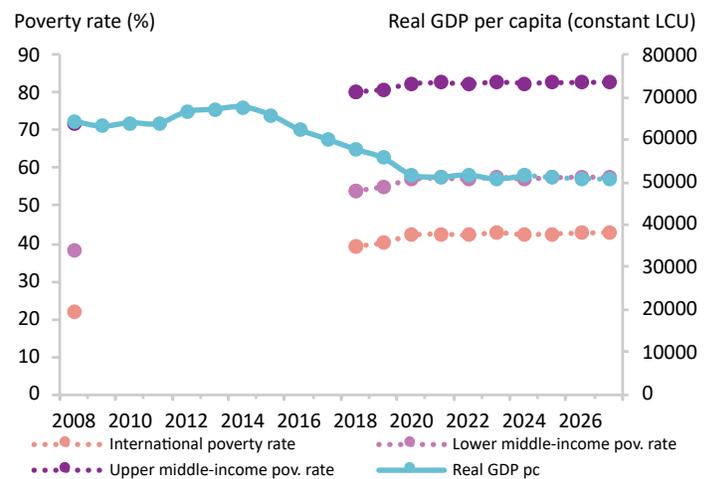
growth through a combination of heavy state intervention and widespread corruption.

Angola has the potential to transition to an Upper-Middle Income status by implementing critical structural reforms to address its key economic challenges. Economic growth could nearly double by 2050 if the country accelerates the implementation of reforms to improve macroeconomic stability, boost productivity growth, expand physical and human capital endowments, and better leverage its substantial agricultural potential. The Lobito Corridor initiative could catalyze economic diversification, but success depends on comprehensive structural reforms.

## Recent developments

After strong growth in 2024, Angola's economy slowed in the first half (H1) of 2025, with GDP rising by only 2.3 percent, driven by gains in services, non-oil industry, and agriculture, which offset continued oil sector contraction. The labor market showed slight improvement: unemployment dropped from 32.3 percent in Q2 2024 to 28.8 percent in Q2 2025, while youth unemployment decreased from 56.4 to 52.7 percent over the same period.

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



Source: World Bank. Notes: See footnotes in table on the next page.

Inflation eased to 18.9 percent in August, mainly due to moderating food prices. The central bank cut its policy rate to 19 percent amid global uncertainty and inflationary pressure from recent fuel, water and electricity price hikes, while easing mandatory reserve requirements to 18 percent. However, credit to the private sector declined in real terms, by 1.7 percent in H1, after stagnating in 2024.

The weaker oil sector pressured the external balance. The current account surplus declined to 2 percent of GDP (from 7.2 percent a year earlier) in Q1 2025, reflecting lower oil exports and robust imports. Gross international reserves dipped by 3.2 percent to \$15.3 billion, covering 7.8 months of imports. The Kwanza has remained relatively stable in 2025, depreciating just 4.1 percent year-on-year by July.

Government revenue increased by 8.9 percent in H1 2025 on an annual basis, primarily driven by stronger non-oil tax collections. However, oil revenue stagnated due to weaker prices and reduced production. On the expenditure side, spending surged by 41.5 percent year-on-year, driven mainly by a 25 percent increase in public sector wages. In March and July, the government doubled the domestic price of diesel to reduce fuel subsidies and raised prices for other regulated goods and services, including water, electricity, and transport. These measures sparked widespread protests in July, which resulted in fatal clashes.

## Outlook

Growth in Angola is projected at 2.3 percent for 2025 – below the population growth – driven mainly by the non-oil sector, while oil production continues to decline. Over the medium term, growth should stabilize near 3 percent annually, supported by efforts to diversify the economy, especially through agriculture and structural reforms, while GDP per capita is likely to remain flat due to

Angola's rapid population growth. Unemployment is expected to remain high due to the combination of rapid working-age population growth and low job creation. By 2027, the poverty rate at the international poverty line is projected to remain over 42 percent—higher than expected for a country at Angola's income level—underscoring the urgency of strengthening social protection and investing in human capital. With a Gini index exceeding 51, Angola ranks among the most unequal economies. Faster, job-rich economic growth is needed to reduce poverty.

To contain inflation from recent price hikes, the central bank is likely to maintain tight monetary policy. Without major exchange rate shocks, inflation could fall to 12.6 percent by 2027. However, fuel subsidy reforms may lead to inflationary pressures. To de-escalate tensions, subsidy reforms should consider support for low-income households, greater transparency, and stronger communication strategies.

The current account surplus will likely shrink, reflecting lower oil exports, but this may be partially offset by reduced imports of refined oil due to lower fuel subsidies. By 2027, the surplus is projected at around 0.6 percent of GDP. Investments in the Lobito Corridor are expected to boost agriculture and mining. International reserves should stay strong, exceeding six months of import cover.

Public finance will remain strained by weaker oil revenue and high debt service. Election-related fiscal spending could add pressure, keeping the fiscal deficit at about 2.7 percent of GDP by 2027 and public debt over 60 percent of GDP.

Risks to this outlook are significant: Angola remains highly vulnerable to oil price fluctuations and global uncertainty. Delays in structural reforms threaten economic stability and diversification, while slow responses to the social impacts of subsidy reforms could further heighten risks.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	4.2	1.3	4.4	2.3	2.6	2.8
<b>Real GDP growth, at constant factor prices</b>	5.5	1.0	5.0	2.3	2.6	2.8
Agriculture	3.9	2.7	4.7	4.3	4.3	3.4
Industry	4.9	-0.2	5.6	-1.4	-0.7	1.6
Services	6.5	1.7	4.6	4.9	4.7	3.6
<b>Employment rate (% of working-age population, 15 years+)</b>	64.6	64.7	64.8	64.8	64.8	64.8
<b>Inflation (consumer price index)</b>	21.4	13.6	28.2	20.4	14.7	12.6
<b>Current account balance (% of GDP)</b>	8.3	3.8	5.2	1.4	0.7	0.6
<b>Net foreign direct investment inflow (% of GDP)</b>	-4.7	-1.9	-1.0	-1.3	-1.2	-1.0
<b>Fiscal balance (% of GDP)</b>	5.2	1.1	-1.0	-2.3	-2.8	-2.7
<b>Revenues (% of GDP)</b>	22.1	16.8	17.2	15.2	14.5	15.1
<b>Debt (% of GDP)</b>	55.6	70.6	59.3	62.6	63.1	63.0
<b>Primary balance (% of GDP)</b>	8.4	5.7	3.7	1.5	1.2	1.4
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	42.2	42.8	42.3	42.5	42.7	42.8
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	57.1	57.7	57.2	57.5	57.6	57.7
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	82.3	82.8	82.5	82.6	82.7	82.8
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-1.3	0.1	0.2	-1.8	-0.7	3.8

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2018-IDREA. Projection using neutral distribution (2018) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

2/ Actual data: 2018. Nowcast: 2019-2024. Forecasts are from 2025 to 2027.

# BENIN

In 2025, growth is projected to remain robust at 7.3 percent, driven by the industrial and services sectors, inflation increased marginally to 1.3 percent, and poverty incidence continued declining to 40.6 percent. The fiscal deficit declined to 2.9 percent of GDP, and debt fell to 51.7 percent. Security conditions in the north, intertwined with political risks, global uncertainties, and climate shocks, are the main risks.

## Key conditions and challenges

Benin is at a reform crossroad to accelerate job creation, poverty reduction and economic transformation. Sound macro-fiscal management, coupled with an improved business environment, has generated development gains, including strong post-COVID-19 growth, moderate inflation and nascent economic transformation. High economic growth is driving poverty reduction, which could be accelerated by enhancing labor productivity growth and creating more well-paid private sector jobs. Wage and salaried workers accounted for 11.6 percent of total employment in 2019-23, in comparison to 35.8 percent in peer countries. Services, notably low productive services and industry have been the primary sectors drivers of jobs creation and account for 49 percent and 29 percent of total employment in 2019-2023. Although the share of employment in agriculture declined to 29 percent, from 50 percent in 2000, agriculture still contributes about 27 percent of GDP. Manufacturing employment, which had been on a downward trend since 2000, flattened during 2016-2020 before increasing since 2021.

Fiscal space remains a challenge, requiring the government to carefully calibrate its presence in the economy. Revenue mobilization

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$4.20/day
14.5	6.7
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
60.8	113.0
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
21.5	1485.6

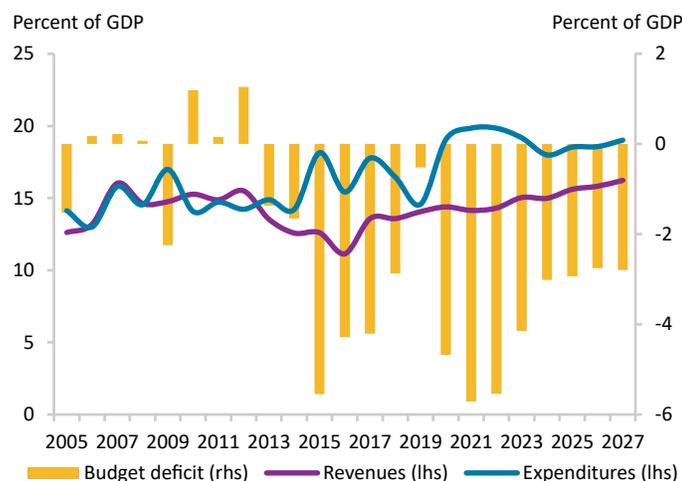
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2024. 6/ 2024.

increased by 2.6 percentage points (pp) of GDP between 2019 and 2024 to 13.2 percent but this remains low in relation to the region and development needs. The government adopted a Medium-Term Revenue Strategy to ramp up tax revenue to 15.2 percent of GDP by 2028. Debt is declining due to successful fiscal consolidation; however, the share of external debt is rising to 75.4 percent in 2024.

## Recent developments

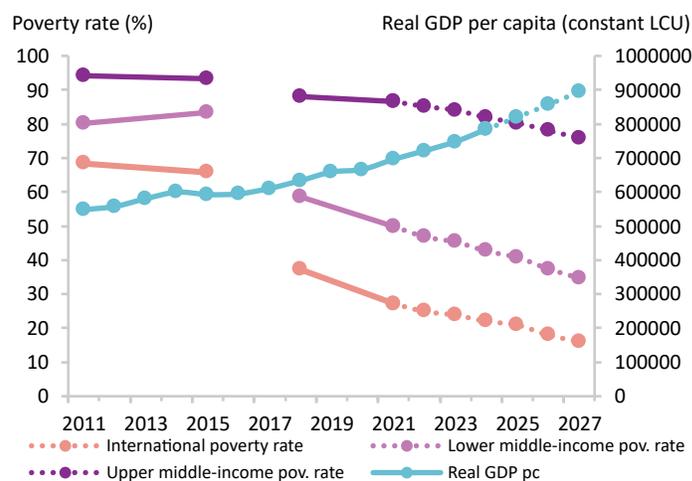
In 2025, growth is estimated to remain robust at 7.3 percent, driven by strong performance of construction and manufacturing, reflecting the accelerated completion of infrastructure and Glo-Djigbé Industrial Zone projects. The primary sector, which has slipped to the third growth engine behind industries, performed well, bolstered by cotton and diversification into export and subsistence crops. The services sector benefited from trade and transport, in line with the dynamism of port operations and construction. Despite the continued closure of the Niger-Benin border, port activities rebounded to pre-closure levels, in 2025Q1, fueled by rising demand from Nigeria, new regional trade routes, and greater merchandise export volume.

FIGURE 1 / Fiscal conditions



Source: World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

On the demand side, strong growth and low inflation bolstered private consumption. Improved value-added products led to a continued rise in export contribution. In 2025Q1, construction, manufacturing, trade, and telecom firms led to a 2.5 percent y/y increase in job creation.

Inflation reached 1.1 percent y/y in July 2025 and is estimated to average 1.3 percent in 2025, from 1.2 percent in 2024, supporting a decline in the lower middle-income poverty rate (\$4.2 in 2025 PPP) of 1.9 ppt to 40.6 percent. Inflation remains well within the West African Economic and Monetary Union (WAEMU) target band of 1–3 percent and below regional peers. After having maintained its monetary policy unchanged since end-2023, the Central Bank of West African States (BCEAO) reduced its key policy interest rates in June 2025 by 25 basis points, lowering the liquidity call rate to 3.25 percent and the marginal lending facility rate to 5.25 percent.

The fiscal deficit is expected to remain below the 3 percent WAEMU fiscal target at 2.9 percent in 2025 due to rising tax revenues and contained expenditures. The projected increase in current expenditure (1 pp of GDP) will be offset by lower capital expenditures. Public debt fell to 51.7 percent of GDP, of which 77 percent are external.

The current account deficit (CAD) narrowed to 5.7 percent. In January 2025, the government issued a US\$500 million Eurobond and contracted a Euro 500 million commercial loan, with interest rates of 6.48 (Euro-swapped) and 6 percent. The proceeds were used for budget financing and improved the debt profile through a debt management operation. The financial sector remains sound, with

non-performing loans improving to 3.7 percent in March 2025, from 4.4 percent in March 2024.

## Outlook

Economic activity is expected to grow by 7.1 percent per year in 2025-27, supported by agro- industries, construction, and services. Improved economic conditions in Nigeria and bilateral trade relations will boost trade and transport. New tourism infrastructures coupled with efforts to sell the “Benin destination” will strengthen growth. Agriculture activity is set to rise by 6.1 percent, driven by productivity gains and supporting agro-industries (9.3 percent). Better supply of foods and moderate energy prices are expected to maintain inflation at 1.4 percent. Poverty reduction is expected to accelerate, with the poverty rate projected to decline to 36.4 percent by 2027; a 4.4 pp drop from 2025.

The regional inflation rate is expected to align with the WAEMU target band from 2025 onwards, while regional reserves are projected to rise slightly to 4.7 months of imports in 2025 from 4.6 months in 2025, supported by recovering exports.

Tax revenues to GDP, including social security, are expected to reach 15 percent of GDP by 2027, contributing to maintaining the fiscal deficit at around 2.9 percent and reducing debt to below 50 percent. The CAD is projected to gradually improve to 4 percent of GDP by 2027. The outlook is balanced. Despite challenges, the Beninese economy continues to record strong growth. Downside risks include climate issues, trade uncertainty, security and political risks mitigated by three decades long tradition of peaceful transfers of power.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	6.3	6.4	7.5	7.3	7.0	7.0
Private consumption	5.8	6.0	5.0	5.1	5.0	5.0
Government consumption	3.5	0.5	1.1	14.9	2.5	3.4
Gross fixed capital investment	-8.0	15.8	10.6	8.5	8.6	11.1
Exports, goods and services	14.5	4.3	4.4	9.3	11.2	11.0
Imports, goods and services	-4.6	10.4	-0.8	7.9	5.5	8.9
<b>Real GDP growth, at constant factor prices</b>	6.0	6.3	7.5	7.3	7.0	7.0
Agriculture	4.8	5.1	5.9	6.0	6.1	6.2
Industry	7.9	7.3	9.7	9.7	9.3	9.0
Services	6.0	6.6	7.5	7.1	6.5	6.7
<b>Employment rate (% of working-age population, 15 years+)</b>	74.5	74.3	74.4	74.4	74.4	74.4
<b>Inflation (consumer price index)</b>	1.4	2.8	1.2	1.3	1.4	1.4
<b>Current account balance (% of GDP)</b>	-5.7	-8.2	-6.7	-5.7	-4.5	-4.0
<b>Net foreign direct investment inflow (% of GDP)</b>	1.9	2.2	2.0	2.0	1.9	1.9
<b>Fiscal balance (% of GDP)</b>	-5.5	-4.1	-3.0	-2.9	-2.8	-2.8
<b>Revenues (% of GDP)</b>	14.3	15.0	15.0	15.6	15.8	16.2
<b>Debt (% of GDP)</b>	54.2	54.5	53.4	51.7	49.9	49.7
<b>Primary balance (% of GDP)</b>	-3.9	-2.8	-1.4	-1.4	-1.2	-1.2
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	25.0	23.9	22.1	20.8	19.1	17.3
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	46.9	45.4	42.7	40.6	38.5	36.4
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	85.1	84.0	81.9	80.1	78.5	76.7
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	2.7	-0.2	0.1	0.2	1.0	1.5

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2021-EHCVM. Actual data: 2021. Nowcast: 2022-2024. Forecasts are from 2025 to 2027.

2/ Projections using microsimulation methodology.

# BOTSWANA

The economy is projected to contract by 3 percent in 2025, after contracting by 3 percent in 2024, reflecting the prolonged downturn in the diamond sector. Collapsing diamond revenues have intensified fiscal and external pressures, underscoring the urgent need for reforms to restore fiscal sustainability and growth. Poverty is forecasted to reach 20.9 percent in 2025 under the new \$3/day International Poverty Line (2021 PPP).

## Key conditions and challenges

Once a model of stability built on diamond wealth, Botswana now faces growing challenges. Diamonds account for up to 90 percent of exports and a large share of government revenue, leaving the economy highly exposed to structural shifts in the global market, in particular shifting consumer demand for natural diamonds in the global market. Limited diversification and gaps in infrastructure and human capital weaken resilience. Public investment has improved physical infrastructure, but access to quality energy, transport, and digital services remains inadequate. Healthcare and education outcomes lag behind other upper middle-income countries.

Fiscal sustainability is under pressure from declining mineral revenues and rigid expenditure, which have widened deficits and nearly doubled public debt in recent years. These risks are amplified by falling foreign reserves and volatile Southern African Customs Union (SACU) transfers, highlighting the urgent need for a stronger fiscal framework to contain debt growth.

Despite progress in reducing extreme poverty over the past three decades, Botswana continues to face deep-rooted socio-economic

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$3.00/day
2.5	0.5
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
69.2	96.9
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
19.4	7680.5

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2015 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2024. 6/ 2024.

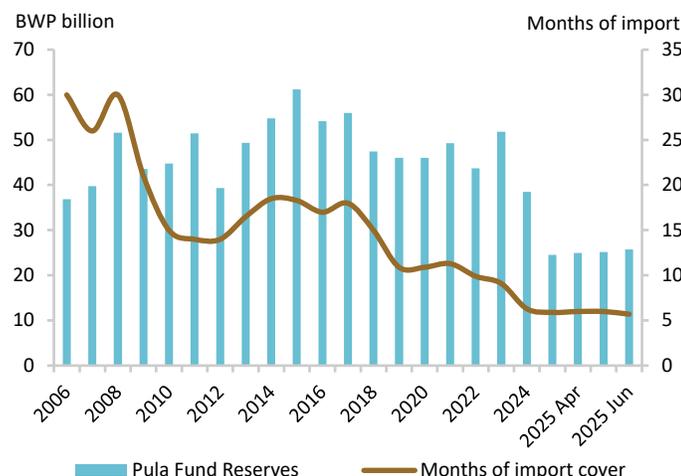
challenges. Unemployment remains high at 27.6 percent, income inequality is high (Gini index 53.3), and the labor market is dominated by low-productivity jobs. These issues are compounded by climate vulnerabilities that threaten livelihoods and economic stability. Together, these pressures highlight the urgent need for a more resilient development model. Strengthening climate resilience, boosting labor productivity, and accelerating diversification beyond diamonds are critical measures for sustainable and inclusive growth.

## Recent developments

Following a 3 percent GDP contraction in 2024, Botswana's economy remained weak in early 2025, with a fifth consecutive quarterly decline, down 0.3 percent year-on-year in Q1 2025 after a 2 percent decline in Q4 2024. The downturn was driven by sharp contractions in mining (-7.7 percent) and diamond trading (-36.2 percent), reflecting structural shifts, inventory adjustments, and weakening global demand.

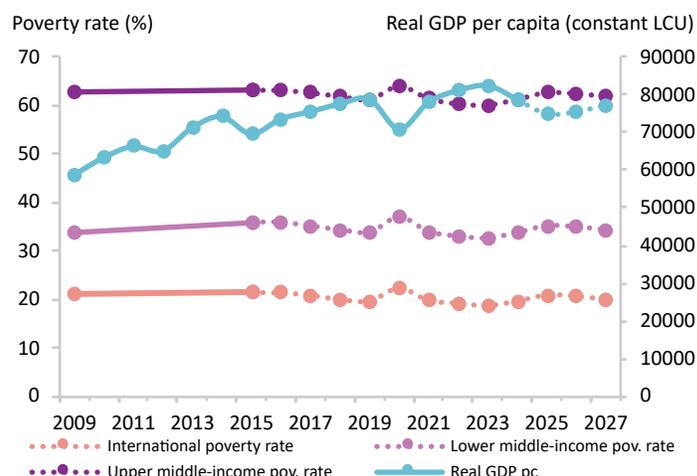
Fiscal pressures have intensified amid falling mineral revenues, elevated spending, and declining liquidity buffers. Liquidity constraints prompted austerity measures and improved revenue

FIGURE 1 / Reserve coverage has significantly declined



Sources: Botswana Economic and Financial Statistics, and Bank of Botswana.

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



Source: World Bank. Notes: See footnotes in table on the next page.

collection efforts, but they have not fully offset the mineral revenue shortfall. Cash-flow challenges led to arrears to suppliers, spending cuts—including for travel, fleet management, and procurement—and delayed contract implementation. To finance the deficit, Botswana secured US\$504 million in external loans from AfDB and OPEC, complementing domestic borrowing. Public debt rose above 29 percent of GDP, with the FY24/25 fiscal deficit estimated at 8 percent and high FY25/26 deficit projections. In September 2025, Standard & Poor's downgraded Botswana's sovereign credit to BBB with a negative outlook. Shallow domestic debt markets constrain the government's borrowing and limit funding for public investment and service delivery.

The balance of payments has deteriorated, with international reserves falling sharply and the current account deficit widening to 4.7 percent of GDP in 2024 from 0.6 percent in 2023, underscoring Botswana's vulnerability to external shocks. Inflation averaged 2.2 percent through July 2025, below the Bank of Botswana's 3–6 percent target range. However, recent Pula depreciation may fuel imported inflation, particularly for food, impacting the poor. Monetary and financial conditions have tightened, pressuring the banking sector. The central bank has sought to balance inflation control and support for growth, but declining reserves have heightened financial market uncertainty, raising borrowing costs and tightening credit conditions. Depreciation pressures further complicate inflation management and weigh on import-dependent sectors.

## Outlook

Botswana's economy is projected to contract by 3 percent in 2025, reflecting persistent challenges in the diamond

industry. Growth is expected to average just 1.0 percent over 2025–27, assuming a moderate improvement in diamond production in 2026. A resumption of faster, sustainable growth will require improved fiscal management, and reforms that enable economic diversification and private sector growth. GDP per capita growth is projected to remain low at 0.6 percent in 2026 and recover to 2.2 percent in 2027, with poverty under the \$3/day International Poverty Line declining slightly to 20.2 percent by 2027.

Inflation is forecast to rise over 2026–2027, reaching the 6 percent upper limit due to currency depreciation and elevated food prices, likely prompting gradual monetary tightening. The fiscal deficit is projected to narrow to 7.7 percent of GDP in 2025/2026, as expenditure containment offsets the shortfalls in mineral revenues. The deficit is projected to improve gradually, due to better fiscal management, improved domestic resource mobilization, and economic recovery. As domestic debt nears the statutory limit of 20 percent of GDP, the government will need to rebalance financing towards external sources.

Limited private sector development constrains job creation, contributing to high unemployment (27.6 percent), and persistent inequality. Poverty, high for the country's income level, is projected to have risen further in 2024 and 2025, reaching 20.9 percent, as per capita GDP declined by 4.5 percent.

Significant risks remain. Externally, uncertainty in the diamond market, trade tensions, and geopolitical instability threaten economic stability. Domestically, a liquidity crunch and a growing debt burden constrain public spending and investment, creating a challenging environment for recovery and growth.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices<sup>1</sup></b>	5.6	3.2	-3.0	-3.0	2.3	3.8
Private consumption	3.0	5.6	1.9	2.7	3.2	3.0
Government consumption	2.5	4.8	5.9	4.2	2.1	0.6
Gross fixed capital investment	0.3	4.2	5.0	2.7	4.0	2.1
Exports, goods and services	-5.4	-12.4	-4.4	-5.9	2.5	4.9
Imports, goods and services	-11.7	-7.1	18.1	9.4	3.5	0.1
<b>Real GDP growth, at constant factor prices</b>	5.9	2.8	-3.2	-3.0	2.3	3.8
Agriculture	1.2	1.8	-0.3	4.2	1.2	1.4
Industry	7.7	2.3	-13.5	1.0	0.3	3.6
Services	5.0	3.2	3.3	-5.4	3.4	4.0
<b>Inflation (consumer price index)</b>	12.2	5.1	2.8	3.5	6.0	6.0
<b>Current account balance (% of GDP)</b>	-1.2	-0.6	-4.7	-6.7	-4.8	-3.5
<b>Net foreign direct investment inflow (% of GDP)</b>	2.9	3.4	1.3	0.6	0.5	0.5
<b>Fiscal balance (% of GDP)<sup>2</sup></b>	0.0	-4.2	-8.0	-7.7	-7.2	-6.3
<b>Revenues (% of GDP)</b>	29.5	28.1	26.6	24.1	23.6	22.9
<b>Debt (% of GDP)<sup>3</sup></b>	20.4	22.5	29.4	35.5	38.3	40.0
<b>Primary balance (% of GDP)<sup>2</sup></b>	0.6	-3.2	-6.8	-6.2	-5.5	-4.6
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>4,5</sup></b>	19.0	18.6	19.5	20.9	20.7	19.9
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>4,5</sup></b>	32.9	32.5	33.6	35.0	34.9	34.2
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>4,5</sup></b>	60.2	59.9	61.2	62.7	62.5	61.9
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-5.0	-1.0	-3.9	-0.8	1.5	1.4

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Projections presented in this report reflect revised diamond production volumes.

2/ Fiscal balances are reported in fiscal years (April 1st -March 31st).

3/ Refers to Public and Publicly Guaranteed debt.

4/ Calculations based on 2015/16-BMTHS. Actual data: 2015/16. Nowcast: 2017-2024. Forecasts are from 2025 to 2027.

5/ Projection using neutral distribution (2015/16) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

# BURKINA FASO

GDP growth is projected to slow slightly to 4.7 percent in 2025 (2.3 percent per capita), due to weaker agricultural performance, before gradually rising to 5.1 percent by 2027, assuming improved security. Inflation is projected to average 2.7 percent in 2025, and the extreme poverty rate is expected to fall to 34.2 percent. The outlook is subject to downside risks from security threats, climate shocks, debt roll-over, and adverse international dynamics.

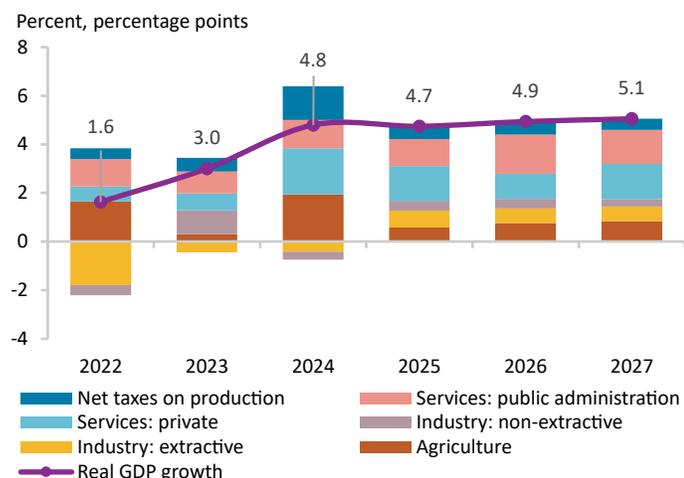
## Key conditions and challenges

Burkina Faso's extractive-driven economy remains vulnerable to insecurity, climate, and commodity shocks. The economic landscape is dominated by low-productivity services; rain-fed agriculture, which is highly sensitive to weather and security conditions; and gold mining, which represents 80 percent of exports.

Despite slowly improving, security continues to hinder economic growth, impacting the agriculture and mining sectors. In H1 2025, fatalities, as recorded by the Armed Conflict Location and Event Data (ACLED) fell 23 percent from H1 2024 and 26.6 percent from H1 2023 which saw a peak in violence (4819 death). Access to land has improved, and some mines have reopened after two years of suspension, supporting agricultural and extractive activities.

Burkina Faso faces significant labor market challenges, with the working-age population projected to grow by 3.3 percent to 13.5 million in 2025, while 93.5 percent of jobs remain informal, and 83.0 percent of workers are in vulnerable employment. Youth (15-24) are particularly vulnerable, with 13.8 percent not in education, employment or training.

**FIGURE 1 /** Real GDP growth and supply-side contributions to real GDP growth



Sources: National Bureau of Statistics (INSD) and World Bank staff estimates.

Population <sup>1</sup> million	23.5	Poverty <sup>2</sup> millions living on less than \$3.00/day	9.3
Life expectancy at birth <sup>3</sup> years	61.1	School enrollment <sup>4</sup> primary (% gross)	72.3
GDP <sup>5</sup> current US\$, billion	23.1	GDP per capita <sup>6</sup> current US\$	982.0

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

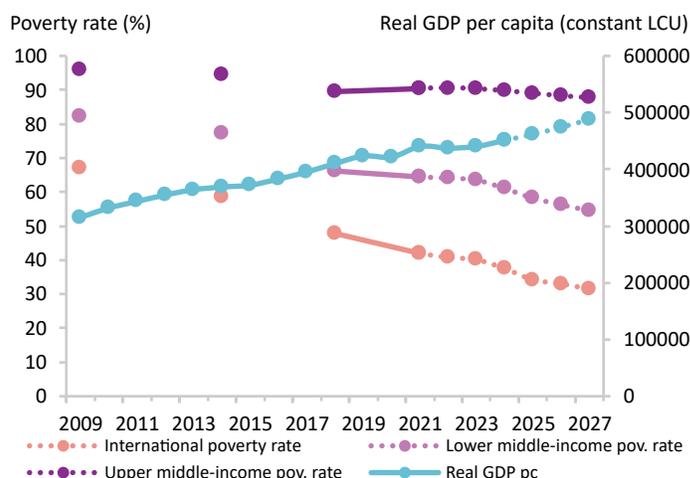
Burkina Faso has been reinforcing economic and political cooperation with Mali and Niger within the Confederation of Sahel States (AES). The authorities have reaffirmed the country's intention to remain in the West African Economic and Monetary Union (WAEMU).

## Recent developments

In Q1 2025, GDP growth stood at 3.8 percent year on year (y/y). Growth is expected to reach 4.7 percent in 2025 (2.3 percent per capita), compared to 4.8 percent in 2024 as reported by the Institut National de la Statistique et de la Démographie (INSD). On the supply side, the services sector is expected to contribute 2.5 percentage points (pp) to overall GDP growth in 2025, driven by strong performance in public administration services, which represent 22 percent of the economy. Reduced insecurity in some regions is also likely supporting services growth by boosting retail, trade, and repair activities.

Agriculture is estimated to contribute 0.6 pp to GDP growth in 2025, compared to 1.9 pp in 2024. This weaker performance is due to a more adverse rainfall pattern and a decline in cotton output,

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



Source: World Bank. Notes: See footnotes in table on the next page.

driven by lower cotton prices and the July 9, 2025 closure of SO-COMA, the country's second-largest cotton company, which affected nearly 800 workers and over 60,000 farms. However, continued government support through the Offensive Agricole initiative is expected to help sustain agricultural output.

Following a negative contribution in 2024, the secondary sector is expected to recover, contributing 1.1 pp to overall growth in 2025, driven by increased mining output. Gold production is estimated to increase, supported by the reopening of previously closed mines and the formalization of artisanal and semi-mechanized production.

The current account deficit (CAD) is expected to narrow to 4.2 percent of GDP in 2025, down from 6.6 percent in 2024, driven by higher gold production and projected lower crude oil prices.

Average inflation eased to 1.9 percent y/y in H1 2025, reflecting higher agricultural production in 2024. It is expected to reach 2.7 percent in 2025, down from 4.2 percent in 2024. Low inflation and excellent harvest in late 2024 are expected to reduce extreme poverty, from 37.5 percent in 2024 to 34.2 percent in 2025.

The WAEMU inflation rate declined to 3.5 percent in 2024, remaining above the WAEMU target band of 1–3 percent, while regional foreign reserves increased to 4.6 months of imports. After maintaining its monetary policy unchanged since end-2023, the Central Bank of West African States (BCEAO) reduced its key policy interest rates in June 2025 by 25 basis points, lowering the liquidity call rate to 3.3 percent and the marginal lending facility rate to 5.3 percent.

The fiscal deficit is estimated to narrow to 4.7 percent of GDP in 2025, driven by lower spending on public wages (-0.2 pp of GDP),

alongside stable revenue mobilization. The deficit continues to be financed mainly through domestic borrowing from the regional market, with elevated interest rates.

## Outlook

GDP growth is projected to increase to 4.9 percent in 2026 and reach 5.1 percent in 2027, assuming sustained security improvements, average climate conditions, and policy stability. Gold production is projected to reach 65 tons in 2027, boosting the recovery of the secondary sector, and reducing the CAD. Global trade uncertainty is expected to impact Burkina Faso indirectly through changes in gold and oil prices.

The regional inflation rate is expected to align with the WAEMU target band from 2025 onwards, while reserves are projected to rise slightly to 4.7 months of imports in 2025, supported by recovering exports.

The government remains committed to fiscal consolidation, but expenditure needs will remain high. Public debt as a share of GDP is anticipated to slowly trend downward. Robust GDP growth and lower inflation are forecasted to reduce poverty by about 1-2 pp per year, lifting 335 thousand Burkinabe out of extreme poverty with the total number of extreme poor decreasing to 7.9 million by 2027.

Downside risks to the outlook include a reversal of security gains, climate shocks, debt roll-over, and adverse international dynamics. On the upside, reforms to improve the investment climate for private sector companies could lift the growth potential.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	1.6	3.0	4.8	4.7	4.9	5.1
Private consumption	4.6	2.8	9.5	4.8	5.8	6.4
Government consumption	5.7	5.2	7.5	6.2	4.0	2.5
Gross fixed capital investment	-1.1	4.5	9.7	7.1	3.1	2.2
Exports, goods and services	-7.0	-3.8	-4.2	2.0	2.5	3.5
Imports, goods and services	7.2	-2.0	13.2	5.4	3.1	2.9
<b>Real GDP growth, at constant factor prices</b>	1.3	2.7	4.8	4.7	4.9	5.1
Agriculture	9.7	1.6	10.6	3.0	4.0	4.5
Industry	-8.1	2.2	-3.0	5.0	4.5	4.0
Services	3.8	3.4	6.6	5.2	5.5	5.9
<b>Inflation (consumer price index)</b>	14.1	0.7	4.2	2.7	2.5	2.0
<b>Current account balance (% of GDP)</b>	-7.4	-8.3	-6.6	-4.2	-4.0	-3.8
<b>Net foreign direct investment inflow (% of GDP)</b>	3.5	1.9	1.2	1.1	1.0	0.9
<b>Fiscal balance (% of GDP)</b>	-11.8	-6.8	-5.8	-4.7	-4.3	-3.9
<b>Revenues (% of GDP)</b>	21.6	22.1	22.0	22.6	22.8	22.9
<b>Debt (% of GDP)</b>	59.2	56.8	57.2	55.6	54.8	54.3
<b>Primary balance (% of GDP)</b>	-9.8	-4.5	-3.6	-2.7	-2.1	-1.5
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	40.8	40.2	37.5	34.2	33.0	31.4
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	64.2	63.6	61.1	58.2	56.2	54.4
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	90.5	90.3	89.7	89.0	88.3	87.8
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	0.2	2.5	3.8	3.8	4.0	4.0

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2021-EHCVM. Actual data: 2021. Nowcast: 2022-2024. Forecasts are from 2025 to 2027.

2/ Projections using microsimulation methodology.

# BURUNDI

Real GDP growth reached 3.9 percent in 2024 from 2 percent in 2023, supported by agriculture, services, and government spending. However, inflation—driven by the monetization of fiscal deficits, fuel shortages, and external imbalances—continued to weigh on macroeconomic stability and poverty reduction. Poverty incidence remains elevated at an estimated 75 percent, reflecting persistent inflationary pressures and structural constraints on growth.

## Key conditions and challenges

Burundi's economy remains fragile, constrained by weak fundamentals, rapid population growth, and governance challenges. The labor force is mainly employed in subsistence farming. Traditional export sectors (coffee and tea), have experienced declining volumes, and the nascent mining sector contributes only 0.5 percent of GDP.

Persistent Balance of Payments (BOP) deficits strain the economy. Foreign direct investment (FDI) remains negligible, while external grants have declined to under 5 percent of GDP, from 20–25 percent prior to the 2015 political crisis. In 2024, export earnings covered 25 percent of import needs, significantly below the Sub-Saharan Africa (SSA) average of 90 percent.

Macroeconomic imbalances are marked by large fiscal and external deficits, continued monetization of fiscal deficits, and foreign exchange scarcity—fueling a parallel market with

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$3.00/day
14.0	9.4
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
63.7	105.2
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
3.6	255.3

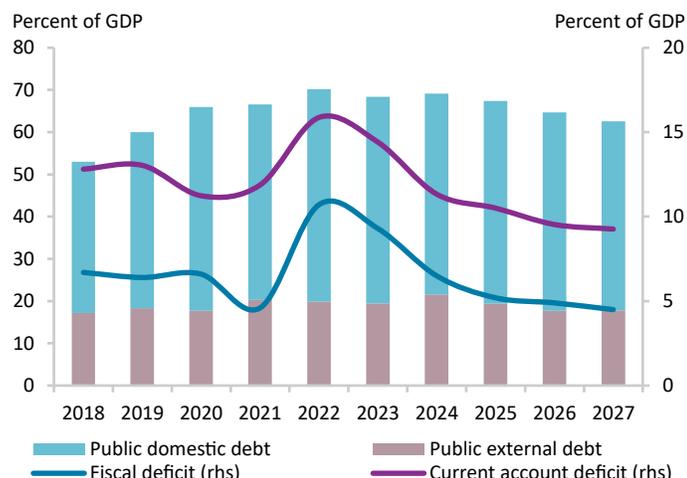
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2020 (2021 PPPs). 3/ 2023. 4/ 2020. 5/ 2024. 6/ 2024.

sizable premium. Chronic underinvestment in infrastructure and human capital have further deepened social vulnerabilities.

Per capita GDP is US\$255.3 when considering the official exchange rate and falls to US\$155.9 when adjusted for the mix of official and parallel exchange rates, while GDP per capita in PPP terms (current US\$) stands at US\$949.8 and is the lowest in SSA. Poverty remains widespread, with 74.8 percent of the population living on less than US\$3.00 per day (2021 PPP) in 2024. Social outcomes are weak: fewer than half of children complete primary school, gross secondary enrolment is 46 percent, and 56 percent of children under five suffer from chronic malnutrition.

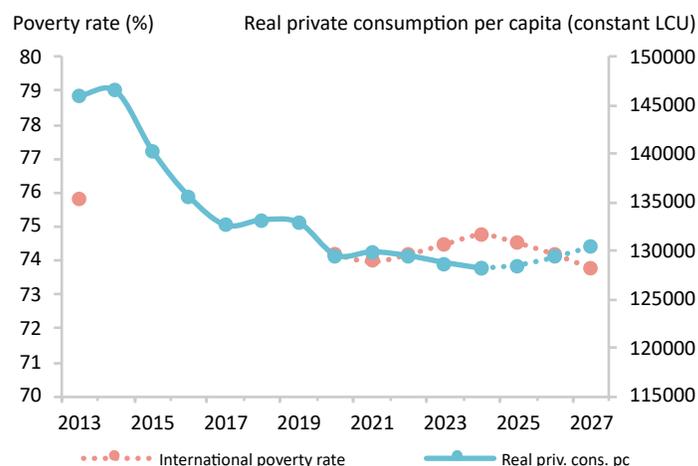
To spur private sector-led growth, attract investment, and unlock export potential in mining and agro-industry, Burundi needs better governance and infrastructure investments in energy, transport, and digital connectivity. Restoring macroeconomic stability through exchange market reforms and monetary-fiscal consolidation remains a critical pre-requisite.

FIGURE 1 / Public debt, fiscal and current account deficit



Sources: Official statistics and World Bank staff estimation.

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



Source: World Bank. Notes: See footnotes in table on the next page.

## Recent developments

Growth accelerated to 3.9 percent in 2024, supported by government spending (up 6.2 percent, from 4.4 percent) on infrastructure, wages, and social sectors, partly financed by central bank (BRB) advances. On the supply side, growth was driven by a rebound in services (5.5 percent, from 4.2 percent), notably banking and public administration, and a recovery in agriculture (3.7 percent, up from 2.8 percent) amid favorable weather. Industrial activity remained subdued (1.0 percent, from 3.4 percent), reflecting persistent fuel and foreign exchange constraints, although a modest rebound began in Q2–Q3 following the commissioning of three power plants.

Average annual inflation eased to 20.2 percent in 2024, but the trend reversed mid-year amid BRB intensifying advances, fuel scarcity, and foreign exchange shortages, pushing inflation to 36.5 percent by December 2025. Poverty rate is estimated to have risen slightly in 2024, to 74.8 percent (from 74.5 percent in 2023), reflecting subdued real income gains from most Burundian.

The fiscal deficit narrowed to 6.5 percent of GDP in 2024, from 9.3 percent in 2023, supported by stronger revenue mobilization performance. To finance deficit, Burundi relied heavily on domestic borrowing, including BRB advances, contributing to inflationary pressures. Public debt inched up to 69.3 percent of GDP.

The current account deficit (CAD) narrowed to 11.3 percent of GDP in 2024, from 14.4 percent, reflecting higher exports following a gradual recovery of the mining sector. The gap was primarily financed through commercial loans. As of June 2025, international reserves covered only 1.5 months of imports, while the parallel market premium widened to 149.5 percent in July, up from 126 percent a year earlier.

## Outlook

Growth is projected at 4.6 percent in 2025, supported by improved cereals output following favorable rainfall, recovering coffee exports, and a rebound in gold shipments—underpinned by coffee/gold pricing reforms narrowing gaps with regional markets. The commissioning of a new hydropower plant is also expected to boost manufacturing. Over the medium term, growth is anticipated to be broad-based, averaging 5.0 percent in 2026–27.

Inflation is projected to nearly double in 2025, reaching 39.1 percent, driven by continued fiscal monetization, external pressures, and global uncertainties. Although expected to ease to 27.9 percent by 2026–27, inflation will continue to erode real incomes. Real per capita consumption growth is projected to average 0.8 percent over 2025–27, with the poverty rate declining marginally to 73.8 percent by 2027.

The fiscal deficit is projected to narrow to 5.2 percent of GDP in 2025 and to 4.5 percent by 2027, supported by improved revenue collection and expenditure rationalization. Public debt is projected to decline gradually to 62.6 percent of GDP by 2027. The CAD is forecasted to narrow to an average of 9.8 percent of GDP over 2025–27, as exports expand, and foreign reserves improve.

Unlocking sustained growth, improving living standards, and attracting FDI will require comprehensive structural reforms, exchange rate alignment, and enhanced access to concessional financing. Key downside risks include fiscal slippages and weaker global trade. Upside risks stem from favorable terms-of-trade shocks (e.g., gold), potential short-term gains from the Musongati railway pilot construction phase (conditional on local content uptake), and effective implementation of the government's home-grown macroeconomic stabilization program.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	1.8	2.7	3.9	4.6	4.9	5.5
Private consumption	2.4	2.2	2.7	2.9	3.1	4.0
Government consumption	5.9	5.4	4.4	6.2	5.9	6.0
Gross fixed capital investment	4.0	4.0	2.6	9.1	9.6	11.1
Exports, goods and services	5.8	2.9	2.0	8.1	8.8	9.0
Imports, goods and services	7.0	4.2	1.4	4.5	4.8	5.7
<b>Real GDP growth, at constant factor prices</b>	1.8	2.7	4.0	4.6	4.9	5.5
Agriculture	-0.8	1.5	3.1	4.1	4.9	5.1
Industry	3.2	3.4	1.0	2.8	3.6	4.0
Services	3.1	3.1	5.5	5.6	5.3	6.1
<b>Inflation (consumer price index)</b>	18.8	27.1	20.2	39.1	31.3	24.5
<b>Current account balance (% of GDP)</b>	-15.9	-14.4	-11.3	-10.5	-9.5	-9.3
<b>Net foreign direct investment inflow (% of GDP)</b>	0.3	0.0	0.0	0.0	-0.1	-0.1
<b>Fiscal balance (% of GDP)</b>	-10.7	-9.3	-6.5	-5.2	-4.9	-4.5
<b>Revenues (% of GDP)</b>	22.8	24.9	23.3	25.0	25.8	26.7
<b>Debt (% of GDP)</b>	70.2	68.4	69.1	67.4	64.7	62.6
<b>Primary balance (% of GDP)</b>	-8.2	-6.9	-4.4	-2.9	-2.3	-1.7
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	74.2	74.5	74.8	74.5	74.2	73.8
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	2.6	2.2	2.1	1.9	1.8	1.7

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2020-EICVMB. Actual data: 2020. Nowcast: 2021–2024. Forecasts are from 2025 to 2027.

2/ Projection using neutral distribution (2020) with pass-through = 0.87 (Med (0.87)) based on private consumption per capita in constant LCU.

# CABO VERDE

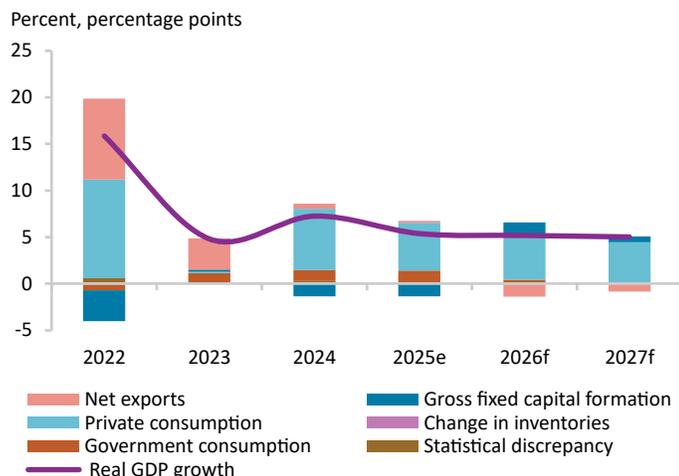
The economy expanded 7.2 percent in 2024, driven by services including tourism, and agriculture. Growth will ease to 5.4 percent in 2025 and converge to 5.0 percent by 2027. Poverty incidence will decline by 2.3 percentage points in 2025 supported by remittances and low inflation. Fiscal consolidation and external buffers underpin stability, though risks highlight sustained reforms are necessary to safeguard inclusive growth and resilience.

## Key conditions and challenges

Cabo Verde became an Upper-Middle Income Country (UMIC) in 2025 continuing its impressive development trajectory since independence, anchored in political stability, strong institutions, and sustained investment in human capital. Per capita income, employment rates, and social indicators are among the highest in Sub-Saharan Africa, reflecting progress in education, health, poverty reduction, and gender equality. The country ranked 41st globally in the 2024 Gender Gap Index, though women remain underrepresented in political leadership despite strong outcomes in health and education.

Yet structural constraints continue to weigh on productivity and inclusive growth. The small domestic market, geographic isolation, and costly inter-island transport increase service delivery costs and reinforce spatial disparities, particularly in rural and outer islands. The economy remains heavily reliant on services, with tourism contributing nearly a quarter of GDP. Tourism growth has been anchored in an all-inclusive model that, while generating jobs and foreign exchange, has limited spillovers to local agriculture, fisheries, and manufacturing due to high import dependence.

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



Sources: National Institute of Statistics and World Bank estimates.

Population <sup>1</sup> thousand	524.9	Poverty <sup>2</sup> millions living on less than \$8.30/day	0.3
Life expectancy at birth <sup>3</sup> years	76.1	School enrollment <sup>4</sup> primary (% gross)	96.4
GDP <sup>5</sup> current US\$, billion	2.7	GDP per capita <sup>6</sup> current US\$	5187.8

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2015 (2021 PPPs). 3/ 2023. 4/ 2021. 5/ 2024. 6/ 2024.

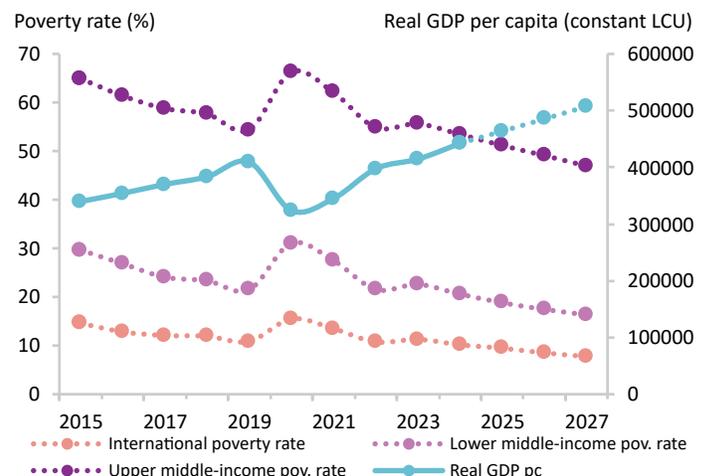
Diversification into higher-value services, renewable energy, fisheries, and the digital economy has been slow, hindered by capacity gaps, infrastructure bottlenecks, and scale constraints. Meanwhile, fiscal pressures and elevated public debt restrict policy space. Advancing a coherent reform agenda to strengthen fiscal sustainability, raise private sector productivity, and ease transport bottlenecks will be critical to mitigating global and climate risks, while laying the foundations for more inclusive and resilient growth.

## Recent developments

Economic activity remained strong in 2024, with GDP growing by 7.2 percent (6.7 percent per capita), underpinned by services, particularly tourism, and a recovery in agriculture following years of drought. Tourist arrivals increased by 16.5 percent to nearly 1.18 million. Hotels, transport, and related services were key growth engines, while private consumption rose by 9.1 percent, supported by higher real incomes and resilient remittances.

The financial sector strengthened in 2024 with credit expanding by 5.2 percent (y/y), mainly to households and small businesses. Asset quality improved as non-performing loans declined to a

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



Source: World Bank. Notes: See footnotes in table on the next page.

five-year low of 5.5 percent, while banks remained well capitalized with a 23.8 percent capital adequacy ratio.

Inflation eased sharply to 1.0 percent in 2024, from 3.7 percent in 2023, reflecting lower global fuel and food inflation and improved domestic food supply. Robust growth combined with stable remittances contributed to extreme poverty incidence declining into single digits (9.5 percent) in 2025 and benchmarked against the UMIC international poverty line (<\$8.3-a-day in PPP2021), poverty declined by 4.5 percentage points from 55.7 percent in 2023 to 51.2 percent in 2025 (equivalent to around 20,000 Cabo Verdeans lifted out of poverty). Unemployment fell to 8.0 percent, 2.3 p.p. below 2023, though youth unemployment remained high at 20.1 percent, with informality disproportionately affecting rural and young workers.

Growth moderated in early 2025 with real GDP expanding by 3.7 percent (y/y) in Q1, supported by agriculture, construction, transport, accommodation, and real estate. On the demand side, rising real wages, steady remittances, and credit growth sustained private consumption and investment, while business surveys point to rising confidence across sectors.

Inflation remained subdued at 1.9 percent in July 2025, as lower fuel prices and domestic food production offset increases in imported food prices. The external position remained solid, with the current account deficit (CAD) contained, stable financing from FDI and official external inflows, and reserves covering about 5.5 months of prospective imports.

Fiscal consolidation remains central to the policy agenda. By mid-2025, revenues were broadly on track, underpinned by value-added tax (VAT), corporate tax compliance and e-invoicing. Spending accelerated, reflecting front-loaded capital projects and wage bill reforms rollout, while debt has declined to just below

100 percent of GDP, a milestone that reflects a deliberate strategy, a positive fiscal trajectory, and favorable financing terms.

## Outlook

Growth is projected at 5.4 percent in 2025, converging towards its potential of 5.0 percent by 2027, supported by improved public sector efficiency and efforts to crowd-in private investment. Inflation is expected to remain low, aligned with the Euro area (around 2 percent). Poverty is expected to decline, reaching 51.2 percent in 2025 using the UMIC international poverty line and continuing its downward trend in 2026 and 2027, with poverty reaching 49.1 percent and 47.0 percent, respectively (and 18.9, 17.5 and 16.4 percent, respectively, using the LMIC).

The external position will remain stable, with the CAD widening moderately to 2.7 percent of GDP by 2026, offset by strong remittances and resilient service exports. Reserves are projected to hold near 5.5 months of imports, anchoring confidence in the currency peg.

Fiscal policy will remain focused on consolidation and maintaining a positive primary balance, while capital spending and wage bill reforms widen the overall fiscal deficit to 1.7 percent of GDP in 2025. SOE restructuring and commitment to contain expenditures are projected to reduce the deficit to 0.6 percent by 2027, generating a primary surplus of 1 percent and lowering public debt to about 95 percent of GDP.

Risks remain tilted to the downside. Global uncertainty, weaker external demand, and potential declines in remittances could weigh on growth. Political pressures ahead of the 2026 elections may impact the pace of reforms, while climate change and natural hazards pose long-term challenges.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	15.8	4.8	7.2	5.4	5.2	5.0
Private consumption	13.7	0.2	9.1	7.0	6.1	5.9
Government consumption	-2.8	5.2	5.3	6.5	1.9	3.6
Gross fixed capital investment	-10.3	0.9	-5.6	-6.5	8.6	3.3
Exports, goods and services	78.9	5.9	8.6	6.3	5.1	6.7
Imports, goods and services	18.2	-1.7	4.8	4.0	6.1	6.2
<b>Real GDP growth, at constant factor prices</b>	12.4	4.1	7.0	5.4	5.2	5.0
Agriculture	-6.6	-2.7	7.3	1.8	5.7	2.0
Industry	7.5	2.2	3.8	1.7	3.3	3.1
Services	14.7	4.8	7.5	6.1	5.4	5.4
<b>Inflation (consumer price index)</b>	7.9	3.7	1.0	1.8	2.0	2.0
<b>Current account balance (% of GDP)</b>	-3.5	-2.6	3.8	-1.9	-2.7	-0.7
<b>Net foreign direct investment inflow (% of GDP)</b>	4.6	6.0	3.3	3.1	3.0	3.0
<b>Fiscal balance (% of GDP)</b>	-4.0	-0.3	-1.1	-1.7	-2.0	-0.6
<b>Revenues (% of GDP)</b>	22.6	25.4	25.0	27.0	24.7	24.6
<b>Debt (% of GDP)</b>	125.9	116.9	110.9	104.9	100.5	95.0
<b>Primary balance (% of GDP)</b>	-1.8	2.0	1.3	0.3	0.3	1.0
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	10.8	11.3	10.2	9.5	8.5	7.8
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	21.6	22.6	20.7	18.9	17.5	16.4
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	54.9	55.7	53.5	51.2	49.1	47.0
<b>GHG emissions growth (mtCO2e)</b>	6.3	4.7	6.1	5.5	5.2	5.0

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2015-IDRF. Actual data: 2015. Nowcast: 2016-2024. Forecasts are from 2025 to 2027.

2/ Projections using microsimulation methodology.

# CAMEROON

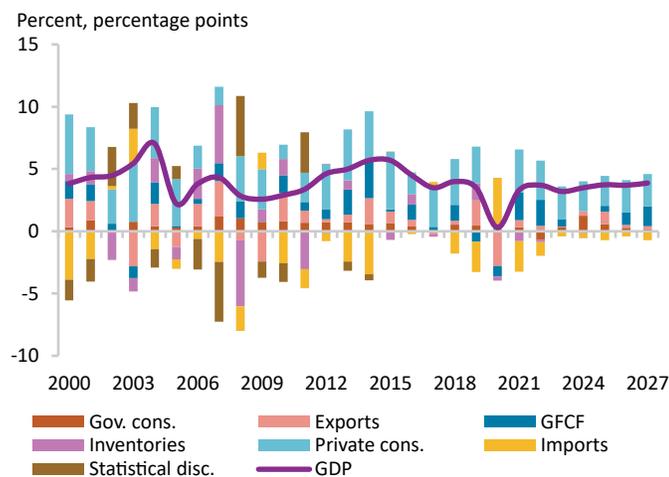
Cameroon's economy grew by 3.5 percent in 2024, but poverty incidence edged up from 27.3 to 27.6 percent due to limited job creation. Weaker-than-expected revenue and higher-than-expected spending led to a higher deficit of 1.4 percent of GDP, with public debt at 43.4 percent. Growth prospects depend on power supply and public investment, but downside risks include slow reforms, election-related disruptions, and volatile commodity prices.

## Key conditions and challenges

Cameroon showed resilience to shocks, but fundamental conditions for strong growth are lacking. Infrastructure gaps, an underdeveloped financial system, and overlapping crises between 2021 and 2024 have resulted in limited per capita income gains, with GDP growth averaging only 3.4 percent, well below the 6.6 percent target of the National Development Strategy (NDS30). Labor force participation fell sharply from 79.1 to 64.3 percent between 2005 and 2021, mostly due to increased school attendance among youth, conflicts, discouraged workers, and urban migration. To meet its development goals, Cameroon needs to recalibrate its growth model, enhance private sector involvement, clarify the state's economic role, and implement reforms to boost labor productivity.

The number of people living below US\$3 (2021 PPP) per day is estimated to have increased from 7.1 million to over 8 million between 2021 and 2024. This shows that, along with weak economic growth, lingering inflation, low job creation and recurrent shocks continue to undermine progress on poverty reduction.

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



Source: World Bank.

Population <sup>1</sup> million	29.1	Poverty <sup>2</sup> millions living on less than \$4.20/day	11.1
Life expectancy at birth <sup>3</sup> years	63.7	School enrollment <sup>4</sup> primary (% gross)	112.6
GDP <sup>5</sup> current US\$, billion	52.6	GDP per capita <sup>6</sup> current US\$	1805.8

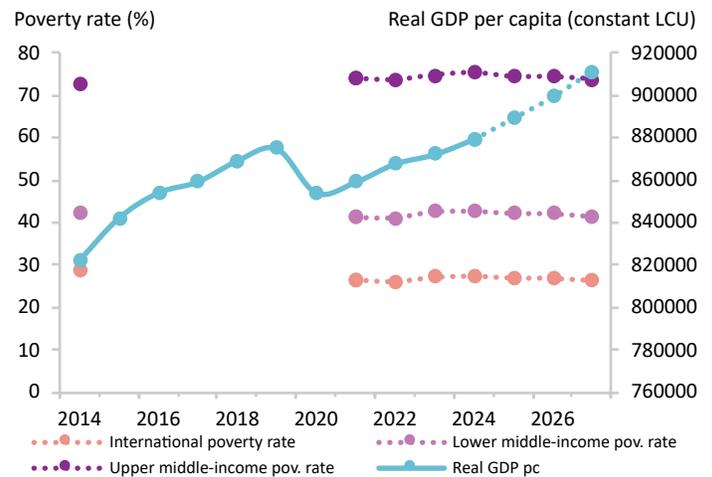
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

During the same period, urban poverty increased faster than rural poverty. Entrenched conflicts—now affecting most regions—and large socio-economic differences between rural and urban areas drive significant and persistent rural-to-urban migration, straining urban labor markets and services.

## Recent developments

Real GDP grew by 3.5 percent and inflation stabilized in 2024. Growth was driven by higher cocoa prices and cotton yields, as well as an improved power supply aiding commodity processing and industrial growth. Despite weaker oil production, the current account deficit narrowed from 4.1 to 3.2 percent of GDP between 2023 and 2024, reflecting stronger agricultural exports and softer imports. On the demand side, public and private consumption, and private investment were the primary drivers of growth in 2024. Inflation has trended down from a high of 7.4 percent in December 2023 to 4.5 percent by end 2024 and 4.1 percent by end-June 2025, in response to tight monetary policy, price controls, and lower imported inflation. In March 2025, the Bank of Central African States began easing

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



Source: World Bank. Notes: See footnotes in table on the next page.

its monetary policy, lowering the policy rate from 5 percent to 4.5 percent.

The fiscal situation has slightly deteriorated and the risk of debt distress remains high. The overall fiscal deficit climbed from 0.7 percent of GDP in 2023 to 1.4 percent in 2024, due to slippage in current expenditures and weaker than expected revenue performance. The 1.1 percent of GDP difference between 2024 budgeted and actual deficit emerged from weaker revenue performance (-0.8 percent of GDP) and higher-than-expected expenditures (0.3 percent of GDP), due to increased salaries and goods purchases that exceeded the savings created by the partial removal of fuel subsidies. The primary balance turned again negative in 2024 at -0.1 percent of GDP, down from 0.4 percent in 2023, slightly raising public debt from 43.2 percent of GDP in 2023 to 43.4 percent in 2024. While public debt is sustainable, it faces high risk of distress due to above-threshold debt service-to-public revenue and debt service-to-export revenue ratios.

Recent income-protection policies will benefit a minority of workers. To mitigate inflation and fuel subsidy removal impacts, a targeted tax relief was introduced in sectors like agriculture, and the minimum wage and public sector salaries were raised in 2024 (by 24 percent for agriculture, 65 percent for non-agriculture, and 15 percent for public sector workers). However, close to 90 percent of employment is informal and therefore largely excluded from these benefits, while higher labor costs will likely reduce incentives for formal job creation.

## Outlook

The medium-term outlook is mixed. Real GDP growth is projected to average 3.7 percent in 2025-2027, driven by higher power supply, and stronger public and private investment. Inflation should drop to the 3-percent target by 2027. The fiscal deficit is projected to average 1.7 percent of GDP in the medium term, while the debt-to-GDP ratio remains stable. The projected increase in tax revenue will not fully offset falling oil revenues as oil fields deplete, and current expenditure rationalization will need to continue. The current account deficit is projected to decline further in 2025 but then increase from 2026 onward as oil production declines, industrial policies produce mixed effects, and higher investment drives import demand. However, projected real per capita growth remains insufficient to alleviate poverty and the total number of poor (\$3 in 2021 PPP) is expected to grow by 295,495 individuals, bringing it to over 8.3 million by 2027.

The outlook is subject to substantial downside risks. They include (i) fluctuations in commodity prices, (ii) a continued security crisis, (iii) lower-than-expected budget support from external donors, (iv) ongoing energy supply shortages, and (v) potential election related disruptions. Strengthening macro-fiscal buffers, accelerating structural reforms to boost productivity and private investment, and improving social protection targeting would help mitigate these risks and support more inclusive growth.

### Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	3.7	3.2	3.5	3.7	3.7	3.9
Private consumption	4.3	3.5	3.2	3.2	3.5	3.5
Government consumption	-5.7	2.9	11.6	4.8	2.3	1.3
Gross fixed capital investment	11.1	2.9	-0.3	2.5	5.3	8.1
Exports, goods and services	2.7	0.4	2.3	6.5	1.5	1.7
Imports, goods and services	5.3	1.9	1.6	3.4	2.0	3.5
<b>Real GDP growth, at constant factor prices</b>	3.6	3.1	3.5	3.7	3.7	3.9
Agriculture	3.4	2.2	4.1	2.9	3.0	3.6
Industry	3.3	2.3	2.4	2.9	3.4	4.1
Services	3.9	3.8	3.8	4.4	4.1	3.9
<b>Employment rate (% of working-age population, 15 years+)</b>	68.9	68.9	69.0	69.0	69.1	69.1
<b>Inflation (consumer price index)</b>	6.3	7.4	4.5	3.7	3.2	3.0
<b>Current account balance (% of GDP)</b>	-3.4	-4.1	-3.2	-3.0	-3.6	-3.9
<b>Fiscal balance (% of GDP)</b>	-0.8	-0.6	-1.4	-1.9	-1.7	-1.5
<b>Revenues (% of GDP)</b>	16.1	16.6	15.9	16.1	16.4	16.6
<b>Debt (% of GDP)</b>	42.9	42.3	43.4	44.4	43.0	42.9
<b>Primary balance (% of GDP)</b>	-0.1	0.4	-0.1	-0.6	-0.4	-0.2
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	26.2	27.3	27.6	27.1	27.0	26.5
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	41.1	42.7	42.8	42.3	42.2	41.5
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	73.7	74.7	75.3	74.4	74.3	73.8
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	0.5	0.4	0.8	1.2	1.3	1.5

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2021-ECAM-V. Actual data: 2021. Nowcast: 2022-2024. Forecasts are from 2025 to 2027.

2/ Projections using microsimulation methodology.

# CENTRAL AFRICAN REPUBLIC

Real GDP growth is projected at 2.7 percent in 2025, supported by improved fuel availability and higher gold exports; however, an estimated 67.7 percent of the population continues living in extreme poverty. Risks include fiscal slippages associated with the electoral cycle, liquidity constraints limiting government spending on wages and essential services, moderate donor support, and fragilities in the regional financial market, including persistent liquidity shortages.

## Key conditions and challenges

The economy remains stagnant with chronic fuel shortages, weak institutions, and continued insecurity, feeding extreme poverty. Between 2012-2024, real GDP per capita fell by 30 percent, and about 68 percent of the population live on less than US\$3 per day (2021 PPP). Ongoing fuel shortages have constrained activity and cut fuel-related revenues in 2025. The country faces high risk of debt-distress risk and liquidity shortages, threatening its ability to cover its wage bill and essential services.

Achieving macro-fiscal stability requires urgent reforms in the fuel sector, business environment, fiscal policies, and public financial management, all of which would encourage donor support.

## Recent developments

GDP growth is projected to accelerate from 1.5 percent in 2024 to 2.7 percent in 2025—still below the 3.4 percent population

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$3.00/day
5.3	3.7
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
57.4	110.7
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
2.8	530.7

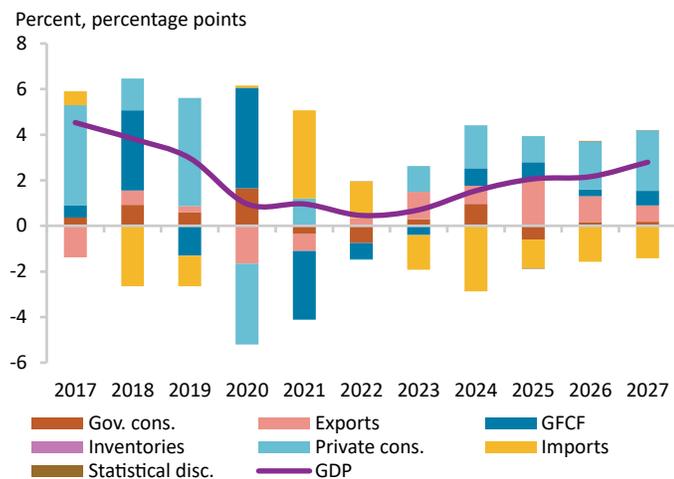
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2017. 5/ 2024. 6/ 2024.

growth—supported by improved fuel and electricity supply, including a 30,000-ton fuel donation from the Russian Federation. Government and private consumption are expected to increase in the election year. The recovery is further driven by mining and services, especially gold and telecommunications, with telecom growth driven by 4G licenses issued end 2024 and early 2025 and continued expansion of mobile money.

The Bank of Central African States (BEAC) eased monetary policy by cutting the policy rate 50 basis points to 4.5 percent in Q1 2025 to support regional liquidity and economic activity and kept it unchanged through June. Still, the impact for Central African Republic (CAR) is likely to be gradual due to a weak financial sector, with only four commercial banks and limited financial services. Overall financial soundness indicators are broadly adequate; the nonperforming loan ratio fell to 12.7 percent in 2024 from 16.4 percent in 2023. Inflation is projected to rise to 3.5 percent in 2025, above BEAC's 3 percent target, mainly due to high fuel and energy prices.

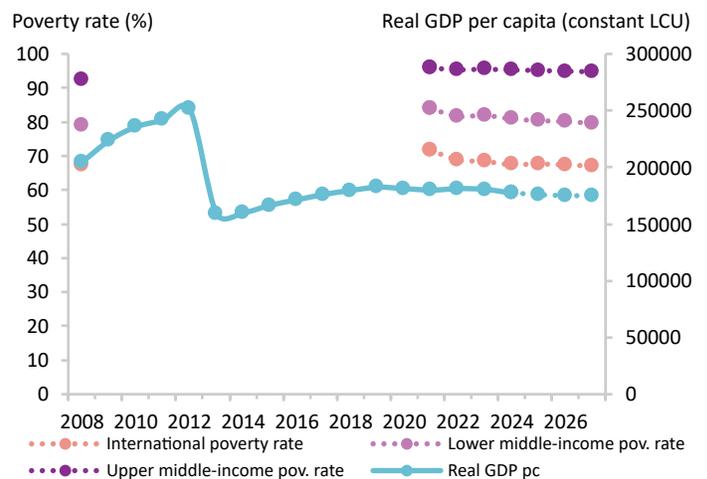
The fiscal deficit is projected to narrow from 4.9 percent of GDP in 2024 to 2.5 percent in 2025, thanks to higher oil

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



Source: World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

and import-related revenues and stronger direct tax collection through digitalized tax payments. However, election-period spending pressures are elevated and newly signed peace agreements with rebel groups entail additional expenditures (e.g., demobilization).

CAR's debt is projected to ease slightly to 57.3 percent of GDP in 2025, from 61.0 percent in 2024. Domestic and regional debt is expected to fall to 27.7 percent of GDP. Nonetheless, the country remains at high risk of debt distress. Support by the World Bank for the payment of salaries in social sectors, budget support from the French government, and the successful completion of the third and fourth reviews of the IMF's Extended Credit Facility reduced the need for costly regional borrowing.

The current account deficit remains stable at about 9.0 percent of GDP in 2025, reflecting higher energy and equipment imports alongside rising gold and diamond exports. Gold, diamonds, and timber remain core exports. In 2025, a 36.1 percent surge in gold prices to US\$3,250 per troy ounce boosted export receipts, while CAR resumed official diamond exports under the Kimberley Process after an 11-year embargo. However, diamond exports face growing competition from synthetics. Low competitiveness and smuggling continue to constrain mining sector growth.

Extreme poverty remains pervasive. In 2024, about 67.5 percent of the population, roughly 3.6 million people, lived on less than US\$3 per person per day (2021 PPP). Spatial disparities are stark: 78.3 percent in rural areas versus 51.8 percent in urban areas.

## Outlook

Average GDP growth is projected at about 3.0 percent in 2026 and 3.1 percent in 2027, an upward revision relative to prior estimates. The improved outlook is driven mainly by stronger government and private consumption during the election cycle and by higher investment as the National Development Plan 2024–2028 is implemented. Inflation is expected to gradually converge toward the BEAC's 3 percent target by 2026, conditional on energy price dynamics.

The fiscal deficit is projected to narrow to 1.9 percent of GDP in 2026 and 1.4 percent in 2027, reflecting progress in DRM and PFM reforms. Public debt is expected to decline to 47.0 percent of GDP by 2027, with domestic debt at 23.3 percent. The current account is expected to improve with gold exports; however, deficits will persist given ongoing import needs for energy, equipment, and food. Reliable access to food and energy remains critical for medium-term economic activity.

Extreme poverty is projected to decline only marginally to 67.1 percent in 2027 and an additional 350,000 people are projected to fall into extreme poverty between 2024 and 2027.

Major risks persist. Social cohesion remains fragile and hinges on successful implementation of the peace agreement. Non payment of public-sector salaries could trigger greater unrest. Fiscal stability depends on donor support, oil revenue, and tax collection. The upcoming elections may widen the fiscal deficit due to extraordinary spending and could fuel social tensions.

### Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	0.5	0.7	1.5	2.7	3.0	3.1
Private consumption	0.0	1.2	2.1	2.6	3.0	3.2
Government consumption	-8.2	3.5	11.2	0.4	0.0	-1.0
Gross fixed capital investment	-4.5	-2.7	5.3	4.9	5.4	5.0
Exports, goods and services	2.6	9.0	5.5	5.0	5.0	5.5
Imports, goods and services	-5.5	5.5	9.9	4.0	4.2	4.2
<b>Real GDP growth, at constant factor prices</b>	1.0	0.7	1.6	2.7	3.1	3.2
Agriculture	2.2	2.3	1.7	1.9	2.2	2.3
Industry	-3.9	-0.5	0.9	1.2	1.3	1.4
Services	2.4	0.1	1.8	4.1	4.6	4.6
<b>Employment rate (% of working-age population, 15 years+)</b>	69.2	69.3	69.2	69.2	69.2	69.2
<b>Inflation (consumer price index)</b>	5.6	3.0	1.5	3.5	3.0	2.9
<b>Current account balance (% of GDP)</b>	-12.9	-9.3	-9.1	-9.0	-8.1	-6.9
<b>Fiscal balance (% of GDP)</b>	-5.3	-3.6	-4.9	-2.5	-1.9	-1.4
<b>Revenues (% of GDP)</b>	12.3	14.5	14.6	16.5	16.6	16.4
<b>Debt (% of GDP)</b>	51.0	58.2	60.5	57.3	52.1	47.0
<b>Primary balance (% of GDP)</b>	-4.9	-3.0	-4.7	-2.2	-1.6	-1.2
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	68.8	68.4	67.5	67.7	67.4	67.1
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	81.7	82.0	81.0	80.5	80.2	79.7
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	95.4	95.6	95.3	95.1	94.9	94.7
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	2.3	-0.2	-0.4	-0.3	-0.2	-0.1

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2021-EHCVM. Actual data: 2021. Nowcast: 2022-2024. Forecasts are from 2025 to 2027.

2/ Projections using microsimulation methodology.

# CHAD

In 2025, GDP growth is expected to slow to 3.4 percent (-0.1 percent per capita), driven by the non-oil sector. Inflation is projected to increase to 4.1 percent, and extreme poverty incidence will increase to 45.4 percent. Growth is expected to recover gradually, supported by non-oil activities. Downside risks to the outlook include lower oil prices, global trade policy uncertainties, climate shocks, and heightened insecurity.

## Key conditions and challenges

Chad's economic performance has been marked by volatility and modest growth, driven by its heavy reliance on oil. The sector represents around 15 percent of GDP, contributes 41 percent of government revenues, and accounts for 76 percent of exports.

The economy is highly vulnerable to climate shocks and natural hazards. Agriculture, accounting for roughly 40 percent of GDP and supporting much of the population, has been repeatedly affected by droughts, floods, conflict and displacement. These shocks have constrained output, damaged infrastructure, and contributed to persistent food insecurity. As of May 2025, 2.3 million people (11.3 percent) were food insecure.

The labor market is largely informal (about 88 percent of jobs) and agriculture-based, with low and volatile earnings perpetuating poverty, while the formal sector remains small and skills-jobs mismatches constrain opportunities.

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$3.00/day
20.3	7.3
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
55.1	91.8
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
19.8	977.4

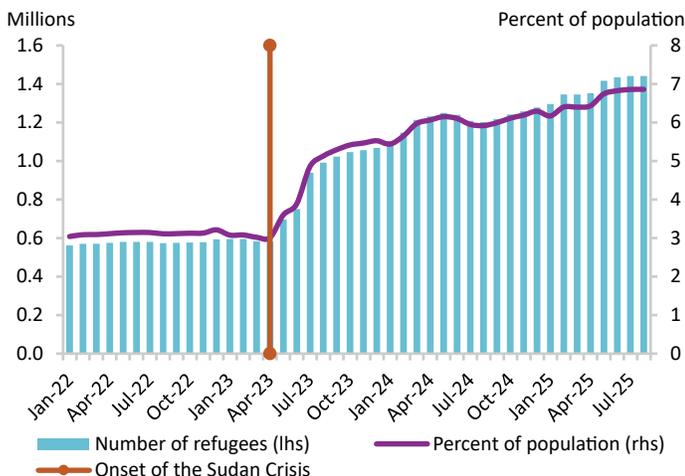
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

Financial stability remains fragile amid undercapitalization, high non-performing loans (NPLs), and lagging prudential standards at public banks. The authorities are restructuring the two main public banks while undertaking efforts to bolster stability, expand inclusion, and strengthen supervision.

Chad's political transition was completed with the declaration of President Deby as the winner of the 2024 presidential election and the conclusion of the parliamentary, regional, and local elections. In May 2025, the country adopted its National Development Plan for 2025–2030.

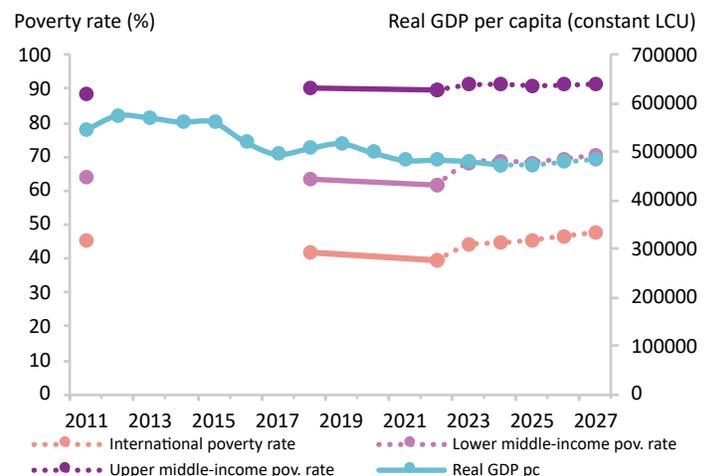
Chad continues to be affected by conflicts and violent groups in neighboring countries, straining stability and public finances. In 2025, military spending rose 11.6 percent from the previous year, reaching 23 percent of domestic revenues. As of August 2025, Chad hosts over 1.4 million refugees (mainly from Sudan), more than 225,000 internally displaced persons, and nearly 95,000 returnees. The forcibly displaced population has more than doubled since 2023, from 5.6 to 9.2 percent of the population, increasing pressure on national systems.

FIGURE 1 / Total number of refugees in Chad



Source: United Nations High Commissioner for Refugees.

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



Source: World Bank. Notes: See footnotes in table on the next page.

## Recent developments

Despite ongoing climate and refugee crises placing heavy demands on local resources and increasing fiscal pressures, Chad's economy is expected to grow by 3.4 percent in 2025 (-0.1 percent per capita), mainly driven by non-oil sector growth (+4.2 percent). Oil GDP growth is estimated at -0.7 percent due to a decline in oil production. On the supply side, services are expected to contribute 2.5 percentage points (pp) to growth, followed by agriculture (0.9 pp). Refugee-driven private consumption was the main demand driver, contributing 3.1 pp, followed by public investment on infrastructure (2.3 pp).

The current account deficit (CAD) is expected to widen to 2.5 percent of GDP in 2025 due to a deteriorating trade balance. Exports are projected to decline by 5.9 percent in 2025, mainly due to slightly lower oil production (50.8 in 2024 to 50.4 million barrels in 2025) and a decline in oil prices (\$78.2 to \$65.2 per barrel).

After reaching 5.7 percent in 2024, inflation is projected to ease to 4.1 percent in 2025, supported by lower transport costs, strong off-season harvests and recovering fish stocks in Lake Chad. The poverty rate is expected to rise by 0.8 pp to 45.4 percent, with 9.5 million people living in extreme poverty. Meanwhile, the Bank of Central African States (BEAC) lowered its main policy rate from 5 percent to 4.5 percent at the end of March 2025, marking its first cut since 2023. Economic and Monetary Community of Central Africa's (CEMAC) external reserves rose to 4.8 months of import cover in Q1-2025, slightly below the 5-month target.

Chad's fiscal deficit is expected to slightly improve to 1.5 percent of GDP in 2025. The consolidation is driven by higher non-oil tax revenues (up 25 percent y/y in Q1-2025), stemming from tax modernization and digitalization. The latest Debt Sustainability Analysis (DSA) concluded that debt is sustainable although the risk of debt distress remains high due to financing constraints and risks.

## Outlook

GDP growth is projected to average 3.9 percent (1.2 percent per capita) over 2026–2027, supported by expansion in non-oil activity, a rebound in oil production, and higher public investment. Over the medium term, non-oil GDP growth is expected to average 4.2 percent. After four years above the target, inflation is projected to moderate to around 3.1 percent in the medium term.

Despite higher revenues, fiscal accounts are projected to remain in deficit in the medium term, reflecting elevated security, humanitarian, and domestic debt service spending, alongside subdued oil revenues. As a result, public debt is expected to rise slightly to 34.7 percent of GDP by 2027. The CAD is projected to expand to an average of 3.1 percent of GDP over 2026-2027. Extreme poverty is projected to rise to 47.6 percent in 2027.

Downside risks to the outlook include a further decline in oil prices, regional conflicts, global trade policy uncertainties and natural catastrophes. The suspension of specific bilateral aid may affect external financing and assistance to Sudanese refugees. Effective resource mobilization and proactive implementation of the National Development Plan present an upside risk.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	3.6	4.1	3.5	3.4	3.7	4.1
Private consumption	2.0	2.1	2.3	4.7	4.7	4.3
Government consumption	6.0	2.7	16.1	3.3	1.5	1.4
Gross fixed capital investment	0.7	31.3	-2.7	12.8	6.5	5.2
Exports, goods and services	33.8	-5.9	3.1	-5.9	1.3	2.6
Imports, goods and services	-1.1	7.7	4.8	3.9	5.9	3.4
<b>Real GDP growth, at constant factor prices</b>	3.6	4.1	3.5	3.4	3.7	4.1
Agriculture	4.1	1.8	-0.5	2.4	2.6	3.1
Industry	2.4	6.7	4.4	-0.2	4.8	2.8
Services	4.0	4.8	7.4	7.2	4.1	5.9
<b>Employment rate (% of working-age population, 15 years+)</b>	57.1	54.9	53.5	51.5	49.7	47.9
<b>Inflation (consumer price index)</b>	5.8	4.1	5.7	4.1	3.6	3.1
<b>Current account balance (% of GDP)</b>	9.2	1.2	0.6	-2.5	-3.4	-2.9
<b>Fiscal balance (% of GDP)</b>	3.6	-1.2	-1.9	-1.5	-3.0	-2.7
<b>Revenues (% of GDP)<sup>1</sup></b>	16.3	15.6	16.7	17.8	16.1	16.5
<b>Debt (% of GDP)</b>	32.1	32.3	32.8	33.2	34.3	34.7
<b>Primary balance (% of GDP)</b>	4.6	-0.4	-0.9	-0.2	-1.7	-1.4
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>2,3</sup></b>	39.5	43.9	44.6	45.4	46.6	47.6
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>2,3</sup></b>	61.4	67.9	68.4	68.3	69.2	70.2
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>2,3</sup></b>	89.5	91.3	91.6	91.1	91.2	91.7
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	3.5	1.9	1.9	1.8	2.0	1.7

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ 2024 data includes one-off non-oil, non-tax revenues, such as windfalls from the increase in the fuel price and dividends from the Société de raffinage de N'Djamena.

2/ Calculations based on 2022-EHCVM. Actual data: 2022. Nowcast: 2023-2024. Forecasts are from 2025 to 2027.

3/ Projections using microsimulation methodology.

# COMOROS

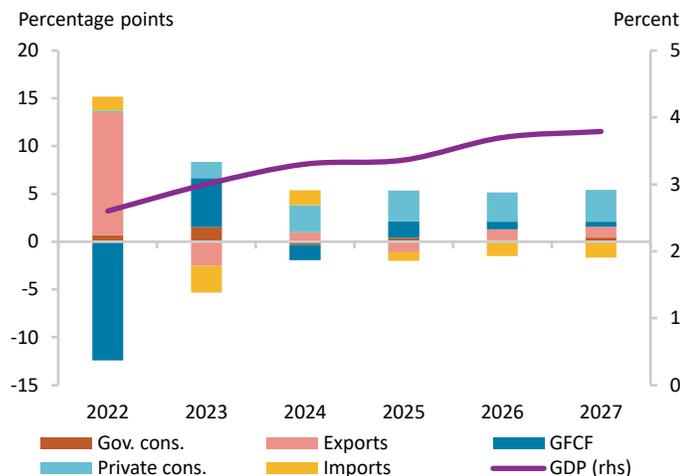
Economic activity is expected to expand by 3.4 percent in 2025, largely driven by private consumption and public investment. Poverty remains high at 45 percent, owing to weak labor market conditions. Growth is projected to rise to 3.8 percent by 2027, supported by higher tourism from hosting an international sporting event. Enhancing revenue mobilization and private sector competitiveness remain critical reform priorities.

## Key conditions and challenges

Comoros faces significant structural challenges, which have led to low economic growth and stagnating income per capita over the past decades. Weak institutions, a small domestic market, and geographic remoteness have hindered broader economic progress, contributing to persistent poverty and causing Comoros to lag other small island nations in income per capita gains. From 2015 to 2024, real GDP per capita increased by just \$198 (constant 2015 \$), one of the lowest increases among peer nations. The economy relies heavily on private consumption, particularly from grands mariages, large traditional weddings that drive household spending but do little to foster sustainable growth.

Political economy factors have shaped Comoros' trajectory, contributing to growth volatility over the past 40 years. Despite improved political stability in the last two decades, economic progress remains sluggish. State-owned enterprises (SOEs) dominate key sectors, limiting competition and stifling the private sector. Low human capital and productivity further hamper economic progress, while limited access to finance curtails entrepreneurship and business growth. Traditional systems and

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



Sources: World Bank, IMF, and Government of Comoros calculations.

Population <sup>1</sup> million	0.9	Poverty <sup>2</sup> millions living on less than \$3.00/day	0.2
Life expectancy at birth <sup>3</sup> years	66.8	School enrollment <sup>4</sup> primary (% gross)	94.7
GDP <sup>5</sup> current US\$, billion	1.4	GDP per capita <sup>6</sup> current US\$	1632.7

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2014 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

informal power structures weaken state institutions, compounding governance issues.

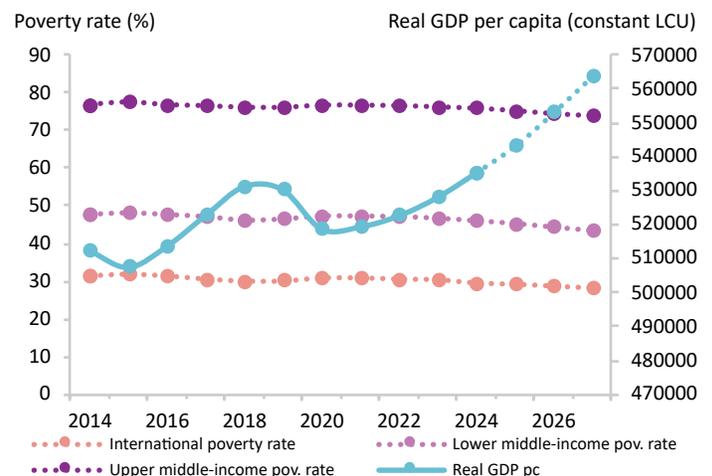
The relatively slow pace of reforms to promote economic transformation and private sector development has hindered growth and kept poverty above 45 percent (\$4.20/day, 2021 PPP) for a decade. Low revenues, due to tax exemptions and administrative inefficiencies, undermine fiscal sustainability, while the high risk of debt distress limits access to capital markets. Climate risks, such as cyclones and rising sea levels, further disrupt economic activity, exacerbate poverty, and threaten development.

## Recent developments

GDP growth is projected at 3.4 percent in 2025, revised down from 3.7 percent, reflecting structural constraints and weaker external conditions.

On the supply side, the services sector is expected to expand by 3.6 percent and account for two percentage points of GDP growth, contributing more than half of GDP growth. This is supported by commerce and easing inflation. The industry sector is expected to

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



Source: World Bank. Notes: See footnotes in table on the next page.

grow by 3.3 percent, driven by construction in transport, tourism, and health. Weak agriculture production, where most of the poor participate, will grow only 2.9 percent.

On the demand side, private consumption remains the main driver of growth in 2025, supported by lower inflation and remittances. Inflation averaged 4.4 percent until mid-2025, but is projected to decline to 3.8 percent by year-end, due to lower food and energy prices - benefiting the poor, who spend a large share of their income on food. Investment is projected to rebound by 17.2 percent, following a contraction in 2024. The external sector continues to dampen growth as exports decline and imports rise, reflecting import dependence and reliance on domestic demand.

The fiscal deficit is expected to widen slightly to 3.9 percent of GDP in 2025. Tax receipts fell from 8.3 to 8.0 percent of GDP, reflecting a 12 percent drop in collections by mid-2025, due to weak customs arrears collection and resistance from the private sector. Grants are projected at 6.9 percent of GDP. Current expenditure is expected to fall from 13.4 to 11.9 percent of GDP, from lower transfers and expenditures on goods and services. Capital expenditure is projected to rise by 2 percentage points of GDP, raising total expenditure to 19.6 percent of GDP. Public debt is projected to rise from 33.7 to 36.5 percent, while public sector credit grew 17.4 percent (year-on-year) in Q1 2025. Debt service for 2025 is estimated at 0.6 percent of GDP. The government satisfactorily completed the fourth review of the IMF-supported program in June, marking the second consecutive year of fiscal consolidation.

The external position weakened in early 2025. Goods exports fell, driven by clove collapsing and vanilla weakening, despite stronger ylang-ylang exports. Imports rose 13.5 percent, driven by food, energy, and equipment. Remittance inflows rose 6.6 percent (year-on-year), while outflows increased 5.1 percent,

yielding a net gain. The current account deficit is projected to widen from 3.2 to 3.6 percent of GDP.

## Outlook

GDP growth is expected to rise gradually over the medium term, supported by the 2027 Indian Ocean Small Island Games, investment under Plan Comores Emergent 2030, resilient private consumption, and an improving business climate, including better credit access and infrastructure. Raising growth above 4 percent remains difficult without deeper reforms. Growth in labor-intensive activities, including commerce and construction, should support poverty reduction, with the rate forecast to fall from 46.0 percent in 2024 to 43.3 percent in 2027.

Inflation is projected to converge toward 3 percent by 2027, supported by rice import reforms and improved food supply.

The fiscal deficit is expected to narrow to 3 percent by 2027. Revenues and grants will remain stable at 16.6 percent of GDP, supported by technical assistance and reforms to tax exemptions and consumption taxes that could raise revenues by 0.5 percentage points of GDP by 2027. Collecting customs arrears could offset WTO-related tariff cuts, while SOE restructuring would reduce expenditure. Public debt is projected to reach 38.7 percent of GDP by 2027.

The external position will remain fragile. Despite expected export recovery, imports will remain high, with the current account deficit reaching 3.6 percent of GDP by 2027. Sustained remittances and concessional financing will be essential for external stability.

Downside risks include contingent liabilities, climate-related disasters, geopolitical tensions, electricity disruptions, declining exports, and financing constraints.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	2.6	3.0	3.3	3.4	3.7	3.8
Private consumption	0.2	1.9	3.2	3.7	3.5	3.8
Government consumption	5.4	11.6	-2.3	2.9	1.3	3.2
Gross fixed capital investment	-62.2	69.8	-13.3	17.2	7.0	4.6
Exports, goods and services	100.8	-10.1	4.6	-5.0	5.5	5.5
Imports, goods and services	-4.0	8.2	-4.3	2.7	4.5	5.0
<b>Real GDP growth, at constant factor prices</b>	2.6	3.0	3.3	3.4	3.7	3.8
Agriculture	-2.6	4.1	3.2	2.9	3.5	3.5
Industry	13.4	3.0	3.7	3.3	3.1	3.3
Services	3.0	2.5	3.3	3.6	3.9	4.0
<b>Inflation (consumer price index)</b>	12.4	8.5	5.0	3.8	3.3	3.0
<b>Current account balance (% of GDP)</b>	-0.4	-1.5	-2.2	-3.3	-3.8	-3.6
<b>Fiscal balance (% of GDP)</b>	-3.8	-1.2	-3.6	-3.9	-3.3	-3.0
<b>Revenues (% of GDP)</b>	14.2	16.4	16.3	16.6	16.5	16.6
<b>Debt (% of GDP)</b>	34.1	34.8	33.7	36.5	37.9	38.7
<b>Primary balance (% of GDP)</b>	-3.6	-0.8	-3.3	-3.5	-2.9	-2.6
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	30.5	30.4	29.5	29.2	28.7	28.2
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	47.1	46.7	46.0	45.2	44.2	43.3
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	76.4	76.1	75.7	75.2	74.4	73.9
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	5.0	2.2	2.0	2.1	2.1	1.9

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2015-EESIC. Actual data: 2014. Nowcast: 2015-2024. Forecasts are from 2025 to 2027.

2/ 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

The Democratic Republic of Congo (DRC) economy continues to face challenges from increased conflict in the eastern part of the country. Strong exports and foreign direct investment (FDI) inflows boosted foreign reserves and stabilized the Congolese franc. However, escalating conflict in the East has increased security costs and strained the fiscal situation. While growth prospects are favorable, economic growth has yet to translate into significant poverty reduction.

## Key conditions and challenges

The eastern region of the DRC has faced decades of insecurity, particularly in mineral-rich areas where armed groups fuel an illicit economy of natural resource exploitation. The situation worsened with the recent loss of control over North Kivu and South Kivu, which is estimated to have contributed to about 3.7 percent of foregone government revenue (0.4 percent of GDP) in 2025. The turmoil directly affects about 14 percent of DRC's population, leading to significant human rights violations and about 7.4 million internally displaced people (IDPs).

The ongoing conflict in DRC exacerbates widespread extreme poverty and poor service delivery. Weak governance, resource exploitation by armed groups, and high socioeconomic vulnerability sustain violence and economic instability, impeding sustainable development and poverty reduction. The current escalation—particularly in North Kivu and South Kivu—has increased the fiscal burden of the government's response and risks undermining the reform agenda and macroeconomic stability. The economy was

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$3.00/day
109.3	81.9
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
61.9	119.9
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
77.7	710.9

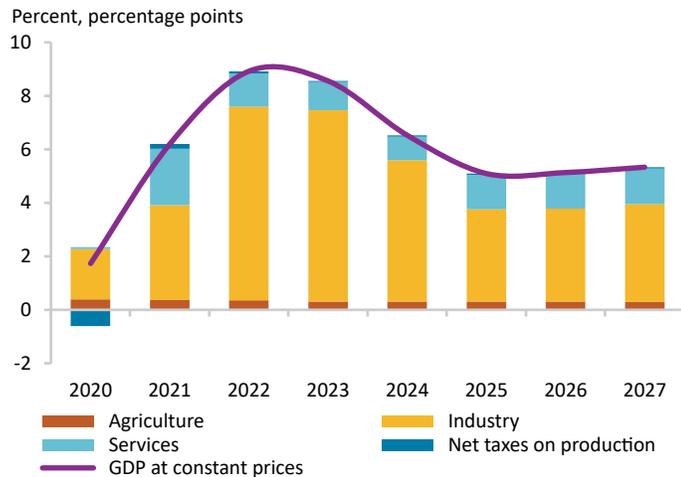
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2020 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

set to benefit from structural reforms supported by the International Monetary Fund (IMF) Extended Credit Facility and Resilience and Sustainability Facility, and the World Bank's Development Policy Financing. These programs aim to enhance macroeconomic stability, financial management, public administration, the business climate, governance, and transparency. However, volatile security and heavy dependence on extractive industries expose the DRC to fluctuations in global commodity prices and demand, weighing on growth and fiscal revenue. Addressing these challenges requires significant national and international engagement to strengthen governance, bolster conflict resolution, and restore security and state authority.

## Recent developments

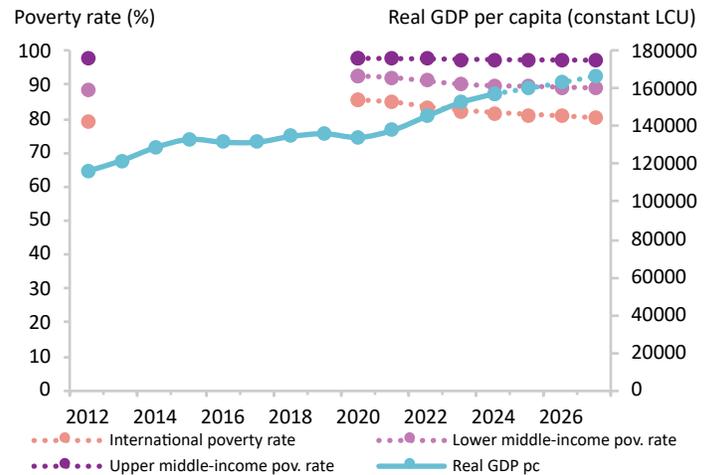
Real GDP growth is projected at 5.1 percent in 2025, down from 6.5 percent in 2024, driven by industry and services. Mining growth was subdued following the suspension of cobalt exports since February 2025, a measure intended to curb oversupply and stabilize global prices. Modest growth in non-mining sectors—particularly

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



Sources: Democratic Republic of Congo Statistical Authorities and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

services—is expected to edge up, supported by telecommunications and trade. On the demand side, private investment and exports underpinned growth. Poverty remained high at an estimated 81 percent in 2025, reflecting an extractive-driven model that has benefited only a small part of the population. The recent acceleration of the M23 rebels’ offensive has likely further eroded household welfare in the eastern DRC.

The current account deficit is projected to narrow to 3.2 percent of GDP in 2025 as copper exports rise, with FDI and external financing boosting reserves to about 12 weeks of imports (from 10.1 weeks in 2024). Supported by exchange rate stability and tight Central Bank of Congo (BCC) policy, inflation eased to 7.8 percent in July 2024. The fiscal deficit is expected to widen to 2.3 percent of GDP in 2025 on account of revenue losses in conflict affected provinces and higher security outlays, financed mainly by domestic borrowing and external concessional financing. Public debt remains low at 23.5 percent of GDP, with a moderate risk of distress.

## Outlook

GDP growth is projected to average 5.2 percent in 2026–27, mainly driven by the mining output. Non-mining sectors are anticipated

to gradually contribute, led by construction and infrastructure activities. Private investment and mining exports will also support growth. External pressures should ease in 2026–27 as strong export earnings from favorable commodity prices offset moderate import bills, reducing the current account deficit to 2.2 percent of GDP by 2027. A solid external position and no BCC deficit financing should underpin a stable currency and keep inflation at the 7 percent medium-term target. Foreign direct investment and external financing are set to lift reserves to slightly above three months of imports by 2027.

The fiscal deficit is projected to narrow to 1.8 percent of GDP by 2027, supported by higher mining revenues and fiscal consolidation through expenditure control and tax administration measures.

Despite the favorable macroeconomic outlook, extreme poverty is expected to remain high at over 80 percent in 2026. Stronger poverty reduction will require improved security, strengthened public service delivery, and economic diversification. The agricultural transformation agenda will be critical to raise productivity, link farmers to markets, and reduce dependence on food imports. Risks are tilted to the downside: declines in commodity prices, protracted conflict in the east, and persistent health outbreaks (such as mpox) could further strain public spending.

### Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	8.9	8.6	6.5	5.1	5.1	5.3
Private consumption	3.1	3.5	3.7	3.9	4.2	4.5
Government consumption	22.2	-12.9	9.1	9.2	9.0	8.7
Gross fixed capital investment	27.7	98.0	11.3	5.5	5.5	6.2
Exports, goods and services	18.9	15.7	12.9	5.6	6.5	7.1
Imports, goods and services	24.9	85.6	11.6	5.3	5.6	6.4
<b>Real GDP growth, at constant factor prices</b>	8.9	8.6	6.5	5.1	5.1	5.3
Agriculture	2.4	2.2	2.3	2.4	2.5	2.5
Industry	15.7	14.6	10.2	6.4	6.4	6.7
Services	3.3	3.0	2.6	3.9	4.0	4.2
<b>Employment rate (% of working-age population, 15 years+)</b>	62.7	62.8	62.8	62.8	62.8	62.8
<b>Inflation (consumer price index)</b>	9.3	19.9	17.7	8.9	7.5	7.0
<b>Current account balance (% of GDP)</b>	-4.9	-6.3	-3.4	-3.2	-2.4	-2.2
<b>Fiscal balance (% of GDP)<sup>1</sup></b>	-0.8	-2.3	-1.7	-2.3	-1.9	-1.8
<b>Revenues (% of GDP)</b>	16.6	15.1	15.3	15.0	15.4	15.6
<b>Debt (% of GDP)</b>	21.8	27.4	22.8	23.5	23.8	24.1
<b>Primary balance (% of GDP)</b>	-0.5	-1.3	-0.7	-1.4	-0.8	-0.7
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>2,3</sup></b>	83.4	82.4	81.7	81.1	80.6	80.1
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>2,3</sup></b>	91.1	90.2	89.8	89.6	89.3	89.1
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>2,3</sup></b>	97.7	97.5	97.4	97.2	97.2	97.1
<b>GHG emissions growth (mtCO2e)</b>	-0.2	0.3	0.2	0.2	0.3	0.3

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Fiscal balance figures are reported on a cash basis (% of GDP).

2/ Calculations based on 2020-EGI-ODD. Actual data: 2020. Nowcast: 2021-2024. Forecasts are from 2025 to 2027.

3/ Projection using neutral distribution (2020) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

# REPUBLIC OF CONGO

GDP per capita remained flat in the first half of 2025, leaving the poverty rate unchanged. Fiscal consolidation on both the revenue and expenditure sides increased the fiscal surplus despite the decline in oil prices. To prevent upcoming maturities on the Central African Economic and Monetary Community (CEMAC) public securities market from intensifying cash-flow pressures, the government is implementing proactive cash management measures.

## Key conditions and challenges

The 2014-16 oil price collapse and the COVID-19 pandemic led to a prolonged economic recession and an increase in extreme poverty from 37.0 percent in 2015 to 51.8 percent in 2022.

The debt-to-GDP ratio peaked at 103.5 percent in 2020 but decreased to 93.5 percent in 2024 due to rising oil prices, improved debt management, and restructuring agreements. Persistent liquidity pressures prompted the government to implement the National Treasury Optimization Program (NTO) to reprofile CFA 935,6 billion of regional debt. Congo remains in debt distress due to persistent accumulation of domestic and external arrears.

The economy's reliance on oil revenues exposes it to exogenous price volatility, and structural weaknesses across non-oil sectors are holding back growth and constrain job creation. Boosting growth over the medium term requires reforms

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$4.20/day
6.2	2.5
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
65.8	89.0
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
15.7	2509.0

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2011 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

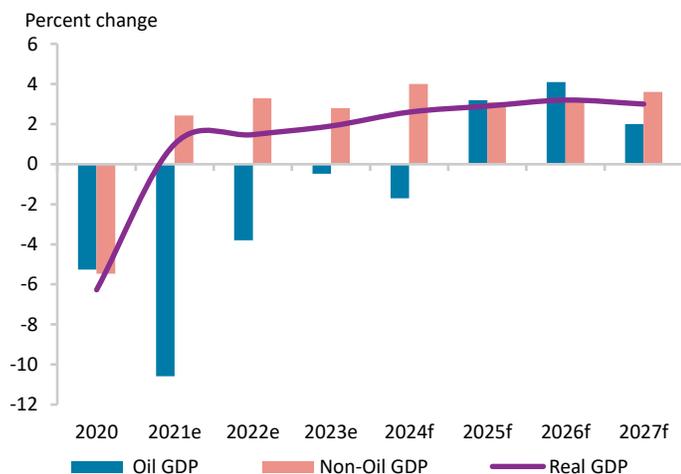
including diversification of national assets, and investment in human and physical capital.

## Recent developments

Congo's economy is projected to grow modestly in 2025, with real GDP growth of 2.9 percent, slightly above 2.6 percent in 2024. Alas, growth flatlined in per capita terms resulting in negligible progress in poverty reduction which has remained virtually unchanged since 2021 and is forecasted at 52 percent for 2025.

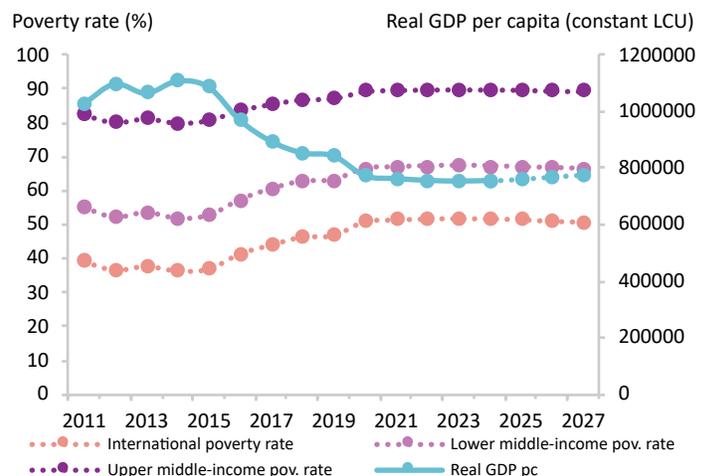
Oil-sector results were mixed. Increased production by the majors exceeded expectations. These gains were partially offset by underperformance among other producers facing aging equipment and frequent power outages. Non-oil activity softened. Primary sector growth eased to 3.9 percent from 4.2 percent in 2024, largely due to a sharp slowdown in forestry activity as firms struggled to adapt to the log export ban. Industry contracted by 0.4 percentage points in the first half of 2025, reflecting widespread electricity and fuel shortages that forced temporary

FIGURE 1 / Real GDP growth



Source: World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

shutdowns, increased costs, and squeezed margins. On the demand side, external trade drives growth. In Congo, most jobs are created by non-oil firms, while the oil sector is capital intensive and employs mainly highly skilled workers. While low non-oil sector growth translates directly into insufficient creation of jobs, there are also constraints on the labor supply side, including inadequate skills and high reservation wages.

The overall surplus is projected to increase to 3.0 percent of GDP in 2025. Total revenues are expected to fall due to lower oil receipts, reflecting a decline in oil prices. Non-oil revenues are expected to rise on stronger collections from taxes on goods and services and direct taxes, supported by VAT from the oil sector. Expenditures are projected to decline on account of lower domestic interest payments, reduced capital expenditures, and smaller current transfers. Inflation is expected at 4.0 percent in 2025 (3.8 percent in 2024), above the 3.0 percent regional benchmark. Drivers include energy and fuel disruptions, higher excises on alcohol and tobacco, rising food prices, and renewed increases in some imports.

Outstanding public debt declined by 4.7 percent year-on-year by end-March 2025, reflecting a 9.5 percent decrease in external debt and a 1.5 percent reduction in domestic debt.

The current account deficit is expected at 5.2 percent of GDP due to strong reduction of Congolese's oil prices. The banking sector expanded, with assets increasing to 7.3 percent year-on-year, supported by small gains in deposits and loans and a 1.3 percent drop in non-performing loans.

## Outlook

Congo's economy is projected to grow by an average 3.1 percent in 2026–2027, with extreme poverty edging down by about 0.4 percentage points over the period. Poverty incidence is forecasted to decline by less than one percent, reflecting limited job creation for vulnerable groups. Growth is expected to gain momentum from some sectoral drivers : recovery in oil through field maintenance and revitalization; increased gas sales; and a new private refinery.

Revenues are projected to decline in 2026 due to a projected US\$4 per barrel oil price decline but moderately increase in 2027; tax digitalization and increased gas sales are projected to improve non-oil revenues. Fiscal consolidation continues, raising the fiscal surplus to about 3.6 percent of GDP (2026–2027). However, cash-flow pressures are expected to persist in the medium term, which could continue to crowd out certain priority expenditures, notably social spending. Inflation would decline moderately to 3.8 percent in 2026–2027 but would remain driven by rising production costs due to electricity outages and fuel shortages. Public debt is projected to decline to 81.1 percent of GDP (2026–2027), thanks to domestic and external debt repayments. The current account deficit is projected to improve, averaging 2 percent of GDP during the period 2026–2027.

Risks are tilted to the downside: liquidity pressures, oil price volatility, weaker global demand, delayed oil investments, tighter financing, adverse weather, slow reform implementation, and persistent power and fuel shortages.

### Recent history and projections

	2022	2023e	2024e	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	1.5	1.9	2.6	2.9	3.2	3.0
Private consumption	5.0	4.9	6.5	4.0	3.9	3.6
Government consumption	-5.0	0.6	0.5	-1.8	0.1	2.5
Gross fixed capital investment	10.0	8.6	5.6	3.0	3.0	3.3
Exports, goods and services	-0.7	1.0	-0.5	3.1	3.8	2.4
Imports, goods and services	5.9	8.9	5.0	2.5	4.8	2.8
<b>Real GDP growth, at constant factor prices</b>	1.5	1.9	2.5	3.0	3.2	3.0
Agriculture	3.0	2.8	4.2	3.9	3.9	4.0
Industry	-0.6	0.7	0.3	3.0	3.6	2.6
Services	4.4	3.4	5.3	2.7	2.4	3.4
<b>Employment rate (% of working-age population, 15 years+)</b>	53.9	54.4	54.4	54.4	54.4	52.7
<b>Inflation (consumer price index)</b>	3.0	4.3	3.8	4.0	3.8	3.8
<b>Current account balance (% of GDP)</b>	15.4	8.6	4.0	-5.2	-1.9	-2.2
<b>Net foreign direct investment inflow (% of GDP)</b>	7.9	9.5	5.0	5.3	5.4	5.1
<b>Fiscal balance (% of GDP)</b>	7.9	3.6	2.7	3.0	3.4	3.9
<b>Revenues (% of GDP)</b>	28.6	24.3	25.1	24.2	23.8	24.2
<b>Debt (% of GDP)</b>	86.6	96.0	93.5	89.2	83.9	78.3
<b>Primary balance (% of GDP)</b>	10.2	6.4	6.3	6.3	6.5	6.9
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	51.8	51.9	51.8	51.6	51.1	50.9
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	67.2	67.3	67.2	66.8	66.6	66.4
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	89.9	90.0	89.9	89.8	89.6	89.4
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	2.8	2.5	2.3	1.4	1.2	0.6

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2011-ECOM. Actual data: 2011. Nowcast: 2012-2024. Forecasts are from 2025 to 2027.

2/ Projection using neutral distribution (2011) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

# CÔTE D'IVOIRE

The economy remains strong, with growth estimated at 6.3 percent in 2025 despite global turbulence. Favorable terms of trade, effective debt management, and on-track fiscal convergence are supporting macroeconomic stability and boosting investor confidence. Reforms to renew the growth model and expand industries should promote productivity-led growth, create jobs, and reduce the poverty rate to 30 percent in the medium term.

## Key conditions and challenges

Côte d'Ivoire is at a critical development juncture. Despite global turbulence, growth proved robust, averaging 6.5 percent annually between 2021 and 2024 (3.9 percent per capita). In 2024, the lower middle-income poverty rate (at \$4.20/day, 2021 PPPs) was 40.8 percent slightly down from 41.7 percent in 2021. Yet, productivity growth slowed and poverty reduction was uneven, declining in urban areas, but persisting in rural areas. Employment rose by 2 percentage points to 65 percent of the working-age population in 2024 compared to 2020. Yet the share of wage and salaried workers has stalled at 25 percent of employment over the decade. To halve poverty and reach upper-middle-income status by 2030, the country is reshaping its growth model emphasizing productivity growth, the creation of more and better jobs and inclusive development.

The new plan prioritizes raising agricultural productivity, industrial value chain development, reducing regional disparities through private sector development, upskilling, strategic foreign direct investment (FDI), more efficient public infrastructure and expansion of fiscal space. Strong economic management and increasing extractive production raise economic prospects, bolstering investor

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$4.20/day
31.7	12.4
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
61.9	101.7
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
86.5	2728.2

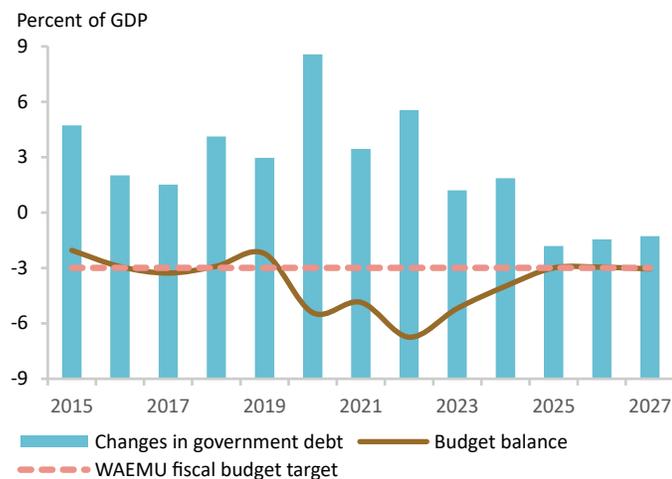
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

confidence and access to innovative financing. Still, headwinds including evolving uncertainties related to trade, general elections, regional insecurity, and climate change persist.

## Recent developments

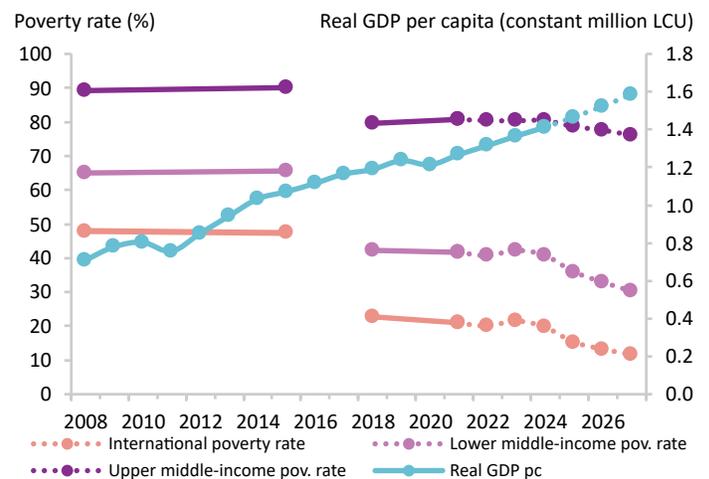
Growth remained solid at 6 percent in 2024 (3.4 percent in per capita terms) despite global turmoil and is projected at 6.3 percent in 2025, supported by strong public and private investment alongside private consumption. High-frequency data for H1-2025 show sustained economic momentum relative to 2024. Falling food prices reflect positive supply dynamics in staple crops. Export agriculture was mixed as unfavorable weather, pest outbreaks, and reduced planting sharply limited cocoa, coffee, and cottonseed outputs while cashew and rubber production expanded. The industrial output index rose 13.9 percent, led by manufacturing, energy and mining, notably hydrocarbon and gold sectors. Construction rebounded, boosted by a 20.2 percent rise in related imports and faster execution of major public infrastructure projects. Services broadly expanded, with the trade turnover index up 12.6 percent driven by commerce and transportation. Falling inflation, higher farmgate prices, and increased employment supported domestic demand

FIGURE 1 / Budget balance and change in public debt



Source: World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

and poverty reduction. A frontloaded 20 percent rise in imported equipment ahead of the October presidential elections could boost private investment over the H1-2025. Headline inflation fell to 1.4 percent in July 2025 from 3.5 percent in 2024 as easing food and commodity prices offset higher electricity tariffs.

The fiscal deficit declined to 4 percent of GDP in 2024 and is on track to reach the 3 percent target in 2025, supported by expenditure cuts and strong tax revenues. The deficit was 1.5 percent of GDP in May 2025, with revenue growth outpacing expenditure and 63 percent financed regionally. The improved fiscal stance and substantial terms of trade gains (+54 percent y/y) should shrink the current account deficit from 4.7 to 1.9 percent of GDP in 2025. The goods trade balance hit a decade-high surplus of 5 percent of annual GDP during H1-2025. Money supply growth surged to 22.1 percent y/y from 3.4 percent in mid-2024, driven by increased public claims and a 98.6 percent rise in net external assets while credit growth to the private sector decelerated. The Ivorian financial sector remains sound, with improved capital adequacy (+0.5 ppt) and declining non-performing loans (-0.3 ppt).

Inflation in the West African Economic and Monetary Union (WAE-MU) region declined further to 3.4 percent in 2024, remaining above the 1–3 percent target band. Concurrently, the pooled reserves increased to 4.6 months of imports, reflecting higher export receipts, increased hydrocarbon exports, and borrowing. After having maintained its monetary policy unchanged since end-2023, the Central Bank of West African States cut policy rates by 25 basis points in June 2025 to 3.25 percent for liquidity calls and 5.25 percent for marginal lending.

## Outlook

Growth should average 6.5 percent between 2026 and 2027, driven by strong consumption, investment, and expanding hydrocarbons and mining. Reforms under the upcoming National Development Plan in infrastructure, energy, digital technology, agriculture, and human capital will enhance economic fundamentals, domestic and foreign investment, bolstering productivity and job creation. Despite the increase in the exceptional year-end civil servant wage bonus, fiscal discipline, supported by the Medium-Term Revenue Strategy and improved public efficiency, should maintain the fiscal deficit within targets and free space for priorities. Effective debt management, higher domestic revenue, and sustained investor perception should ease financing and secure debt sustainability. Better terms of trade, commodity processing, and export diversification will mitigate trade risks and sustain the current account balance and regional WAEMU reserves, to which Côte d'Ivoire is the largest contributor.

In 2025, subdued inflation and rising agricultural incomes, led by higher export prices, should accelerate poverty reduction and reduce the poverty rate to 36.2 percent in 2025. However, poverty reduction is set to moderate during 2026 and 2027, averaging 3.2-percentage points per year as nominal agricultural growth abates. Growth risks stem from rising trade barriers and commodity price volatility, potentially fueling inflation, capital flight, and lower foreign aid. Climate volatility poses threats to agriculture, and regional insecurity combined with elections uncertainty could undermine market confidence and restrict financing.

### Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	6.4	6.5	6.0	6.3	6.4	6.5
Private consumption	4.6	5.5	6.3	6.5	5.5	5.7
Government consumption	4.0	3.9	3.1	2.4	2.1	0.0
Gross fixed capital investment	13.2	8.5	10.5	13.8	16.1	16.3
Exports, goods and services	11.9	4.8	0.2	6.0	7.0	9.0
Imports, goods and services	21.1	7.7	4.0	12.0	13.0	15.0
<b>Real GDP growth, at constant factor prices</b>	6.1	6.4	6.0	6.3	6.4	6.5
Agriculture	5.9	-2.1	3.5	3.5	3.8	4.0
Industry	12.0	18.5	2.8	8.0	9.0	9.0
Services	3.7	3.8	8.4	6.4	5.9	6.0
<b>Employment rate (% of working-age population, 15 years+)</b>	65.5	65.2	65.2	65.2	65.2	65.2
<b>Inflation (consumer price index)</b>	5.2	4.4	3.5	1.3	1.3	1.3
<b>Current account balance (% of GDP)</b>	-7.6	-8.2	-4.5	-2.2	-1.9	-2.4
<b>Net foreign direct investment inflow (% of GDP)</b>	2.0	2.5	3.8	3.8	3.3	4.3
<b>Fiscal balance (% of GDP)</b>	-6.7	-5.2	-4.0	-3.0	-3.0	-3.0
<b>Revenues (% of GDP)</b>	15.1	16.1	16.5	17.4	17.9	18.5
<b>Debt (% of GDP)</b>	57.3	58.5	60.4	56.8	55.6	53.8
<b>Primary balance (% of GDP)</b>	-4.6	-2.6	-1.3	-0.3	-0.6	-0.7
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	20.0	21.5	19.7	15.9	13.3	11.5
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	40.7	42.2	40.8	36.2	33.0	29.9
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	80.5	80.5	80.5	78.8	77.3	75.5
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	3.0	1.4	1.1	1.3	1.9	2.0

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2021-EHCVM. Actual data: 2021. Nowcast: 2022-2024. Forecasts are from 2025 to 2027.

2/ Projections using microsimulation methodology.

# EQUATORIAL GUINEA

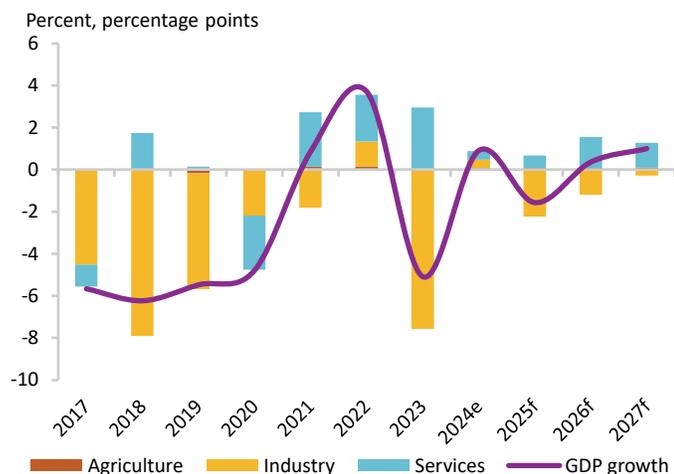
Growth is projected at -1.6 percent in 2025 and 0.7 percent over 2026-27, as hydrocarbon output declines and non-oil sectors slowly expand. In 2027, poverty should revert to its 2022 level after a slight increase in 2025 due to low growth and high food prices. Fiscal and external positions are expected to deteriorate. A sharper-than-expected decline in oil production and prices could cloud the outlook.

## Key conditions and challenges

Equatorial Guinea's oil-dependent economy has faced a prolonged recession over the past decade, driven by a shrinking hydrocarbon sector, declining investment, and external and domestic shocks. Between 2014 and 2024, GDP contracted by 3.7 percent and per capita GDP dropped to US\$5,042 in 2024—72 percent below its 2008 peak. Despite high urbanization and infrastructure investment, 18.1 and 31.3 percent of the population still lack electricity and piped water or a well, respectively. The human capital index (0.49) is below the level expected for the country's GDP. Unemployment is high at 13.7 percent and few jobs (17 percent) are formal. The private sector accounts for only one-third of formal jobs and has limited job creation potential, with 43.6 percent of firms reporting limited access to finance as their biggest obstacle. In 2022, 58.1 percent of the population—1.04 million people—lived on less than \$8.30 per day (2021 PPP).

The country has started implementing urgent structural reforms to support economic diversification and stimulate inclusive growth.

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



Sources: World Bank and Instituto Nacional de Estadística de Guinea Ecuatorial (INEGE).

Population <sup>1</sup> million	1.9	Poverty <sup>2</sup> millions living on less than \$8.30/day	1.0
Life expectancy at birth <sup>3</sup> years	63.7	School enrollment <sup>4</sup> primary (% gross)	107.8
GDP <sup>5</sup> current US\$, billion	12.8	GDP per capita <sup>6</sup> current US\$	6745.3

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2024. 6/ 2024.

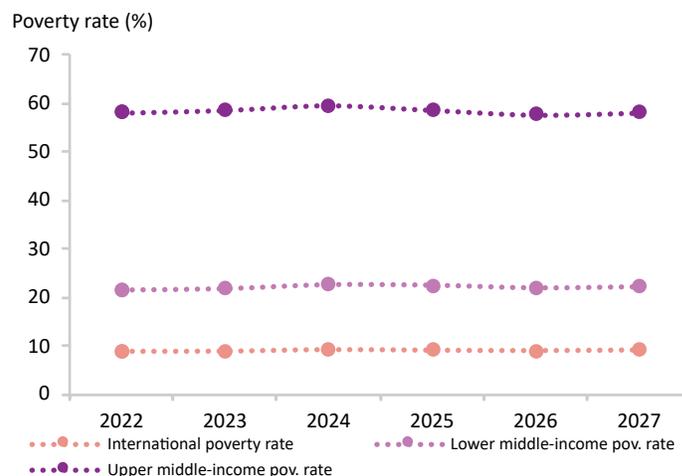
Recent reforms including the amended tax law, new anti-corruption legislation, a draft procurement law, audits of state-owned enterprises, the customs IT system rollout, measures towards implementing a Treasury Single Account, and a Presidential decree supporting economic and fiscal sustainability are promising.

## Recent developments

GDP grew modestly by 0.9 percent in 2024, after a year of recession, thanks to a rebound in the non-oil sector, particularly manufacturing. Meanwhile, increased gas production contributed to modest growth in the hydrocarbon sector. On the demand side, growth was driven by higher government consumption mainly due to higher spending on wages and salaries, while private consumption and investment declined. However, the upward trend was short-lived as GDP fell by an estimated 3.3 percent year-on-year in 2025Q1, driven by a new decline in the hydrocarbon sector.

Lower hydrocarbon export earnings brought the fiscal balance down from a 2.4 percent of GDP surplus in 2023 to a 0.6 percent

**FIGURE 2 /** Actual and projected poverty rates



Source: World Bank. Notes: See footnotes in table on the next page.

deficit in 2024. Government revenues fell by 14.6 percent due to a sharp drop in oil companies' tax revenues, while spending declined less rapidly as fiscal consolidation continued. The non-oil fiscal deficit narrowed to 21.8 percent of non-oil GDP in 2024, down from 24.3 percent in 2023. Preliminary 2025Q1 data suggest a fiscal surplus, with revenues exceeding projections by 20.7 percent despite a 6.3 percent budget overrun, even as hydrocarbon production continues to decline.

The debt-to-GDP ratio decreased from 38.5 percent of GDP in 2023 to 36.9 percent in 2024. The nonperforming loan ratio decreased from 32.5 percent at end-2023 to 30 percent in 2024 as government successfully settled 10-year arrears with banks and construction firms. Encouraged by lower inflation in the region, the Bank of Central African States (BEAC) lowered its key rate from 5.00 percent to 4.50 percent in March 2025. In 2024 inflation rose to 3.4 percent from 2.4 percent in 2023 in Equatorial Guinea due to higher food prices and then slightly receded to 3 percent by July 2025.

The modest growth in 2024, especially in agriculture and services, was insufficient to prop up employment and earnings. Combined with soaring food prices, household consumption was weakened and the share of the population living with less than \$8.3 a day (2021 PPP) is estimated to have increased from 58.6 to 59.6 percent.

## Outlook

GDP is projected to contract by 1.6 percent in 2025 and should recover modestly to 0.7 percent in 2026-27 as growth in non-hydrocarbon sectors offsets the decline in hydrocarbon output. These

sectors, which employ mostly low-skilled workers, should contribute to reducing the poverty rate from 59.6 percent in 2024 back to 58.1, its 2022 level by 2027. This outlook reflects ongoing and planned reforms under the International Monetary Fund (IMF) Staff Monitored Program alongside the authorities' plan to improve the business environment and governance.

Declining hydrocarbon production and lower commodity prices are expected to keep impacting the Equatoguinean economy. Exports are projected to fall, widening current account deficits. Meanwhile, the fiscal balance is projected at -1.6 percent of GDP in 2025-27, as medium-term expenditure adjustments would not compensate for the larger drop in hydrocarbon revenues.

Risks to the outlook remain tilted to the downside. The country's reliance on oil revenues implies that a faster decline in hydrocarbon production, prices, or reserves would compromise growth and strain fiscal and external balances. Trade-related uncertainties and global disruptions could further affect commodity and food prices, heightening food insecurity. Tighter global financial conditions, weaker external demand, and delays in structural reforms could also undermine growth. On the upside, new hydrocarbon discoveries and stronger reform implementation would improve the outlook.

To boost growth, diversification, reduce poverty, and create jobs, comprehensive reforms that lay the foundation for sustainable, private sector-led development are critical. Priorities include improving domestic revenue mobilization, enhancing public spending efficiency, strengthening governance and the business environment, and investing in human capital. Investments in digitalization and tourism are also essential to unlock economic opportunities.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	3.2	-5.1	0.9	-1.6	0.4	1.0
Private consumption	3.9	4.4	-2.0	1.1	1.0	1.8
Government consumption	7.0	5.7	8.2	-5.4	0.3	0.6
Gross fixed capital investment	7.6	11.1	-2.0	2.0	1.4	-1.1
Exports, goods and services	5.7	-28.9	-0.2	-0.8	-1.3	-0.8
Imports, goods and services	11.2	-25.5	0.2	1.5	-1.0	-1.4
<b>Real GDP growth, at constant factor prices</b>	2.9	-4.7	0.9	-1.6	0.4	1.0
Agriculture	6.9	2.4	2.9	3.2	3.1	3.3
Industry	1.8	-12.9	0.8	-4.2	-2.3	-0.6
Services	4.4	7.6	0.9	1.4	3.3	2.6
<b>Inflation (consumer price index)</b>	4.9	2.4	3.4	2.9	2.9	2.7
<b>Current account balance (% of GDP)</b>	-0.9	-1.5	-0.9	-1.2	-2.3	-2.0
<b>Net foreign direct investment inflow (% of GDP)</b>	4.9	1.2	1.0	0.8	1.9	2.1
<b>Fiscal balance (% of GDP)</b>	11.4	2.4	-0.6	-1.1	-1.3	-2.5
<b>Revenues (% of GDP)</b>	26.5	21.7	17.9	18.0	17.0	15.4
<b>Debt (% of GDP)</b>	34.5	38.5	36.9	37.0	38.4	40.2
<b>Primary balance (% of GDP)</b>	12.5	3.5	0.5	0.0	-0.1	-1.2
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	8.8	8.8	9.4	9.2	9.0	9.3
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	21.5	21.7	22.6	22.4	21.9	22.1
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	58.1	58.6	59.6	58.7	57.7	58.1
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-1.1	-4.1	-1.0	-3.1	0.5	1.4

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2022-ENH2. Actual data: 2022. Nowcast: 2023-2024. Forecasts are from 2025 to 2027.

2/ Projections using microsimulation methodology.

# ERITREA

Growth in 2024 was supported by strong mining activity and lower inflation due to moderation of global fuel and food prices. Increased government spending and investment to develop the Colluli potash mine is expected to support growth of around 3.5 percent in the near term. Downside risks to the outlook include production delays at the Colluli mine, volatility in global commodity markets, geopolitical and regional tensions, and climate vulnerabilities.

## Key conditions and challenges

Eritrea is a subsistence agriculture economy relying on the mining industry, primarily zinc and gold, for foreign exchange. About 70 percent of the population lives in rural areas, relying on rainfed farming, livestock, and fisheries. Frequent weather shocks due to climate change impact economic activity and livelihoods.

With the lifting of UN sanctions in November 2018, Eritrea emerged from a decade of international isolation, a period during which it relied on domestic sources of growth. Competition is limited by state-owned enterprises' dominance and widespread government restrictions. Zinc, copper, and gold account for more than 90 percent of exports, making the economy susceptible to fluctuations in metal prices and external demand from China, which accounts for over 50 percent of total exports. Fiscal dominance and an underdeveloped financial sector have rendered monetary policy under a fixed exchange rate ineffective, weakening economic fundamentals.

Despite vast mineral and commodity wealth, the development of the mining sector is constrained by underdeveloped infrastructure,

Population <sup>1</sup> million	Poverty
3.5	..
Life expectancy at birth <sup>2</sup> years	School enrollment <sup>3</sup> primary (% gross)
68.6	83.0
GDP <sup>4</sup> current US\$, billion	GDP per capita <sup>5</sup> current US\$
2.9	821.5

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2023. 3/ 2022. 4/ 2024. 5/ 2024.

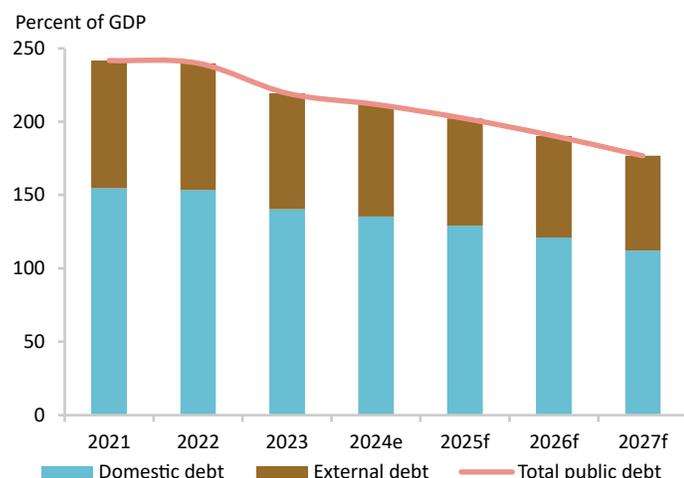
including roads and key ports, which present both operational and logistical challenges. Furthermore, the absence of a competition law framework discourages foreign capital inflows, as do strict import restrictions. The latter also limit foreign currency demand amid low reserves. Informal cross-border trade has improved since the conflict in northern Ethiopia ended.

The capacity to produce data remains severely constrained. National accounts data are limited to unofficial GDP estimates by the Ministry of Finance, which are not, however, endorsed by the government. Inflation estimates cover only Asmara, the capital city, and full balance of payment accounts are not being produced. Poverty statistics have not been produced for over a decade.

## Recent developments

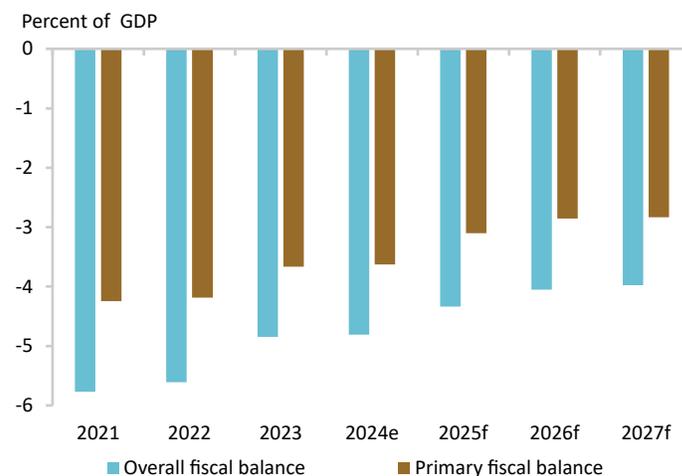
Real GDP growth is expected to rise to 3.2 percent in 2025, supported by strong mining output and private consumption as global food and oil prices moderate. Inflation continued its downward trend and is expected to average at 3.9 percent in 2025, reflecting easing global prices for oil and non-oil commodities, which are critical imports for the country.

FIGURE 1 / Evolution of total public debt



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

FIGURE 2 / Primary and overall fiscal balances



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

Eritrea continued to maintain a large current account surplus, which improved in 2024, supported by a strong increase in global metal prices amid tight import and capital controls. International gold prices rose 23 percent to multi-decade highs amid global risk aversion and geopolitical risk, contributing to higher export revenues. Higher zinc and copper prices resulted in strong mining export revenues as well as higher government revenues. Public debt was estimated at around 211 percent of GDP at end-2024, of which nearly 80 percent is owed to domestic banks. The country is in debt distress, and as of May 2024, Eritrea was at a pre-decision point in the Highly Indebted Poor Countries (HIPC) list.

Following an engagement hiatus in 2020, Eritrea has begun to re-engage with international development partners and revitalize some bilateral relations since 2023. The African Development Bank has been supporting several projects including the building of a 30-MW solar photovoltaic power plant in Dekemhare, which is scheduled to be completed in 2027. China is Eritrea's principal commercial partner dominating the mining and infrastructure sector as well as being a major trading partner. In early 2023, the Chinese company Sichuan Road and Bridge Group acquired a 50 percent stake in the Colluli potash mine—one of the largest and most easy-to-exploit deposits in the world. Once it becomes operational (expected by end-2026), it could contribute up to 10 percent of GDP.

## Outlook

GDP growth is projected to increase to 3.5–3.6 percent in the near-medium term as domestic demand is boosted

by construction of the Colluli mine. As global food prices continue to ease, average inflation is expected to decrease further and stabilize around 4 percent in the near term. The current account surplus is expected to remain large at around 14 percent of GDP in 2025, helped by robust mining sector performance amid tight import controls. Gradual fiscal consolidation and higher mining sector receipts should support a narrowing of the fiscal deficit over the medium term. Once Colluli mining commences, it is expected to generate annual revenues of US\$200mn. The economic recovery is expected to support a reduction in the public debt-to-GDP ratio. But the poverty rate is not expected to decline significantly in the coming years. Significant improvements in the agricultural sector and increased productive employment in urban areas are critical to addressing widespread deprivation in the country.

Significant downside risks include weaker than expected global or Chinese demand for commodity exports, volatility in metals and minerals prices, production delays at the Colluli mine, spillovers from the Sudan conflict, and recent escalation in tensions with Ethiopia. Climate vulnerabilities could intensify in the coming years, increasing an already high risk of food insecurity. Eritrea's re-engagement with the international community could help to significantly reduce external arrears and provide much-needed financing to build essential infrastructure over the medium term. This would help reduce the risks associated with climate change and foster the development of the private and financial sectors, which could enhance job creation and promote inclusive growth.

### Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	2.5	2.6	2.9	3.2	3.5	3.6
Private consumption	3.6	4.0	2.1	2.5	2.2	2.1
Government consumption	5.7	3.7	1.9	2.0	3.4	4.1
Gross fixed capital investment	13.1	22.7	4.2	4.0	3.7	4.2
Exports, goods and services	9.2	5.1	3.2	3.5	3.7	3.8
Imports, goods and services	11.0	5.3	4.2	4.3	4.3	5.1
<b>Real GDP growth, at constant factor prices</b>	2.5	2.6	2.9	3.2	3.5	3.6
Agriculture	1.6	3.5	3.6	3.2	3.2	3.2
Industry	3.2	2.9	3.3	3.3	3.4	3.1
Services	1.3	1.5	1.6	3.1	3.9	4.8
<b>Inflation (consumer price index)</b>	7.4	6.4	4.1	3.9	3.8	3.7
<b>Current account balance (% of GDP)</b>	13.0	14.1	14.5	13.9	14.1	14.9
<b>Net foreign direct investment inflow (% of GDP)</b>	1.3	1.2	1.2	1.3	1.3	1.0
<b>Fiscal balance (% of GDP)</b>	-5.6	-4.8	-4.8	-4.3	-4.1	-4.0
<b>Revenues (% of GDP)</b>	27.0	27.6	26.6	26.9	27.6	28.1
<b>Debt (% of GDP)</b>	239.8	219.4	211.8	202.2	190.3	176.8
<b>Primary balance (% of GDP)</b>	-4.2	-3.7	-3.6	-3.1	-2.9	-2.8
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	1.3	1.2	1.4	1.4	1.6	1.6

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.  
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

# ESWATINI

Economic growth is projected to moderate to 3.8 percent in 2026 compared with an estimated 4.2 percent in 2025. Growth remains primarily consumption-led, but with a boost from a higher investment rate. Lower SACU revenues are expected to weaken fiscal and external positions, heightening macroeconomic vulnerabilities. The poverty rate is projected to remain at high levels, with more than half of the population living below the lower-middle-income poverty line.

## Key conditions and challenges

Over the past two decades, Eswatini's economy grew at an average annual rate of 2.3 percent from 2015 to 2024, which is below the average for middle-income countries. Structural challenges, including a constrained business environment, vulnerability to fluctuations in Southern African Customs Union (SACU) revenues, and climate-related risks weighed on growth. Limited access to finance further hinders the development of small, medium and micro enterprises (SMMEs). In this context, poverty affects an estimated 53.5 percent of the population in 2025 based on the lower-middle-income poverty threshold of \$4.20 (PPP, 2021 prices). Income inequality remains high, with a Gini Index of 54.6 percent recorded in 2016. Increased access to essential services, including education, healthcare, and housing helped bring down multi-dimensional poverty from 22.3 percent in 2010 to 7.9 percent in 2021.

Although living standards and the productive capacity of low-income households have improved, these gains have not translated into significantly higher incomes due to persistent weaknesses in the labor market, which cannot fully absorb the relatively

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$4.20/day
1.2	0.7
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
64.1	113.5
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
4.8	3897.8

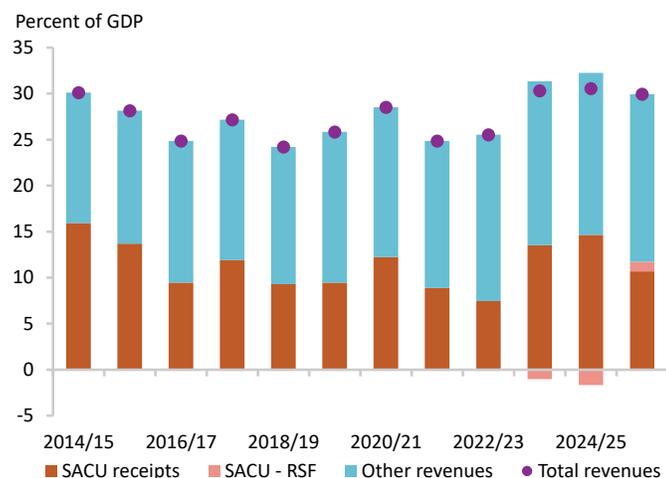
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2016 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

fast-growing and young labor force. Youth unemployment is elevated at 56 percent. High and persistent unemployment affects livelihoods, with a national unemployment rate of 35.4 percent in 2023 and with over half of unemployed individuals being out of work for a year or longer. Transitioning to sustainable and inclusive growth necessitates structural reforms to improve the business environment through streamlining trade and business regulations, expanding digitization, and enhancing regional integration. Inclusive growth also requires strengthening human capital and higher efficiency of public spending to deliver better social and infrastructure services, while preserving macroeconomic and fiscal stability over time.

## Recent developments

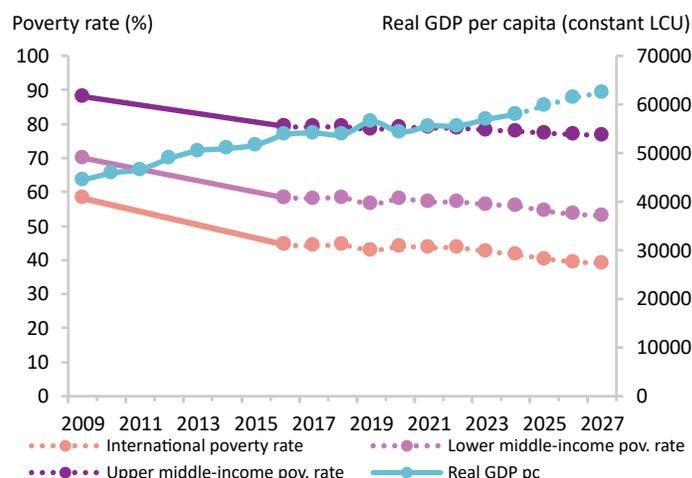
Real GDP declined 0.3 percent year-on-year in the first quarter of 2025 after growing 1.7 percent in Q4 2024. A downturn in manufacturing led the contraction, even as construction, wholesale and retail trade, and financial services performed strongly. Growth is estimated to reach 4.2 percent in 2025 driven primarily by higher services activities, notably finance and internal trade, and the ongoing implementation of infrastructure projects.

FIGURE 1 / Government revenues



Sources: WDI and World Bank staff estimates.

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



Source: World Bank. Notes: See footnotes in table on the next page.

SACU revenues slumped in Q2 2025, adversely affecting fiscal and external balances. Government revenues declined 1.8 percent year-on-year in the first quarter of FY2025/26. At the same time, government expenditure increased by 24 percent year-on-year over that period, due to higher transfers, employee compensation and capital spending. Deteriorating fiscal trends are expected to result in a widening of the fiscal deficit to almost 4 percent of GDP by the end of the fiscal year, compared with 1.3 percent the previous fiscal year. This will contribute to an increase in public debt from an estimated 40.5 percent of GDP in FY2024/25, while arrears amount to 3.5 percent of GDP.

Headline inflation continued to ease in the first half of 2025, averaging 3.5 percent. This was underpinned by lower food inflation and declining transport costs. Food inflation dropped below 2 percent by July, to the lowest it has been since early 2019. Yet food insecurity remains a concern, impacting nearly one-fifth of the population. Amid subdued inflation, the Central Bank of Eswatini reduced its policy rate to 6.75 percent in May and maintained this rate at its August meeting. The spread with the South African Reserve Bank policy rate has narrowed to 25 basis points (bps) from 75bps at the end of 2024, reducing capital outflow risks.

## Outlook

From an estimated 4.2 percent in 2025, economic growth is projected to slow to 3.8 percent in 2026. Household consumption growth is expected to slow but remain the main driver. Investment is expected to benefit from the continued implementation of infrastructure projects across sectors such as energy, water, and roads. These projections assume timely execution of planned projects and reduced arrears to the private sector. They remain

sensitive to developments in South Africa, the country's principal trade partner. Growth is expected to revert towards potential after 2026 as investment impacts diminish.

Using the lower-middle-income poverty line, Eswatini's poverty rate is anticipated to hover between 52 and 53 percent from 2025 to 2027, with only limited decline expected in the unemployment rate.

The fiscal deficit is expected to widen given declining SACU revenues, rigidities in current expenditures, and planned higher public investment. The deficit is projected to widen to 3.7 percent of GDP in FY2025/26, incorporating a higher wage bill and capital expenditures, while public debt is expected to approach 44 percent of GDP. The government aims to maintain fiscal sustainability by managing SACU revenues through the Revenue Stabilization Fund (RSF) and improvements in financial management, including in procurement and addressing accumulation of arrears. These initiatives require stricter fiscal discipline.

With lower SACU inflows and higher capital goods imports, the current account is expected to move to a deficit of 2.6 percent of GDP in 2025, compared to a surplus of 0.8 percent in 2024. Limited capital inflows mean foreign exchange reserves are likely to remain below the four-month Common Monetary Area target of 4 months. In line with the regional trend, headline inflation is expected to rise to 4.2 percent in 2026, from 3.5 percent in 2025.

Risks to the outlook remain high, including a sustained decline in SACU flows beyond 2026, reduced aid flows, uncertainty in global trade and investment policies, and climate-related shocks—all of which could significantly affect the country's fiscal and external balances.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	0.4	3.5	3.0	4.2	3.8	2.9
Private consumption	5.9	4.9	0.7	5.9	5.4	4.1
Government consumption	-5.0	2.3	14.0	6.1	4.9	4.0
Gross fixed capital investment	-13.9	9.0	0.3	9.1	7.2	3.3
Exports, goods and services	-4.3	9.4	14.3	5.8	4.7	4.1
Imports, goods and services	2.2	12.9	7.1	10.3	8.3	6.1
<b>Real GDP growth, at constant factor prices</b>	0.1	3.4	3.3	4.2	3.8	2.9
Agriculture	2.0	-9.1	-1.5	2.8	3.1	3.1
Industry	-0.6	-0.5	7.3	4.5	6.4	4.0
Services	0.5	7.6	1.2	4.2	2.1	2.1
<b>Employment rate (% of working-age population, 15 years+)</b>	30.8	30.8	30.9	30.9	30.9	30.9
<b>Inflation (consumer price index)</b>	4.8	5.0	4.0	3.5	4.2	4.5
<b>Current account balance (% of GDP)</b>	-2.7	2.2	0.8	-2.6	-2.3	-0.7
<b>Net foreign direct investment inflow (% of GDP)</b>	0.7	1.1	1.4	1.9	1.6	1.3
<b>Fiscal balance (% of GDP)</b>	-4.9	-1.4	-1.3	-3.7	-3.8	-3.0
<b>Revenues (% of GDP)</b>	25.9	31.5	31.2	30.3	30.0	29.9
<b>Debt (% of GDP)</b>	40.4	39.9	40.5	43.7	44.6	44.3
<b>Primary balance (% of GDP)</b>	-2.6	1.4	1.5	-0.7	-0.7	0.1
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	43.7	42.6	40.9	39.4	38.5	37.7
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	57.0	56.3	55.0	53.5	52.7	52.1
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	78.9	78.3	77.4	76.9	76.5	76.1
<b>GHG emissions growth (mtCO2e)</b>	2.7	-0.5	1.4	1.5	3.5	4.1

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2016-HIES. Actual data: 2016. Nowcast: 2017-2024. Forecasts are from 2025 to 2027.

2/ Projection using neutral distribution (2016) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

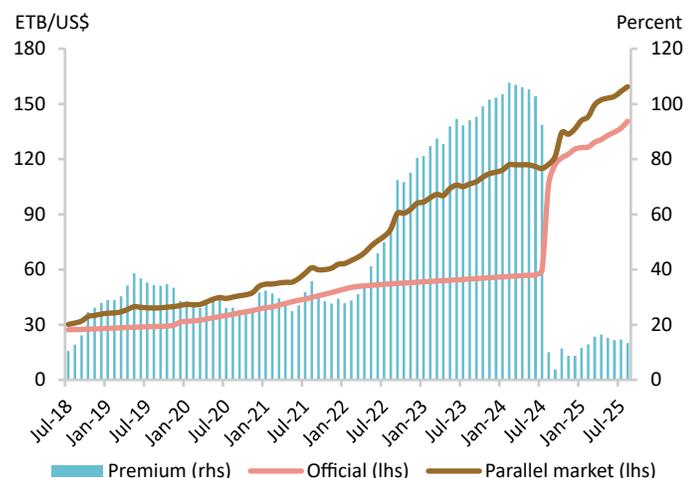
# ETHIOPIA

Economic indicators have improved since the launch of major reforms in mid-2024, reflected in lower parallel currency market spreads, lower inflation, and higher export and tax receipts. Completing ongoing macroeconomic and exchange rate reforms, along with deepening structural reforms, is critical for advancing the transition to a private sector-led economy and supporting job creation amid high poverty, low human capital, persistent vulnerability, and regional conflict.

## Key conditions and challenges

Comprehensive economic reforms launched in July 2024 have started to address longstanding macroeconomic and structural challenges linked to Ethiopia's state-led investment-heavy development model, which undermined external competitiveness and debt sustainability, crowded out the private sector, and fueled inflation. This model, which was financed through overvalued exchange rates and financial repression, failed to boost productivity and didn't create sufficient jobs for some 1.8 million new job seekers annually. Partly as a result, poverty increased from 33 to 39 percent between 2015 and 2021 (\$3/day, 2021 PPP) and low-productivity agriculture still represents 70 percent of the employment in the country. Increasing fiscal pressures, meanwhile, squeezed social spending, contributing to poor health and educational outcomes in the context of already low human capital stocks. Multiple crises, including COVID-19, the Tigray conflict, and droughts worsened economic imbalances, leading to a debt default in late 2023, and took a further toll on living standards amid structurally high inflation, high levels of internal displacement and humanitarian needs.

FIGURE 1 / Nominal exchange rate of Ethiopian Birr (ETB)



Source: National Bank of Ethiopia.

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$3.00/day
132.1	47.2
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
67.3	84.5
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
221.6	1677.8

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

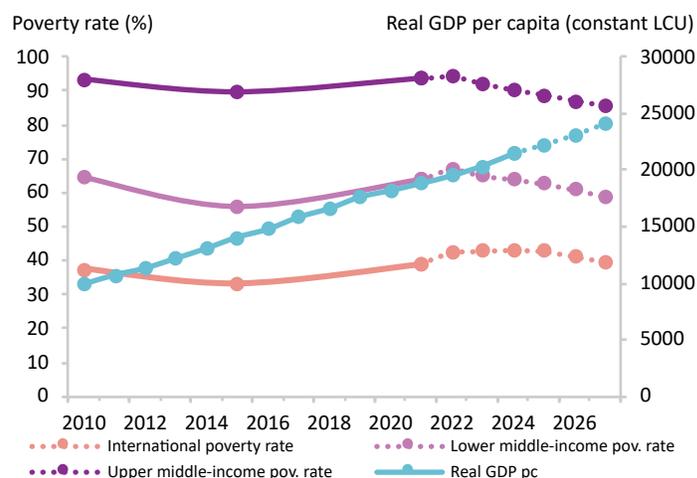
The major elements of the reform program (supported by an IMF program, World Bank Development Policy Financing, and debt relief through the G20 Common Framework) include exchange rate liberalization, a shift to an interest-rate based monetary policy framework, elimination of monetary financing, recapitalization of the largest state-owned bank, trade and tax reforms, and increased social assistance to cushion the poor from reform impacts. These have yielded results and enabled progress on debt relief. Sustaining reform momentum is critical to generate better outcomes for people.

## Recent developments

GDP growth remained strong in FY2024/25 at 7.2 percent supported by robust crop harvests and increased electricity and gold output. Industry sector growth rose owing to continued recovery in manufacturing capacity utilization from the Tigray conflict and increased urban construction while services growth was largely driven by aviation and telecom.

Tight monetary policy and bumper harvests supported a steady decline in inflation to 13.7 percent in July 2025 from 20 percent a

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



Source: World Bank. Notes: See footnotes in table on the next page.

year ago. Price pressures were also contained by gradual adjustment of regulated fuel prices, and temporary government imports of essential commodities (e.g., edible oil, medicines) to ease supply constraints. Although the monetary policy rate has remained unchanged at 15 percent since July 2024, real policy rates have turned positive as inflation has slowed.

The balance of payments improved significantly in FY2024/25, supported by a doubling of exports and higher remittances following exchange rate liberalization, along with disbursements from the IMF and World Bank. The strong export performance reflected a substitution from domestic to export markets for coffee and rerouting of gold from informal to official export channels in the context of high global prices. Official reserves recovered to US\$ 4.7 billion (2.3 months of imports) in June 2025 from critically low levels. Premiums in parallel currency markets have fallen sharply from over a 100 percent pre-reform. However, the persistence of spreads in the low teens since late 2024 points to continued inefficiencies in foreign exchange (FX) markets.

Higher tax receipts enabled higher social spending. Tax revenue rose by 80 percent in FY2024/25, reflecting valuation changes from the FX reform and the elimination of VAT exemptions. Pro-poor spending rose 2 percentage points of GDP, reflecting a 20 percent nominal increase in safety net benefits for rural and urban beneficiaries, two rounds of long overdue increases in public sector salaries eroded by high inflation, and temporary fuel and fertilizer subsidies. Fuel subsidies were brought on budget and will be gradually phased out through regular adjustment of retail prices.

Households' economic sentiment improved marginally in early 2025 although it remains in negative territory, especially in urban areas, reflecting eroded real incomes due to high inflation in recent years.

Poverty is estimated to have increased to 43 percent by 2025. While the reforms aim to reverse these trends by promoting private sector-led employment creation and accelerating smallholder farmers' market participation, protecting the poor and vulnerable through enhanced safety nets will remain crucial in the medium term.

## Outlook

Near-term growth is expected to remain strong and rise to 7.5-8 percent over the medium term, driven by improved monetary conditions, productivity gains, higher exports and more fiscal space from higher revenues. Prudent monetary and fiscal policies and reform-driven improvements in supply capacity should support a further easing of inflation. Amid strong import demand, the current account deficit is expected to remain at around 3 percent of GDP in the near term, before stabilizing to 2 percent of GDP as external competitiveness improves. Tax reforms and World Bank and IMF disbursements are expected to boost public spending, reversing the trend of declining real expenditure in recent years. These improvements are expected to help reduce poverty in the coming years, to a projected 39 percent by 2027. Substantial investments are still needed to improve human capital outcomes, strengthen households' resilience to shocks and increase agriculture market-oriented surplus production.

The outlook is predicated on sustaining macroeconomic stability through continued implementation of macroeconomic and structural reforms. Significant downside risks stem from shallow foreign exchange markets hindering FX-inflows, unforeseen quasi-fiscal obligations, reform reversals/delays, and risk of social discontent against a backdrop of entrenched internal conflict, fragility and persistent poverty.

## Recent history and projections

	2021/22	2022/23	2023/24	2024/25e	2025/26f	2026/27f
<b>Real GDP growth, at constant market prices</b>	6.4	7.2	8.1	7.2	7.1	7.7
Private consumption	4.5	6.1	7.1	5.2	6.3	6.9
Government consumption	1.5	-16.0	-5.8	32.2	10.2	7.6
Gross fixed capital investment	11.0	11.2	13.8	6.4	8.4	9.2
Exports, goods and services	11.7	-0.8	4.5	11.2	2.4	3.6
Imports, goods and services	10.8	-4.1	13.0	9.9	8.1	8.1
<b>Real GDP growth, at constant factor prices</b>	6.4	7.2	8.1	7.2	7.1	7.7
Agriculture	6.0	6.3	7.0	6.2	5.9	5.8
Industry	4.8	6.9	9.2	5.2	7.1	7.3
Services	7.9	8.0	8.3	9.2	8.0	9.4
<b>Employment rate (% of working-age population, 15 years+)</b>	65.7	65.5	65.4	65.4	65.4	65.4
<b>Inflation (consumer price index)</b>	33.7	32.6	26.7	16.6	12.0	9.2
<b>Current account balance (% of GDP)</b>	-4.0	-2.8	-2.8	-3.2	-3.2	-2.7
<b>Fiscal balance (% of GDP)</b>	-4.2	-2.7	-2.1	-1.6	-1.7	-1.8
<b>Revenues (% of GDP)</b>	8.2	7.9	7.2	10.5	11.0	11.3
<b>Debt (% of GDP)</b>	30.8	25.1	22.3	29.5	31.5	32.8
<b>Primary balance (% of GDP)</b>	-3.6	-2.1	-1.5	-0.7	-0.5	-0.6
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	42.4	42.9	43.3	42.8	41.2	39.3
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	67.0	65.1	64.0	62.7	61.0	58.9
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	94.2	92.2	90.2	88.7	87.0	85.4
<b>GHG emissions growth (mtCO2e)</b>	0.4	3.6	4.1	3.6	3.4	3.4

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise. Growth projections reflect limited available information, and are subject to revision as better data becomes available.

1/ Calculations based on 2021 HoWStat. Actual data: 2021. Nowcast: 2022-2024. Forecasts are from 2025 to 2027.

2/ Projections using microsimulation methodology.

# GABON

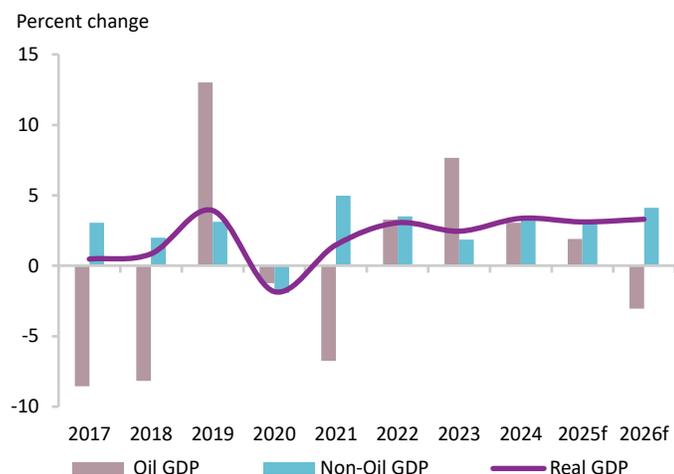
Gabon's GDP grew by 3.4 percent in 2024, driven by the oil sector and large public works. Harnessing the end of the transition to adopt strong reforms, prioritizing productive investments and ambitious pro-poor programs while ensuring a viable fiscal path, will be key for higher growth and reducing poverty.

## Key conditions and challenges

The recent political transition has brought a renewed policy impetus, including a new constitution establishing presidential term limits. The newly elected government took power in May 2025, and legislative elections are expected by end-2025. A National Development Plan, under construction, prioritizes growth, job creation, infrastructure and governance reforms to improve living conditions.

Despite Gabon's abundant natural resources and its small, highly urbanized population, structural challenges remain significant, impacting living conditions. Weak linkages between the oil sector and the broader economy have contributed to high unemployment, especially among young people, one-third of whom are jobless. Poverty incidence remains elevated and stagnant with 34 percent of the population living below the \$8.30-a-day (2021 PPP) poverty line. The economy, relying heavily on oil, is vulnerable to external shocks. Gaps in energy and transport infrastructure, and regulatory barriers to trade undermine the potential for the private sector to grow and create good jobs. Public health, education and other services perform below expected for Gabon's income level.

FIGURE 1 / Oil and non-oil GDP growth



Sources: National authorities and World Bank staff calculations.

Population <sup>1</sup> million	2.5	Poverty <sup>2</sup> millions living on less than \$8.30/day	0.7
Life expectancy at birth <sup>3</sup> years	68.3	School enrollment <sup>4</sup> primary (% gross)	99.9
GDP <sup>5</sup> current US\$, billion	20.9	GDP per capita <sup>6</sup> current US\$	8230.0

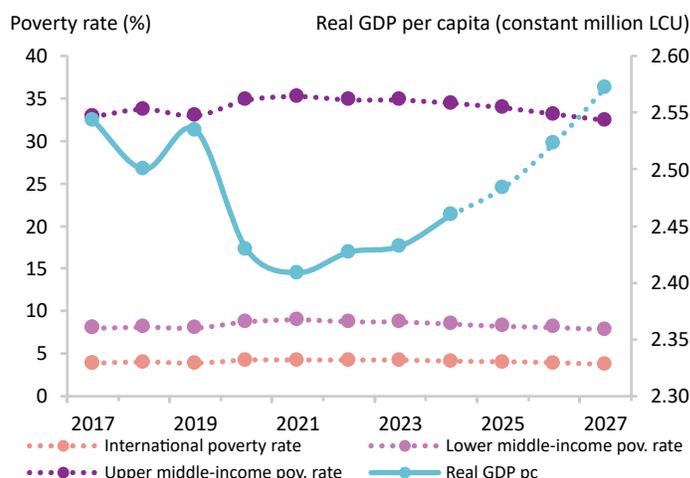
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2017 (2021 PPPs). 3/ 2023. 4/ 2021. 5/ 2024. 6/ 2024.

Fiscal pressures are growing amid volatile oil revenues, a soon-declining oil production, elevated debt and arrears, and social pressures for higher spending. Resource mobilization in the regional financial market was further complicated by the Central African Banking Commission (COBAC)'s risk weight increase in October 2024. A domestic debt reprofiling in March 2025 reduced short-term liquidity pressures, however, Moody's and Fitch credit ratings were downgraded in 2024/2025 and the International Monetary Fund's (IMF) mid-2024 debt sustainability analysis highlighted weaker debt sustainability vis-à-vis 2022. The draft 2026 budget law's ambitious targets, and major increase in public investments and borrowing allocations, could intensify fiscal and debt risks.

## Recent developments

Gabon grew by 3.4 percent in 2024, thanks to oil production (+3.1 percent) amid low restrictions by the the Organization of the Petroleum Exporting Countries and partners (OPEC+), and public works, with major investments in roads, public buildings and other infrastructure. Timber and manganese production decreased due to subdued Chinese demand and transport deficiencies. Commodity exports and public investments supported demand-side growth.

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



Source: World Bank. Notes: See footnotes in table on the next page.

In 2025Q1 (q-o-q), growth was estimated at 1.8 percent with a rebound in manganese, although operating incidents caused a 1.2-percent decline in oil output. Easing global inflation contained nominal imports, which, combined with sustained commodity exports, maintained a high current account surplus in 2024.

Decreasing oil prices slightly reduced government revenues in 2024, despite stronger tax collection driven by tax filing and customs digitalization. Despite the launch of major public works, under execution of capital expenditures and transfers helped contain public spending, resulting in an estimated fiscal surplus of 2.4 percent of GDP in 2024. Oil price shocks slashed revenues in 2025Q1 by nearly 30 percent (y-o-y) while spending was contained. However, high spending pressures, debt levels, and accumulation of arrears at 1.9 percent of GDP in 2025Q1, compound fiscal challenges.

With stronger price controls and tight monetary policy, inflation stood at 1.6 percent in March 2025, below the 3.0-percent regional target, allowing the Bank of Central African States (BEAC) to lower the policy rate from 5.0 to 4.5 percent. Credit to firms increased slightly to 16 percent of GDP in 2024, driven by construction and other sectors. Recent government actions, including large investments in construction, infrastructure, and social transfers, helped raise household incomes. Between 2024 and 2025, the proportion of Gabonese living in poverty—measured at the \$8.30 (2021 PPP) threshold—declined by half a percentage point. However, due to population growth, the absolute number of people living in poverty increased slightly by about 5,000, to 879,000 people.

## Outlook

Growth should average 3.6 percent in 2025-27. Declining oil production from maturing oil fields should be offset by expanding

wood, manganese, oil palm, and rubber production, as well as services and major construction projects. Iron ore production started recently at Belinga, to be followed by another major deposit in 2026. Reforms are promoting local poultry, fisheries, and manganese processing industries. While still supported by other commodities, the current account balance should decline in 2025-27 due to decreasing oil production and subdued prices.

Tax collection would benefit from tax incentive rationalization and VAT invoice digitalization. However, Gabon's fiscal position remains fragile, with lower oil revenues and expansionary spending leading to deficits around 4.6 percent of GDP in 2026-27, worsening debt risks. A massive rise in public investments could add to costly transfers and debt service, accentuating fiscal pressures.

Although unemployment remains high, non-oil growth, public works and social transfers should gradually generate jobs and raise household incomes. The share of the population below the upper middle income poverty line is projected to decline by about 1.5 percentage point over 2025-27. Preparations are underway for a new household survey which will re-anchor and enhance capacities to monitor poverty and jobs.

Gabon faces external risks from trade disruptions and geopolitical tensions, which may hinder growth among key partners and bring up inflation and commodity price fluctuations. Risks are compounded by an ambitious spending program under tight financial conditions, high debt pressures and prospects of declining oil reserves. Transport and energy issues could hinder wood and mining exports. Using the post-transition momentum to accelerate growth-enabling reforms outlined in the Gabon 2050 vision and new development plan is key. Improving governance, containing public spending, and expanding revenue collection are essential to achieving development goals under a sustainable fiscal path.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	3.0	2.4	3.4	3.1	3.7	4.1
Private consumption	-0.3	2.1	3.5	2.1	1.3	3.0
Government consumption	3.8	-4.7	7.5	8.7	23.8	-5.4
Gross fixed capital investment	8.4	6.0	8.3	0.6	9.3	5.0
Exports, goods and services	20.3	-5.3	5.5	2.6	1.0	0.7
Imports, goods and services	17.9	-2.2	9.4	1.4	8.6	0.1
<b>Real GDP growth, at constant factor prices</b>	3.5	2.5	3.3	3.1	3.7	4.1
Agriculture	12.9	-4.3	-7.5	3.3	3.6	3.8
Industry	5.2	3.2	6.6	2.9	3.9	5.1
Services	0.7	3.5	3.3	3.2	3.6	3.4
<b>Inflation (consumer price index)</b>	4.3	3.6	1.2	1.4	2.2	2.1
<b>Current account balance (% of GDP)</b>	35.5	28.2	30.0	24.5	23.1	21.6
<b>Net foreign direct investment inflow (% of GDP)</b>	1.6	1.9	1.6	1.5	1.2	0.9
<b>Fiscal balance (% of GDP)</b>	-0.8	1.9	2.4	-2.8	-4.1	-5.1
<b>Revenues (% of GDP)</b>	19.9	25.5	23.5	23.6	25.5	22.5
<b>Debt (% of GDP)</b>	70.6	71.5	74.7	74.9	81.6	79.5
<b>Primary balance (% of GDP)</b>	1.8	5.0	5.4	0.6	-0.6	-1.3
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	4.2	4.2	4.1	4.0	3.9	3.7
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	8.8	8.7	8.5	8.2	8.1	7.8
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	34.9	34.8	34.5	33.9	33.2	32.4
<b>GHG emissions growth (mtCO2e)</b>	3.3	-1.5	-1.4	-0.7	0.3	1.1

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2017-EGEP. Actual data: 2017. Nowcast: 2018-2024. Forecasts are from 2025 to 2027.

2/ Projection using neutral distribution (2017) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

# THE GAMBIA

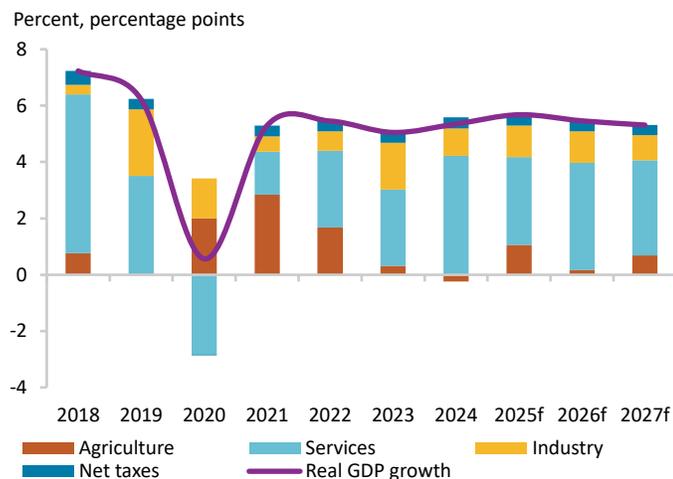
Growth is expected to accelerate to 5.7 percent in 2025, mainly driven by agriculture and industry. Inflation is expected to moderate to 9 percent, reducing poverty to 20.4 percent. The fiscal deficit is expected to abate to 1.4 percent of GDP on higher revenue. Risks from debt vulnerabilities, balance of payment pressures, global geopolitical tensions and spillovers of the global trade environment cloud the outlook.

## Key conditions and challenges

The Gambia has made progress in macroeconomic stabilization since its democratic transition in 2017. Economic growth averaged 5.0 percent per year over 2017–2024, nearly double the annual growth rate over 1990–2016.

Several structural constraints continue, however, to hamper productivity and employment growth. Governance and institutions challenges and weak business environment limit private sector development. Low domestic revenue limits spending in infrastructure investments and human capital development and hampers fiscal and debt sustainability. The dominance of low-productivity agriculture, along with elevated climate vulnerabilities, contribute to food insecurity. Low economic diversification (high dependence on low value-added tourism) limits economic opportunities. In addition, high dependence on imports exacerbates external vulnerabilities and pressures on domestic inflation. Fiscal risks remain substantial with high dependence on external grants, State-Owned Enterprises (SOEs) contingent liabilities and high public debt, also hindering investment and private sector credit.

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



Sources: The Gambia authorities and World Bank estimates.

Population <sup>1</sup> million	2.8	Poverty <sup>2</sup> millions living on less than \$3.00/day	0.6
Life expectancy at birth <sup>3</sup> years	65.9	School enrollment <sup>4</sup> primary (% gross)	93.7
GDP <sup>5</sup> current US\$, billion	2.5	GDP per capita <sup>6</sup> current US\$	918.7

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2020 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

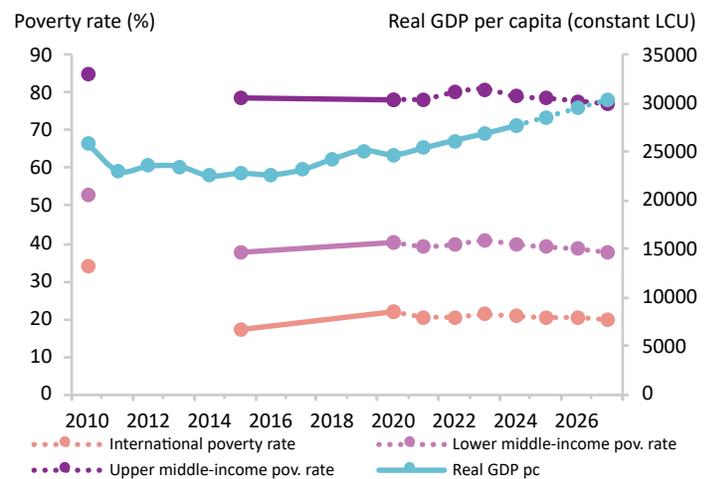
Furthermore, recent economic growth has not translated into increased employment opportunities, with the labor market showing low labor force participation (43.6 percent), significant underemployment (41.5) and high informal employment (80 percent), with the poor and rural areas largely dependent on low productivity agriculture. Limited access to economic opportunities leads to high out-migration.

The prevalence of low productivity jobs combined with inflationary pressures, especially for food prices, contributes to high poverty rates with an estimated 20.7 percent of the population living in extreme poverty in 2024 (measured at the international poverty line of \$3.0 per day in 2021 PPP), equivalent to 0.6 million people. Addressing these constraints will be key to strengthening the foundations for higher and more equitable growth.

## Recent developments

Growth is expected to accelerate to 5.7 percent (3.4 percent per capita) in 2025, mainly driven by agriculture and industry, benefiting from favorable rainfalls, fertilizer support, high yielding seeds and construction activities, respectively. While remaining high,

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



Source: World Bank. Notes: See footnotes in table on the next page.

growth in services is projected to decelerate due to a slowdown expected in financial and insurance activities as well as in wholesale and retail trade. Private consumption and public infrastructure investments are set to drive growth on the demand side. Inflation is expected to return to single digits, settling at 9.0 percent in 2025, due to slowing energy and food prices. Higher labor incomes – driven by a successful harvest, public construction works and a recovery of tourism– and soaring remittances, also supported household consumption and contributed to better household living standards. As a result, extreme poverty is expected to decline marginally to 20.4 percent in 2025.

The fiscal deficit is set to recede to 1.4 percent of GDP in 2025, owing to a projected increase in revenue. Public debt is expected to continue to decline to 71 percent of GDP in 2025, driven by lower borrowing needs. Nevertheless, The Gambia remains at high risk of debt distress. The current account deficit (CAD) is projected to decrease to 5.0 percent of GDP in 2025, driven by a reduction in investment related imports. The Central Bank has maintained a tight monetary stance, keeping its policy rate high at 17 percent in June 2025, unchanged since August 2023. International reserves are projected to remain at comfortable levels, increasing to 4.4 months of imports in 2025 from 4.2 months in 2024, with about an annual average 5.2 percent depreciation expected in the nominal exchange rate. The banking industry remains stable and financially sound, despite elevated non-performing loans.

## Outlook

Growth is projected to average 5.4 percent (3.1 percent per capita) in 2026–2027, a slight slowdown due to the government's consumption-based fiscal consolidation. Growth will be mainly driven

by services and industry, assuming a continued recovery in tourism and the completion of ongoing construction of roads, port expansion, energy projects. On the demand side, robust remittances will sustain private sector demand, which, together with public infrastructure programs, will drive growth. Inflation is projected to further decline and converge to the central bank's medium-term target of 5 percent by 2027, reflecting the restrictive monetary policy and easing global commodity prices.

Stable economic activity, higher remittances, and declining inflation are expected to improve household welfare. Poverty is projected to continue declining, reaching 19.9 percent by 2027, while the number of poor is increasing by 15,000 people (compared to 2024) reflecting high population growth. Nonetheless, structural impediments to poverty reduction remain. Investments in better access to health and education facilities and stronger private sector-led growth with higher productivity jobs will be critical for future inclusive growth.

The CAD is expected to narrow to 4.0 percent of GDP in 2026–2027, reflecting robust remittances, a continued recovery in tourism and growth in goods exports. The fiscal deficit is projected to narrow to 1.2 percent of GDP over 2026–2027, supported by spending control efforts, including shifting to program-based budgeting and rationalization of subsidized agencies, alongside domestic revenue mobilization reforms, including streamlining tax exemptions, digitizing the tax administration and improving tax compliance. This will allow public debt to decrease to below 60 percent on average in 2026–27. Nevertheless, The Gambia is expected to remain at high risk of debt distress. Other risks to the outlook include balance of payment pressures, global geopolitical tensions and spillovers of the global trade environment.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	5.5	5.0	5.3	5.7	5.5	5.3
Private consumption	2.6	0.8	1.7	2.2	2.8	3.2
Government consumption	-2.6	75.2	25.1	3.7	4.3	3.6
Gross fixed capital investment	3.6	7.7	9.7	4.5	4.3	6.1
Exports, goods and services	8.8	20.8	17.5	34.0	22.1	11.8
Imports, goods and services	-1.8	14.6	17.2	4.3	4.0	3.6
<b>Real GDP growth, at constant factor prices</b>	5.5	5.0	5.3	5.7	5.5	5.4
Agriculture	7.5	1.4	-1.1	5.1	0.8	3.5
Industry	3.8	9.3	5.3	6.0	6.0	4.8
Services	5.2	5.2	8.0	5.8	7.1	6.2
<b>Employment rate (% of working-age population, 15 years+)</b>	58.5	58.5	58.5	58.5	58.5	56.6
<b>Inflation (consumer price index)</b>	11.5	16.9	11.7	9.0	6.5	5.0
<b>Current account balance (% of GDP)</b>	-4.2	-5.4	-5.8	-5.0	-4.3	-3.7
<b>Fiscal balance (% of GDP)</b>	-5.8	-3.6	-3.9	-1.4	-1.3	-0.8
<b>Revenues (% of GDP)</b>	19.1	20.6	20.1	23.1	23.0	22.8
<b>Debt (% of GDP)</b>	84.5	78.1	74.4	71.3	63.0	58.0
<b>Primary balance (% of GDP)</b>	-3.6	-1.5	-1.0	1.7	1.4	1.1
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	20.3	20.9	20.7	20.4	20.5	19.9
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	39.5	40.4	39.6	39.5	39.3	38.2
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	79.7	80.3	78.8	78.8	78.5	77.3
<b>GHG emissions growth (mtCO2e)</b>	5.0	2.4	2.5	2.7	2.7	3.0

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2020-IHS. Actual data: 2020. Nowcast: 2021-2024. Forecasts are from 2025 to 2027.

2/ Projections using microsimulation methodology.

# GHANA

Despite recent improvements, strengthening macro-financial stability requires steadfast implementation of the reform agenda to reinforce fiscal discipline, enhance public financial management, advance sector reforms—particularly in energy—and maintain prudent monetary policy to contain inflation and exchange rate volatility. Along with growth and job creation, poverty reduction also requires mitigating the adverse impacts of reforms on the poorest.

## Key conditions and challenges

Following fiscal slippages in 2024, Ghana amended its public procurement and financial management laws to strengthen commitment controls, prevent further slippages, and restore fiscal rules. Expenditure rationalization and tighter monetary policy in H1-2025 supported disinflation and improved market sentiment. Cedi's sharp appreciation further eased inflation and lowered energy and foreign debt costs. Entrenching fiscal discipline, completing debt restructuring, and prudent monetary policy to manage inflation and exchange rate volatility are a priority for stability. Sustaining energy and cocoa sectors reforms, improving business environment, and investing in infrastructure and adaptation will bolster growth and jobs. Yet, global economic uncertainties, particularly affecting gold, oil, and cocoa markets, and tighter financial conditions could weigh on the economy.

An increasing number of Ghanaians had been falling into poverty since 2022 because of high inflation and slow growth. Since 2024, economic growth partially offset the impact of inflation, halting the increase in poverty, even though high food prices

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$4.20/day
<b>34.4</b>	<b>16.5</b>
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
<b>65.5</b>	<b>96.5</b>
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
<b>82.9</b>	<b>2406.6</b>

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2016 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2024. 6/ 2024.

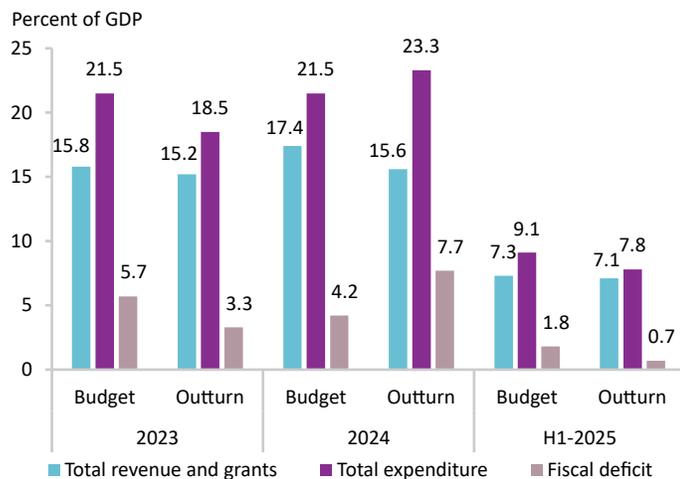
were still affecting households. As the economy stabilizes, attention should be paid to job creation and measures to mitigate the impact of shocks and reforms on the poorest, especially from electricity tariff increases.

## Recent developments

Economic momentum continued in H1-2025, with growth at 6.3 percent, led by services expanding 8.8 percent, driven by information and communication, and education activities. Agriculture rose 6.0 percent—led by fishing, livestock and a rebound in cocoa. By contrast, industry slowed to 3.2 percent, especially due to weaker oil and gas output. On the expenditure side, growth was led by private consumption, while strong export gains were offset by imports.

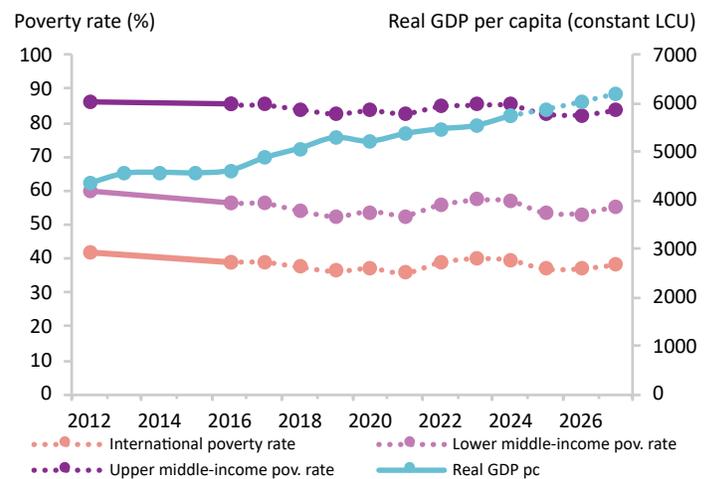
The external sector strengthened, driven by robust gold exports exceeding total imports in H1-2025. The current account posted a 3.9 percent GDP surplus, up from 0.3 percent in the same period of 2024. Gross international reserves rose to US\$11.1 billion by end-June 2025 (4.8 months of imports), supported by US\$2.8 billion in gold reserves.

FIGURE 1 / Fiscal targets and outturns



Sources: Ministry of Finance and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

Disinflation accelerated in 2025, with headline inflation falling to 11.5 percent in August from 23.5 percent in December 2024. The decline was broad-based, owed to tighter monetary policy and a significant cedi appreciation—up 42 percent against the USD in H1-2025—supported by current account surplus and Bank of Ghana foreign exchange (FX) interventions.

Fiscal performance strengthened in H1-2025, with a primary surplus of 1.1 percent of GDP, exceeding the 0.4 percent mid year target. This reflected expenditure rationalization (7.8 percent of GDP vs. a 9.1 percent target) and lower interest costs, despite a small revenue shortfall (7.1 percent vs. 7.3 percent) due to collection challenges.

Debt restructuring advanced with parliament approval of indicative terms for US\$2.8 billion in official creditor agreements. Progress with commercial creditors on the remaining US\$2.4 billion debt is underway, with finalization expected in line with the International Monetary Fund (IMF) program. External debt service resumed in 2025 with US\$700 million in Eurobond payments.

The banking sector is gradually recovering. By June 2025, assets were up 18.9 percent y/y, and the capital adequacy ratio rose to 19.7 percent (from 14.3 percent in June 2024), reflecting recapitalization efforts. Private credit grew 8.6 percent y/y supported by improved investor sentiment and macro conditions. However, non-performing loans remained high at 23.1 percent.

Significantly lower inflation and improved growth in 2024 and in 2025, particularly in agriculture and services, benefited poorer

households. Poverty at the lower-middle-income poverty line (US\$4.2/day, 2021PPP) is estimated at 53.3 percent in 2025, a four-point decrease, or over 600,000 fewer people in poverty, compared to the previous year.

## Outlook

Growth is projected to ease to 4.3 percent in 2025 as fiscal adjustment, softer oil and gas, high interest rates, and global uncertainty weigh on demand. Over the medium term, growth should return near potential as stabilization and growth reforms take hold, non-extractive sectors strengthen, and PECAN oil production comes onstream. Inflation should return to target by 2026, aided by fiscal consolidation—including wage restraint—and prudent monetary policy.

The 1.5-percent-GDP primary surplus in 2025 and beyond remains attainable, if spending is contained and revenues improve. Medium-term plans focus on simplifying VAT, broadening the tax base, and raising compliance. Fiscal rules and a stronger fiscal council would reinforce discipline. However, macroeconomic risks remain.

With inflation easing, poverty is projected to remain stable in 2026, but rise slightly to 55.2 percent at the lower-middle-income countries (LMIC) poverty line in 2027 due to lower nominal growth in agriculture and services, where most poor people work. Sustained poverty reduction will depend on economic stabilization and inclusive growth, while strengthening social programs like LEAP, will help protect poorest from adverse fiscal measures.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	3.8	3.1	5.7	4.3	4.6	4.8
Private consumption	5.6	10.1	4.2	6.3	5.3	4.9
Government consumption	0.0	0.5	8.0	-6.5	3.1	2.1
Gross fixed capital investment	0.7	-28.8	13.8	3.0	4.2	5.6
Exports, goods and services	0.2	5.1	9.1	4.0	4.6	7.3
Imports, goods and services	1.4	-1.2	9.5	5.8	5.9	7.0
<b>Real GDP growth, at constant factor prices</b>	3.8	3.2	5.6	4.3	4.6	4.8
Agriculture	4.2	5.9	2.8	3.6	4.2	3.6
Industry	0.6	-1.7	7.1	2.7	3.1	4.1
Services	6.3	5.7	5.9	5.8	5.8	5.9
<b>Employment rate (% of working-age population, 15 years+)</b>	61.5	61.5	61.1	60.7	60.4	60.1
<b>Inflation (consumer price index)</b>	31.9	39.2	22.9	15.4	9.4	8.0
<b>Current account balance (% of GDP)</b>	-2.3	-2.3	3.2	2.0	1.4	1.3
<b>Net foreign direct investment inflow (% of GDP)</b>	2.0	1.6	2.1	2.4	2.6	2.9
<b>Fiscal balance (% of GDP)</b>	-11.1	-2.1	-7.6	-2.8	-2.0	-1.8
<b>Revenues (% of GDP)</b>	15.7	15.3	15.9	15.9	16.6	16.8
<b>Debt (% of GDP)<sup>1</sup></b>	92.7	78.9	70.5	66.0	62.3	59.5
<b>Primary balance (% of GDP)</b>	-3.7	1.2	-3.6	1.5	1.5	1.5
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>2,3</sup></b>	38.9	40.0	39.6	37.1	37.1	38.2
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>2,3</sup></b>	55.9	57.4	57.2	53.3	53.2	55.2
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>2,3</sup></b>	84.9	85.3	85.4	82.5	82.2	83.6
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	4.5	9.3	4.2	28.6	35.2	41.1

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Starting from 2022, public debt numbers include, in addition to central government debt, explicitly guaranteed (and certain implicitly guaranteed) SOE debt, cocobills issued by Cocobod, and reconciled domestic arrears to suppliers.

2/ Calculations based on 2016-GLSS-VII. Actual data: 2016. Nowcast: 2017-2024. Forecasts are from 2025 to 2027.

3/ Projections from microsimulation methodology using nominal sectoral value added and CPI inflation to account for changes in household welfare.

# GUINEA

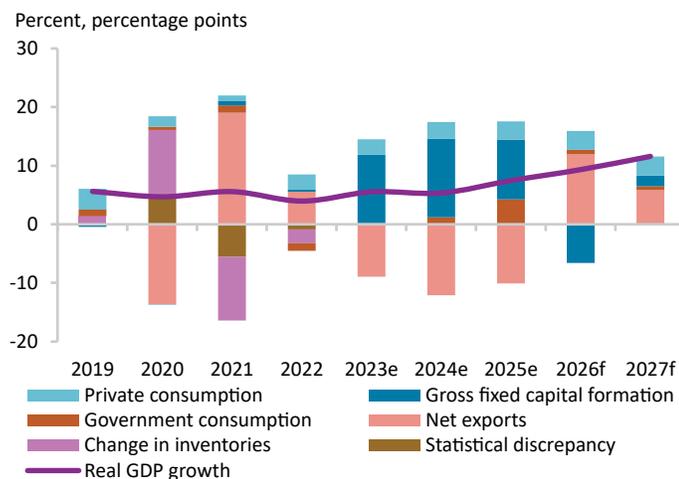
Growth is projected to accelerate to 7.5 percent in 2025 and 10.4 percent in 2026–27, led by mining and investment, supporting poverty reduction. Despite significant increase in revenues, the fiscal deficit is expected to decrease only slightly to about 4.5 percent of GDP in 2025–27 as capital spending rises. Global trade and commodity-price volatility remain the main downside risks.

## Key conditions and challenges

The mining boom has sustained growth during 2016–24, averaging 6.5 percent (3.8 percent per capita), driven mainly by significant increases in bauxite and gold mining and by a rebound in crop productivity. However, weak mining spillovers, headwinds from Dutch-Disease dynamics and external shocks limited non-mining job creation and poverty reduction. Indeed, between 2019 and 2024, Guinea's international poverty rate (less than US\$4.20-a-day in 2021 PPP) increased by 1.4 percentage points, pushing 0.7 million additional people into poverty. Employment as a share of the working-age population remains among the lowest in the region, at about 49 percent.

The large Simandou iron ore project, with exports expected in 2026, initiates a second mining boom that has the potential to transform Guinea's economy and create jobs if appropriate reforms are implemented. The needed reforms must redress the impact of the mining boom's appreciation of the real effective exchange rate, which hampers the competitiveness and growth of non-mining sectors—the very sectors with the highest potential for employment growth.

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



Source: World Bank.

Population <sup>1</sup> million	14.8	Poverty <sup>2</sup> millions living on less than \$4.20/day	3.7
Life expectancy at birth <sup>3</sup> years	60.7	School enrollment <sup>4</sup> primary (% gross)	98.0
GDP <sup>5</sup> current US\$, billion	25.0	GDP per capita <sup>6</sup> current US\$	1695.0

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2018 (2021 PPPs). 3/ 2023. 4/ 2021. 5/ 2024. 6/ 2024.

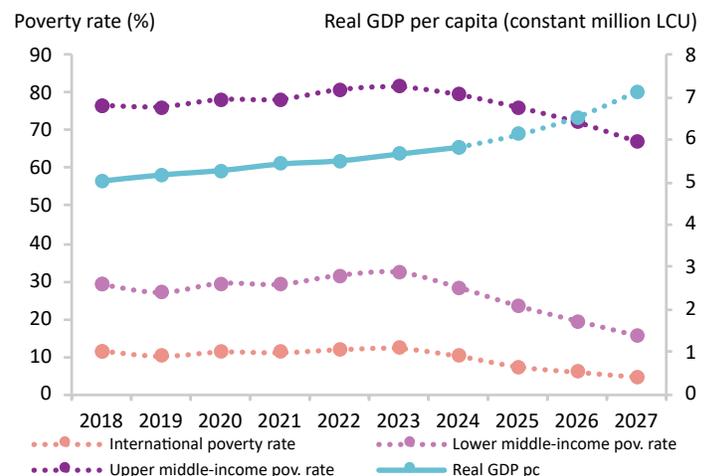
To translate growth into more jobs and faster poverty reduction, Guinea must expand access to infrastructure and financial services, strengthen human capital, and close gender gaps. Reforms are also needed to strengthen institutional capacity, reduce inequitable subsidies, enhance public spending efficiency and revenue mobilization, to create fiscal space for public investment that addresses structural inequalities.

## Recent developments

After dipping slightly to 5.4 percent in 2024 (2.9 percent per capita), growth is projected to accelerate to 7.5 percent in 2025, reflecting broad-based sectoral improvements. Mining remains robust: bauxite export volumes surged by 31 percent y/y in 2025H1 as new companies commenced production. Non-mining growth also accelerated supported by higher public investment and spillovers from the 2025 revaluation of the public servants' wage index.

Despite a significant increase in revenues, the budget deficit is set to narrow only slightly to 4.6 percent of GDP in 2025 (from 4.8 percent in 2024) as capital spending and public consumption increase,

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



Source: World Bank. Notes: See footnotes in table on the next page.

raising the debt to an estimated 44.2 percent of GDP in 2025. Public debt remains sustainable and at moderate risk of external debt distress (with judgment applied).

Inflation eased to 2.5 percent in January–April 2025, from 5.1 percent in 2024, led by slowing transport and food inflation. The central bank eased monetary policy—reducing the policy rate and reserve requirement by 25 bps in December 2024 and 50 bps in March 2025, to 10.25 percent and 12.25 percent, respectively. The increase in real GDP per capita, combined with lower food inflation, is expected to reduce the poverty rate (less than US\$4.20 per day, 2021 PPP) to 23.5 percent in 2025 (from 28.4 percent in 2024).

Financial intermediation continued to expand in 2025 despite banks' limits on cash withdrawals: credit rose 26 percent y/y in June, driven largely by government borrowing, while deposits increased by 20 percent.

The current account deficit is estimated to widen slightly to 14.8 percent of GDP in 2025, reflecting still-elevated foreign direct investment (FDI)-related imports. Reserves rose to an estimated 2 months of prospective imports by June 2025 (from 1.4 in December 2024), supported by higher export receipts and net capital inflows, including FDI.

## Outlook

Growth is projected to accelerate to an average of 10.4 percent in 2026–27, led by mining, which is expected to expand by an average of 24.5 percent annually as iron ore exports start in 2026. Non-mining growth is forecast to slightly increase from 5.6 percent in 2025

to an average of 5.8 percent in 2026–27, sustained by consumption and public investment.

Inflation is expected to stay moderate, at 3 percent in 2026–27, underpinned by prudent monetary policy. The poverty rate is projected to fall by about 3.9 percentage points per year, driven by the growth of the agricultural and service sectors on which many of the poor depend for their livelihood, combined with only modest levels of inflation. The projected high growth of mining output has limited impact on poverty as few poor workers are employed by the sector, underscoring the importance of boosting non-mining growth.

The fiscal deficit is expected to be broadly stable in 2026–27. Revenues should edge up from 16.6 percent of GDP in 2025 to 16.8 percent in 2027, supported by tax administration reforms and initial Simandou receipts. Expenditure is projected to hold steady, averaging 21.3 percent of GDP in 2026–27, with higher capital outlays and lower current spending. The fiscal deficit is projected to remain nearly unchanged, averaging 4.5 percent of GDP in 2026–27, while the debt-to-GDP ratio averages 44.3 percent.

The current account balance is projected to improve to -3.3 percent of GDP in 2026 and to +1.3 percent in 2027 as imports ease and Simandou exports begin, supporting an increase in reserves.

Downside risks include uncertainty in the timing of the political transition that could spark social instability and delay reforms; worsening financial-sector liquidity that could curb non-mining growth; adverse weather disrupting infrastructure and production; and adverse shocks from global trade, demand, and commodity prices. On the upside, faster reform implementation could accelerate growth.

## Recent history and projections

	2022	2023e	2024e	2025f	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	4.0	5.5	5.4	7.5	9.3	11.6
Private consumption	3.9	4.0	4.3	4.8	5.1	5.3
Government consumption	-5.7	0.8	6.2	21.8	3.5	3.1
Gross fixed capital investment	1.9	63.6	47.1	25.6	-14.2	5.1
Exports, goods and services	-5.3	8.8	4.5	9.0	12.0	17.0
Imports, goods and services	-13.3	25.0	22.0	20.0	-5.0	6.8
<b>Real GDP growth, at constant factor prices</b>	4.3	5.5	5.4	7.5	9.3	11.6
Agriculture	6.0	5.7	6.5	6.8	6.9	7.0
Industry	5.7	7.8	6.5	10.9	15.5	20.4
Services	2.5	3.7	3.8	4.7	4.9	5.0
<b>Employment rate (% of working-age population, 15 years+)</b>	49.7	49.6	49.3	49.2	49.2	49.1
<b>Inflation (consumer price index)</b>	10.5	7.8	5.1	2.9	3.0	3.0
<b>Current account balance (% of GDP)</b>	3.8	-7.5	-14.3	-14.8	-3.3	1.3
<b>Net foreign direct investment inflow (% of GDP)</b>	6.6	13.1	14.9	15.2	8.4	7.2
<b>Fiscal balance (% of GDP)</b>	-3.1	-3.9	-4.8	-4.6	-4.5	-4.5
<b>Revenues (% of GDP)</b>	13.8	14.5	15.2	16.6	16.7	16.8
<b>Debt (% of GDP)</b>	40.1	41.4	43.5	44.2	44.3	44.4
<b>Primary balance (% of GDP)</b>	-1.9	-3.0	-3.6	-3.2	-3.2	-3.2
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	12.0	12.3	10.3	7.4	6.0	4.7
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	31.6	32.4	28.4	23.5	19.4	15.6
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	80.8	81.5	79.5	76.1	72.1	67.0
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	3.0	3.1	3.2	3.5	3.9	4.1

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise. Data do not yet reflect the rebased national accounts under preparation. Inflation through 2023 is based on capital-city prices, which tend to run higher, while the new methodology uses national coverage.

1/ Calculations based on 2018-EHCVM. Actual data: 2018. Nowcast: 2019–2024. Forecasts are from 2025 to 2027.

2/ Projections using microsimulation methodology.

# GUINEA-BISSAU

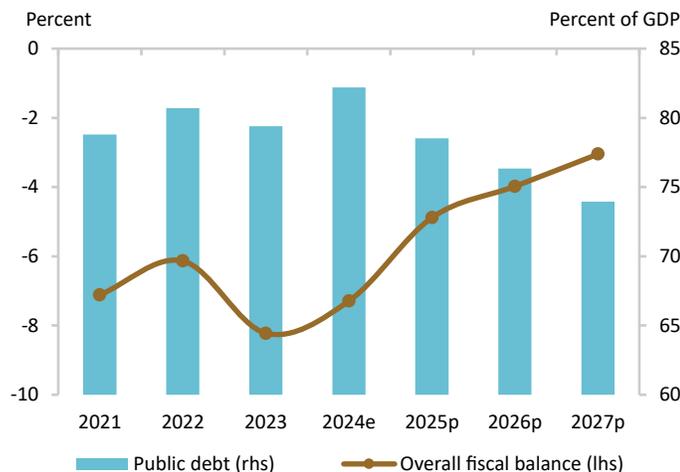
Stronger cashew exports and private demand, and slower inflation, are expected to support a growth rate of 5.1 percent in 2025 and reduce extreme poverty to 41.1 percent. Expenditure control and better revenue mobilization will help reduce the fiscal deficit and public debt. The external position is expected to improve. The upcoming elections, weather events, and global trade uncertainty pose significant risks to the outlook.

## Key conditions and challenges

Cashew production is the backbone of Guinea-Bissau's economy, providing an albeit volatile source of income to a large share of the population, particularly in rural areas. The employment rate has been relatively stagnant at around 61 percent of the working-age population (15+). Most jobs are in low-productivity agriculture (62 percent of all workers and 79 percent of the poor workers), particularly cashew farming, which limits income growth and resilience to shocks. Urban employment opportunities are concentrated in informal services and small-scale trade. The lack of productive jobs, especially for the youth, combined with demographic pressures, contributes to persistent poverty and vulnerability.

Fiscal risks remain important but have been moderately mitigated. The connection to the Organisation pour la Mise en Valeur du fleuve Gambie (OMVG) hydropower plant helped reduce fiscal risks from the utility company Empresa de Águas e Electricidade da Guiné-Bissau (EAGB). The sale of a large, undercapitalized bank marked a milestone in addressing systemic vulnerabilities within the banking sector. However, high credit costs and information asymmetries continue to pose barriers to financial inclusion and

FIGURE 1 / Evolution of fiscal and debt indicators



Sources: Ministry of Finance and World Bank.

Population <sup>1</sup> million	2.2	Poverty <sup>2</sup> millions living on less than \$3.00/day	0.8
Life expectancy at birth <sup>3</sup> years	64.1	School enrollment <sup>4</sup> primary (% gross)	113.3
GDP <sup>5</sup> current US\$, billion	2.2	GDP per capita <sup>6</sup> current US\$	994.6

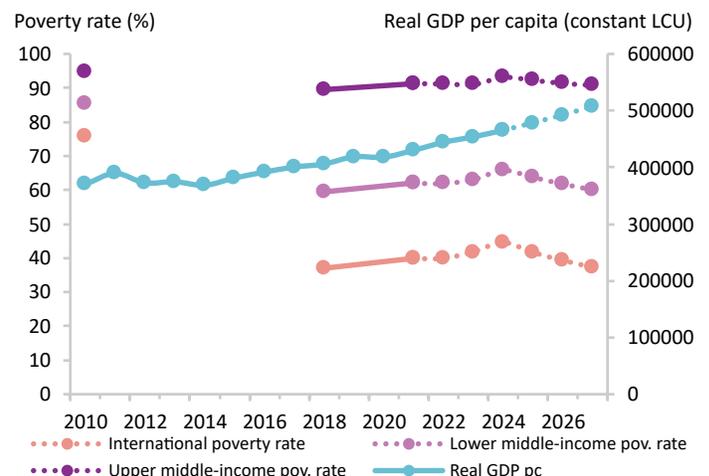
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2010. 5/ 2024. 6/ 2024.

deepening. Political instability remains a challenge that has stifled long-term development.

## Recent developments

Economic activity is expected to remain strong in 2025, with growth projected at 5.1 percent (2.8 percent per capita), up from 4.8 percent in 2024. This performance is supported by a favorable cashew campaign and higher producer prices, stimulating private demand and boosting activity in the service sector. Cashew production is projected to increase by 6.0 percent in 2025 compared to the previous year. The producer price for the 2025 cashew campaign was set at 410 West African CFA franc (FCFA) per kilogram, up from 300 FCFA in 2024. Headline inflation turned negative in June and July 2025, driven by a sharp decline in fuel prices. This downward trend is expected to persist throughout the year, with inflation projected to average 2.5 percent in 2025. Extreme poverty incidence (Reversing a three-year trend, cashew export volumes are estimated to have reached 157.1 metric tons in July 2025, up from 127 metric tons in July 2024. Combined with favorable cashew price projections, and lower oil and food import prices, this is expected to support a

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



Source: World Bank. Notes: See footnotes in table on the next page.

narrowing of the current account deficit (CAD) to 6.1 percent of GDP in 2025, down from 8.6 percent in 2024.

During the first half of 2025, the fiscal balance recorded a deficit of 4.6 percent of GDP, compared to 3.5 percent of GDP over the same period in 2024. This deterioration was driven by higher interest payments on domestic debt. The fiscal deficit is projected to narrow to 4.9 percent of GDP in 2025 supported by higher cashew revenue, and lower current expenditures. Public debt is expected to decline to 78.5 percent of GDP.

The West African Economic and Monetary Union (WAEMU) inflation rate declined to 3.5 percent in 2024, remaining above the WAEMU target band of 1–3 percent, while the regional foreign reserves increased to 4.6 months of imports. After having maintained its monetary policy unchanged since end-2023, the Central Bank of West African States (BCEAO) reduced its key policy interest rates in June 2025 by 25 basis points, lowering the liquidity call rate to 3.25 percent and the marginal lending facility rate to 5.25 percent.

## Outlook

Growth is expected to average 5.2 percent in 2026–2027 (3.0 percent per capita). Agriculture is expected to remain a key driver of growth, supported by recent government investments aimed at improving market access and strengthening resilience to climate shocks. These measures are expected to enhance rural incomes and stimulate private consumption. The construction and service sectors, alongside improved electricity supply and investments in

roads and connectivity infrastructure, are expected to strengthen regional integration and attract private investment.

Higher per capita growth and lower food prices are anticipated to reduce poverty to 39.1 percent in 2026. Poverty is projected to continue declining beyond 2026, reaching 37.1 percent in 2027—with approximately 50,000 people escaping poverty from 2025.

Lower oil and commodity import prices, combined with increased export volumes, are expected to narrow the CAD to 4.6 percent of GDP by 2027. External financing needs for 2026–2027 are expected to be met primarily through grants, concessional borrowing and disbursements under the IMF program.

Improved revenue collection and continued spending discipline could gradually reduce the fiscal deficit and public debt to 3.0 percent and 74 percent of GDP, respectively, by 2027. This fiscal adjustment will depend heavily on the effective implementation of revenue-enhancing reforms, strengthened expenditure controls, and increased grant financing.

The regional inflation rate is expected to align with the WAEMU target band from 2025 onwards, while regional reserves are projected to rise slightly to 4.7 months of imports in 2025, supported by recovering exports.

Risks to the outlook remain elevated, stemming from political instability and uncertainty surrounding the elections scheduled for November 2025, potential fiscal slippage, the materialization of contingent liabilities, and climate and terms-of-trade shocks.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	5.6	4.5	4.8	5.1	5.2	5.2
Private consumption	9.1	7.2	4.0	5.3	5.0	5.0
Government consumption	0.6	-1.1	4.4	3.1	3.0	2.8
Gross fixed capital investment	2.7	7.1	4.0	4.1	5.6	5.7
Exports, goods and services	-12.5	-3.0	-8.7	5.0	4.9	4.9
Imports, goods and services	10.6	-3.6	1.8	5.3	5.1	5.1
<b>Real GDP growth, at constant factor prices</b>	5.5	4.3	4.9	5.1	5.2	5.2
Agriculture	1.4	4.5	4.3	6.0	5.2	5.0
Industry	2.4	12.8	8.0	5.4	6.7	6.8
Services	9.8	1.5	4.2	4.3	4.6	4.7
<b>Employment rate (% of working-age population, 15 years+)</b>	61.1	61.1	61.1	61.1	61.1	61.1
<b>Inflation (consumer price index)</b>	7.9	7.2	3.7	2.5	2.0	2.0
<b>Current account balance (% of GDP)</b>	-8.6	-8.7	-8.6	-6.1	-5.3	-4.6
<b>Fiscal balance (% of GDP)</b>	-6.1	-8.2	-7.3	-4.9	-4.0	-3.0
<b>Revenues (% of GDP)</b>	14.5	13.1	13.2	14.9	15.1	15.5
<b>Debt (% of GDP)</b>	80.7	79.4	82.2	78.5	76.3	74.0
<b>Primary balance (% of GDP)</b>	-4.9	-5.9	-4.6	-2.4	-1.5	-0.7
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	39.9	42.0	43.6	41.1	39.1	37.1
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	62.0	63.1	64.1	62.6	61.0	59.3
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	91.3	91.2	91.5	90.8	90.1	89.6
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	3.2	2.3	1.6	2.0	1.6	1.9

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2021-EHCVM. Actual data: 2021. Nowcast: 2022–2024. Forecasts are from 2025 to 2027.

2/ Projections using microsimulation methodology.

# KENYA

With low inflation and high levels of international reserves, the Kenyan economy remains resilient despite global economic uncertainty; real GDP is estimated to grow by 4.5 percent in 2025. Labor market outcomes, nonetheless, remain weak as real wages are falling and most jobs are created in low productivity sectors, limiting poverty reduction efforts. Fiscal consolidation remains a major challenge as Kenya is assessed in high risk of debt distress.

## Key conditions and challenges

With inflation under control, high reserves, and a stable exchange rate, Kenya's monetary and external policy environment is solid. However, its fiscal and growth outlook places the country at a crossroads. Years of expensive public debt accumulation, the recent global trade and geopolitical uncertainties, and ballooning interest costs—which absorb over one-third of Kenya's public revenues—have accentuated fiscal imbalances, prompting unpopular fiscal adjustment measures. Moreover, Kenya's growth has led to limited poverty reduction. While GDP per capita rose by 43 percent from 2005 to 2022, poverty, based on the national poverty line, fell only by 15 percent to 39.8 percent. Skilled workers access better jobs, while less-skilled workers face narrower opportunities. Coupled with weak productivity and wage growth, stagnated poverty reduction, and poor labor market outcomes, the country needs to implement bold structural and fiscal reforms to boost economic growth and reduce macroeconomic vulnerabilities.

Following fiscal slippage in FY2024/25, the FY2025/26 budget is timid in addressing pressing fiscal challenges; Kenya continues to be assessed in high risk on debt distress. Revenue policies that

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$3.00/day
56.4	25.4
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
63.6	78.8
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
120.3	2132.4

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2019. 5/ 2024. 6/ 2024.

focus on increasing the tax base and equity of the tax system, while reducing tax expenditures and fiscal policy distortions, remain critical going forward. In addition, improving public expenditure efficiency and transparency, including continuous efforts to reduce corruption, will create additional fiscal space to increase investments in human capital and key development priorities.

## Recent developments

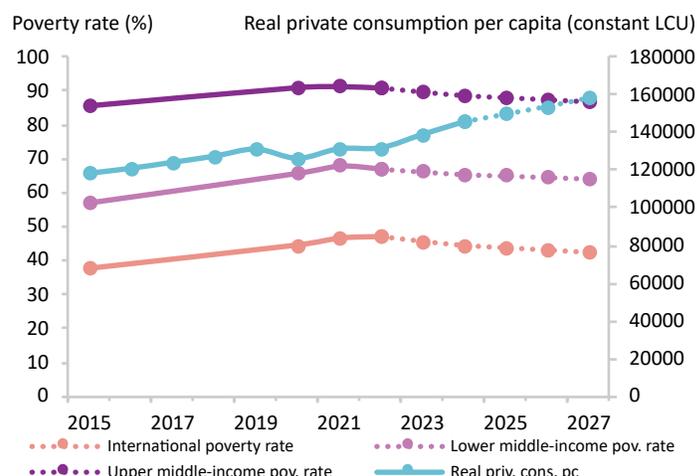
Kenya's GDP growth remains resilient in 2025, following the deceleration in 2024. Real GDP expanded by 4.9 percent in Q1-25, similar to Q1-24 (4.9 percent) and above 2024's annual 4.7 percent. Agriculture rose 6 percent in Q1-25 (Q1-24: 5.6 percent) on favorable weather, while services stayed strong (Q1-25: 5 percent). Industry also shows recovery: cement production grew 13.9 percent and electricity generation 5 percent in Q1-25. After a 0.7 percent contraction in 2024, construction rose 3 percent in Q1-25 and manufacturing by 2.1 percent versus 1.9 percent in Q1-24. However, the Purchasing Managers' Index contracted April-July this year, signaling weaker market conditions for Q2-Q3 2025. Employment growth declined from 4.4 percent in 2023 to 3.9 percent in 2024, while the share of formal jobs remained low at around 15 percent.

**FIGURE 1 /** Real annual wages in the formal sector in Kenya (2023 Kenyan shillings), 2008-2023



Source: World Bank calculations based on Kenya National Bureau of Statistics data.

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



Source: World Bank. Notes: See footnotes in table on the next page.

Poverty, measured by the international poverty line, is projected to affect 43.8 percent of the population in 2025.

Inflation stayed within the Central Bank of Kenya (CBK's) 5±2.5 percent target, at 4.1 percent in July 2025. Real private sector credit grew 3.3 percent y-o-y in July, continuing its acceleration. FX reserves reached US\$10.9 billion (4.8 months of imports) in August, above CBK requirements. Still, external accounts remain strained: exports fell 0.3 percent in the 12 months to May 2025, led by a 6 percent drop in food and beverages, while imports fell 0.8 percent.

Fiscal consolidation was marked by slippage in FY2024/25. The fiscal deficit reached 5.8 percent, above the 4.3 percent forecast in Supplementary Budget I and 5.0 percent in FY2023/24. Gross public debt stood at 67.7 percent of GDP by end of FY2024/25 (nearly half of which is external).

## Outlook

GDP is projected to grow by 4.5 percent in 2025 and by 4.9 percent on average in 2026–2027. An uncertain global trade and geopolitical environment, coupled with reduced public spending, will weigh on growth in the short and medium term. The current account deficit (CAD) is expected to remain between 3.9–4.0 percent of GDP, with the foreign direct investment (FDI) increasing and exports recovering in the medium term as trade agreements are implemented and the global outlook improves. Eventually,

credit growth is expected to further accelerate as the CBK implements a more accommodative monetary policy; on August 2025, the CBK lowered its policy rate by 25 basis points to 9.5 percent, its seventh consecutive reduction.

The Government of Kenya (GoK) projects further fiscal consolidation in the medium term, focusing primarily on tax administration measures and improving efficiency of public spending; the FY2025/26 fiscal deficit is estimated at 4.8 percent of GDP. However, without bolder measures, fiscal vulnerabilities will remain. Boosting productivity growth and the equity of the fiscal system, and implementing governance and anti-corruption measures, is key to complement fiscal consolidation efforts.

Poverty will continue to decline at a slow pace unless growth leads to higher incomes for the poor. At current trends, the international poverty rate is projected to decline by half a percentage point to 43.2 percent in 2026.

The outlook is subject to elevated risks. The continuous failure to achieve fiscal consolidation targets would further exacerbate Kenya's debt vulnerabilities. Continued social and political tensions could dampen investor confidence and challenge fiscal consolidation, while climate hazards could resume inflationary pressures. Slower growth among Kenya's international partners could weaken exports and remittances, while increased global geopolitical risks might raise commodity prices. Upside risks are linked to faster than expected normalization in global geopolitical conditions and lower commodity prices.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	4.9	5.7	4.7	4.5	4.9	5.0
Private consumption	2.3	7.5	6.9	4.8	4.8	4.9
Government consumption	8.1	2.0	0.4	1.5	1.9	3.4
Gross fixed capital investment	-0.8	1.9	6.2	3.9	5.8	6.0
Exports, goods and services	20.8	11.7	7.5	6.2	8.4	8.6
Imports, goods and services	10.9	1.3	2.7	4.7	5.8	7.2
<b>Real GDP growth, at constant factor prices</b>	4.5	5.9	4.9	4.5	4.9	5.0
Agriculture	-1.5	6.6	4.6	4.1	4.5	4.8
Industry	3.9	2.0	0.8	2.9	3.6	3.9
Services	6.6	6.8	6.1	5.0	5.4	5.4
<b>Employment rate (% of working-age population, 15 years+)</b>	63.4	63.2	63.4	63.6	63.6	63.7
<b>Inflation (consumer price index)</b>	7.6	7.7	4.5	5.0	5.0	5.0
<b>Current account balance (% of GDP)</b>	-5.2	-4.0	-3.7	-3.9	-4.0	-4.0
<b>Net foreign direct investment inflow (% of GDP)</b>	0.2	0.2	0.3	0.4	0.7	1.2
<b>Fiscal balance (% of GDP)<sup>1,2</sup></b>	-6.2	-6.3	-6.3	-5.8	-5.0	-4.9
<b>Revenues (% of GDP)</b>	17.7	18.1	18.2	18.6	18.6	18.6
<b>Debt (% of GDP)</b>	76.2	70.4	72.8	74.1	75.4	77.0
<b>Primary balance (% of GDP)</b>	-1.1	-0.7	-0.1	0.6	1.6	1.8
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>3,4</sup></b>	46.9	45.6	44.5	43.8	43.2	42.5
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>3,4</sup></b>	67.0	66.1	65.4	64.9	64.5	64.1
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>3,4</sup></b>	90.9	89.8	88.8	88.2	87.6	87.0
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	2.7	2.9	4.4	5.7	6.2	6.1

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Fiscal data are in fiscal years 2022= FY2022/23.

2/ Fiscal data from Kenya's National Treasury, revised per GFS 2014. Numbers may vary from official estimates due to GDP projection differences.

3/ Projection using point to point elasticity at regional level with pass-through = 0.7 based on private consumption per capita in constant LCU. Actual data: 2022. Nowcast: 2023-2024. Forecasts are from 2025 to 2027.

4/ Actual data: 2021. Nowcast: 2022-2024. Forecasts are from 2025 to 2027.

# LESOTHO

Growth is expected to average 1.0 percent between 2025 and 2027, reflecting uncertainties in trade policy, renewal of AGOA, suspension of MCC Compact II, and reduced health-sector aid. These are expected to be partly offset by the LHWP-II, higher water royalties, and the Southern African Customs Union revenues. The poverty rate would remain high at about 45 percent, using the international poverty line.

## Key conditions and challenges

Structural vulnerabilities to external and natural disasters constrain economic activity and exacerbate poverty. Lesotho is also exposed to fluctuations in trade and exchange rate policies. Recurring shocks—such as droughts and floods—have traditionally threatened the nation's agriculture-dependent economy. Low and volatile economic growth explains the persistence of high unemployment, estimated at 30.1 percent in 2024. Many people work informally in low-wage jobs, and approximately 45.7 percent of the population lived on less than \$3.00 per day (at 2021 PPP) in 2024.

Political instability has undermined confidence and created uncertainty for potential investors, slowing development and reforms. Recently, the suspension of the Millennium Challenge Corporation Compact II (MCC-II) and cuts in US Agency for International Development (USAID) health aid have impacted employment and essential social programs. This suspension has undermined efforts to improve healthcare and education. The potential loss of preferential access to the US market under African Growth and Opportunity Act (AGOA) after September 2025 pose risks for the textile and apparel exports, a key source of exports and formal employment.

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$4.20/day
2.3	1.2
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
57.4	86.4
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
2.6	1108.8

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2017 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

For the outlook, fiscal stability is under pressure due to decreasing Southern African Customs Union (SACU) receipts, inadequate cash management, deficiencies in public procurement procedures and public arrears are resurfacing. Strengthening fiscal policy and public financial management, are essential to enhance the efficiency and effectiveness of fiscal policy.

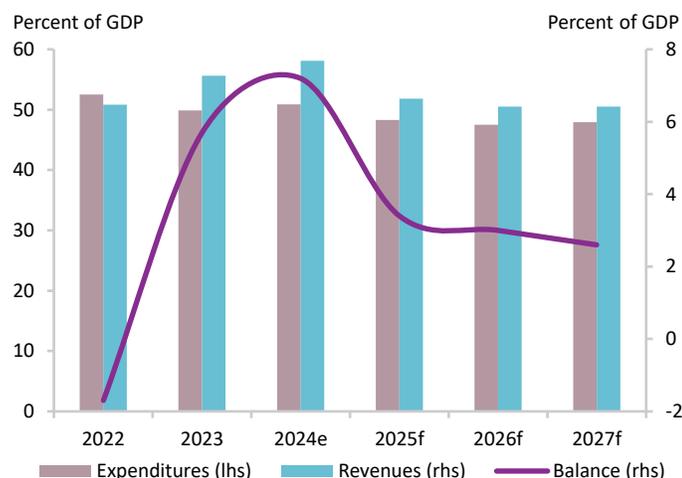
Private sector-led growth remains constrained by limited diversification, regulatory burden, weak infrastructure and restricted access to finance, particularly for micro, small and medium firms.

## Recent developments

After reaching almost 3 percent in 2024, real GDP contracted by 0.6 percent in the first quarter of 2025, driven by lower mining (down 5.9 percent) and public administration outputs (a contraction of 9.5 percent). Other sectors expanded, with information and communication (10.9 percent), hotels and restaurants (8.7 percent), and other services (8.5 percent) among the strongest performers.

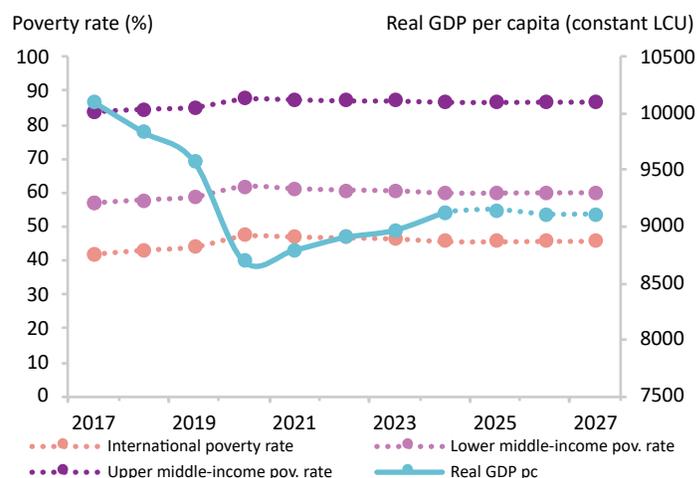
Headline inflation receded to 4.4 percent in July 2025 from a peak of 8.2 percent in January 2024, due to lower fuel and food prices.

FIGURE 1 / Fiscal surpluses in the medium term



Source: World Bank staff estimates using data from WDI.

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



Source: World Bank. Notes: See footnotes in table on the next page.

A stronger Rand and Loti have also helped keep food prices low. The Central Bank reduced its policy rate by a cumulative 75 basis points, from 7.50 percent in November 2024 to 6.75 percent in August 2025—in line with regional money market rates.

Fiscal performance improved, with the surplus rising from 5.7 percent of GDP in 2023 to 7.2 percent in 2024. Public debt fell to 53 percent of GDP in 2024, down from 61 percent in 2023, mainly due to full repayment of the IMF's Rapid Financing Instrument, redemption of domestic bonds and clearance of arrears. Nevertheless, external shocks are putting pressure on the government's accounts. Higher SACU revenues and renegotiated water royalties, as well as reduced capital expenditures, aided by stricter procurement practices contributed to the improved fiscal stance. The risk of external and overall debt distress remains moderate, showing a slight improvement in the debt trajectory compared to previous Debt Sustainability Analysis (DSA) assessments.

The current account balance improved markedly, shifting from a deficit of 6.9 percent of GDP in 2023 to a surplus of 5.0 percent of GDP in 2024—largely due to increased SACU revenues, higher water royalties and remittances, and lower imports.

## Outlook

Growth prospects remain subdued amid global trade and aid uncertainties. GDP growth is projected to slowdown to 1.3 percent in 2025 and 0.7 percent in 2026, before recovering to 1.1 percent in 2027. Growth will be supported by the development of the LHWP-II

but constrained by the challenges faced by the textile and diamond industries—especially following the imposition of tariffs on US exports and ongoing weakness in global diamond markets. Employment growth will be insufficient to lower the poverty rate, expected to persist at about 45 percent, using the international poverty line of US\$3.00 per day (2021 PPP).

Inflation is projected to hover around 5 percent over the medium term, reflecting stable energy and food prices. However, risks from global trade tensions and geopolitical conflicts could impact exchange rates and supply chains.

The current account is projected to revert to deficit, widening to 1.7 percent of GDP in 2025 and 3.8 percent of GDP in 2026, before narrowing again. SACU transfers, are expected to fall from 25 percent of GDP in 2024 to 18.4 percent in 2025, averaging 14.8 percent thereafter. External grants will also decline, adding pressure to external balances and foreign investment flows.

Fiscal surpluses will average 2.8 percent of GDP from 2026 to 2027, due to under execution of capital projects and higher water royalties. However, declining SACU revenues, compounded by persistent inefficiencies in public spending will increase fiscal pressures.

Risks are tilted to the downside, including weaker regional and global growth, uncertain AGOA renewal beyond 2025, and domestic political and fiscal instability. Structural reforms to improve the business environment, and address infrastructure and human capital gaps, remain essential for boosting investment, exports, and employment.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	2.4	1.8	2.9	1.3	0.7	1.1
Private consumption	9.1	3.8	3.8	3.9	3.9	3.7
Government consumption	2.4	2.2	13.5	8.6	5.2	5.1
Gross fixed capital investment	18.9	49.4	20.4	27.9	23.7	21.6
Exports, goods and services	36.7	2.2	2.1	-0.3	-0.6	-1.0
Imports, goods and services	22.5	10.3	10.9	11.2	9.8	9.3
<b>Real GDP growth, at constant factor prices</b>	2.3	1.8	2.9	1.3	0.7	1.1
Agriculture	12.5	2.4	1.5	1.5	1.7	1.8
Industry	5.0	5.0	5.3	3.2	2.8	2.0
Services	0.9	0.8	2.1	0.6	-0.1	0.7
<b>Employment rate (% of working-age population, 15 years+)</b>	48.5	48.5	48.4	48.4	48.4	48.4
<b>Inflation (consumer price index)</b>	8.3	6.4	6.1	4.5	5.0	5.1
<b>Current account balance (% of GDP)</b>	-11.7	-6.9	5.0	-1.7	-3.8	-1.0
<b>Net foreign direct investment inflow (% of GDP)</b>	1.2	1.4	1.8	1.0	1.0	0.9
<b>Fiscal balance (% of GDP)</b>	-1.7	5.7	7.2	3.4	3.0	2.6
<b>Revenues (% of GDP)</b>	50.8	55.6	58.1	51.8	50.5	50.5
<b>Debt (% of GDP)</b>	66.5	60.7	53.0	50.5	50.1	47.5
<b>Primary balance (% of GDP)</b>	-0.4	7.7	9.3	4.6	4.1	3.8
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	46.9	46.6	45.7	45.7	45.8	45.8
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	60.7	60.4	59.8	59.8	59.8	59.8
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	87.2	87.2	86.8	86.8	86.9	86.9
<b>GHG emissions growth (mtCO2e)</b>	2.5	1.8	1.5	1.6	1.4	1.6

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2017-CMSHBS. Actual data: 2017. Nowcast: 2018-2024. Forecasts are from 2025 to 2027.

2/ Projection using neutral distribution (2017) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

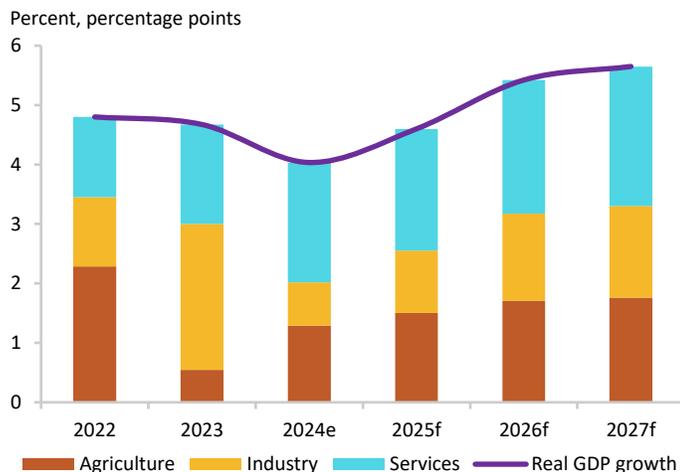
# LIBERIA

Liberia's economy expanded by 4.0 percent in 2024, reflecting timid mining output, and gains in services, and agriculture. Inflation eased and fiscal conditions improved. Extreme poverty decreased to 33.1 percent and is projected to decline further. However, evolving global trade and aid uncertainties could dampen prospects. Structural constraints persist, underscoring the need for enhanced resource mobilization to support investment, job creation, and alleviate poverty.

## Key conditions and challenges

Liberia's economic performance has been uneven in the last decade. Real GDP per capita peaked at US\$767 in 2013 but took a downward trend since reaching US\$717 by 2024 due to fluctuations in commodity prices and public health shocks. Structural constraints, such as inadequate infrastructure and limited fiscal capacity, continue to hinder economic development. Most development indicators, including access to healthcare, education, electricity, and the internet, remain well below regional and global standards while the labor market is shallow and dominated by informal, low-productivity jobs. Institutional weaknesses in Liberia also present service delivery challenges. Declining aid poses immediate fiscal pressures but could strengthen incentives for reforms. Extended shifts in the aid landscape, a less favorable global environment affect small open economies like Liberia, which is highly vulnerable to external shocks. Sustained, inclusive growth will require macroeconomic stability, economic diversification beyond mining, private sector-led investment, and substantial policy and institutional reforms to improve livelihoods through more and better jobs.

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



Sources: Liberian authorities and World Bank staff estimates and projections.

Population <sup>1</sup> million	5.6	Poverty <sup>2</sup> millions living on less than \$3.00/day	1.6
Life expectancy at birth <sup>3</sup> years	62.2	School enrollment <sup>4</sup> primary (% gross)	67.2
GDP <sup>5</sup> current US\$, billion	4.8	GDP per capita <sup>6</sup> current US\$	851.5

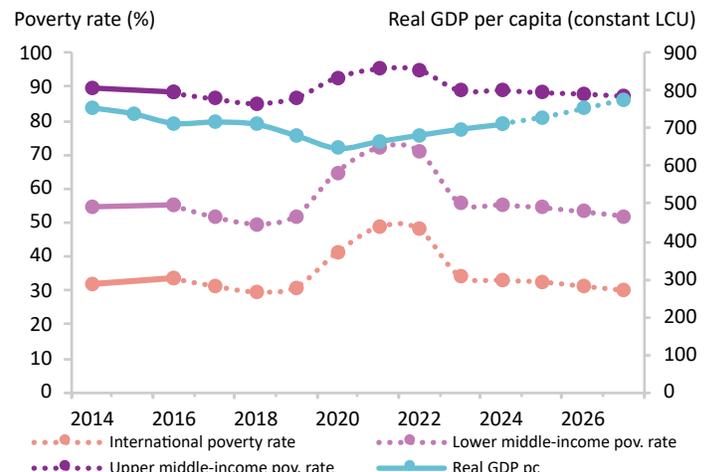
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2016 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2024. 6/ 2024.

## Recent developments

Real GDP growth slowed to 4.0 percent in 2024 from 4.7 percent in 2023, as a strong deceleration of mining and manufacturing activity offsets gains in services and agriculture. Growth in mining dropped to 1.8 percent from 11.9 percent, and manufacturing to 7.1 percent from 32.4 percent. Services grew 5.0 percent, driven by trade, improved electricity supply, and transport. Agriculture expanded by 3.4 percent on stronger rubber and rice outputs. On the demand side, growth was driven by private consumption and exports, while public spending declined under fiscal consolidation.

Inflation averaged 8.3 percent in 2024, down from 10.1 percent in 2023, aided by tight monetary policy and stable exchange rates. Food inflation dropped from 28.4 percent in February 2024 to 9.7 percent by December 2024. Core inflation, driven by healthcare, housing, and education, rose to 11.3 percent in H2-2024, up from 3.2 percent in H1-2024. The Central Bank reduced its policy rate from 20 to 17 percent in late 2024, while the Liberian dollar depreciated by 8.5 percent in 2024, compared to 12.6 percent in 2023. The first half of 2025 saw inflation at 11.8 percent on average, but it moderated to 7.4 percent by July.

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



Source: World Bank. Notes: See footnotes in table on the next page.

The current account deficit narrowed to 11.2 percent of GDP in 2024 from 26.4 percent in 2023, driven by a sharp reduction in the trade deficit as exports rose to US\$1.30 billion—led by gold, and imports fell to US\$1.67 billion. The deficit was financed by foreign direct investment (FDI) and aid, while reserves edged down to US\$475 million (2.1 months of imports), from US\$486 million (2.6 months).

Fiscal consolidation in 2024 led to significant progress: the overall fiscal deficit fell from 7.1 percent of GDP in 2023 to 2.0 percent in 2024, and the primary balance improved from a 6.1 percent deficit to 0.8 percent. Revenue and grants rose to 22.5 percent of GDP (from 20.1 percent), with domestic revenue reaching 14.7 percent (from 13.4 percent), thanks to better tax administration and higher compliance. Total expenditure decreased from 27.2 percent to 24.5 percent of GDP, primarily due to reductions in election-related consumption spending. In contrast, capital outlays increased by 1.5 percentage points, reaching 8.2 percent of GDP. From January to July 2025, domestic revenue collections totaled US\$472.4 million (9.1 percent of GDP), or 47 percent of the annual target.

Poverty incidence peaked in 2021 with almost half (48.8 percent) of Liberians living below the extreme poverty line in the aftermath of the COVID pandemic beset by cost-of-living increases. Since then, improved economic conditions have reversed this

trend, and extreme poverty incidence rapidly declined to 33.1 percent in 2024.

## Outlook

Real GDP is expected to expand by 4.6 percent in 2025, driven by expansion in mining, and improvements in agriculture and services. Medium-term growth will be supported by increased investment in mining, infrastructure development, and energy sector reforms. Tighter monetary policy and a conservative fiscal stance are expected to curb inflation and reduce the fiscal deficit. Public debt is projected to decline reaching 54.8 percent of GDP by 2027. While external balances are expected to narrow, they will albeit remain elevated. Gross international reserves are projected to strengthen, reaching three months of imports by 2027.

With this positive economic outlook, extreme poverty is projected to continue declining, albeit more slowly. Accelerating poverty reduction requires reforms to enable private sector job creation, improving human capital, and strengthening social safety nets.

This outlook faces significant risks. Weak governance and capacity, fiscal and monetary slippage, and increased uncertainty from shifts in global trade policy and aid landscape could undermine macroeconomic stability, slow growth, and hinder efforts toward poverty reduction.

### Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	4.8	4.7	4.0	4.6	5.4	5.6
Private consumption	3.3	3.5	3.7	3.6	3.8	3.9
Government consumption	-5.7	0.0	-18.4	-6.2	8.6	2.5
Gross fixed capital investment	9.4	36.2	-0.3	3.1	6.6	8.3
Exports, goods and services	7.7	23.6	21.1	10.4	6.1	6.1
Imports, goods and services	3.1	25.1	6.9	4.5	4.0	4.0
<b>Real GDP growth, at constant factor prices</b>	4.8	4.7	4.1	4.6	5.4	5.6
Agriculture	5.9	1.4	3.4	4.0	4.6	4.8
Industry	6.7	13.9	3.8	5.4	7.6	7.8
Services	2.8	3.7	5.0	4.7	5.1	5.4
<b>Employment rate (% of working-age population, 15 years+)</b>	74.5	74.6	74.6	74.6	74.6	74.6
<b>Inflation (consumer price index)</b>	7.6	10.1	8.3	10.7	8.0	6.8
<b>Current account balance (% of GDP)</b>	-17.7	-26.4	-11.2	-14.2	-13.5	-13.3
<b>Fiscal balance (% of GDP)</b>	-5.3	-7.1	-2.0	-1.8	-3.2	-2.3
<b>Revenues (% of GDP)</b>	21.4	20.1	22.5	20.3	20.2	20.6
<b>Debt (% of GDP)</b>	53.9	57.8	57.2	55.9	55.6	54.8
<b>Primary balance (% of GDP)</b>	-4.4	-6.1	-0.8	-0.5	-1.9	-0.8
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	48.5	34.5	33.1	32.6	31.3	30.1
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	71.2	56.0	55.2	54.4	53.2	52.0
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	95.2	89.1	89.1	88.4	88.0	87.4
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	0.5	2.9	3.1	3.2	3.2	3.2

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2016-HIES. Actual data: 2016. Nowcast: 2017-2024. Forecasts are from 2025 to 2027.

2/ Projections using microsimulation methodology.

# MADAGASCAR

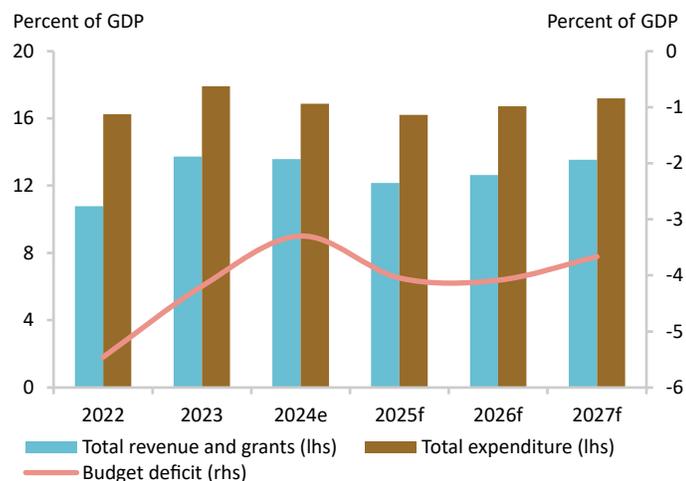
GDP growth is expected to reach 4 percent in 2025, supported by construction and tourism-related sectors, amid weak external demand and heightened global uncertainty. Growth is projected to average 4.2 percent over 2026–27. The poverty rate is projected to decline slightly to 65 percent. The outlook is subject to downside risks including delayed reform implementation and vulnerability to external shocks.

## Key conditions and challenges

GDP per capita (in constant 2015 US dollars) declined from \$812 to \$461 between 1960 and 2025. Progress in reducing poverty has been limited. Extreme poverty (measured at the international poverty line of \$3 per day, 2021 PPP) rose from 67 percent in 2012 to 69 percent in 2021 and is estimated to have declined only slightly to 66 percent in 2025. Rural poverty remains a serious challenge, and urban areas have experienced a significant deterioration in living standards over the past decade.

Growth averaged 3 percent per year since the 2010s but remains insufficient to support job creation and sustain poverty reduction, especially with fast population growth averaging 2.4 percent per year. Growth is constrained by the predominance of low-productivity sectors (such as subsistence agriculture), poor infrastructure, and slow human capital accumulation. Low tax revenue at less than 11 percent of GDP limits the public service provision. Commodity price volatility, climate shocks, and deep and entrenched governance challenges have all hindered faster and inclusive growth.

FIGURE 1 / Revenue, expenditure, and budget deficit



Sources: Ministry of Economy and Finance, and World Bank estimates.

Population <sup>1</sup> million	32.0	Poverty <sup>2</sup> millions living on less than \$3.00/day	20.5
Life expectancy at birth <sup>3</sup> years	63.6	School enrollment <sup>4</sup> primary (% gross)	135.8
GDP <sup>5</sup> current US\$, billion	17.4	GDP per capita <sup>6</sup> current US\$	545.0

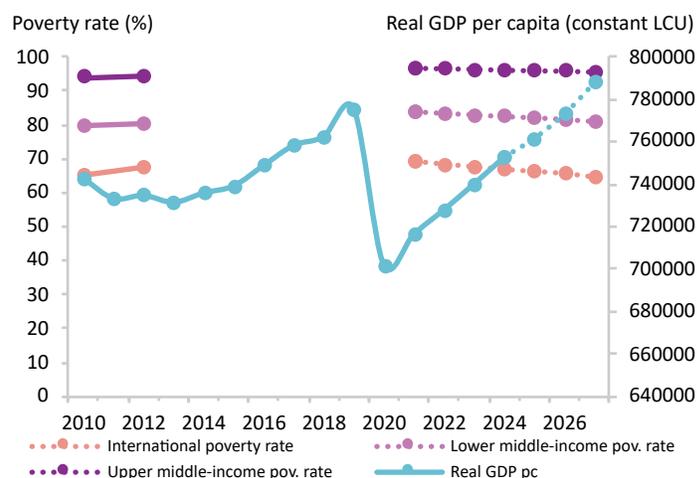
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

Reducing persistent poverty and promoting high and resilient growth requires improved governance, a conducive business environment, including in agriculture, structural reforms in key sectors (particularly energy, mining, and telecommunications), faster human and physical capital accumulation, and labor-intensive job creation to absorb the growing workforce (averaging 420,000 net entrants per year over the past decade).

## Recent developments

Growth is projected to reach 4 percent in 2025, supported by investment. On the supply side, growth continued to be driven by construction and tourism-related activities. Agriculture output growth is expected to decline following a below-average rice harvest owing to insufficient rainfall. To ease domestic food shortages, rice imports more than doubled in 2025H1 compared with the same period in 2024. About 40,500 new formal jobs were recorded at the social security register in 2025H1, 37 percent higher than the same period in 2024, driven by jobs created in commerce, transport, and the financial sectors.

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



Source: World Bank. Notes: See footnotes in table on the next page.

Inflation remained above 8 percent year-on-year (y/y) throughout 2025H1, reflecting higher food and import prices. To curb inflation, the central bank introduced a single policy rate of 12 percent in May 2025, representing an increase of 150bps compared with the previous hike in August 2024. Credit to the economy nonetheless grew by 13.9 percent in June 2025 (y/y). The share of non-performing loans stabilized at 9 percent between March 2024 and June 2025.

The current account deficit (CAD) widened in 2025H1 compared with the same period in 2024, due to a larger trade deficit and higher dividend payments. Exports of vanilla, cloves, and mining products contracted due to supply glut and weak global demand. Textile exports continued to grow, notwithstanding external headwinds such as high tariffs. Meanwhile, most imports increased across the board (equipment, food, and inputs). The CAD was mainly financed by official external financing, which helped stabilize international reserves at 6.3 months of imports at the end of June. The ariary depreciated by 6.6 percent against the US dollar in the first quarter (Q1) of 2025, before reversing the trend in Q2.

The budget law projected a fiscal deficit of 3.8 percent of GDP (on commitment basis) for 2025, up from an estimated 3.3 percent of GDP in 2024. As of May 2025, revenue collection reached 36 percent of the annual target, primarily from tax revenue, notably excise duties on increased imports. Spending reached 33 percent of the target, driven partly by an acceleration of domestically financed public investments. The fiscal deficit, which stood at 1.3 percent of GDP by May 2025, was only partially financed

by external borrowing, leading to a buildup of arrears of around 0.6 percent of GDP.

## Outlook

Growth is projected to average 4.2 percent over 2026–27, driven by public investment in infrastructure and private investment in mining, tourism, and telecommunication. Inflation is expected to stay elevated throughout 2025, before gradually easing with declining oil prices and improved rice production. The monetary policy stance is expected to remain restrictive amid persistent inflation. The CAD is projected to further widen, as imports linked to pipeline investment projects will rise until their completion.

Over the medium term, the fiscal deficit is projected to remain at around 4 percent of GDP as public investments pick up. Transfers and subsidies are expected to decline following the implementation of the financial recovery plan of the state-owned utility JIRAMA. Revenue mobilization is expected to improve with reforms in tax administration, including the recent introduction of digitalization process. The public debt stock is expected to remain below 55 percent of GDP, with the risk of debt distress remaining moderate.

The outlook is subject to downside risks including uncertainty regarding the country's preferential market access, uneven reform implementation pace, JIRAMA's slow financial and technical recovery, and vulnerability to external shocks. Consequently, extreme poverty is projected to decline slightly but remain elevated at around 65 percent.

### Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	4.2	4.2	4.2	4.0	4.0	4.4
Private consumption	0.1	4.5	2.6	2.5	2.5	2.5
Government consumption	5.7	-1.1	-4.1	1.4	5.8	6.2
Gross fixed capital investment	4.4	3.3	17.5	19.3	11.0	7.3
Exports, goods and services	26.5	2.4	0.8	-1.9	6.7	5.7
Imports, goods and services	21.2	-4.7	0.9	6.0	8.9	5.3
<b>Real GDP growth, at constant factor prices</b>	3.9	4.2	4.2	4.0	4.0	4.4
Agriculture	2.0	5.3	4.8	2.5	2.3	3.0
Industry	9.3	1.8	3.2	3.5	4.0	4.7
Services	3.4	4.4	4.2	4.8	4.7	4.8
<b>Employment rate (% of working-age population, 15 years+)</b>	82.4	82.5	82.5	82.5	82.5	82.5
<b>Inflation (consumer price index)</b>	8.2	9.9	7.6	8.5	8.1	7.7
<b>Current account balance (% of GDP)</b>	-5.4	-4.7	-5.0	-6.4	-6.1	-5.8
<b>Net foreign direct investment inflow (% of GDP)</b>	2.1	2.2	2.8	3.5	2.3	2.4
<b>Fiscal balance (% of GDP)</b>	-5.5	-4.2	-3.3	-4.0	-4.1	-3.7
<b>Revenues (% of GDP)</b>	10.8	13.7	13.6	12.2	12.6	13.5
<b>Debt (% of GDP)</b>	50.0	52.7	51.3	53.2	54.2	54.5
<b>Primary balance (% of GDP)</b>	-4.9	-3.5	-2.6	-3.1	-3.1	-2.8
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	68.4	67.6	66.8	66.1	65.3	64.2
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	83.4	82.9	82.4	81.9	81.3	80.7
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	96.4	96.3	96.1	96.0	95.9	95.7
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	1.8	2.2	2.1	0.7	1.5	2.1

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2021-EPM. Actual data: 2021. Nowcast: 2022-2024. Forecasts are from 2025 to 2027.

2/ Projection using neutral distribution (2021) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

# MALAWI

Macroeconomic instability remains entrenched due to unsustainable fiscal, monetary and exchange rate policies resulting in high inflation and declining living standards. This is exacerbated further by increasing trade barriers and a mounting debt burden. Per-capita GDP growth has been negative in recent years, resulting in persistently high rates of poverty, with three-quarters of the population living on less than US\$ 3.00 a day.

## Key conditions and challenges

Malawi's economy has endured persistent macroeconomic instability over the past decade. The past four years have been marked by negative per capita growth, persistent trade imbalances, elevated inflation, and chronic foreign exchange distortions. Public debt remains in distress, as external debt restructuring is yet to be resolved. While notable progress has been made with official creditors, negotiations with commercial creditors remain ongoing.

Fiscal deficits have been very high, financed through costly domestic borrowing. This undermines the prospects for containing inflation and restoring macroeconomic stability. Unsustainable fiscal policies have pushed the debt-to-GDP ratio over 90 percent, a level last seen prior to the Heavily Indebted Poor Countries (HIPC) debt relief in 2006. The resulting rise in debt service obligations is crowding out productive investment and constraining private sector growth. This is coupled with exchange rate distortions that have resulted in severe challenges for firms to access foreign currency, limiting the importation of critical inputs. Inflation remains stubbornly high, fueled by a succession of weak harvests, and high fiscal deficits driving money supply growth.

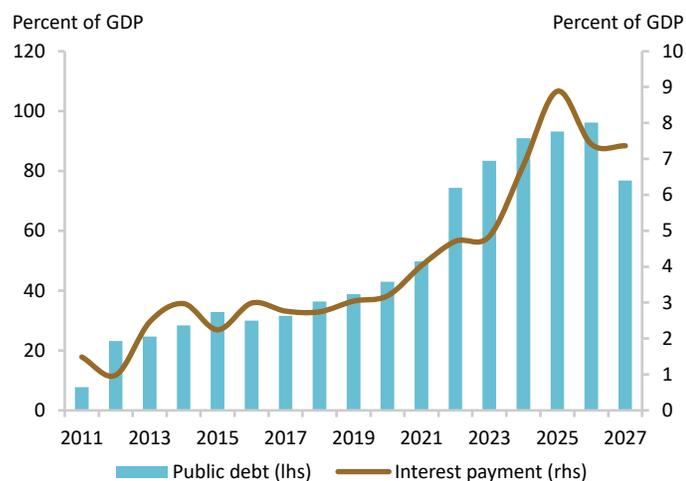
Population <sup>1</sup> million	21.7	Poverty <sup>2</sup> millions living on less than \$3.00/day	14.4
Life expectancy at birth <sup>3</sup> years	67.4	School enrollment <sup>4</sup> primary (% gross)	135.4
GDP <sup>5</sup> current US\$, billion	11.3	GDP per capita <sup>6</sup> current US\$	520.1

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2019 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

Structural weaknesses continue to hinder economic growth. The agricultural sector, which employs 80 percent of the population, suffers from low productivity, vulnerability to climatic shocks, and insufficient investment in resilience. Frequent adverse weather events have sharply reduced staple grain output, worsening food insecurity. Over 5 million Malawians have faced crisis level food insecurity during the last two lean seasons. Economic diversification is limited, with the economy remaining heavily dependent on tobacco exports despite declining global demand. Infrastructure gaps in energy, transport, and digital connectivity undermine competitiveness and restrict private sector development. Access to finance is constrained by high government borrowing and persistently elevated interest rates. These challenges have constrained poverty reduction, leaving the share of Malawians living below the international poverty line of US\$ 3.00 per day at 76.3 percent in 2024—well above pre-pandemic levels.

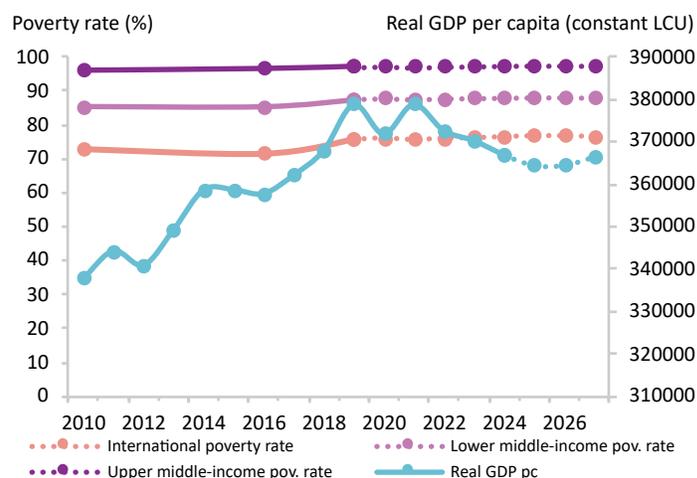
Governance challenges further compound these economic and structural constraints. Reform progress has been slow, frequently impeded by vested interests, while election-year spending pressures have heightened fiscal risks. Public financial management weaknesses deter private investment and reduce the efficiency of government spending.

FIGURE 1 / Public debt and interest payment



Source: World Bank staff estimates and projections.

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



Source: World Bank. Notes: See footnotes in table on the next page.

## Recent developments

Malawi's economy expanded modestly by 1.7 percent in 2024. With the population growing at 2.6 percent, this has been insufficient to raise average incomes and reduce poverty. The fiscal deficit widened to 9.1 percent of GDP in 2024, reflecting both revenue shortfalls and elevated expenditures, particularly on development projects and a rising public sector wage bill. The deficit was predominantly financed through costly domestic borrowing, with interest payments on domestic debt absorbing about 40 percent of domestic revenue.

The current account deficit reached 17.6 percent of GDP in 2024, driven by declining export competitiveness due to foreign exchange distortions and high trade barriers. Gross foreign exchange reserves have remained below one month of import cover for the past two years, heightening Malawi's vulnerability to external shocks. The implementation of exchange rate reforms announced in November 2023 stalled, resulting in a widening gap between official and parallel market rates.

Headline inflation remains elevated at 27.3 percent in July 2025, and many households continue to face financial hardship. With persistently high food prices, many households are forced to cut consumption. Weak agricultural performance and rapid year-on-year money supply growth—recorded at 49.1 percent in July 2025—are expected to sustain inflationary pressures. The Reserve Bank of Malawi has maintained its policy rate at 26 percent for over a year, but the effectiveness of its monetary instruments are hampered by direct and indirect monetization of the fiscal deficit.

## Outlook

Real GDP is projected to grow modestly by 1.9 percent in 2025 marking the fourth consecutive year of negative per capita growth. This has been insufficient to improve household incomes or stimulate economic activity, leaving the US\$ 3.00 poverty rate stagnant at 76.6 percent in 2025—one of the highest in the region. The agricultural sector is anticipated to experience a modest recovery following the El Niño-induced drought in 2024. Growth in the industrial sector is expected to remain subdued, as it is constrained by acute foreign exchange shortages, ongoing power outages, and intermittent fuel supply. Economic expansion will be primarily driven by the services sector, supported by increased spending associated with the election. Real GDP growth is projected to reach 2.6 percent in 2026.

The fiscal deficit is expected to widen to 12.6 percent of GDP in 2025, reflecting increased election-related expenditures and a reduction in external aid. Inflation is projected to remain elevated, driven by high rates of money supply growth and import bans that constrain supply, coupled with foreign exchange distortions that undermine both private sector activity and contribute to persistent macroeconomic imbalances.

The outlook is subject to significant downside risks, including the potential of further fiscal slippages, which could deepen macroeconomic instability. Upside risks include a gradual easing of inflation due to favorable agricultural conditions, more significant macroeconomic reform momentum following elections, the relaxation of trade restrictions, and faster-than-anticipated development of large-scale mining projects.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	0.9	1.9	1.7	1.9	2.6	3.1
Private consumption	0.8	4.2	3.7	4.0	4.1	4.2
Government consumption	5.1	-4.4	1.7	17.1	1.0	-4.7
Gross fixed capital investment	-14.0	-15.5	-22.4	-42.2	7.4	47.0
Exports, goods and services	-24.1	22.4	4.6	-7.6	-9.9	-12.5
Imports, goods and services	-16.5	1.7	-1.5	1.3	0.8	1.6
<b>Real GDP growth, at constant factor prices</b>	1.1	1.5	1.8	1.9	2.6	3.1
Agriculture	0.9	0.5	-0.2	1.0	1.9	2.6
Industry	-0.7	2.2	2.1	1.7	2.3	2.8
Services	1.9	1.6	2.6	2.3	3.0	3.4
<b>Inflation (consumer price index)</b>	20.9	28.7	32.3	29.5	25.6	20.5
<b>Current account balance (% of GDP)</b>	-18.3	-15.7	-17.6	-20.8	-21.2	-21.7
<b>Net foreign direct investment inflow (% of GDP)</b>	1.7	1.5	1.8	2.2	2.5	3.1
<b>Fiscal balance (% of GDP)</b>	-10.8	-12.8	-9.2	-12.5	-13.3	-12.7
<b>Revenues (% of GDP)</b>	17.2	17.8	21.8	24.6	24.7	24.1
<b>Debt (% of GDP)</b>	74.4	83.4	90.9	90.7	87.3	85.9
<b>Primary balance (% of GDP)</b>	-6.1	-7.9	-2.3	-3.6	-3.0	-2.5
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	75.8	76.0	76.3	76.6	76.6	76.4
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	87.6	87.7	87.9	88.0	88.0	87.9
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	97.1	97.2	97.2	97.2	97.2	97.2
<b>GHG emissions growth (mtCO2e)</b>	2.6	1.4	1.5	1.4	1.3	1.4

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2019-IHS-V. Actual data: 2019. Nowcast: 2020-2024. Forecasts are from 2025 to 2027.

2/ Projection using neutral distribution (2019) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

# MALI

GDP growth is projected to reach 4.9 percent in 2025 (1.9 percent per capita), supported by the start of lithium production, services, and agriculture. Inflation is projected to increase to 3.6 percent driven by conflict and climate-related shocks, while poverty reduction will stall. The outlook is subject to downside risks from security concerns, climate shocks, inflationary pressures, debt roll-over and adverse international dynamics.

## Key conditions and challenges

Mali's economy remains undiversified from rain-fed agriculture and other commodities, making it exposed to climate and price shocks. Services are constrained by low productivity, and manufacturing is limited to agro-industries and cotton ginning, while gold and cotton dominate exports. Mali faces labor market challenges, with over 235,000 youth entering the labor force every year, yet less than 10 percent of jobs are in formal employment.

The security and energy crises continue to affect economic growth, disrupting agricultural production. Despite some improvement in electricity generation, industrial production is affected by electricity shortages caused by sector management challenges. External financing has dried up following the 2021 institutional breakdown, resulting in the absence of external budget support. Uncertainty around regional dynamics adds to these challenges.

Mali has been reinforcing economic and political cooperation with Burkina Faso and Niger within the Confederation of Sahel States (AES). The authorities have reaffirmed the country's

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$3.00/day
24.5	8.1
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
60.4	74.4
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
21.8	891.6

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

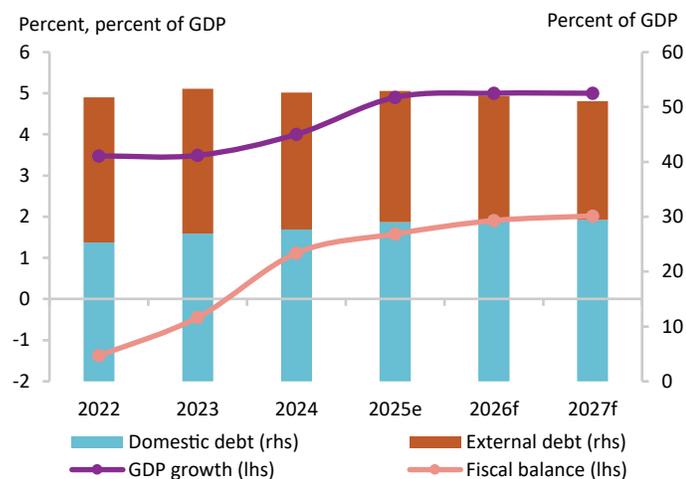
intention to remain in the West African Economic and Monetary Union (WAEMU).

## Recent developments

GDP growth is expected to increase from 4 percent in 2024 to 4.9 percent in 2025 (1.9 percent per capita), primarily driven by the start of lithium production. Industrial output is expected to rebound (+5.5 percent), supported by a recovery in mineral extraction (+16.1 percent) and a moderate improvement in electricity generation (+10.2 percent in Q1 y/y). This recovery offsets a 4 percent decline in gold export volumes due to temporary mine closures linked to tax disputes. Services are expected to grow (+4.9 percent), supported by a stronger telecommunications sector (+9.9 percent y/y). Agriculture is expected to grow by 4.6 percent, driven by a successful cotton harvest and ginning (+46.5 percent in Q1 y/y).

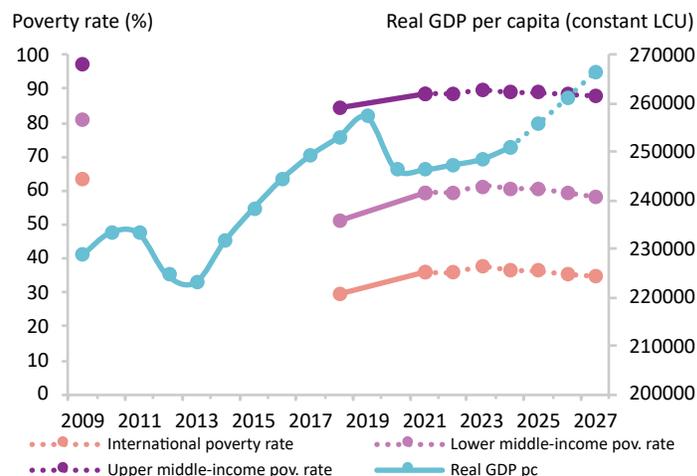
On the demand side, private consumption is expected to remain the main growth driver, contributing 3.3 percentage points (pps), followed by government consumption (+1.1 pps) driven by flood-related expenditures. Despite an expected

FIGURE 1 / GDP growth, budget balance and debt



Source: World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

increase in exports driven by lithium, cotton and higher gold prices, the current account deficit is estimated to widen to 6.5 percent of GDP in 2025, reflecting a surge in imports of food, fuel, and construction materials.

Inflation is projected to rise to 3.6 percent in 2025, driven by conflict-related crop losses, disruptions in food distribution and climate shocks. Poverty forecasts for 2025 are essentially flat, down just 0.3 pp to 36.4 percent from 2024, as incomes are expected to barely keep up with living costs.

The WAEMU inflation rate declined to 3.5 percent in 2024, remaining above the WAEMU target band of 1–3 percent, while the regional foreign reserves increased to 4.6 months of imports. After having maintained its monetary policy unchanged since end-2023, the Central Bank of West African States (BCEAO) reduced its key policy interest rates in June 2025 by 25 basis points, lowering the liquidity call rate to 3.25 percent and the marginal lending facility rate to 5.25 percent. Credit to the economy contracted by 4.5 percent, while the share of non-performing loans remained elevated at 12.7 percent.

The fiscal deficit is expected to widen to 3.3 percent of GDP in 2025, reflecting lower-than-anticipated mining revenues. While tax and customs measures supported revenue mobilization, spending pressures rose from public recruitment and flood-related spending, pushing capital expenditure to 4.8 percent of GDP. Foreign aid declined to 0.5 percent of GDP in 2025. The fiscal deficit is predominantly financed through borrowing from the regional market, where Mali has faced rising interest rates, exceeding 9 percent for 12-month bills. Debt roll-over is high, but current conditions support a moderate rating for debt distress.

## Outlook

Real GDP growth is projected to average 5 percent over 2026–2027, supported by lithium production, agriculture and telecommunication. This assumes no deterioration in the security situation, improvements in electricity supply, and a stable policy environment.

The current account deficit is projected to narrow to 3.1 percent of GDP by 2027, driven by lithium and cotton production. The fiscal deficit is projected to decline from 3.3 to 3.1 percent of GDP in 2026 before reaching 3 percent in 2027, supported by revenue mobilization.

The regional inflation rate is projected to align with the WAEMU target from 2025 onwards, while regional reserves are projected to rise slightly to 4.7 months of imports in 2025, supported by recovering exports.

Poverty incidence is forecasted to remain above 35 percent through 2027, and the number of extreme poor will increase to over 9 million. Stronger growth in services compared to agriculture means that most of the poverty rate reduction is concentrated in urban areas.

Downside risks include a persisting electricity crisis, political instability and insecurity. Financing needs and elevated borrowing costs could lead to reductions in growth-enhancing investments amid demands for security spending. Disputes with mining firms and additional tax exemptions could affect revenues. On the upside, an improvement of the electricity crisis and eased regional relations could reduce market uncertainty and support investment.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	3.5	3.5	4.0	4.9	5.0	5.0
Private consumption	4.0	3.9	4.0	4.0	4.1	4.0
Government consumption	7.6	16.7	-2.2	6.6	9.3	4.3
Gross fixed capital investment	1.0	-3.6	10.1	7.0	1.4	5.5
Exports, goods and services	18.1	-3.9	2.7	5.0	6.5	7.0
Imports, goods and services	0.7	2.3	3.9	5.5	4.0	4.1
<b>Real GDP growth, at constant factor prices</b>	4.3	3.4	4.0	4.9	5.0	5.0
Agriculture	2.4	2.3	4.5	4.6	4.7	4.8
Industry	3.7	2.0	-1.0	5.5	3.5	3.5
Services	5.8	4.9	5.6	4.9	5.8	5.7
<b>Employment rate (% of working-age population, 15 years+)</b>	64.6	64.8	64.8	64.8	64.8	64.8
<b>Inflation (consumer price index)</b>	9.7	2.1	3.2	3.6	3.2	3.0
<b>Current account balance (% of GDP)</b>	-7.0	-7.2	-6.3	-6.5	-5.0	-3.1
<b>Net foreign direct investment inflow (% of GDP)</b>	2.6	2.5	2.7	2.7	2.8	2.8
<b>Fiscal balance (% of GDP)</b>	-4.8	-3.9	-2.9	-3.3	-3.1	-3.0
<b>Revenues (% of GDP)</b>	19.8	23.6	23.8	24.0	24.3	24.7
<b>Debt (% of GDP)</b>	51.8	53.3	52.6	52.9	52.0	51.0
<b>Primary balance (% of GDP)</b>	-3.4	-2.2	-0.9	-1.6	-1.4	-1.4
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	36.0	37.6	36.7	36.3	35.6	35.1
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	59.4	61.2	60.5	60.3	59.3	58.1
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	88.6	89.7	89.0	88.8	88.3	87.8
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-2.0	1.5	5.2	5.9	5.6	5.1

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2021-EHCVM. Actual data: 2021. Nowcast: 2022-2024. Forecasts are from 2025 to 2027.

2/ Projections using microsimulation methodology.

# MAURITANIA

Growth is expected to moderate to 5.3 percent in 2025 due to sluggish extractives performance, with inflation stabilizing at 2.5 percent. As agricultural output grows, poverty is projected to decline to 25.7 percent in 2025. Gas production should strengthen export earnings and fiscal space, but downside risks include commodity price volatility, operational delays in gas production and climate vulnerabilities.

## Key conditions and challenges

The start of gas production at the Greater Tortue Ahmeyim (GTA) field in April 2025 marks a pivotal moment for Mauritania, offering a chance to strengthen growth if paired with sustained reforms. Gas joins iron ore and gold as key export earners—still leaving the economy reliant on a narrow range of commodities. The pace of gas production toward full potential will shape the short-term outlook for growth and improvements in the fiscal and external accounts. Careful management of the fiscal windfall, and prudent monetary policy to sustain improvements in inflation are essential to maintain economic stability.

Despite robust macroeconomic developments, structural challenges persist. Job creation remains insufficient, contributing to relatively high unemployment, particularly among youth and women. Non-resource sectors, such as agriculture, continue to suffer from low productivity, contributing to unequal economic opportunities between rural and urban areas. Poverty persists among rural households and marginalized groups, threatening social cohesion. Climate change risks, including drought and coastal erosion, further exacerbate these challenges. Addressing

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$4.20/day
5.2	1.2
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
68.5	111.8
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
10.9	2110.1

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2019 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

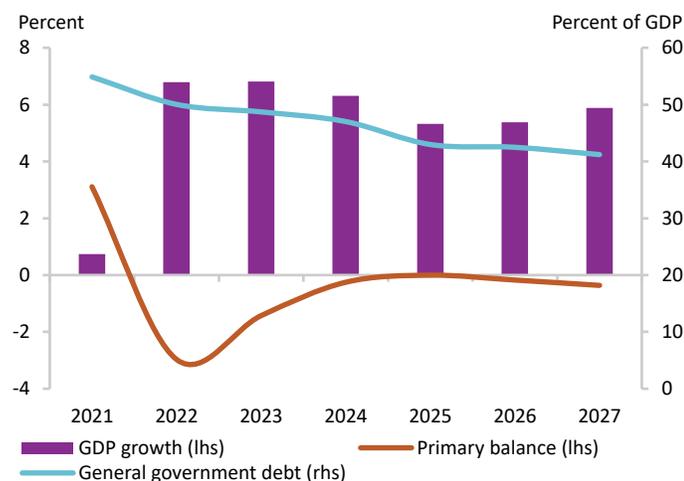
these issues will require promoting sustainable growth through diversification, human capital, and energy investments, and strengthened climate resilience.

## Recent developments

Economic growth decelerated to 6.3 percent in 2024 (3.2 percent per capita) from 6.8 percent in 2023. This primarily reflected secondary sector weaknesses linked to declining mining production, partly offset by robust investment in GTA infrastructure and strong export performance. The services sector rebounded, driven by telecommunications infrastructure expansion, while agriculture was resilient supported, by favorable rainfall and government support through input subsidies and irrigation programs.

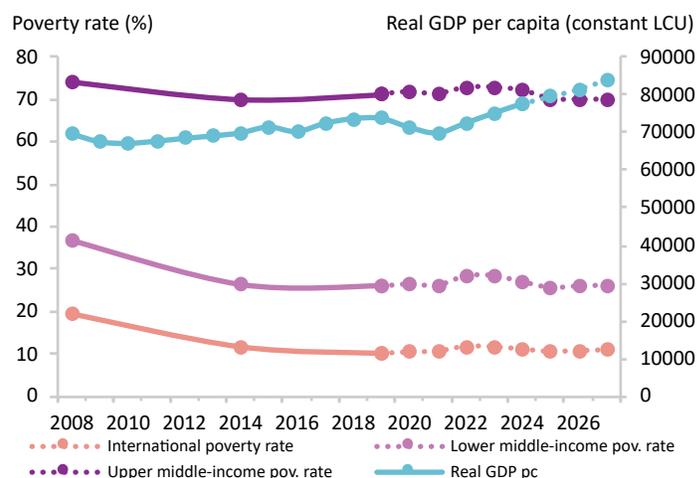
Inflation fell to 2.5 percent in 2024 from 5.0 percent in 2023, driven by lower global food and oil prices, improved domestic food supply, and a tight monetary stance. With inflation stable within the 1.5–3.0 percent target for over a year, the Central Bank of Mauritania (BCM) gradually lowered its policy rate to 6.0 percent. Along with a small increase in agricultural output, lower inflation reduced poverty from 28.3 percent in 2023 to 26.9 percent in 2024

FIGURE 1 / Evolution of main macroeconomics indicators



Source: World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

(measured at the US\$ 4.20 per day 2021 PPP poverty line), though it remained above pre-COVID-19 levels.

Fiscal consolidation progressed in 2024, with the fiscal deficit narrowing to 1.2 percent of GDP, thanks to improved revenue from digitalized tax administration and new levies. Expenditure restraint focused on recurrent spending, including lower subsidies and contained wage bill growth, while capital spending remained stable. By mid-2025, however, budget execution remained subdued compared to last year, with lower revenue collection partly reflecting disputes with mining companies that were resolved in May 2025 and a low execution rate of capital expenditure.

Rising global gold and copper prices improved the merchandise trade balance. However, the current account deficit (CAD) widened to 9.5 percent of GDP, driven by higher service imports for GTA development and by foreign-owned commodity exporters repatriating profits. Despite robust foreign direct investment, large other financial outflows contributed to a narrowing of the capital and financial account surpluses. Foreign exchange reserves fell slightly to 6.4 months of import coverage. The Ouguiya depreciated by a modest 0.4 percent year-on-year, reflecting the BCM's stabilization efforts amid external pressures.

## Outlook

Economic growth is projected to slow to 5.3 percent in 2025, reflecting continued weakness in traditional mining output and delays in nascent gas production. Growth should then accelerate,

averaging 5.6 percent over 2026–2027, driven by full GTA gas production, new mining operations, and sustained services sector expansion. Infrastructure investment and robust exports will support aggregate demand, alongside resilient private consumption and recovering government spending.

In 2026, the poverty rate may increase at the margin on the account of higher inflation, population growth, and agricultural sector growth slowing down after a strong 2025 expansion.

The fiscal deficit should narrow to 0.9 percent of GDP in 2025, supported by initial gas revenues and revenue reforms, including a new carbon tax. It is projected to stabilize at 1.3 percent of GDP over 2026–2027, as increased spending on capital investment and cash transfers will be offset by surging gas royalties and sustained tax reforms. Public debt is projected to decline to 42.8 percent of GDP by 2027. Inflation is expected to remain stable at 2.5 percent in 2025, before rising to 3.8 percent by 2027, staying within the BCM's target.

The CAD should progressively narrow, reaching 7.0 percent of GDP by 2027, driven by rising gas and mining export revenues and robust global commodity prices.

Downside risks to the outlook include volatility in global commodity prices fueled by trade policy uncertainty, further gas production delays, climate-related shocks, and regional instability increasing refugee inflows and security costs. On the upside, stronger-than-expected commodity prices and increased foreign investment in the extractive sector could boost the outlook.

### Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	6.8	6.8	6.3	5.3	5.4	5.9
Private consumption	3.9	3.0	3.0	3.7	3.2	3.1
Government consumption	14.3	6.7	5.0	5.6	10.8	5.5
Gross fixed capital investment	3.4	-11.7	16.9	5.8	8.3	8.6
Exports, goods and services	16.8	3.5	12.0	6.1	5.9	5.4
Imports, goods and services	15.3	-0.3	7.3	4.1	6.7	4.3
<b>Real GDP growth, at constant factor prices</b>	9.5	3.3	2.3	5.3	5.4	5.9
Agriculture	8.7	3.8	2.8	4.3	2.5	3.8
Industry	12.5	3.8	-1.4	3.9	4.2	4.1
Services	8.0	2.8	4.5	6.7	7.4	7.9
<b>Inflation (consumer price index)</b>	9.5	5.0	2.5	2.5	3.6	3.8
<b>Current account balance (% of GDP)</b>	-14.9	-9.0	-9.5	-8.3	-7.4	-7.0
<b>Net foreign direct investment inflow (% of GDP)</b>	-14.7	7.9	13.2	4.9	4.5	4.8
<b>Fiscal balance (% of GDP)</b>	-3.8	-2.4	-1.2	-0.9	-1.1	-1.4
<b>Revenues (% of GDP)</b>	24.7	22.3	22.3	23.4	25.0	25.5
<b>Debt (% of GDP)</b>	50.1	48.7	47.0	43.0	43.0	42.8
<b>Primary balance (% of GDP)</b>	-3.0	-1.4	-0.3	0.0	-0.2	-0.4
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	11.7	11.7	11.1	10.7	10.8	11.0
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	28.2	28.3	26.9	25.7	26.0	26.2
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	72.8	72.8	72.1	70.1	69.9	69.9
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	2.2	2.6	2.4	3.6	3.3	3.4

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2019-EPCV. Actual data: 2019. Nowcast: 2020-2024. Forecasts are from 2025 to 2027.

2/ Projections using microsimulation methodology.

# MAURITIUS

Economic growth is expected to stabilize at 3.4 percent in 2026–2027, after slowing to 3.0 percent in 2025 as tourism and construction moderate. The poverty rate is projected to fall from 13 to 11 percent by 2027. Fiscal consolidation is anticipated to reduce public debt from 87 percent of GDP in 2024 to 82 by 2027. Risks include global economic uncertainty and domestic policy slippages.

## Key conditions and challenges

Mauritius is an upper-middle-income archipelagic country with a population of 1.3 million and a diversified economy driven by tourism, fisheries, manufacturing, and financial services. Sustained average annual growth of 4–6 percent in the decades preceding the COVID-19 pandemic enabled it to briefly reach high-income status in 2020. However, the pandemic reversed these gains, and Mauritius has yet to regain high-income status.

Regaining and sustaining high-income status will require Mauritius to address key structural challenges stemming from its remoteness, climate, and geography. High vulnerability to climate shocks, such as tropical cyclones and prolonged droughts affect GDP, with direct losses from tropical storms and floods averaging about 0.8 percent of GDP annually. Productivity growth remains low in traditional and low-innovation sectors such as agriculture and manufacturing, the island economy depends on imports, particularly for food and fuel and its electricity remains largely reliant on oil-fueled thermal generation. The government faces macro-fiscal challenges as rising commitments on public pensions and tax allowances continue to strain resources thus narrowing fiscal space. At the same

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$8.30/day
1.3	0.2
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
73.4	110.9
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
14.8	11785.6

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2017 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

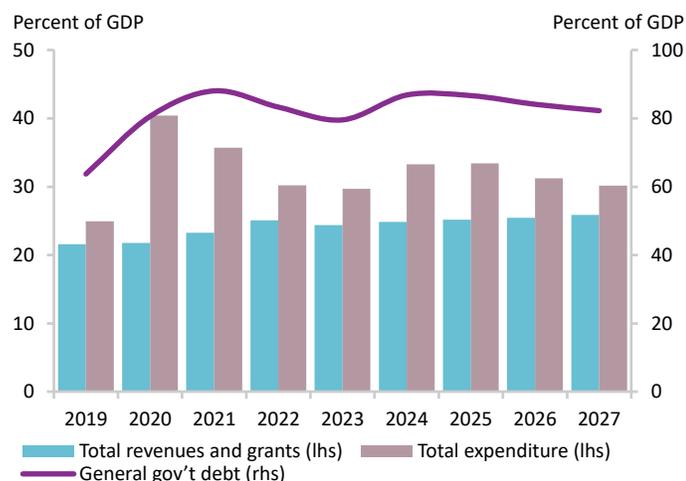
time, progress on public infrastructure and climate adaptation and mitigation also pose challenges to achieving broader development objectives. Poverty at the international upper middle-income line is relatively low at 13 percent, but income inequality remains significant, with a Gini index of 37 percent, driven by low female labor force participation of 47 percent. At the same time, high youth unemployment of 17 percent and widespread labor informality deepens poverty and inequality.

## Recent developments

Growth for 2024 is estimated at 4.7 percent, driven by the construction and financial services sector, each contributing about 0.7 percentage points to growth. Year-to-date visitor arrival grew modestly by 3 percent as of July 2025, while growth in the construction sector slowed due to completion of public infrastructure projects coupled with a moderation in foreign investment flows.

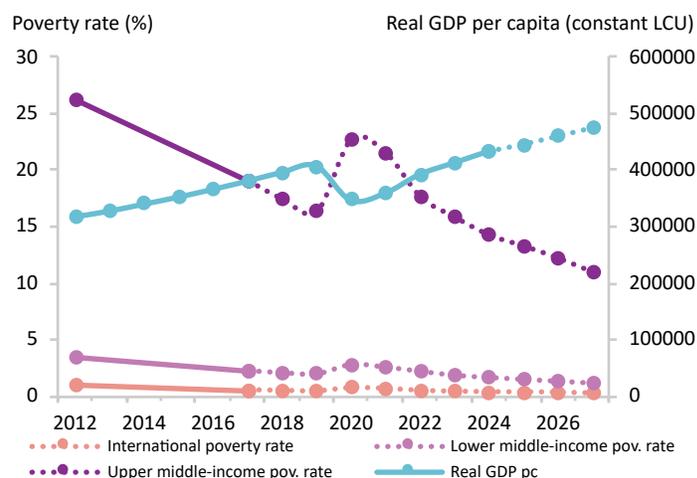
External buffers increased with gross international reserves rising 16.7 percent (year-on-year) to \$9.3 billion by July—equivalent to 13.1 months of import cover. Goods exports have stagnated amid weaker demand from the United States and Europe.

FIGURE 1 / Fiscal revenues, expenditure, and financing needs



Source: World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

However, robust demand from Africa has increased exports to non-traditional markets.

In February 2025, the Bank of Mauritius (BOM) raised its policy rate by 50 basis points to 4.5 percent in response to pressures from higher service costs and wage increases. Inflation stood at 5.2 percent in July (year-on-year) as prices adjusted to higher excise taxes on demerit goods, which became effective in June 2025. However, BOM has kept its key rate unchanged in August as it continues to monitor global and domestic conditions. The employment rate remained broadly stable at 94 percent in Q1 2025, albeit with a 2 percent decline in both total employment and labor force participation.

Fiscal policy remained expansionary in the first half of 2025, with public sector debt reaching 86 percent of GDP by June 2025. To reduce the fiscal deficit, the FY2025/26 budget lowered the VAT income threshold, increased excise taxes on demerit goods and motor vehicles, and introduced additional contributions from high-income individuals and corporations through fair-share and alternative minimum taxes. The government also aims to gradually raise the Basic Retirement Pension age from 60 to 65 over the next five years, while rationalizing social benefit allowances.

## Outlook

Real GDP growth is projected to stabilize at around 3.4 percent in 2026–2027, following a deceleration to 3.0 percent in 2025, due to a moderation in tourism and construction activities. Imports are

expected to ease due to lower international oil prices, while exports are expected to grow modestly, narrowing the current account deficit to 4.7 percent of GDP. Inflation is projected to average 3.6 percent in 2025, within the central bank's target range, supported by moderations in commodity prices.

Fiscal measures, combined with lease payments from the Chagos Archipelago, are projected to reduce the fiscal deficit from 8.2 percent of GDP in 2025 to 5.9 of GDP in 2026, and 4.4 percent of GDP in 2027. Achieving this remains contingent on fiscal discipline and the completion of formal procedures by the UK government. Basic pension reforms have advanced but carry risks associated with stakeholder interest. GDP growth, combined with sustained social assistance averaging 7 percent of GDP, is expected to reduce the number of people living in poverty by 29,000, lowering the poverty rate to around 11 percent by 2027.

Risks are tilted to the downside. Further losses in export competitiveness and weaker external demand could weigh on growth. Lower-than-expected tax revenue and delays in pension reforms could weaken the pace of fiscal consolidation and heighten debt sustainability concerns, while higher corporate income tax could curb private investment and erode competitiveness. On the upside, faster resolution of global conflicts and improvements in domestic maritime logistics could support stronger exports and growth. Decisive reforms on renewable energy and water can unlock private investments that generate growth and jobs. Over the medium term, while pension reforms may affect the elderly poor, they would also free up resources for more targeted social protection and investment in public infrastructure.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices<sup>1</sup></b>	8.7	5.0	4.7	3.0	3.4	3.4
Private consumption	3.7	3.4	3.1	2.3	2.3	2.2
Government consumption	6.4	-3.2	6.3	7.0	2.8	1.9
Gross fixed capital investment	6.2	12.5	12.9	9.1	12.0	12.0
Exports, goods and services	41.6	-1.9	2.8	1.3	1.2	1.1
Imports, goods and services	10.4	4.2	5.4	4.5	3.5	3.5
<b>Real GDP growth, at constant factor prices</b>	9.7	4.9	4.6	3.0	3.4	3.4
Agriculture	5.5	13.9	5.9	2.7	2.7	2.6
Industry	6.8	6.7	8.1	2.6	2.7	2.9
Services	10.7	4.0	3.6	3.1	3.6	3.6
<b>Employment rate (% of working-age population, 15 years+)</b>	52.5	52.6	52.4	53.7	54.2	54.3
<b>Inflation (consumer price index)</b>	10.8	7.0	3.6	3.6	3.6	3.5
<b>Current account balance (% of GDP)</b>	-11.1	-4.6	-4.9	-4.7	-6.1	-5.0
<b>Net foreign direct investment inflow (% of GDP)</b>	-72.4	-3.0	-4.3	-2.4	-2.5	-2.5
<b>Fiscal balance (% of GDP)<sup>2</sup></b>	-5.1	-5.3	-8.4	-8.2	-5.8	-4.3
<b>Revenues (% of GDP)</b>	25.1	24.4	24.8	25.2	25.5	25.9
<b>Debt (% of GDP)<sup>2</sup></b>	83.3	79.6	86.9	86.7	84.2	82.3
<b>Primary balance (% of GDP)<sup>2</sup></b>	-2.7	-2.6	-5.6	-5.3	-3.0	-1.8
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>3,4</sup></b>	0.5	0.4	0.4	0.3	0.3	0.2
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>3,4</sup></b>	2.2	1.8	1.7	1.5	1.3	1.1
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>3,4</sup></b>	17.7	15.8	14.3	13.3	12.2	11.0
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	1.6	1.6	2.3	1.5	2.4	2.7

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Historical demand-side data is being revised due to a consistency problem.

2/ Fiscal balances are reported in fiscal years (July 1st - June 30th). For the purpose of this report, the fiscal year data has been converted to calendar year data.

3/ Calculations based on 2017-HBS. Actual data: 2017. Nowcast: 2018-2024. Forecasts are from 2025 to 2027.

4/ Projection using neutral distribution (2017) with pass-through = 0.7 (Med (0.87)) based on GDP per capita in constant LCU.

# MOZAMBIQUE

Economic growth is expected to remain subdued at 1.8 percent in 2025 due to post-electoral disruptions, fiscal pressures, and foreign exchange shortages. Growth is projected to strengthen to 3 percent in 2026 and 3.5 percent in 2027. Poverty is likely to persist at around 81 percent due to weak growth and limited job creation. Risks to the outlook include limited fiscal consolidation, heightened fragility, and natural hazards.

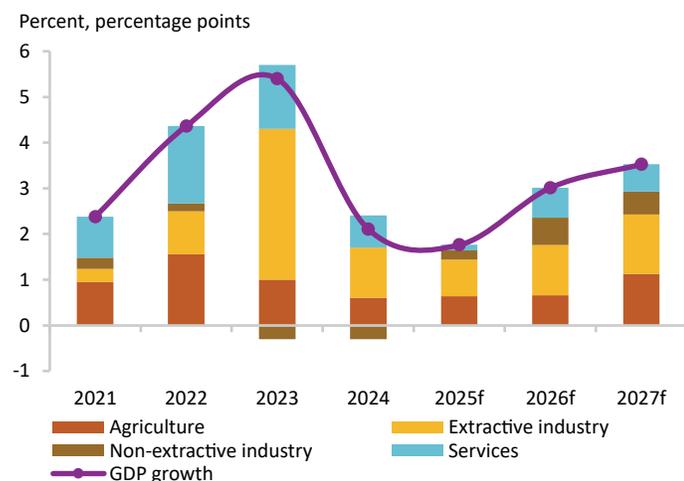
## Key conditions and challenges

The economy has faced persistent challenges since 2015, including the hidden debt crisis, cyclones, COVID-19, insurgency in the north, and the recent post-electoral unrest. Growth remains fragile, heavily reliant on extractives. Real gross national income (GNI) per capita declined by 0.1 percent between 2016 and 2024.

Agriculture employs over 70 percent of the population but struggles with low productivity, climate-related vulnerabilities, and insufficient investment in infrastructure and inputs. Rural poverty remains entrenched, and the informal sector dominates the labor market, accounting for over 80 percent of employment. Widespread informality, weak infrastructure, low human capital, and business constraints limit productivity growth and structural transformation.

Fiscal pressures have intensified, further worsening the already high risk of debt distress. In 2024, the wage bill and interest payments absorbed 91 percent of tax revenues, leaving limited resources for critical public investments in education, healthcare, and infrastructure.

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



Sources: National Bureau of Statistics and World Bank estimates.

Population <sup>1</sup> million	34.6	Poverty <sup>2</sup> millions living on less than \$3.00/day	26.6
Life expectancy at birth <sup>3</sup> years	63.6	School enrollment <sup>4</sup> primary (% gross)	120.0
GDP <sup>5</sup> current US\$, billion	22.7	GDP per capita <sup>6</sup> current US\$	656.7

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

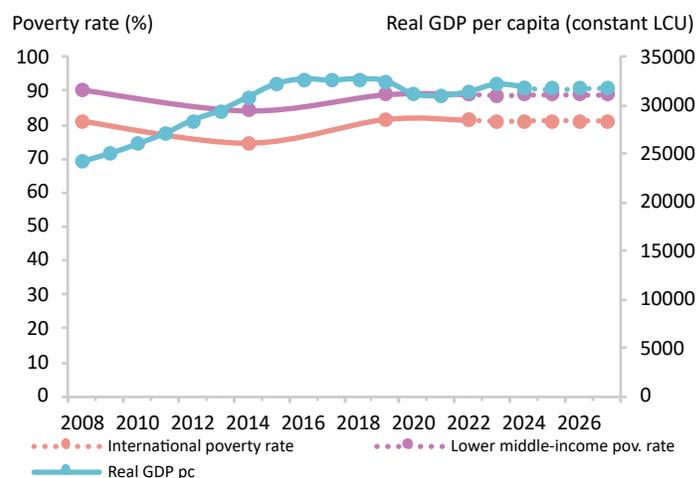
The poverty rate is estimated to be 81 percent in 2025 at the \$3.0-a-day poverty line. Inequality is widespread, particularly between urban and rural areas, where access to basic services is limited.

## Recent developments

Real GDP decreased by 2.4 percent year-on-year in H1 2025, driven by declines in industry and services. The economy remains fragile, affected by lingering post-election unrest, fiscal pressures, foreign exchange shortages, and declining investor confidence. The additional impact of the gas sector on growth, including the Coral South project, is limited since the project reached full capacity in 2024.

Headline inflation declined to 4 percent in the first seven months of 2025, reflecting improved cross-border trade with South Africa that lowered food prices. Consequently, the Central Bank continued to ease monetary policy, lowering the reference rate to 10.25 percent by July 2025 and reducing the reserve requirement on local-currency deposits from 39 to 29 percent. Credit to the private sector remains subdued, at 4 percent year-on-year in H1 2025.

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



Source: World Bank. Notes: See footnotes in table on the next page.

The current account deficit widened slightly to 11.6 percent of GDP in H1 2025 (from 11.0 percent a year earlier), despite foreign exchange shortages that constrained imports. Exports fell to 30 percent of GDP (from 31), due to weaker commodity sales, while imports declined to 33 percent of GDP (from 36), reflecting lower demand for fuel and capital goods. International reserves reached \$3.9 billion (5.4 months of imports, excluding megaprojects). Still, FX shortages intensified, limiting banks' ability to meet import demand for fuel and essential goods. The metical has held at 63.9 per US dollar since 2021, but pressures in the parallel market have increased, with the premium rising to 9 percent in Q3 2025.

On the fiscal side, total revenue rose by 1.2 percentage points of GDP in H1 2025, supported by higher grants, while expenditure remained broadly stable, though the wage bill increased by 0.8 points of GDP. Consequently, the overall deficit narrowed by 0.6 points of GDP. Financing relied on treasury bills and central bank borrowing, as no new bonds were issued. Meanwhile, two debt reprofiling operations were carried out, pushing domestic debt to 29 percent of GDP by June 2025. In February, S&P downgraded domestic debt to 'selective default'.

## Outlook

GDP growth is projected at 1.8 percent in 2025, rising gradually to 3.5 percent by 2027, supported by a rebound in agriculture and services. Inflation is expected to remain at 4.0 percent in 2025–26, before edging up to 4.5 percent in 2027. Poverty will remain high at 81 percent, but rapid population growth will add 1.6 million more poor people, raising the total to 30.5 million by 2027. Accelerating public and private investments in key sectors such as energy,

agribusiness, and tourism is essential to reducing poverty in the medium term.

The current account deficit is projected at 11 percent of GDP in 2025, widening to 31 percent by 2027 as megaproject investments resume, particularly the TotalEnergies liquefied natural gas (LNG) project, driving imports of capital goods and services. This will offset gains from stronger coal and gas exports. The deficit is expected to be financed mainly by foreign direct investment inflows tied to LNG.

The fiscal deficit is expected to widen to 6.2 percent of GDP in 2025, as no major consolidation measures have been announced yet. This deterioration reflects lower revenues and an increasing wage bill and domestic debt service. Over the medium term, meaningful consolidation will depend on containing the wage bill through measures such as stricter hiring controls, limits on allowances and overtime, and a revision of the salary scale, and on enhancing domestic revenue mobilization by reducing tax expenditures and improving compliance. Public debt is projected to peak at 97 percent of GDP in 2025 and to remain elevated, driven by increased domestic borrowing.

The outlook faces downside risks from severe climate events, delays in LNG projects, a deteriorating security situation in the North, and increasing fiscal and foreign exchange pressures. Without fiscal consolidation measures, future LNG resources may end up covering the costs of current inefficient spending instead of funding development investments later. However, these risks could be reduced if the government manages to capitalize on emerging investment opportunities, particularly in energy (hydro and gas) and logistic corridors.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	4.4	5.5	2.1	1.8	3.0	3.5
Private consumption	7.2	9.1	-0.2	3.1	2.0	3.7
Government consumption	5.1	6.7	7.4	4.8	3.8	3.0
Gross fixed capital investment	23.8	-42.5	-16.0	-6.6	1.8	5.2
Exports, goods and services	26.5	-5.9	-3.4	3.2	5.0	7.0
Imports, goods and services	30.9	-25.3	-10.7	2.0	2.8	6.6
<b>Real GDP growth, at constant factor prices</b>	4.7	6.8	2.0	1.8	3.0	3.5
Agriculture	5.5	3.8	2.3	2.4	2.5	4.3
Industry	4.6	13.9	2.4	2.7	4.3	4.1
Services	3.9	4.0	1.2	0.4	2.4	2.2
<b>Employment rate (% of working-age population, 15 years+)</b>	76.3	76.2	76.1	76.1	76.1	76.1
<b>Inflation (consumer price index)</b>	10.9	4.3	3.2	4.0	4.0	4.5
<b>Current account balance (% of GDP)</b>	-33.7	-10.6	-11.2	-11.6	-20.6	-31.5
<b>Net foreign direct investment inflow (% of GDP)</b>	13.0	12.0	15.6	15.4	22.7	25.7
<b>Fiscal balance (% of GDP)<sup>1</sup></b>	-4.9	-1.6	-6.1	-6.2	-4.6	-3.4
<b>Revenues (% of GDP)</b>	27.8	29.0	27.1	25.9	26.4	27.4
<b>Debt (% of GDP)</b>	100.3	90.6	89.7	97.0	96.1	95.5
<b>Primary balance (% of GDP)<sup>1</sup></b>	-2.0	2.2	-2.0	-1.9	-1.2	0.2
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>2,3</sup></b>	81.4	80.8	81.0	81.1	81.0	81.0
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>2,3</sup></b>	89.1	88.8	88.9	88.9	88.9	88.9
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	4.1	1.8	1.2	1.0	1.7	1.8

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Figure includes once-off capital gains revenues in 2017, estimated at 2.7 percent of GDP.

2/ Calculations based on 2022-IOF. Actual data: 2022. Nowcast: 2023-2024. Forecasts are from 2025 to 2027.

3/ Projection using neutral distribution (2022) with pass-through = 0.7 (Med (0.87)) based on GDP per capita in constant LCU.

# NAMIBIA

GDP growth is forecasted to dip to 3.1 percent in 2025 before rising to 3.5 percent in 2026. Major new energy projects could boost medium-term growth. With lower SACU revenues, prudent fiscal policy should remain a priority to support a reduction in the debt to GDP ratio. In the context of modest growth and high unemployment, poverty is projected to remain high at 27.5 percent in 2025, based on the new international poverty line of \$3 per day.

## Key conditions and challenges

GDP grew steadily at an average of 4.3 percent from 1990 to 2015, supported by sound macroeconomic management, capital deepening, and spillovers from the commodity super cycle. Resource wealth was utilized to enhance access to public services, such as health and education, and expand social protection, contributing to poverty reduction. Based on the new international poverty line of \$3 per day in 2021 purchasing power parity (PPP) prices, the poverty rate decreased from 47.6 percent in 2003/04 to 22.9 percent in 2015/16.

Since 2016, Namibia's economic performance has been uneven, mainly marked by recession through 2020 due to recurrent drought, the pandemic shock, and declining investment. The rebound from the COVID-19 pandemic was modest and primarily led by the mineral sector that benefited from renewed foreign direct investment (FDI) and favorable commodity prices. GDP has recovered above pre-COVID levels, but output in some sectors, including manufacturing, is still lower. Real per capita income remains below its 2015 peak. The 2023 census showed Namibia's population was about 15 percent larger than previously estimated and as a result Namibia was reclassified from upper- to lower-middle-income in 2025.

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$3.00/day
3.0	0.5
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
67.4	133.5
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
13.4	4411.0

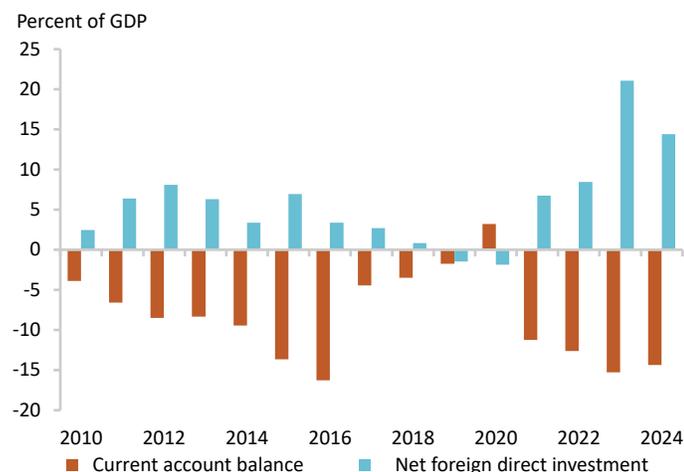
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2015 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2024. 6/ 2024.

Despite some progress since its independence in 1990, socio-economic challenges remain significant. Growth is insufficient to generate enough jobs and reduce poverty. Only 547,000 people are employed (excluding own-use production work) out of a working-age population of 1.87 million. Unemployment, currently at 36.9 percent and exacerbated by skills shortages, and inequality (Gini index at 59.1) are among the highest in the world. Changes in trade policies around the globe and related uncertainty add to preexisting domestic challenges. Fostering private investment, improving productivity, and closing gaps in education remain crucial for supporting stronger and more inclusive economic growth.

## Recent developments

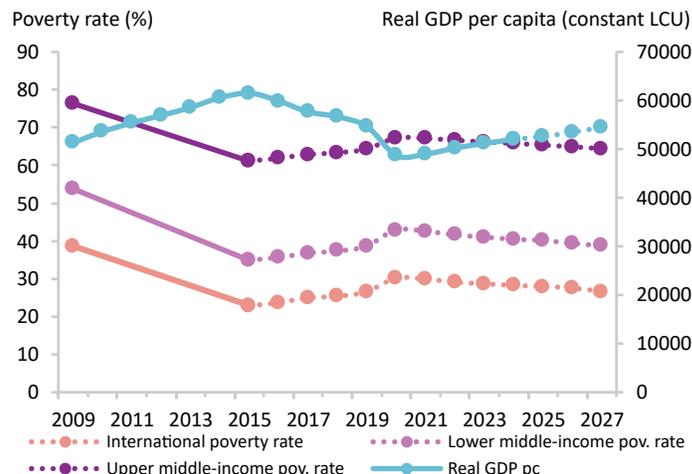
The economy expanded by about 3 percent during H12025, a slower pace compared to the same period in 2024. GDP growth was largely driven by the non-mining sector—mainly retail trade, financial services, and government activities—while diamond production experienced a decline due to lower global demand. Agricultural output decreased, reflecting lagged effects of drought conditions in FY2023/24, particularly for livestock. In July, the government launched National Development Plan 6, which anchors the

FIGURE 1 / Foreign direct investment and current account balance



Sources: WDI and World Bank staff estimates.

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



Source: World Bank. Notes: See footnotes in table on the next page.

country's development agenda for the next five years on the goals of wealth creation, improved equality, and employment creation.

Declining Southern African Customs Union (SACU) receipts since the second quarter of 2025, increased FDI-related imports, and higher dividend payments contributed to a deterioration in external balances during the first half of 2025. The preliminary current account deficit rose to 24.5 percent of GDP in the first quarter, up from 19.1 percent in the corresponding period in 2024. These deficits have been financed by FDI inflows, which amounted to approximately 23 percent of GDP in the first quarter, highly concentrated in the energy and mining sectors.

Fiscal policy remains prudent even as the government's deficit increased to 3.9 percent of GDP in FY2024/25, up from 2.4 percent in FY2023/24. The wider deficit was due partly to a larger wage bill, spending on drought relief, and transfers to state entities. Public debt increased slightly to 70.3 percent of GDP (including guarantees) but the ratio remains below the post-COVID-19 peak.

The Bank of Namibia has kept its policy rate unchanged at 6.75 percent following a 25 basis point reduction in February 2025. Annual inflation was moderate at 3.5 percent in July.

## Outlook

GDP growth is projected to rise to 3.5-3.8 percent over the medium term from 3.1 percent in 2025. The projections do not include the potential positive impacts of large new energy projects that are at the feasibility stage. These could attract additional FDI and significantly boost GDP over the next five years. Growth in the emerging

green industrial sector may also further support the country's overall economic performance.

The near-term outlook is bolstered by lower interest rates and inflation. However, elevated global trade uncertainties and a weak diamond market are expected to weigh on economic activity. Headline inflation is projected to average 3.7 percent in 2025, stabilizing slightly above 4.0 percent thereafter. With stable but still moderate growth prospects and persistently high unemployment, the poverty rate is projected to remain high at an estimated 27.9 percent (approximately 860,000 individuals) in 2025, based on the \$3 per day international poverty line (2021 PPP).

SACU receipts are expected to drop by about 25 percent in FY2025/26, worsening fiscal and external balances. The fiscal deficit is expected to widen to 5.3 percent of GDP, as falling SACU revenues outweigh spending cuts after one-off costs in FY2024/25, including the payment of state-owned enterprise tax liabilities. High debt service and a large public wage bill continue to limit fiscal space. However, higher GDP growth and part repayment of the \$750 million Eurobond due October 29, 2025 using reserves are expected to bring the debt-to-GDP ratio down over the medium term.

Risks to the outlook remain balanced. The development of large-scale projects in green hydrogen and petroleum, following oil and gas discoveries in recent years, could stimulate growth and generate additional fiscal revenues in the long term. However, climate-related shocks and geopolitical uncertainties pose downside risks. Considering declining SACU receipts, fiscal policy is expected to prioritize expenditure restraint to support debt reduction objectives over the medium term.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	5.4	4.4	4.0	3.1	3.5	3.8
Private consumption	9.5	4.7	13.4	5.0	5.5	5.5
Government consumption	0.6	1.3	3.2	1.5	1.0	0.9
Gross fixed capital investment	9.9	68.9	-7.9	4.2	8.1	9.2
Exports, goods and services	23.2	13.3	2.0	1.1	4.3	5.0
Imports, goods and services	23.0	22.4	8.7	3.8	6.4	6.9
<b>Real GDP growth, at constant factor prices</b>	4.6	4.3	3.5	3.1	3.5	3.8
Agriculture	1.7	-3.2	-2.7	-2.5	2.0	2.0
Industry	11.3	9.6	2.1	0.2	3.6	4.5
Services	2.2	3.0	4.9	5.2	3.7	3.7
<b>Employment rate (% of working-age population, 15 years+)</b>	47.5	47.8	47.9	47.9	47.9	47.9
<b>Inflation (consumer price index)</b>	6.1	5.9	4.2	3.7	4.1	4.5
<b>Current account balance (% of GDP)</b>	-12.6	-15.3	-14.4	-15.4	-16.1	-16.5
<b>Net foreign direct investment inflow (% of GDP)</b>	8.4	21.1	14.4	11.2	12.1	13.1
<b>Fiscal balance (% of GDP)</b>	-5.1	-2.4	-3.9	-5.3	-4.5	-4.0
<b>Revenues (% of GDP)</b>	30.4	35.1	36.5	33.7	33.6	33.6
<b>Debt (% of GDP)<sup>1</sup></b>	71.7	69.4	70.3	68.7	68.4	67.1
<b>Primary balance (% of GDP)</b>	-0.7	3.0	1.4	-0.1	0.3	0.6
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>2,3</sup></b>	29.0	28.6	28.2	27.9	27.5	26.6
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>2,3</sup></b>	41.6	41.0	40.5	40.2	39.4	38.8
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>2,3</sup></b>	66.7	66.2	65.8	65.4	64.9	64.4
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-9.4	-1.7	2.7	3.7	2.5	2.0

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Refers to Public and Publicly Guaranteed debt.

2/ Calculations based on 2015-NHIES. Actual data: 2015. Nowcast: 2016-2024. Forecasts are from 2025 to 2027.

3/ Projection using neutral distribution (2015) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

# NIGER

Growth in 2025 is expected at 6.5 percent (3.1 percent per capita), driven by oil exports, with inflation expected to average 4.2 percent, and extreme poverty incidence is projected to fall by 2.8 points. In response to fiscal challenges, authorities adopted a revised budget with conservative revenue estimates and reduced investment. Growth is projected to average 6.7 percent in 2026–2027, as oil production nears full capacity, though risks remain.

## Key conditions and challenges

Niger's economy, driven largely by rainfed agriculture (around 40 percent of GDP), is highly vulnerable to climate shocks. With low productivity and high population growth, roughly half the population lives in extreme poverty, a situation compounded by gender inequality and weak human capital. The completion of the Niger-Benin pipeline in May 2024 increased the oil sector's contribution to exports, government revenues, and GDP, raising exposure to external shocks.

Niger's development has been strained since the July 2023 regime change, which triggered the reduction of external financing and seven months of Economic Community of West African States (ECOWAS) and West African Economic and Monetary Union (WAEMU) sanctions. The authorities announced a five-year transition (2025–2030), extendable subject to security conditions, under a charter—a legal text defining the institutions and governing framework—with the force of a constitution. Niger is strengthening economic and political cooperation with Mali and

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$3.00/day
27.0	14.8
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
61.2	68.5
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
19.9	735.3

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

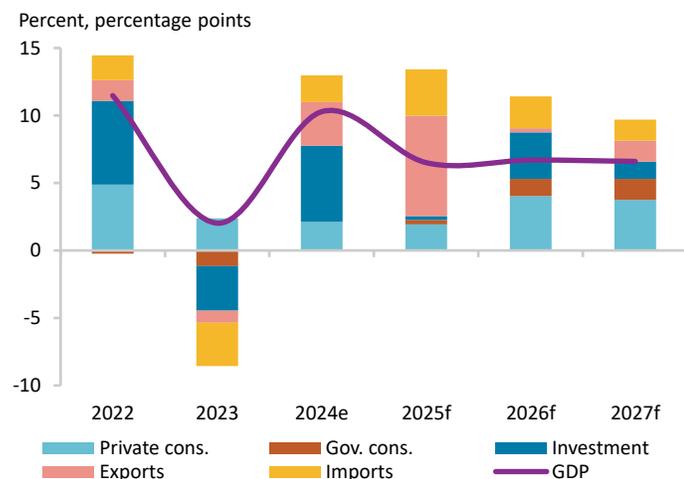
Burkina Faso within the Confederation of Sahel States (AES), while remaining in WAEMU.

Aid-financed social sector jobs fell as external funding declined, with the formal employment share dropping from 78.5 percent of total (2021–2023) to 69.8 percent in 2024. Conversely, large-scale oil production boosted formal extractive jobs, with their share rising from 3.2 to 12 percent. On the humanitarian front, more than 2.6 million people are projected to require urgent assistance in 2025 due to floods, drought, and mass displacement compounded by scarce resources and limited local and regional capacity.

## Recent developments

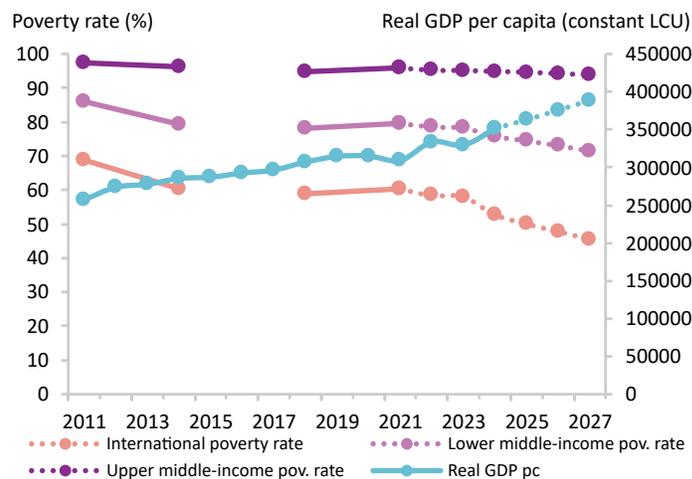
GDP growth in 2025 is estimated at 6.5 percent (3.1 percent per capita), driven by an expected increase in oil production to 28 million barrels. On the supply side, in addition to industry (oil), agriculture is expected to contribute 2.4 percentage points (pps) to growth. Exports, driven by oil, is expected to be the main driver on the demand side (+7.4 pps), followed by private consumption (+1.9 pps). Inflation turned negative in Q2 2025 and

FIGURE 1 / Real GDP growth and demand-side contributions to real GDP growth



Source: World Bank staff estimates.

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



Source: World Bank. Notes: See footnotes in table on the next page.

is expected to average 4.2 percent for the year—down from 9.1 percent in 2024—reflecting lower food prices and a high base effect from 2024's surge. With strong economic growth and controlled inflation, the extreme poverty rate is projected to drop from 52.9 percent in 2024 to 50.1 percent in 2025, lifting nearly 310,000 people out of poverty. Private investment is expected to weaken as the Niger–Benin border remains closed and bank liquidity stays tight. Fragilities are mounting: deposits fell by 3.4 percent in 2024; by May 2025, non-performing loans (NPLs) rose to 27.6 percent and solvency fell to 3.6 percent—well below WAEMU's 11.5 percent norm.

In response to tightening fiscal conditions, the authorities adopted a supplementary budget with conservative revenues and a 2.4 percent of GDP cut to mainly investment spending, removed 1.2 percent of GDP in grants amid lower aid, and introduced broad VAT exemptions covering primary producers and high-consumption goods. The fiscal deficit is, therefore, projected to narrow to 3.2 percent of GDP in 2025. The January 2025 Debt Sustainability Analysis rates overall debt distress risk as high amid lower revenues projections. The government plans to clear domestic and external arrears by end-2025, but tighter regional bond markets—higher rates, shorter maturities, and weaker demand—have raised rollover risks.

The WAEMU inflation rate declined to 3.5 percent in 2024, remaining above the WAEMU target band of 1–3 percent, while the regional foreign reserves increased to 4.6 months of imports. After having maintained its monetary policy unchanged since end-2023, the Central Bank of West African States (BCEAO) reduced its key policy interest rates in June 2025 by 25 basis points, lowering the liquidity call rate to 3.25 percent and the marginal lending facility rate to 5.25 percent.

## Outlook

GDP growth is projected to average 6.7 percent in 2026–2027, driven by oil output nearing full capacity at 106,000 bpd and stronger private and public consumption. Public spending should accelerate after mid-2026, when repayment of a US\$400 million oil-backed loan allows 80 percent of oil revenues to flow back to the budget. Clearing domestic arrears in 2025 and receiving higher oil receipts will support both private and public investment in 2026. Inflation is projected to ease to 2 percent by 2027—within WAEMU's 1–3 percent target—driven by falling food prices from sustained good harvests, local cereal export limits, and ample global cereal supplies. With stronger growth, extreme poverty is projected to decline by about 440,000 people by 2027, reducing the rate to 45.6 percent (down 4.5 points from 2025).

The regional inflation rate is expected to align with the WAEMU target band from 2025 onwards, while regional reserves are projected to rise slightly to 4.7 months of imports in 2025, supported by recovering exports.

The fiscal deficit is projected to narrow to 3.0 percent of GDP and public debt to decline to 42.6 percent by 2027, although domestic financing conditions will remain tight. Medium-term revenue will benefit from reforms in tax code, revenue digitalization, and customs improvements. The current account deficit is expected to widen from 2026 as imports rise with higher consumption.

The outlook is subject to significant downside risks, including climate shocks, a deteriorating security situation, oil price volatility, tighter financing conditions, and further trade disruptions from prolonged border closures.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	11.5	2.0	10.3	6.5	6.7	6.6
Private consumption	7.0	3.5	3.1	3.0	6.5	6.1
Government consumption	-1.2	-7.0	-0.3	2.5	9.7	11.7
Gross fixed capital investment	24.2	-12.6	20.2	0.9	12.0	4.2
Exports, goods and services	14.4	-8.1	32.5	62.1	1.7	9.0
Imports, goods and services	6.5	-12.0	8.5	15.2	9.6	6.1
<b>Real GDP growth, at constant factor prices</b>	11.6	2.1	10.3	6.5	6.7	6.6
Agriculture	27.0	3.1	15.2	5.7	6.3	6.8
Industry	-0.4	3.5	12.4	12.7	9.5	8.9
Services	4.6	0.4	3.6	3.8	5.3	4.8
<b>Employment rate (% of working-age population, 15 years+)</b>	72.9	73.1	73.1	73.1	73.1	73.1
<b>Inflation (consumer price index)</b>	3.9	3.7	9.1	4.2	3.2	2.0
<b>Current account balance (% of GDP)</b>	-9.8	-9.3	-6.1	-3.5	-5.2	-4.0
<b>Net foreign direct investment inflow (% of GDP)</b>	3.9	3.2	1.5	1.7	1.8	1.6
<b>Fiscal balance (% of GDP)</b>	-6.8	-4.4	-4.3	-3.2	-3.1	-3.0
<b>Revenues (% of GDP)</b>	14.9	11.6	9.1	11.1	11.5	12.0
<b>Debt (% of GDP)</b>	51.7	54.7	46.8	44.0	42.9	42.6
<b>Primary balance (% of GDP)</b>	-5.8	-3.2	-2.5	-1.9	-2.0	-2.0
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	58.5	58.2	52.8	50.0	47.9	45.5
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	78.6	78.3	75.9	74.5	73.1	71.5
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	95.2	95.2	94.9	94.5	94.1	93.8
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	4.9	3.9	5.1	4.9	5.1	5.0

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2021-EHCVM. Actual data: 2021. Nowcast: 2022–2024. Forecasts are from 2025 to 2027.

2/ Projections using microsimulation methodology.

# NIGERIA

Nigeria is set for higher growth, yet per capita gains remain low keeping poverty high with sticky inflation. Sustaining reforms that lower inflation, strengthen revenues, and channel savings from subsidy removals toward inclusive, pro-growth spending is key. Risks from external shocks, security challenges, and election uncertainties could undermine progress.

## Key conditions and challenges

Reforms initiated over the past two years have helped stabilize the economy and build buffers. Growth is accelerating, reserves have increased, and the fiscal situation has improved, easing debt pressures. However, poverty is still rising as persistent inflation continues to erode the purchasing power of households. Concerted efforts are needed to reduce price pressures and accelerate the roll-out of targeted social protection initiatives.

Structural policies are also necessary to drive sustainable and inclusive growth, with a focus on addressing infrastructure gaps, market distortions and bottlenecks to non-oil exports, which continue to limit productivity gains and diversification. Human capital investment is also key to equipping the current and future workforce with required skills.

## Recent developments

The economic acceleration observed in 2024 has been sustained into early 2025 and growth increased to 3.9 percent

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$4.20/day
232.7	142.9
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
54.5	86.7
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
250.2	1075.4

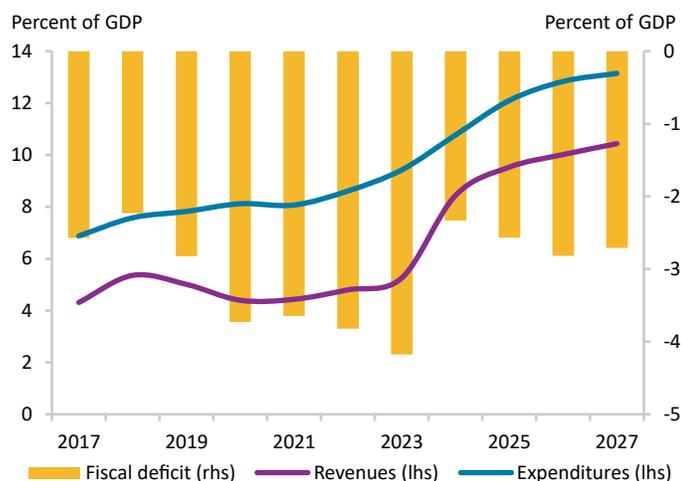
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2021. 5/ 2024. 6/ 2024.

in H1 2025, up from 3.5 percent in H1 2024. The ongoing economic expansion is driven by the financial sector and the Information and Communication Technologies (ICT). The industrial sector also expanded with exchange rate stability and a competitive naira. The agricultural sector experienced a modest recovery, supported by increased public spending.

Price pressures remain elevated, necessitating sustained monetary policy efforts to re-anchor inflation expectations. Though it remains high, inflation has been declining, reaching 20.1 percent in August 2025, down from 24.5 percent in March 2025. Domestic food inflation has remained stubbornly high, pointing to underlying structural issues.

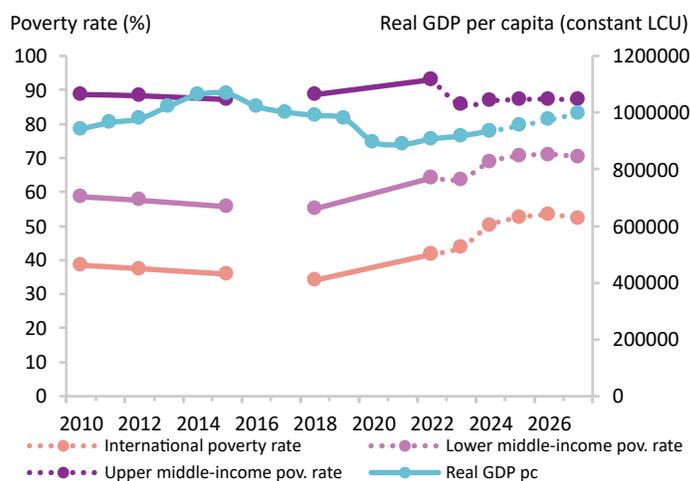
The Federation's fiscal position remained broadly neutral, with the deficit projected at 2.6 percent of GDP in 2025, compared to 2.3 percent in 2024. The modest widening reflects higher wage costs from the new minimum wage, rising interest payments, and a surge in capital spending. These pressures were partially offset by stronger non-oil revenues, as gross VAT, corporate taxes, and customs revenues increased by 1.2 percent of GDP in H1-2025.

FIGURE 1 / Revenues, expenditures, and deficit



Sources: Nigerian National Bureau of Statistics, WDI, and World Bank.

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



Sources: World Bank. Notes: See footnotes in table on the next page.

The current account surplus is projected to slightly from 6.9 percent of GDP in 2024 to 6.7 percent in 2025. Non-oil exports remained strong while petroleum imports fell with reduced smuggling after the Premium Motor Spirit (PMS) subsidy removal and expansion in local refining. Gross reserves increase to \$41.2 billion by end-August 2025.

Despite increased minimum wages, labor incomes have not kept up with inflation, pushing an additional 8 million Nigerians into extreme poverty in 2025 and with more than half of all Nigerians (52.5 percent measured at the international poverty line of US\$ 3.00 based on the 2021 PPPs) now forecasted to live in extreme poverty.

## Outlook

Growth is projected to accelerate to 4.4 percent in 2027, led by expansion in services. Agriculture is expected to grow steadily; yet insecurity, climate change shocks and low productivity could continue to constrain its growth.

Inflation is projected to decline to 15.8 percent in 2027, reflecting the impact of monetary policy, improved agricultural output, and easing global commodity prices.

The fiscal deficit is expected to reach 2.7 percent of GDP by 2027. Gains from higher revenues and declining interest payments, are expected to be offset by increased capital and social spending. Nigeria's debt burden remains moderate.

The current account surplus is projected to narrow to 6.1 percent of GDP in 2027, as effects from import substitution in refined petroleum products offset lower oil export earnings.

The outlook faces several risks, including heightened global uncertainties, climate shocks, reform fatigue and election-related uncertainties.

Poverty is projected to continue increasing to 53.4 percent in 2026 before starting to decline marginally in 2027. Reforms to boost livelihoods, especially for the poor through more productive work, are key to reversing high levels of poverty.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices<sup>1</sup></b>	4.3	3.3	4.1	4.2	4.4	4.4
<b>Real GDP growth, at constant factor prices<sup>1</sup></b>	4.3	3.0	3.4	4.0	4.2	4.3
Agriculture	2.5	1.2	1.7	2.0	2.3	2.5
Industry	10.2	4.0	2.8	4.1	3.7	3.7
Services	3.6	3.7	4.4	5.0	5.2	5.3
<b>Inflation (consumer price index)<sup>2</sup></b>	18.8	24.7	33.2	23.8	19.5	15.8
<b>Current account balance (% of GDP)</b>	0.5	1.2	6.9	6.7	6.1	6.2
<b>Net foreign direct investment inflow (% of GDP)</b>	0.1	-0.4	-0.6	-0.6	-0.5	-0.5
<b>Fiscal balance (% of GDP)<sup>3</sup></b>	-3.8	-4.2	-2.3	-2.6	-2.8	-2.7
<b>Revenues (% of GDP)</b>	4.8	5.2	8.4	9.5	10.0	10.4
<b>Debt (% of GDP)<sup>4</sup></b>	29.7	37.0	42.9	39.8	41.2	40.9
<b>Primary balance (% of GDP)</b>	-1.6	-1.6	0.0	0.4	-0.3	-0.3
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>5</sup></b>	41.8	43.8	50.3	52.5	53.3	52.3
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>5</sup></b>	64.0	63.7	68.8	70.5	71.0	70.2
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>5</sup></b>	92.9	85.6	86.8	87.2	87.3	87.1
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-2.0	0.4	2.7	2.5	2.6	3.0

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Figures based on rebased GDP with updated methodology and sector coverage.

2/ The Consumer Price Index (CPI) series reflects World Bank calculations on the back-casted series following CPI rebasing by the National Bureau of Statistics (NBS).

3/ The fiscal balance is reported in cash basis.

4/ This includes remaining ways and means stock, AMCON liabilities and explicit guarantees.

5/ Calculations based on 2022-LSS. Actual data: 2022. Nowcast: 2023-2024. Forecasts are from 2025 to 2027. Projections using microsimulation methodology.

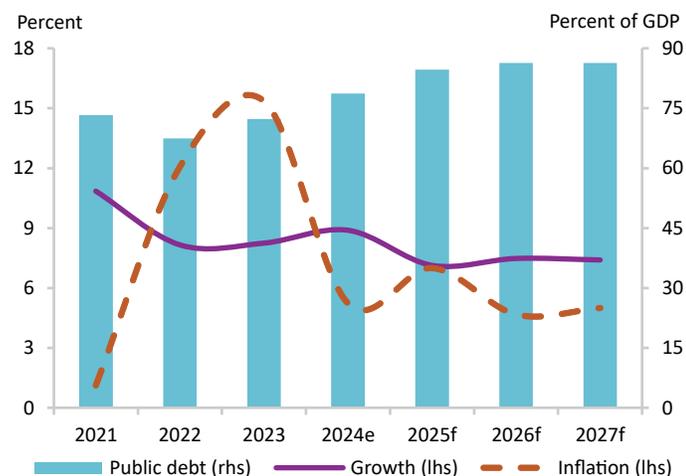
# RWANDA

Rwanda's GDP is projected to grow 7.1 percent in 2025 driven by tourism and major infrastructure investments, notably the construction of the new international airport. Inflation is expected to remain within its target range. Significant risks persist, including the potential decline in external financing and climate-related shocks. Poverty reduction is expected to be considerable in the short term if recent trends are sustained.

## Key conditions and challenges

Between 2015 and 2024, Rwanda's GDP per capita grew at an average rate of 4.6 percent per year, outpacing most of its African peers. This rapid economic expansion contributed significantly to poverty reduction, with the share of the population living in poverty by national standards falling from an imputed 39.8 percent in 2017 to 27.4 percent in 2024. However, this growth has been largely driven by public investment, supported by external aid, which has not translated into rapid productivity gains. Rwanda has created about 217,000 jobs per year since 2019, but most new jobs remain informal, low-paid, and lack stability or social security, especially for youth and rural workers. Advancing to the next stage of economic development will require a shift toward private sector-led growth, with a focus on structural transformation through productivity enhancement and employment generation. An abrupt disruption in access to concessional development financing could jeopardize Rwanda's growth trajectory and undermine progress in human capital developments, including access to health care, reductions in under-five mortality, improvements in the maternal mortality ratio and declines in the fertility rate.

FIGURE 1 / Real GDP growth, headline inflation, and public debt



Sources: National Institute of Statistics of Rwanda, and Ministry of Finance and Economic Planning.

Population <sup>1</sup> million	14.3	Poverty <sup>2</sup> millions living on less than \$3.00/day	5.4
Life expectancy at birth <sup>3</sup> years	67.8	School enrollment <sup>4</sup> primary (% gross)	151.9
GDP <sup>5</sup> current US\$, billion	14.3	GDP per capita <sup>6</sup> current US\$	999.6

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2023 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

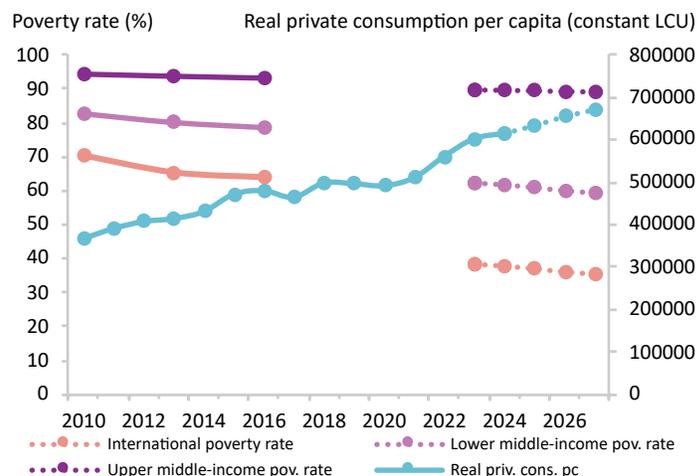
## Recent developments

Rwanda's economy grew by 7.8 percent, y-o-y in Q1 2025, following an average growth of 8.4 percent during 2022–2024. This growth was primarily driven by investment and continued expansion in services sector. However, agriculture growth, including the growth of export crops, slowed. Rising living standards were marked by higher real consumption and improved access to electricity, sanitation, and basic services.

On the external front, the current account deficit (CAD) widened to 14.7 percent of GDP in Q1-2025, a similar level as in Q1-2024, due to modest exports growth (+1.5 percent) and a contraction in official transfers. Despite a 15 percent y-o-y increase in foreign direct investment (FDI) and government borrowing, largely on concessional terms, the widening current account deficit has led to a drawdown in foreign reserves in Q1-2025.

Headline inflation has remained within the National Bank of Rwanda's target range of 5±3 percent during the first seven months of 2025. Food inflation remained quite low, averaging 3.3 percent, while core inflation, excluding fresh food and energy

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



Source: World Bank. Notes: See footnotes in table on the next page.

prices, averaged 6.1 percent. The policy rate was maintained at 6.5 percent for 12 consecutive months until August 2025, when it was raised by 25 bps. The Rwandan franc depreciated by 9.4 percent year-on-year through end-July 2025, a slower pace than the 12.1 percent depreciation recorded previously.

The fiscal deficit narrowed to 4.7 percent of GDP in FY25, despite declines in official grants. Enhanced tax policy and administrative measures improved revenue collection in FY24/25, with tax revenue rising to 15.5 percent of GDP. Taxes on goods and services grew the fastest, supported by VAT incentives and stricter enforcement of Electronic Billing Machine usage. Overall expenditure declined to 26.1 percent of GDP, owing to declining current expenditure and lower capital expenditures (1.5 ppt drop to 8.4 percent of GDP). External financing (6.4 percent of GDP) exceeded the deficit, resulting in negative domestic financing and reduction in domestic debt. Overall, public debt increased by 5.2 percentage points reaching 78.7 percent of GDP by end-2024.

## Outlook

Rwanda is expected to maintain strong growth momentum, with GDP growth projected to average 7.3 percent over 2025–27. Growth will be supported by major infrastructure investments, particularly the construction of the new international airport, and expected strong global tourism demand. The CAD is projected to remain elevated in 2025 due to increased imports required for the airport construction. Sustained strong FDI inflows

and concessional financing will cover external financing needs. Inflation is expected to remain within its target range of 5 ±3 percent. Based on the international poverty line of \$3.0/day (2021 PPP), the poverty rate is projected to decline steadily from 37.9 percent in 2024 to 35.2 percent by 2027.

The fiscal deficit is projected to narrow gradually over 2025–27 due to a mix of revenue efforts and expenditure rationalization. On the revenue side, tax policy and administration reforms include VAT on mobile phones, increases in fuel levy, gaming taxes, excise tax hikes, and improved customs controls. On the spending side, the government will continue to focus on containing current expenditure and reprioritization of investments, coupled with improved fiscal transparency and public financial and investment management. Public debt is expected to peak at around 86 percent of GDP in 2026 before gradually improving over the medium term.

The outlook is subject to substantial downside risks. Volatility in the global and regional economies could reduce demand for exports. Disruptions to concessional financing could dampen growth and affect the trajectory of human capital development. Domestically, main risks stem from climate-related shocks to Rwanda's predominantly rain-fed agriculture sector, which could negatively affect incomes and food security for rural households, and reigniting inflationary food pressures. Slower progress on domestic resource mobilization and the external adjustment could undermine the debt path and raise debt service pressures amidst declining concessional financing.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	8.2	8.2	8.9	7.1	7.5	7.4
Private consumption	12.1	9.8	4.2	5.4	5.8	4.8
Government consumption	10.6	1.2	14.8	15.5	8.1	10.4
Gross fixed capital investment	-4.0	11.9	13.2	9.8	9.9	5.0
Exports, goods and services	29.4	25.8	16.0	20.9	21.7	11.8
Imports, goods and services	17.9	14.4	11.5	21.1	18.1	7.5
<b>Real GDP growth, at constant factor prices</b>	7.8	8.5	9.0	7.0	7.5	7.4
Agriculture	1.6	1.7	5.3	2.9	5.3	5.3
Industry	5.0	10.2	10.0	10.1	9.2	9.3
Services	12.2	11.2	10.3	7.5	7.7	7.5
<b>Employment rate (% of working-age population, 15 years+)</b>	51.1	55.8	55.9	55.9	55.9	55.9
<b>Inflation (consumer price index)</b>	12.1	15.4	5.2	7.0	4.7	5.0
<b>Current account balance (% of GDP)</b>	-9.4	-11.5	-12.7	-13.8	-15.9	-13.4
<b>Net foreign direct investment inflow (% of GDP)</b>	2.3	3.1	4.0	5.3	8.2	7.2
<b>Fiscal balance (% of GDP)</b>	-5.7	-5.0	-6.9	-4.6	-4.0	-3.3
<b>Revenues (% of GDP)</b>	23.9	22.0	21.7	22.1	22.1	22.5
<b>Debt (% of GDP)</b>	67.5	72.3	78.7	84.7	86.3	86.3
<b>Primary balance (% of GDP)</b>	-3.9	-2.9	-4.4	-2.2	-1.9	-1.5
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	..	38.6	37.9	37.0	36.0	35.2
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	..	62.2	61.7	60.9	59.9	59.3
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	..	89.8	89.6	89.4	89.1	88.9
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	3.8	-2.2	5.1	0.1	2.1	2.7

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2010-EICV-III, 2016-EICV-V, and 2023-EICV7. Actual data: 2023. Nowcast: 2024. Forecasts are from 2025 to 2027.

2/ Projection using average elasticity (2010-2016) with pass-through = 0.87 based on private consumption per capita in constant LCU. Rwanda's consumption aggregate and poverty measurement based on EICV7 (2023/24) incorporated several methodological changes to the design of the consumption survey to align with evolving international best practices. To enable trend analysis, NISR imputed 2016/17 consumption under EICV7 protocols and assessed it against the EICV7 poverty line. As a result, poverty estimates from EICV7 are not directly comparable with those from earlier rounds, thus leading to a break in the international poverty rate series.

# SÃO TOMÉ AND PRÍNCIPE

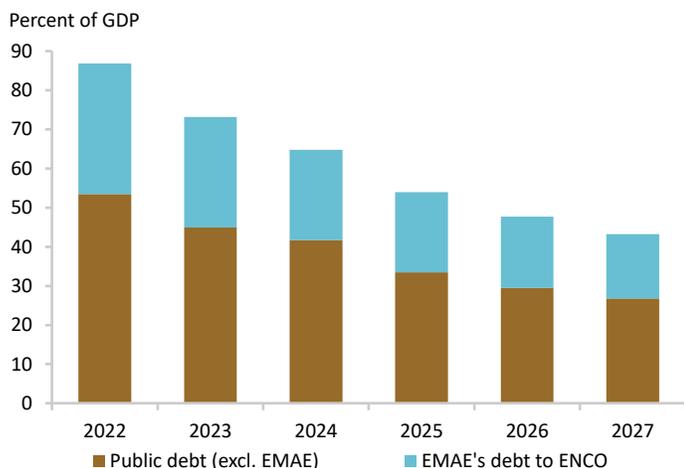
Tourism and energy are supporting São Tomé and Príncipe's recovery, but growth and employment remain weak and inflation high, while fiscal and external vulnerabilities persist. Energy reforms, tourism, and agriculture should drive growth, while monetary policy helps contain inflation. Poverty reduction would remain slow. Fiscal and debt positions should improve, but risks from contingent liabilities, donor dependence, commodity prices, and climate shocks persist.

## Key conditions and challenges

São Tomé and Príncipe's economic growth has slowed, falling from 6.3 percent per year on average over 2004–08 to 1.3 percent over 2019–24. This decline reflects a series of shocks, including the global financial crisis, COVID-19 pandemic, geopolitical tensions, climate events, electricity crisis, and declining official development assistance (ODA). With heavy reliance on external financing for public investment in infrastructure, total investment dropped from an average of 42.2 percent of GDP in 2004–08 to 24.3 percent in 2019–23, as net ODA fell from 24 percent of GDP to 14 percent over the same period.

Unreliable and expensive electricity has hindered economic growth in recent years. The state-owned utility, Empresa de Água e Electricidade (EMAE), responsible for electricity and water, operates inefficient and costly diesel-powered electricity plants. It has accumulated arrears to Empresa Nacional de Combustíveis e Óleos (ENCO), the domestic fuel supplier, estimated at 23 percent of GDP in 2024. These arrears caused the loss of a preferential agreement to

FIGURE 1 / Public debt



Sources: International Monetary Fund and World Bank staff estimates.

Population <sup>1</sup> thousand	235.5	Poverty <sup>2</sup> thousands living on less than \$4.20/day	63.0
Life expectancy at birth <sup>3</sup> years	69.7	School enrollment <sup>4</sup> primary (% gross)	105.9
GDP <sup>5</sup> current US\$, billion	0.8	GDP per capita <sup>6</sup> current US\$	3403.0

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2017 (2021 PPPs). 3/ 2023. 4/ 2021. 5/ 2024. 6/ 2024.

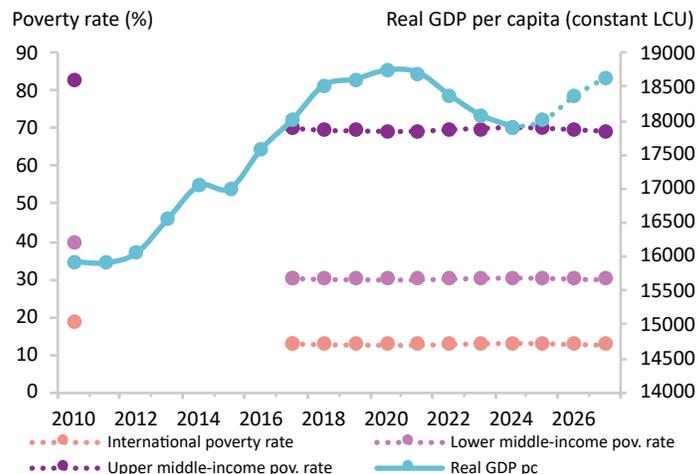
purchase fuel on credit, affecting supply, raising costs, and triggering balance of payment and fiscal shocks as the government assumed two thirds of the country's fuel purchases.

Given the low economic growth over 2020–24, São Tomé and Príncipe's real GDP per capita and poverty stagnated over the past decade, with about 30.5 percent of the population living on less than US\$4.2 per day in 2021 PPP. Nearly half of the youth are neither working nor studying, fueling emigration. By 2021, about 18 percent of the population was living abroad. Yet, São Tomé and Príncipe holds strong potential in several sectors, especially tourism, fishing, and agriculture. These sectors benefit from the country's natural endowments, have historically driven economic growth and job creation, and have shown dynamism in recent years.

## Recent developments

Economic growth reached 1.1 percent in 2024, driven by improved electricity supply and tourism, including a 9.6 percent year-on-year

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



Source: World Bank. Notes: See footnotes in table on the next page.

(y-o-y) increase in international air arrivals in March–April 2025. However, despite this growth, GDP per capita declined by 0.9 percent and employment opportunities remained limited, with only 21 percent of those aged 15 and above employed. Additionally, 13 percent of the population lived on less than US\$3/day in 2024. In August, power outages resumed after a key electricity supplier disconnected from the grid due to payment arrears from EMAE.

Inflation has declined but remains high, averaging 10.7 percent over January–July. The Central Bank of São Tomé and Príncipe (BCSTP) maintains a tight monetary stance keeping banks' excess liquidity in local currency below 200 million dobras through one-, three- and six-month Certificates of Deposits (CDs).

The current account deficit narrowed from 12.3 percent of GDP in 2023 to 3.8 percent in 2024, driven by lower goods imports and stronger tourism exports. However, in the first half of 2025, despite elevated export prices, the trade-in-goods deficit grew by 25 percent y-o-y in US dollar terms due to higher imports of consumption goods. Gross international reserves, excluding the National Oil Account and banks' reserves, rose to US\$71 million by June, up from US\$39 million a year earlier.

The overall fiscal balance shifted to a surplus of 0.3 percent of GDP in 2024, reversing a 2.1 percent deficit in 2023, while the primary balance also turned positive. This improvement reflects higher grant inflows and current spending controls. While central government debt fell to 43.6 percent of GDP, driven by a reduction in domestic debt, contingent liabilities remain significant, with EMAE's debt to ENCO still at 23.1 percent of GDP.

## Outlook

Energy sector reforms, rising tourism exports, and a recovering agricultural sector are expected to support medium-term

growth. Real GDP growth is projected to accelerate to 2.5 percent in 2025 and average 3.7 percent over 2026–27. Inflation is expected to ease as reforms address supply bottlenecks and monetary policy remains tight, with annual inflation projected to average 10 percent in 2025 and decline to 6 percent by 2027. To support this disinflation path, BCSTP plans to continue the issuance of CDs.

Fiscal balances are projected to improve significantly, with the primary balance expected to reach a surplus of 4.4 percent of GDP by 2027, supported by the International Monetary Fund (IMF) program. While central government debt is assessed as sustainable and projected to decline to 27 percent by 2027, it remains vulnerable to shocks. The downward trajectory depends highly on meeting fiscal targets, advancing energy sector reforms, and limiting external borrowing to concessional loans. In addition, EMAE's debt and arrears to ENCO are projected to remain high around 15 percent of GDP by 2027.

After narrowing in 2025 to 3.6 percent of GDP, the current account deficit is projected to widen to 4.3 percent by 2027, reflecting a decline in foreign grants.

While energy sector reforms are expected to strengthen fiscal performance and support growth, contributing to poverty reduction, higher electricity tariffs will require mitigation measures to protect low-income households in the short term. The international poverty rate (US\$3/day in 2021 PPP) is projected to decrease slightly to 12.8 percent by 2027.

Risks include delays in energy sector reforms, as reflected in renewed power outages, inappropriate mitigation measures, materialization of contingent liabilities, reduced donor support, commodity price volatility, and natural disasters such as floods and droughts. These factors could hinder economic stability, deteriorate the trade balance, and strain public finances.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	0.2	0.4	1.1	2.5	4.0	3.5
<b>Real GDP growth, at constant factor prices</b>	1.2	-1.1	1.9	2.5	3.9	3.4
Agriculture	-13.6	-12.4	-6.2	1.0	2.0	3.0
Industry	6.4	-2.1	3.3	7.0	3.0	3.0
Services	1.5	0.0	2.1	1.6	4.2	3.5
<b>Inflation (consumer price index)</b>	18.0	21.1	14.4	10.0	7.5	6.0
<b>Current account balance (% of GDP)</b>	-14.6	-12.3	-3.8	-3.6	-4.1	-4.3
<b>Net foreign direct investment inflow (% of GDP)</b>	23.3	2.9	1.1	1.7	2.2	2.6
<b>Fiscal balance (% of GDP)</b>	-1.2	-2.1	0.3	1.3	2.4	3.8
<b>Revenues (% of GDP)</b>	27.4	21.8	25.0	27.7	22.2	22.7
<b>Debt (% of GDP)</b>	68.8	49.8	43.6	33.5	29.7	27.0
<b>Primary balance (% of GDP)</b>	-0.7	-1.4	1.0	2.4	3.1	4.4
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	12.9	13.0	13.0	13.0	12.9	12.8
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	30.3	30.4	30.5	30.5	30.3	30.2
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	69.6	69.9	70.1	70.0	69.6	69.4
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	0.6	0.4	0.9	2.5	4.4	3.4

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Projection using point to point elasticity at regional level with pass-through = 0.7 based on GDP per capita in constant LCU.

2/ Actual data: 2017. Nowcast: 2018–2024. Forecasts are from 2025 to 2027.

# SENEGAL

GDP growth is projected to accelerate to 6.4 percent in 2025, fueled by new hydrocarbon production. Inflation should remain low at 2 percent. A rebound in agriculture, alongside subdued inflation, is expected to reduce poverty to 36.9 percent. The fiscal deficit is projected at 7.8 percent due to lower revenues. Despite hydrocarbon gains, Senegal's economic outlook remains constrained by macro-fiscal risks and heightened global uncertainties.

## Key conditions and challenges

Senegal's recent fiscal transparency review efforts—covering 2019–2023 and revealing substantially higher deficits and public debt than previously disclosed—has materially worsened its macro-fiscal outlook, elevating debt sustainability concerns, pushing up borrowing costs, and contributing to credit rating downgrades. While hydrocarbon production is expected to boost economic growth in 2025, fiscal management issues have become increasingly prominent. Senegal already faces structural challenges in achieving the ambitious development goals set out in Senegal Vision 2050, including deficits in human capital endowments, weak formal employment, low labor productivity, and high youth emigration, compounded by climate change and regional instability. Infrastructure gaps in remote regions further constrain development prospects and limit the country's ability to support inclusive economic growth.

To achieve inclusive growth, Senegal must consolidate fiscally and focus on improving the investment climate and managing natural resources effectively. Deepening regional integration can unlock

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$4.20/day
18.5	6.4
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
68.7	82.6
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
32.8	1773.2

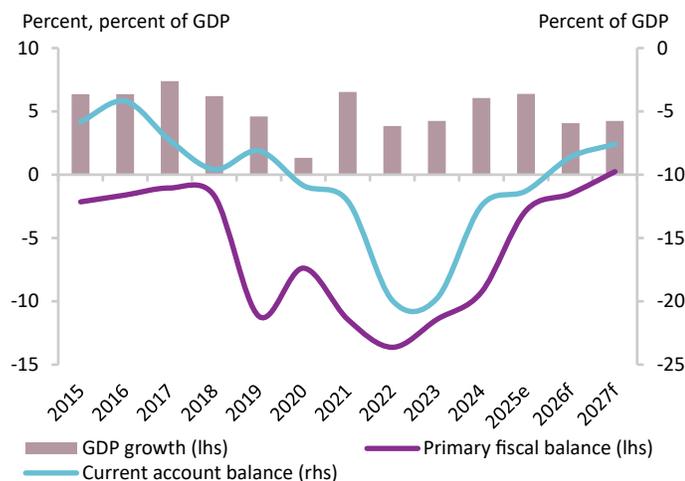
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

new markets opportunities, supporting Senegal's efforts to build a more diversified and resilient economy.

## Recent developments

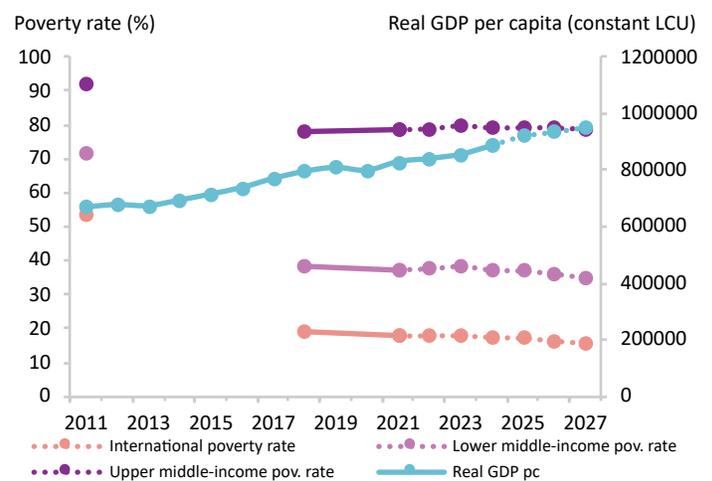
Real GDP growth is projected to reach 6.4 percent in 2025 (4 percent per capita), up from 6.1 percent in 2024 (3.6 percent per capita). This acceleration is primarily driven by an anticipated 18.8 percent surge in crude oil extraction, which is expected to sustain overall economic momentum. Industry grew by 19 percent y/y during the first half of 2025 supported by strong growth in hydrocarbon production (+339.1 percent y/y). The agricultural sector is also set to rebound, with growth forecast at 6.2 percent in 2025, supported by adequate rainfall, after a 3 percent contraction in 2024. Inflation is expected to remain low at 2 percent, within the 1–3 percent West African Economic and Monetary Union (WAEMU) target band, reflecting moderating global commodity food prices. In comparison, the WAEMU inflation rate declined to 3.5 percent in 2024, remaining above the WAEMU target band of 1–3 percent, while the regional foreign reserves increased to 4.6 months of imports. After having maintained its monetary policy unchanged since end-2023, the Central Bank of West African States (BCEAO) reduced its key

FIGURE 1 / Evolution of main macroeconomic indicators



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

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



Source: World Bank. Notes: See footnotes in table on the next page.

policy interest rates in June 2025 by 25 basis points, lowering the liquidity call rate to 3.25 percent and the marginal lending facility rate to 5.25 percent. In 2024, net credit to the economy rose by 4.0 percent—an improvement over 2023's 3.0 percent but still notably weaker than the post pandemic rebound years. The ratio of non-performing loans net of provisions in Senegal's banking sector reached 4.2 percent, a slight deterioration from the previous year (3.5 percent in 2023). With higher labor incomes driven by rising agricultural growth and lower inflation, poverty is expected to decline from 37.2 percent in 2024 to 36.9 percent (measured at the international poverty line of \$4.20 per day PPP 2021) in 2025, equivalent to 7.0 million poor.

Supported by the hydrocarbon-led GDP growth acceleration, the fiscal deficit is projected to decline from 13.4 percent in 2024 to 7.8 percent of GDP in 2025, against 7.1 percent in the initial budget law as domestic revenues have fallen short in the first quarter. After the 2019–2023 fiscal review efforts provided a new baseline, central government debt is expected to reach 112.5 percent of GDP in 2025, from 122.7 percent at end-2024.

The current account deficit (CAD) is projected to narrow to 11.3 percent of GDP in 2025, down from 12.5 percent in 2024 as hydrocarbon exports bolstered the trade balance. The CAD remains predominantly financed by remittances and foreign investments.

## Outlook

Economic growth is projected to average 4.2 percent in 2026–2027, driven by increased hydrocarbon production, while inflation remains below 3 percent amid declining food prices. Calibrated fiscal consolidation should reduce the fiscal deficit towards the WAEMU target of 3 percent of GDP while protecting growth and the vulnerable. The current account deficit is projected to narrow to 8.1 percent over 2026–2027, supported by hydrocarbon exports. The regional inflation rate is expected to align with the WAEMU target band from 2025 onwards, while regional reserves are projected to rise slightly to 4.7 months of imports in 2025, supported by recovering exports. Stable agricultural growth, and rising output in the services sector, are expected to decrease poverty to 36.1 percent in 2026, and 34.9 percent in 2027, lifting 80,000 Senegalese out of poverty (compared to 2024). Nonetheless, structural impediments to poverty reduction persist, requiring investments in health, education and private sector-led job creation.

Economic uncertainty will remain elevated, amid declining but still high fiscal deficits and debt levels with downside risks including debt refinancing risks, lower-than-anticipated hydrocarbon production climate shocks, and social tensions.

### Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	3.9	4.3	6.1	6.4	4.1	4.3
Private consumption	3.8	5.0	3.0	3.1	3.9	4.1
Government consumption	1.7	5.0	4.4	3.8	3.1	2.9
Gross fixed capital investment	11.0	9.3	6.0	2.6	4.8	6.1
Exports, goods and services	3.7	-6.0	23.1	17.5	5.9	3.8
Imports, goods and services	14.4	-0.4	-13.4	4.1	5.7	5.3
<b>Real GDP growth, at constant factor prices</b>	3.6	4.5	6.3	6.4	4.1	4.3
Agriculture	0.2	5.9	-3.0	6.2	7.3	7.4
Industry	2.5	5.2	18.7	18.8	4.9	4.7
Services	5.1	3.8	3.5	0.2	2.6	3.0
<b>Inflation (consumer price index)</b>	9.7	5.9	0.8	2.0	2.0	2.0
<b>Current account balance (% of GDP)</b>	-19.9	-19.8	-12.5	-11.3	-8.6	-7.6
<b>Fiscal balance (% of GDP)</b>	-16.1	-14.8	-13.4	-7.8	-5.9	-3.9
<b>Revenues (% of GDP)</b>	20.0	20.7	20.1	21.4	22.0	23.0
<b>Debt (% of GDP)</b>	96.6	111.0	122.7	112.5	111.9	109.2
<b>Primary balance (% of GDP)</b>	-13.6	-11.4	-9.3	-2.8	-1.5	0.2
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	17.9	18.0	17.4	17.2	16.4	15.6
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	37.5	38.3	37.2	36.9	36.1	34.9
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	78.8	79.9	79.1	79.3	79.1	78.7
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	4.7	0.9	3.6	6.1	2.7	2.5

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2021-EHCVM. Actual data: 2021. Nowcast: 2022–2024. Forecasts are from 2025 to 2027.

2/ Projections using microsimulation methodology.

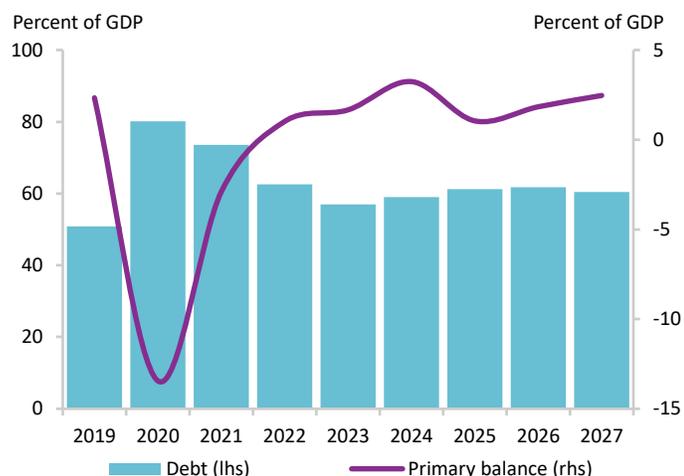
# SEYCHELLES

Economic growth is projected to increase to 3.2 percent in 2025, driven by tourism, public consumption, and public investment. Inflation is expected to reach 1 percent in 2025, and poverty to decline slightly to 7.4 percent. Fiscal consolidation continues, supported by increased revenue and under-execution of planned spending. The outlook is subject to downside risks, including weaker tourism demand and external shocks.

## Key conditions and challenges

Seychelles, an archipelago of 115 islands with a population of about 120,000 inhabitants, boasts the highest Gross National Income per capita in Africa. The economy depends on tourism and fisheries, along with sectors that support these industries. Since 2008 Seychelles has implemented significant macroeconomic and structural reforms, including the liberalization of the exchange rate and factor markets, which have contributed to its economic development. Nevertheless, the country's small size, geographic dispersion, remoteness, and vulnerability to external shocks—including those related to climate—pose persistent structural challenges. Concentration of economic activity in a few sectors and heavy dependence on imports leaves the economy vulnerable to external shocks, such as changes in international travel demand and volatility in food, fuel, and freight prices. Moreover, its geography drives up production costs, hinders export competitiveness, and makes economic diversification more challenging, resulting in a heightened reliance on the public sector and state-owned enterprises to provide essential services.

FIGURE 1 / Public debt and primary balance



Source: Ministry of Finance, National Planning and Trade.

Population <sup>1</sup> thousand	Poverty <sup>2</sup> thousands living on less than \$8.30/ day
121.4	8.2
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
75.0	97.1
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
2.2	17936.6

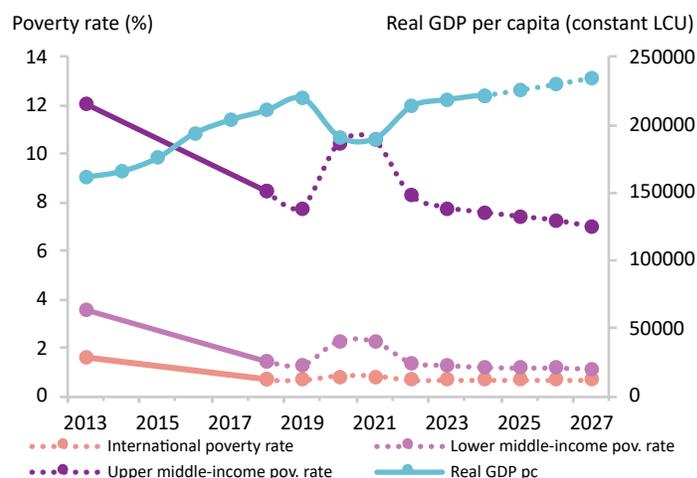
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2018 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

Seychelles faces mounting climate risks, including increasingly intense and frequent monsoon rains, as well as rising sea levels that lead to floods, landslides, and coastal erosion. Despite a low overall unemployment rate of 3.0 percent and extreme poverty nearly eradicated, the country faces ongoing socioeconomic challenges. Youth unemployment exceeds four times the national rate, reaching 13 percent in the first quarter of 2025 (up from 8.2 percent in late 2024) as newly graduated youths entered the labor force. Additionally, challenges such as substance abuse, teenage pregnancy, the vulnerabilities of single female parents, and declining educational outcomes, undermine long-term economic sustainability and impact household welfare.

## Recent developments

Economic growth was estimated at 2.9 percent in 2024, underpinned by broad-based expansions in telecommunication services, financial services, and administrative and support services, along with construction. However, visitor arrivals grew modestly by 0.5 percent compared to the government's 2 percent target, due to slower demand growth from key European markets and lower flight availability.

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



Source: World Bank. Notes: See footnotes in table on the next page.

Foreign direct investment (FDI) remains the primary source of external financing, despite a decline of 0.7 percentage points of GDP following the completion of several major hotel resorts and construction delays on a new resort on Assumption Island. Gross international reserves remain adequate, standing at \$873 million in June 2025, equivalent to 4.1 months of import cover. However, a moderation in tourism earnings, coupled with stable imports, contributed to a widening of the current account deficit to 7.9 percent of GDP in 2024.

Monetary policy remains accommodative, with the policy rate unchanged at 1.75 percent since April 2024. Inflation declined to 0.5 percent year-on-year (YoY) by June 2025, following electricity tariff cuts of 7 percent for households and 3 percent for businesses in January 2025—made possible by lower fuel prices. This marked a reversal from December 2024, when headline inflation rose to 1.7 percent YoY due to higher utility costs and currency depreciation.

Fiscal consolidation continued for a fourth consecutive year under the IMF-supported program, with all quantitative targets met. The government has successfully implemented the ongoing three-year IMF Extended Fund Facility (EFF) and Resilience and Sustainability Facility (RSF) program, which focuses on revenue mobilization, debt management, financial stability, and climate resilience. The fourth review was completed in June 2025. The government achieved a higher-than-anticipated primary surplus of 3.2 percent of GDP in 2024, up from 1.7 percent in 2023. This reflected further efforts to boost revenues coupled with under-execution of planned capital spending, wages and salaries, and goods and services. Public debt rose slightly to about 60 percent of GDP in 2024, in part due to higher external real interest rates and the resulting exchange rate depreciation of the rupee.

## Outlook

The economy is projected to grow by 3.2 percent in 2025, driven by tourism, higher public consumption from expansionary and redistributive spending linked to the election year, public sector wage increases, and public infrastructure investment in preparation for major events, including the FIFA Beach Soccer World Cup and the Indian Ocean Youth and Sport Commission Games. FDI in new hotel resorts is expected to support growth, though higher imports are expected to push the current account deficit to 9.2 percent of GDP in 2025. Average inflation is projected to reach 1 percent in 2025 and gradually rise to 2.6 percent in 2027.

Fiscal consolidation is projected to continue, with the primary budget surplus expected to reach 1.1 percent of GDP in 2025, rising to 2.6 percent in 2027. Continued efforts to strengthen revenue mobilization, such as the digital modernization of tax and customs administration and transfer pricing reforms, are expected to enhance revenue collection.

Risks are tilted to the downside. Key factors include geopolitical tensions, evolving trade policies, and climate-related risks. Weaker growth in key tourism markets could dampen exports of services, while heightened geopolitical and trade policy uncertainty may weigh on tourism, trade, and investment. Domestically, while the banking sector is well-capitalized, non-performing loans remain above pre-COVID levels, highlighting the financial sector's exposure to shocks. Nonetheless, diversification into new tourism markets and stable commodity prices offer upside potential. Poverty is projected to hover around 7 percent (measured at \$8.3 per day, 2021 PPP).

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	12.7	2.3	2.9	3.2	3.2	3.4
Private consumption	-0.3	-0.1	0.4	0.4	1.9	1.7
Government consumption	-12.8	26.1	5.6	9.6	3.7	2.9
Gross fixed capital investment	23.4	17.7	8.6	5.6	7.2	9.2
Exports, goods and services	26.6	-4.1	2.8	3.1	3.0	2.9
Imports, goods and services	8.6	2.4	2.9	3.3	3.2	3.1
<b>Real GDP growth, at constant factor prices</b>	12.7	2.3	2.9	3.2	3.2	3.4
Agriculture	14.1	9.1	3.4	3.5	3.4	3.3
Industry	7.9	14.4	0.7	1.1	1.1	1.1
Services	13.6	-0.2	3.3	3.7	3.6	3.8
<b>Inflation (consumer price index)</b>	2.6	-1.0	0.3	1.0	2.0	2.6
<b>Current account balance (% of GDP)</b>	-7.5	-7.4	-7.9	-9.2	-9.2	-8.8
<b>Net foreign direct investment inflow (% of GDP)</b>	11.2	12.8	12.0	12.2	14.1	15.1
<b>Fiscal balance (% of GDP)</b>	-1.1	-1.2	0.1	-1.7	-1.3	-0.3
<b>Revenues (% of GDP)</b>	30.5	31.7	34.0	35.7	35.9	35.7
<b>Debt (% of GDP)</b>	62.6	57.3	59.4	61.2	61.8	60.4
<b>Primary balance (% of GDP)</b>	1.0	1.7	3.2	1.1	1.8	2.6
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	0.7	0.7	0.7	0.7	0.7	0.7
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	1.4	1.3	1.2	1.2	1.2	1.1
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	8.3	7.8	7.6	7.4	7.2	7.0
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	5.7	3.1	2.9	2.9	2.9	2.7

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2018-HBS. Actual data: 2018. Nowcast: 2019-2024. Forecasts are from 2025 to 2027.

2/ Projection using neutral distribution (2018) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

# SIERRA LEONE

Growth will continue slowing in 2025 in tandem with falling iron ore prices, and tight fiscal and monetary policy to restore policy credibility and business confidence after large fiscal slippages at the end of 2024. Extreme poverty incidence is projected to decline as inflationary pressures ease. Stronger fiscal consolidation, debt management, accompanied by institutional reforms remains critical to restore policy credibility and macro stability.

## Key conditions and challenges

Sierra Leone has made progress reducing inflation to single digits, stabilizing the currency and significantly lowering treasury bill rates, but continues to face elevated macroeconomic challenges with low foreign reserves, high debt levels, a deep sovereign-bank nexus and volatile growth.

Persistent expenditure overruns and weak public financial management practices have eroded budget credibility and fiscal sustainability. Debt servicing costs that exceed 100 percent of revenue and high rollover risks with domestic debt being mainly comprised of short-term treasury bills, underscore the continued fragile macroeconomic conditions. Moreover, the high commercial banks' holdings of government securities crowd out private sector lending. Additionally, dominant fiscal challenges are limiting the effectiveness of a tight monetary policy regime. The sharp decline in inflation has spurred a reduction in extreme poverty, but its incidence remains widespread across Sierra Leone. Accelerating and sustaining poverty reduction requires reforms to raise agricultural productivity, create jobs, build human capital and target social protection efforts. Sound macroeconomic policies are critical to

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$3.00/day
8.6	3.1
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
61.8	153.1
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
6.4	736.4

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2018 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

maintain low inflation rates and protect households from a further erosion of purchasing power.

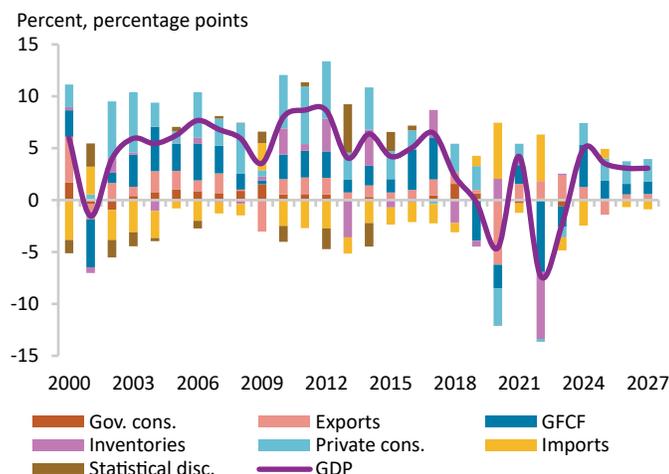
## Recent developments

Despite the recovery in the agriculture and services sectors, growth slowed to 4.4 percent in 2024 from 5.7 percent in 2023, largely due to lower industry growth, with dampened mining activity on the back of falling iron ore prices and the lower-than-expected diamond, bauxite and rutile production. The agricultural sector was buoyed by favorable rainfall and saw increased output across all crop categories. Services saw stronger retail and wholesale trade. On the demand side, private investment, particularly in the mining and agriculture sectors, supported growth.

Monetary policy remains tight with the policy rate at 21.7 percent, and together with the stable currency and declining international food and energy prices have all brought inflation down to 6.7 percent in July 2025, which is the lowest in over a decade.

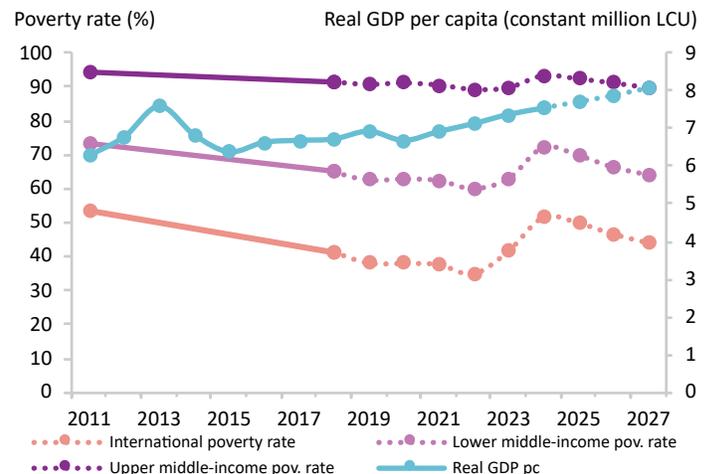
In 2024, higher interest payments and policy slippages primarily due to domestic capital overspending led to the fiscal deficit

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



Sources: Statistics Sierra Leone and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

widening to 5.6 percent of GDP. The authorities have increased their consolidation efforts during the first half of 2025, with expenditure execution 3.6 percentage points of GDP below the approved budget, resulting in a deficit nearly 1.5 pp of GDP narrower than budgeted. However, the risks of debt distress remain high as debt servicing jumped to 108 percent of revenue in 2024 and domestic debt borrowing costs peaked at 40 percent before easing to 16.7 percent in July 2025.

The current account deficit (CAD) narrowed by half to 4.7 percent of GDP in 2024 due to larger remittance inflows and grants from development partners. However, gross international reserves continue to deteriorate, falling to only 1.2 months of total imports in July 2025 reflecting large external debt service obligations.

Extreme poverty in Sierra Leone, measured by the share of population living on less than US\$3.00 per day (2021 PPP), mirrored double-digit inflationary pressures and has been rising from 38.2 percent in 2019 to peaking at 51.6 percent in 2024 and is forecasted to level off to 50 percent in 2025 in line with easing inflationary pressures.

## Outlook

With continued falling iron ore prices and tight macroeconomic policy, economic growth is projected to slow to 4.3 percent in 2025,

but is expected to strengthen to 4.6 percent by 2027, on stronger agricultural productivity, rebound in mining and retail and wholesale trade in the service sector. Inflation is expected to remain at single digits, though it may edge up slightly in 2027 due to election-related government spending. Extreme poverty incidence is projected to continue declining and may reach 44.2 percent by 2027, but progress will depend on effective policy action.

Despite a widening trade deficit, strong remittance inflows are expected to help the CAD narrow to 2.9 percent by 2027. The fiscal deficit is expected to narrow to 3.7 percent of GDP by 2026, benefiting from ongoing fiscal consolidation. Stronger oversight, improved PFM practices, streamlined tax expenditures and enhanced tax compliance are also necessary to support consolidation efforts. Public debt levels are expected to remain elevated and at high risk of distress, requiring stronger debt management including lengthening maturities, issuing longer term bonds, and seeking grants and concessional financing.

Downside risks to the outlook include persistent fiscal overruns that could undermine fiscal efforts and debt sustainability, ultimately jeopardizing macroeconomic stability. In addition, volatile global commodity prices and world demand, and higher imported inflation pose significant risks to the outlook.

### Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	5.3	5.7	4.4	4.3	4.4	4.6
Private consumption	7.4	1.8	-13.3	3.9	4.2	4.4
Government consumption	-0.7	0.5	6.8	2.4	2.6	4.2
Gross fixed capital investment	22.2	12.8	18.7	20.8	13.0	11.3
Exports, goods and services	9.0	7.0	124.4	7.0	12.5	12.6
Imports, goods and services	15.8	9.3	30.7	12.0	16.7	15.5
<b>Real GDP growth, at constant factor prices</b>	5.3	5.7	4.5	4.3	4.4	4.6
Agriculture	3.0	2.4	3.6	3.6	3.7	3.7
Industry	9.9	14.4	3.5	2.3	2.5	3.1
Services	5.4	4.7	5.7	5.7	5.8	5.9
<b>Inflation (consumer price index)</b>	27.2	47.7	28.4	9.3	8.5	9.7
<b>Current account balance (% of GDP)</b>	-6.4	-9.5	-4.7	-3.5	-3.0	-2.9
<b>Net foreign direct investment inflow (% of GDP)</b>	2.0	3.8	3.6	3.4	3.7	3.6
<b>Fiscal balance (% of GDP)</b>	-5.4	-4.8	-5.6	-4.2	-3.7	-3.8
<b>Revenues (% of GDP)</b>	10.7	10.4	13.7	14.3	15.0	15.7
<b>Debt (% of GDP)</b>	53.4	46.2	48.9	45.6	44.9	42.3
<b>Primary balance (% of GDP)</b>	-3.6	-2.5	-2.4	-0.2	0.1	-0.1
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	35.1	41.7	51.6	50.0	46.7	44.2
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	60.0	63.0	72.4	69.9	66.4	64.1
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	89.2	89.7	93.4	92.4	91.1	89.7
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-2.4	-0.6	0.5	0.6	0.7	0.8

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2018-SLIHS. Actual data: 2018. Nowcast: 2019-2024. Forecasts are from 2025 to 2027.

2/ Projections using microsimulation methodology.

# SOMALIA

Economic growth is projected to slow to 3 percent in 2025 from 4.1 percent in 2024. Foreign aid cuts contributed most to this slowdown, adversely affecting private consumption, imports, food security, and fiscal accounts. Access to humanitarian aid is severely constrained with off budget aid downsized and limited fiscal space for social assistance. As a result, recent progress in poverty reduction is projected to be reversed in 2025.

## Key conditions and challenges

Somalia is entering a crucial phase, seeking to move beyond years of conflict with new development plans. The National Transformation Plan 2025–2029 and Centennial Vision 2060 outline significant state and institution building reforms aimed at inclusive growth, job creation, and reducing fragility. Following the completion point of the Heavily Indebted Poor Countries (HIPC) Initiative (2023) and accession to the East African Community (2024), the government is working to maintain fiscal sustainability and align spending with available resources. However, Somalia continues to rely heavily on foreign aid to provide basic services. Key policy reforms have focused on increasing domestic revenue, improving financial management and inclusion, strengthening governance, and enhancing statistics. Notwithstanding these efforts, ongoing donor support remains essential, and progress is likely to be gradual given persistent challenges.

The Government's capacity to address development challenges is confronted by significant obstacles and uncertainties, including the effects of climate change, persistent security concerns, a complex federal structure, limited domestic resource mobilization, and a

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living under natl. poverty line
19.0	9.7
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
58.8	25.0
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
12.1	636.8

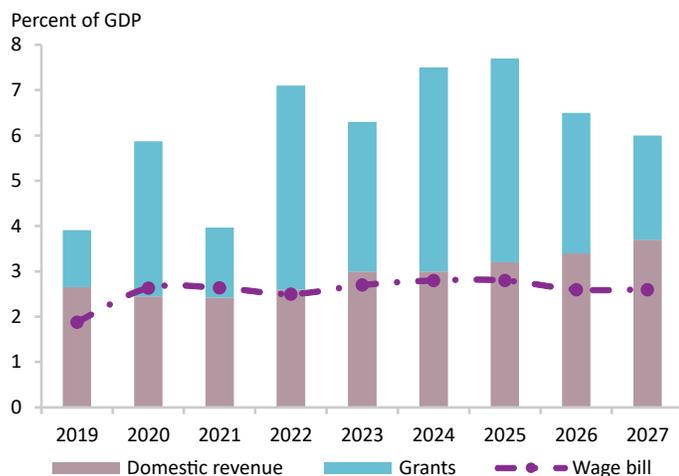
Sources: WDI, MFMMod, and official data. 1/ 2024. 2/ 2022 (NA). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

heavy reliance on foreign aid. As foreign aid declines, Somalia is likely to encounter additional fiscal pressures in implementing its development agenda, highlighting the critical need to increase domestic revenue. Further external risks arise from global trade policy volatility, subdued global economic growth, and geopolitical instability. On the domestic front, downside risks include potential deterioration in security linked to underfunding for the African Union Support and Stabilization Mission in Somalia. Political tensions surrounding the upcoming elections may impede reform progress and disrupt the election schedule. These obstacles coincide with high and widespread poverty, with over half of the population considered poor in 2022.

## Recent developments

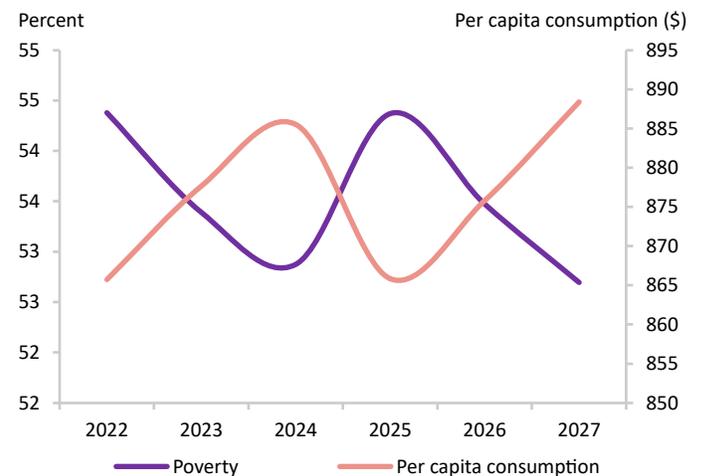
Projected economic growth for 2025 has been downgraded from 4 percent to 3 percent due to reduced foreign aid. Private consumption, agricultural production and exports continue to drive growth. However, foreign aid cuts have slowed growth of private consumption through lower cash transfers to the poor and contributed to an increase in food insecurity. A phone survey conducted in mid-2025 found that over two-thirds of previously recipient households had

FIGURE 1 / Total revenue and wage bill



Sources: Somalia Authorities and World Bank staff estimates.

FIGURE 2 / Projected consumption and poverty changes



Source: World Bank staff calculations based on the SIHBS 2022.

stopped receiving cash in the past three months, leading to worsening food security. Although food and fuel prices have been easing, inflation remains persistent, at 4.6 percent (yoy) in May 2025 compared to 4 percent in January 2025. Poverty, measured using the national poverty line, is forecast to have decreased between 2022 and 2024, though progress slowed over time. In 2025, however, in part driven by foreign aid cuts, poverty is estimated to have increased, returning to its 2022 level.

The current account deficit is estimated to have narrowed by 1.2 percentage points of GDP to 7.9 percent of GDP in 2025, affected by lower foreign aid. These reductions compressed imports as demand for consumer goods weakened, narrowing the trade deficit. Foreign grants are estimated to decline by 2.7 percentage points of GDP to 30 percent of GDP in 2025 as bilateral off-budget support dwindled.

The combined impact of slower economic growth and cuts in foreign aid has led to lower customs revenues, slowing tax revenue growth to only 3 percent (yoy) in July 2025 and necessitating a consolidation of spending. Spending continues to be dominated by the wage bill and security costs, with social spending financed almost entirely by foreign aid. Further weakening of domestic revenue and potential worsening of the security situation pose risks to the implementation of the 2025 budget.

## Outlook

Real GDP growth in Somalia is expected to pick up to 3.5 percent over the medium term thanks to structural reforms. However, increased aid uncertainty is softening the outlook due to the

country's reliance on external assistance. While agriculture is expected to recover and exports to grow, the sector remains at risk from climate-related disruptions. Remittances are projected to remain strong, supported by a favorable growth outlook in several host countries.

The outlook, however, is shadowed by potential further foreign aid cuts and high global uncertainty, which exacerbate challenges from domestic security, climate shocks, and regional tensions. Should these adverse risks materialize, economic growth and domestic revenue would decline further, and spending pressures would increase, raising financing needs. The fiscal deficit is expected to remain at 0.5 percent of GDP over the medium term as the government plans to keep consolidating spending and domestic revenue mobilization projected to remain weak.

Inflation is expected to continue a downward trend, reaching 3.4 percent in 2027, as commodity prices soften in line with global commodity price dynamics. Import compression caused by foreign aid cuts is expected to keep the trade gap below recent levels. The current account deficit is forecast to slightly widen over the medium term, as foreign aid gradually declines. Yet, remittances and to a lesser extent foreign aid will continue to finance the sizable trade deficit.

Poverty reduction is projected to resume after the setback in 2025, with the national poverty rate expected to fall by just under one percentage point in both 2026 and 2027. However, potential shocks, including further cuts in humanitarian aid, climatic shocks, and political uncertainty, could slow this projected poverty reduction. Sustained gains in poverty reduction will require stronger resilience, particularly to climate shocks, and inclusive growth driven by job creation.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	2.7	4.2	4.1	3.0	3.5	3.5
Private consumption	4.7	4.5	4.5	1.1	4.5	4.7
Government consumption	12.2	5.0	10.2	-1.9	-5.9	0.6
Gross fixed capital investment	31.5	8.7	6.5	2.0	5.3	7.0
Exports, goods and services	13.7	17.5	3.2	3.5	3.5	3.0
Imports, goods and services	18.8	9.5	5.8	-0.7	4.8	6.2
<b>Inflation (consumer price index)</b>	6.8	6.2	5.5	4.7	4.0	3.4
<b>Current account balance (% of GDP)</b>	-8.6	-9.8	-9.1	-7.9	-8.5	-8.7
<b>Fiscal balance (% of GDP)</b>	0.0	-0.4	0.1	-0.5	-0.5	-0.5
<b>Revenues (% of GDP)</b>	7.1	6.3	7.4	7.7	6.5	6.0
<b>Debt (% of GDP)</b>	38.2	10.2	9.1	8.7	8.4	8.5
<b>Primary balance (% of GDP)</b>	0.1	-0.3	0.2	-0.4	-0.4	-0.5
<b>National poverty line<sup>1</sup></b>	54.4	53.4	52.9	54.4	53.5	52.7
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-0.2	-0.1	0.0	0.1	0.1	0.1

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

<sup>1/</sup> Projections are based on applying private consumption growth to household consumption, with a neutral distribution.

# SOUTH AFRICA

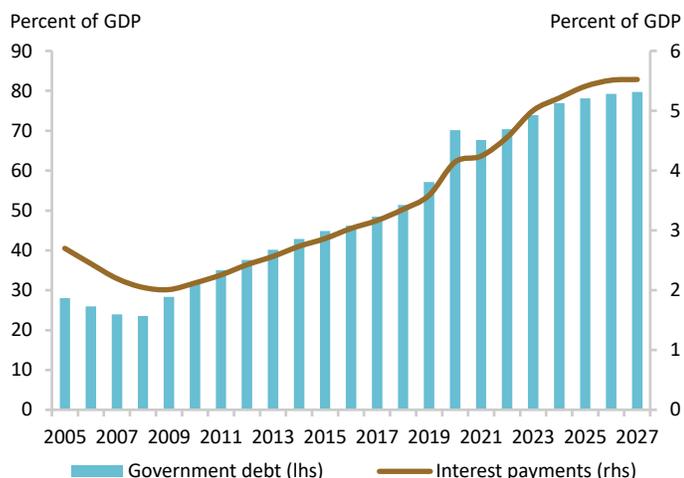
South Africa's GDP growth will remain modest at 0.9 percent in 2025. Cyclical factors and easing constraints may offset the impact of tariff hikes and a global slowdown, but growth remains too weak to improve socio-economic outcomes. Slow job creation sustains poverty, forecast at 68 percent under the upper-middle-income threshold. Elevated debt highlights the need for fiscal consolidation.

## Key conditions and challenges

South Africa's economy has been experiencing low growth for a prolonged period, with GDP increasing by an average of 0.7 percent over the past decade. Population growth has exceeded the rate of economic growth, resulting in a decline in real income per capita to 2007 levels. Several structural constraints, such as infrastructure bottlenecks, a weak business environment, a declining human capital stock, and low productivity, along with a decline in the efficiency of fiscal policy, have hindered economic growth and increased inequalities. Higher public spending has contributed to a surge in public debt from 25 percent of GDP in the late 2000s to almost 80 percent of GDP currently.

Socio-economic challenges have deepened over the past decade due to low economic growth, fiscal deterioration, weakened state capacity, and mounting infrastructure bottlenecks. More than 8 million people in the labor force are unemployed (33.2 percent) and many more have lost hope of finding employment and therefore are not actively looking for jobs. Inequality (Gini index of 63), remains among the highest in the world. Weak job creation and persistent inequalities explain why over two-thirds of the population are trapped

**FIGURE 1 /** Government debt and interest payments as a share of GDP



Sources: National Treasury and World Bank.

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$8.30/day
64.0	36.8
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
66.1	96.1
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
401.1	6267.1

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2014 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2024. 6/ 2024.

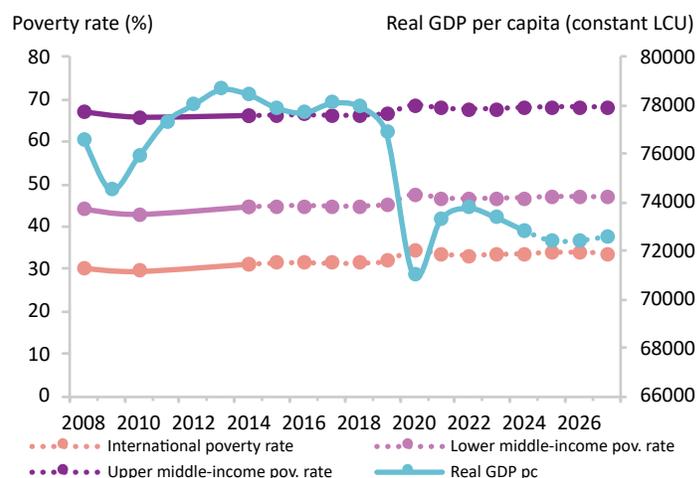
in poverty, based on the upper-middle-income poverty line of \$8.30, adjusted for purchasing power parity (PPP) using 2021 prices.

Escaping the trap of low growth, high poverty, and high unemployment requires sound policymaking and a greater urgency in implementation to foster faster, more inclusive economic growth. Reforms are needed to address binding structural constraints to growth in infrastructure, finance, and social services. Strengthening market competition and making institutions more transparent and efficient are also crucial to improving economic performance and the welfare of citizens. Those reforms require building consensus under a complex political context.

## Recent developments

Economic growth has remained moderate at 0.8 percent (y/y) in H1 2025, with some increase in the pace of growth in Q2 2025, despite the heightened uncertainty from recent global trade policy shifts. Growth was driven primarily by financial services and agriculture, while output contracted in seven of the ten sectors. On the demand side, stronger consumption has been the main driver, while private investment remains weak.

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



Source: World Bank. Notes: See footnotes in table on the next page.

Slow growth continues to hinder job creation. By end Q2 2025, the official unemployment reached 33.2 percent, above the pre-COVID level of roughly 29 percent. Using the expanded definition, which includes discouraged workers, the unemployment rate was 42.9 percent, while youth unemployment stood at 62.2 percent.

The fiscal deficit is on course to widen to 6.4 percent of GDP in 2025, influenced by increased wage costs and interest payments, up from 5.7 percent of GDP in 2024. Public debt reached 77.0 percent of GDP in 2024.

Headline inflation is forecasted at 3.5 percent for 2025, driven by lower oil prices, stable food costs, and a stronger rand, down from 4.4 percent in 2024. Reflecting the favorable price environment, the central bank cut its policy rate by a cumulative 125 basis points since September 2024.

The current account deficit is expected to increase slightly to 1.1 percent of GDP in 2025 from 0.7 percent in 2024, as lower metal prices on international markets and reduced exports have been partially offset by high gold prices and declining oil imports.

## Outlook

The economy is expected to expand by 0.9 percent in 2025 and average 1.2 percent over the medium term. At this pace, growth will likely remain insufficient to boost employment and improve socio-economic outcomes. This modest trajectory reflects unfolding trade policy changes and a weaker growth among major trading partners. Advancing structural reforms to enhance the business environment and making public spending more efficient

remains crucial for sustaining growth. However, the Government of National Unity continues to face challenges in building consensus around key reforms.

The fiscal deficit is projected to narrow to 5.5 percent of GDP in 2026 from 6.4 percent in 2025, as Eskom debt relief ends and fiscal reforms take hold. Public debt is projected to reach 79.7 percent of GDP in 2027, partly due to weak growth, and stabilize thereafter. The government's fiscal consolidation strategy focuses on improving spending efficiency, curbing wage bill growth, and strengthening oversight of procurement and transfers to local governments, state-owned enterprises, and non-financial agencies.

Inflation is forecasted to converge to the 4.5 percent midpoint of its target range over the medium term. Poverty is expected to hover around 68 percent, affecting 44–45 million people between 2025 and 2027.

The current account deficit is forecasted to widen moderately to 1.9 percent of GDP over the medium term, driven by recovering domestic demand and slower export growth.

Risks to the outlook are two-sided and significant. On the downside, escalating global trade tensions and a weaker global outlook could dampen growth prospects. Domestic risks, including political uncertainty, may slow the implementation of reforms aimed at improving the business environment and fiscal performance. Climate shocks, geopolitical tensions, and vulnerabilities in global financial markets remain key concerns. On the upside, a stronger recovery in private investment, supported by political stability and continuous progress in infrastructure, could bolster growth.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	2.1	0.8	0.5	0.9	1.2	1.2
Private consumption	2.6	0.2	1.0	1.8	1.2	1.3
Government consumption	0.7	1.9	-0.1	0.5	0.3	0.2
Gross fixed capital investment	5.9	3.0	-3.9	0.9	3.2	3.2
Exports, goods and services	7.8	5.1	-2.8	-1.5	2.8	3.1
Imports, goods and services	15.0	3.9	-6.4	0.4	3.7	3.8
<b>Real GDP growth, at constant factor prices</b>	2.1	0.7	0.5	0.9	1.2	1.2
Agriculture	2.2	-4.6	-8.7	10.0	2.0	2.0
Industry	-2.3	-0.3	-0.4	-0.5	0.9	1.3
Services	3.6	1.3	1.1	1.0	1.3	1.1
<b>Employment rate (% of working-age population, 15 years+)</b>	41.6	43.5	43.0	43.1	43.2	43.3
<b>Inflation (consumer price index)</b>	6.9	6.0	4.4	3.5	4.0	4.6
<b>Current account balance (% of GDP)</b>	-0.3	-1.1	-0.7	-1.1	-1.6	-1.9
<b>Net foreign direct investment inflow (% of GDP)</b>	1.7	1.6	0.9	0.3	1.2	1.4
<b>Fiscal balance (% of GDP)<sup>1</sup></b>	-3.6	-5.4	-5.7	-6.4	-5.5	-5.3
<b>Revenues (% of GDP)</b>	28.1	27.4	27.6	27.5	27.6	27.6
<b>Debt (% of GDP)</b>	70.4	73.9	77.0	78.2	79.3	79.7
<b>Primary balance (% of GDP)</b>	0.9	-0.4	-0.5	-1.0	0.1	0.3
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>2,3</sup></b>	33.2	33.4	33.5	33.6	33.6	33.5
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>2,3</sup></b>	46.5	46.6	46.7	46.8	46.7	46.7
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>2,3</sup></b>	67.7	67.8	68.0	68.1	68.0	68.0
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-3.1	-2.3	-1.5	-0.6	-0.4	-0.3

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ The Eskom debt-relief arrangement is reported above the line, in expenditures.

2/ Calculations based on 2014-LCS. Actual data: 2014. Nowcast: 2015–2024. Forecasts are from 2025 to 2027.

3/ Projection using neutral distribution (2014) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

# SOUTH SUDAN

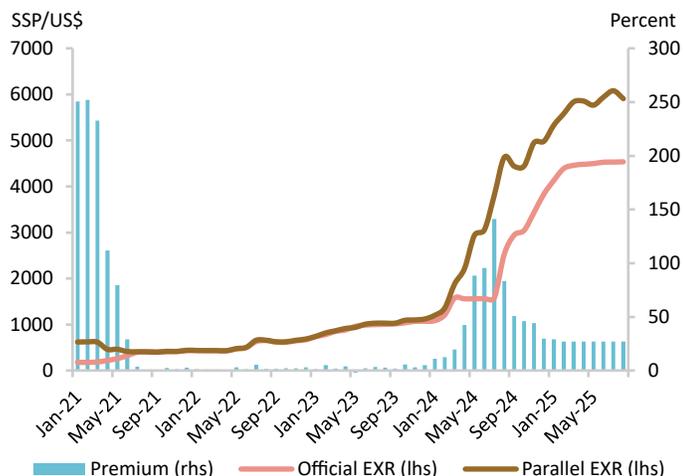
The closure of a key oil route through conflict-affected Sudan triggered a sharp economic contraction and severely undermined fiscal and external stability. Monetization of the fiscal deficit fueled sharp currency depreciation and high inflation, intensifying extreme poverty and food insecurity. While oil exports resumed in late April prompting a one-off rebound in GDP expected for FY26, the outlook remains uncertain amid political tensions and governance challenges.

## Key conditions and challenges

Fourteen years after independence, South Sudan remains mired in humanitarian and political crises, with some of the weakest development outcomes globally despite its abundant natural resources (oil and land). Poverty is nearly universal, and more than half of the population faces food insecurity, with more than two million children at risk of malnutrition. Human capital is critically low, with only one-third of the population literate. Infrastructure is minimal, with just 2 percent of roads paved and electricity access for only 5 percent of households.

These outcomes reflect deep structural constraints. Oil generally provides 90 percent of government revenue and nearly all exports, yet severe mismanagement, corruption, and weak accountability have eroded its potential, leaving the state unable to deliver services or invest in education, health, or infrastructure. Non-oil growth is constrained by recurrent conflict and violence, climate shocks, chronic underinvestment, and shallow financial markets. Political stability remains fragile, with the implementation of the 2018 peace agreement facing numerous challenges. As an independent country, South Sudan has never held elections, which

FIGURE 1 / Exchange rate developments



Source: Bank of South Sudan.

Population <sup>1</sup> million	11.9	Poverty <sup>2</sup> millions living under natl. poverty line	8.4
Life expectancy at birth <sup>3</sup> years	57.6	School enrollment <sup>4</sup> primary (% gross)	81.9
GDP <sup>5</sup> current US\$, billion	6.5	GDP per capita <sup>6</sup> current US\$	543.9

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2022. 3/ 2023. 4/ 2021. 5/ 2024. 6/ 2024.

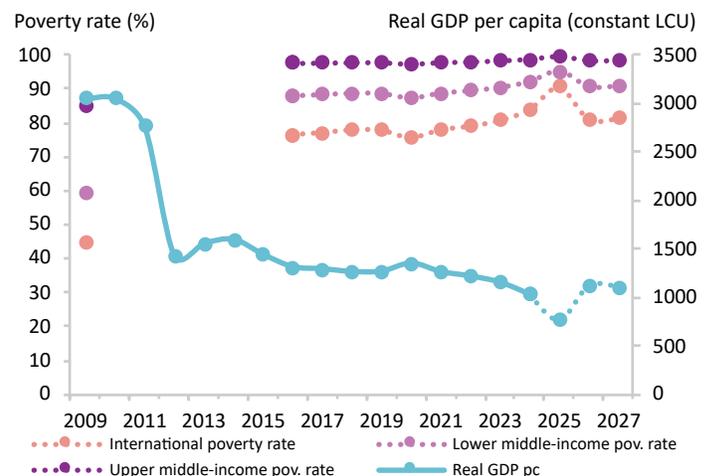
have been repeatedly postponed (now delayed until Dec 2026). The conflict in Sudan has disrupted trade routes and triggered the arrival of over one million refugees and returnees. The year-long shutdown of the Dar Blend pipeline (February 2024–2025), which transports 63 percent of South Sudan’s oil through conflict-affected Sudan, severely undermined macro stability in an already fragile economy. Adding to these pressures, cuts in USAID funding in early 2025 and the broader decline in foreign aid are straining household consumption and provision of essential health and education services.

## Recent developments

The economy contracted by an estimated 23.8 percent in FY25 as oil output fell sharply from nearly 160,000 barrels per day to an average of 60,000 during the pipeline shutdown. The downturn was somewhat cushioned by a recovery in agriculture following devastating floods in previous years and increased farming activity by returnee households from Sudan.

While oil exports resumed in April 2025 following repairs, drone attacks on Port Sudan in May 2025 quickly reignited uncertainty.

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



Source: World Bank. Notes: See footnotes in table on the next page.

New strikes in late August on the Heglig oil hub, a crucial transit point for South Sudan's oil exports through Sudan, threaten the stability of flows and limited staffing delays lifting schedules. Since the resumption of Dar Blend exports, the government has opened negotiations with Sudan on revised transfer fee arrangements aimed at strengthening the security of vital oil infrastructure.

The prolonged oil disruption triggered a severe fiscal crisis, with the deficit widening to 4.9 percent of GDP in FY24 from a surplus of 3.3 percent in FY23. Forced fiscal consolidation, the incurrence in 9 months of salary arrears to civil servants, and additional efforts to mobilize non-oil tax revenues helped contain the deficit to an estimated 1.3 percent of GDP in FY25. With deficits largely monetized, annual average inflation surged to 183 percent in FY25.

Lower oil production, compounded by lower global oil prices, pushed the current account into a deficit of 3.5 percent of GDP in FY25 from a surplus of 4 percent in FY24. The currency depreciated by 198 percent in FY25 amid limited inflows and high inflation, with the parallel market premium remaining elevated at 30 percent in August.

Soaring inflation and wage arrears further eroded household consumption and deepened poverty, with improved agricultural output providing only partial relief. Extreme poverty has risen from 76.5 percent in 2016 to nearly 91 percent in 2025, pushing an additional 2.8 million people into poverty.

## Outlook

South Sudan's outlook depends on restoring political and macroeconomic stability, strengthening governance, and managing natural resources transparently and effectively. In the near term, the

resumption of Dar Blend oil production will provide a one-off boost to GDP growth, though risks remain due to conflict-related disruptions in Sudan. Agricultural output is also expected to recover from flood-related losses, supported by expanded land use. Sustained growth, however, will require attracting investment, particularly FDI, into both oil and non-oil sectors. Investor confidence remains dampened by the exit of Petronas, ongoing legal disputes in the oil industry, and frequent changes in key leadership positions, which heighten policy uncertainty.

Despite higher oil revenues, the clearance of salary arrears is expected to keep fiscal balances in deficit through FY27. Inflation is expected to ease in FY26 and gradually moderate over the medium term as reliance on monetary financing declines. The resumption of oil exports is expected to return the current account to surplus in FY26 and beyond, supporting greater exchange rate stability.

Calculations based on limited data suggest poverty is likely to stay widespread—with 8 in 10 people projected to live in extreme poverty by 2027—given high inflation, recurrent flooding, political tensions, and ongoing governance challenges.

Risks are tilted to the downside. Incomplete implementation of the 2018 peace agreement could reignite conflict, further eroding governance and macroeconomic stability. Lower-than-expected oil revenues, whether due to a global slowdown or disruptions linked to the conflict in Sudan, could further weaken external and fiscal balances. Climate shocks, particularly recurrent flooding, could worsen in the forecast period, posing additional risks to agricultural production and food security. These challenges underscore the urgent need for governance and structural reforms to strengthen resilience and lay the foundations for sustainable, inclusive development.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	-2.3	-1.3	-7.2	-23.8	48.8	0.8
Agriculture	-1.8	-1.7	8.0	0.5	1.0	2.0
Industry	-4.8	-4.3	-11.6	-34.0	81.8	0.3
Services	1.7	3.6	2.3	-2.9	1.1	2.0
<b>Inflation (consumer price index)</b>	22.0	18.0	35.0	182.6	20.8	6.7
<b>Current account balance (% of GDP)</b>	4.7	6.1	4.0	-3.5	1.0	1.4
<b>Net foreign direct investment inflow (% of GDP)</b>	1.0	0.6	1.7	1.7	1.7	2.7
<b>Fiscal balance (% of GDP)</b>	-5.9	3.3	-4.9	-1.3	-3.2	-3.7
<b>Revenues (% of GDP)</b>	28.8	32.7	28.3	23.6	24.1	24.8
<b>Debt (% of GDP)</b>	56.9	39.5	44.4	41.3	28.0	24.0
<b>Primary balance (% of GDP)</b>	-3.8	3.7	-4.9	0.3	-2.1	-2.8
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	79.0	80.7	84.0	90.6	81.0	81.4
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	89.4	90.4	92.1	95.1	90.6	90.9
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	98.0	98.2	98.6	99.3	98.3	98.3
<b>GHG emissions growth (mtCO2e)</b>	-4.5	0.4	1.0	0.7	2.0	0.1

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2016-HFS-W3. Actual data: 2016. Nowcast: 2017-2024. Forecasts are from 2025 to 2027.

2/ Projection using neutral distribution (2016) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

# SUDAN

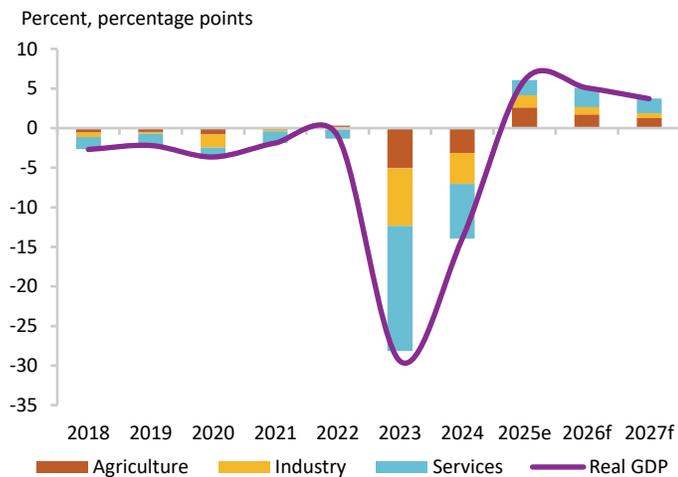
The protracted conflict has devastated the economy, infrastructure, and livelihoods, while malnutrition in besieged areas has deepened humanitarian needs. Although the path to recovery remains highly challenging, high-frequency indicators suggest a nascent recovery in selected urban centers as displaced populations have returned due to improvements in security in these areas. The downside risks to the outlook remain substantial.

## Key conditions and challenges

Hostilities have eased in Khartoum and several other major urban centers, enabling a nascent economic recovery. However, the May 2025 attacks on Port Sudan—the de facto capital—and oil facilities mark an expansion of the conflict into previously stable regions, underscoring the risks to broader recovery. Recent violence in North Darfur has triggered new waves of displacement, while the increased return movements to safer areas led to a decline in the overall number of internally displaced people by an estimated 14 percent, as of July 2025, compared to the highest-recorded in January 2025, according to the International Organization for Migration. Returnees face severe hardship due to the collapse of essential infrastructure and limited access to services. Agriculture, while relatively more resilient, also contracted due to the spread of hostilities into key farming regions such as Al-Jazeera and Sinnar, whereas services and industry—concentrated in Khartoum—have borne the brunt of disruption.

Following the outbreak of the conflict, real GDP plummeted by nearly 40 percent between 2022 and 2024, driven by collapsing consumption, investment, and trade. Even prior to the conflict, Sudan's

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



Sources: Central Bureau of Statistics and World Bank staff estimates.

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$4.20/day
<b>50.4</b>	<b>10.1</b>
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
<b>66.3</b>	<b>77.8</b>
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
<b>49.7</b>	<b>984.6</b>

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2014 (2021 PPPs). 3/ 2023. 4/ 2018. 5/ 2024. 6/ 2024.

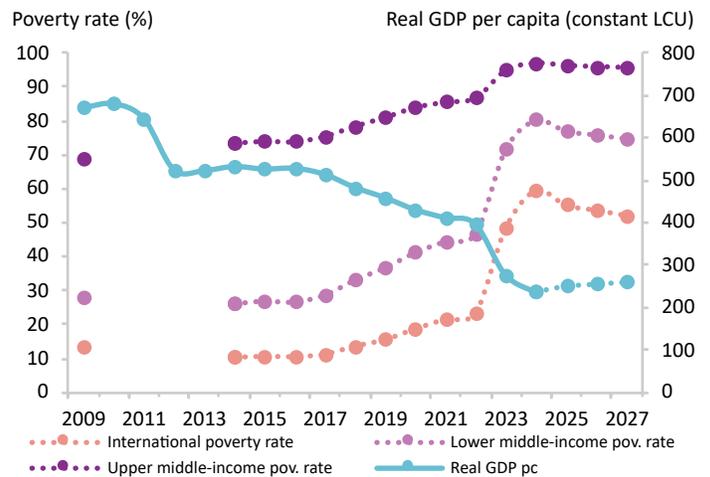
economy was strained by high debt, weak revenues, and stalled reforms; the conflict has compounded these structural weaknesses, bringing about a broad institutional breakdown.

## Recent developments

Economic activity shows early signs of recovery, supported by the returning internally displaced people—particularly to Khartoum, Sinnar, and Al-Jazeera—and government efforts to reestablish institutional presence in key urban areas by the end of 2025. While 2024 Night Lights data suggest sharp declines in activity in conflict areas, less impacted states such as the Red Sea and Northern states show material improvements, indicative of relative economic resilience or shifts in activity patterns. Satellite data show a strong rebound in external trade during the first eight months of 2025 following a sharp drop in 2024.

Inflation decelerated to 78.4 percent (y-o-y) in July 2025, returning to double-digits for the first time in years. Monthly inflation has declined for four consecutive months, driven by lower housing and food prices, although elevated prices continue to put significant pressure on households. According to World Bank's welfare

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



Source: World Bank. Notes: See footnotes in table on the next page.

monitoring survey, in June 2025, nearly half of Sudanese have poor or borderline food consumption. The central bank is replacing banknotes in Sudanese Armed Forces -controlled areas and plans to expand to Al-Jazeera. Where replacements have occurred, over a third of households faced difficulties, mainly limited access to new notes—and half of those reported price increases. Broad money increased by 29 percent in the first half of 2025 reflecting strong deposit growth and monetary accommodation, fueling inflation. Coupled with foreign exchange shortages, this has contributed to a persistent gap of approximately 21 percent in parallel currency markets as of end-July, prompting the central bank to suspend corporate transactions via MBOK, the country's most widely used mobile money platform, to curb foreign exchange speculation.

To improve revenue collection, the Ministry of Finance and Economic Planning launched a mandatory electronic payment and collection system for government services and committed to fully covering public sector salaries and increasing defense allocations.

Extreme poverty, defined as the share of the population living with less than US\$ 3 a day, has significantly widened from 23 percent to 59 percent between 2022 and 2024.

## Outlook

A durable resolution to the crisis is essential for broad-based, multi-year recovery. However, the downside risks to the outlook remain substantial, including those from prolonged conflict, financing

constraints, and supply disruptions. Assuming the conflict ends in 2026, recovery will depend on sustaining peace and securing funds for reconstruction, humanitarian aid, and restoring public services. In the near term, GDP growth is projected to rebound to 6 percent, driven by low-base effects, increased consumption, and domestic trade. However, growth is expected to moderate to 3.7 percent by 2027 due to damaged supply capacity. Progress in restoring administrative and service capacity is likely to be slow, constrained by limited public resources. Revenue mobilization is expected to remain below pre-conflict levels, with only slight narrowing of the fiscal deficit. Public debt will remain high. As a HIPC-eligible country, Sudan could benefit from the initiative's resumption, which could ease debt pressures and expand fiscal space for recovery.

Inflation is expected to ease gradually as domestic production and supply chains improve, though it will remain in double digits. Exports are projected to rebound in 2025 with improved security conditions, while imports will surge due to revived domestic demand and reconstruction needs, then moderate in 2026–27.

The United Arab Emirates (UAE) ban on Port Sudan's maritime and air operations—following recent diplomatic and political tensions—poses significant risks to trade, potentially disrupting supply chains and increasing transport costs, given that UAE is Sudan's largest trade partner and key gold market. The U.S. sanctions imposed last May further restrict external financing and isolate the country from capital markets. Additionally, the recent inauguration of a parallel government in Nyala could escalate the conflict.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	-1.0	-29.4	-14.0	6.1	5.1	3.7
Private consumption	-0.8	-28.4	-16.2	8.1	6.9	5.8
Government consumption	1.9	-27.1	-0.6	4.8	8.6	5.7
Gross fixed capital investment	1.2	-20.0	-15.0	5.0	4.5	3.0
Exports, goods and services	12.0	-37.1	-30.0	90.0	35.0	30.0
Imports, goods and services	8.7	-12.7	-21.5	35.0	30.0	25.0
<b>Real GDP growth, at constant factor prices</b>	-1.0	-28.5	-14.0	6.1	5.1	3.7
Agriculture	1.0	-14.9	-7.6	6.0	4.0	3.0
Industry	-0.7	-25.8	-13.1	5.0	3.0	2.0
Services	-3.0	-43.2	-23.6	7.4	9.3	6.7
<b>Inflation (consumer price index)</b>	164.2	65.8	170.0	101.0	55.0	35.0
<b>Current account balance (% of GDP)</b>	-6.0	-6.2	-16.1	-11.6	-10.3	-5.6
<b>Net foreign direct investment inflow (% of GDP)</b>	-1.3	-0.7	-1.5	-0.9	0.0	0.4
<b>Fiscal balance (% of GDP)</b>	-1.7	-3.8	-4.1	-3.6	-3.1	-2.6
<b>Revenues (% of GDP)</b>	10.0	4.8	4.7	5.4	6.2	6.3
<b>Debt (% of GDP)<sup>1</sup></b>	183.6	167.3	148.1	138.6	123.2	104.1
<b>Primary balance (% of GDP)</b>	-1.6	-3.7	-4.0	-3.5	-3.0	-2.5
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>2,3</sup></b>	23.3	48.4	59.4	57.0	55.7	55.0
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>2,3</sup></b>	46.7	71.7	80.1	78.4	77.4	77.0
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>2,3</sup></b>	86.5	94.7	96.8	96.5	96.2	96.0
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-1.7	-4.6	-2.1	1.3	3.6	4.5

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Debt projections do not include any restructuring achieved during the HIPC process.

2/ Calculations based on 2014-NBHS. Actual data: 2014. Nowcast: 2015-2024. Forecasts are from 2025 to 2027.

3/ Projection using neutral distribution (2014) with pass-through = 1 (High (1)) based on GDP per capita in constant LCU.

# TANZANIA

Economic growth is expected to reach 6 percent in 2025 and continue to accelerate over the medium term, driven by macroeconomic stability, improved business environment, and enhanced infrastructure services including electricity supply. However, risks remain, such as policy responses to increasing fiscal trade-offs and climate-related shocks. Poverty is projected to decline, albeit modestly, reaching 68 percent in 2025 (using the US\$4.20 PPP poverty line).

## Key conditions and challenges

Tanzania's economy continues to show robust macroeconomic fundamentals despite external challenges. Economic dynamism is fueled by an improved business environment and large investments in infrastructure, supported by prudent macroeconomic policies. With improved transport infrastructure and East Africa's largest metropolis with a deep-sea harbor, Tanzania is uniquely positioned to become a connectivity hub in the region and join global value chains.

Despite these strengths, Tanzania continues to face structural and policy barriers that hinder broader, more inclusive growth. Economic growth remains concentrated in a few sectors, with scarce opportunities for wage employment. Further enhancing the business environment and investing in human development are essential steps toward building a private sector-driven economy that creates jobs and supports poverty reduction.

Tanzania also navigates macroeconomic trade-offs as it prioritizes long-term infrastructure projects amid limited revenue generation and decreasing foreign assistance—factors that leave critical

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$3.00/day
68.6	29.5
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
67.0	93.1
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
78.8	1149.1

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2018 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

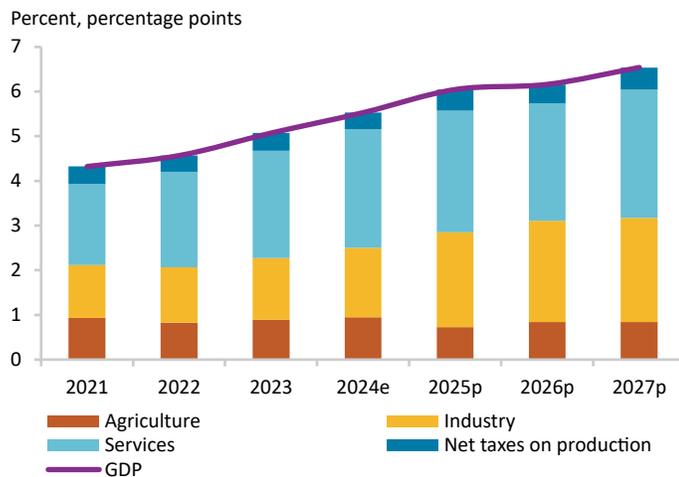
investment needs in human development and public services unmet. Strengthening revenue mobilization is crucial for delivering key services and preserving debt sustainability in a growth-friendly manner. Recent progress in addressing exchange rate distortions has closed the gap between official and parallel rates; maintaining these gains and further embracing a more flexible exchange rate regime will bolster the country's ability to absorb external shocks.

## Recent developments

Recent economic growth was driven by strong performance in electricity production, extractive industries, and financial services. Electricity supply increased following the commissioning of the Julius Nyerere and Rusumo Hydropower Plants supporting higher industrial output. Despite early 2025 dry spells leading to stagnant crop yields, food-price driven inflation remains within the 3-5 percent target range.

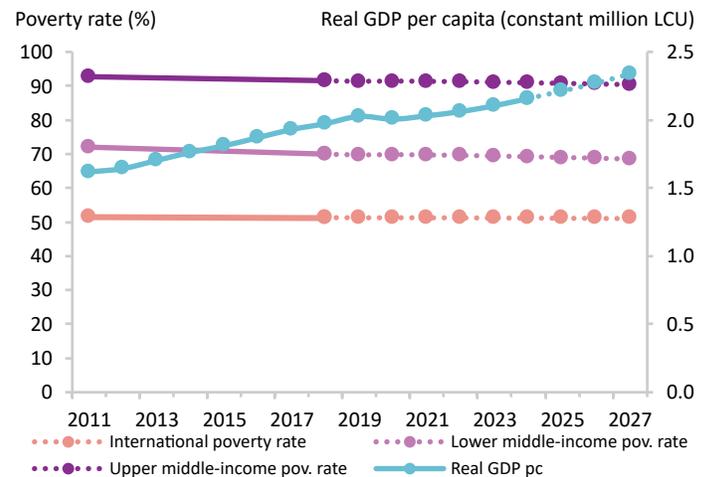
Tanzania's external balances continued to improve, supported by strong exports and favorable terms of trade. Commercial agriculture and mining growth accelerated, contributing to a significant rise in traditional and non-traditional exports. Export growth was

FIGURE 1 / Real GDP growth and sectoral contribution to real GDP growth



Source: World Bank staff estimates and projections.

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



Source: World Bank. Notes: See footnotes in table on the next page.

further strengthened by rising export prices including gold and coffee, while lower oil prices reduced import bills, shrinking the current account deficit to 2.6 percent of GDP in 2024. With the country's increasing openness, net foreign direct investment (FDI) inflows climbed to 2.2 percent of GDP in 2024, from 1.7 percent in 2021.

With core inflation subdued, the Bank of Tanzania lowered the policy rate by 25 basis points to 5.75 percent in July 2025. Exchange rates have been more flexible over the past year with increased foreign exchange market liquidity and a substantial narrowing of parallel market spreads. While expanding, credit to the private sector remains low at around 17 percent of GDP, with most of the recent credit growth coming from personal loans and lending to the agricultural sector.

While tax revenue climbed by a percentage point to 13.1 percent of GDP in 2024, Tanzania's domestic revenue remains relatively low. Fiscal allocations on the education and health sector have increased in response to reduced foreign aid, but human development programs remain constrained because of prioritization of infrastructure spending and low domestic revenues. Despite spending pressures in the run-up to an election, the fiscal deficit is estimated to have exceeded the government's medium-term target of 3 percent of GDP only by 0.1 percentage points.

## Outlook

Tanzania's economy is projected to grow at 6 percent in 2025, supported by ambitious infrastructure investment and continued reforms to improve the business environment. These factors are expected to sustain growth over the medium term,

while the expected acceleration in agricultural commercialization and the realization of a robust extractives pipeline will energize the economy further.

Macroeconomic policies will remain conducive to containing inflation below the 5 percent target and preserving fiscal and debt sustainability. While public expenditure is expected to rise in 2025, the government is expected to maintain the medium-term deficit target through continuous efforts in domestic revenue mobilization. Tanzania's external balances will remain strong supported by favorable terms of trade, an expanding and more diversified export base, and flexible exchange rate policies.

Despite strong economic growth, there has been only a modest reduction in poverty as many structural bottlenecks affecting Tanzania's ability to translate growth into poverty reduction, such as limited public services for human development and social inclusion, persist. In the near term, the rural poor are likely to continue benefiting from the 2024 harvest through increased incomes, but declining development assistance is likely to affect poverty reduction, as programs may be scaled back or discontinued, disrupting service delivery to the poor in some areas.

Three primary risks could weigh on the baseline outlook. Should the government's ambitious development plans outpace anticipated revenue growth, Tanzania's fiscal balance may come under pressure, straining public services. Foreign exchange imbalances could re-emerge amid policy rigidities. Extreme weather events may also adversely impact agriculture, affecting the country's poor and vulnerable groups. On the upside, strengthened public-private partnerships, especially in transport and energy, along with renewed investor confidence after the October election, could lift growth above current forecasts.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	4.6	5.1	5.5	6.0	6.2	6.5
Private consumption	4.6	2.2	3.1	3.4	4.4	4.6
Government consumption	8.4	10.7	9.5	15.2	9.9	12.8
Gross fixed capital investment	9.6	5.7	5.3	7.2	7.6	7.2
Exports, goods and services	10.2	13.2	16.4	6.5	7.4	6.3
Imports, goods and services	23.7	7.5	9.2	6.2	7.4	6.3
<b>Real GDP growth, at constant factor prices</b>	4.6	5.1	5.6	6.0	6.2	6.5
Agriculture	3.3	3.6	3.9	3.0	3.6	3.7
Industry	4.3	4.8	5.4	7.4	7.8	7.9
Services	5.6	6.2	6.8	6.9	6.6	7.2
<b>Employment rate (% of working-age population, 15 years+)</b>	81.5	81.6	81.6	81.7	81.9	82.2
<b>Inflation (consumer price index)</b>	4.4	3.8	3.1	3.4	3.7	4.0
<b>Current account balance (% of GDP)</b>	-7.3	-3.8	-2.6	-2.8	-3.0	-3.1
<b>Net foreign direct investment inflow (% of GDP)</b>	1.9	2.1	2.2	2.2	2.2	2.3
<b>Fiscal balance (% of GDP)</b>	-3.7	-4.1	-3.1	-3.5	-3.4	-3.2
<b>Revenues (% of GDP)</b>	15.2	14.9	16.3	16.6	17.0	17.4
<b>Debt (% of GDP)</b>	44.2	46.0	51.1	50.6	49.7	48.1
<b>Primary balance (% of GDP)</b>	-1.9	-2.0	-0.4	-0.9	-0.6	-0.6
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	50.2	49.7	49.0	48.4	47.7	47.0
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	69.3	68.9	68.5	68.1	67.7	67.2
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	90.6	90.1	89.6	89.1	88.5	87.9
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	0.0	1.0	1.4	1.6	1.9	1.9

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2010-, 2016-, and 2018-HBS. Actual data: 2018. Nowcast: 2019-2024. Forecasts are from 2025 to 2027.

2/ Projection using point to point elasticity at regional level with pass-through = 0.7 based on GDP per capita in constant LCU.

# TOGO

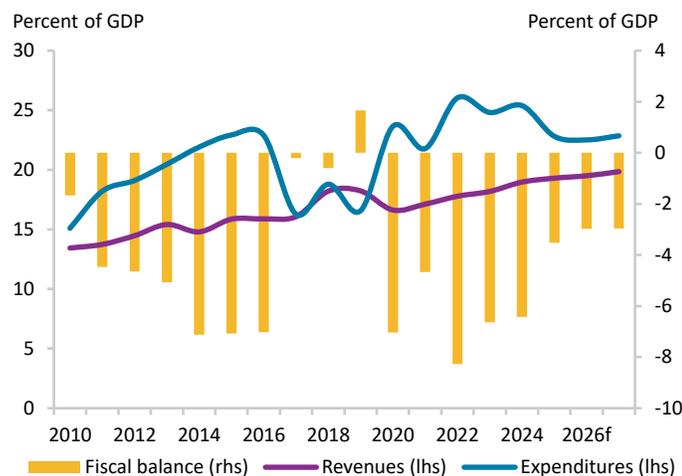
GDP growth is expected to moderate to 5.0 percent in 2025, reflecting fiscal consolidation efforts and decelerating external demand, before recovering to an average of 5.5 percent in 2026-27, as the impact of these factors unwinds and ongoing reforms support domestic demand. Extreme poverty is projected to decrease by 3.5 percentage points between 2025 and 2027. Geopolitical uncertainty, debt refinancing pressures, and climate shocks represent downside risks.

## Key conditions and challenges

After a strong post-COVID rebound from 2021 to 2023, Togo's real GDP growth moderated since 2024, reflecting a deteriorated global environment and necessary fiscal consolidation efforts. To accelerate development and strengthen confidence in the face of elevated regional and global uncertainty, Togo will need to increase its attractiveness to private investors, stimulate entrepreneurship and reduce public debt while at the same time improving the quality of public services.

Addressing these challenges will require comprehensive reforms aimed at broadening the tax base, improving the efficiency and quality of public investment, improving debt management and transparency, increasing access to electricity and digital services, creating a more enabling environment for private investment and job creation, and boosting training in relevant skills to meet labor market needs. Reducing spatial disparities will also be critical to ensure more inclusive development and faster poverty reduction.

FIGURE 1 / Revenues, expenditures, and deficit



Source: World Bank.

Population <sup>1</sup> million	9.5	Poverty <sup>2</sup> millions living on less than \$3.00/day	3.1
Life expectancy at birth <sup>3</sup> years	62.7	School enrollment <sup>4</sup> primary (% gross)	120.2
GDP <sup>5</sup> current US\$, billion	9.9	GDP per capita <sup>6</sup> current US\$	1041.6

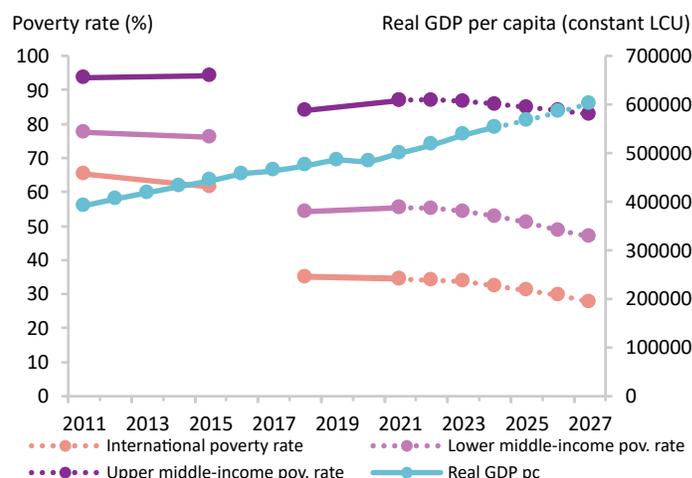
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2024. 6/ 2024.

## Recent developments

GDP growth moderated in 2024 to 5.3 percent (3 percent per capita terms), largely due to fiscal consolidation efforts and weakening global demand (including for top exporting products like phosphate) while private investment and consumer spending were resilient, supported by slowing inflation and ongoing reforms. On the supply side, industrial activity softened due to slowing mining activity and electricity shortages, while services remained dynamic and agriculture was resilient despite irregular rainfall. In this context, employment as a share of the working-age population remained broadly stable at around 57 percent in 2024, reflecting only modest job creation. The international extreme poverty rate, measured at the \$3.00 (2021 PPP) threshold for low-income countries, is estimated to have declined to 32.4 percent in 2024 from 33.7 percent in 2023.

Despite consolidation efforts, the fiscal deficit decreased only slightly to 6.4 percent of GDP in 2024 from 6.6 percent in 2023, reflecting in part the recapitalization of the state-owned bank Union Togolaise de Banque (UTB) and the reclassification of

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



Source: World Bank. Notes: See footnotes in table on the next page.

previously below-the-line expenditures. In this context, public debt increased further to 72.2 percent of GDP in 2024.

Inflation dropped from 5.3 percent in 2023 to 2.9 percent in 2024, reflecting an overall decline in food inflation and energy and transport prices. The trend continued during 2025, with inflation easing steadily in the first half of the year and turning negative in July (-1.1 percent) as sharp declines in fresh products and transport costs outweighed continued inflation in housing and energy components.

The West African Economic and Monetary Union (WAEMU) inflation rate declined to 3.5 percent in 2024, remaining above the WAEMU target band of 1–3 percent, while the regional foreign reserves increased to 4.6 months of imports. After having maintained its monetary policy unchanged since end-2023, the Central Bank of West African States (BCEAO) reduced its key policy interest rates in June 2025 by 25 basis points, lowering the liquidity call rate to 3.25 percent and the marginal lending facility rate to 5.25 percent.

The current account deficit (CAD) narrowed slightly to 3.2 percent of GDP in 2024, down from 3.3 percent in 2023, as slower export growth was offset by reduced imports. Transshipment activity at the Port of Lomé remained robust throughout 2024.

## Outlook

Togo's GDP growth is estimated to moderate further to 5.0 percent in 2025, reflecting public spending cuts and still soft external demand and industrial activity. Agriculture yields are expected to be

relatively robust in the 2025-26 season, with ongoing investments in Agriculture Development Zones (ZAAPs) supporting improved outcomes in those areas. Looking forward, growth is expected to strengthen to 5.4 percent in 2026 and 5.6 percent in 2027, supported by ongoing private investment, particularly at the Adétikopé Industrial Platform, more reliable electricity services with the resumption of gas supplies from Nigeria and ongoing sectoral reforms, and a rebound in consumer spending as inflation is expected to further decline to 2.3 percent in 2025. This should allow the employment rate to increase to 58.7 percent in 2027, its highest level on record. The regional inflation rate is expected to align with the WAEMU target band from 2025 onwards, while regional reserves are projected to rise slightly to 4.7 months of imports in 2025, supported by recovering exports.

The fiscal deficit is expected to decline to 3.5 percent of GDP in 2025 and to 3.0 percent in 2026-27 (in line with WAEMU and IMF program targets) largely thanks to the projected increase in tax revenues amounting to about 0.5 percent of GDP per year. Prospects of public indebtedness falling back to 65.9 percent in 2027 and the recent downward revision of overall debt risks to moderate in the June 2025 Debt Sustainability Analysis (DSA) are positive, but Togo still faces significant refinancing pressures in the short term.

Downside risks to the outlook include geopolitical uncertainty, regional insecurity, and climate shocks, as these could disrupt economic activity and exacerbate poverty, particularly in vulnerable regions. On the upside, a faster-than-expected easing of financing conditions and effective implementation of reforms could stimulate private investment and job creation in the coming years.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	5.8	6.4	5.3	5.0	5.4	5.6
Private consumption	4.7	4.3	5.4	5.6	5.6	5.2
Government consumption	7.2	6.3	2.0	4.7	4.2	8.6
Gross fixed capital investment	11.3	12.0	6.3	3.3	6.1	5.8
Exports, goods and services	2.8	6.8	5.8	5.4	5.7	6.7
Imports, goods and services	5.3	5.8	5.4	5.2	6.0	6.8
<b>Real GDP growth, at constant factor prices</b>	6.3	6.6	5.3	5.0	5.4	5.6
Agriculture	5.1	4.2	4.1	4.5	5.0	5.6
Industry	6.4	6.7	4.2	4.0	5.8	6.4
Services	6.8	7.6	6.2	5.6	5.5	5.2
<b>Employment rate (% of working-age population, 15 years+)</b>	57.0	57.0	56.7	57.1	57.5	58.7
<b>Inflation (consumer price index)</b>	7.5	5.3	2.9	2.3	2.1	2.0
<b>Current account balance (% of GDP)</b>	-3.0	-3.3	-3.2	-3.1	-3.0	-3.0
<b>Net foreign direct investment inflow (% of GDP)</b>	0.3	0.4	0.4	0.5	0.5	0.5
<b>Fiscal balance (% of GDP)</b>	-8.3	-6.6	-6.4	-3.5	-3.0	-3.0
<b>Revenues (% of GDP)</b>	17.8	18.2	19.0	19.3	19.5	19.8
<b>Debt (% of GDP)</b>	67.1	68.6	72.2	70.4	67.6	65.9
<b>Primary balance (% of GDP)</b>	-5.8	-4.4	-3.7	-0.9	-0.4	-0.5
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	34.1	33.7	32.4	30.9	29.3	27.4
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	55.2	54.3	52.8	50.7	48.4	45.9
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	87.0	86.5	85.8	84.7	83.5	82.1
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	6.6	2.8	4.3	4.5	5.6	5.6

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2021-EHCVM. Actual data: 2021. Nowcast: 2022-2024. Forecasts are from 2025 to 2027.

2/ Projections using microsimulation methodology.

# UGANDA

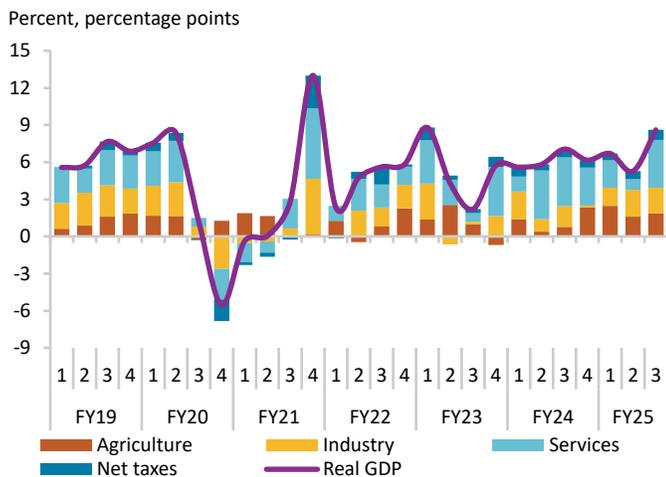
Uganda experienced broad-based growth in FY25, driven by domestic demand and exports. Inflation stayed low, amid moderating food prices, steady monetary policy, and modest exchange rate appreciation, while the fiscal deficit widened amid surging spending. Prudent fiscal management, faster structural transformation and human capital investment are needed to support growth, create jobs for Uganda's youth, and reduce poverty which, though trending down, remains high.

## Key conditions and challenges

Uganda's economic growth exceeded 6 percent annually in recent years, except during the COVID-19 period (FY2020–22). However, the slow pace of reforms and rising fiscal deficits, public debt and interest payments have constrained progress and increased vulnerabilities. Tax revenue growth has not kept up with spending, while foreign financing remains essential to address recurrent current account deficits. Job creation is not keeping pace with the rising working-age population, and available jobs are mostly informal and low-skilled.

Uganda's pace of economic transformation has been slow. The low-productivity and climate-vulnerable agriculture sector represents nearly a quarter of GDP and 40 percent of employment, not accounting for the 36 percent of the working age population engaged exclusively in subsistence agriculture. Underinvestment in health and education have fueled a persistent human capital deficit—a child born today will be 38 percent as productive as an adult than if they had enjoyed complete education and full health. As a result, in 2020, six out of 10 Ugandans lived under the revised international poverty line (US\$3.00 2021 PPP).

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



Source: Uganda Bureau of Statistics.  
Note: The financial year (FY) runs from July to June.

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$3.00/day
50.0	25.7
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
68.3	105.5
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
53.9	1078.5

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2019 (2021 PPPs). 3/ 2023. 4/ 2017. 5/ 2024. 6/ 2024.

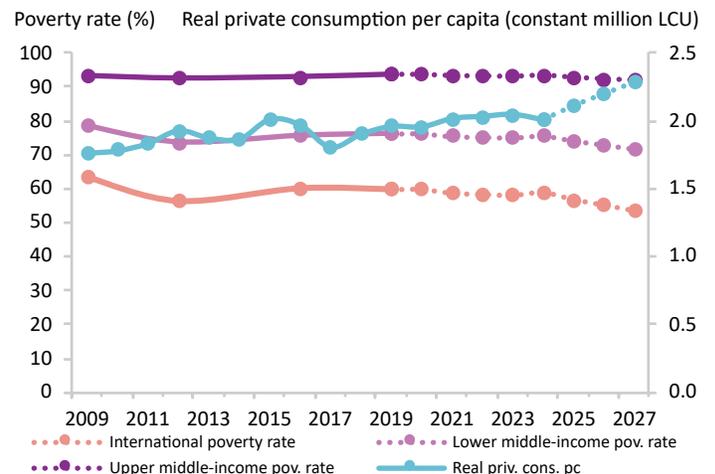
To boost economic growth and reduce poverty, structural transformation must accelerate, moving workers into more productive jobs, while raising agricultural productivity, where the poor are concentrated. Reforms should lower business costs, expand access to finance, and encourage digital innovation to spur private investment. The much-needed fiscal consolidation should prioritize social spending, reduce inequality and build resilience. As oil revenues are expected from FY27, maintaining macroeconomic discipline, adhering to fiscal rules, and strengthening revenue collection will be crucial to prevent the resource curse.

## Recent developments

Real GDP growth accelerated to 6.3 percent in FY25, after 6.1 percent in FY24, supported by recovering household consumption, surging public spending, robust investment growth and rising coffee exports. Dynamic domestic demand generated broad-based growth, with crop production, manufacturing, construction and trading services contributing most, while stimulating imports.

Projections show that 57 percent of Ugandans were poor in 2024, dipping below the COVID level aided by robust growth and low

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



Source: World Bank. Notes: See footnotes in table on the next page.

inflation. Headline and core inflation remained below the Central Bank's 5 percent target—at 3.5 and 3.9 percent—amidst steady food prices, lower global oil prices, modest exchange rate appreciation and steady monetary policy, with the policy rate unchanged at 9.75 percent.

The current account deficit improved in FY25, from 7.8 percent of GDP in FY24 to an estimated 5.9 percent in FY25, as increasing coffee exports overcompensated for a cross-cutting rise in non-oil imports, the services balance remained stable, and investment income outflows declined.

After three years of fiscal consolidation, the fiscal deficit rose to 5.8 percent of GDP in FY25, from 4.4 percent in FY24, driven by a 27.8 percent surge in spending that outpaced tax revenue growth (+16.0 percent) from rising imports and domestic demand. Interest payments contributed most to increased spending, amidst a costly pivot to domestic financing. Yet, the primary fiscal deficit rose to 2.1 percent of GDP (+ 0.7 pp), driven by central government consumption, and transfers to other agencies and local governments. The deficit was largely financed by issuing securities to nonbank entities, raising public debt to 51.3 percent of GDP, up from 46.6 percent in FY24.

## Outlook

Growth is projected to remain steady and broad-based in FY26, as declining oil-related investment is offset by a slowdown in imports and robust export performance, and accelerate in FY27 as oil production begins. Despite rising investment-driven imports,

the current account deficit would improve as oil exports commence. Foreign direct investment flows are projected to remain strong, and foreign exchange reserves to increase.

Public spending growth, notably due to surging interest payments, would raise the fiscal deficit in FY26 before an improvement and a decline in public debt in FY27, supported by moderating spending growth and the accrual of oil revenues. Meanwhile, the implementation of the domestic revenue mobilization strategy would raise tax revenue.

Poverty is projected to decline to 56 percent in 2025 and faster in the medium term, as growth accelerates. If oil revenues were invested in social services, infrastructure, and human capital, poverty could fall to 51 percent by 2027.

Uganda faces downside risks. Prospective export proceeds and foreign investment could suffer from delays in oil production and pipeline completion, the effect of regional and Middle Eastern geopolitical tensions on global trade, demand, and commodity prices, and from the EU's deforestation-related import ban. Dependence on rain-fed agriculture generates vulnerabilities to climate shocks which could hinder poverty reduction, calling for investments in climate adaptation.

Amidst the January 2026 general elections, resuming the fiscal consolidation and improving its quality by focusing on spending efficiency, broadening the tax base and raising social spending, would support reducing the deficit and improving financing conditions, whereas the misallocation of public resources could hinder growth, structural transformation, job creation and poverty reduction.

## Recent history and projections

	2021/22	2022/23	2023/24	2024/25e	2025/26f	2026/27f
<b>Real GDP growth, at constant market prices</b>	4.6	5.3	6.1	6.3	6.4	9.8
Private consumption	3.8	3.6	0.8	8.2	6.4	4.6
Government consumption	5.2	3.8	14.9	29.4	2.1	1.8
Gross fixed capital investment	7.3	3.7	6.7	8.1	3.1	8.7
Exports, goods and services	-19.7	0.3	47.1	23.7	10.2	35.6
Imports, goods and services	-7.9	-2.6	9.5	9.6	4.2	12.8
<b>Real GDP growth, at constant factor prices</b>	4.4	5.1	5.9	6.2	6.4	9.8
Agriculture	4.2	4.5	5.6	6.6	6.5	6.3
Industry	5.1	4.0	5.5	7.0	6.2	18.5
Services	4.0	5.9	6.4	5.4	6.6	6.5
<b>Inflation (consumer price index)</b>	3.7	8.8	3.2	3.7	3.5	3.5
<b>Current account balance (% of GDP)</b>	-7.6	-7.7	-7.8	-5.9	-5.2	-3.2
<b>Net foreign direct investment inflow (% of GDP)</b>	5.0	6.1	5.6	6.0	4.3	4.9
<b>Fiscal balance (% of GDP)</b>	-7.4	-5.5	-4.7	-6.1	-6.2	-5.3
<b>Revenues (% of GDP)</b>	14.1	14.5	14.1	14.8	14.8	16.0
<b>Debt (% of GDP)</b>	48.4	47.4	46.6	51.3	52.8	51.9
<b>Primary balance (% of GDP)</b>	-4.3	-2.3	-1.6	-2.4	-1.4	-0.2
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	59.3	58.2	57.0	55.6	54.4	51.0
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	75.9	75.3	74.3	73.4	72.5	70.2
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	93.5	93.1	92.8	92.3	92.1	91.3
<b>GHG emissions growth (mtCO2e)</b>	-0.3	2.0	2.8	3.0	2.6	3.3

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise. All data and projections use fiscal years (July-June), except poverty data, which use calendar years.

1/ Calculations based on 2019-UNHS. Actual data: 2019. Nowcast: 2020-2024. Forecasts are from 2025 to 2027.

2/ Projection using neutral distribution (2019) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

# ZAMBIA

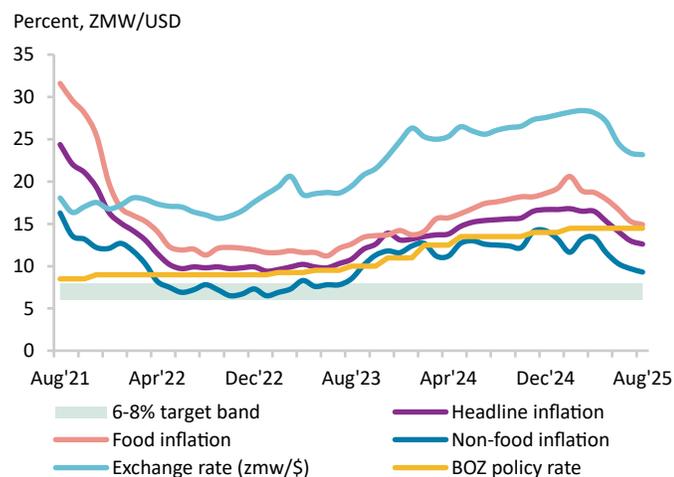
Zambia's economy is rebounding from drought, with mining, agriculture, and tourism set to boost growth by 5.8 percent in 2025, averaging 6.5 percent in 2026–27. Public debt is projected to fall from 133 percent of GDP in 2023 to 90.7 percent in 2025, with agreements covering about 94 percent of Zambia's external debt being restructured. Yet, climate risks, hydroelectric power shortages, and continued dependence on mining present major risks to this otherwise optimistic outlook.

## Key conditions and challenges

Since 2021, Zambia has been implementing significant policy and institutional reforms, which have stabilized its economy despite experiencing a severe drought in 2024 on top of multiple shocks. Economic growth remains resilient, foreign investment is returning, inflation is declining, debt restructuring is nearing completion, and currency performance is strengthening. Consequently, the country is well-positioned to take its next major step: achieving economic transformation that can lift its people out of poverty and promote inclusive prosperity within a sustainable, livable environment. The current global metal prices and increased global demand for energy transition minerals (ETMs) offer Zambia the potential to generate fiscal revenue to fund development.

Introducing measures to strengthen links between capital-intensive mining and the broader economy through ancillary services to the sector and local content will be essential. Poverty exceeds GDP-predicted levels due to high inequality. Firm productivity is hindered by limited access to finance, insufficient capacities and skills, informality, and inadequate access to electricity. Minimal and subpar public investments restrict connectivity and growth.

FIGURE 1 / Inflation, exchange rate, and monetary policy rates



Sources: Zamstats and Bank of Zambia.

Population <sup>1</sup> million	21.3	Poverty <sup>2</sup> millions living on less than \$3.00/day	14.4
Life expectancy at birth <sup>3</sup> years	66.3	School enrollment <sup>4</sup> primary (% gross)	94.8
GDP <sup>5</sup> current US\$, billion	26.3	GDP per capita <sup>6</sup> current US\$	1233.5

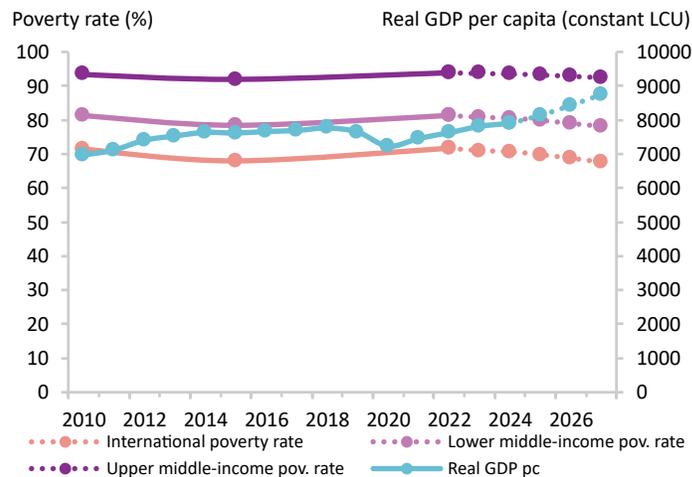
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2020. 5/ 2024. 6/ 2024.

These challenges hinder the development of promising tourism, manufacturing, and advanced services, curbing economic transformation and inclusive growth. Modernizing agriculture, which remains largely subsistence-based, is key. The country must also address climate change to ensure sufficient energy for strategic sectors like mining and medium- and small-sized enterprises in broader economic sectors.

## Recent developments

Zambia's economy is steadily accelerating in 2025 after remaining resilient following a severe drought in 2024. In Q1 2025, GDP grew by 4.5 percent year-on-year, up from 2.2 percent in Q1 2024, driven by gains in agriculture, mining, and services despite power shortages. Agriculture saw a record maize harvest of 3.8 million metric tons, leaving the country a net maize exporter. The composite purchasing managers' index has broadly remained above 50 in the first half (H1) of 2025, signaling business activity expansion after a sharp dip in 2024. At the household level, quarterly labor market data indicate some strain, suggesting that the slight improvements recorded in 2022–23 gave way to rising unemployment and declining formal employment in 2024.

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



Source: World Bank. Notes: See footnotes in table on the next page.

Higher metal exports boosted foreign currency inflows, supporting the appreciation of the exchange rate amid improved investor confidence. In H1 2025, the mining sector contributed \$700 million to the interbank foreign exchange (FX) market and \$500 million in taxes, strengthening the kwacha by 14.4 percent against the US dollar in Q2 2025. Gross official reserves rose from \$4.3 billion at the end of 2024 to \$4.7 billion (4.7 months of imports) by end-June.

Inflation dropped from its peak of 16.8 percent in February to 13.0 percent in July, driven by the record maize harvest, falling fuel prices due to lower international petroleum costs, and a stronger kwacha. This was despite the extended higher emergency electricity tariffs introduced during the drought. The Bank of Zambia kept its policy rate at 14.5 percent for a second consecutive quarter in August, citing inflation expectations and global trade uncertainties. Higher interest rates slowed domestic credit growth for both the government and the private sector. Fiscal revenues reached 95.5 percent of the target in the first half of 2025, with strong income tax collection, but lower mineral royalties and dividends from Bank of Zambia compressed non-tax revenue. Due to the financing shortfall, the authorities maintained fiscal consolidation at the cost of executing public investment at 50.2 percent below target, while the execution of total spending fell short from target by 4.9 percent only.

## Outlook

Zambia's outlook is positive, with GDP expected to grow by 5.8 percent in 2025 and averaging 6.5 percent for 2026–27, driven by mining, agriculture, and tourism. The 2025 expansion is partly driven

by base effects from recovery after a severe drought and sufficient rainfall last season. Over the medium term, growth is expected to reflect activity across agriculture, industry (including mining and agrifood processing), as well as services associated with mining, agriculture, and tourism. Poverty will likely fall by about 1 percentage point per year through 2027 but accelerate over the medium term when subsistence agriculture transforms and urban labor markets improve.

Key growth drivers include capital accumulation with net foreign direct investment inflows into the mining sector, macroeconomic stability with restored debt sustainability, and structural reforms to enhance private sector competitiveness. Support from the global demand for ETMs and improved mining regulations adds to the positive outlook. Continued fiscal consolidation with a possible International Monetary Fund (IMF) program extension should boost investor confidence and help manage spending before next year's elections.

Climate change and global trade uncertainties remain major risks, threatening agricultural output, hydroelectric power, and mining prospects. If it becomes entrenched, inflation risks driven by food and fuel prices and exchange rate pressures could reduce domestic demand and growth. Fiscal revenue could undershoot because the narrow tax base exacerbates revenue volatility during shocks. Higher-than-anticipated government spending and associated financing needs may arise either from the upcoming elections or from social spending triggered by climate shocks. While mining will continue to support the favorable outlook, Zambia's overreliance on it poses structural volatility risks and may limit potential output.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	5.2	5.4	4.0	5.8	6.4	6.5
Private consumption	5.6	5.7	4.3	6.2	6.5	7.1
Government consumption	6.7	7.3	6.6	5.7	8.0	5.9
Gross fixed capital investment	4.5	5.3	3.3	4.9	5.6	5.7
Exports, goods and services	4.6	3.3	3.7	5.5	5.8	6.0
Imports, goods and services	4.0	4.5	3.1	4.0	4.4	4.5
<b>Real GDP growth, at constant factor prices</b>	5.4	5.3	4.2	5.8	6.4	6.5
Agriculture	-10.6	-20.5	-9.2	25.4	13.8	4.6
Industry	-2.2	0.9	3.5	6.5	5.4	6.0
Services	11.9	10.2	5.6	4.1	6.2	6.9
<b>Employment rate (% of working-age population, 15 years+)</b>	63.7	59.2	57.1	57.1	57.1	57.1
<b>Inflation (consumer price index)</b>	11.0	10.9	15.0	12.5	8.0	8.0
<b>Current account balance (% of GDP)</b>	3.8	-3.0	-2.6	-0.6	3.6	4.5
<b>Net foreign direct investment inflow (% of GDP)</b>	0.7	1.8	3.8	4.8	4.4	3.8
<b>Fiscal balance (% of GDP)</b>	-5.4	-4.5	-1.9	-1.7	-1.5	-0.5
<b>Revenues (% of GDP)</b>	20.4	21.9	22.2	22.7	23.1	23.3
<b>Debt (% of GDP)</b>	110.9	133.4	98.1	90.7	79.0	68.7
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	71.7	70.9	70.6	69.8	68.7	67.7
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	81.4	80.9	80.6	80.0	79.1	78.2
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	94.0	93.8	93.7	93.3	92.9	92.5
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	2.5	2.1	1.0	1.7	2.4	2.9

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2022-LCMS-VIII. Actual data: 2022. Nowcast: 2023-2024. Forecasts are from 2025 to 2027.

2/ Projection using neutral distribution (2022) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

# ZIMBABWE

Growth slowed to 1.7 percent in 2024 driven by the El Niño-induced drought. A recovery to 6 percent growth is expected in 2025, driven by improved climate conditions, high prices for key mining exports, and increased remittances. Macroeconomic stability has improved throughout 2025, with significant reductions in inflation and notable exchange rate stability. Yet the recovery is delicate, and fiscal risks remain elevated.

## Key conditions and challenges

Macroeconomic vulnerabilities and cumbersome business regulations have raised the cost of doing business in Zimbabwe, increased informality, and reduced private sector investment, thereby limiting the pace of structural transformation. Yet macroeconomic stability has recently improved, as tight monetary policy significantly reduced inflation and exchange rate pressures. Zimbabwe continues to face low monetary policy credibility, a highly dollarized monetary system, and a persistent gap between the official and parallel exchange rates. Fiscal risks remain elevated due to wage bill pressures, borrowing on non-concessional terms, and weaknesses in public financial management. Zimbabwe is in debt distress with high and unsustainable public debt that limits its access to international financing. Due to accumulation of external arrears and legacy debts, total public debt reached US\$23.2 billion in 2024 (72.9 percent of GDP).

Poverty reduction has been constrained by structural factors including macroeconomic volatility, dependence on low-productivity agriculture combined with exposure to weather shocks, low

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$4.20/day
16.6	9.9
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
62.8	95.8
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
45.7	2748.4

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2019 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2024. 6/ 2024.

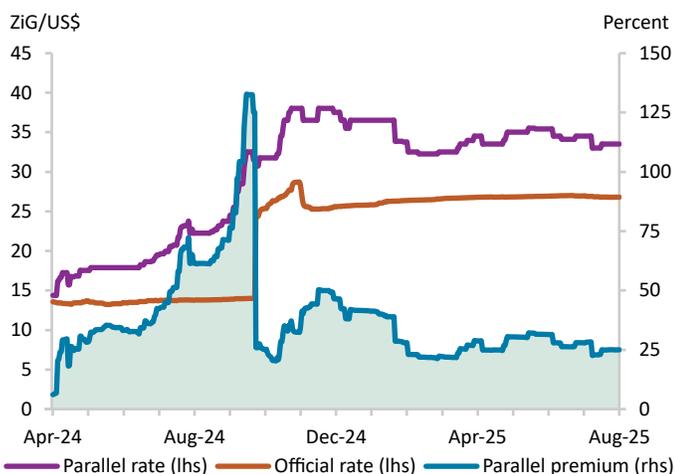
coverage of social assistance programs, and high inequality in income and human capital endowment.

## Recent developments

Zimbabwe's GDP growth slowed sharply in 2024 to 1.7 percent, mainly due to a severe drought that reduced agricultural and hydro-power output. However, for 2025, Zimbabwe's growth is expected to rebound to 6 percent, supported by a good agricultural season, record-high gold prices, and sustained remittance inflows. These conditions are also expected to increase in the current account surplus rising from 1.1 percent of GDP in 2024, to 1.9 percent in 2025.

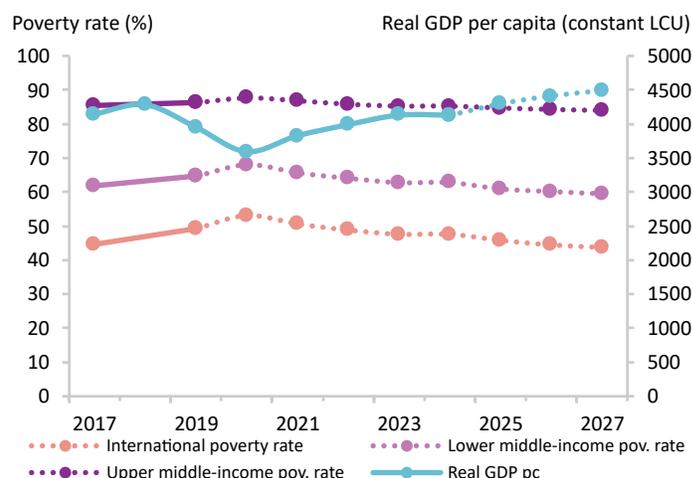
Despite improvements in revenue collection, fiscal pressures remain elevated. Revenue to GDP ratio rose from 11.5 percent of GDP in 2023 to 13.0 percent in 2024, and is expected to reach 14.7 percent in 2025, driven by macroeconomic stabilization and reductions in VAT exemptions. However, spending pressures also increased, driven by a higher public wage bill and debt servicing for central bank legacy debt. The fiscal deficit remained broadly stable at 0.4 percent of

FIGURE 1 / Official and parallel market exchange rate, parallel premium



Sources: Reserve Bank of Zimbabwe and World Bank estimates.

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



Source: World Bank. Notes: See footnotes in table on the next page.

GDP in 2024, and is projected to marginally increase to 0.7 percent in 2025.

Monetary and exchange rate policy has improved significantly, despite some shocks. In April 2024, the ZiG was introduced, initially stabilizing the exchange rate and keeping inflation in single digits. Yet, fiscal pressures led Treasury to borrow central bank funds, resulting in a sharp depreciation of the ZiG on the parallel market and a spiking parallel premium (Figure 1). In response, the currency was devalued in September 2024, combined with monetary policy tightening. These measures stabilized the currency, narrowed the exchange rate premium to below 30 percent, and reduced ZiG inflation (expected at 30 percent by end 2025, down from 779 percent in 2023, and 687 percent in 2024). Nevertheless, the monetary system remains highly dollarized, with low credibility. The exchange rate remains heavily managed by the central bank, and foreign exchange distortions persist.

Due to the low GDP growth in 2024, the poverty rate at the international poverty line of \$3 per person per day (PPP) stayed constant at 47.6 percentage points. The 2024 drought is estimated to have affected rural and agricultural households the most. The 2024 Household Budget Survey (HBS) will provide a more accurate picture of the level of poverty in the country.

## Outlook

While Zimbabwe's GDP growth is expected to rebound to 6 percent in 2025, growth is projected to slow to 4.6 percent in 2026

and 3.5 percent in 2027, reflecting low confidence in macro-economic stabilization and persistent fiscal financing needs that crowd out private-sector growth. Inflation is forecast to remain relatively low due to tight monetary policy, with end-of-year inflation dropping from 30.7 percent in 2025 to 12.7 percent in 2026, and stabilizing at 8.0 percent from 2027 onward.

Zimbabwe is expected to face persistent fiscal financing gaps, with the overall balance projected at -0.7 percent of GDP in 2025 and -0.4 percent in the medium term. For 2025, total debt stays broadly similar (US\$23.6 billion versus US\$23.3 billion in 2024), yet remains unsustainable and in distress. Debt-to-GDP in 2025 is projected to decline (49.5 percent versus 72.9 percent in 2024), due to a large stock-flow adjustments from exchange rate stabilization, and high GDP growth.

The current account surplus is expected to widen to 1.9 percent of GDP in 2025, driven by high gold prices and strong remittances, and remain in surplus in the medium term as mining activities accelerate. Gross international reserves remain low, but are projected to increase from US\$484 million in 2024 to US\$800 million in 2025 (less than one month of imports).

Thanks to higher economic growth (particularly the agriculture sector), poverty is expected to decrease in 2025. However, it remains high in the medium term, as Zimbabwe's low growth elasticity of poverty reduction, hampers poverty reduction. Following the favorable harvest of the 2024/25 season, food security is expected to improve in 2025. Despite relatively high human capital, creation of good jobs has been anemic, while informality remains high.

## Recent history and projections

	2022	2023	2024	2025e	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	6.1	5.3	1.7	6.0	4.6	3.6
Private consumption	5.1	1.8	1.5	5.5	4.6	3.6
Government consumption	70.1	69.6	2.0	4.0	-4.2	2.6
Gross fixed capital investment	21.8	-10.0	1.2	1.1	16.0	1.8
Exports, goods and services	43.4	-35.5	1.3	7.0	4.0	3.2
Imports, goods and services	54.0	-34.0	0.5	1.6	4.7	2.9
<b>Real GDP growth, at constant factor prices</b>	6.1	5.3	1.7	5.8	4.6	3.7
Agriculture	6.1	1.1	-18.1	12.8	7.1	6.9
Industry	5.1	13.4	6.7	5.1	4.4	4.5
Services	6.8	1.5	2.8	5.1	4.2	2.4
<b>Inflation (consumer price index)</b>	160.2	667.4	736.1	84.9	16.9	8.0
<b>Current account balance (% of GDP)</b>	0.7	0.3	1.1	1.3	0.8	0.5
<b>Net foreign direct investment inflow (% of GDP)</b>	0.8	1.3	1.0	1.1	1.2	1.1
<b>Fiscal balance (% of GDP)</b>	0.1	-5.1	0.5	-3.1	-2.8	-2.7
<b>Revenues (% of GDP)</b>	13.2	11.6	14.3	17.2	17.3	17.4
<b>Debt (% of GDP)</b>	973.5	76.5	71.1	64.6	59.0	56.7
<b>Primary balance (% of GDP)</b>	0.1	-5.0	0.6	-2.7	-2.2	-2.2
<b>International poverty rate (\$3.00 in 2021 PPP)<sup>1,2</sup></b>	48.9	47.6	47.6	45.8	44.5	43.8
<b>Lower middle-income poverty rate (\$4.20 in 2021 PPP)<sup>1,2</sup></b>	64.1	62.8	62.8	61.0	60.2	59.6
<b>Upper middle-income poverty rate (\$8.30 in 2021 PPP)<sup>1,2</sup></b>	85.8	85.3	85.3	84.7	84.2	83.9
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	1.7	0.1	-0.7	-1.3	-0.1	-0.1

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2019-PICES. Actual data: 2019. Nowcast: 2020-2024. Forecasts are from 2025 to 2027.

2/ Projection using neutral distribution (2019) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.





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