

Macro Poverty Outlook

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

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Spring
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2024



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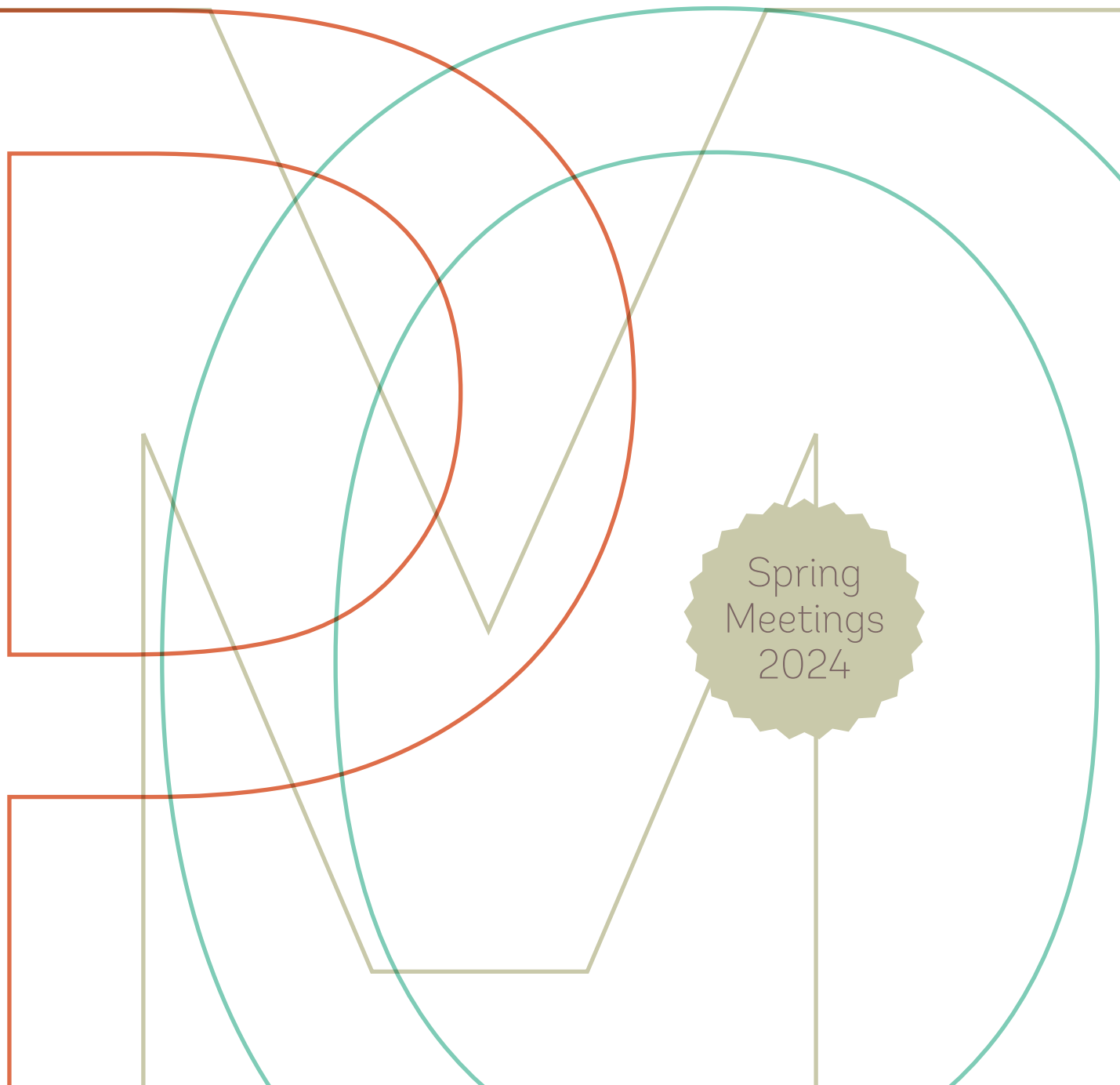
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Macro Poverty Outlook



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OUTLOOK



*The **Macro Poverty Outlook** is jointly produced by the Poverty and Equity and the Macroeconomics, Trade and Investment Global Practices of the World Bank.*



The cutoff date for information for most countries was March 29, 2024.





East Asia and the Pacific



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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
Vietnam

CAMBODIA

Table 1 **2023**

Population, million	16.9
GDP, current US\$ billion	31.8
GDP per capita, current US\$	1876.0
School enrollment, primary (% gross) ^a	110.0
Life expectancy at birth, years ^a	69.6
Total GHG emissions (mtCO ₂ e)	77.1

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2022); Life expectancy (2021).

Despite continued external headwinds, Cambodia's economic recovery and poverty reduction continue. This year's economic growth is projected to marginally improve to 5.8 percent, driven mainly by a revival of services and goods exports. This is expected to partially reverse the pandemic-related increase in poverty. Downside risks include weaker-than-expected global demand, global financial stress amid elevated debt and high borrowing costs, and a slower-than-anticipated recovery in China. Domestically, a faster-than-expected increase in non-performing loans could affect macro-financial stability as the housing market correction continues.

Key conditions and challenges

Despite external headwinds, Cambodia's economic recovery continues, although growth remains at a slower pace than during the pre-COVID-19 period. The recovery is largely underpinned by a revival of services and goods exports, which are contributing to a partial reversal of the pandemic-related increase in poverty. In 2023, services exports improved with international tourist arrivals increasing at 140 percent year-on-year (y/y), while goods exports also expanded, rising by 5 percent y/y. Goods imports, however, shrank, contracting by 18.5 percent y/y in 2023, caused by subdued domestic demand with stalled construction activity. The decline in the trade deficit, together with rising remittances and tourism receipts, helped to improve the current account balance, which is estimated to have reached an unprecedented surplus of 2.4 percent of GDP in 2023. This helped ease pressures on the exchange rate, while inflation remained contained as food and oil prices moderated. High global interest rates and decelerating credit growth continue to affect Cambodia's financial sector, which is showing signs of deleveraging.

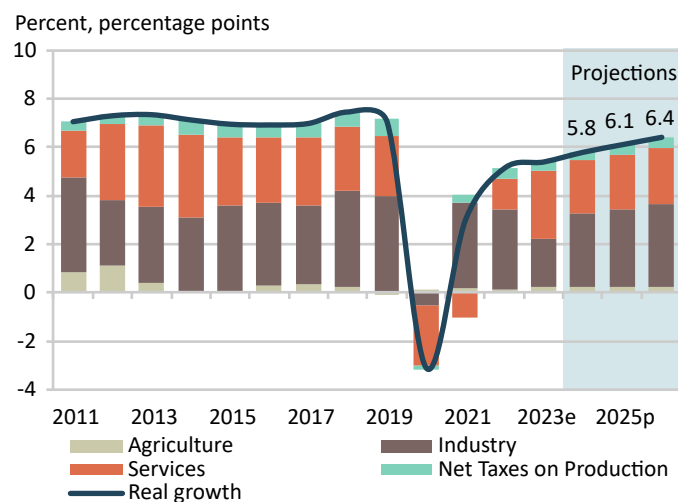
Recent developments

The recovery of the service sector and the resilience of the agriculture sector

underpinned an estimated real growth rate of 5.4 percent in 2023. In 2023, international tourist arrivals quickly rebounded, reaching 5.5 million, representing 82.5 percent of 2019's level. The agriculture sector, especially crop production, continued to be resilient, rising to 36.8 million metric tons or 6 percent y/y in 2023. Within the industry sector, the garment, travel goods, and footwear (GTF) manufacturing industries' performance was subdued, caused by the slowdown in global demand. However, the non-GTF industries, which include vehicle, electronic, and electrical component manufacturing, expanded. Compared to pre-pandemic levels, in 2023, merchandise exports reached 160 percent of 2019's level or US\$23.6 billion, boosted by non-GTF product exports. Merchandise imports also expanded, but at a slower pace, reaching 120 percent of 2019's level or US\$24.4 billion caused mainly by subdued imports of durable goods and construction materials as private consumption eased and construction activity stalled. This helped to improve the trade balance. Better external sector performance helped maintain the exchange rate, which hovered around riel 4,100 per U.S. dollar while boosting gross international reserves to reach US\$19.9 billion - an 11.7 percent y/y increase in 2023 and equivalent to about 7 months of imports. The economic recovery supported job creation, while subdued inflation which was contained at 2.7 percent y/y in December 2023 maintained household purchasing power.

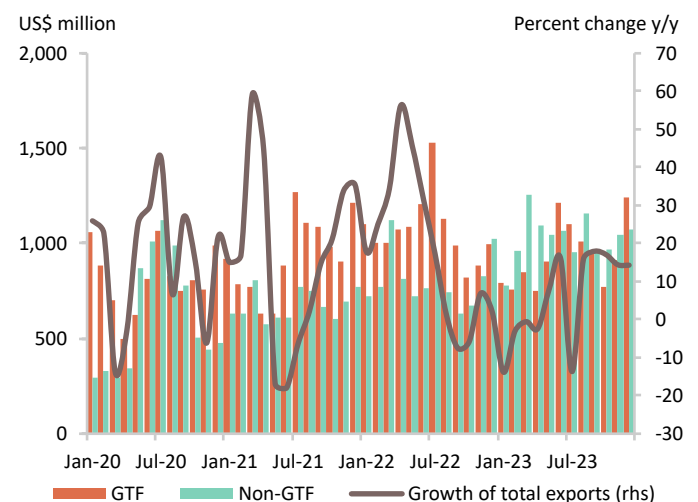
To spur economic growth, the central bank cut the foreign currency reserve requirement ratio by 2 percent, the largest

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



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

FIGURE 2 Cambodia / Merchandise exports, levels and growth rate



Source: Cambodian authorities.
Notes: GTF = garment, travel goods, and footwear (and other textile products); y/y = year-on-year; and rhs = right-hand scale.

cut during the post-pandemic period, to 7 percent in December 2023. Indicating improvements in capital inflows, broad money once again expanded, growing at 12.5 percent in 2023, up from 8.2 percent in 2022 as foreign currency deposit growth picked up. Meanwhile, the value of approved FDI-financed investment (outside special economic zones) under the qualified investment project scheme grew at a staggering 130.6 percent y/y in 2023. However, stalled construction activity reduced demand for domestic credit, which decelerated to a 4.1 percent y/y increase in 2023, a 20-year low, down from an 18.9 percent y/y increase in 2022. High global interest rates squeezed the returns on assets of the banking and microfinance (MFI) sectors, which declined to 3.8 percent and 6.0 percent in 2023, respectively, down from 7.0 percent and 17.6 percent in 2022, respectively. In parallel, the non-performing loan ratios rose to 5.4 percent and 6.7 percent in 2023, for Banks and MFIs, respectively, up from 2.2 percent and 2.6 percent in 2022, respectively.

Government revenue, which was buoyed by a short-lived, post-COVID consumer spending boom in 2022, significantly eased and is estimated to have reached only 20.3 percent of GDP in 2023. Taxes

on goods and services, especially value-added taxes, excises, and duties on imports, declined with softening imports. In contrast, government expenditure remained elevated, rising to 27.9 percent in 2023, driven by civil servant wage increases and election-related spending. As a result, the fiscal deficit (including grants) is estimated to have widened to 6.4 percent of GDP in 2023. However, government deposits (fiscal reserves) remained healthy at 16.4 percent of GDP in 2023 and public debt is low at 35 percent of GDP.

Household income and consumption fell between 2019/20 and 2021, with the decline in income per capita (5 percent) outpacing consumption per capita decline (20 percent) over this period. The wide gap between income and consumption likely reflects two factors: travel restrictions and lockdown imposed during the pandemic reduced household spending opportunities, and uncertainty regarding future incomes due to the pandemic led to increased savings. In addition, jobs in the manufacturing sector rose, boosted by the increase in jobs in the non-GTF manufacturing industries. Jobs in the formal manufacturing sector increased to 1.04 million in 2023, up from 1.02 million in 2022.

Outlook

This year's economic growth is projected to marginally improve to 5.8 percent, driven mainly by a continued revival of services and goods exports. The recovery, in conjunction with continued social assistance programs, should translate into a decline in poverty, reversing part of the likely increase in poverty in 2020 and 2021.

Real growth is projected to reach 6.1 percent and 6.4 percent in 2025 and 2026, respectively. The tourism and hospitality industries are likely to accelerate further, with a projected increase in international arrivals, reaching and surpassing the pre-pandemic levels in the coming years, while goods exports and FDI inflows are expected to be further strengthened by the newly ratified free trade agreements and a substantial increase in private and public investment in key physical infrastructure.

Downside risks include weaker-than-expected global demand, global financial stress amid elevated debt and high borrowing costs, and slower-than-anticipated recovery in China. Domestically, a faster-than-expected increase in non-performing loans could affect macro-financial stability as the housing market correction continues.

TABLE 2 Cambodia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	3.0	5.2	5.4	5.8	6.1	6.4
Private consumption	-0.7	33.0	-16.1	2.2	7.3	7.3
Government consumption	-28.3	23.3	10.5	10.7	0.7	1.1
Gross fixed capital investment	66.3	33.3	-24.8	-10.5	-20.9	-15.8
Exports, goods and services	13.5	20.7	6.9	10.3	14.3	16.9
Imports, goods and services	23.1	40.3	-12.4	3.8	7.6	12.7
Real GDP growth, at constant factor prices	2.9	5.1	5.4	5.9	6.1	6.4
Agriculture	1.2	0.7	1.4	1.4	1.4	1.5
Industry	9.4	8.3	4.8	7.4	7.7	8.1
Services	-2.7	3.5	8.0	6.1	6.3	6.4
Inflation (consumer price index)	2.8	5.5	3.0	2.8	2.7	3.0
Current account balance (% of GDP)	-39.7	-25.5	2.4	3.4	3.4	3.6
Net foreign direct investment inflow (% of GDP)	12.6	11.7	11.4	10.4	10.2	9.4
Fiscal balance (% of GDP)	-7.2	-4.5	-6.5	-5.9	-4.3	-3.8
Revenues (% of GDP)	22.0	23.7	21.4	22.0	22.6	22.8
Debt (% of GDP)	36.3	37.0	34.8	35.8	35.3	35.1
Primary balance (% of GDP)	-6.5	-4.0	-5.9	-5.3	-3.8	-3.3
GHG emissions growth (mtCO₂e)	0.6	1.1	1.2	1.3	1.3	1.3
Energy related GHG emissions (% of total)	19.4	20.0	20.5	21.1	21.7	22.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

CENTRAL PACIFIC ISLANDS

Table 1

	KIR	NRU	TUV
Population, million	0.13	0.01	0.01
GDP, current US\$ billion	0.22	0.15	0.06
GDP per capita, current US\$	1702	11914	4908
LMIC poverty rate (\$3.65)	19.5 ^a	20.9 ^b	19.6 ^c
Gini index	27.8 ^a	32.4 ^b	39.1 ^c

Source: WDI, World Bank, and official data.
Notes: The actual year for the table data is 2022.
Abbreviations: LMIC = Lower middle-income;
KIR = Kiribati; NRU = Nauru; TUV = Tuvalu.
a/ Most recent value (2019), 2017 PPPs.
b/ Most recent value (2012), 2017 PPPs.
c/ Most recent value (2010), 2017 PPPs.

In Kiribati, a large increase in public sector wages will support growth but add to fiscal imbalances. In Tuvalu, the 2024 Falepili Union Treaty now allows Tuvaluans to emigrate to Australia, and this will shape development priorities. Nauru faces pressing financial risks as the only bank in the country plans to exit in 2024. Key challenges for growth and poverty reduction include a narrow economic base and vulnerability to climate change.

Key conditions and challenges

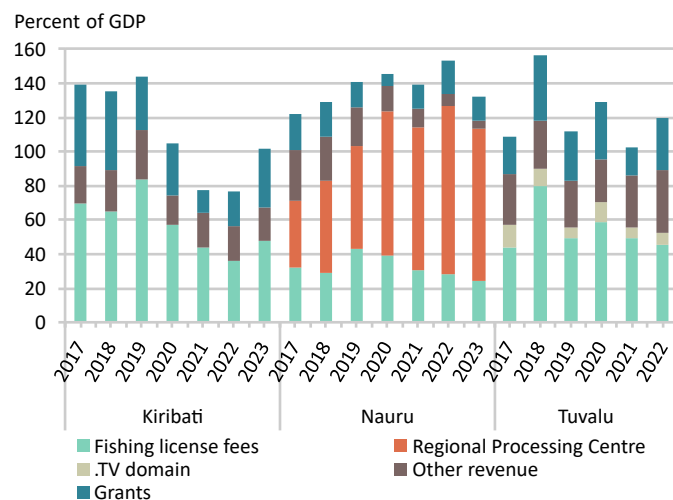
The Central Pacific faces major development challenges due to exogenous factors like climate change, small size, and remoteness; and endogenous forces like concentrated, import-reliant, and volatile economies. All three countries have trust funds to stabilize volatile revenues and finance long-term development. However, they all must diversify public revenues to reduce volatility and fund high recurrent spending.

Kiribati has a highly centralized economy, with public expenditure at 105 percent of GDP in 2023. Recurrent spending is rapidly expanding, particularly on public wages, social protection, and the copra subsidy. While this has benefited the country's poor, it is distorting goods and labor markets, and creating fiscal imbalances as volatile fishing license fees account for over two-thirds of revenues. The IMF-World Bank Debt Sustainability Analysis from September 2023 concludes that, at 15 percent of GDP, Kiribati's external debt is sustainable, but at high risk of debt distress. To address these challenges, Kiribati must contain recurrent spending, foster private enterprise, and stabilize fiscal revenues using their sovereign wealth fund. **Nauru** must adapt to diminishing fiscal revenues and identify new sources of growth in the medium term. Public revenues, economic growth, and employment have historically relied on phosphate mining, fishing, and

operating Australia's Regional Processing Centre (RPC) for asylum-seekers. However, phosphate deposits are heavily depleted and fishing revenues are volatile. The RPC was to go on standby in 2023 but remains active due to recent asylum seekers arrivals. In FY23, income from the RPC-related activities constituted 64 percent of fiscal revenues and 92 percent of GDP. With RPC earnings uncertain, Nauru must find alternative sources of growth. The latest IMF Debt Sustainability Assessment of September 2023 found public debt, accounting for 20.2 percent of GDP, to be sustainable. Recently Nauru has significantly reduced domestic and external liabilities. It grapples with environmental challenges from climate change and the legacy of phosphate mining. A persistent effort to rehabilitate extensive former mine sites at the center of the island remains a priority.

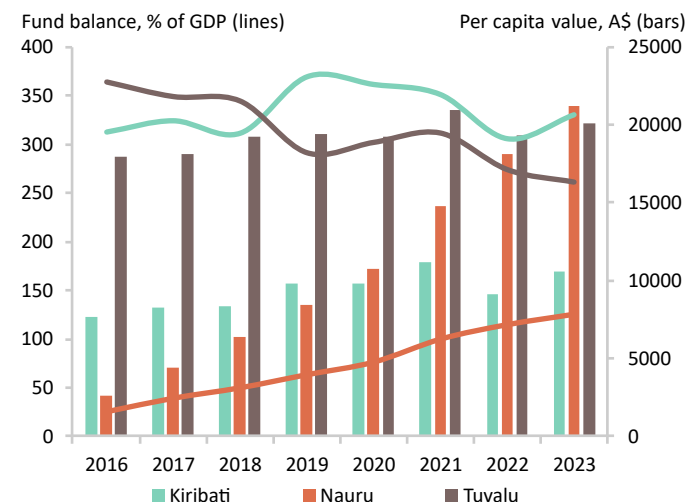
Tuvalu's size, extreme remoteness, high import dependence, and vulnerability to external shocks pose significant challenges to development. Weak growth and widening fiscal deficits are forecast over the medium term due to declining fishing revenues and official grants. This is projected to deplete sovereign wealth funds, which have already shrunk due to weak global market returns. When these funds can no longer finance fiscal deficits the Government plans to seek concessional external financing. The 2023 IMF-World Bank DSA assesses Tuvalu's public debt, at 2.3 percent of GDP, to be sustainable but at high risk of distress. Structural reforms are essential to promote resilience, sustain growth, and encourage diversification.

FIGURE 1 Central Pacific Islands / Selected fiscal revenues



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

FIGURE 2 Central Pacific Islands / Trust Fund balances



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

Recent developments

In **Kiribati**, strong fishing revenues due to favorable weather conditions and the Phoenix Islands Protected Area reopening lifted growth to 4.2 percent in 2023. Inflation reached 9.2 percent, due to higher food, beverage, and transportation prices in the first half of the year. Growth is estimated to have reduced poverty to 18.3 percent in 2022 (US\$3.65 lower-middle-income line), below 19.5 percent in 2019. Domestic demand continues to be supported by high recurrent spending on public wages, social protection, and the copra subsidy. In 2023 this led to a fiscal deficit of approximately 4 percent of GDP after budget support. The RERF was worth 330 percent of GDP in December 2023, down from 370 percent in 2019 due to weak investment returns and GDP growth.

In **Nauru**, the economy is estimated to have grown by 0.6 percent in FY23. Inflation was 6.3 percent, lifted by global factors and higher transport costs. The fiscal surplus declined to 8.3 percent of GDP due to lower RPC-related activities. This allowed the Government to pass four supplementary budgets to give extra support to SOEs and public services, build cash buffers, and invest in community housing. The Government also made prepayments into the Intergenerational Trust Fund which was 122 percent of GDP in June 2023, up from 111 percent in June 2022. A new Household Income and Expenditure Survey will be collected between March 2024 and March 2025, which will enable living standards and other key socioeconomic indicators to be monitored.

In **Tuvalu**, growth is estimated to have reached 3.9 percent in 2023 from an average of -0.6 percent in 2020-2022. This strong rebound is due to the border

reopening in December 2022, allowing infrastructure projects, and development partner support to resume. Inflation slowed in 2023 but remains elevated at 7.2 percent compared to 12.1 percent in 2022, reflecting global developments. The fiscal surplus of 1.1 percent of GDP in 2023 was largely due to increased donor funds. The total value of Tuvalu's sovereign wealth funds decreased from 311 to 261 percent of GDP between 2022 and 2023 due to global financial market returns.

Outlook

In **Kiribati**, growth is expected to increase to 5.6 percent in 2024 due to a 38 percent increase in public sector wages. This makes Kiribati a regional outlier in the share of GDP spent on public employment, and creates fiscal imbalances. The wage rise was funded by loosening the RERF withdrawal policy and risks depleting its balance over time. A rule that withdraws up to 3 percent of the fund each year would allow annual withdrawals, make budgeting easier, and grow the real value of the fund over time. The RERF could also be used to smooth volatile revenues from fishing license fees, as is common in other resource-rich economies. To boost shared prosperity, maintain its pace of poverty reduction, and remove distortions that inhibit private sector activity, Kiribati should rationalize public wages and redirect copra subsidies towards targeting social protection and investing in human capital. Further rises in recurrent spending could jeopardize the country's fiscal responsibility rules.

In **Nauru** FY24 GDP growth is projected to recover to 1.4 percent due to government spending financed by better fishing and RPC revenues. A pressing challenge

is to replace Bendigo Bank, the only bank in the country, which will exit by December 2024. In the medium term, the winding down of the RPC requires Nauru to tighten fiscal spending and diversify its economic base, for example through tourism, labor mobility schemes, or expanding fishing revenues. The installation of the East Micronesian Internet Cable in 2026 offers the opportunity to exploit its favorable time zone between Asia and the Americas, English language, and widespread literacy, by providing online services. A new port provides opportunities for transshipment and local value-addition to fishing products, but the donor-funded project is facing heavy delays and cost overruns.

In **Tuvalu**, economic growth is projected to gradually soften to 2.2 percent by 2026 as gains from border re-opening subsides and capital investment growth normalizes. Growth is expected to be driven by construction, hotels, finance, and public administration. The 2023 Australia-Tuvalu Falepili Union Treaty, where Australia will provide a human mobility pathway for Tuvaluans, is expected to impact migration, remittances, and development over the medium to long term. Inflation is expected to moderate to 3.2 percent by 2026 as global inflation pressures and supply chain disruptions dissipate. Fiscal and current account deficits are projected over the medium term as grants and fishing license fees gradually decline. This will be financed by drawing down the sovereign wealth funds, which are projected to decline to 229 percent of GDP over the medium term. Risks to the Central Pacific outlook are substantial and include high global inflation and slowing global growth; shocks to global commodity prices; volatile revenue flows, including grants from development partners; and the ever-present threat of climate-related natural disasters.

TABLE 2 Central Pacific Islands / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices						
Kiribati	8.5	3.9	4.2	5.6	2.0	2.1
Nauru	7.2	2.8	0.6	1.4	1.2	1.0
Tuvalu	1.8	0.7	3.9	3.5	2.4	2.2
Poverty rates of Kiribati						
International poverty rate (\$2.15 in 2017 PPP) ^{a,b}	1.3	1.2	1.1	0.9	0.9	0.9
Lower middle-income poverty rate (\$3.65 in 2017 PPP) ^{a,b}	16.6	15.5	13.9	12.6	12.5	12.2
Upper-middle income poverty rate (\$6.85 in 2017 PPP) ^{a,b}	66.6	65.3	63.2	59.5	59.2	59.0

Sources: World Bank and IMF.

Notes: e = estimate; f = forecast. Country authorities and World Bank and IMF staff estimates. Nauru data are based on the fiscal year ended June. Kiribati and Tuvalu are calendar years.

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

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

CHINA

Table 1 **2023**

Population, million	1411.9
GDP, current US\$ billion	17469.3
GDP per capita, current US\$	12373.1
International poverty rate (\$2.15) ^a	0.1
Lower middle-income poverty rate (\$3.65) ^a	2.0
Upper middle-income poverty rate (\$6.85) ^a	24.7
Gini index ^a	37.1
School enrollment, primary (% gross) ^b	100.2
Life expectancy at birth, years ^b	78.2
Total GHG emissions (mtCO2e)	13705.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2020), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

Following moderate post-pandemic growth of 5.2 percent in 2023, growth is projected at 4.5 percent in 2024. Macroeconomic policies remain supportive of growth but the downturn in the property sector and weak business confidence weigh on domestic demand. Poverty reduction, measured by the World Bank poverty line for upper middle-income countries is expected to continue but at a slower pace in line with more moderate growth.

Key conditions and challenges

Domestic demand in China has remained sluggish and contributed to low inflation, while the policy space for stimulus is constrained. Weak business confidence, in part driven by the property market downturn, has weighed on growth. At the same time, the scope for monetary easing is limited by the risk of exchange rate depreciation and capital outflows while high debt has constrained the ability of some local governments to provide fiscal stimulus. Over the medium term, economic growth is projected to further moderate due to slowing productivity growth, diminishing returns to capital, and a shrinking working-age population. A more challenging external environment and geo-economic fragmentation also cloud China's medium-term growth prospects. A firm commitment to and sustained implementation of structural reforms would shore up sentiment and revive growth momentum this year while also reinforcing new drivers of growth, including in the service and green economy.

Recent developments

Economic activity picked up in 2023 following the post-pandemic reopening, but the rebound was uneven. GDP growth rose from 3.0 percent in 2022 to 5.2 percent

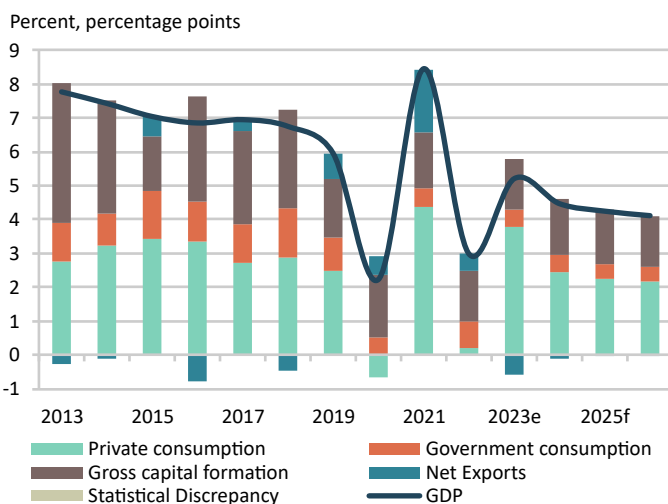
in 2023. Services demand, public infrastructure, and manufacturing investment contributed to the recovery in 2023, but the property market slump and subdued exports weighed on growth. While housing demand remains depressed, consumer spending has been relatively resilient in recent months.

The authorities have provided moderate macroeconomic stimulus. Monetary policy has been eased with reductions in the policy rates and the required reserves ratio for banks and liquidity provision through the targeted credit support by the central bank. The government provided modest fiscal stimulus; however, many local governments face financing constraints, limiting the size of fiscal support. The authorities have also reinforced high-level policy commitment to level the playing field for private and foreign firms.

Weak housing demand and high developer debt continue to constrain the property sector. Despite lower mortgage rates and downpayment ratios, housing demand remains weak and property prices continue to fall. Meanwhile, property developers continued to face funding pressures, leading more than 20 percent contraction in housing starts in 2023.

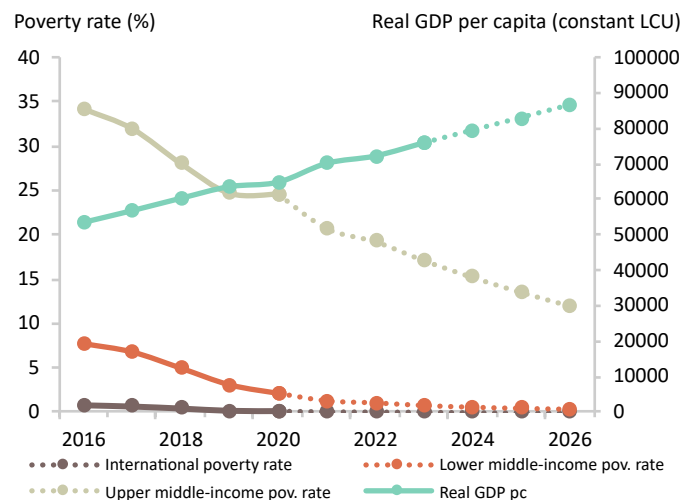
Higher economic growth in 2023 lifted 30 million people out of poverty defined by the upper middle-income country line used by the World Bank (\$6.85/day in 2017 PPP). Though this is higher than the 21 million people who exited poverty using the same threshold in 2022, the overall pace of poverty reduction is still slower than in the pre-pandemic years. Wage and property income growth picked up in 2023

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



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

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



Source: World Bank. Notes: see Table 2.

but was slower than the pre-pandemic trend. Another income category that remains significantly affected by macroeconomic uncertainty is business income, which accounts for around 16 percent of household income on average. The volatility of business income growth (as measured by its coefficient-of-variation) over the 2022-2023 period jumped eight-fold in comparison to the two years preceding the pandemic onset and likely represents an important drag on household consumption growth.

Outlook

Economic growth is projected at 4.5 percent in 2024. Post-COVID pent-up consumer demand has dissipated. While the property sector downturn continues to

dampen real estate investment, the reallocation of investment from real estate to manufacturing is likely to continue, due to rising demand for low carbon technologies and government support. Moreover, moderate fiscal expansion is expected to support near-term growth. On the external side, export growth is expected to improve on the back of a recovery of global trade, while import growth is expected to decelerate amid softer domestic demand. Growth is projected at 4.3 percent in 2025 and 4.1 percent in 2026, in line with its long-term potential. Consumer price inflation is expected to gradually increase to 1.0 percent in 2024, as the output gap narrows and the base effects of high commodity prices in 2023 fade.

Risks to the outlook are broadly balanced. Downside risks stem from a longer-than-expected contraction of the property sector, prolonged weakness in confidence,

slower pace of reform, and rising trade protectionism. While the investment shift from real estate towards manufacturing has led to short-term improvement in the efficiency of capital allocation, there is some risk that the rapid scale-up of investment and growing state support could lead to overcapacity and inefficiency in certain sectors. On the upside, decisive policy actions, including larger fiscal stimulus, faster restructuring in the property sector, and measures to improve market competition, could enhance business sentiment and lead to a higher-than-expected growth.

Lower projected growth rates in the outer years will also weigh on the pace of poverty reduction which is expected to slow in 2024 and 2025. The poverty rate at the upper-middle income country line is expected to fall to 15.3 and 13.6 percent for 2024 and 2025, respectively.

TABLE 2 China / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	8.4	3.0	5.2	4.5	4.3	4.1
Private consumption	11.7	0.5	10.1	6.2	5.6	5.4
Government consumption	3.3	4.8	2.9	3.3	2.9	2.8
Gross fixed capital investment	3.1	3.3	3.7	4.1	4.0	3.7
Exports, goods and services	18.4	-2.3	-0.1	1.6	2.0	2.0
Imports, goods and services	10.3	-6.0	3.6	2.8	2.7	2.7
Real GDP growth, at constant factor prices	8.4	3.0	5.3	4.5	4.3	4.1
Agriculture	7.1	4.2	4.1	3.0	3.0	3.0
Industry	8.7	2.6	4.7	3.4	3.2	3.2
Services	8.5	3.0	5.8	5.5	5.2	4.8
Inflation (consumer price index)	0.9	2.0	0.2	1.0	1.5	2.0
Current account balance (% of GDP)	2.0	2.2	1.5	0.8	0.5	0.2
Net foreign direct investment inflow (% of GDP)	0.9	0.2	-0.9	-0.6	-0.3	0.1
Fiscal balance (% of GDP)^a	-4.0	-6.3	-5.8	-6.4	-4.4	-4.1
Revenues (% of GDP)	35.2	32.5	32.8	30.4	31.5	29.8
Debt (% of GDP)	46.9	50.4	54.2	57.5	58.7	55.5
Primary balance (% of GDP)	-3.0	-5.2	-4.7	-5.4	-3.4	-3.2
International poverty rate (\$2.15 in 2017 PPP)^{b,c}	0.1	0.1	0.1	0.1	0.1	0.1
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{b,c}	1.3	1.1	0.8	0.6	0.5	0.4
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{b,c}	20.8	19.3	17.2	15.3	13.6	12.1
GHG emissions growth (mtCO₂e)	5.4	3.1	2.6	2.9	3.1	3.1
Energy related GHG emissions (% of total)	82.6	82.7	82.8	82.9	83.0	83.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ 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.

b/ Last grouped data available to calculate poverty is for 2020 provided by NBS. Actual data: 2020. Nowcast: 2021-2023. Forecasts are from 2024 to 2026.

c/ Projection using neutral distribution (2020) with pass-through = 0.85 based on GDP per capita in constant LCU.

FIJI

Table 1 **2023**

Population, million	0.9
GDP, current US\$ billion	5.4
GDP per capita, current US\$	5804.3
International poverty rate (\$2.15) ^a	1.3
Lower middle-income poverty rate (\$3.65) ^a	12.4
Upper middle-income poverty rate (\$6.85) ^a	52.6
Gini index ^a	30.7
School enrollment, primary (% gross) ^b	108.0
Life expectancy at birth, years ^b	67.1

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2019), 2017 PPPs.
 b/ WDI for School enrollment (2022); Life expectancy (2021).

Output surpassed pre-pandemic levels in 2023, supported by tourist arrivals above 2019 levels. Fiscal policy has shifted towards revenue-based consolidation to reduce high debt accumulated during the pandemic. Growth is expected to revert to its long-term average of 3.3 percent over the medium term. Risks to the outlook include tropical cyclones and elevated commodity prices. Structural reforms and diversification beyond tourism are critical to enhance growth and reduce poverty.

Key conditions and challenges

Fiji is a tropical island nation of 900,000 people in the South Pacific Ocean. It is the second largest economy in the Pacific, most industrially advanced, and the center for re-exports. Its closest major trading partners, Australia and New Zealand, are around 3,000km away. An average of one tropical cyclone (TC) passes through the Fijian waters each year. Tourism remains the main driver of growth and a key source of foreign exchange earnings. Fiji is an upper middle-income country (UMIC) and its size, remoteness, and increasing exposure to climate change re-strain economic development. These structural constraints are amplified by substantial obstacles, such as human capital and connectivity deficiencies, and inadequate infrastructure.

Economic growth averaged 3.3 percent in 2010-19. While the economy has fully recovered now, the pandemic left behind high debt with limited fiscal buffers for future shocks. Post-pandemic, Fiji successfully reduced its fiscal deficit considerably attributed to the gradual phasing out of stimulus measures and increased domestic revenues. Additional efforts are required to diminish fiscal deficits and address vulnerabilities associated with elevated debt levels.

Fiji had a poverty rate of 24.1 percent in 2019/2020 as defined by the national

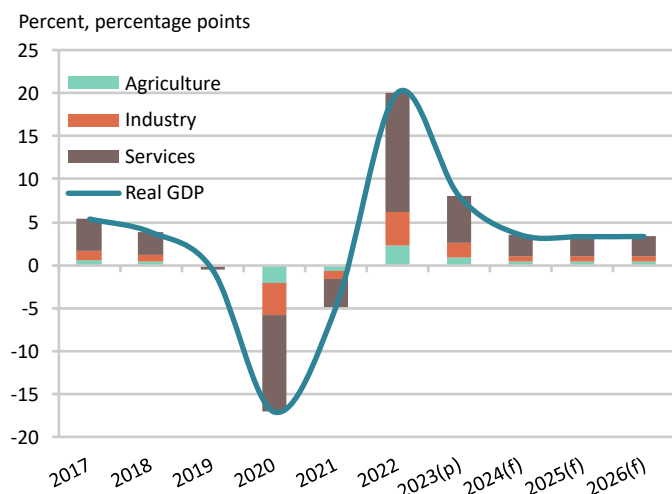
standards of living. The 2019-20 Household Income and Expenditure Survey (HIES) estimated the incidence of extreme poverty at 1.3 percent, which is in line with other UMICs. Extreme poverty is low but Fiji's standard of living is below its UMIC peers. The upper middle-income poverty rate is 52.6 percent, nearly double the UMICs' average of 23.5 percent in the same period.

Recent developments

The economy has fully recovered with a 28 percent growth (cumulative) during 2022-2023 on the back of a swift tourism rebound of 4 percent above 2019 levels by the end of 2023. Moreover, the countercyclical fiscal response to the pandemic and a pick-up in domestic demand contributed to the strong recovery. About 50 percent of the 2022 and 2023 growth came from accommodation, transport, manufacturing, wholesale, retail and finance sectors. This quick recovery is estimated to have reduced poverty by UMIC standards (US\$6.85 in 2017 PPP) from 67.2 percent in 2021 to 52.1 percent in 2023.

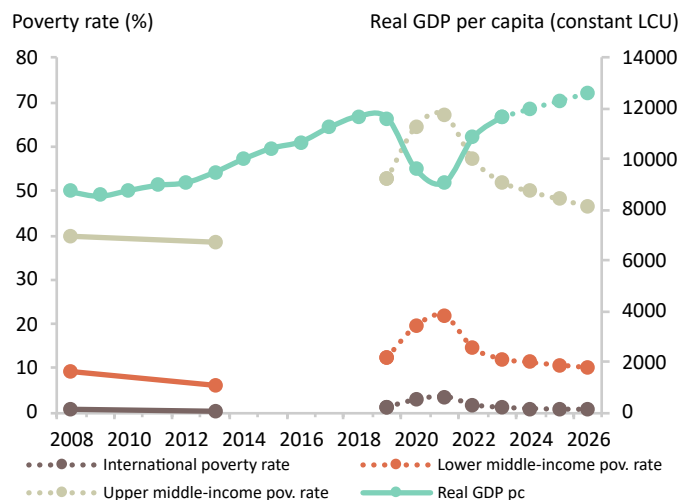
Inflation in Fiji has generally been much lower than elsewhere in the world owing to price controls and various mitigation measures. The consolidation of 9 percent and 15 percent VAT rates in August 2023, and higher import prices and tariff rates led to a 5.1 percent (y/y) headline inflation in December, the highest in the last decade. However,

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



Sources: Ministry of Finance, IMF, and World Bank staff estimates.
 Note: 2023(p) - p stands for provisional.

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



Source: World Bank. Notes: see Table 2.

it fell to 3.6 percent in January 2024, partially due to the diminishing impact of tax changes and lower global food prices. Monetary policy remains accommodative to support growth with the overnight policy rate maintained at 0.25 percent since 2020.

The current account deficit decreased to 5.5 percent of GDP in 2023 due to an increase in tourism receipts and remittances, partially from Fijians in various labor mobility schemes in Australia/New Zealand. Foreign reserves remained at a comfortable level of 5.7 months of retained imports as of the end of 2023.

The fiscal deficit declined to 5.1 percent of GDP in 2023 from an average of 11.6 percent in 2020-22 due to high tax buoyancy and lower capital transfers. Gains from revenue measures introduced in 2023 were around 3.3 percent of GDP but were partly offset through higher public spending. The deficit was financed through external concessional and domestic borrowing. Public debt fell to 80.6 percent of GDP in 2023 because of declining primary balance and high growth.

Outlook

Growth is poised to decelerate in the medium term and is projected to average 3.3 percent in 2025-2026, supported by manufacturing, wholesale and retail trade, and finance sectors. This deceleration comes as the initial post-pandemic demand boost for tourism gradually subsides and new source markets are constrained by limited hotel capacity. However, strategic measures such as diversifying beyond tourism, enhancing infrastructure resilience and adaptation, investing in human capital, and harnessing talent are expected to be drivers of sustained growth.

The growth outlook is expected to reduce poverty to below pre-pandemic levels to 49.9 percent in 2024 (compared to 52.6 percent in 2019). Strong rebound in tourism and remittances are expected to positively impact the poorest 40 percent. Headline inflation is projected to converge to 3 percent over the medium term as global inflationary pressures subside. The current account deficit is projected to remain

above 7 percent reflecting a decline in official grants despite steady tourism earnings and remittances. Remittances are expected to be above a tenth of GDP. The current account deficit will be largely financed by official borrowing. Foreign reserves are projected to remain adequate over the medium term at above 4 months of retained imports.

The fiscal deficit is expected to narrow to 4.5 percent of GDP by 2026 due to revenue-generating reforms and expenditure rationalization. The Government intends to review the tax expenditure, advance the investment appraisal and selection process, and freeze nominal spending over the medium term. Public debt is projected to stay around 80 percent by 2026. The World Bank Debt Sustainability Analysis 2024 assesses public debt as sustainable but subject to considerable risks.

Risks to the outlook include persistent out-migration and skilled labor shortages, global commodity price shocks, and natural disasters. Structural reforms, economic diversification, and fiscal consolidation are essential for building resilience, enhancing growth, and reducing poverty.

TABLE 2 Fiji / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	-4.9	20.0	8.0	3.5	3.3	3.3
Real GDP growth, at constant factor prices	-3.4	15.7	8.0	3.5	3.3	3.3
Agriculture	0.8	4.1	2.3	2.9	3.4	3.7
Industry	-6.7	5.7	15.3	5.9	4.4	4.4
Services	-3.1	21.1	6.9	2.9	3.0	2.9
Inflation (consumer price index)	3.0	3.1	5.1	3.3	3.2	3.1
Current account balance (% of GDP)	-15.9	-17.3	-5.5	-7.4	-7.8	-7.8
Fiscal balance (% of GDP)	-11.7	-10.3	-5.1	-7.3	-5.9	-4.5
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	3.7	1.8	1.2	1.0	0.8	0.8
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	21.9	14.6	12.2	11.4	10.8	10.2
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	67.2	57.1	52.1	49.9	48.2	46.6

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

Notes: e = estimate, f = forecast.

a/ Calculations based on EAPPOV harmonization, using 2019-HIES. Actual data: 2019. Nowcast: 2020-2023. Forecasts are from 2024 to 2026.

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

INDONESIA

Table 1 **2023**

Population, million	281.7
GDP, current US\$ billion	1371.2
GDP per capita, current US\$	4866.7
International poverty rate (\$2.15) ^a	2.5
Lower middle-income poverty rate (\$3.65) ^a	20.3
Upper middle-income poverty rate (\$6.85) ^a	60.5
Gini index ^a	37.9
School enrollment, primary (% gross) ^b	100.6
Life expectancy at birth, years ^b	67.6
Total GHG emissions (mtCO2e)	1537.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

Indonesia's growth remains resilient, supported by domestic demand and the services sector. Prudent macroeconomic policies have enabled the country to build buffers, navigate multiple global shocks, and accelerate poverty reduction. However, productivity growth is falling, limiting wage growth and middle-class financial security. Implementing competitiveness enhancing reforms and strengthening social safety nets are key to reversing the declining productivity cycle, expanding economic security, and boosting growth potential.

Key conditions and challenges

Indonesia has successfully navigated the macroeconomic fallout of a series of global shocks. Growth remains resilient. Yet, the economy is still 6.9 percent smaller than if it had grown at pre-pandemic rate. This gap reflects scarring effects on investments, labor inputs, and productivity. It is consistent with labor market outcomes, which shows a recovery in labor force participation and employment but a deterioration in job quality, with growth concentrated in low-wage informal jobs especially in the services sector.

Inflation is on a declining trend and inflation expectations are anchored within the Bank Indonesia target band. However adverse climate conditions and geopolitical tensions have raised prices for basic foods, energy, and transport, prompting price stabilization measures and food aid programs to ease the impact on the poor. Despite food price inflation trending below global averages, disparities exist, with the poorest districts facing higher price pressures due to geographic and logistic factors, as well as policy impacts.

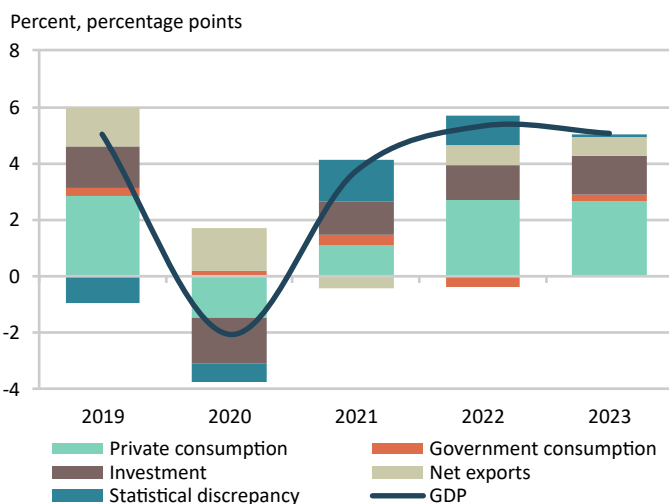
Indonesia is entering a new political and economic cycle. A new President and Parliament were elected in February 2024 with campaign promises to increase social spending and tax collections. On the economy, the end of the commodity cycle boom and high global interest rates present strong headwinds and limit macro policy space.

The small twin deficits, low public debt, adequate foreign reserves, and stable external financing constitute though robust buffers to manage downside risks. The challenge is to sustain macroeconomic fundamentals to deliver faster, greener, and more inclusive growth. This requires combining the robust macroeconomic policy framework with structural reforms that boost efficiency, competitiveness, and productivity growth. This includes implementing complex flagship laws: the jobs creation, the tax harmonization, and the financial sector omnibus.

Recent developments

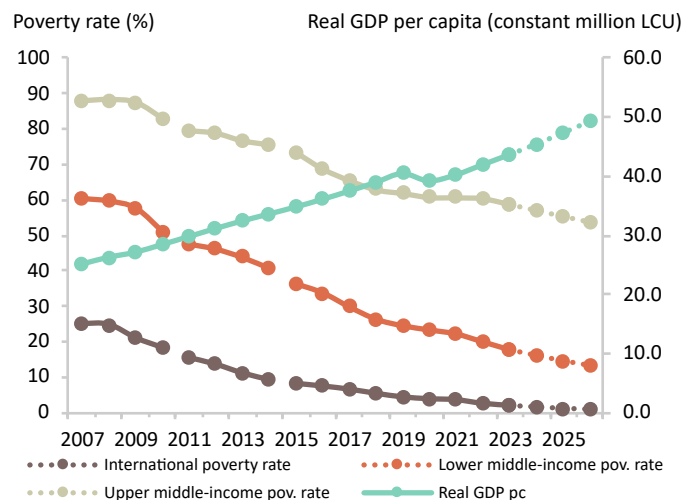
After a post-pandemic high of 5.3 percent in 2022, GDP growth normalized to 5 percent in 2023. Fifty three percent of GDP growth came from private consumption as consumer confidence remained high, buoyed by declining inflation. Budget execution delays rendered government consumption sluggish, while global uncertainty and declining commodity prices affected international trade and softened commodity windfalls throughout the year. Net export contribution to growth remained steady at 0.7 ppts, with a shift in composition as exports strongly decelerated and imports declined. Private investment accounted for 26 percent of GDP, one of the highest in East Asia. Meanwhile, services, particularly in wholesale and retail trade, transportation, tourism, and communication sectors, drove 54 percent of economic activity growth. Manufacturing also contributed a solid 19 percent.

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



Sources: National Statistics Agency and World Bank.

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



Source: World Bank. Notes: see Table 2.

Headline inflation moderated to an average of 3.7 percent in 2023, as the base effect from the 2022 fuel price hike was absorbed. The trend continued in 2024. Inflation recorded 2.8 percent (year-on-year) in February despite intensifying food price pressures. Core inflation also trended downward, signaling a potential widening of the output gap.

The recovery in private consumption, rising employment, and wage growth led to a decline in the poverty rate from 20.3 percent in 2022 to 18.1 percent in 2023, measured at the international lower-middle-income countries (LMIC) poverty line. Using the national line, poverty decreased from 9.5 to 9.4 percent. However, the labor market recovery remains incomplete, with a larger share of jobs concentrated in the informal sector, reaching 59.3 percent of employment in 2023, up 3.4 ppts from 2019. After two years of surpluses, the current account shifted in 2023 to a small deficit of 0.1 percent of GDP due to worsening terms of trade. With policy rates among the highest in East Asia, tight monetary policy and stable macroeconomic conditions softened portfolio flow volatility. Meanwhile, FDI dropped but remained the largest source of external financing. Foreign currency reserves stayed adequate, covering 6 months of imports.

Despite the late acceleration in public spending, the fiscal deficit fell from 2.4 percent of GDP in 2022 to 1.7 percent in 2023, mainly due to overperforming tax revenue, more prominently VAT, while expenditures were slightly below the budget target. Interest payments reached 2.1 percent of GDP, in line with rising financing costs. Public debt declined to 39 percent of GDP, with the majority of the stock in domestic currency (71.7 percent) and maturities above one year (87.6 percent), reducing currency and rollover risks.

Outlook

GDP growth is projected to average 5 percent in 2024-26, reflecting softer terms of trade and a normalization towards trend growth. Inflation is forecast to ease to a 2.9 percent average and remain within BI's revised target band of 2.5±1 percent. Challenges to the external position are expected to intensify. The current account deficit will gradually expand to 1.4 percent of GDP by 2026, as lower commodity prices and soft global growth hamper exports.

By 2025, growth is expected to lift over 8 million people above the international

LMIC poverty line. Improving the effectiveness of existing social safety net programs could substantially reduce poverty further, while social assistance will help limit the disproportionate impact of recent food price hikes on vulnerable households and support the government's inclusive growth targets.

The fiscal deficit is projected to average 2.3 percent in 2024-26. Revenues to GDP are expected to pick up as the effects of tax reforms materialize, while non-tax revenues are expected to ease in line with lower commodity prices. Spending is expected to remain tight in 2024 but gradually return to pre-pandemic levels. A potential fiscal expansion could take place as the new administration starts implementing its priority programs in 2025.

The outlook is subject to downside risks. High-interest rates could weigh on borrowing costs and tighten access to external financing. Geopolitical uncertainty and climate change related shocks could disrupt global value chains and induce a sharper decline in terms of trade, resulting possibly in lower revenues and a tighter fiscal position. Domestically, the economic program of the new administration, which takes office in October, will have important implications for medium-term growth and resilience.

TABLE 2 Indonesia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	3.7	5.3	5.0	4.9	5.0	5.0
Private consumption	2.0	5.0	4.9	4.9	5.0	5.0
Government consumption	4.3	-4.5	2.9	4.8	3.5	3.5
Gross fixed capital investment	3.8	3.9	4.4	4.5	5.4	6.0
Exports, goods and services	18.0	16.2	1.3	4.1	4.0	3.5
Imports, goods and services	24.9	15.0	-1.6	2.1	3.0	3.5
Real GDP growth, at constant factor prices	3.3	4.9	5.1	4.9	5.0	5.0
Agriculture	1.9	2.3	1.3	3.7	3.0	3.0
Industry	3.4	4.1	5.0	4.1	4.1	4.1
Services	3.5	6.5	6.1	5.9	6.3	6.2
Inflation (consumer price index)	1.6	4.1	3.7	3.0	2.9	2.9
Current account balance (% of GDP)	0.3	1.0	-0.1	-0.7	-1.2	-1.4
Net foreign direct investment inflow (% of GDP)	1.5	1.4	1.1	1.3	1.4	1.5
Fiscal balance (% of GDP)	-4.6	-2.4	-1.7	-2.2	-2.3	-2.3
Revenues (% of GDP)	11.8	13.5	13.3	12.9	13.1	13.2
Debt (% of GDP)	40.7	39.5	39.0	38.4	38.0	37.3
Primary balance (% of GDP)	-2.5	-0.4	0.4	-0.2	-0.3	-0.3
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	3.6	2.5	1.9	1.5	1.2	0.9
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	22.4	20.3	18.1	16.3	14.7	13.2
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	60.7	60.5	58.9	57.0	55.2	53.5
GHG emissions growth (mtCO₂e)	1.1	0.9	2.1	2.1	1.7	1.2
Energy related GHG emissions (% of total)	37.5	37.6	38.1	38.5	38.8	39.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on EAPPOV harmonization, using 2011-SUSENAS and 2023-SUSENAS. Actual data: 2023. Forecasts are from 2024 to 2026.

b/ Projection using annualized elasticity (2011-2023) with pass-through = 1 based on GDP per capita in constant LCU.

LAO PDR

Key conditions and challenges

Recent developments

Table 1 **2023**

Population, million	7.6
GDP, current US\$ billion	15.1
GDP per capita, current US\$	1983.1
International poverty rate (\$2.15) ^a	7.1
Lower middle-income poverty rate (\$3.65) ^a	32.5
Upper middle-income poverty rate (\$6.85) ^a	70.5
Gini index ^a	38.8
School enrollment, primary (% gross) ^b	97.2
Life expectancy at birth, years ^b	68.1
Total GHG emissions (mtCO2e)	49.4

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2018), 2017 PPPs.
 b/ WDI for School enrollment (2022); Life expectancy (2021).

Economic growth remains significantly below pre-Covid-19 levels, partly due to a protracted period of macroeconomic instability. The Lao kip continues to depreciate, while average annual inflation is expected to remain above 20 percent for the third consecutive year. Economic growth is forecast to pick up to 4 percent in 2024, in a context of high economic uncertainty and limited reform progress. Progress in poverty reduction is estimated to have stalled in 2023.

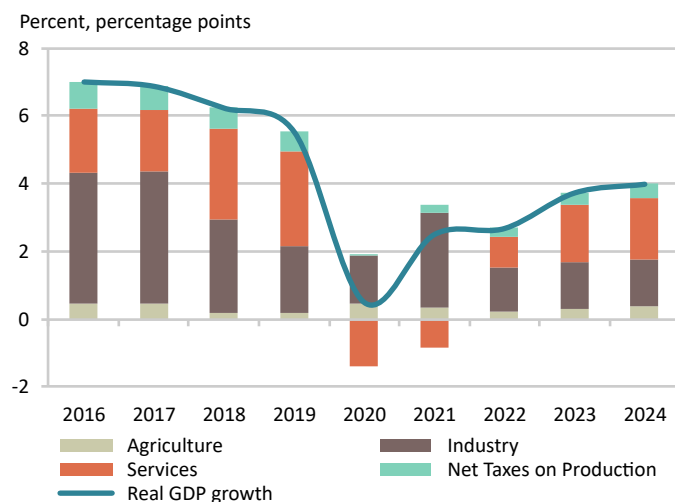
Tighter monetary and fiscal policies and renewed efforts to enforce foreign exchange restrictions have had limited impacts on restoring macroeconomic stability. The Lao kip continued to depreciate (albeit more mildly since October), while inflation remained high. Limited foreign exchange liquidity and hence a weaker kip have put pressure on external public debt servicing, which constrains fiscal space and exacerbates financial sector vulnerabilities. Sizeable debt service deferrals during 2020-2023 have provided temporary relief, but access to international capital markets remains constrained. Public and publicly guaranteed debt (PPG) reached 112 percent of GDP in 2022, mostly due to the large currency depreciation. This value rises to over 120 percent if a currency swap and expenditure arrears are included. External debt service deferrals accumulated to 16 percent of GDP in 2023. Average annual external debt repayment obligations remain at \$1.3 billion (9 percent of GDP) in the medium term. Therefore, a positive outcome from ongoing debt renegotiations with large bilateral creditors is crucial to restoring debt sustainability and economic growth.

Economic activity grew at 3.7 percent in 2023, benefiting from the services sector recovery. Increased tourism, transport and logistics services, mining, and foreign investment supported growth, while electricity generation was weighed down by weather conditions.

Persistent depreciation reflects foreign exchange liquidity constraints. In 2023, the central bank tightened monetary policy, closed foreign exchange bureaus, and started to enforce the repatriation of export receipts. Despite these measures, the Lao kip still depreciated by 23 percent against the US dollar during January 2023-February 2024, with the parallel market premium reaching 11 percent. This factor feeds into high inflation, which remained at 25 percent in February 2024, while core inflation reached 26 percent. Food and transport price increases were the key drivers.

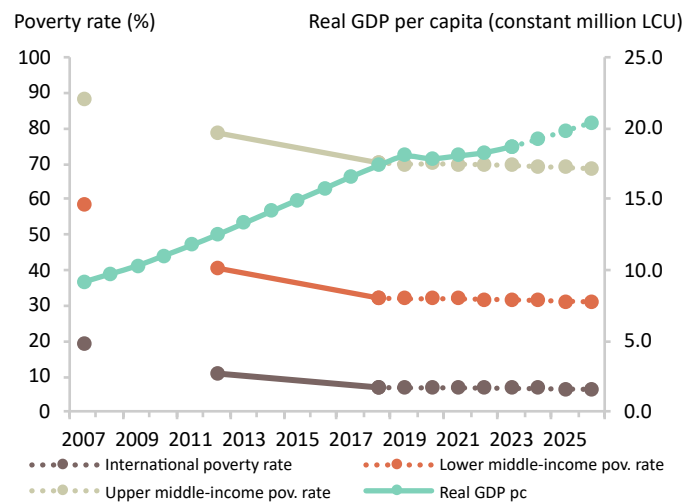
The fiscal deficit remained at 0.2 percent of GDP in 2023, owing to stronger revenue collection, while public spending slightly increased. Domestic revenue recovered, supported by price and exchange rate effects, higher resources tax, fees, value added tax (tax base expansion and price effect). Excise revenue was stable (as a share of GDP), as higher volume sales, price increases, and some rate increases were offset by lower fuel excise rates. Public spending rose slightly as higher capital spending and transfers more than offset a decline in

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



Sources: Lao Statistics Bureau and World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

wages. Interest payments remained stable (as a share of GDP), supported by the deferrals.

The current account deficit narrowed in 2023, supported by strong services exports and lower primary income outflows. Foreign investment recovered strongly, supported by investment in the resource sectors. Gross foreign reserves were reported at \$1.8 billion in October 2023. Excluding the \$900 million swap arrangement, net reserves is estimated to cover only 1.2 months of imports.

Employment improved in 2023. High inflation and a sharp currency depreciation disproportionately affected wage employment and non-farm businesses, incentivising workers to switch from non-tradable service sectors to agriculture and manufacturing. These shifts, coupled with increasing migration for higher wages, have caused labour shortages in labour-intensive sectors. One-third of households saw their income stagnate or decline in 2023 and therefore were severely hit by the rising cost of living. Food inflation stood high at 25 percent in February 2024, forcing households to reduce food consumption and switch to cheaper food. Progress in poverty reduction stalled, with the poverty rate (measured at the lower-middle-income poverty line of \$3.65 a day 2017 PPP) estimated to stagnate at around 32 percent in 2023.

Outlook

Real GDP is projected to grow by 4 percent in 2024, led by a continued service sector recovery. This outlook assumes continued suspension of deferred debt service repayments. Inflation is expected to remain above 20 percent, reflecting continued depreciation pressure. Macroeconomic stability is contingent on critical revenue reforms and a successful conclusion of ongoing debt negotiations.

Elevated debt service levels will continue to constrain fiscal space. Revenue is expected to gradually increase with tax policy and administration improvements, but high-interest obligations, if fully paid, would crowd out other expenditures. The outlook assumes a primary surplus in the next few years, but no further deferrals in 2024 onward. As a consequence, the fiscal deficit is expected to increase, reflecting full interest payments. External debt service obligations average \$1.3 billion per year during 2024-2027, keeping total public financing needs high.

The current account deficit is expected to remain at around 3 percent, as improvements in tourism, transport, and logistics services, and remittances are offset by higher import and interest payments. Despite the repatriation requirement of export proceeds, reserve adequacy, net of the

swap, is expected to remain thin (covering less than two months of imports).

The outlook is subject to significant domestic and external uncertainty. Limited foreign reserves, high public debt, and higher imports will continue to pressure the kip and thus inflation, undermining household consumption and investments in human capital. Labour shortages could also threaten labour-intensive sector growth. Subdued global and regional economic growth would weaken external demand. Domestic risks include tight foreign exchange liquidity to refinance external debt, slow progress with structural reforms, and deteriorating balance sheets in large banks. The outcome of ongoing debt negotiations will have significant implications for both debt sustainability and macroeconomic stability.

High inflation will continue to affect real household income. Macroeconomic instability will undermine the poverty outlook. Despite the moderate growth, the poverty rate is expected to remain steady in 2024. Meanwhile, a contraction in human capital spending will likely compromise prospects for poverty reduction in the long term.

Addressing macroeconomic instability requires five critical reforms: (i) restoring the VAT rate to 10 percent, curbing tax exemptions, and reforming health taxes; (ii) improving the governance of public and public-private investments; (iii) finalising debt negotiations; (iv) strengthening financial sector stability; and (v) improving the business environment.

TABLE 2 Lao PDR / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	2.5	2.7	3.7	4.0	4.1	4.1
Real GDP growth, at constant factor prices	2.5	2.7	3.7	4.0	4.1	4.1
Agriculture	2.3	1.6	2.4	2.7	3.1	3.1
Industry	7.6	3.3	2.6	3.6	3.4	3.3
Services	-2.2	2.5	5.5	4.9	5.2	5.3
Inflation (consumer price index)	3.8	22.7	31.2	21.2	15.3	6.9
Current account balance (% of GDP)	-2.9	-1.7	-1.3	-2.9	-3.5	-3.8
Fiscal balance (% of GDP)	-1.3	-0.2	-0.2	-1.4	-1.5	-1.6
Revenues (% of GDP)	14.9	14.7	14.9	15.2	15.3	15.4
Debt (% of GDP)	77.9	95.9	95.2	94.7	94.1	93.7
Primary balance (% of GDP)	0.0	1.5	1.7	1.3	1.3	1.1
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	7.0	6.9	6.8	6.7	6.6	6.5
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	32.0	31.9	31.7	31.4	31.1	30.8
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	70.0	69.9	69.6	69.3	69.0	68.7
GHG emissions growth (mtCO₂e)	5.0	3.7	4.6	4.7	5.2	5.3
Energy related GHG emissions (% of total)	41.4	42.4	43.5	44.6	45.6	46.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on EAPPOV harmonization, using 2012-LECS and 2018-LECS. Actual data: 2018. Nowcast: 2019-2023. Forecasts are from 2024 to 2026.

b/ Projection using annualized elasticity (2012-2018) with pass-through = 0.5 based on GDP per capita in constant LCU.

MALAYSIA

Table 1 **2023**

Population, million	34.3
GDP, current US\$ billion	399.6
GDP per capita, current US\$	11648.7
Upper middle-income poverty rate (\$6.85) ^a	2.3
Gini index ^a	40.7
School enrollment, primary (% gross) ^b	97.8
Life expectancy at birth, years ^b	74.9
Total GHG emissions (mtCO ₂ e)	400.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

Growth is expected to increase to 4.3 percent in 2024, with domestic demand continuing to be the main driver of growth. Narrow fiscal space remains a key challenge for the economy, and the government has announced several spending efficiency measures, including reviewing existing price controls and subsidies. The incidence of national absolute poverty in 2022 was still higher than the pre-pandemic level and remains a key focus for the government.

Key conditions and challenges

Malaysia's economic growth moderated to 3.7 percent in 2023 (2022: 8.7 percent), lower than the government's target of 4-5 percent. In 2024, growth is expected to pick up as the risk of a global recession recedes. The recovery in the tech cycle, which could boost electric and electronics (E&E) exports, could also have positive spillovers to growth. However, growing geopolitical tensions could lead to supply disruptions, further weakening of external demand, and rising commodity prices posing downside risks to the economy.

The narrowing of fiscal space remains a key challenge for the government. The government recently announced its plan to discontinue the pension scheme for new civil servants and its intention to review price controls and subsidies in 2024. It has indicated that targeted subsidies to the public will be given through direct cash transfers. PADU, the national household socio-economic database, was launched as a foundation for identifying eligible beneficiaries. The details and timing for the subsidies review, however, have not been communicated. On the revenue front, the government introduced several measures during the tabling of Budget 2024, although the fiscal impact from these measures is expected to be marginal.

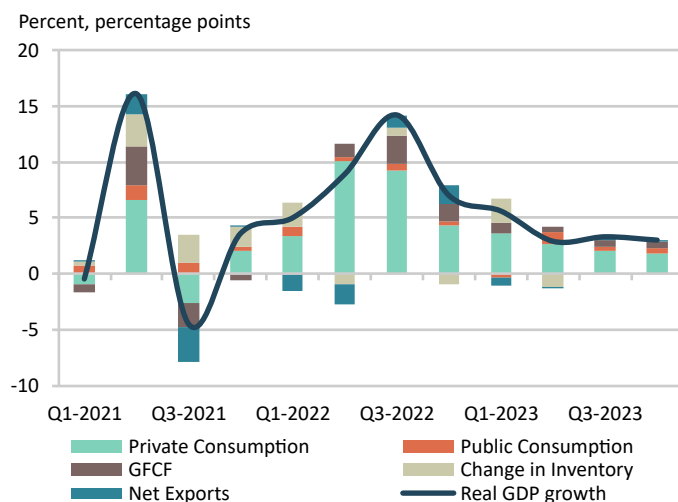
Recent developments

Malaysia's economic growth moderated to 3.7 percent in 2023 (2022: 8.7 percent). Domestic demand remained supportive of the economy. Private consumption continued to expand, albeit at a slower pace of 4.7 percent in 2023 (2022: 11.2 percent), supported by continued improvement in labor market conditions. Growth was also supported by the recovery in the tourism sector, as the number of tourist arrivals reached pre-pandemic levels. On the supply side, the construction and services sectors recorded the highest growth, expanding at 6.1 percent and 5.3 percent respectively (2022: 5 percent; 10.9 percent). Growth in the manufacturing sector declined sharply to 0.7 percent (2022: 8.1 percent) dragged down by a contraction in E&E manufacturing, which contracted by 3.0 percent (2022: 16.7 percent).

The external sector was significantly affected by the weaker external environment. After a marked expansion in 2022, gross exports contracted sharply by 7.9 percent in 2023 (2022: 14.5 percent), reflecting the slowdown in external demand, particularly in E&E exports. Consequently, the current account surplus shrank to 1.2 percent of GDP in 2023 (2022: 3.1 percent).

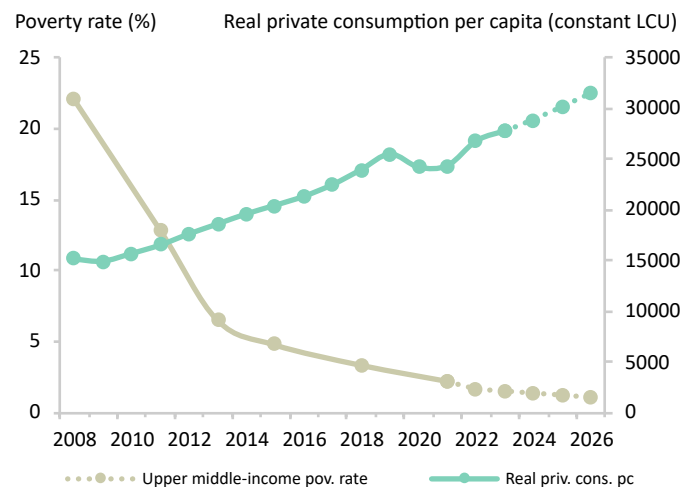
Labor market conditions continued to improve, with the unemployment rate declining further to 3.3 percent in December 2023. The labor force participation rate in Q4 2023 remained stable at 70.1 percent (Q3 2023: 70.1 percent). Private sector nominal wages

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



Sources: Department of Statistics Malaysia and World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

grew at a slower pace in Q4 2023, at 3.1 percent (Q3 2023: 3.4 percent).

Headline inflation continued to decline as cost pressures eased. In January 2024, inflation stood at 1.5 percent. Core inflation also moderated to 1.8 percent. The central bank kept its overnight policy rate (OPR) at 3.00 percent in March and expects inflation to remain modest as cost and demand conditions stabilize. Monetary policy is deemed supportive of the economy. Despite the moderating inflation, lower-income households have experienced higher inflation. In December 2023, the inflation for the below RM3,000 (US\$630) income group was 1.7 percent, above the headline inflation of 1.5 percent, disproportionately impacting this group given their higher spending on basic necessities.

In February, the ringgit remained on a depreciating trend and was partly driven by Malaysia's declining competitiveness. Similarly, the real effective exchange rate (REER) has been on a downward trend, depreciating by 0.9 percent between July and December 2023.

The latest official estimates show that the incidence of absolute poverty in 2022 remained higher than the pre-pandemic level

(2019: 5.6 percent). Using the international poverty line, at the upper-middle income line of \$6.85 2017 PPP dollars a day, poverty fell to 2.3 percent in 2021 (2018: 3.4 percent). Meanwhile, inequality reduction has stagnated. Income inequality, measured by the Gini index based on household per capita net income was 40.7 in 2021 (2018: 41.2). Different trends were observed across states, with some states experiencing a widening in their income gap.

Outlook

Growth is forecasted to increase to 4.3 percent in 2024 on the expectation of a likely recovery in global growth and the easing of global financial conditions. Domestic demand will continue to anchor growth. Private consumption is expected to grow by 5.2 percent (2023: 4.7 percent), driven by supportive labor market conditions and continuous household income support measures. Gross exports are projected to grow by 4.8 percent (2023: -7.9 percent), in tandem with the expected recovery in global trade.

Growth is subject to several downside risks. Global growth could be weaker than projected in the event of tighter monetary and financial conditions. Rising geopolitical tensions could also weaken external demand. Higher domestic inflation and weaker real income growth could affect the strength of consumption spending, especially for low-income households.

Headline inflation is expected to moderate to around 2.5 percent in 2024, reflecting stable cost and demand conditions. This forecast, however, is subject to potential changes in government subsidies and price control measures. Core inflation will also likely trend lower in 2024.

Poverty is expected to decline further. One of the government's focuses is to improve the people's standard of living through direct cash transfers, apart from ensuring access to education, healthcare, and basic infrastructure. As announced recently, the government's target of zero hardcore poverty has been reached in some states. Nevertheless, a broader view and a more ambitious target of poverty eradication beyond the current 0.2 percent of national hardcore poverty is needed.

TABLE 2 Malaysia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	3.3	8.7	3.7	4.3	4.4	4.3
Private consumption	1.9	11.2	4.7	5.2	5.4	5.4
Government consumption	6.4	4.5	3.9	2.8	1.5	1.2
Gross fixed capital investment	-0.8	6.8	5.5	5.1	3.9	3.5
Exports, goods and services	18.5	14.5	-7.9	4.8	4.4	4.4
Imports, goods and services	21.2	15.9	-7.6	5.3	4.5	4.4
Real GDP growth, at constant factor prices	3.3	8.7	3.6	4.4	4.4	4.3
Agriculture	-0.1	0.1	0.7	1.6	1.8	1.8
Industry	5.8	6.5	1.4	3.8	3.4	3.4
Services	2.1	11.3	5.4	5.1	5.4	5.2
Inflation (consumer price index)	2.5	3.3	2.6	2.5	2.5	2.1
Current account balance (% of GDP)	3.9	3.1	1.3	2.2	2.4	1.8
Net foreign direct investment inflow (% of GDP)	2.0	0.9	0.3	1.6	1.6	1.5
Fiscal balance (% of GDP)	-6.4	-5.6	-5.0	-4.4	-3.6	-2.7
Revenues (% of GDP)	15.1	16.4	17.3	15.7	15.7	15.6
Debt (% of GDP)	63.3	60.3	64.3	63.9	64.5	64.4
Primary balance (% of GDP)	-3.9	-3.2	-2.5	-1.8	-1.0	-0.1
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	2.3	1.7	1.5	1.4	1.2	1.0
GHG emissions growth (mtCO₂e)	4.8	4.6	-0.6	1.4	1.8	2.0
Energy related GHG emissions (% of total)	64.4	65.6	65.1	65.4	65.8	66.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on EAPPOV harmonization, using 2022-HIS. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.

b/ Projection using neutral distribution (2021) with pass-through = 0.7 (Low (0.7)) based on private consumption per capita in constant LCU.

MONGOLIA

Key conditions and challenges

Recent developments

Table 1	2023
Population, million	3.4
GDP, current US\$ billion	20.5
GDP per capita, current US\$	5956.6
Lower middle-income poverty rate (\$3.65) ^a	2.4
Upper middle-income poverty rate (\$6.85) ^a	22.1
Gini index ^a	31.4
School enrollment, primary (% gross) ^b	95.6
Life expectancy at birth, years ^b	71.0
Total GHG emissions (mtCO ₂ e)	81.1

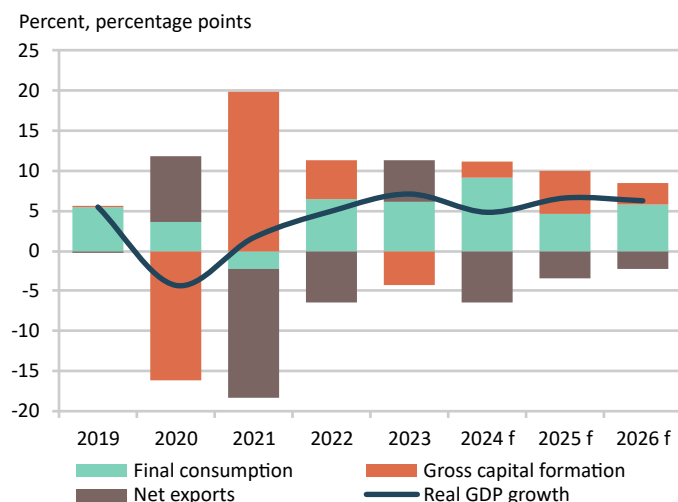
Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2022), 2017 PPPs.
 b/ WDI for School enrollment (2022); Life expectancy (2021).

Mongolia's GDP growth is forecasted to remain robust at 4.8 percent in 2024, despite adverse weather affecting the agricultural sector and a slowdown in coal exports from the peak achieved in 2023. However, with rising wages and pensions, the poverty rate, measured at the lower-middle-income poverty line, is projected to decrease from 2.1 percent in 2023 to 1.9 percent in 2024. Significant risks and challenges persist, including renewed balance of payment pressures, uncertainties in external demand, and an overreliance on coal and other commodity exports.

While macro-fiscal conditions are improving due to an ongoing mining exports boom, without structural and fiscal reforms to address the underlying fiscal vulnerabilities and reduce the dependency on volatile mining, current positive developments could be short-lived. The current mining-led recovery, driven largely by exceptionally strong coal exports, while swift, has exacerbated existing climate and development challenges, reinforcing the importance of structural reforms to diversify the economy. Facing harsh weather conditions for the second consecutive year, Mongolia's agriculture sector, pivotal for economic diversification, is under significant risk, impacting economic growth, elevating domestic food prices, and hindering poverty reduction efforts in 2024. Driven by a strong recovery in revenues, mainly from coal exports, the government's fiscal position improved, resulting in a reduction in public debt. However, despite the country's high exposure to external shocks, policy space to respond to future macroeconomic shocks remains limited given elevated fiscal risks, including the offtake coal export contracts of Erdenes Tavan Tolgoi (a state-owned coal miner). Moreover, persistent public spending pressures may reignite inflationary pressures, prop up demand for imports, and increase the risk of "twin" fiscal and current account deficits for this year.

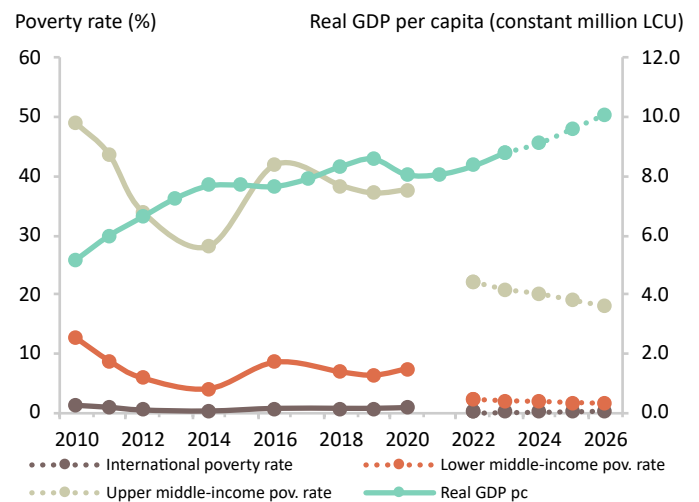
Despite the large contraction in agricultural production attributed to harsh weather conditions, the economy achieved a robust growth rate of 7.1 percent in 2023. This economic expansion was mainly driven by coal mining and its related transportation services. Indeed, coal exports soared to unprecedented levels in 2023, surging by 91 percent above the pre-pandemic 2018-2019 average. This surge was primarily driven by China's heightened demand for coal from Mongolia, aimed at replenishing stocks and bolstering China's steel exports, which heavily rely on coking coal as a key input. On the demand side, both public and private consumption supported the economy, spurred by rising household income and the 2023 supplementary budget, which increased public wages, pensions, and social welfare benefits. Declining inflation and rising wages boosted households' real incomes, translating into a decrease in poverty in 2023. However, the labor market remains weaker than in the pre-pandemic period with meager employment growth and lower labor participation rate. Headline inflation declined to 7.9 percent y-o-y in December 2023, down from 16.9 percent in June 2022, bolstering household purchasing power alongside higher household income. The inflation rate of imported goods decelerated as supply bottlenecks, transportation costs, international energy and food prices, as well as exchange rate

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



Sources: National Statistics Office and World Bank.

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



Source: World Bank. Notes: see Table 2.

depreciation eased. However, prices of domestically produced food, particularly meat, remained elevated.

The fiscal balance recorded a surplus of 2.6 percent of GDP, driven by robust revenue collection stemming from increased coal exports and a thriving economy, resulting in a reduction in public debt, which stood at 44.1 percent of GDP by the end of 2023 (excluding the Bank of Mongolia's swap agreement with the People's Bank of China). The robust coal exports were partially offset by increased imports of services and consumption goods, leading to a modest current account surplus, the first surplus since 2007. Gross international reserves stood at US\$4.9 billion by end-2023, rebounding from their low of US\$2.7 billion in August 2022, despite weaker net capital inflows and some payments on external debt obligations by the government, DBM (an SOE), and the central bank.

Outlook

In 2024, economic growth is anticipated to stay firm but moderate compared to the previous year, reaching 4.8 percent. This

slowdown is primarily attributed to a significant downturn in the agriculture sector caused by the dzud weather phenomenon, characterized by extreme cold weather and heavy snowfall, while growth in the services and mining sectors is expected to persist, albeit at a slower rate. On the demand side, net export growth is anticipated to undergo a downturn as coal exports revert to standard levels and imports of investment and consumer goods ascend. Nevertheless, the growth trajectory for 2024 is underpinned by robust private consumption and fiscal expansion including augmented public wages, pensions, and investment. Moreover, an anticipated resurgence in private investments is bolstered by amplified lending to businesses and stabilized production costs.

Fiscal expansion and rising household incomes are expected to drive inflationary pressures in 2024. The supply-side shock from the expected agricultural contraction is poised to elevate domestic food inflation, pushing average headline inflation to 8.5 percent in the outlook, slightly exceeding the central bank's upper target of 8 percent. Deficits in the fiscal and current account balances are expected to reemerge in 2024 as coal exports normalize, export

commodity prices decline, elevated government spending persists, and demand for imports builds.

Despite low poverty at the lower-middle-income line, several groups are still vulnerable to falling into poverty due to high inflation and recent climatic events. Rising food prices pose greater risks to poor non-agricultural households, who spend a larger share of their budget on purchased food. In addition, high reliance on agricultural income among herder households means that the agricultural contraction can impede further poverty reduction.

In the medium term, growth is expected to reach an average of 6.4 percent over 2025-2026, driven by a substantial increase in mineral production of the Oyu Tolgoi mine, the largest copper mine in Mongolia, which is planning to more than double its 2023 production by 2025. Nevertheless, the economy could face negative spillovers from a faster-than-anticipated slowdown in the Chinese economy (including due to a protracted real estate market slowdown which could dampen demand for steel where Mongolian coal is a major input), and an escalation of geopolitical tensions resulting in a higher price of imported oil.

TABLE 2 Mongolia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	1.6	5.0	7.1	4.8	6.6	6.3
Private consumption	-5.9	8.1	7.4	8.6	5.3	6.5
Government consumption	9.2	6.9	6.6	17.7	4.8	6.8
Gross fixed capital investment	17.7	13.2	7.0	17.1	9.8	6.1
Exports, goods and services	-14.6	32.3	42.9	3.5	16.0	6.3
Imports, goods and services	13.6	29.1	21.0	9.2	14.7	6.6
Real GDP growth, at constant factor prices	0.4	4.2	7.0	4.8	6.6	6.3
Agriculture	-5.5	12.0	-8.9	-9.5	8.0	6.5
Industry	-2.2	-4.5	12.6	6.4	11.2	7.8
Services	3.9	6.9	9.0	7.7	3.8	5.3
Inflation (consumer price index)	7.3	15.2	10.6	8.5	8.3	7.5
Current account balance (% of GDP)	-13.4	-13.2	0.7	-11.5	-10.2	-10.1
Net foreign direct investment inflow (% of GDP)	13.1	13.9	7.3	7.0	7.1	6.3
Fiscal balance (% of GDP)	-3.0	0.7	2.6	-1.0	-0.7	-0.5
Revenues (% of GDP)	32.0	33.8	34.5	33.7	34.8	33.9
Debt (% of GDP)^a	64.5	62.1	44.1	43.8	42.0	40.1
Primary balance (% of GDP)	-1.1	2.1	4.2	0.2	0.4	0.5
International poverty rate (\$2.15 in 2017 PPP)^{b,c}	..	0.2	0.2	0.2	0.2	0.2
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{b,c}	..	2.4	2.1	1.9	1.7	1.5
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{b,c}	..	22.1	20.9	20.2	19.1	18.2
GHG emissions growth (mtCO₂e)	2.0	3.6	0.5	3.1	3.5	4.2
Energy related GHG emissions (% of total)	30.5	31.4	33.1	33.5	34.5	35.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Debt excludes the BoM's liability under the PBOC swap line (8% of GDP as of end-2023).

b/ Calculations based on EAPPOV harmonization using 2016-HSES, 2018-HSES, and 2022-HSES. The consumption aggregate was updated in 2022. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.

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

MYANMAR

Table 1 **2023**

Population, million	54.6
GDP, current US\$ billion	62.3
GDP per capita, current US\$	1140.6
International poverty rate (\$2.15) ^a	2.0
Lower middle-income poverty rate (\$3.65) ^a	19.6
Upper middle-income poverty rate (\$6.85) ^a	68.2
School enrollment, primary (% gross) ^b	118.9
Life expectancy at birth, years ^b	65.7
Total GHG emissions (mtCO ₂ e)	246.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Last official estimate based on 2017 Myanmar Living Conditions Survey, 2017 PPPs.
b/ WDI for School enrollment (2018); Life expectancy (2021).

GDP growth is estimated at just 1 percent in FY2023/24 reflecting supply chain and transport disruptions, and the impacts of elevated conflict and uncertainty. Sustained exchange rate depreciation and high inflation have put further pressure on household real incomes. Conflict and recently announced conscription rules have also driven migration and internal displacement, disrupting livelihoods and creating labor shortages in some areas.

Key conditions and challenges

Economic conditions have deteriorated over the six months to March amid increased conflict. Conflict has escalated across much of Myanmar causing displacement, labor shortages, and increased logistics costs. As of early March, the UN estimates that around 800,000 people have been displaced since October 2023, bringing the total number of internally displaced people in Myanmar to about 2.8 million. A newly introduced national conscription law that mandates a two-year military service for citizens across various age groups dependent on occupational status has created additional uncertainty, potentially triggering external migration flows. Armed clashes have affected vital trade routes with China, Thailand, and most recently Bangladesh and India. As land border trade accounts for around 15 percent of exports (excluding natural gas) and 21 percent of its imports, the disruption of these routes has the potential to significantly impact economic activity. Macroeconomic volatility also increased with renewed pressure on the exchange rate and inflation reflecting a combination of internal and external developments. The kyat has depreciated by almost a quarter against the US dollar over the year to February 2024. Exchange rate pressures have increased since mid-2023 given a decline in exports,

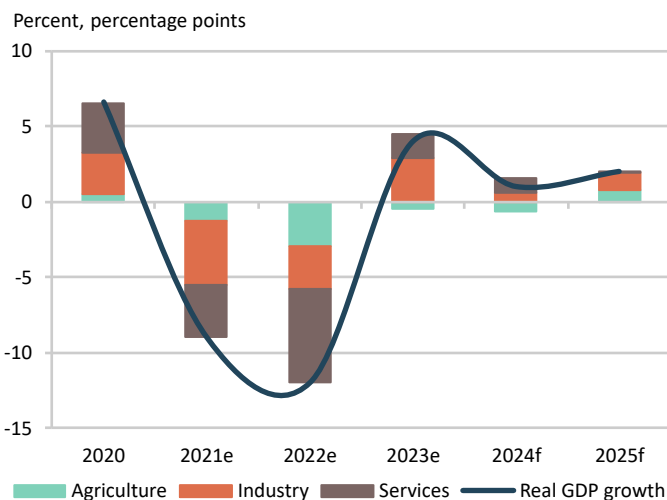
the introduction of U.S. sanctions on two large state-owned banks, and the announcement of restrictions on cross-border payments by international banks. The resulting exchange rate depreciation has translated to high inflation (28.6 percent in June 2023), which has been further worsened by elevated conflict and logistics constraints since October.

Household incomes continue to be negatively impacted by successive shocks. 40 percent of households surveyed in IFPRI's Myanmar Household Welfare Survey reported lower income in the first half of 2023 than a year earlier, while only 25 percent reported an increase. According to IFPRI, median real incomes fell by 10.2 percent over the same period.

Recent developments

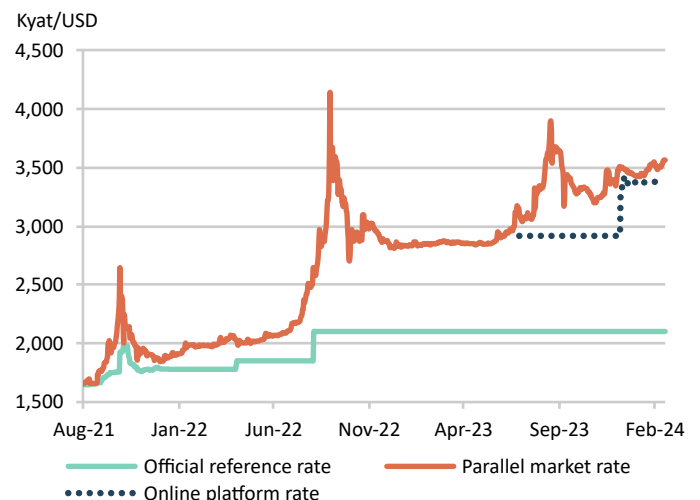
Economic activity has deteriorated since mid-2023. In the September 2023 round of the World Bank Firm Survey, firms reported operating at 56 percent of their capacity on average, 16 percentage points lower than in March 2023. The services sector, including wholesale and retail trade, experienced the most severe downturn due to a substantial drop in reported sales compared to the previous year. The manufacturing purchasing managers' index (PMI) contracted from October 2023 through February 2024 as firms reported a steep decline in output and new orders, largely explained by a slowdown in domestic demand. Agriculture remained constrained by high input costs, conflict,

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



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

FIGURE 2 Myanmar / Official, parallel-market, and online platform rates



Sources: Central Bank of Myanmar and Social Media.

trade restrictions, and flooding with agricultural firms on average reporting to be operating at 62 percent of their capacity, 11 percentage points lower compared to April 2023.

Headline inflation reached 28.6 percent (yoy) in June 2023, moderating only slightly from its peak of 35 percent in December 2022, explained by the surge in food and transport prices reflecting exchange rate depreciation and increased conflict. The authorities introduced price control measures and export restrictions to respond to the sharp increase in food prices. However, more recent data from the WFP indicates that food prices have increased further, by 9 percent on average between July and December. At the same time, fuel prices have increased by 4-6 percent between December and February.

Myanmar ran a trade deficit of 1.3 percent of GDP in the six months to September 2023, from a surplus of 0.1 percent of GDP in the same period a year earlier, due to softer external demand and increased logistics constraints. While exports contracted by 11 percent, imports remained broadly stable. Manufacturing and agriculture exports declined by 19 and 8 percent, respectively, due to weak global demand and constrained domestic production.

As of the end of February 2024, the gap between the parallel market rate and the official reference rate had widened to around 60-70 percent, with persistent shortages of US dollars at below market rates. In December, the Central Bank of Myanmar (CBM) partially eased foreign currency restrictions: the foreign currency surrender requirement was relaxed to 35 percent of export earnings, down from 50 percent, while banks and licensed dealers were allowed to trade forex at close-to-market exchange rates. In response to persistent exchange rate pressures, the CBM sold about US\$ 200 million between December and January 2024 to meet excess demand for forex.

The budget deficit widened to 6.4 percent of GDP during the fiscal year 2022/23, due to a revenue contraction that more than offset a modest spending decrease. Spending on goods and services declined by nearly 2 percent of GDP, partially offset by increased capital spending. The deficit continued to be financed mainly from domestic sources with around 70 percent of gross public financing needs (about 4.8 percent of GDP) covered by the CBM. Total public debt remained above 60 percent of GDP, with the impact of budget deficits on the debt-to-GDP ratio continuing to be broadly offset by faster inflation.

Outlook

Real GDP growth is expected to slow to just 1 percent in FY23/24 and 2 percent the following year (down from 4 percent in FY22/23), due to supply chain disruptions and the impacts of conflict-induced uncertainty on consumption, investment, and productive activity. The agriculture sector is particularly exposed to border trade disruptions with over a third of agricultural exports going to China, India, and Thailand via land. Moreover, high input costs and trade barriers continue to reduce farmers' ability to invest and benefit from favorable export prices. Manufacturing is projected to slow due to power shortages, logistics constraints, and subdued external demand. Wholesale and retail sales are expected to remain subdued due to ongoing pressure on real household incomes.

The risks to the outlook are tilted towards the downside. Any further escalation of conflict could severely obstruct land trade and supply chains, spur further internal displacement, and sharply reduce mobility, consumption, and productive activity. Over the medium to longer term, living standards are threatened by falling real wages, declining labor productivity, labor outflows, and the erosion of human capital.

TABLE 2 Myanmar / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023e	2024f	2025f
Real GDP growth, at constant market prices	6.6	-9.0	-12.0	4.0	1.3	2.0
Real GDP growth, at constant factor prices	6.6	-9.0	-12.0	4.0	1.0	2.0
Agriculture	2.2	-5.7	-12.8	-2.2	-2.8	-2.0
Industry	8.0	-11.8	-8.2	8.0	1.5	2.9
Services	7.8	-8.4	-14.7	3.9	2.4	3.2
Inflation (consumer price index)	9.1	2.2	9.6	27.4	20.1	12.0
Current account balance (% of GDP)	-1.8	-0.4	-2.4	-6.3	-6.8	-6.4
Fiscal balance (% of GDP)^a	-8.9	-7.6	-4.6	-6.4	-5.9	-5.4
Revenues (% of GDP)	20.7	16.2	22.1	19.8	19.1	18.9
Public sector debt (% of GDP)^a	42.3	53.9	59.8	60.1	63.1	64.6
Primary balance (% of GDP)^a	-7.0	-5.2	-1.7	-4.1	-3.5	-3.2
GHG emissions growth (mtCO₂e)	1.5	-2.4	1.8	0.4	-0.7	-0.2
Energy related GHG emissions (% of total)	17.0	15.1	15.6	15.3	13.6	12.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Fiscal estimates and projections are for years ended March. All other estimates and projections are for years ended September.

NORTH PACIFIC ISLANDS

Key conditions and challenges

Table 1

	FSM	MHL	PLW
Population, million	0.11	0.04	0.02
GDP, current US\$ billion	0.42	0.23	0.22
GDP per capita, current US\$	3835	5663	11022
LMIC poverty rate (\$3.65)	40.8 ^a	6.1 ^b	
Gini index	40.1 ^a	35.5 ^b	

Source: WDI, World Bank, and official data.

Notes: The actual year for the table data is 2023.

Abbreviations: LMIC = Lower middle-income;

FSM = Federated States of Micronesia; PLW = Palau;

MHL = Republic of the Marshall Islands; Estimates for

poverty rates and Gini index do not exist for Palau.

a/ Most recent value (2013), 2017 PPPs.

b/ Most recent value (2019), 2017 PPPs.

Economic activity rebounded in FY23 in the Federated States of Micronesia (FSM), the Republic of the Marshall Islands (RMI), and Palau. Inflation subsided in FY23 in RMI but remained high in FSM and Palau. Poverty rates are expected to decline in the coming years, contingent on continued growth. The newly approved Compact of Free Association (COFA) agreement with the United States will deliver US\$6.5 billion in assistance to the region over the next 20 years. Structural reforms are needed to boost long-term growth and achieve fiscal sustainability.

Following a contraction in FY22, economic activity gained momentum in the North Pacific in FY23 with a pick-up in capital projects, fisheries output, and tourism. Economic activity is expected to further expand in FY24 but downside risks to the outlook remain high. In the short term, the key challenges include (1) slower than expected recovery of tourist arrivals (particularly in Palau); and (2) higher than expected global food and fuel prices due to an escalation of geopolitical tensions and conflict.

The Compact of Free Association (COFA) agreement approved by the United States on March 9, 2024, will deliver a total of US\$6.5 billion in assistance to the three North Pacific countries over the next 20 years starting in FY24. FSM will receive US\$3.3 billion, RMI US\$2.3 billion, and Palau \$889 million. The allocation of funds will be governed by the new Fiscal Procedures Agreement (FPA) and the new Compact Trust Fund Agreement, both of which have been revised and updated, allowing the countries greater autonomy and control of the funds.

Even with the approval of the new Compact, implementing reform-based fiscal adjustments, such as domestic revenue mobilization and expenditure rationalization, remain crucial to enhancing fiscal sustainability. Natural disasters and climate change continue to pose a threat to economic activity and livelihoods. Structural

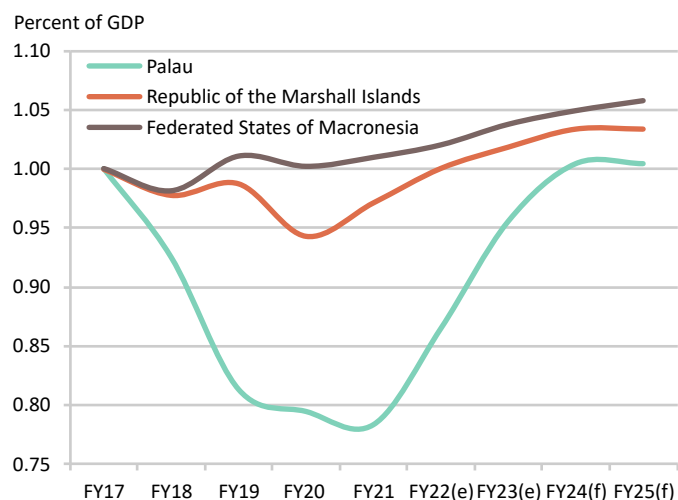
reforms are needed to ensure a sustainable economic recovery that supports the livelihood of the bottom 40 percent of households and poverty reduction. Based on the Lower Middle Income Class Poverty Line of \$3.65 (2017 PPP USD per person per day), FSM has a poverty rate of 40.7 percent (2013 data) and RMI has a poverty rate of 6.1 percent (2019 data). The lack of recent household data for Palau and FSM presents a challenge in monitoring development progress. In Palau, the 2023-2024 household income expenditure survey is currently concluding fieldwork and could be used for poverty measurement.

Recent developments

In **FSM**, growth rebounded to 0.8 percent in FY23, supported by the reopening of borders, resumption of capital projects, and an increase in national government wages. Inflation reached a decade high of 6.2 percent reflecting the lagged effects of elevated global commodity prices and domestic supply constraints. FSM registered fiscal surpluses of 1.6 percent of GDP in FY23, from 7.8 percent in FY22. Government debt declined to 12.4 percent in FSM in FY23 and the risk of overall debt distress has been upgraded to medium from high.

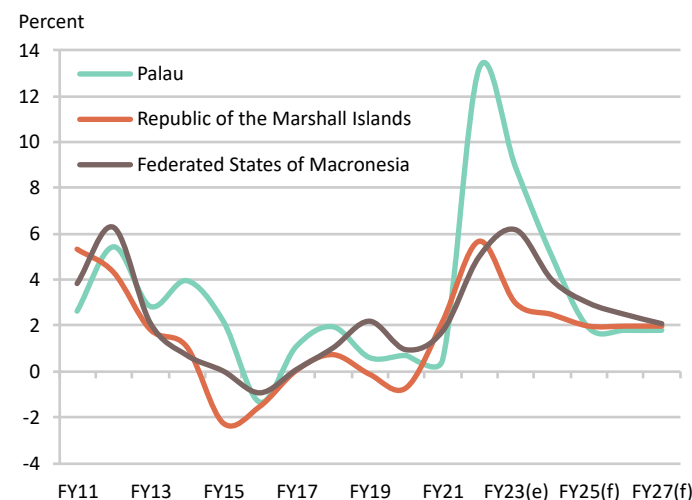
In **RMI**, output expanded by 3 percent due to a revival in fisheries activity as well as strong demand for services. Inflation moderated to 3 percent in RMI from 5 percent in FY22 as supply chain disruptions eased leading to a reduction in food and fuel prices. A balanced budget was achieved as

FIGURE 1 North Pacific Islands / Real GDP, relative to 2019 GDP



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

FIGURE 2 North Pacific Islands / Consumer price inflation



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

COVID-19-related grants were withdrawn. At 21.6 percent of GDP debt remains sustainable, but the overall risk of debt distress is high.

In **Palau**, economic growth recorded 0.8 percent in FY23, as tourism activity picked up due to arrivals from Macau. While inflation reduced from a peak of 13.3 percent in FY22, it remained high at 8.9 percent in FY23 due to high food and fuel import prices. A modest fiscal surplus of 0.3 percent of GDP was driven by increased consumption tax collections. Debt remains sustainable and debt levels are estimated to have reduced to 66.2 percent of GDP in FY23 as new debt taken during the pandemic is serviced.

Poverty in the North Pacific is expected to have risen between 2020-2022 relative to pre-crisis levels. Poverty is projected to decline in RMI and Palau from FY23 onwards as these economies recover. A decline in poverty is also expected in FSM from FY23, though the real incomes of the poor have been subject to inflationary pressures. In both RMI and FSM, poverty reduction could occur with even very low GDP growth, if per capita GDP growth is higher due to population decline. In RMI, between the 2011 and 2021 census data collections, the population declined from 53,000 to 42,000.

Outlook

In **FSM**, the economy is projected to accelerate slightly to 1.1 percent in FY24, supported by the continued pick-up in public investment and the increase in public sector wages. On the longer term, FSM is faced with the risk of returning to a low-growth trajectory of below 1 percent, as growth prospects are hampered by an increase in outmigration and the low efficiency of public investment. Inflation is expected to remain high at 4 percent in FY24 before subsiding thereafter. Following a surplus of 1.3 percent of GDP in FY24, the fiscal balance is projected to turn into a small deficit in FY25 and thereafter, amid declining fishing revenues and normalizing grants.

In **RMI**, output is expected to grow by 3 percent in FY24 mainly driven by continued expansion of the fishery sector and strong construction and services activity. Economic activity is expected to reach pre-pandemic levels in FY24. In line with easing global food and energy prices, inflation in FY24 is expected to subside to 2.5 percent, before further declining to 2 percent from FY25 onwards. A fiscal surplus of 1.7 percent of GDP is projected

for FY24 in RMI, with modest surpluses expected from FY25 onwards due to new Compact funding.

In **Palau**, the recovery in tourism is projected to lead to a double-digit expansion of 12.4 percent in FY24. GDP is projected to remain on a lower trajectory until tourist arrivals reach pre-pandemic levels in FY26. Inflation in Palau is expected to decrease but remain high at 5.9 percent in FY24 and decline further from FY25 onwards. A large fiscal surplus of 2.7 percent of GDP is projected for FY24, as tourism activity leads to an increase in revenues. Modest fiscal surpluses are expected from FY25 onwards due to continued increases in tourism receipts and full implementation of the tax reform bill.

The outlook is subject to significant downside risks. Interest rates are expected to remain high globally and may create adverse spillover effects. If growth in advanced economies is slower than anticipated, the projected recovery in tourism may fail to materialize and weaken growth prospects in Palau. Higher-than-expected global food and fuel prices could reignite inflationary pressures. The region's vulnerability to natural disasters and climate change remains an important underlying adverse risk to economic growth.

TABLE 2 North Pacific Islands / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2022e	2023e	2024f	2025f	2026f	2027f
Real GDP growth, at constant market prices						
Federated States of Micronesia	-0.9	0.8	1.1	1.7	1.1	0.8
Republic of the Marshall Islands	-0.6	3.0	3.0	2.0	1.5	1.5
Palau	-2.0	0.8	12.4	11.9	3.5	2.0
Poverty rates of the Republic of the Marshall Islands						
International poverty rate (\$2.15 in 2017 PPP) ^{a,b,c}	0.8	0.8	0.8	0.8	0.6	0.6
Lower-middle income poverty rate (\$3.65 in 2017 PPP) ^{a,b,c}	5.6	4.9	4.6	4.3	4.1	3.8
Upper middle-income poverty rate (\$6.85 in 2017 PPP) ^{a,b,c}	30.0	27.7	25.7	24.0	23.4	22.3

Sources: ECONMAP, IMF, and Worldbank.

Note: e = estimate; f = forecast. Values for each country correspond to their fiscal years ending September 30.

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

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

c/ For 2022-2025 projections, no change in population is assumed due to a lack of updated population projections.

PAPUA NEW GUINEA

Table 1 **2023**

Population, million	10.3
GDP, current US\$ billion	30.4
GDP per capita, current US\$	2942.7
International poverty rate (\$2.15) ^a	39.7
Lower middle-income poverty rate (\$3.65) ^a	67.7
Upper middle-income poverty rate (\$6.85) ^a	90.2
Gini index ^a	41.9
School enrollment, primary (% gross) ^b	109.5
Life expectancy at birth, years ^b	65.4
Total GHG emissions (mtCO2e)	51.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2009), 2017 PPPs.
b/ WDI for School enrollment (2018); Life expectancy (2021).

The economy has maintained growth momentum in 2023. High commodity prices boosted revenues, helping fiscal consolidation. Inflation has decelerated, and the Bank of PNG allowed greater exchange rate flexibility. PNG's growth model has not been sufficiently inclusive, with monetary poverty rates higher than peer countries. To make growth more inclusive, prudent macroeconomic management, better services, enabling business environment, and stronger resilience are needed.

Key conditions and challenges

Since gaining independence in 1975, the economy has more than tripled. However, real GDP per capita has only seen an annual increase of 0.9 percent—a sluggish rate compared to other lower middle-income resource-exporting nations. The growth trajectory has been marked by pronounced fluctuations, reflecting high susceptibility to shifts in international commodity prices. The inclusiveness of growth has been limited by the heavy reliance on capital in the resource sector and the underperformance of the non-resource sector.

Weak human development outcomes present missed opportunities for faster and more inclusive economic growth. Papua New Guinea (PNG) has one of the highest stunting rates in the world, affecting almost half of all children under the age of five. Furthermore, 26 percent of youth (10 to 29-year-olds) find themselves outside of training, education, and employment. Weak governance compounds the difficulties in effectively addressing these challenges, with external shocks compounding fragility-related risks.

Large segments of the population continue to lag in socio-economic development. The most recent Household Income and Expenditure Survey, from 2010, revealed that around 39 percent of the population lived below the poverty line of US\$2.15 per day (2017 PPP terms), with two-thirds of the population (67.7 percent) living below the

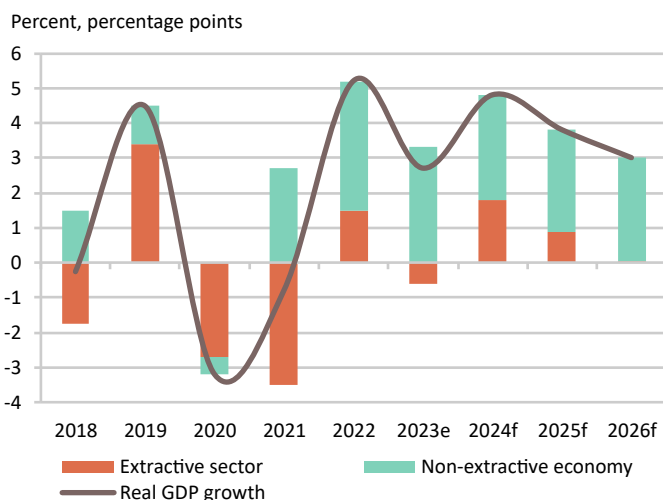
lower middle-income class poverty line, and 74.2 percent are considered to be multidimensionally poor. Access to basic services remains limited, with only 19 percent of the population having access to safe drinking water, and a mere 15 percent of households having access to electricity, according to the 2022 Socio-Demographic and Economic Survey.

Recent developments

The economy has recovered to pre-COVID output level but remains below the pre-COVID growth trajectory. The COVID-19 crisis led to an economic contraction in 2020-21 before recovering by 5.2 percent in 2022. The recovery in the extractive sector was driven by significant improvement in international prices of key export commodities, although the shutdown of the Porgera gold mine limited the rebound. Growth is estimated to have slowed down to 2.7 percent in 2023, primarily attributed to reduced global demand and domestic supply constraints stemming from scheduled maintenance in extractive facilities.

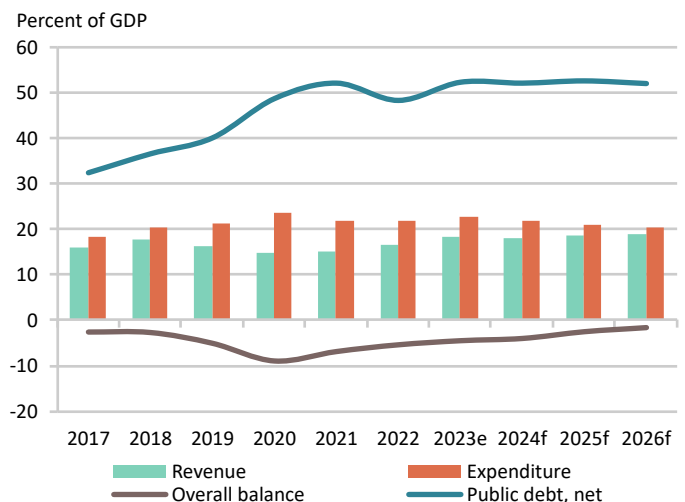
The pandemic exacerbated underlying fiscal weaknesses, and the government has embarked on a gradual fiscal consolidation to safeguard debt sustainability. As the economy recovered to pre-pandemic level, the government reduced the fiscal deficit from 8.8 percent of GDP in 2020 to an estimated 4.4 percent of GDP in 2023. Most of the improvement came from resource revenue. Meanwhile,

FIGURE 1 Papua New Guinea / Real GDP growth and contributions to real GDP growth



Source: World Bank staff estimates and forecast.

FIGURE 2 Papua New Guinea / Key fiscal and debt indicators



Source: World Bank staff estimates and forecast.

the non-resource primary balance, a better measure of the underlying fiscal position not affected by the volatile resource revenue, remained unchanged between 2021 and 2023.

Headline inflation fell from 6.3 percent in 2022Q3 to 1.4 percent in 2023Q2, year-on-year, before inching up to 2.2 percent in 2023Q3. Core inflation followed a similar declining trend and stood at 1.3 percent in 2023Q3. Since September 2023, the Bank of PNG reduced the policy rate three times, by a cumulative 150 basis points, to 2 percent. Supported by an IMF-funded program, BPNG took steps towards greater exchange rate flexibility and allowed, since May 2023, gradual and moderate depreciation of kina to USD.

Monetary poverty likely increased during the initial phases of the COVID-19 pandemic before rebounding to pre-pandemic levels by 2022. High-frequency mobile phone surveys conducted at the beginning of the pandemic illustrate that food insecurity was significantly higher than measured during the 2016-2018 Demographic and Health Survey (DHS), despite the surveys being biased toward better-off households. By the end of the pandemic, food insecurity and employment had both strongly rebounded in these

surveys, and food insecurity rates were indistinguishable from pre-pandemic estimates in the 2016-2018 DHS.

Outlook

Growth is projected to accelerate in 2024, mostly due to the reopening of the Pongera gold mine. The mine restarted operations in 2024Q1 and is expected to reach normal levels of production by mid-year. Brief violence and looting in January 2024 dented the economy. According to the Business Council, losses included assets and property and forgone business revenue. This would lower tax collections and hurt investor sentiment. In addition, the dispute between the authorities and the main fuel importer led to disruptions in fuel provision to businesses and households, further slowing economic activity. The medium-term growth is expected to settle at 3 percent.

This projection does not account for potential new resource mega-projects, like Papua LNG. Thus, the final investment decision and the initiation of construction present an upside risk to the outlook.

Meanwhile, slower-than-expected economic growth could materialize through lower export demand, a more pronounced decline in commodity prices, and the impact of droughts and other climate-related events.

The growth model has not been sufficiently inclusive and needs an adjustment. Imputed poverty based on common variables across the 2009 HIES survey and the 2016-2018 Demographic and Health Survey, suggest there was no change in poverty from 2009- 2018 and therefore, no significant trickling down of economic growth during this period. When comparing the monetary poverty rate in PNG (based on the 2016-2018 DHS imputation) to the countries with a similar per capita GDP, the average poverty rate at the International Poverty Line of \$2.15 (2017 PPP) is one-quarter of the poverty rate in PNG (10.7 percent). To change the situation, the country needs to focus on (1) ensuring prudent macroeconomic policy management, (2) deepening and widening access to quality services to build human capital; (3) enabling private sector development for job creation and inclusive growth; and (4) promoting resilience and environmental sustainability.

TABLE 2 Papua New Guinea / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	-0.8	5.2	2.7	4.8	3.6	3.0
Real GDP growth, at constant factor prices	-1.0	5.8	2.7	4.8	3.6	3.0
Agriculture	1.1	3.1	4.2	3.9	3.3	3.3
Industry	-7.8	5.6	-1.5	5.7	4.3	2.7
Services	4.4	7.1	5.5	4.5	3.2	3.1
Inflation (consumer price index)	4.5	5.3	2.2	4.1	4.8	4.8
Current account balance (% of GDP)	22.2	33.0	23.0	23.5	22.8	22.3
Net foreign direct investment inflow (% of GDP)	-1.5	-1.2	-1.1	-1.3	-1.3	-1.3
Fiscal balance (% of GDP)	-6.9	-5.3	-4.4	-3.9	-2.5	-1.3
Revenues (% of GDP)	15.2	16.7	19.0	18.8	19.0	19.0
Debt (% of GDP)	52.8	48.4	52.4	52.2	52.3	51.5
Primary balance (% of GDP)	-4.4	-2.8	-1.8	-1.3	0.0	1.0
GHG emissions growth (mtCO₂e)	0.2	0.2	0.1	0.1	0.0	0.0
Energy related GHG emissions (% of total)	10.6	10.5	10.4	10.3	10.1	9.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

PHILIPPINES

Key conditions and challenges

Table 1	2023
Population, million	117.3
GDP, current US\$ billion	442.8
GDP per capita, current US\$	3773.9
International poverty rate (\$2.15) ^a	3.0
Lower middle-income poverty rate (\$3.65) ^a	17.8
Upper middle-income poverty rate (\$6.85) ^a	55.3
Gini index ^a	40.7
School enrollment, primary (% gross) ^b	91.9
Life expectancy at birth, years ^b	69.3
Total GHG emissions (mtCO2e)	267.4

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2021), 2017 PPPs.
 b/ WDI for School enrollment (2022); Life expectancy (2021).

Economic growth remained robust, at 5.6 percent in 2023, anchored on strong domestic demand and the recovery of services. Growth is projected to rise to an average of 5.9 percent between 2024-2026, fueled by strengthening domestic demand due to a healthy labor market, declining inflation, and firming investment activity. Poverty will gradually decline due to improvements in the labor market, and declining inflation which will likely boost growth in household incomes.

Elevated inflation, tighter monetary and fiscal policies, and softer global growth continued to weigh on domestic demand. Inflation has declined, but significant upside risks merit sustained efforts to manage price pressures. Timely and efficient imports can help stabilize domestic food supplies in the near term. However, higher international prices, costlier inputs for key food commodities, and risks of disruptions to global supply chains highlight the need for longer-term improvements in agricultural productivity and resilience. The government remains committed to public investment despite fiscal consolidation, but maximizing the impact on economic activity depends on better budget execution and use of public-private partnerships.

A modest acceleration in medium-term growth depends partly on successfully containing inflation and transitioning towards more accommodative monetary policy, which will support private consumption and investment spending. Ensuring that the budget continues to support inclusive growth will require both prudent spending and urgent implementation of revenue-enhancing reforms. These will be critical to continued and more effective investments in human and physical capital. Subdued global growth, geopolitical risks, and trade fragmentation could weigh on investment inflows

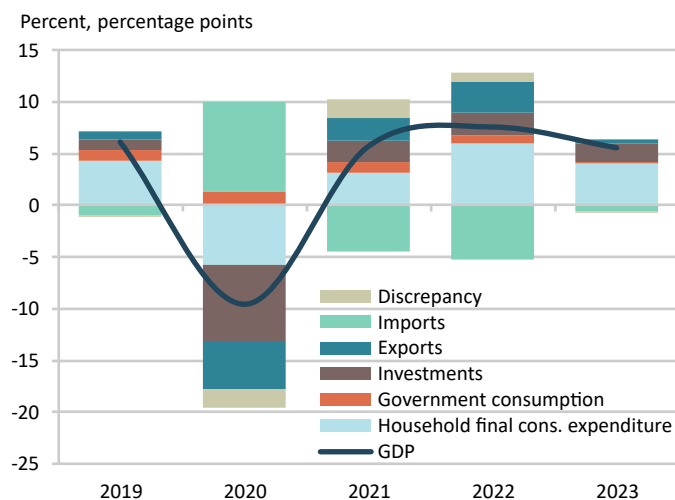
and exports. Implementation of reforms and streamlining processes are needed to improve the investment environment and facilitate private sector participation in key sectors to attract investments and boost exports.

Recent developments

The economy grew by 5.6 percent in 2023, supported by robust consumer spending despite elevated inflation. Steady remittances, a strong labor market, and credit growth buoyed private consumption. Services drove growth on the supply side due to the tourism recovery, strong financial services activities, and steady wholesale and retail growth. Soft external demand weighed on manufacturing and exports while the ongoing fiscal consolidation weighed on government consumption. As public investment remained supportive of growth, private investment was constrained by high-interest rates and low export demand.

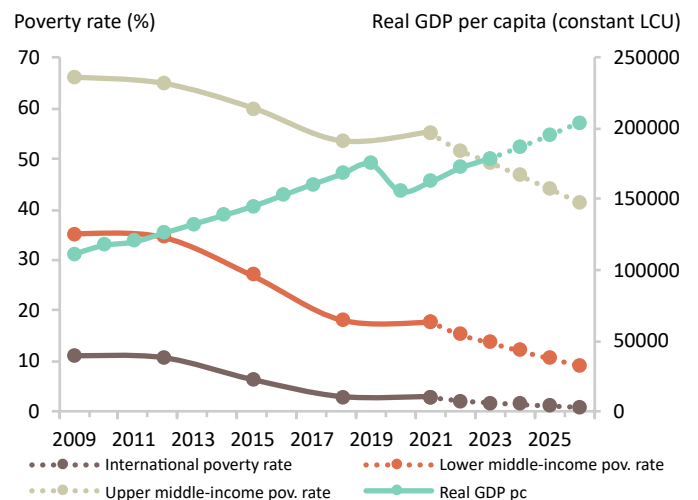
Inflation reached 6.0 percent in 2023, above the 2-4 percent central bank target, due to rising food prices. Core inflation also rose to 6.6 percent in 2023. Both headline and core inflation have settled within target in January 2024, suggesting waning price pressures. In 2023, the Bangko Sentral ng Pilipinas raised the key policy rate by 100 basis points to firmly anchor inflationary expectations. To reduce price levels, the government lowered import tariffs for key commodities and provided support to vulnerable sectors.

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



Source: Philippines Statistics Authority.

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



Source: World Bank. Notes: see Table 2.

Ongoing fiscal consolidation and lower allotments to local government units lowered public spending. As a result, the fiscal deficit narrowed to 6.2 percent of GDP in 2023 (7.3 percent in 2022). The national government debt declined to 60.2 percent of GDP in 2023 from 60.9 percent in 2022. The current account deficit narrowed to 2.6 percent of GDP in 2023 (4.5 percent in 2022), supported by sustained remittance inflows from overseas workers and robust service exports. Meanwhile, higher foreign borrowing of the government and resident banks and residents' currency deposit withdrawals from abroad more than offset lower FDI net inflows.

The labor market continues to show steady improvement and bodes well for household income growth and poverty reduction. Robust domestic activity led to the creation of 1.5 million additional jobs in December 2023 from 49 million in December 2022, propelled by the recovery of construction, hospitality industry, and agriculture and forestry. The unemployment rate was 3.1 percent in December 2023 and underemployment continues a downtrend and was recorded at 11.9 percent in the same period. The recently released first-semester national poverty estimates show that poverty incidence declined to 22.4 percent in 2023 (23.7 percent in 2021).

Outlook

The growth outlook remains positive, averaging 5.9 percent in 2024-26, anchored on robust domestic demand. The medium-term outlook will be driven by robust private consumption activity, supported by declining inflation, a healthy labor market, and steady remittance inflows. Medium-term growth will be supported by improving investment activity as public investment remains supportive of growth despite fiscal consolidation. The normalization of monetary policy and implementation of several investment liberalization laws will buoy private investment growth. Meanwhile, export demand will strengthen over the forecast horizon, led by robust services export demand and a pick-up in goods trade as global growth rebounds gradually.

The fiscal deficit is expected to narrow to 3.8 percent of GDP by 2026. Fiscal consolidation will be led by the reduction in public spending, as the government trims recurrent spending. In addition, the passage of several priority tax laws by 2025 is expected to strengthen revenues through the introduction of several new tax policy and administration reforms.

The continuous improvement in the labor market and the easing of inflation will likely boost growth in household incomes. Poverty is expected to continue to decline but extreme climatic events continue to pose risks. Poverty incidence using the World Bank's poverty line for lower-middle income countries of \$3.65/day, 2017 PPP is projected to decrease from 17.8 percent in 2021 to 12.2 percent in 2024 and further decrease to 9.3 percent in 2026.

Risks to the outlook remain tilted to the downside. On the domestic front, persistently high inflation would dampen economic activity by keeping the policy rate higher for longer, erode purchasing power, and threaten to deepen poverty and worsen economic vulnerability. Upside risks to inflation include the possibility of supply disruptions due to ongoing geopolitical tensions, further trade restrictions, weakness in agriculture output due to El Niño and extreme weather events, and wage pressures from tightness in labor market conditions. The possibility of higher-than-expected global inflation, still tight global financing conditions, a further slowdown in growth of China, and escalating geopolitical tensions could cause a sharper-than-expected growth slowdown which would further dampen external demand.

TABLE 2 Philippines / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	5.7	7.6	5.6	5.8	5.9	5.9
Private consumption	4.2	8.3	5.6	5.9	6.2	6.0
Government consumption	7.2	4.9	0.4	2.2	3.1	5.0
Gross fixed capital investment	9.8	9.7	8.1	9.1	9.6	10.3
Exports, goods and services	8.0	10.9	1.3	3.8	4.7	4.9
Imports, goods and services	12.8	13.9	1.6	5.3	6.9	7.9
Real GDP growth, at constant factor prices	5.7	7.6	5.6	5.8	5.9	5.9
Agriculture	-0.3	0.5	1.2	0.9	1.0	1.1
Industry	8.5	6.5	3.6	4.2	4.4	4.5
Services	5.4	9.2	7.2	7.2	7.3	7.1
Inflation (consumer price index)	3.9	5.8	6.0	3.6	3.0	3.0
Current account balance (% of GDP)	-1.5	-4.5	-2.6	-2.2	-2.0	-1.8
Net foreign direct investment inflow (% of GDP)	3.0	2.3	2.0	2.0	1.9	1.8
Fiscal balance (% of GDP)	-8.6	-7.3	-6.2	-5.1	-4.1	-3.8
Revenues (% of GDP)	15.5	16.1	15.7	15.9	16.1	16.3
National Government Debt (% of GDP)	60.4	60.9	60.2	59.8	59.5	58.7
Primary balance (% of GDP)	-6.4	-5.0	-3.6	-2.5	-1.2	-0.9
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	3.0	2.3	1.9	1.6	1.3	1.0
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	17.8	15.3	13.7	12.2	10.7	9.3
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	55.3	51.8	49.4	46.8	44.2	41.5
GHG emissions growth (mtCO₂e)	5.9	5.2	5.4	5.6	5.7	5.7
Energy related GHG emissions (% of total)	57.1	57.8	56.9	57.8	57.9	59.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on EAPPOV harmonization, using 2021-FIES. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.

b/ Projection using neutral distribution (2021) with pass-through = 1 (High (1)) based on GDP per capita in constant LCU.

SOLOMON ISLANDS

Table 1 **2023**

Population, million	0.7
GDP, current US\$ billion	1.5
GDP per capita, current US\$	2067.9
International poverty rate (\$2.15) ^a	26.6
Lower middle-income poverty rate (\$3.65) ^a	61.0
Upper middle-income poverty rate (\$6.85) ^a	88.5
Gini index ^a	37.1
School enrollment, primary (% gross) ^b	104.3
Life expectancy at birth, years ^b	70.3
Total GHG emissions (mtCO2e)	46.3

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2012), 2017 PPPs.
 b/ WDI for School enrollment (2019); Life expectancy (2021).

The economy is expected to grow by 2.8 percent in 2024, driven by national election preparations and public infrastructure investments in the energy and transportation sectors. In the medium term (2024-26), growth is projected to average 2.9 percent of GDP, while the fiscal deficit is expected to average 3.7 percent of GDP. State fragility, climate change, and subdued global economic conditions pose downside risks.

Key conditions and challenges

Solomon Islands is a small, secluded archipelago with 721,000 people scattered across 90 inhabited islands. Geographic dispersion, remoteness from global markets, and vulnerability to natural calamities all provide substantial obstacles to development. Limited state capacity and political economic dynamics frequently impede the design and implementation of sound public policies. Poor infrastructure, widespread underemployment, and a limited private sector pose significant growth challenges. The Solomon Islands are particularly vulnerable to natural calamities such as earthquakes, cyclones, and tsunamis, which may cause significant economic harm.

Development challenges have been exacerbated by a series of shocks that have resulted in a significant economic decline during the previous years, including a local COVID-19 outbreak in 2022 and impacts from the Russian invasion in Ukraine. World Bank phone survey data indicates that food insecurity remains elevated, with an increasing share of the population worried about not having enough food to eat. According to the 2012/13 Household Income and Expenditure Survey (HIES), 61 percent of the population was considered poor based on the lower-middle-income poverty line (\$3.65 per day in 2017 PPP).

Recent developments

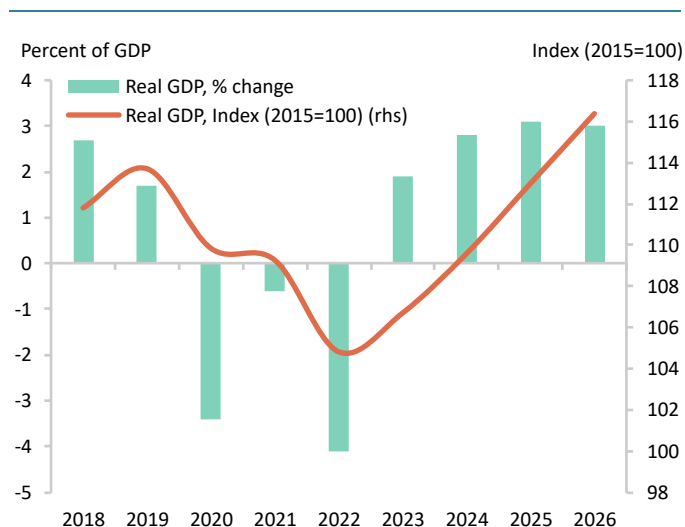
The economy returned to 1.9 percent growth in 2023, driven by the hosting of the Pacific Games in November 2023 and several large public infrastructure projects in the energy and transport sectors. An uptick in international visitor arrivals has positively impacted the accommodation, restaurant, and transport sectors. Increased participation in regional labor mobility programs contributed to household incomes through remittances. Data from high-frequency phone surveys – collected from April to September 2023 – indicate that employment has largely remained unchanged.

Inflation reached 4.7 percent in 2023, down from 5.5 percent in 2022. In March 2023, the Central Bank of Solomon Islands (CB-SI) tightened monetary policy by increasing the cash reserves ratio from 5 percent to 6 percent, in response to growing inflationary pressures. The financial sector remains relatively stable, with well-capitalized banks and adequate liquidity levels.

The current account deficit reached 11.6 percent of GDP in 2023, due to a decline in logging and agricultural exports. Foreign reserves fell from 9.5 months of imports in 2022 to 8.4 months of imports by the end of 2023, still above the reserve adequacy range of four to seven months of imports. The current account deficit was financed through external concessional borrowing and FDI inflows.

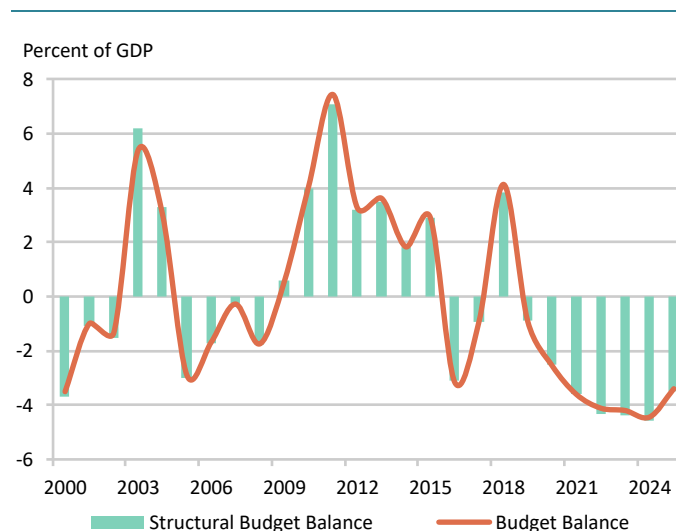
The fiscal deficit in 2023 is estimated at 4.2 percent of GDP. Total revenues expanded

FIGURE 1 Solomon Islands / Real GDP



Sources: IMF and World Bank staff calculations.

FIGURE 2 Solomon Islands / Fiscal balance



Sources: IMF and World Bank staff calculations.

slightly to reach 28.8 percent of GDP. The government managed to contain expenditure growth, despite facing substantial spending demands. Expenditures decreased slightly to 33 percent in 2023, explained largely by a reduction in development spending.

Public debt increased to 20.4 percent of GDP in 2023, up from 16.9 percent of GDP in 2022. This was due to rising primary fiscal deficit and lagging nominal GDP growth. As part of the COVID-19 response, the government issued domestic development bonds during 2020-22, close to doubling the stock of development bonds from SI\$360 million at the end of 2020 to SI\$650 million at the end of 2021.

Outlook

The economy is expected to grow by 2.9 percent in the medium term (2024–26), boosted by government spending on

election preparations, a large infrastructure pipeline, and increased mining activity. An uptick in the labor mobility program is expected to contribute to economic activity through the remittance channel. Whilst inflation is projected to average 3.4 percent during 2024-2026 amid cooling energy and food prices, this is above the average inflation experienced during the past five years (2.7 percent). Nevertheless, poverty is likely to decline with the projected economic growth and increasing remittances. The new HIES, which is to be collected in 2024/25, will help update the poverty measure.

The current account deficit is projected to remain substantial, averaging 9 percent of GDP over the period of 2024- 2026. This is primarily due to increased import needs from infrastructure projects and an expected decline in logging exports. International reserves are expected to decline to 7 months of imports while remaining adequate.

After reaching 4.4 percent of GDP in 2024, the fiscal deficit is projected to decline over

the medium term, reaching 3.3 percent of GDP in 2026. This partly reflects declining recurrent expenditure and the normalization of development grants after the pandemic and election preparations. Public debt is sustainable, and the external and overall risk of debt distress is moderate.

Subdued global economic conditions, climate shocks, low levels of cash buffers, and social instability pose downside risks. The upcoming general elections in 2024 may increase economic uncertainty and increase the risk of unrest. The rate of recovery in the tourism industry and increasing participation in regional labor mobility programs may provide economic benefits, while second order impacts of infrastructure investment may drive a stronger recovery. Subdued global economic conditions – especially a Chinese growth slowdown – may lower demand for commodity exports, particularly logs, with negative consequences for growth, the current account balance, and government finances.

TABLE 2 Solomon Islands / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	-0.6	-4.1	1.9	2.8	3.1	3.0
Real GDP growth, at constant factor prices	-0.6	-4.1	1.9	2.8	3.1	3.0
Agriculture	-1.0	-11.8	0.0	1.0	2.0	2.0
Industry	3.0	0.1	5.1	6.0	5.9	5.9
Services	-1.1	-2.7	1.7	2.6	2.7	2.5
Inflation (consumer price index)	-0.1	5.5	4.7	3.7	3.3	3.3
Current account balance (% of GDP)	-5.1	-13.3	-11.6	-10.3	-9.4	-7.4
Net foreign direct investment inflow (% of GDP)	1.5	2.5	2.0	1.9	1.7	1.7
Fiscal balance (% of GDP)	-3.6	-4.1	-4.2	-4.4	-3.4	-3.3
Revenues (% of GDP)	31.2	32.6	28.8	30.8	31.4	31.3
Debt (% of GDP)	15.4	16.9	20.4	24.0	26.3	28.4
Primary balance (% of GDP)	-3.4	-3.8	-3.7	-4.0	-2.8	-2.7
GHG emissions growth (mtCO₂e)	0.0	0.0	0.0	0.0	0.0	0.0
Energy related GHG emissions (% of total)	0.4	0.4	0.4	0.4	0.4	0.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

SOUTH PACIFIC ISLANDS

Key conditions and challenges

Table 1 WSM TON VUT

	WSM	TON	VUT
Population, million	0.23	0.11	0.33
GDP, current US\$ billion	0.93	0.55	1.10
GDP per capita, current US\$	4114	5156	3323
LMIC poverty rate (\$3.65)	10.5 ^a	1.6 ^b	34.9 ^c
Gini index	38.7 ^a	27.1 ^b	32.3 ^c

Source: WDI, World Bank, and official data.
Notes: The actual year for the table data is 2023.
Abbreviations: LMIC = Lower middle-income;
WSM = Samoa; TON = Tonga; VUT = Vanuatu.
a/ Most recent value (2013), 2017 PPPs.
b/ Most recent value (2021), 2017 PPPs.
c/ Most recent value (2019), 2017 PPPs.

The economies of Samoa, Tonga, and Vanuatu expanded, largely driven by a resurgence in travel and reconstruction activities, while benefitting from remittances. Although economies are projected to recover to pre-pandemic levels in 2024-25, uncertainties in the global environment pose risks to the outlook and the pace of economic growth. To increase potential growth, governments must embark on structural reforms that can boost investment, and adapt fiscal policy to promote resilience to mitigate future shocks.

Due to their high exposure to tourism and travel, the countries are susceptible to external shocks such as those caused by COVID-19. Combined with the natural disasters, shocks have resulted in significant setback in economic growth and fiscal sustainability. Supply bottlenecks, particularly in the aftermath of disasters, amid heightened demand, including for reconstruction, continue to exert pressures on prices and threaten livelihoods. Fiscal policy should aim to support more adaptive and targeted social protection systems while continuing to build fiscal space to mitigate vulnerability to external shocks. Finally, boosting potential growth through increased investment will require implementing structural reforms that foster a conducive environment for business and the private sector. In the near term, this includes ramping up reconstruction efforts in Tonga and Vanuatu following recent natural disasters.

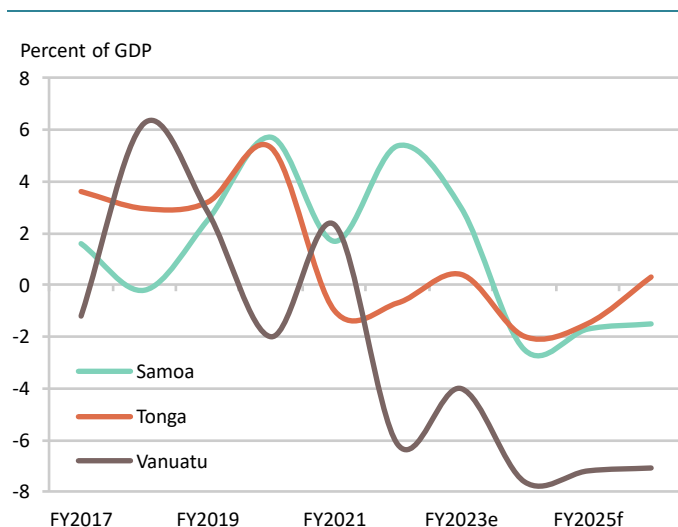
Recent developments

In FY23, for the first time since the pandemic, all three countries experienced positive economic growth. Headline inflation surged but began to recede in the later months.

In Samoa, growth rebounded strongly by 8 percent in FY23, following three consecutive years of economic contraction. Growth was fueled by a strong pick-up in tourism post-border reopening and robust remittance inflows supporting consumption. Inflation surged to 12.0 percent in FY23 but has been easing in recent months. The current account deficit narrowed significantly to 4 percent of GDP in FY23 compared to 11.3 percent of GDP in FY22, primarily on account of strong tourism earnings and remittances. The government recorded another year of fiscal surplus of around 3 percent of GDP in FY23, supported by buoyant revenue collections and lower recurrent expenses. A recently published report on the 2022 Samoa Labor Force Survey showed positive employment trends between 2017 and 2022, with unemployment dropping from 14.5 percent to 5.0 percent, youth unemployment (ages 15-24) dropping from 31.9 percent to 13.4 percent, and informality dropping from 37.3 percent to 25.3 percent.

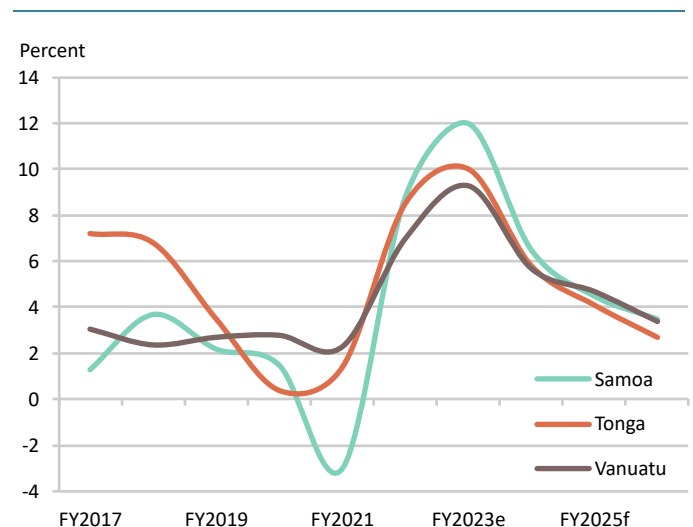
In Tonga, the economy expanded by an estimated 2.6 percent in FY23, rebounding from a contraction in FY22. As borders reopened, strong domestic demand supported by remittances and a pick up in tourist arrivals bolstered growth. Inflation reached about 10 percent in FY23, driven by prolonged domestic supply disruptions. The current account deficit widened to 7.9 percent in FY23 as imports increased to support reconstruction and recovery. The fiscal accounts showed a small surplus of 0.4 percent of GDP in FY23, primarily due to increased grants and slower-than-expected execution of expenditures related

FIGURE 1 South Pacific Islands / Overall fiscal balance



Sources: National sources and World Bank projections.

FIGURE 2 South Pacific Islands / Inflation (annual average)



Sources: National sources and World Bank projections.

to reconstruction. World Bank phone surveys conducted in late 2023 reveal that about half the households were worried about their finances in the upcoming month. About 11 percent of the poorest group are facing severe food insecurity, as opposed to 3 percent in the richest group, reflecting the influence that persistent high inflation may have on livelihoods. According to the 2021 Household Income and Expenditure Survey (HIES), the poverty rates were 1.6 percent based on the lower-middle-income poverty line of \$3.65 (2017 PPP USD) and 21.5 percent based on the upper-middle-income poverty line of \$6.85 (2017 PPP USD).

In **Vanuatu**, despite the impact of twin cyclones earlier in the year and growth initially being downgraded, growth reached 2.5 percent in FY23. Economic activity was mainly attributed to the industry and services sectors, especially as tourist arrivals improved, reaching 65 percent of pre-covid levels as of 2023. In the agriculture sector, the contraction from cyclone damage was less severe than anticipated, as economic activity is concentrated in the north, which was less affected by the cyclones. Inflation is estimated to have averaged 9.3 percent, mainly owing to domestic supply chain disruptions caused by the cyclone impacts, minimum wage factors, and high food prices. A current account deficit of 4.1 percent of GDP is estimated, as pick up in remittances and tourism increased demand for imports. Vanuatu faced an estimated fiscal deficit of 4 percent of GDP bolstered by strong Value Added Tax (VAT) revenue amid delayed project spending an improvement from 2022. The government is working towards rolling out the Universal Cash Transfer (UCT) initiative, which aims to support household recovery from the dual cyclones.

Outlook

A gradual economic recovery is expected, with Tonga and Vanuatu potentially returning to pre-pandemic GDP levels by 2024, and Samoa by 2025. Adverse global economic growth, trade, and tourism development; geopolitical tensions; and persistent threats to natural disasters present downside risks. These factors could slow economic recovery, hampering progress in poverty reduction.

In **Samoa**, the economy is projected to grow by a further 4.5 percent in FY24, followed by an average growth of 3.3 percent in FY25 and FY26. The continued recovery in tourism and spillovers to construction and other service sectors, combined with increased public investment are expected to drive growth. Inflation is estimated to halve in FY24 and continue to decline over the medium term. The current account deficit is expected to narrow to 3.0 percent of GDP over the medium term, supported by tourism recovery and continued remittance inflows. A fiscal deficit of 2.5 percent of GDP is estimated for FY24 as grants revenue normalizes and expenditure increases to support the hosting of the Commonwealth Heads of Government Meeting scheduled for October 2024. The fiscal deficit is expected to narrow to approximately 1.5 percent of GDP over the medium term. While direct projections of poverty rates are not available, regional peers with a similar trajectory of economic recovery are expected to return to pre-pandemic poverty levels in FY25.

In **Tonga**, growth is projected to maintain its upward momentum, reaching 2.5 percent, before subsequently easing in FY25 and further down in FY26. The short-term growth is underpinned by the ramping up

of reconstruction activities, coupled with recovery in agriculture and tourism. Inflation is anticipated to subside in FY24 and reach below the 5 percent reference rate in FY25. The current account deficit is forecasted to persist at a high level of 7.1 percent of GDP in FY4, driven by substantial imports amid modest export performance. The fiscal balance is anticipated to swing back into deficit in FY24-25, due to normalization in grants and upsurge in expenditure related to reconstruction efforts. Following sluggish execution in FY23, reconstruction projects are expected to gather momentum in FY24 with this trend continuing in FY25. With the projected steady economic growth, the poverty rate measured with the upper-middle-income poverty line is likely to decline to 16.7 percent in 2026.

In **Vanuatu**, the economy is projected to grow by 3.7 percent in 2024, mostly driven by the infrastructure investment, such as the upgrade of airports and roads construction, significantly scaled up in the 2024 budget. As the implementation of the capital budget is expected to continue over 2024-2026, expansionary fiscal policy will continue to support growth. Reconstruction efforts are expected to stimulate economic activity over the medium term. Inflation is projected to remain above the reserve bank band of 0-4 percent in the near term. A current account deficit of 4.5 percent of GDP is projected for 2024, partially offsetting the modest recovery of tourism and goods exports. The fiscal deficit is projected at 7.6 percent of GDP due to higher capital expenditures, despite improved fishing revenues. The poverty rate measured with the lower-middle-income poverty line is projected to remain high, around 43 percent until 2026. Given the country's relatively high population growth, the growth in per capita income is not strong enough to reduce poverty.

TABLE 2 South Pacific Islands / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022e	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices						
Samoa	-7.1	-5.3	8.0	4.5	3.6	3.0
Tonga	-2.7	-2.0	2.6	2.5	2.2	1.6
Vanuatu	0.6	1.9	2.5	3.7	3.5	3.1
Poverty rate^{a,b}						
Tonga (Upper-middle income poverty rate, \$6.85 in 2017 PPP)	21.5	22.3	21.1	18.7	17.3	16.7
Vanuatu (Lower-middle income poverty rate, \$3.65 in 2017 PPP)	41.5	42.4	43.2	42.8	42.6	42.9

Sources: World Bank and IMF.

Notes: e = estimate; f = forecast. Financial years for Samoa and Tonga are July-June, for Vanuatu it is January-December. Samoa improved the methodology for GDP calculation and revised the historical data in March 2022 GDP release.

a/ Calculations based on EAPPOV harmonization, using 2021-HIES for Tonga and 2019-NSDP for Vanuatu.

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

THAILAND

Table 1 **2023**

Population, million	71.8
GDP, current US\$ billion	514.9
GDP per capita, current US\$	7171.8
Upper middle-income poverty rate (\$6.85) ^a	12.2
Gini index ^a	35.1
School enrollment, primary (% gross) ^b	101.6
Life expectancy at birth, years ^b	78.7
Total GHG emissions (mtCO2e)	480.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

Thailand's economic recovery lagged further behind ASEAN peers as growth disappointed at 1.9 percent in 2023. Growth was hampered by a weak external sector and delayed budget approval. Inflation remained negative for the third consecutive month due to falling energy and food prices as well as energy subsidies. While private consumption and tourism are expected to support the recovery, the outlook for 2024 is weaker than previously projected due to dimmer export and public investment prospects.

Key conditions and challenges

Thailand's recovery diverged further from peers such as Malaysia and the Philippines due to external and internal challenges. Weak external demand weighed on manufacturing while the delayed budget caused public investment to slow. The economy is expected to pick up in 2024, bolstered by private consumption and tourism recovery, with upside risks to domestic demand if the Digital Wallet program (THB 10,000 or USD 286 transfer to 50 million Thais) is rolled out. The measure has the potential to boost growth but will increase the public debt.

Fiscal responses to high energy prices have slightly slowed the path toward consolidation but supported the recovery. Headline inflation remained the lowest in ASEAN in part due to continued energy subsidies and lower global energy prices.

In the medium term, the country is facing the challenge of addressing the rising spending needs associated with aging, environmental degradation, climate change, and the need to rebuild the policy buffers to prepare for future shocks. substantial potential lies in implementing structural reforms and mobilizing private financing for low-carbon growth. The escalating impact of climate events on low-income households remain a significant obstacle to poverty reduction.

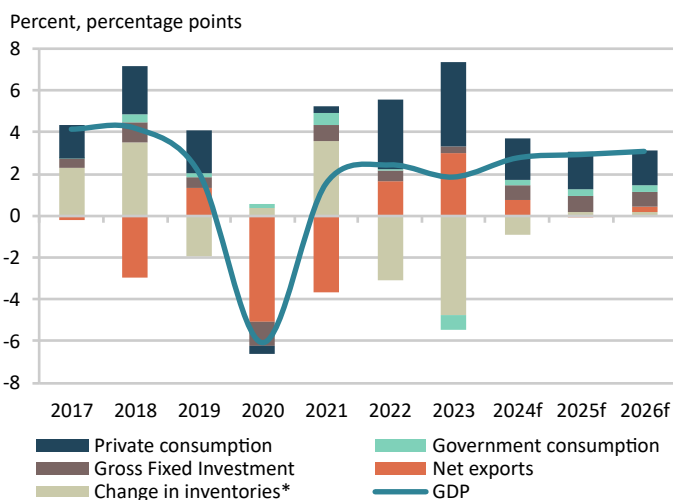
Recent developments

Thailand's recovery trajectory slowed compared to its ASEAN peers due to weak manufacturing and public investment despite robust private consumption. Overall, for 2023, the economy grew by 1.9 percent, down from 2.5 percent the previous year. Thailand's output recovery from pre-pandemic levels further lagged behind peers by 14 percent.

Good export contracted, albeit less than ASEAN peers. In 2023, goods exports contracted 1.7 percent (year-on-year), declining from the previous 5.4 percent. This contraction was driven by declines in exports of manufacturing, including agro-manufacturing, hard disk drives, plastics, and metal and steel, while exports of agricultural and automotive products expanded.

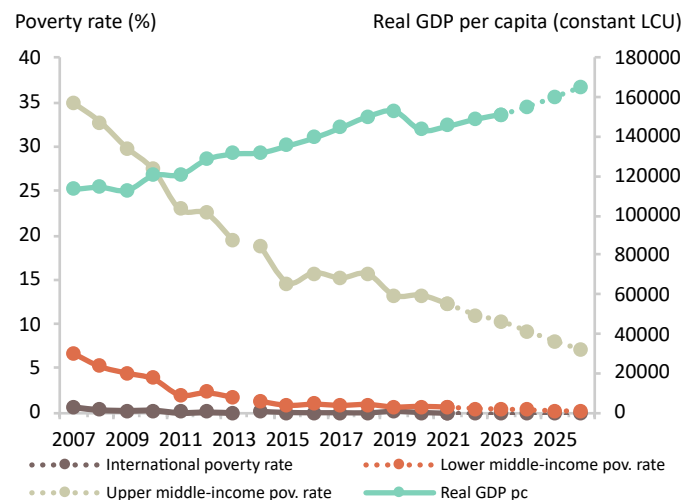
The Thai baht remained stable as the current account shifted to surplus, despite ongoing capital outflows. In December, the current account turned positive, reaching 5 percent of GDP, with Q4 recording a surplus of 1.2 percent of GDP. This improvement was driven by a surplus in goods trade, attributed to a decrease in the import bill. Additionally, deficits in services, primary, and secondary income narrowed, supported by increased tourism receipts and income transfers. In January, the Nominal Effective Exchange Rate (NEER) remained stable, in contrast to the depreciation of other major ASEAN currencies. This stability was linked to anticipated improvements in the current account balance

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



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

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



Source: World Bank. Notes: see Table 2.

as tourist arrivals surged. However, net foreign portfolio outflows surged to THB 37 billion, marking the largest outflows in four months, primarily due to outflows from the equity market.

Headline inflation declined the fastest in ASEAN and remained negative for four consecutive months at -1.1 percent (yoy) in January due to the ongoing energy subsidies, falling global energy prices and domestic fresh food prices, and a slow recovery. Core inflation remained stable at 0.5 percent. The Bank of Thailand maintained a neutral stance with its policy rate at 2.5 percent due to lowered inflation pressure and continued strong domestic demand. In January, the Thai baht was stable linked to the expected improved current account balance as tourist arrivals surged, while capital outflows continued.

Per capita household consumption surged by 8.1 percent between 2021 and 2022, with the bottom 40 percent experiencing even faster growth. The national poverty rate dropped from 6.3 percent to 5.3 percent during the same period. However, this decline varied across regions; the northeast saw the largest drop by 2.4 percentage

points, while Bangkok experienced an increase in poverty. Household debt remained high at 90.6 percent of GDP, the highest in ASEAN in 2023Q1.

Outlook

Growth is projected to accelerate from 1.9 percent in 2023 to 2.8 percent in 2024. The outlook for 2024 is weaker than previously projected due to dimmer export and public investment prospects. Tourism and private consumption will be key drivers. Goods exports are expected to grow due to favorable global trade despite the slowing Chinese economy. Tourism recovery is projected to return to pre-pandemic levels in mid-2025. Tourist arrivals are projected to reach 90 percent of pre-pandemic levels in 2024, with Chinese visitors expected to reach 62 percent of pre-pandemic levels. Public investment will be hampered by prolonged delay in budget approval for FY2024. Public debt is projected to remain slightly above 60 percent of GDP. While the planned Digital Wallet is not included in the baseline, it

could boost near-term growth by approximately 1 percent.

Headline inflation will slow to a regional low of 1 percent in 2024 due to energy subsidies and falling global energy prices, while food prices and core inflation are expected to remain positive. Core inflation is expected to be supported by strong domestic consumption and the closing output gap. The current account surplus will remain at 1.3 percent of GDP in 2024, driven by both goods and services trade as well as reduced oil import bills.

Risks to outlook are more balanced, with upside risks to domestic demand if the Digital Wallet is rolled out. However, risks persist due to heightened geopolitical conflict and high oil prices, which could trigger another inflationary surge given the country's dependency on energy imports and increase inequality while eroding fiscal space unless social assistance is better targeted.

The poverty headcount, measured at the upper-middle-income poverty line of \$6.85 in 2017 PPP, was estimated at 12.2 percent in 2021 and is anticipated to decline to 10.3 percent in 2023 and maintain a downward trajectory throughout 2024 and 2025.

TABLE 2 Thailand / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	1.6	2.5	1.9	2.8	3.0	3.1
Private consumption	0.6	6.2	7.1	3.4	3.0	2.8
Government consumption	3.7	0.1	-4.6	1.7	2.5	2.0
Gross fixed capital investment	3.1	2.3	1.2	2.7	3.1	3.1
Exports, goods and services	11.1	6.1	2.1	5.0	3.7	3.6
Imports, goods and services	17.8	3.6	-2.2	4.1	4.1	3.4
Real GDP growth, at constant factor prices	1.9	3.2	1.9	2.8	2.9	3.1
Agriculture	2.5	1.4	1.9	1.6	2.2	2.0
Industry	6.0	3.6	-2.3	1.2	2.7	2.7
Services	-0.3	3.1	4.3	3.8	3.2	3.5
Inflation (consumer price index)	1.2	6.1	1.2	1.0	1.8	1.1
Current account balance (% of GDP)	-2.0	-3.2	1.3	1.3	3.0	4.2
Net foreign direct investment inflow (% of GDP)	-0.8	0.8	-0.4	-1.0	-1.1	-1.0
Fiscal balance (% of GDP)	-6.7	-4.4	-2.3	-1.9	-2.3	-2.1
Revenues (% of GDP)	19.8	19.8	20.8	21.1	22.3	22.3
Debt (% of GDP)	57.7	59.7	62.1	62.6	61.8	61.0
Primary balance (% of GDP)	-5.4	-3.1	-1.1	0.2	-0.3	-0.3
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	0.0	0.0	0.0	0.0	0.0	0.0
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	0.6	0.5	0.4	0.3	0.2	0.2
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	12.2	11.0	10.3	9.1	8.1	7.1
GHG emissions growth (mtCO₂e)	2.7	1.6	1.9	1.3	2.7	3.1
Energy related GHG emissions (% of total)	53.7	53.0	52.5	51.4	50.5	49.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on EAPPOV harmonization, using 2014-SES, 2020-SES, and 2021-SES. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.

b/ Projection using annualized elasticity (2014-2020) with pass-through = 1 based on GDP per capita in constant LCU.

TIMOR-LESTE

Key conditions and challenges

Table 1	2023
Population, million	1.4
GDP, current US\$ billion	1.7
GDP per capita, current US\$	1275.8
International poverty rate (\$2.15) ^a	24.4
Lower middle-income poverty rate (\$3.65) ^a	69.2
Gini index ^a	28.7
School enrollment, primary (% gross) ^b	110.7
Life expectancy at birth, years ^b	67.7
Total GHG emissions (mtCO2e)	5.5

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2014), 2017 PPPs.
 b/ WDI for School enrollment (2020); Life expectancy (2021).

The economy continues to recover following the pandemic and Cyclone Seroja. Growth decelerated to an estimated 2.1 percent of GDP in 2023 due to election-related fiscal drag. Inflation peaked at 9.0 percent (y/y) in November 2023 but has since declined. Medium-term growth is expected to reach 4.0 percent, supported largely by increased government infrastructure spending. Downside risks include escalated global commodity prices of food and energy.

Despite development gains since independence, Timor-Leste remains a fragile post-conflict country grappling with economic challenges stemming from its size and geographical location. An institutional framework for macroeconomic management, supported by the Petroleum Fund (PF), the country's sovereign wealth fund, has facilitated major infrastructure improvements. Advances in basic healthcare access and school enrollment rates have also materialized. However, low and volatile economic growth persists, hindering progress in development outcomes and poverty reduction.

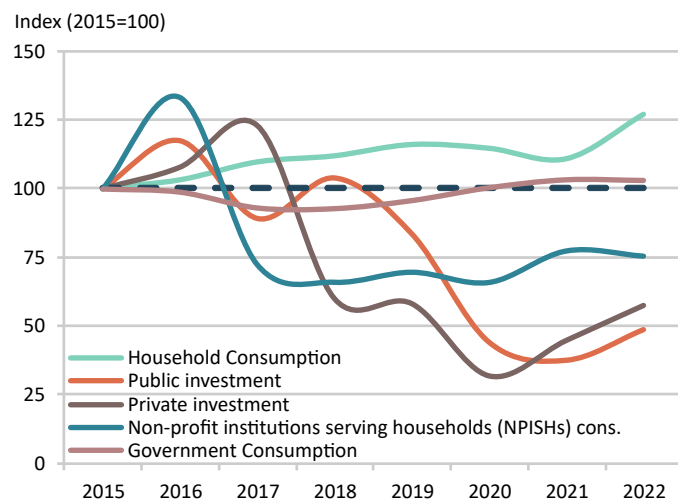
Fragility is exacerbated by a lack of economic diversification and significant fiscal and external imbalances. The economy heavily relies on the public sector, benefiting primarily certain public-sector-linked service sectors such as construction. Diversifying the economy has been a perennial goal of the government, but progress has been hindered by a lack of enabling factors, including unreliable electricity and access to finance. Ample bank liquidity has not been channeled to the real sector, with the loan-to-deposit ratio remaining low. Challenges in assessing borrower risk and the absence of a robust legal framework persist as structural impediments to access to finance. Oil and gas production ended in 2023, leaving coffee as the main commodity export. Tourism-driven services

account for less than 4 percent of total exports. In contrast, a lack of domestic production necessitates imports to meet domestic consumption, resulting in susceptibility to commodity price volatility. Timor-Leste is facing a fiscal cliff. Government spending reached 87 percent of GDP in 2023, among the highest globally, while non-oil-related revenue stood at merely 14.1 percent of GDP. To bridge the resulting large budget gap, Timor-Leste is drawing down on its diminishing Petroleum Fund. The balance of the Fund stood at 18.2 billion by the end of 2023 (10.6 times of GDP). However, due to the cessation of oil and gas production, the revenues of the Petroleum Fund are outweighed by the annual withdrawals needed to finance the budget. Official estimates predict that the Petroleum Fund will be depleted by 2034. The government must urgently identify alternative sources to replace the rapidly declining revenues from the oil and gas sector. Alternatively, significant spending cuts are inevitable, leading to a sharp decrease in public service provision.

Recent developments

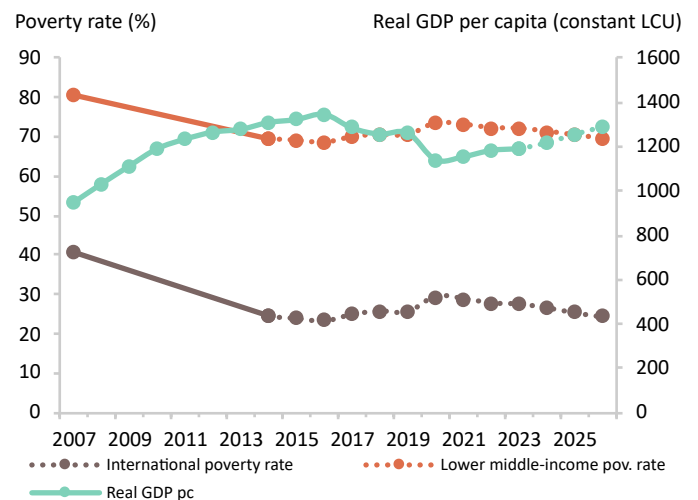
Following the pandemic-induced decline of 8.3 percent in 2020, the non-oil economy expanded by 2.9 percent and 4.0 percent in 2021 and 2022, respectively. Despite the gains, economic output has not returned to its pre-pandemic levels. Amidst challenges in budget implementation, attributable to electoral processes, fiscal drag resulted in a

FIGURE 1 Timor-Leste / Public and private investment are still below the 2015 level.



Source: Timor-Leste Ministry of Finance.

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



Source: World Bank. Notes: see Table 2.

deceleration of growth in the non-oil economy to an estimated 2.1 percent in 2023. Nevertheless, the post-pandemic recovery has been driven by consumption. Public and private investment levels remain below their 2015 peak, constraining future output potential and productivity.

Consumer price inflation remained high, averaging 8.4 percent during 2023, driven by escalating prices of food, non-alcoholic beverages, alcohol, and tobacco. Price pressures were contained by an appreciation of the US Dollar, legal tender in Timor-Leste.

The government has set an ambitious target of creating 50,000 jobs over the next five years. However, the lack of economic dynamism has hindered job creation for the rapidly expanding workforce. Labor force participation has stagnated at approximately 30.6 percent in the past decade. Labor productivity has decreased, and employment is increasingly concentrated in sectors with the lowest labor productivity.

The 2023 budget was revised down by 12 percent to improve budget execution and align with the new government's objectives. Expenditures, excluding wages and salaries, were cut, with capital spending

seeing the largest reduction. As of December 2023, 87 percent of the rectified budget was executed. The fiscal deficit is estimated to have declined to 44.4 percent of GDP from close to 60 percent in 2022.

The impact of recent developments on poverty reduction remains uncertain due to the absence of updated data. Between 2007 and 2014, poverty dropped from 50.4 percent to 41.8 percent. When assessed using an internationally comparable poverty line of US\$2.15 per person per day (2017 PPP), the decline is even starker, with poverty rates dropping from 40.9 percent in 2007 to 24.4 percent in 2014. A new Living Standards Survey is planned for 2024.

Outlook

Economic growth is projected to average 4.1 percent in 2024 and 2025. The government's focus on capital expenditure and infrastructure investment, increasing the budget from 18.4 percent of GDP in 2023 to 24.5 percent of GDP in 2024, is likely to drive growth. However, export growth may face constraints, largely due

to the dependence on coffee as the primary export commodity.

Inflation is projected to ease in 2024, driven by a moderation in global commodity prices. Reduced inflation rates in Timor-Leste's trading partners are expected to lessen the impact of imported inflation.

The fiscal deficit is expected to hover around 45 percent of GDP over the medium term. The budget shortfall is being covered through withdrawals from the rapidly declining Petroleum Fund.

The outlook is subject to several downside risks. Slow global growth may negatively affect the returns of the Petroleum Fund. Extreme weather events, notably those associated with El Niño, could disrupt rice availability and imports. Additionally, high energy prices are likely to increase transportation and electricity costs domestically.

Reaching the government's target of 5 percent annual economic growth will depend on policies that support a sustainable, diversified economy. As such, strong contributions of private consumption and investment are crucial. The success of the private sector, in turn, depends on policies that foster an environment conducive to dynamism and expansion.

TABLE 2 Timor-Leste / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	2.9	4.0	2.1	3.6	4.5	4.0
Private consumption	-2.7	14.0	3.0	4.0	5.0	5.5
Government consumption	2.9	-0.2	3.1	2.4	2.4	1.4
Gross fixed capital investment	-6.1	29.4	10.8	10.6	10.7	9.3
Exports, goods and services	79.3	30.3	1.0	2.0	2.0	2.0
Imports, goods and services	-9.0	22.8	5.5	5.0	5.0	5.0
Real GDP growth, at constant factor prices	3.9	3.8	2.1	3.6	4.5	4.0
Agriculture	5.5	5.4	2.9	2.9	2.9	2.9
Industry	-14.0	38.2	2.4	2.4	2.4	2.4
Services	4.0	2.6	1.9	3.9	5.0	4.3
Inflation (consumer price index)	3.8	7.0	8.4	3.3	2.8	2.5
Current account balance (% of GDP)	2.8	-17.0	-20.4	-41.7	-42.8	-45.1
Net foreign direct investment inflow (% of GDP)	-4.3	-4.1	1.7	1.7	1.6	1.6
Fiscal balance (% of GDP)^a	-47.0	-60.7	-44.0	-43.1	-45.6	-47.6
Revenues (% of GDP)	45.5	43.4	42.2	40.7	39.0	37.5
Debt (% of GDP)	15.2	15.2	18.3	19.4	19.7	22.0
Primary balance (% of GDP)	-46.8	-60.5	-44.0	-43.1	-45.5	-47.6
International poverty rate (\$2.15 in 2017 PPP)^{b,c}	28.8	27.8	27.5	26.6	25.4	24.4
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{b,c}	72.9	72.1	71.9	71.2	70.2	69.4
GHG emissions growth (mtCO₂e)	-3.3	-2.8	-2.7	-2.4	-2.1	-5.0
Energy related GHG emissions (% of total)	7.9	8.4	9.0	9.6	10.3	11.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ The ESI is part of total revenue, while excess withdrawals from the PF is a financing item.

b/ Calculations based on EAPPOV harmonization, using 2007-TLSLS and 2014-TLSLS. Actual data: 2014. Nowcast: 2015-2023. Forecasts are from 2024 to 2026.

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

VIETNAM

Table 1 **2023**

Population, million	98.9
GDP, current US\$ billion	426.9
GDP per capita, current US\$	4318.1
International poverty rate (\$2.15) ^a	1.0
Lower middle-income poverty rate (\$3.65) ^a	4.2
Upper middle-income poverty rate (\$6.85) ^a	19.7
Gini index ^a	36.1
School enrollment, primary (% gross) ^b	123.1
Life expectancy at birth, years ^b	73.6
Total GHG emissions (mtCO2e)	515.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

Vietnam's real GDP is expected to grow by 5.5 percent in 2024. Poverty is expected to decline from 3.9 percent in 2023 to 3.6 percent in 2024. Downside risks to growth include slower-than-expected growth in main trade partners and deterioration of asset quality in Vietnam's banking sector. On the upside, stronger-than-expected global growth could lift growth above the baseline forecast.

Key conditions and challenges

After a difficult year, Vietnam's growth is expected to pick up moderately in 2024. External demand for Vietnam's exports is expected to firm gradually during the year and domestic real estate market is expected to start recovering in late 2024. However, tight global financial conditions, heightened financial sector vulnerabilities, and underinvestment in backbone infrastructure are challenges to Vietnam's short and medium-growth prospects.

Recent developments

Real GDP growth decelerated from a strong post-pandemic rebound of 8 percent in 2022 to 5 percent in 2023, well below potential. This slower growth reflected weak external demand and a downturn in the real estate market. Vietnam's exports declined by 2.5 percent (y/y) as demand from key export markets cooled. Meanwhile, in the real estate market, the number of projects for residential housing and transactions fell by 46.8 percent (y/y) and 18.8 percent (y/y), respectively. The downturn was driven by lower demand due to higher interest rates and slowing construction due to financing constraints experienced by property developers due to tightening regulations

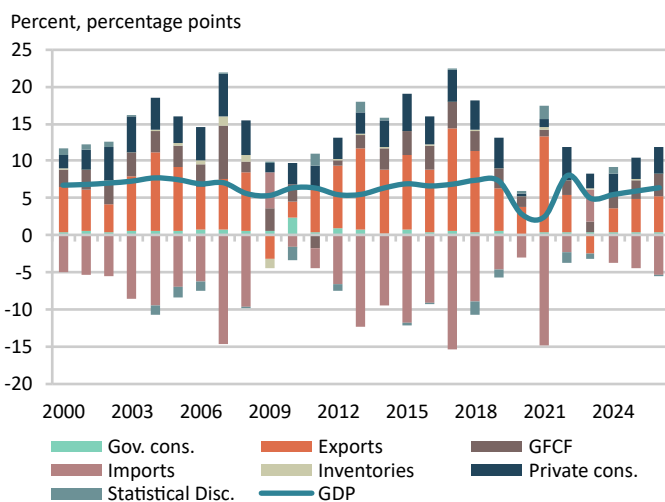
on corporate bond issuance in late 2022. Reflecting these developments, the industrial sector (industry and construction) grew by a tepid 3.7 percent in 2023 compared to 7.8 percent in 2022. Meanwhile, services sector growth slowed to 6.8 percent compared to 10 percent in 2022 as the strong recovery of domestic and foreign tourism was offset by moderating wholesale and retail sales. The agricultural sector grew by 3.8 percent in 2023 compared to 3.4 percent in 2022.

Headline and core inflation slowed as the economy cooled. Average headline inflation in 2023 came in at 3.25 percent (y/y), well below the 4.5 percent inflation target as transport costs softened and domestic consumption moderated. Core inflation averaged 4.1 percent (y/y) in 2023 due to higher housing prices and construction materials.

Amid slower growth, employment and income growth weakened. Total employment growth slowed, dipping from 2.2 to 0.8 percent (y/y) between the first and last quarters of 2023. Average monthly real income growth slowed to an estimated 1.3 percent during 2022–23 compared to 8.3 percent in 2017–19. After a slight rise in poverty (LMIC) in 2022, poverty is estimated to fall to 3.9 percent in 2023 despite slower growth.

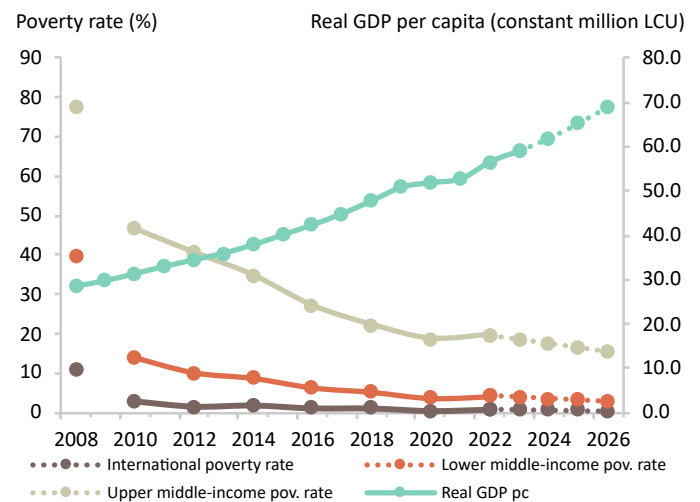
The balance of payments registered a surplus of 1.1 percent of GDP in the first three quarters of 2023, compared to a deficit of 7.2 percent of GDP registered in 2022, underpinned by a large current account surplus (5.1 percent of 2023 GDP). The current account surplus was driven by a mounting surplus in the

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



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

merchandise trade balance (11.1 percent of GDP) as real imports contracted more than real exports. On the other hand, the financial account registered a small deficit (0.6 percent of GDP), as a net outflow of short- and medium-term capital (-\$15.5 billion) outweighed a robust FDI disbursement (US\$13.7 billion). In addition, large errors and omissions suggest continued unrecorded capital outflows amid persistent interest rate gaps with major economies.

To bolster economic activity, the authorities adopted supportive macroeconomic policies. The State Bank of Vietnam cut policy rates by 150 basis points. However non-performing loans rose from 1.9 percent in December 2022 to 4.9 percent in September 2023, despite reintroduced forbearance measures. The fiscal stance was moderately expansionary as deficit rose to 1.2 percent of GDP in 2023 from 0.2 percent in 2022 due to higher public investment and lower revenues. While the disbursement volume of public investment rose 33.3 percent compared to 2022, it only constituted 73.5 percent of planned 2023 budget. Public and publicly guaranteed debt registered 39.8 percent of GDP, significantly below the 60 percent debt-to-GDP threshold.

Outlook

Real GDP is expected to grow by 5.5 percent in 2024 and inch up to 6.5 percent by 2026. We expect a gradual recovery of external demand which will in turn support labor market recovery and firm consumer confidence. The real estate market is forecast to turn the corner in late 2024 and into 2025 as financing constraints for developers ease and housing demand recovers to trend. A new Land Law and other real estate related laws that will come into effect will enhance land valuation and land use, providing additional support to the recovery. This in turn is expected to support recovery of private domestic investment. The CPI will rise slightly from an average of 3.2 percent in 2023 to 3.5 percent in 2024, reflecting an increase in the prices of education and health services, before moderating to 3.0 in 2025-2026. The fiscal deficit is projected to widen to 1.6 percent of GDP given expected weak revenue collection and a civil service salary increase, but the government will revert to fiscal tightening in 2025-2026, in line with the Financial Strategy for 2021-2030. The current account is expected to remain in surplus, thanks to continued recovery of goods exports and tourism. The poverty rate (LMIC) is projected to fall from

3.9 percent in 2023 to 3.6 percent in 2024, expected weak revenue collection and a civil service salary increase, but the government will revert to fiscal tightening in 2025-2026, in line with the Financial Strategy for 2021-2030. The current account is expected to remain in surplus, thanks to continued recovery of goods exports and tourism. The poverty rate (LMIC) is projected to fall from 3.9 percent in 2023 to 3.6 percent in 2024.

The risks to the outlook are broadly balanced. Slower-than-expected growth in partner countries could further dampen external demand for Vietnam's exports. A slower recovery of the real estate market could weigh on private sector investment. Finally, heightened financial vulnerabilities could affect the banking sector. On the upside, stronger-than-expected global growth could support a faster recovery of Vietnam's export sector.

Continued efforts to speed up the implementation of public investment would help support aggregate demand in the short run while also helping to close emerging infrastructure gaps. On the monetary side, the space for additional interest rate cuts is limited due to the interest rate differential between domestic and international markets. The authorities should improve the banking sector supervisory framework, including monitoring and resolution.

TABLE 2 Vietnam / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	2.6	8.1	5.0	5.5	6.0	6.5
Private consumption	2.2	7.7	3.5	5.0	5.5	6.5
Government consumption	4.5	3.6	4.9	4.5	4.5	4.4
Gross fixed capital investment	2.8	5.6	4.1	5.5	7.4	8.5
Exports, goods and services	14.0	5.0	-2.5	3.5	4.9	5.5
Imports, goods and services	15.8	2.2	-4.3	4.0	5.0	6.0
Real GDP growth, at constant factor prices	2.6	8.4	5.2	5.6	5.9	6.4
Agriculture	3.7	3.5	3.8	3.0	3.0	3.0
Industry	3.2	7.9	3.7	8.3	8.0	7.9
Services	1.7	10.1	6.8	3.9	4.8	5.9
Inflation (consumer price index)	1.8	3.1	3.2	3.5	3.0	3.0
Current account balance (% of GDP)	-1.3	-0.3	1.9	1.7	1.6	1.7
Net foreign direct investment inflow (% of GDP)	4.2	3.7	4.3	4.3	4.3	4.3
Fiscal balance (% of GDP)	-1.4	-0.2	-1.3	-1.6	-1.1	-1.1
Revenues (% of GDP)	18.8	19.0	17.2	15.2	15.3	14.6
Debt (% of GDP)	38.7	34.0	37.3	37.7	36.9	33.3
Primary balance (% of GDP)	-0.2	0.7	-0.4	-0.5	0.0	-0.1
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	..	1.0	0.9	0.8	0.7	0.6
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	..	4.2	3.9	3.6	3.3	2.9
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	..	19.7	18.7	17.6	16.5	15.3
GHG emissions growth (mtCO₂e)	1.2	6.4	4.4	5.4	5.5	5.6
Energy related GHG emissions (% of total)	64.2	64.8	64.6	64.6	64.5	64.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on EAPPOV harmonization, using 2016-VHLSS, 2020-VHLSS, and 2022-VHLSS. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.

b/ Projection using annualized elasticity (2016-2020) with pass-through = 0.7 based on GDP per capita in constant LCU.

Europe and Central Asia

Spring Meetings 2024

Albania
Armenia
Azerbaijan
Belarus
Bosnia and Herzegovina
Bulgaria
Croatia
Georgia

Kazakhstan
Kosovo
Kyrgyz Republic
Moldova
Montenegro
North Macedonia
Poland
Romania

Russian Federation
Serbia
Tajikistan
Turkey
Ukraine
Uzbekistan

ALBANIA

Table 1 **2023**

Population, million	2.8
GDP, current US\$ billion	22.7
GDP per capita, current US\$	8219.5
International poverty rate (\$2.15) ^a	3.9
Lower middle-income poverty rate (\$3.65) ^a	11.3
Upper middle-income poverty rate (\$6.85) ^a	34.2
Gini index ^a	36.0
School enrollment, primary (% gross) ^b	95.6
Life expectancy at birth, years ^b	76.5
Total GHG emissions (mtCO2e)	7.6

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2018), 2017 PPPs.
 b/ WDI for School enrollment (2022); Life expectancy (2021).

Growth in 2023 is estimated at 3.3 percent, led by private consumption, tourism and construction. Price pressures continued to ease. Growth is projected at the same levels in 2024, led by services. Poverty is expected to continue declining as labor income increases. Medium-term prospects hinge on the recovery of the global economy and on the pace of domestic reforms. The EU accession aspirations provide an anchor to speed up convergence.

Key conditions and challenges

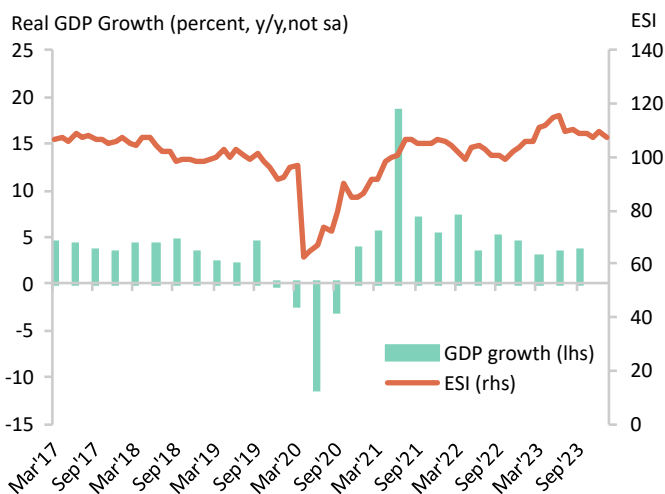
The Albanian economy has shown considerable resilience in the face of consecutive shocks during 2019-2022, which included the 2019 earthquake, the pandemic and the ensuing economic turmoil, and Russia's invasion of Ukraine. Prudent macroeconomic policies supported a strong economic rebound, with real GDP growth averaging 6.9 percent in 2021 and 2022, and GDP exceeding its pre-pandemic level in 2022. A key factor in Albania's resilience has been the proximity to the EU, which is a source of investment and remittances, and a main market for exports. Tourism has emerged as a key growth driver, helping to improve external imbalances and partially contributing to a steady appreciation of the lek in recent years. The availability of hydropower, which meets 85 percent of domestic energy demand in a year with average precipitation, has provided some insulation from the energy crisis and contributed to containing the country's greenhouse gas emissions. Albania's key development challenges are its declining population, partially due to out-migration; the poor quality of the labor force and the low quality of jobs created; the moderate pace of structural reforms, especially in the areas of private sector environment and governance; and rising fiscal pressures, due to government responses to multiple crises, climate risks, contingent liabilities, and debt refinancing at a

time of high interest rates. To address the gap in human capital investment and the need for climate-resilient infrastructure, while maintaining support for the most vulnerable, Albania will need to implement a Medium-Term Revenue Strategy to strengthen domestic revenues. Unlocking further growth is conditional on the swift implementation of the government's program, anchored in the EU accession aspiration, and built on reforms tackling productivity, including improving the business environment, and expanding Albania's integration into foreign markets.

Recent developments

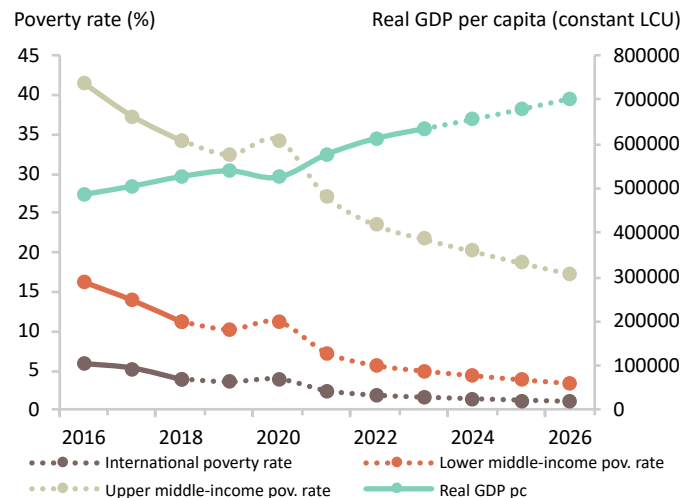
In 2023, GDP growth is estimated at 3.3 percent. Based on the performance of the first three quarters of 2023, trade, tourism and real estate led growth on the supply side, followed by construction and energy production. Private domestic demand and net exports drove growth on the demand side. Leading economic indicators suggest growth accelerated during Q4 with tourist arrivals hitting a record high, and construction activity accelerating. Increased income from employment, economic sentiment indicators and strong tax revenues, suggest a steady growth in Q4. Employment grew by 1.2 percent yoy in Q3 2023 notably in services, while declining in agriculture and manufacturing. Increasing wages and employment incentivized labor force participation (ages 15+), which peaked at 76.1 percent. Average private sector wages grew by 14.5 percent

FIGURE 1 Albania / Economic sentiment index (ESI) and GDP growth



Sources: Instat and Bank of Albania.

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



Source: World Bank. Notes: see Table 2.

in Q3 2023. Unemployment went down to 10.5 percent in Q3 2023 marking a further decline in annual terms. Given strong GDP per capita growth in 2023, poverty is projected to have declined by 1.8 percentage points to 21.7 percent.

The annual inflation rate dropped to 3.9 percent in December 2023 from a record high of 8.3 percent in October 2022, as a result of downward pressures from lower food and energy import prices, domestic currency appreciation and monetary policy normalization. The banking system remains resilient, despite increasing interest rates.

The government recorded an improved fiscal position in 2023, on account of both stronger revenue collection and lower spending. Revenues from profits, personal income taxes and social security contributions increased, reflecting higher statutory minimum wages and private sector wage growth. A five-year Eurobond of EUR 600 million was issued with a 5.9 percent coupon, higher than the 3.5 percent in 2021, to prefinance

spending in 2024 and buy back an existing Eurobond maturing in 2025.

Outlook

Growth is expected to remain robust at 3.3 percent in 2024, in the context of tight global financial conditions and limited economic growth in Europe. Nevertheless, increased tourism and construction are expected to drive exports, consumption, and investment growth at rates similar to the pre-pandemic period. The inflation rate is projected to start converging toward the 3 percent target by early 2025. Economic sentiment remains positive (Figure 1), though showing signs of moderation.

Albania's primary balance is projected to reach 0.2 percent of GDP in 2024 and stay at similar levels in observance of the fiscal rule. Fiscal consolidation is expected both revenue and spending side. On revenues, Government plans to continue improvement of tax administration,

envisioned in the Medium-Term Revenue Strategy. Public debt is expected to decline further to 58.2 percent of GDP in 2024, and also in the medium term, as a result of higher nominal growth and the achievement of a positive primary balance. Given Albania's growing reliance on external financing, risks related to the exchange rate, interest rate, and refinancing remain elevated.

Further increases in food and energy prices are a key risk to growth, as they could affect real disposable income, slow poverty reduction and potentially constrain the fiscal space. As a small, open economy, Albania is highly exposed to external shocks, such as a recession in the EU or further tightening of financing conditions in international capital markets beyond the current year.

Risks to growth emanate from natural disasters, and unfavorable global conditions. Fiscal risks emanate from public-private partnerships and SOEs, in addition to the country's hydropower-based energy sector, mainly due to variation in hydrology.

TABLE 2 Albania / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	8.9	4.9	3.3	3.3	3.4	3.5
Private consumption	4.3	7.4	2.5	2.6	2.7	2.8
Government consumption	7.8	-4.8	2.8	3.8	6.6	3.2
Gross fixed capital investment	19.2	6.5	1.3	3.2	1.4	2.6
Exports, goods and services	52.0	7.5	6.5	5.1	5.8	5.7
Imports, goods and services	31.5	13.1	3.4	3.6	3.9	3.7
Real GDP growth, at constant factor prices	8.2	5.3	3.2	3.3	3.4	3.5
Agriculture	1.8	0.1	-0.2	1.6	1.6	1.6
Industry	13.6	7.7	1.2	1.0	1.1	1.1
Services	8.1	5.9	5.4	4.9	5.0	5.1
Inflation (consumer price index)	2.6	6.7	4.8	3.0	3.0	3.0
Current account balance (% of GDP)	-7.8	-6.0	-3.8	-4.5	-4.5	-4.4
Net foreign direct investment inflow (% of GDP)	6.5	6.7	6.8	6.7	6.7	6.7
Fiscal balance (% of GDP)	-4.6	-3.7	-1.4	-2.3	-2.7	-2.9
Revenues (% of GDP)	27.5	26.8	27.9	27.8	27.8	27.9
Debt (% of GDP)	75.4	65.3	59.8	58.2	57.3	56.7
Primary balance (% of GDP)	-2.7	-1.8	0.7	0.2	0.2	0.2
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	2.4	1.8	1.6	1.4	1.2	1.0
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	7.3	5.7	4.9	4.3	3.8	3.3
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	27.1	23.5	21.7	20.2	18.7	17.4
GHG emissions growth (mtCO₂e)	1.1	-4.0	-3.4	-2.9	-2.7	-2.3
Energy related GHG emissions (% of total)	45.5	44.5	44.2	43.8	43.5	43.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on ECAPOV harmonization, using 2014- and 2019-SILC-C. Actual data: 2018. Nowcast: 2019-2023. Forecasts are from 2024 to 2026.

b/ Projection using point-to-point elasticity (2013-2018) with pass-through = 1 based on GDP per capita in constant LCU.

ARMENIA

Table 1 **2023**

Population, million	2.8
GDP, current US\$ billion	24.2
GDP per capita, current US\$	8715.8
International poverty rate (\$2.15) ^a	0.8
Lower middle-income poverty rate (\$3.65) ^a	10.0
Upper middle-income poverty rate (\$6.85) ^a	51.3
Gini index ^a	27.9
School enrollment, primary (% gross) ^b	92.9
Life expectancy at birth, years ^b	72.0
Total GHG emissions (mtCO2e)	13.1

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2022), 2017 PPPs.
 b/ Most recent WDI value (2021).

Growth exceeded expectations by reaching 8.7 percent in 2023, fueled by consumption and investment. Average inflation dropped from 8.6 percent in 2022 to 2 percent in 2023. Poverty and unemployment continued to decline. The economic outlook is subject to significant uncertainty due to ongoing border tensions with Azerbaijan, geopolitical turmoil, integration of refugees, and a possible slowdown in trading partner economies.

Key conditions and challenges

Armenia has weathered multiple crises since 2020. Thanks to sound macroeconomic management (inflation targeting, adherence to a fiscal rule, and sound financial sector oversight) and government mitigation measures, Armenia was able to recover from the significant contraction in 2020 resulting from the Covid-19 pandemic and the military conflict with Azerbaijan, while maintaining macroeconomic stability. Meanwhile, large money transfers from Russia contributed to high average annual growth of 10.7 percent in 2022-2023.

In recent years, the authorities aimed at reducing corruption and improving the business environment, in particular through improvement in tax and customs administration; however, important structural challenges persist, resulting in an undiversified economic structure, a narrow export base, insufficient private investment, low productivity, challenges to attracting FDI, and limited human capital. Armenia also faces significant geopolitical tensions and is highly vulnerable to climate related hazards.

Recent developments

Growth reached 8.7 percent in 2023, exceeding expectations. On the demand side,

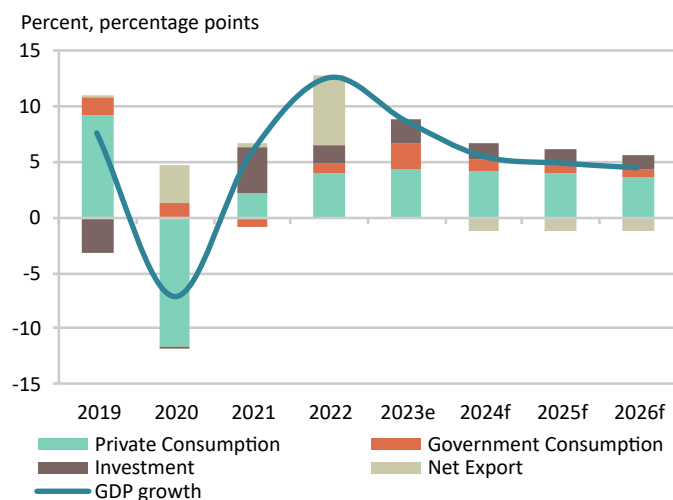
private consumption grew by 6.3 percent (yoy), contributing to half of total growth. Public consumption and investment (up by 18 and 10 percent, respectively) had a similar combined contribution. Private consumption was fueled by a 12.5 percent increase in real average wages, improvements in employment, and cash transfers provided by the government to refugees in Q4 2023. On the supply side, growth was driven by an 11 percent (yoy) increase in services, primarily due to growth in trade and ICT services. Growth in industry slowed to 5.5 percent (yoy) due to a 6.6 percent contraction in the mining sector and a slowdown in manufacturing growth. Construction grew by 16 percent, (yoy), while agricultural growth remained flat.

The unemployment rate decreased from 13.7 percent in 2022 to an average of 12.5 percent in the first three quarters of 2023, benefitting from strong economic activity. The poverty rate, measured by Upper-Middle-Income poverty line (UMIC), decreased by 0.4 percentage points, to 51.3 percent in 2022.

Average inflation dropped from 8.6 percent in 2022 to 2 percent in 2023, largely driven by declines in food and transport prices. The Central Bank of Armenia has gradually cut the policy rate by 200 basis points since January 2023, to 8.75 percent by the end of January 2024.

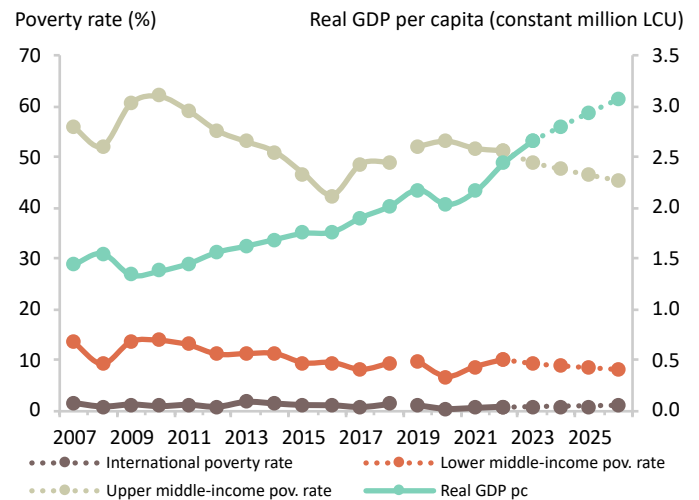
Credit to the economy in 2023 increased by 22 percent in nominal terms (yoy), driven mostly by an increase in dram-denominated loans. This lowered loan dollarization to 36 percent as of end-2023. Financial stability indicators remain sound, with the

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



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

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



Source: World Bank. Notes: see Table 2.

Capital Adequacy Ratio at 20 percent and the Non-Performing Loans ratio below 2.5 percent. However, the profitability of the banking system declined in 2023.

The budget registered a 4.1 percent of GDP deficit in 2023, all financed by domestic sources on a net basis. Total revenues overperformed by 3 percent compared to the original plan, supported by a 17 percent (yoy) nominal increase in tax collection, fueled by strong economic growth. Current expenditures (including social transfers to refugees) and capital expenditures increased by 22 and 27 percent (yoy) in nominal terms, respectively. The government debt increased from 46.7 percent at end-2022 to 48.1 percent end-2023.

In the first nine months of 2023, the export and import of goods remained robust, increasing by 34 and 43 percent (yoy in nominal USD), respectively, largely driven by re-exports. However, in this period the trade deficit increased to 8.8 percent of annual GDP, from 6.3 percent in the same period of 2022. Remittances

dropped to 4.6 percent of annual GDP, from 7.7 percent in the same period of 2022 (affected by a 44 percent rise in the net outflow of non-commercial money transfers). Tourism-related service inflows increased by 47 percent (yoy) in the nine months of 2023 and partly mitigated the deterioration of the current account deficit, estimated at 2.8 percent of GDP in this period. The Armenian dram started to gradually depreciate in late 2023 and by end-2023 was 2.9 percent weaker against the USD (yoy). Gross international reserves decreased by USD 510 million in 2023 and reached USD 3.6 billion, covering 3 months of import.

Outlook

Growth is expected to ease to 5.5 percent in 2024 as the surge in investment moderates and net exports remain negative. Growth in the medium-term is projected

to gradually converge towards the 4.5 percent potential growth rate. Average inflation is forecasted to gradually rise toward the inflation target of 4 percent in the medium term.

The budget deficit is projected to deteriorate to 4.7 percent in 2024 (owing to support to refugees amounting about 2 percent of GDP), followed by fiscal consolidation in the medium term. Capital expenditures are expected to increase over the medium term as a percent of GDP to address the infrastructure gap. The current account deficit is projected to deteriorate to 3.2 percent of GDP in 2024 but to remain manageable at around 3.5 percent in the medium term.

Due to robust economic performance and low inflation, the UMIC poverty rate is projected to decline gradually to 47.7 percent in 2024.

Downside risks are related to ongoing tensions with Azerbaijan, geopolitical turmoil, integration of refugees, and a possible slowdown in trading partner economies.

TABLE 2 Armenia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	5.8	12.6	8.7	5.5	4.9	4.5
Private consumption	2.8	5.5	6.3	6.0	5.8	5.1
Government consumption	-6.2	6.3	17.9	9.2	5.8	5.5
Gross fixed capital investment	23.6	9.0	14.4	6.2	6.0	5.9
Exports, goods and services	18.6	59.3	28.7	5.2	5.6	6.6
Imports, goods and services	12.9	34.5	28.3	6.7	7.0	7.8
Real GDP growth, at constant factor prices	5.6	13.2	8.4	5.5	4.9	4.5
Agriculture	-0.8	-0.7	0.2	0.9	1.2	1.4
Industry	2.6	9.2	5.5	5.3	4.7	5.0
Services	8.7	18.2	11.1	6.3	5.5	4.7
Inflation (consumer price index)	7.2	8.6	2.0	3.0	3.5	4.0
Current account balance (% of GDP)	-3.5	0.8	-2.3	-3.2	-3.4	-3.5
Net foreign direct investment inflow (% of GDP)	2.5	4.9	2.0	2.0	2.1	2.2
Fiscal balance (% of GDP)	-4.5	-2.2	-4.1	-4.7	-3.5	-3.1
Revenues (% of GDP)	24.9	25.1	25.8	26.0	26.2	26.6
Debt (% of GDP)^a	60.2	46.7	48.1	49.0	48.6	48.2
Primary balance (% of GDP)	-2.0	0.1	-1.2	-1.4	-0.3	-0.2
International poverty rate (\$2.15 in 2017 PPP)^{b,c}	0.5	0.8	0.8	0.9	0.9	0.9
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{b,c}	8.7	10.0	9.3	8.9	8.6	8.3
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{b,c}	51.7	51.3	49.1	47.7	46.6	45.6
GHG emissions growth (mtCO₂e)	2.4	6.4	14.7	14.5	12.8	11.2
Energy related GHG emissions (% of total)	63.2	65.7	70.0	73.5	76.1	78.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Excludes CBA debt.

b/ Calculations based on ECAPOV harmonization, using 2010-ILCS, 2018-ILCS, and 2022-ILCS. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.

c/ Projection using annualized elasticity (2010-2018) with pass-through = 0.8 based on GDP per capita in constant LCU.

AZERBAIJAN

Table 1 **2023**

Population, million	10.2
GDP, current US\$ billion	72.7
GDP per capita, current US\$	7111.1
School enrollment, primary (% gross) ^a	99.8
Life expectancy at birth, years ^a	69.4
Total GHG emissions (mtCO ₂ e)	53.8

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2021).

Economic growth slowed to 1.1 percent in 2023, as a result of declining crude oil production and lackluster growth in the non-energy sector. Annual inflation fell sharply to 2.1 percent as both external and domestic pressures eased. Buoyant energy prices sustained sizable external and fiscal surpluses. In the medium-term, growth is projected to converge to about 2.5 percent as the fall in crude oil production eases and non-energy sector growth picks up.

Key conditions and challenges

Azerbaijan's continued reliance on hydrocarbons as a major source of export and fiscal revenues remains its main vulnerability. This challenges long-term growth prospects because of declining oil production, oil price volatility, and the global transition away from fossil fuels.

Constraints to private sector development include a large state footprint in the economy, lack of a level playing field for companies, shallow financial markets, and a weak human capital base.

Mitigation efforts around the world can substantially reduce Azerbaijan's resource rents through declining global fossil fuel demand and prices. Carbon border adjustment measures could further adversely impact the economy. Azerbaijan's hosting of COP29 in November 2024 may be an opportunity to boost climate mitigation and adaptation efforts. Elimination of distorting fossil fuel subsidies could substantially reduce emissions and boost the green transition.

Recent developments

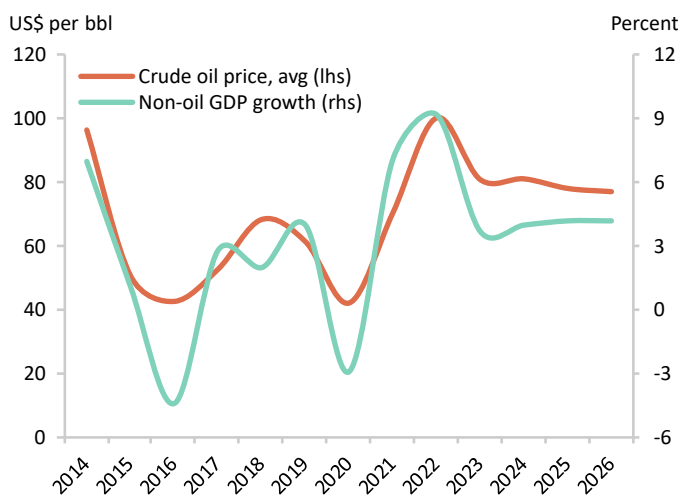
Economic growth decelerated to 1.1 percent in 2023, down from 4.6 percent in 2022. This slowdown was attributed to a contraction in crude oil production, while growth in the non-energy sector remained

subdued (3.7 percent, yoy). The decline in transport sector output, which had exhibited robust growth in 2022 due to booming air cargo transportation, weighed down non-energy sector expansion. However, the construction sector experienced notable growth, fueled by increased public investment in reconstruction. On the demand side, strong public investment helped compensate for anemic growth in private investment, while consumption growth eased compared to 2022. The unemployment rate edged down to 5.5 percent in 2023.

Inflation fell sharply in the second half of 2023, driven by a decline in global food prices and subdued domestic demand. End of period inflation for 2023 reached 2.1 percent, approaching the lower limit of the CBAR's inflation target interval of 4 +/-2 percent. Since October 2023, the CBAR cut the policy rate three times by a total of 125 basis points, bringing it to 7.75 percent as of end January 2024.

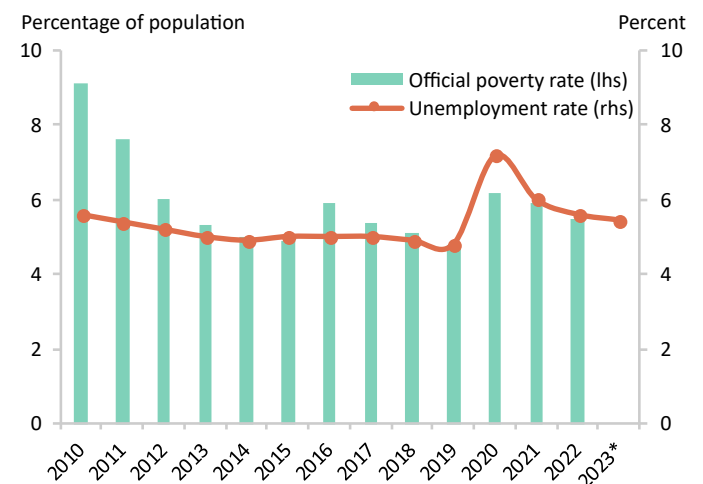
Buoyant oil and gas prices contributed to maintaining a robust external position. Hydrocarbon exports declined by 13 percent while non-hydrocarbon exports grew by 10 percent in 2023 compared to 2022. Over nine months, the current account balance (CAB) surplus reached 12.5 percent of GDP, as a substantial trade surplus offset the widening deficit in the primary income balance (driven by profit repatriation from energy companies). Remittance flows, primarily from Russia, declined in nine months of 2023 by 64 percent from the record-high levels seen in 2022, while remaining larger than in 2021. Financial outflows decreased significantly

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



Sources: State Statistical Committee, World Bank data, and World Bank staff estimates.

FIGURE 2 Azerbaijan / Official poverty rate and unemployment rate



Source: State Statistical Committee.

Notes: The World Bank has not yet reviewed the official national poverty rates for 2013–2022.*Preliminary.

as capital repatriation from natural gas production companies eased.

The strong external position allowed the CBAR to accumulate reserves, which increased by 29 percent in 2023, to USD 11 billion, covering six months of imports.

The fiscal surplus expanded to 8 percent of GDP in 2023, buoyed by favorable oil and gas prices and despite a notable increase in spending, which grew by 5.5 percent in real terms. This spending surge was primarily driven by a 13 percent real increase in capital spending, with the majority directed towards reconstruction needs. The non-energy primary balance is estimated at 21 percent of non-energy GDP, in line with the targets set for the fiscal rule. Due to the substantial fiscal surplus, SOFAZ assets grew by 14 percent in 2023, reaching USD 56 billion, equivalent to 77 percent of GDP.

Credit to the economy experienced a marked increase of 9 percent (yoy) in real terms in 2023, with the NPL ratio easing to 1.8 percent. The deposit portfolio fell by 6.5 percent in real terms.

Outlook

Economic growth is anticipated to reach 2.3 percent in 2024, driven by a less pronounced decline in crude oil output attributed to the commissioning of new oil platforms. Non-energy sector growth is expected to improve to 4 percent in 2024, primarily due to robust expansion in the construction sector fueled by public sector investments in reconstruction. Other sectors are expected to sustain their growth rates. On the demand side, consumption growth is expected to stabilize while investment growth is projected to remain moderate, supported by public investment but held back by anemic private investment growth. In the medium term, growth is forecast to hover around 2.4 percent but could accelerate if backed by a faster pace of implementation of structural reforms.

Inflation is projected to remain low, averaging 2.2 percent in the medium term,

owing to moderate domestic demand growth and stabilization in global food prices. The external balance is expected to stay in surplus in the medium term, with CAB averaging 7.5 percent of GDP, supported by favorable energy prices, while growth in imports is expected to stabilize. Money transfers are anticipated to cool further in 2024.

The fiscal position is expected to maintain a surplus in 2024-2026, averaging 3.2 percent of GDP, bolstered by a steady revenue flow from the energy sector. However, the fiscal surplus is estimated to ease in the medium term as the government has delayed reaching the fiscal target (set at non-energy primary balance as a percent of non-energy GDP at 17.5 percent) to 2027, allowing for increased spending.

The main downside risks relate to a fall in energy prices, which would impact economic activity. Upside risks include the potential increase in natural gas production due to a new field becoming operational.

TABLE 2 Azerbaijan / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	5.6	4.6	1.1	2.3	2.4	2.4
Private consumption	7.0	4.9	4.0	3.8	3.7	3.6
Government consumption	3.8	6.3	8.1	5.1	6.9	6.8
Gross fixed capital investment	-6.0	5.7	9.6	5.4	3.9	3.5
Exports, goods and services	5.6	3.3	-2.9	0.4	0.5	0.6
Imports, goods and services	2.5	3.2	1.9	2.7	2.7	2.7
Real GDP growth, at constant factor prices	5.6	4.6	1.1	2.3	2.4	2.4
Agriculture	3.3	3.4	3.2	3.0	3.0	3.0
Industry	4.1	2.4	-0.9	0.2	0.2	0.2
Services	8.6	8.5	3.8	5.3	5.3	5.2
Inflation (consumer price index)	6.7	13.8	2.1	2.2	2.3	2.3
Current account balance (% of GDP)	15.2	29.7	9.5	7.9	6.5	5.4
Net foreign direct investment inflow (% of GDP)	-4.1	-1.4	-1.1	-1.0	-1.0	-0.9
Fiscal balance (% of GDP)	4.2	5.8	8.1	5.2	2.0	0.6
Revenues (% of GDP)	36.5	31.6	40.7	38.1	34.5	32.0
Debt (% of GDP)	16.2	11.0	8.5	7.7	10.5	12.4
Primary balance (% of GDP)	4.8	6.1	8.4	5.4	2.2	0.8
GHG emissions growth (mtCO₂e)	4.4	-3.0	-0.6	0.5	1.1	1.3
Energy related GHG emissions (% of total)	64.1	62.9	62.7	63.0	63.3	63.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

BELARUS

Table 1 **2023**

Population, million	9.2
GDP, current US\$ billion	74.8
GDP per capita, current US\$	8156.6
International poverty rate (\$2.15) ^a	0.0
Lower middle-income poverty rate (\$3.65) ^a	0.1
Upper middle-income poverty rate (\$6.85) ^a	1.3
Gini index ^a	24.4
School enrollment, primary (% gross) ^b	94.7
Life expectancy at birth, years ^b	72.4
Total GHG emissions (mtCO2e)	88.9

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2020), 2017 PPPs.
 b/ WDI for School enrollment (2022); Life expectancy (2021).

On the back of a strong recovery in 2023, the economy has now reached its capacity limits and is navigating the challenges stemming from economic sanctions targeting key currency-earning sectors, impeding exports and altering trade routes. The growth trajectory faces further hurdles due to constraints and efficacy concerns surrounding price controls, monetary policies, and external demand from Eastern markets. With monetary and fiscal policies nearing their limits, there is a growing risk stemming from the country's decreasing potential growth.

Key conditions and challenges

Strong economic growth in 2023 exceeded expectations, but it stretched the country's production capacities and the limits of economic policies. Extensive administrative measures, combined with expansionary monetary and fiscal policies, were crucial to bolster domestic demand. However, potential GDP declined following the prolonged effects of sanctions and subpar investment activity.

To adapt to sanctions, the economy established new trade routes and redirected exports, particularly of potash fertilizers and refined oil products, through Russia, albeit at higher logistical costs. In the medium term, the authorities' focus is on addressing supply issues and enhancing local production by substituting imports. However, heightened reliance on the Russian market, amidst escalating competition facing Belarusian products, poses a notable risk and exposes Belarus to vulnerability stemming from weakened external demand, particularly in the event of a deteriorating economic outlook in Russia. Addressing labor market rigidities will become increasingly imperative, alongside necessary investments aimed at stimulating potential growth.

Heightened security concerns and geopolitical tensions add further strain to the economic outlook, especially with the potential introduction of additional sanctions, such as the closure of the western

border for passenger and cargo transportation. Prolonged adherence to accommodative policies presents challenges, necessitating a delicate balance between preserving social benefits, wages, economic support, and overall stability. This, coupled with a deteriorating current account, exchange rate and price controls, and labor force constraints, heightens the risk of significant inflationary pressures.

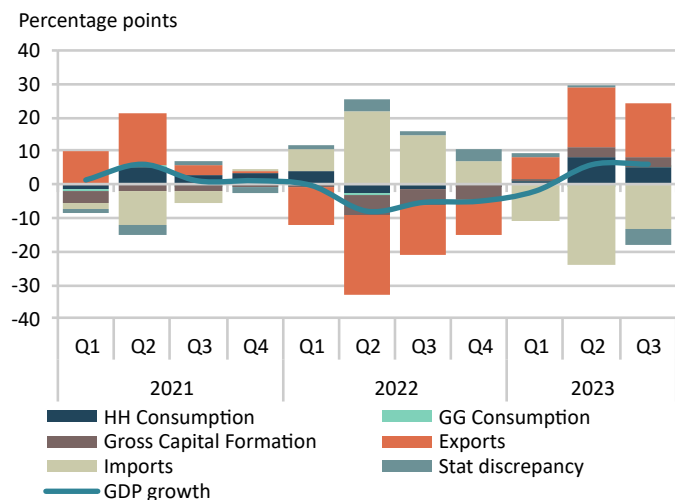
Finally, Belarus's economy grapples with its Soviet-era structure and a focus on quantitative growth, with diminishing prospects for economic diversification.

Recent developments

In 2023, Belarus's economy expanded by 3.9 percent. Key drivers were the manufacturing industry, particularly machinery and equipment, (9.2 percent), trade (12.7 percent) and the construction sector (11 percent). Conversely, the IT and transport sectors decreased by 14.2 percent and 2.8 percent, due to sanctions and labor migration, while the agricultural sector marginally declined. On the demand side, private consumption, boosted by subdued inflation and increased demand from consumer lending and wages (11 percent real increase), was the main contributor. A modest investment recovery, primarily from budgetary and quasi-budgetary sources, also contributed to growth.

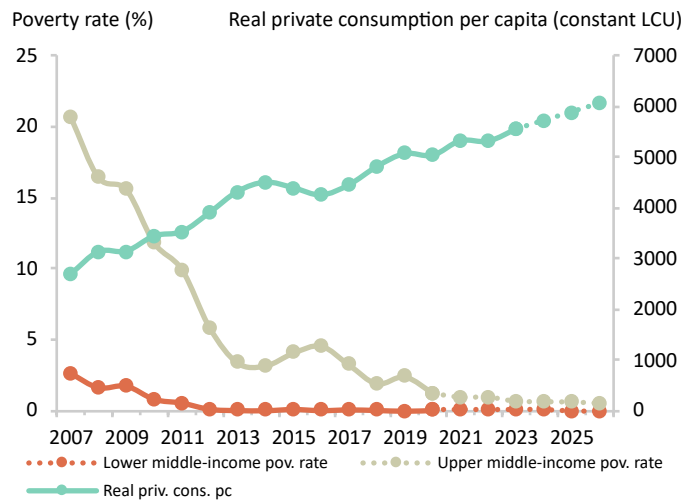
Inflation slowed to 5.8 percent due to base effects and price controls, prompting a base interest rate reduction from 12 percent in January to 9.5 percent in June 2023.

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



Source: World Bank calculations based on Belstat data.

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



Source: World Bank. Notes: see Table 2.

The exchange rate fluctuations are largely in tandem with the fluctuating value of the Russian ruble against major currencies. Belarusian ruble depreciated against major hard currencies while conversely modestly appreciating against the Russian ruble, as Russia being Belarus' largest export destination country.

The financial sector exhibited resilience, marked by a notable 30 percent surge in banking sector profits, predominantly driven by state-owned banks. The primary source of this growth stemmed from investments in state bonds. Concurrently, the proportion of non-performing assets remained stable.

Growing domestic demand and sanctions weakened the external position, leading to a current account deficit of 2 percent of GDP in Q1-Q3 2023. The trade surplus declined by 90 percent, driven by imports (17.7 percent), surpassing export growth (4.8 percent). Furthermore, a double-digit decline in remittances exacerbated the current account, leading to a shift from a USD2.2 billion surplus the previous year to a USD1 billion deficit, primarily funded by foreign direct investments. Despite this, there was no significant impact on external debt (-8 percent) or on foreign reserves (USD8.2 billion as of March 2024).

In 2023, households' real disposable income rose by 6.3 percent, from a 3.6 percent decline in 2022. Although employment fell by 1.5 percent, this was balanced by increases in real wages and pensions. Poverty, measured by the national poverty line, decreased from 3.9 percent in 2022 to 3.6 percent in 2023.

Outlook

With production capacities maxed out and inventories rising due to slower export growth, economic prospects look grim. Mounting inflationary pressures and trade flow concentration pose significant risks. In 2024, growth is expected to hinge on expansionary policies, support for state-owned enterprises, targeted lending, domestic borrowing, and sustained growth in disposable income. GDP growth is forecasted at 1.2 percent as the economy fully recovers from recession. Consumption will remain the primary driver of demand, albeit at a reduced intensity, with more modest public wage increases and social spending indexation compared to 2023. Similarly, investments, still below pre-2022 levels, are anticipated to contribute positively. Despite

strong domestic demand and restricted foreign trade, imports are expected to surpass export growth, resulting in a negative net export contribution.

In the medium term, as economic stimuli effectiveness wanes, growth is expected to lag potential. While macroeconomic stability is upheld administratively, inflation and exchange rate volatility pose challenges. Inflationary pressures and market distortions resulting from price controls is likely to dampen consumer confidence. Investments, except in sectors aligned with Russian exports such as oil, fertilizers, and defense, are projected to slow down as the economy remains isolated. Consequently, the economy may face a trajectory of close to zero growth. Inflation is forecast to rise to 7.4 percent in 2024 and remain above historical averages in the medium term if administrative measures persist.

Lower external demand and commodity prices are expected to weigh on the current account balance, leading to currency pressures. The fiscal outlook is anticipated to deteriorate, with fiscal deficits expected as the government pursues economic stimulus and job preservation measures. Despite higher inflationary pressures, poverty levels are forecast to remain relatively unchanged in 2024 and 2025.

TABLE 2 Belarus / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	2.4	-4.7	3.9	1.2	0.7	0.5
Private consumption	4.9	-1.2	4.1	2.5	2.0	1.9
Government consumption	-0.8	-0.1	1.4	0.2	0.0	0.0
Gross fixed capital investment	-5.5	-13.3	12.1	1.8	1.4	1.3
Exports, goods and services	10.1	-12.3	23.1	3.2	2.6	2.5
Imports, goods and services	5.7	-11.4	29.1	4.7	4.1	4.0
Real GDP growth, at constant factor prices	2.4	-4.7	3.7	1.4	0.7	0.5
Agriculture	-4.1	4.4	-0.4	2.0	2.3	2.3
Industry	3.1	-6.2	8.0	1.9	1.2	1.2
Services	3.0	-5.1	1.1	0.8	0.0	-0.4
Inflation (consumer price index)	9.5	15.2	5.1	7.4	6.1	5.8
Current account balance (% of GDP)	3.1	-0.6	-3.4	-4.8	-5.2	-6.0
Net foreign direct investment inflow (% of GDP)	1.9	1.8	2.7	1.9	1.9	1.8
Fiscal balance (% of GDP)	0.0	-2.1	1.7	0.4	-0.6	1.1
Revenues (% of GDP)	37.5	33.9	35.8	36.7	36.2	36.0
Debt (% of GDP)	35.8	38.7	37.7	37.1	38.2	33.6
Primary balance (% of GDP)	1.7	-0.5	2.8	1.3	0.3	1.9
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	0.1	0.1	0.1	0.1	0.0	0.0
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	1.0	1.0	0.7	0.7	0.6	0.5
GHG emissions growth (mtCO₂e)	7.0	-4.3	0.6	-0.3	-0.2	-0.3
Energy related GHG emissions (% of total)	63.9	62.9	63.0	62.7	62.5	62.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on ECAPOV harmonization, using 2020-HHS. Actual data: 2020. Nowcast: 2021-2023. Forecasts are from 2024 to 2026.

b/ 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

Table 1 **2023**

Population, million	3.2
GDP, current US\$ billion	24.2
GDP per capita, current US\$	7563.4
School enrollment, primary (% gross) ^a	87.8
Life expectancy at birth, years ^a	75.3
Total GHG emissions (mtCO ₂ e)	24.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2022); Life expectancy (2021).

Driven by the drop in exports, real output growth halved to 1.9 percent in 2023 compared to the previous year. Slower private consumption helped rein in inflation, which stood at 6.1 percent in 2023 as food prices remained high. Upcoming municipal elections may double the fiscal deficit in 2024, yet public debt remains moderate. EU leaders have announced the commencement of accession negotiations upon the fulfillment of membership criteria.

Key conditions and challenges

To initiate EU accession negotiations, Bosnia and Herzegovina needs to address four key reforms within the identified 14 priorities. Specifically, legislation concerning the prevention of money laundering, conflict of interest, and the law on courts requires immediate attention. In parallel, meeting the economic criteria for EU accession necessitates addressing internal market fragmentation. This involves strengthening country-wide regulatory and supervisory institutions, enhancing transparency and efficiency of the oversized public sector, and reducing the footprint of state-owned enterprises.

Bosnia and Herzegovina has shown macroeconomic stability and resilience over the past decades, including during the COVID-19 pandemic. This resilience is attributed to three economic anchors: the currency board (which ties the Bosnia and Herzegovina mark to the euro), the state-wide collection of indirect taxes through ITA, and the prospects of EU membership which guide the reform agenda.

Despite these achievements, real income growth has averaged around 2 percent from 2009 to 2023, resulting in stagnant living standards, with real per capita consumption around 40 percent of the EU27 average. Faster convergence with the EU27 had proved challenging due to low investment rates, and a growth model heavily reliant on private consumption.

The necessity for structural reforms has become even more apparent considering the challenges posed by a declining population and deceleration in total factor productivity in the longer run. Adding to these challenges is the gradual introduction of the EU CBAM (2026) which is expected to adversely impact Bosnia and Herzegovina's export competitiveness from 2030 onwards.

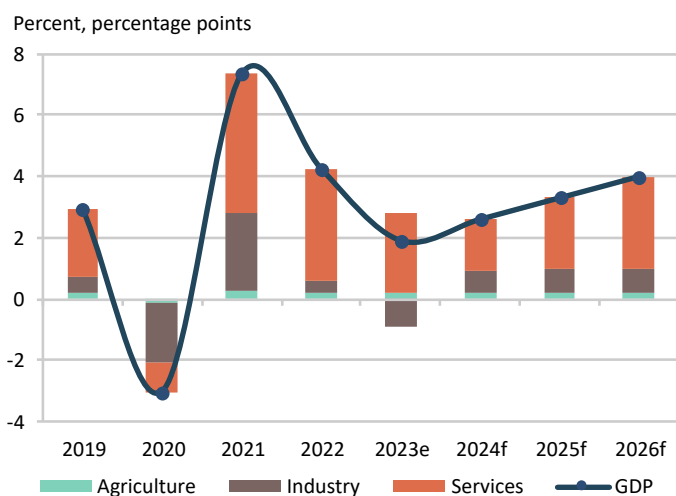
To ensure sustained longer-term trend growth between 3 and 4 percent, the implementation of economic and energy structural reforms is paramount. However, the pace of reform implementation remains sluggish due to political frictions, the disruptive influence of frequent elections, and fragmented responsibilities between entities and cantons. Addressing these impediments is essential for Bosnia and Herzegovina to chart a trajectory towards a more prosperous and resilient economic future.

Recent developments

In 2023, real GDP growth slowed in line with the timid growth in the EU. Real output growth halved to 1.9 percent compared to 2022, driven by a 6 percent decline in exports and nearly stagnant investments, which rose a mere 1.6 percent after growing 18 percent in 2022. The lower exports and stagnant investment were offset in part by stronger government consumption.

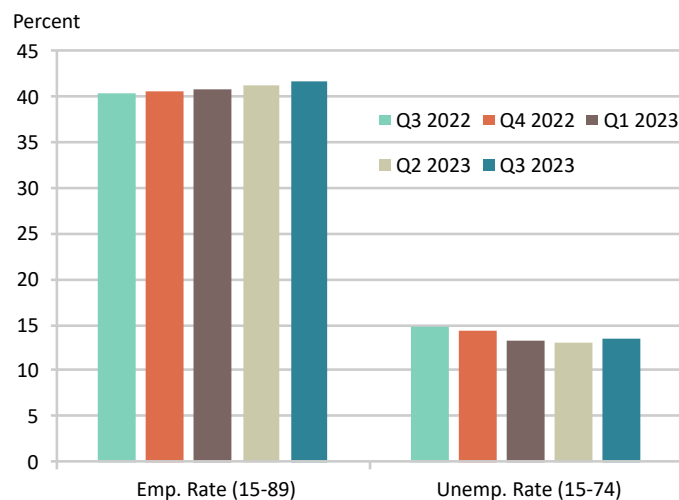
Inflation slowed to 6.1 percent in 2023, from 14 percent the year before. This

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



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

FIGURE 2 Bosnia and Herzegovina / Labor market indicators



Sources: LFS 2022 – 2023 report and World Bank staff calculations.

deceleration resulted from a drop in transport prices and a deceleration in prices of housing, water, electricity, and gas, offsetting high food prices which grew at 10.7 percent in 2023 compared to 22.3 percent in 2022.

Despite the considerable growth slowdown, labor market indicators showed an improvement. The overall employment rate increased to 41.8 percent in Q3 2023 compared to 40.3 percent in Q3 2022, while the unemployment rate shrunk to 13.6 percent, a 1.2 percentage points decline from Q3 2022. This reduction in unemployment, observed for individuals with both low and high levels of education, occurred alongside a higher economic activity rate, which rose 1.5 percentage points to 48.3 percent.

Higher government spending contributed to a fiscal deficit of 0.9 percent of GDP in 2023, almost twice as large as the year before. The deficit was driven by an estimated 16 percent increase in subsidies, social benefits and transfers in the Federation of Bosnia and Herzegovina, and an 11 percent increase in the same spending items in Republika Srpska. Nevertheless, public debt in Bosnia and Herzegovina remains relatively low at around 35 percent of GDP.

Meanwhile, the current account deficit widened to 4.7 percent in 2023, or 3.9 percent of GDP after adjusting for net capital account inflows. The external deficit was 80 percent financed by FDI inflows, mainly into the foreign-owned banking sector.

Outlook

Against the backdrop of an expected improvement in the EU economic landscape, real GDP growth in Bosnia and Herzegovina is set to increase to 2.6 percent in 2024, and 3.3 percent in 2025. This growth is underpinned by higher exports facilitated by strengthened foreign demand and an uptick in private consumption supported by stronger real incomes as inflation further decelerates to low single digits. By 2026, real output growth is projected to accelerate to 4 percent fueled by exports and private consumption stemming from improved economic conditions in the EU, and tightening labor markets in Bosnia and Herzegovina. Despite the upswing in exports of goods and services from 2024 to 2026, the CAB is expected to deteriorate to over 5 percent of GDP due to higher

imports of consumer goods in line with robust growth in private consumption.

The attention of policy makers is currently on the municipal elections in 2024 and meeting the legislative requirements for initiating EU accession negotiations. Hence, there appears little space for economic structural reforms in 2024.

The upcoming elections will likely further widen the fiscal deficit to 1.7 percent of GDP in 2024. Nonetheless, the fiscal stance should be firmly on track toward an overall balanced outcome, and primary surpluses, by 2025-26 leaving the consolidated general government debt hovering around 36 percent of GDP.

The outlook is clouded by downside risks. These risks entail a possible escalation of market disruptions and uncertainty stemming from the war in Ukraine as well as the volatility in the Middle East and Red Sea, an important trade route. These factors could reignite inflationary pressures and adversely impact the fragile recovery in the EU, affecting the demand for Bosnia and Herzegovina exports. Finally, geopolitical conditions pose a risk of exacerbating domestic political frictions, undermining the much needed push for economic structural reforms.

TABLE 2 Bosnia and Herzegovina / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	7.3	3.8	1.9	2.6	3.3	4.0
Private consumption	4.0	3.0	2.0	2.3	2.8	3.2
Government consumption	6.1	2.7	4.1	4.6	1.5	3.7
Gross fixed capital investment	33.9	18.1	1.6	7.6	5.8	1.7
Exports, goods and services	5.0	9.9	-6.0	4.0	5.0	6.0
Imports, goods and services	8.0	12.0	-3.0	6.0	4.0	3.0
Real GDP growth, at constant factor prices	7.4	4.2	1.9	2.6	3.3	4.0
Agriculture	3.4	3.5	3.1	3.0	3.2	3.2
Industry	10.0	1.4	-3.4	2.8	3.2	3.2
Services	6.8	5.5	3.8	2.5	3.3	4.4
Inflation (consumer price index)	2.0	14.0	6.1	2.7	1.0	0.5
Current account balance (% of GDP)	-2.4	-4.5	-4.7	-4.8	-5.4	-5.2
Net foreign direct investment inflow (% of GDP)	3.3	3.0	3.2	3.4	3.9	3.9
Fiscal balance (% of GDP)	-0.3	0.4	-0.9	-1.7	-0.2	-0.4
Revenues (% of GDP)	43.2	39.9	39.4	39.3	39.7	38.6
Debt (% of GDP)	37.8	35.8	36.2	36.2	35.9	35.3
Primary balance (% of GDP)	1.0	1.2	-0.1	-0.9	0.5	0.4
GHG emissions growth (mtCO₂e)	4.3	-2.3	-1.7	0.4	1.9	2.6
Energy related GHG emissions (% of total)	87.0	86.7	86.4	86.2	86.0	85.9

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

BULGARIA

Key conditions and challenges

Table 1 **2023**

Population, million	6.4
GDP, current US\$ billion	102.2
GDP per capita, current US\$	15997.1
International poverty rate (\$2.15) ^a	0.7
Lower middle-income poverty rate (\$3.65) ^a	2.0
Upper middle-income poverty rate (\$6.85) ^a	5.8
Gini index ^a	39.0
School enrollment, primary (% gross) ^b	87.3
Life expectancy at birth, years ^b	71.5
Total GHG emissions (mtCO ₂ e)	50.5

Source: WDI, Macro Poverty Outlook, and official data.

a/ Most recent value (2021), 2017 PPPs.

b/ Most recent WDI value (2021).

Bulgaria's economy slowed down in 2023 in tune with trends in key trading partners. Inflation kept decelerating, but the pace is slow and puts at risk the country's eurozone accession bid for 2025. Real wage increases outpaced productivity growth in 2023, fueling concerns about competitiveness. A reescalation of political uncertainty threatens the government's reform agenda.

Even if Bulgaria has gradually converged to average EU incomes since the turn of the century, its development path has remained uneven. By 2022, its GDP per capita reached 62.1 percent of the EU average GDP per capita in purchasing power parity but Bulgaria remained the poorest member state. Moreover, institutional and governance weaknesses continue to hinder the country's faster productivity growth and development.

Bulgaria succeeded to weather the recent crises relatively well, not least due to timely fiscal support for households and businesses. Economic growth declined only moderately in 2020, followed by a robust recovery in 2021-2022. The fiscal position remained strong despite increased discretionary spending in response to the shocks. The bottom-line deficit did not surpass the 3 percent limit in any of the crisis years and public debt – at projected 23.8 percent of GDP in 2023 – remains among the lowest in the EU.

In 2015-2020, Bulgaria's economic growth improved living standards for the average and poorest 40 percent of households. These improvements led to a notable 9.6 percentage points reduction in poverty (using the US\$6.85 poverty line) over the period. However, in 2021, this positive trend was reversed due to inflationary pressures and reduced employment rates among the unskilled.

In comparative terms, poverty levels remain relatively high by EU standards. Similarly, Bulgaria's inequality has been the highest in the EU for years in a row, with the Gini coefficient at 40.8 in 2021.

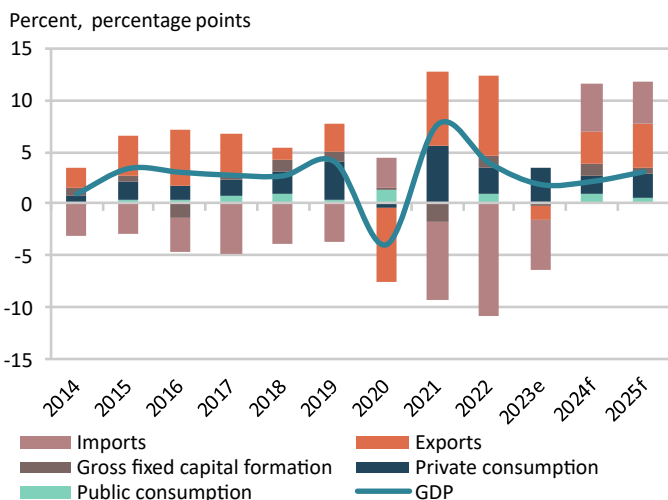
Since early 2021, the country has been marred by political instability and lost momentum for the reform agenda. This was briefly interrupted by two short-lived regular governments that tried to step up efforts and deliver on major policy goals, including milestones under the National Recovery and Resilience Plan. Yet, renewed political turmoil threatens to send the country back into an early elections spiral, with reduced appetite for reform.

Recent developments

Despite the stagnation of some of its key export markets, Bulgaria's economy managed to stay afloat thanks to robust private consumption. Nevertheless, the economy's expansion slowed down to 1.8 percent in 2023, as strong household consumption (+5.4 percent) and reduced contribution from negative net exports were offset by stagnating government consumption and a slump of gross capital formation. The latter fell by 18.1 percent due to a drawdown on inventories built up in 2021-2022, and likely cautiousness by businesses to reinvest in inventories during a slowdown.

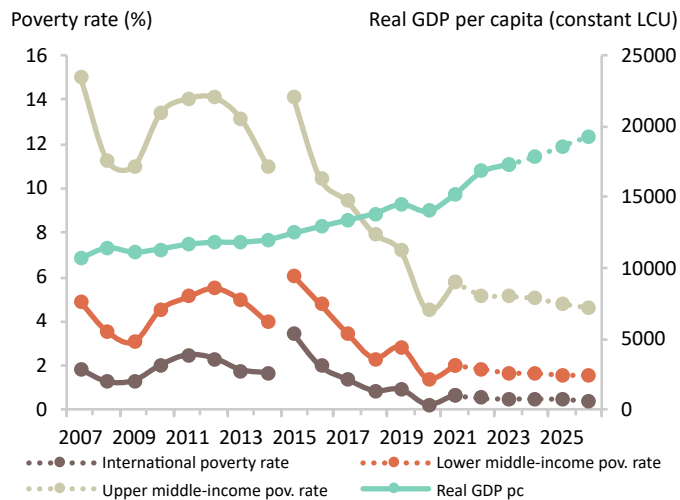
The deceleration of economic activity resulted in a moderate decline of employment in the second half of the year. Yet, nominal wages kept rising at double-digit rates y/y throughout 2023. Real average

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



Sources: World Bank and Bulgarian National Statistical Institute.

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



Source: World Bank. Notes: see Table 2.

wage growth thus came close to 5 percent for 2023, exceeding labor productivity growth and fueling concerns about the country's competitiveness.

Consumer price growth kept decelerating throughout 2023 to reach 3.8 percent y/y by January 2024. Yet, disinflation has been slow and annual average inflation reached a 15-year high of 9.5 percent in 2023.

Following the rapid deterioration of the fiscal position in early 2023, the balance improved later in the year as measures for strengthening revenue collection bore fruit. WB estimates suggest that on accrual basis the fiscal deficit reached 2.4 percent of GDP in 2023, or below the 3 percent Maastricht ceiling. The EC's Convergence Report on Bulgaria's readiness for eurozone accession is expected in June 2024. For the moment, inflation remains the only challenging Maastricht criterion for accession, but the gap between actual inflation rates and the line benchmark is shrinking rapidly.

Poverty reduction (using the 6.85\$ poverty line) is expected to have slowed down in 2023 and reached 5.12 percent, mostly due to decelerated economic growth and

still-high food and energy prices that affected adversely those whose nominal wages have not kept pace with inflation. The energy cost burden varies across households due to different consumption patterns and energy needs, with single-elderly households particularly affected.

Outlook

The economy's growth is expected to pick up in 2024-2025 with the expected recovery in the eurozone. Bulgaria's target to join the eurozone in 2025 may be difficult but not impossible to reach, should there be a stable government and the disinflation trend continues in the coming months, as expected.

Even if the banking sector remains stable and highly profitable (with net profit up 64 percent in 2023), the ongoing credit expansion – mirrored by a construction boom – fuels concerns about the build-up of a construction-credit bubble. The latter may lead to a painful correction and increase of non-performing loans – at 3.63 percent at

end-2023 - going forward. Credit growth remained almost unabated at 12.4 percent y/y at end-2023 (against 12.7 percent at end-2022), with credit to households even accelerating to 15.9 percent, against 14.6 percent at end-2022. Similarly, construction permits for residential buildings kept growing at double-digit rates in Q4/2023.

Political risks have re-escalated after a failed PM rotation between the two ruling coalition partners that toppled the most recent regular government in March 2024. The country is now heading towards a new round of early elections – the 6th in about three years – which threaten to slow reform momentum and jeopardize the achievement of key policy goals such as near-term eurozone membership.

The government's budget sets a (cash-basis) 3 percent fiscal deficit target for 2024 on the back of an ambitious capital spending program. Thus, consolidation seems to have been put off beyond 2024. The current account is projected to keep its slight surplus in 2024-2026 due to the expected downward adjustment of import prices of key raw materials and the increase of net services export.

TABLE 2 Bulgaria / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	7.7	3.9	1.8	2.1	3.1	2.7
Private consumption	8.5	3.9	5.4	2.6	3.4	3.6
Government consumption	0.4	5.5	-0.4	5.9	3.4	3.0
Gross fixed capital investment	-8.3	6.5	3.3	4.0	1.3	2.6
Exports, goods and services	11.2	11.6	-1.9	4.8	5.8	6.0
Imports, goods and services	10.7	15.0	-6.3	6.3	5.5	6.6
Real GDP growth, at constant factor prices	8.0	5.3	1.8	2.1	3.1	2.7
Agriculture	28.8	-4.4	-3.9	4.3	1.2	1.0
Industry	1.7	12.1	0.9	4.7	5.2	5.3
Services	8.8	3.9	2.6	1.1	2.5	1.9
Inflation (consumer price index)	3.3	15.3	9.5	5.9	4.2	2.0
Current account balance (% of GDP)	-1.7	-1.4	1.6	1.6	2.0	2.2
Net foreign direct investment inflow (% of GDP)	1.8	2.4	3.1	2.5	2.7	2.6
Fiscal balance (% of GDP)	-2.7	-0.8	-3.1	-2.9	-2.7	-2.6
Revenues (% of GDP)	37.7	38.6	36.5	38.1	38.7	38.9
Debt (% of GDP)	23.9	22.6	23.7	23.2	23.2	22.8
Primary balance (% of GDP)	-2.3	-0.4	-2.6	-2.5	-2.3	-2.3
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	0.7	0.5	0.5	0.5	0.5	0.4
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	2.0	1.8	1.7	1.7	1.6	1.6
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	5.8	5.2	5.1	5.0	4.8	4.6
GHG emissions growth (mtCO₂e)	7.1	6.3	-0.4	0.6	0.6	0.1
Energy related GHG emissions (% of total)	78.7	75.9	75.0	73.8	72.6	71.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on ECAPOV harmonization, using 2022-EU-SILC. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.

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

CROATIA

Table 1 **2023**

Population, million	3.8
GDP, current US\$ billion	82.0
GDP per capita, current US\$	21401.9
International poverty rate (\$2.15) ^a	0.3
Lower middle-income poverty rate (\$3.65) ^a	0.4
Upper middle-income poverty rate (\$6.85) ^a	1.8
Gini index ^a	28.9
School enrollment, primary (% gross) ^b	95.9
Life expectancy at birth, years ^b	76.4
Total GHG emissions (mtCO2e)	17.5

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2021), 2017 PPPs.
 b/ Most recent WDI value (2021).

Croatia's economic growth at 2.8 percent remained well above EU average in 2023, supporting income convergence. Poverty has likely stayed stagnant at 1.4 percent in 2023. The medium-term outlook is relatively favorable due to robust domestic demand, underpinned by a tight labor market, a strong inflow of EU funds, and slowly improving external demand. Fiscal policy is set to be expansionary with significant increase in spending in 2024, but public debt will remain on a declining path.

Key conditions and challenges

Croatia's economic activity continues to show resilience, which is reflected in an accelerated convergence with average EU incomes over the last three years. The country's GDP per capita is set to exceed 75 percent of the EU average in 2023, up by 9 p.p. compared to 2019. The recent GDP growth acceleration is largely due to the booming tourism sector and the strong inflow of EU funds. Economic activity was also underpinned by supportive fiscal policy, strong labor market, and large inflows of workers' remittances, which fostered robust personal consumption growth. Over the last year, Croatia was, however, not spared from the adverse effects of inflationary pressures and tighter monetary policy that weighed on business investments and external demand. The medium-term outlook remains relatively favorable on the back of robust domestic demand, an improved external environment, and substantial EU funding.

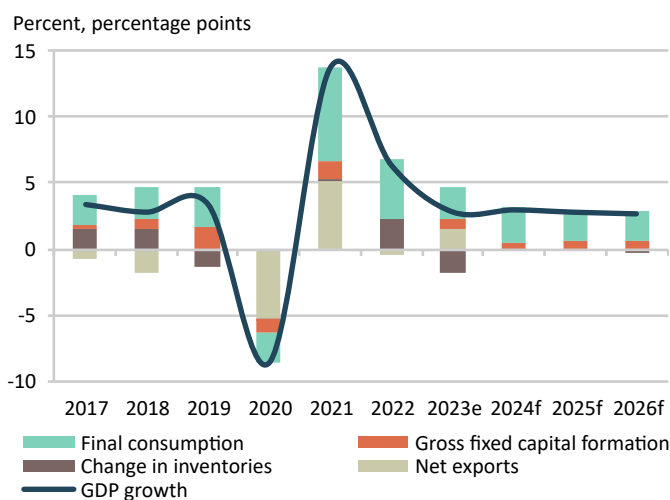
Notwithstanding the significant economic progress, there remains ample room to improve the quality of the institutional framework and to address shortcomings in the business environment, two of Croatia's long-standing issues. Lifting potential growth through structural reforms that augment productivity over the next couple of years will be especially important in the context of possible reduction in EU funds available to Croatia in

the post-2030 period and still relatively low labor market participation and adverse demographic trends. The uncertain external outlook and geopolitical tensions still pose downside risks to growth but are partially mitigated by Croatia's improved economic resilience. Risks to fiscal sustainability are moderate: despite the short-term deterioration of the fiscal balance in 2024, the downward trajectory of the debt-to-GDP ratio is expected to continue over the medium term. Moreover, the banking sector remains resilient, with private sector debt and NPLs staying relatively low, while external vulnerabilities appear manageable, given the high positive current and capital account balance.

Recent developments

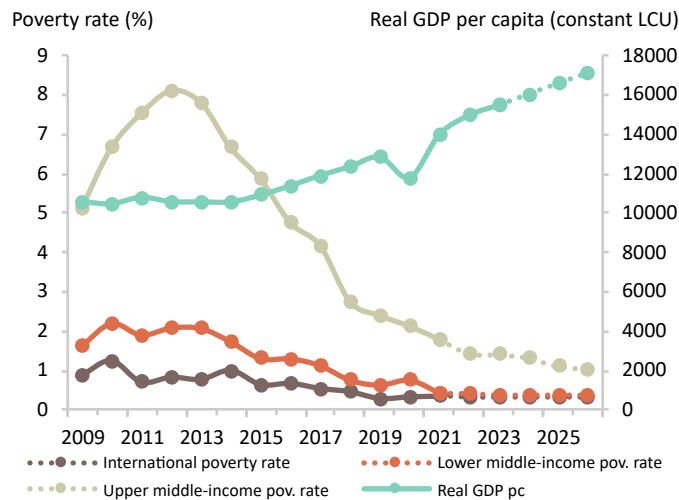
Croatia ended 2023 on a strong note. After a modest expansion in the third quarter (in q-o-q terms), real GDP growth accelerated in the last quarter with an annual growth rate surpassing 4 percent, primarily reflecting strong domestic demand. Overall, real GDP growth in 2023 stood at 2.8 percent and was one of the highest in the EU. The largest contribution came from private consumption, which was supported by favorable labor market developments and falling inflation, leading to an improvement in real disposable incomes. Investment activity, primarily supported by public sector investments financed by EU funds, also contributed positively. On the other hand, business investments remain stubbornly low compared to EU peers.

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



Sources: CROSTAT and World Bank.

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



Source: World Bank. Notes: see Table 2.

Services exports continued to provide strong support to growth, whereas goods exports declined. The trade balance improved following the decline in imports which in part seems to have been linked to a relatively strong fall in inventories. On the supply side, growth was primarily supported by the services sector and construction, while manufacturing activity was suppressed, consistent with sluggish growth in Croatia's main trading partners. Net inflow of FDI remained significant but a large share of investments in real estate makes it less relevant for raising the country's growth potential. The labor market remained strong throughout 2023, with the strongest employment growth observed in sectors linked to tourism and construction. At the same time, nominal wage growth picked up, which, amid falling inflation, resulted in a strong rise in real wages. Despite robust growth and high inflation having a favorable impact on revenue performance, the significant rise in the government wage bill led to deterioration of the general government budget balance. Inflation steadily declined throughout 2023, and in January 2024 reached 4.8 percent. The slowdown has been consistent across major components, except

for services price inflation, which remains elevated. Despite falling inflation, the World Bank 2023 Rapid Assessment Survey reports that most Croatians (78 percent) expected the increase in their total household income would not catch up with inflation. Poverty is expected to remain at 1.4 percent in 2023.

Outlook

Over the medium term, the country's growth rate, at around 2.8 percent, is expected to exceed the average for the EU. In 2024, growth is projected to accelerate to 3.0 percent reflecting positive carry-over effects from 2023, strengthening external demand, as well as expansionary fiscal policy. In addition, a strong labor market, which is reflected in a relatively high share of companies reporting shortages of labor and a strong rise in public sector wages, will further support increase in real incomes. Against this backdrop, personal consumption growth is expected to accelerate in 2024 and be the main driver of growth. The dynamics of goods exports could also strengthen in response to the

improved external environment, while growth in services exports is expected to slow down given the strong performance in recent years and the reduced price-competitiveness of the Croatian tourism sector. Investment growth is expected to decelerate but remain relatively strong, supported by EU funds and improved private sector investments. While personal consumption growth is expected to decelerate following less expansionary fiscal policy in 2025, improvements in the external environment, less restrictive monetary policy, as well as an ample amount of EU funds will continue to support economic activity. Inflation is set to continue its declining trend and gradually narrow towards the ECB target of close to 2 percent by the beginning of 2025, but risks remain given upward wage pressures. At the same time, fiscal balance is expected to worsen significantly in 2024, largely reflecting rise in wage bill and social benefits, but it is set to remain relatively contained over the forecast horizon. Together with continued nominal economic growth, this will allow for a further decline in the public debt-to-GDP ratio that is forecast to reach 56 percent at the end of 2026. Poverty is expected to gradually fall to 1.0 percent by 2026.

TABLE 2 Croatia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	13.8	6.3	2.8	3.0	2.8	2.7
Private consumption	10.6	6.7	3.0	3.7	2.8	2.7
Government consumption	3.0	2.7	2.8	2.9	2.9	2.8
Gross fixed capital investment	6.6	0.1	4.2	2.1	3.3	3.4
Exports, goods and services	32.7	27.0	-2.9	2.8	3.2	3.3
Imports, goods and services	17.3	26.5	-5.3	3.1	3.3	3.5
Real GDP growth, at constant factor prices	12.2	7.9	2.3	3.0	2.8	2.7
Agriculture	9.6	-4.3	0.4	0.9	1.0	1.0
Industry	12.4	2.7	-0.5	1.7	2.2	2.2
Services	12.3	10.5	3.4	3.6	3.1	2.9
Inflation (consumer price index)	2.7	10.7	8.4	3.9	2.3	2.2
Current account balance (% of GDP)	1.0	-2.8	1.0	1.6	1.6	2.4
Net foreign direct investment inflow (% of GDP)	5.2	5.4	3.5	3.4	3.4	3.2
Fiscal balance (% of GDP)	-2.5	0.1	-0.3	-2.3	-1.8	-1.6
Revenues (% of GDP)	46.1	45.0	46.6	45.4	45.5	45.8
Debt (% of GDP)	78.1	68.2	60.7	58.2	56.9	56.0
Primary balance (% of GDP)	-1.0	1.5	0.9	-1.2	-0.6	-0.5
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	0.3	0.3	0.3	0.3	0.3	0.3
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	0.4	0.4	0.4	0.4	0.4	0.4
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	1.8	1.4	1.4	1.3	1.1	1.0
GHG emissions growth (mtCO₂e)	4.2	-1.1	-0.1	0.7	0.4	0.3
Energy related GHG emissions (% of total)	87.5	86.8	86.6	86.2	85.8	85.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on ECAPOV harmonization, using 2022-EU-SILC. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.

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

GEORGIA

Table 1

	2023
Population, million	3.7
GDP, current US\$ billion	30.5
GDP per capita, current US\$	8212.4
International poverty rate (\$2.15) ^a	5.5
Lower middle-income poverty rate (\$3.65) ^a	19.1
Upper middle-income poverty rate (\$6.85) ^a	55.4
Gini index ^a	34.2
School enrollment, primary (% gross) ^b	104.5
Life expectancy at birth, years ^b	71.7
Total GHG emissions (mtCO2e)	18.3

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2021), 2017 PPPs.
 b/ WDI for School enrollment (2022); Life expectancy (2021).

After two years of double-digit growth, the economy expanded by 7.5 percent in 2023, driven by strong investment. Poverty and unemployment continued to decline. Growth is expected to decelerate in 2024, given tight monetary policy, a slowdown in trading partners, and heightened geopolitical risks.

Key conditions and challenges

Georgia has made notable gains in income growth and poverty reduction over the past decade. As a result of sound macro-economic management, GNI per capita (constant 2017 USD) increased from USD 9,580 in 2010 to USD 15,880 in 2022. Poverty (measured by the USD 6.85 poverty line in 2017 PPP) declined from 70.6 percent in 2010 to an estimated 47.7 percent in 2022. Nevertheless, structural challenges persist, notably weak productivity and limited high-quality job creation. About a third of workers remain engaged in low-productivity agriculture, and Georgia also has a large share of self-employed in other sectors. Access to finance remains a major obstacle for SMEs, while skills mismatches are reported to be an impediment for most firms. Due to its high degree of trade openness and dependence on tourism, Georgia is vulnerable to external shocks. In December 2023, Georgia was granted candidate status by the European Union (EU). The EU accession process offers unique opportunities to boost reforms to achieve prosperity and converge with other member states.

Recent developments

Growth in 2023 is estimated at 7.5 percent, driven by robust investment

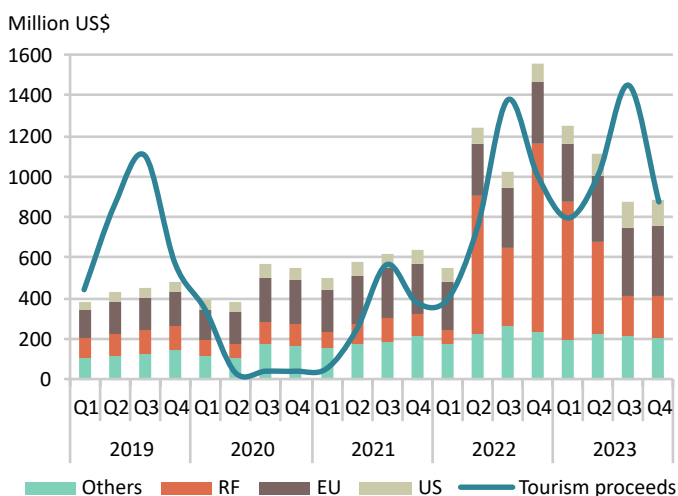
performance, notably fueled by a surge in construction activities (+17 percent in real terms). Strong growth in tourism revenues (+17 percent in USD terms) also supported growth.

Annual inflation slowed sharply to 0 percent at end-2023 from 9.8 percent in December 2022, reflecting falling global food and energy prices, and lari appreciation. Rental prices grew by 4 percent in 2023 (compared to 37.4 percent in 2022), while the introduction of reference prices for medicines exerted downward pressure on inflation. Core inflation stood at 2.0 percent in December (yoy). In response, the National Bank of Georgia cut the monetary policy rate 6 times, from 11 to 8.25 percent between May 2023 and March 2024.

Credit nominally grew by 18 percent (yoy) as of end-December, while deposits increased by 14 percent (yoy) (both adjusted for foreign exchange effects, in nominal terms), driven by strong growth in domestic currency deposits (28 percent, yoy). As a result, deposit dollarization fell by 5.4 percentage points (ppt) over the last year, to 50.8 percent as of end-2023.

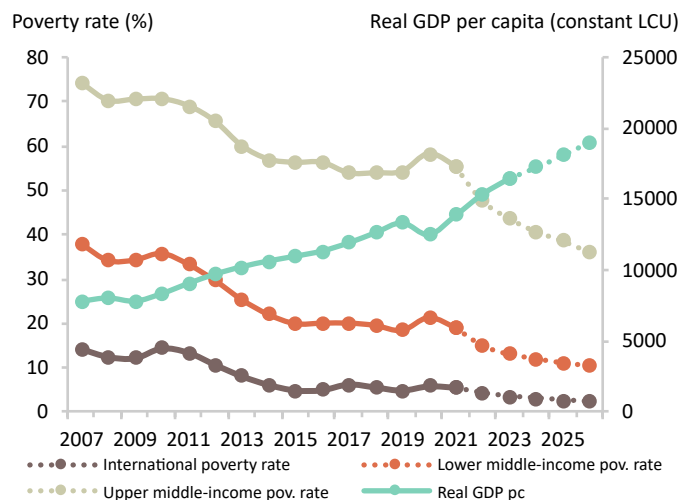
According to preliminary estimates, the current account deficit narrowed slightly in 2023, to 4.3 percent of GDP. The trade deficit of goods widened by 19 percent in nominal terms (USD). Exports grew by 8 percent (yoy) in nominal terms (USD), driven by the re-exports of used cars, while import growth reached 12 percent. Service exports remained supported by the continued post-COVID-19 recovery in tourism. International reserves increased

FIGURE 1 Georgia / Gross money transfers from abroad and tourism proceeds



Sources: Geostat, NBS, and World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

to USD 5.0 billion, equivalent to around 4.2 months of imports of goods in the same year. The Georgian lari appreciated by around 10 percent vis-à-vis the US dollar in 2023.

The fiscal deficit narrowed in 2023, reaching 3.0 percent of GDP (including privatization proceeds). General government revenues increased by 14.2 percent, while tax collection rose by 13.5 percent in 2023 in nominal terms. Current spending grew by 14.6 percent, reflecting increases across the board. Capital spending rose by 4.6 percent in nominal terms. At end-2023, public debt was estimated at 38.1 percent of GDP, slightly down from end-2022, driven by lower financing needs and rapid economic growth.

Poverty has been declining, supported by an increase in real wages (by around 17 percent in 2023), social protection measures, and declining food prices. The job market experienced a strong recovery, with unemployment falling from 20.6 percent in 2021 to a record low of 16.4 percent in 2023.

Outlook

Growth is expected to ease to 5.2 percent in 2024 as a result of tight monetary policy, a slowdown among trading partners, and heightened geopolitical risks. Growth is projected to stabilize at around 5 percent of GDP for 2025-26 as Georgia benefits from the gradual recovery among its trading partners. The poverty rate is expected to keep declining gradually.

Inflation is expected to converge to its 3 percent target by end-2024. Monetary policy is expected to continue easing gradually in 2024.

Despite dwindling money transfers, the current account deficit should remain well below pre-COVID-19 levels in the medium term.

The 2024 state budget law reflects the government's commitment to pursuing gradual consolidation by reducing the fiscal deficit to 2.5 percent (including privatization revenues) and maintaining public

debt below 38 percent of GDP. Revenue and tax collection are projected to continue their solid performance in 2024, with additional profit tax revenues in the financial sector (0.5 ppt of GDP) and higher taxation of gambling (rendering 0.5 ppt of GDP increase). Current expenses are set to increase by 0.8 percentage points, to 23.0 percent of GDP, to be offset by a slight decline in public investment (to 8 percent of GDP).

There are substantial risks to the outlook, reflecting uncertainties. A more rapid reversal in money inflows, weaker tourism revenues, and an increase in global commodity prices could hinder growth and increase debt levels and financing needs. Other risks include tighter global financial conditions and climate change-related risks. An adequate monetary and fiscal policy stance with adequate buffers is expected to help cushion potential shocks while exchange rate flexibility should help shield reserve levels by supporting an adjustment in imports.

TABLE 2 Georgia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	10.6	11.0	7.5	5.2	5.0	5.0
Private consumption	12.3	-2.8	3.2	3.1	3.3	3.7
Government consumption	7.1	-0.8	6.2	8.2	2.6	2.4
Gross fixed capital investment	-4.8	9.9	32.2	6.9	5.9	9.8
Exports, goods and services	23.5	37.4	8.2	8.2	8.6	8.3
Imports, goods and services	8.8	16.9	8.6	6.3	5.7	7.6
Real GDP growth, at constant factor prices	12.2	9.8	7.9	5.2	5.0	5.0
Agriculture	2.3	-1.8	-2.8	2.5	2.5	3.0
Industry	1.0	15.1	5.1	5.0	5.0	5.0
Services	17.4	9.6	10.0	5.5	5.2	5.1
Inflation (consumer price index)	9.6	11.9	2.5	2.3	3.0	3.0
Current account balance (% of GDP)	-10.3	-4.5	-4.3	-5.9	-5.4	-5.2
Net foreign direct investment inflow (% of GDP)	4.9	7.1	4.3	4.6	4.8	4.6
Fiscal balance (% of GDP)	-7.0	-3.5	-3.0	-2.9	-2.6	-2.5
Revenues (% of GDP)	24.9	26.6	27.6	28.0	27.7	27.2
Debt (% of GDP)	49.0	39.1	38.1	37.0	36.1	35.5
Primary balance (% of GDP)	-5.7	-2.4	-1.5	-1.1	-0.8	-0.6
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	5.5	4.3	3.5	3.1	2.6	2.2
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	19.1	15.0	13.0	12.0	11.0	10.4
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	55.4	47.7	43.7	40.8	38.7	36.2
GHG emissions growth (mtCO₂e)	3.6	0.9	-0.8	0.2	0.2	0.6
Energy related GHG emissions (% of total)	56.4	57.6	57.5	57.5	57.4	57.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on ECAPOV harmonization, using 2021-HIS. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.

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

KAZAKHSTAN

Table 1 **2023**

Population, million	19.8
GDP, current US\$ billion	259.7
GDP per capita, current US\$	13088.5
International poverty rate (\$2.15) ^a	0.0
Lower middle-income poverty rate (\$3.65) ^a	0.3
Upper middle-income poverty rate (\$6.85) ^a	10.6
Gini index ^a	29.2
School enrollment, primary (% gross) ^b	100.9
Life expectancy at birth, years ^b	70.2
Total GHG emissions (mtCO2e)	294.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

Economic growth is projected to slow to 3.4 percent in 2024 before regaining momentum in subsequent years, driven by new oil production coming online. Inflation is expected to decrease but remain above the central bank target. Downside risks include weakening global demand and prices for oil, and potential disruptions to exports. Global decarbonization efforts pose a long-term challenge, necessitating a transition towards a new, sustainable growth model.

Key conditions and challenges

Kazakhstan's growth has slowed from 10 percent over 2000-2007 to below 4 percent over the last 10 years, highlighting the vulnerabilities of an economy still dependent on hydrocarbons and with stagnant productivity growth. Looking ahead, adjusting to the global green transition presents significant challenges for Kazakhstan.

Revitalizing economic growth and productivity will require bolder steps to enable the private sector to thrive and drive economic diversification by reducing the state's footprint and boosting competition across the economy, complemented with strengthening human capital and policies to support decarbonization.

Recent developments

Real GDP grew by 5.1 percent in 2023 thanks to increased oil production, fiscal stimulus, and robust consumption. Oil production jumped by 6 percent yoy, accounting for one-third of growth. Despite stagnant real incomes and tight monetary policy, strong consumer and business sentiment was evident in retail trade growth (7 percent, real terms), car sales (8 percent), and new business registrations (10 percent). Capital investment picked up 14 percent yoy in 2023 (9 percent in

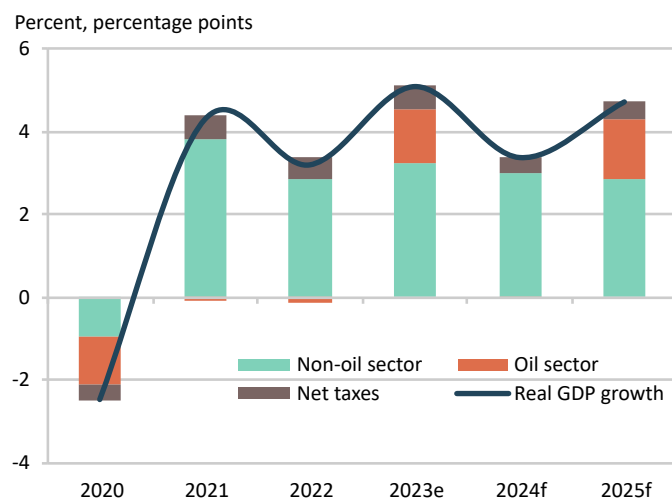
2022), with almost 80 percent from non-resource sectors.

While unemployment decreased slightly from 4.9 percent in 2022 to 4.7 percent in 2023, real incomes contracted 0.3 percent yoy due to high inflation. To ease the burden on living standards, the authorities once again raised the minimum wage, by 21.4 percent in nominal terms in 2023. This effectively doubled its level from 2021 (70 percent, real terms), exceeding inflation over the same period, and it helped to reduce the poverty rate to 8.8 percent (at USD 6.85/day) in 2023.

Slowing food prices and tight monetary policy helped ease price pressure. In February 2024, inflation decelerated to 9.3 percent yoy from a peak of 21.3 percent a year ago, but inflation expectations remain elevated. In line with the recent reversal in price dynamics, in February 2024, the central bank cut the policy rate by 0.5 percent to 14.75 percent.

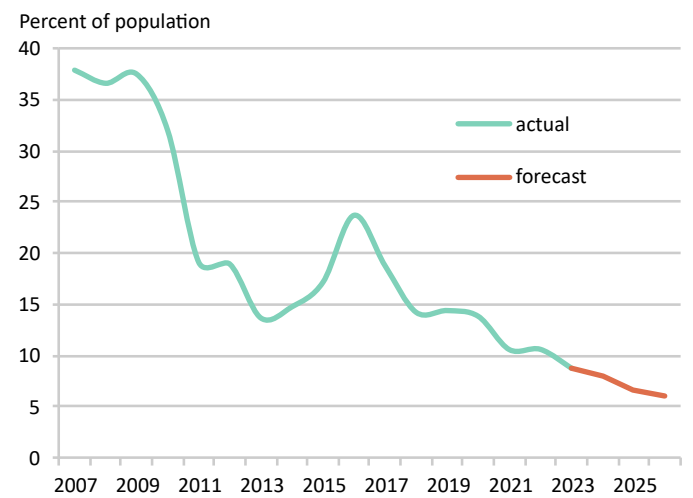
The current account has swung from a surplus of 3.5 percent in 2022 to a deficit of 3.8 percent of GDP in 2023. This deterioration was driven by a 6.6 percent fall in exports due to lower oil prices and import growth of 20.1 percent. FDI inflows continued, reaching an estimated 1.9 percent of GDP, and this helped to finance the deficit. However, momentum has weakened as major investment projects in the oil sector, financed through FDI, near completion. Gross international reserves remained stable in 2023, providing approximately seven months of import cover. The tenge has been relatively stable against the US dollar. The consolidated budget moved into a deficit of 1.6 percent in 2023, down from a

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



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

FIGURE 2 Kazakhstan / Poverty rate, percent of population living on less than \$6.85 (PPP) per day



Source: World Bank staff estimates.

surplus of 1.2 percent of GDP in 2022. This deterioration was due to increased spending on social welfare programs, housing, and utility infrastructure, along with rising interest payments, which collectively drove expenditures up by 1.6 percent of GDP. Revenues declined by 1.2 percent of GDP due to lower oil-related tax income. The banking sector remains resilient, supported by robust capital and liquidity positions that exceed regulatory requirements. Profitability was boosted in 2023 by high interest rates. Non-performing loans amounted to only 3 percent of the loan portfolio in 2023, but this warrants close monitoring given rising household indebtedness and elevated interest rates.

Outlook

Economic growth is projected to moderate to 3.4 percent in 2024 before increased

oil production temporarily raises it to 4.7 percent in 2025. Lower growth expectations for 2024 reflect reduced oil production expectations due to maintenance at major fields and Kazakhstan's adherence to OPEC+ production cuts.

Inflation is expected to gradually decline but remain above the 5 percent target in 2024. The planned utility tariff increases and the potential for a sustained budget deficit could hinder the projected downward trend.

The current account deficit is expected to decrease in 2024 and beyond, driven by an increase in oil exports.

The fiscal deficit is projected to increase to 2.7 percent of GDP in 2024, primarily due to lower oil-related revenues, before gradually decreasing to 1.2 percent by 2026. Sustained growth in non-oil sectors and improved tax collection efforts will contribute to growth in non-oil revenues. Following a series of fiscal stimulus measures,

the government aims to comply with the fiscal rule by bringing budget spending down to pre-crisis levels.

Poverty is expected to fall to 7.9 percent (at USD 6.85/day) in 2024 as growth continues and inflation subsides, though elevated food prices remain a key challenge for the poorest households.

The outlook faces downside risks. Lower growth in major trading partners like China and the EU, could substantially worsen Kazakhstan's outlook, as would a weakening of oil prices. Stubborn inflation and the increased likelihood of climate-related shocks risk setting back poverty reduction progress. Disruptions to oil exports, such as unexpected maintenance in existing fields or delays in oil production coming online from the new Tengiz oil field, could hinder oil output and economic growth. Lastly, there are risks to growth arising from the geopolitical situation and trade flows with Russia.

TABLE 2 Kazakhstan / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	4.3	3.2	5.1	3.4	4.7	3.6
Private consumption	6.3	2.0	4.3	5.0	5.2	5.2
Government consumption	-2.4	9.1	3.1	1.5	0.9	0.5
Gross fixed capital investment	2.6	3.6	5.2	4.0	4.5	3.7
Exports, goods and services	2.3	10.2	5.5	0.0	6.4	1.6
Imports, goods and services	-0.3	11.6	4.1	3.8	5.0	4.1
Real GDP growth, at constant factor prices	4.1	2.9	5.0	3.3	4.7	3.4
Agriculture	-2.2	9.1	-7.7	3.0	3.0	2.0
Industry	4.5	2.7	5.7	3.4	6.0	3.8
Services	4.4	2.5	5.8	3.3	3.9	3.3
Inflation (consumer price index)	8.5	20.3	9.8	8.0	6.7	5.6
Current account balance (% of GDP)	-1.3	3.5	-3.8	-3.1	-2.3	-1.2
Net foreign direct investment inflow (% of GDP)	1.0	3.5	1.9	2.1	2.1	2.1
Fiscal balance (% of GDP)	-4.3	1.2	-1.6	-2.7	-2.1	-1.2
Revenues (% of GDP)	17.6	22.8	21.8	19.5	19.5	19.5
Debt (% of GDP)	23.7	22.5	22.3	23.9	26.3	27.5
Primary balance (% of GDP)	-3.1	2.6	0.0	-0.9	-0.3	0.6
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	0.0	0.0	0.0	0.0	0.0	0.0
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	0.3	0.3	0.2	0.2	0.1	0.1
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	10.6	10.7	8.8	7.9	6.7	6.0
GHG emissions growth (mtCO₂e)	3.2	-4.4	2.2	0.8	2.3	1.2
Energy related GHG emissions (% of total)	71.9	71.3	72.8	73.8	75.2	76.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on ECAPOV harmonization, using 2021-HBS. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.

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

KOSOVO

Table 1	2023
Population, million	1.8
GDP, current US\$ billion	10.5
GDP per capita, current US\$	5926.7
Upper middle-income poverty rate (\$6.85) ^a	34.2
Gini index ^a	29.0
Life expectancy at birth, years ^b	76.8

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2017), 2017 PPPs.
 b/ Most recent WDI value (2021).

Amid a challenging external environment, GDP growth rose by an estimated 3.1 percent in 2023, on the back of lower international commodity prices, robust diaspora flows and strong credit growth. Over the medium term, growth is projected to stabilize at around 4 percent, supported by increasing real incomes and higher investment. However, higher commodity prices or tighter labor markets could lead to renewed inflation and lower private demand.

Key conditions and challenges

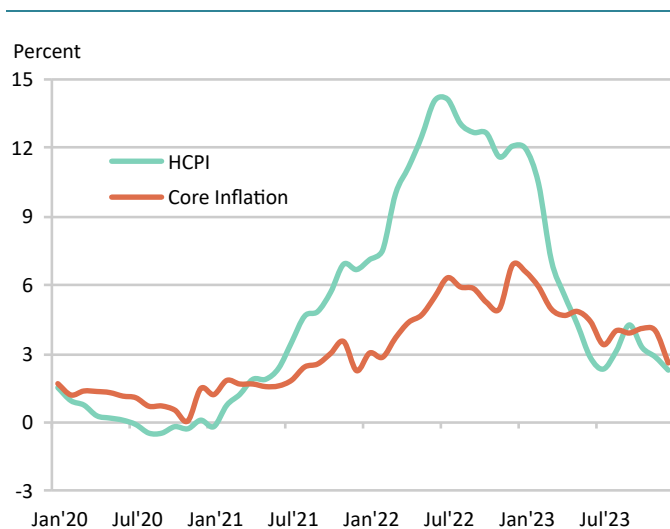
Kosovo is a unilaterally Euroized economy and a net importer of food and energy, reliant on outdated lignite power generation, which is insufficient to cover winter heating demand. Against this backdrop, stabilization in international food and energy prices positively impacted inflationary trends, the current account, and fiscal risks. Weaker growth in the EU and trading partners dampened demand for Kosovo's goods exports. In 2023, real GDP growth moderated to an estimated 3.1 percent, mainly on account of a lower contribution of exports. Despite recent gains in employment, only 39 percent of the working-age population was active in the labor market (22 percent for women) during 2022. Although the growth model has traditionally relied on consumption financed by remittances and diaspora spending, there has been a recent shift towards a more export-driven growth model. ICT services and manufactured goods exports have seen encouraging growth, in turn supporting job creation. More than half of foreign direct investments in 2023 remained focused on construction, but implementation of the new energy strategy could diversify investment. Kosovo's human capital outcomes fall behind peers. In addition, the working-age population shrank in 2022, likely due to outward migration. In the medium

term, growth is expected to reach around 4 percent, but risks remain elevated. Heightened geopolitical tensions may reignite inflation and scar investment confidence. A further increase in outward migration could negatively impact the supply and cost of labor. To accelerate poverty reduction, Kosovo needs to strengthen the drivers of job creation and enhance private sector productivity. To facilitate this transition and spur growth, it is critical to enhance the regulatory environment, reduce infrastructure gaps, and strengthen human capital.

Recent developments

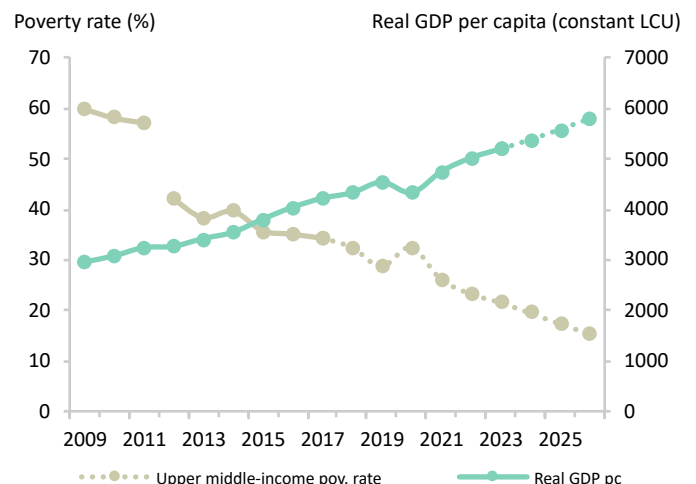
GDP growth reached 3 percent for the first three quarters of 2023. Compared to the same period of the previous year, growth was driven by resilient consumption (2.7 percent y/y), service exports (8.5 percent y/y), and investment activity (3.5 percent y/y); merchandise exports contracted by 6.7 percent y/y. On the supply-side, services continue to be a key contributor to growth. Agriculture recorded a positive performance (3.3 percent y/y), favored by decreasing input prices. In 2023, consumer inflation continued its downward path, averaging 5 percent. Food and beverage prices grew faster (8.6 percent y/y). In contrast, transport costs decreased (-1.9 percent y/y). Labor market formalization continued, as reflected in a 2.9 percent y/y increase in formal employment by November 2023. In 2023, the

FIGURE 1 Kosovo / Consumer price inflation



Source: Kosovo Statistics Agency.

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



Source: World Bank. Notes: see Table 2.

current account deficit narrowed, reaching 7.7 percent of GDP, from 10.3 percent in 2022, largely due to a reduction of import costs and strong service export performance. Remittance inflows remained strong in 2023, growing 10 percent y/y. Net FDI inflows increased by 12 percent y/y, on account of quadrupling reinvested earnings; equity and debt investments dropped by 8 percent y/y. By year-end, the fiscal deficit reached 0.2 percent of GDP, driven by continued positive revenue growth. Nominal tax revenues grew by 13 percent, reflecting compliance and formalization gains. Meanwhile, budget expenditures increased by 13.2 percent, driven by increases in capital expenditures (32.4 percent). In 2023, public and publicly guaranteed debt (PPG) fell to 17.2 percent of GDP, down from 20 percent in 2022, driven by an improvement in the budget balance. The financial sector remains robust. By December 2023, credit increased by 13 percent y/y, while capital buffers and asset quality remained adequate, with non-performing loans remaining stable at 2 percent. Poverty is estimated to have decreased

in 2023 to 21.7 percent, driven by growth and higher employment.

Outlook

GDP growth is expected to accelerate to 3.7 percent in 2024, supported by continued stabilization of international prices. Tailwinds from the post-pandemic recovery are fading while the drag from external market uncertainty remains high. GDP growth is expected to pick up towards Kosovo's potential of around 4 percent, driven by resilient diaspora inflows and a gradual pickup in investment. Continued stabilization of international prices helped by the unwinding of the energy shock, is expected to boost consumer and investor confidence. Together with resilient labor markets, these factors are expected to support private consumption. Higher public and private investments in energy generation associated with the implementation of the energy strategy, as well as energy reforms, are expected to boost investment. Exports are

expected to remain resilient on the back of strong diaspora-driven service exports, and a pickup in goods exports, driven by a recovery in foreign demand, continued diversification into non-commodity goods and regulatory reforms. Growth acceleration and further labor market outcome improvements (on top of a 5-percentage point increase in employment from 2020 to 2022) are expected to contribute to further poverty reduction. Nevertheless, an increase in commodity prices could lead to renewed inflation. The CAD is expected to narrow, driven by strong service exports and a continued decline in commodity prices, although at a slower than expected pace due to the drag in goods exports. Driven by increases in capital spending, the fiscal deficit is expected to widen to around 1 percent, remaining within the fiscal rule limit. Persisting uncertainties associated to both geopolitical tensions and domestic politics, and a further slowdown in the EU entail significant risks. Accelerating the economic convergence with the EU requires prioritizing reforms in the fiscal, governance, education, and energy sectors.

TABLE 2 Kosovo / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	10.7	4.3	3.1	3.7	3.9	3.9
Private consumption	7.3	3.4	2.9	3.1	3.8	4.0
Government consumption	9.0	0.2	6.7	1.4	3.8	3.2
Gross fixed capital investment	13.0	-3.2	3.6	7.5	4.4	4.1
Exports, goods and services	76.8	18.9	6.9	3.0	4.0	5.0
Imports, goods and services	31.4	5.4	5.7	3.8	3.9	4.4
Real GDP growth, at constant factor prices	7.8	5.2	3.1	3.7	3.9	3.9
Agriculture	-2.5	4.5	3.4	2.3	2.5	1.8
Industry	7.8	4.0	3.7	3.5	4.0	4.2
Services	9.7	6.1	2.6	4.0	4.1	4.1
Inflation (consumer price index)	3.4	11.6	5.0	2.9	2.5	2.2
Current account balance (% of GDP)	-8.7	-10.3	-7.7	-7.5	-6.6	-5.8
Net foreign direct investment inflow (% of GDP)	4.0	6.3	6.4	5.2	5.3	5.7
Fiscal balance (% of GDP)	-1.3	-0.5	-0.2	-1.1	-1.1	-1.1
Revenues (% of GDP)	27.4	27.9	29.3	28.5	28.4	28.6
Debt (% of GDP)	21.1	19.7	17.2	17.9	18.1	19.1
Primary balance (% of GDP)	-0.9	-0.1	0.2	-0.6	-0.7	-0.7
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	26.2	23.4	21.7	19.7	17.6	15.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on ECAPOV harmonization, using 2017-HBS. Actual data: 2017. Nowcast: 2018-2023. Forecasts are from 2024 to 2026.

b/ Projection using neutral distribution (2017) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

KYRGYZ REPUBLIC

Table 1 **2023**

Population, million	6.9
GDP, current US\$ billion	14.0
GDP per capita, current US\$	2023.9
International poverty rate (\$2.15) ^a	0.7
Lower middle-income poverty rate (\$3.65) ^a	12.5
Upper middle-income poverty rate (\$6.85) ^a	62.2
Gini index ^a	28.8
School enrollment, primary (% gross) ^b	94.2
Life expectancy at birth, years ^b	71.9
Total GHG emissions (mtCO2e)	13.4

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2021), 2017 PPPs.
 b/ WDI for School enrollment (2022); Life expectancy (2021).

Economic growth was 6.2 percent and inflation was 10.8 percent in 2023. The fiscal balance was positive (1.2 percent of GDP) owing to strong revenue performance. GDP growth is projected to decline to 4.5 percent in 2024, reflecting a slowdown in the services sector, and inflation is expected to moderate to 5 percent. The fiscal deficit as a share of GDP is projected to widen due to lower tax revenues and higher capital spending.

Key conditions and challenges

The Kyrgyz Republic remains one of the poorest countries in the region with poverty stubbornly high at above 11 percent and an estimated additional 31 percent of the population vulnerable to poverty if the economy suffers any shocks.

The Kyrgyz Republic is subject to significant economic risks. Domestic prices are sensitive to rising global food and fuel prices and international earnings depend on gold exports and remittances. There is also a risk that remittances may decline with economic and financial implications. The economy has limited gross international reserves (GIR) to absorb shocks, while non-discretionary fiscal expenditure is high and the country is at a moderate risk of debt distress.

Economic opportunities and job creation are limited due to a stagnant private sector, constrained by a weak competitive environment, undue advantage enjoyed by poorly performing SOEs, high levels of informality, and a restrictive business environment. Private sector-led growth will require ambitious reforms to reduce the cost of regulatory compliance, ensure a level playing field, remove barriers for cross-border trade, and maximize spillovers from FDI.

Recent developments

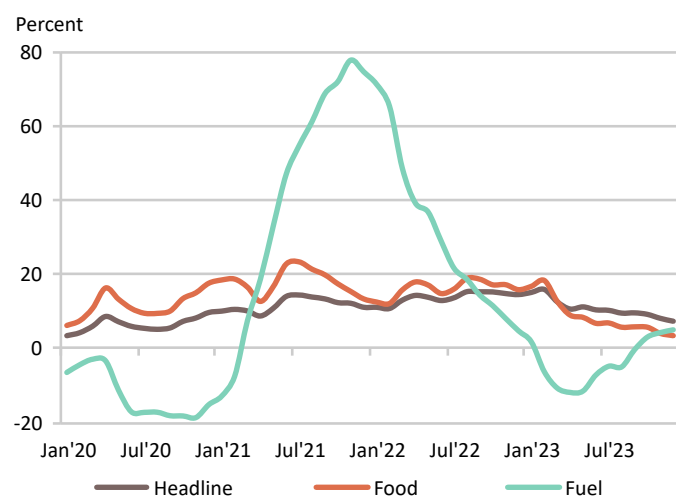
After growing at 9.0 percent in 2022, real GDP is estimated to have expanded by 6.2 percent in 2023. The services sector has driven growth, particularly services associated with transit trade since Russia's invasion of Ukraine. On the demand side, growth has been supported by higher consumption and exports.

Consumer price inflation decreased from 13.8 percent in 2022 to 10.8 percent in 2023, as global food and fuel price pressure abated and domestic monetary policy remained tight.

According to official statistics, the current account deficit amounted to 66.2 percent of GDP (US\$3.4 billion) in H1 2023, the largest deficit to date, with 'errors and omissions' of 57 percent of GDP which is likely driven by under-reporting of exports. Imports increased by 38 percent in H1 2023, while exports soared by 52 percent (both in US\$ terms) due to the resumption of gold exports, growth in tourism, and services related to transit trade. Income inflows declined due to a drop in inward remittances from 30.8 percent of GDP in H1 2022 to 25.6 percent a year later.

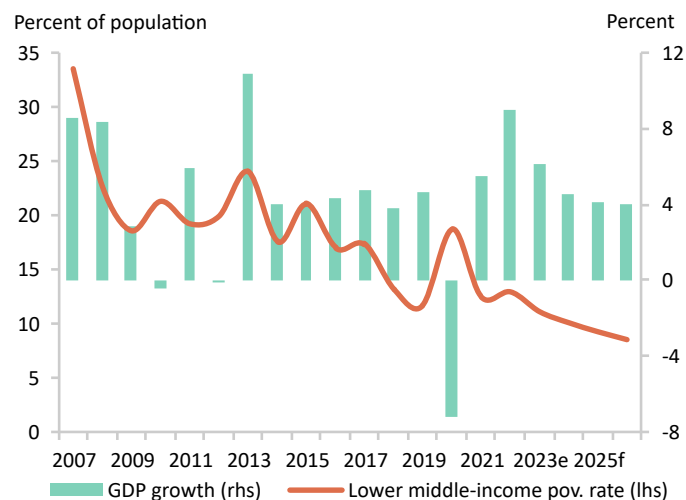
The deterioration in the external balance put pressure on the exchange rate, weakening the Kyrgyz Som against the US dollar by 4.4 percent in 2023. The central bank sold US\$650 million of GIR to limit excess fluctuations in the exchange rate. GIR recovered slightly to 3.1 months of import

FIGURE 1 Kyrgyz Republic / Headline, food and fuel inflation



Source: Kyrgyz authorities.

FIGURE 2 Kyrgyz Republic / Real GDP growth and poverty rate



Sources: Kyrgyz authorities and World Bank staff.

cover by the end of 2023, but this remains below comfortable levels.

The government's fiscal position remained strong in 2023. The budget is estimated to have run a surplus of 1.2 percent of GDP in 2023, supported by increases in tax and non-tax revenues. Alongside strong revenues, expenditures increased, specifically wages and salaries, social benefits, and pensions. The fiscal surplus and economic growth have led to a lower public debt level of 45.5 percent of GDP as of end-December 2023, down from 46.9 percent a year earlier.

After a remarkable decline by 6.2 percentage points to 12.5 percent in 2021, the poverty rate (measured at US\$ 3.65/day) increased slightly to 13 percent in 2022 on the back of high consumer price inflation. However, it is estimated to have declined to 11.2 percent in 2023 as inflation softened amid economic growth. Progress in poverty reduction is also supported by social assistance improvements such as pension increases, expansion of cash grants under "Social Contract" program, and the increase in transfers under the "Ui-Bulogo Komok" program.

Outlook

GDP growth is expected to decline to 4.5 percent in 2024 as growth in the services sector slows. On the demand side, consumption growth would moderate despite a slight increase in remittance inflows, while investment and net exports are expected to support growth. Annual GDP growth is expected to slow down to 4 percent over the medium term in the absence of structural reforms to raise potential growth.

Assuming the central bank maintains a prudent monetary stance and global food and fuel prices remain stable, inflation is projected to decline to within the target range of 5 to 7 percent by the end of 2024 and remain stable in the medium term.

The current account deficit is projected at 10.5 percent of GDP in 2024 and narrowing to 7.7 percent by 2026 as external demand for non-gold goods improves, exports of services continue to grow, and remittance inflows gradually increase. The deficit is expected to be financed by inward FDI and external borrowing.

The fiscal surplus is projected to turn into a deficit of 1.6 percent of GDP in 2024 owing to lower tax revenues. The deficit is expected to widen further to 2.4 percent of GDP by 2026, mainly due to higher capital spending.

High consumer prices and job insecurity will continue to be the most significant concerns for the welfare of the population. In 2024, the poverty level is expected to decrease slightly, with the continued effect of stabilizing inflation, social protection initiatives, and growth.

Risks to this outlook remain significant. There are external risks to growth, mainly arising from the geo-political situation and trade flows with Russia. Marked deterioration of the Russian economy may flow on through lower remittances and export demand. Possible upward spikes in global food and fuel prices might reverse the downward trend and push inflation into double digits.

Increasing the potential growth will require bold reforms to improve governance and reduce corruption, remove administrative barriers to private sector development, improve the electricity sector by adjusting tariffs to achieve cost recovery, and reduce the footprint of SOEs in the economy.

TABLE 2 Kyrgyz Republic / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	5.5	9.0	6.2	4.5	4.2	4.0
Private consumption	18.8	17.0	5.8	4.9	4.0	4.0
Government consumption	0.5	4.4	2.3	0.6	0.5	0.3
Gross fixed capital investment	8.0	6.9	9.4	15.0	15.5	16.0
Exports, goods and services	16.4	-1.6	49.7	21.5	20.4	17.5
Imports, goods and services	38.8	66.7	29.5	13.5	13.1	13.0
Real GDP growth, at constant factor prices	5.5	9.4	6.2	4.5	4.2	4.0
Agriculture	-4.5	7.3	0.6	2.5	2.2	2.3
Industry	6.5	11.9	2.7	5.3	6.0	6.0
Services	14.5	10.1	11.9	5.6	4.7	4.4
Inflation (consumer price index)	11.9	13.9	10.8	8.4	7.0	5.5
Current account balance (% of GDP)	-8.0	-42.7	-25.2	-10.5	-8.3	-7.7
Net foreign direct investment inflow (% of GDP)	6.1	4.2	3.7	3.9	3.9	3.5
Fiscal balance (% of GDP)	-0.3	-1.3	1.2	-1.6	-1.9	-2.4
Revenues (% of GDP)	31.8	34.6	37.2	31.9	29.6	27.9
Debt (% of GDP)	55.8	46.9	45.5	44.8	44.5	44.1
Primary balance (% of GDP)	1.2	0.0	2.3	-0.5	-1.0	-1.6
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	0.7	0.7	0.6	0.5	0.4	0.4
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	12.5	13.0	11.2	10.2	9.3	8.6
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	62.2	61.3	58.4	56.6	55.1	53.6
GHG emissions growth (mtCO₂e)	4.6	-1.0	0.6	0.4	0.7	0.8
Energy related GHG emissions (% of total)	65.9	64.6	64.3	63.7	63.0	62.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on ECAPOV harmonization, using 2016-KIHS, 2019-KIHS, and 2022-. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.

b/ Projection using point-to-point elasticity (2016-2019) with pass-through = 0.7 based on GDP per capita in constant LCU.

MOLDOVA

Key conditions and challenges

Table 1	2023
Population, million	2.5
GDP, current US\$ billion	16.5
GDP per capita, current US\$	6583.5
Lower middle-income poverty rate (\$3.65) ^a	0.3
Upper middle-income poverty rate (\$6.85) ^a	14.4
Gini index ^a	25.7
School enrollment, primary (% gross) ^b	106.5
Life expectancy at birth, years ^b	68.8
Total GHG emissions (mtCO2e)	18.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ Most recent WDI value (2021).

Despite avoiding another energy crisis, Moldova has grappled with the fallout from Russia's invasion of Ukraine, facing reduced incomes and a strained economy, resulting in sluggish growth in 2023. Structural reforms and EU integration are crucial amid persistent poverty and economic challenges, including low productivity and climate vulnerabilities. Despite the expected 2024 recovery, significant risks remain, including the ongoing war, potential energy shocks, and headwinds from the upcoming elections.

Moldova is facing unprecedented challenges due to the spillover effects of Russia's invasion of Ukraine, which resulted in an energy and refugee crisis, straining households, the economy, and public finances. Despite significant efforts to mitigate these crises through fiscal measures and monetary policies, dwindling household incomes and persistent high risks continue to stifle private consumption and investment confidence, resulting in sluggish growth in 2023 after the recession in 2022. While a moderate economic recovery and improved household incomes are expected for 2024, there are significant macroeconomic risks, including the potential intensification of the war in Ukraine, additional energy disruptions, and headwinds from the upcoming elections in 2024 and 2025.

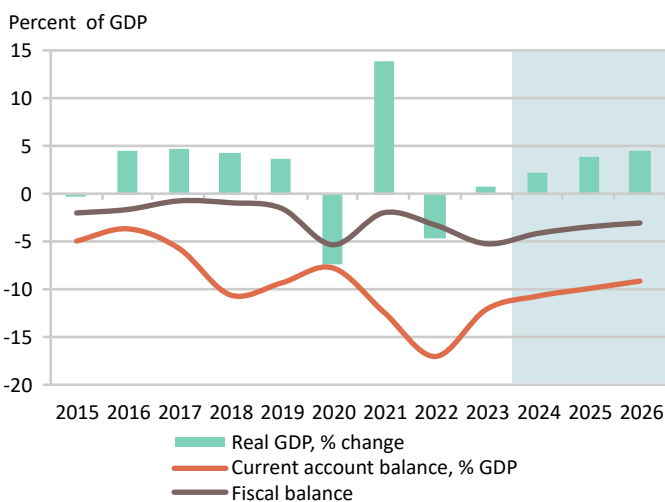
Moldova's medium-term prospects hinge on structural reforms and progress toward EU accession. Despite sustained economic growth over two decades, poverty remains pervasive, particularly in rural regions, with limited access to services and viable economic opportunities. Traditional means of poverty alleviation, such as remittances and social assistance, are slowing, while low labor force participation and employment rates impede a shift to employment-focused poverty reduction, underscoring the urgency for structural reforms.

Moldova faces structural challenges including low productivity growth, governance deficiencies, a large state footprint, limited competition, an imbalanced business environment, and tax distortions. The country remains vulnerable to adverse weather events and energy shocks due to its heavy dependence on energy imports and limited diversification in energy sources. Climate change worsens these vulnerabilities, increasing the frequency and severity of droughts and other natural hazards, thereby posing substantial risks to Moldova's agricultural sector and livelihoods. With EU candidate status, strong reform momentum and growth-enhancing, climate-resilient investments are needed to foster long-term, sustainable development and convergence toward EU income levels.

Recent developments

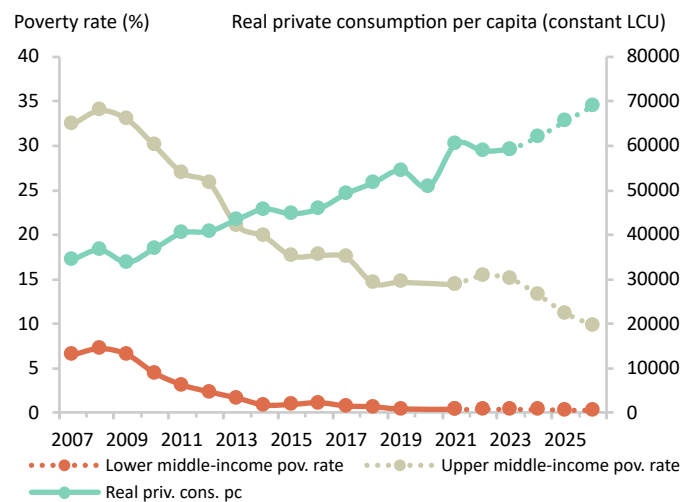
Spillovers from the war continue to weigh on the economy. The economy has grown by 0.7 percent in 2023, driven by a strong rebound in the agriculture sector, which grew by 31.9 percent after the 2022 drought. The industry and services sectors contracted, despite notable growth in IT, health, and accommodation and food services sectors, amid high input costs, lower demand from trading partners, and heightened risk. On the demand side, net exports contributed positively to growth, supported by services exports and reduced imports amid weak domestic demand. Private consumption and investments contracted due

FIGURE 1 Moldova / Actual and projected macroeconomic indicators



Source: World Bank, based on national statistics.

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



Source: World Bank. Notes: see Table 2.

to reduced disposable income, elevated interest rates, and uncertainties stemming from the war in Ukraine.

Albeit a 5.8 percent decline in remittances, the current account deficit improved to 11.9 percent of GDP in 2023, driven by lower trade balance alongside improvements in primary and secondary accounts. Following a decline in direct investments, the CAD was primarily funded through cash, deposits, and trade loans. External debt decreased by 2.8 percentage points compared to end-2022, reaching 63.3 percent of GDP.

Inflation decelerated rapidly in 2023 due to timely monetary responses in 2022 and declining food and fuel prices, reaching 4.6 percent in January 2024. With the easing of inflation, the Central Bank reduced the base interest rate from 17 percent in early 2023 to 4.25 by November 2024.

Total revenues increased by 11.8 percent, driven by income taxes, social contributions, and excise duties on imported goods. Elevated expenditures on social programs, wages, and interest payments offset the revenue increase, reflecting inflationary pressures and higher financing needs. As a result, the fiscal deficit widened to 5.2 percent of GDP. Public and publicly guaranteed debt is forecasted to

reach 36 percent of GDP by 2023, fueled by new loan disbursements.

High food and fuel prices reduced purchasing power, with government energy subsidies providing some relief. Poverty rates, as measured by the US\$6.85 2017 PPP poverty line, are expected to have stayed broadly constant, marginally dropping from 15.4 percent in 2022 to 15.0 percent in 2023.

Outlook

The economy is expected to grow by 2.2 percent in 2024, underpinned by rising real wages, a positive fiscal impulse, and subdued inflation. Private consumption and investments are expected to underpin growth, backed by an accommodative monetary stance. Net exports are expected to hinder growth, reflecting increased demand-driven imports. On the production side, the service sector, particularly IT, transport and public services, is expected to underpin growth. The contribution of the industrial sector will trail pre-war levels, largely due to weak external demand. Agriculture sees modest gains amid higher input costs and good yields in 2023.

Reforms for economic diversification and competitiveness, aligned with the EU accession agenda, along with positive fiscal measures and favorable interest rates, will drive medium-term growth.

Average inflation is projected to decline further in 2024 as commodity prices ease and to remain within the target corridor in the medium term. However, inflation remains highly susceptible to geopolitical tensions due to the war in Ukraine.

While the CAD is expected to narrow in 2024, supported by service exports and a gradual recovery in remittances, it is expected to remain above pre-pandemic levels because of elevated import prices and transport costs.

The fiscal deficit is anticipated to remain high at 4.1 percent of GDP in 2024 due to spending pressures, including support for households, jobs, refugees, and infrastructure. The deficit is projected to decrease in the medium term, reaching 3 percent of GDP in 2026 as fiscal support is phased out. As inflationary pressures ease, the poverty rate, as measured by the US\$6.85 2017 PPP poverty line, is expected to decrease to 13.3 percent in 2024. With the anticipated economic recovery and normalization of inflation, poverty is projected to decline further to 11.2 percent in 2025.

TABLE 2 Moldova / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	13.9	-4.6	0.7	2.2	3.9	4.5
Private consumption	17.3	-4.8	-0.5	1.8	3.3	3.8
Government consumption	4.4	4.8	-2.2	0.8	0.7	0.2
Gross fixed capital investment	1.9	-10.5	-1.3	3.3	4.1	5.6
Exports, goods and services	17.5	29.7	5.1	3.5	5.7	5.9
Imports, goods and services	21.2	18.2	-5.1	2.9	3.9	4.3
Real GDP growth, at constant factor prices	13.4	-4.2	1.5	2.2	3.9	4.5
Agriculture	50.3	-23.5	31.9	2.3	3.8	3.8
Industry	0.5	-10.3	-10.0	4.6	4.8	5.2
Services	12.4	3.0	-0.1	1.5	3.6	4.4
Inflation (consumer price index)	5.1	28.7	13.4	4.9	5.2	5.0
Current account balance (% of GDP)	-12.4	-17.1	-11.9	-10.7	-9.9	-9.1
Net foreign direct investment inflow (% of GDP)	1.6	0.8	2.5	2.6	2.5	2.3
Fiscal balance (% of GDP)	-1.9	-3.2	-5.2	-4.1	-3.4	-3.0
Revenues (% of GDP)	32.0	33.3	34.1	33.0	32.6	32.4
Debt (% of GDP)	33.8	35.9	36.0	39.5	39.3	38.9
Primary balance (% of GDP)	-1.1	-2.0	-3.6	-2.8	-2.1	-1.7
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	0.3	0.4	0.4	0.3	0.3	0.2
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	14.4	15.4	15.0	13.3	11.2	9.8
GHG emissions growth (mtCO₂e)	10.8	-3.0	29.9	2.1	2.5	3.2
Energy related GHG emissions (% of total)	66.9	67.4	72.5	71.9	72.1	73.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on ECAPOV harmonization, using 2021-HBS. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.

b/ Projection using neutral distribution (2021) with pass-through = 0.7 (Low (0.7)) based on private consumption per capita in constant LCU.

MONTENEGRO

Key conditions and challenges

Table 1 2023

Population, million	0.6
GDP, current US\$ billion	7.4
GDP per capita, current US\$	11996.9
International poverty rate (\$2.15) ^a	2.1
Lower middle-income poverty rate (\$3.65) ^a	3.8
Upper middle-income poverty rate (\$6.85) ^a	12.3
Gini index ^a	34.4
School enrollment, primary (% gross) ^b	100.7
Life expectancy at birth, years ^b	73.8
Total GHG emissions (mtCO2e)	3.5

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2021), 2017 PPPs.
 b/ WDI for School enrollment (2022); Life expectancy (2021).

Montenegro's economy performed strongly in 2023, with an estimated GDP growth of 6 percent. However, economic growth is expected to moderate in 2024, and the fiscal deficit is projected to widen during 2024-27 owing to higher social and capital spending. The country is also facing high financing needs due to significant debt repayments in an environment of high financing costs. Prudent fiscal and debt management policies are required, alongside structural reforms aimed at safeguarding and enhancing development prospects.

Montenegro's small, open, and service-based economy is vulnerable to external shocks, while the country's strategies and policies have not always been conducive to enhancing resilience. After a 15.3 percent contraction in 2020, the economy rebounded swiftly in 2021-22, averaging 9.7 percent growth per annum. Growth remained robust in 2023 at an estimated 6 percent, driven by booming tourism and private consumption, also supported by an influx of foreigners, primarily Russian and Ukrainian citizens.

Montenegro successfully reduced its public debt from 103.5 percent of GDP in 2020 to 60.7 percent in 2023, aided greatly by high nominal GDP growth. However, growth is expected to moderate in the medium term, while financing needs are high due to large debt repayments in an environment of uncertain global conditions. While one-off revenues resulted in a fiscal surplus in 2023, a return to fiscal deficits is expected in the medium term. The Parliament adopted the 2024 budget with a fiscal deficit of 3.2 percent of GDP; it includes an increase in the minimum monthly pensions from €300 to €450. In March, Montenegro issued a 7-year \$750 million Eurobond at a coupon rate of 7.25 percent. Yet, financing needs in the medium term remain high and leave little or no fiscal room for other policy changes either on the revenue or expenditure side

of the budget without adversely affecting the debt trajectory.

A new government, appointed in October 2023, placed EU accession at the top of its agenda. In the first three months of the new government, the country made key judiciary and prosecution appointments, unblocking the reform processes in the area of the rule of law, a cornerstone of Montenegro's EU accession process. Delivering on committed reforms is important for advancing Montenegro's long-term development prospects.

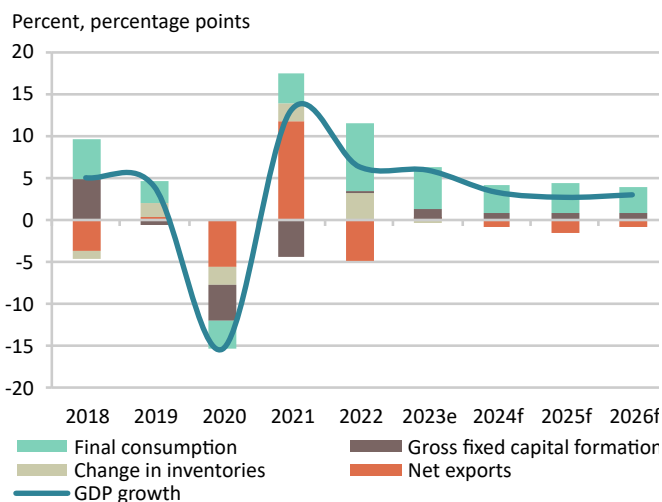
Recent developments

In 2023, real GDP growth reached 6 percent, driven by a strong tourism season and solid private consumption, underpinned by higher public sector wages, employment gains, and household borrowing, though it slowed down in the second half of the year. In 2023, real retail trade grew by 7.7 percent, while tourist overnight stays grew by 32.1 percent. Industrial production increased by 6.4 percent, but the value of construction works contracted by 7.9 percent.

In 2023 employment reached a historic high, with gains across all sectors. In Q3, the LFS data showed record employment and activity rates of 58.7 percent and 66.5 percent, respectively, while the unemployment rate dropped to 11.8 percent, the lowest on record. Administrative data show similar trends continued into Q4.

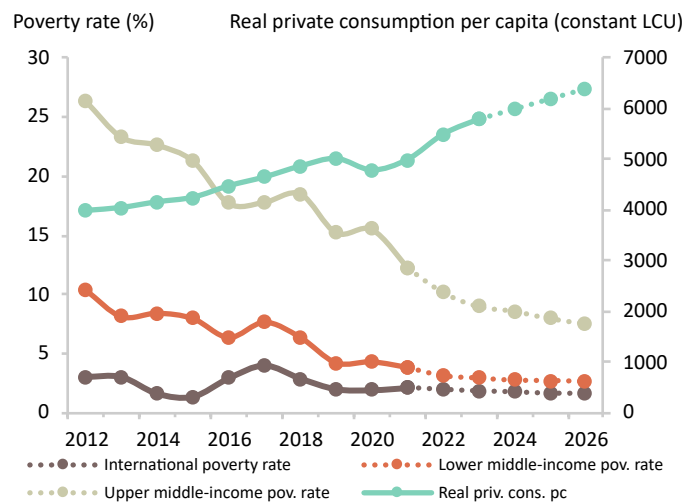
In 2023, inflation moderated to 8.6 percent, while real net average wages increased by

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



Sources: MONSTAT and World Bank.

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



Source: World Bank. Notes: see Table 2.

2.3 percent. Hence, poverty (income below \$6.85/day in 2017 PPP) is projected to have declined to 9 percent in 2023.

Montenegro's financial soundness indicators improved in 2023. In September, the average capital adequacy ratio was at 20.7 percent, while non-performing loans declined to 5.9 percent from 6.7 percent of total loans a year earlier. By January 2024, banking sector lending and deposits increased by 12.1 and 3.6 percent y/y respectively.

The current account deficit (CAD) narrowed to 11.4 percent of GDP in 2023, owing to strong exports, despite a decline in net income accounts because of higher dividend and interest payments. Net FDI fell by 45 percent, financing just half of the CAD, the remainder being financed from reserves.

One-off revenues and strong economic activity resulted in a 0.5 percent of GDP fiscal surplus in 2023. Revenues increased by 28 percent, supported primarily by one-off revenues worth 2.3 percent of GDP. Expenditure growth was more moderate, at 12.8 percent, despite an 18.7 percent increase in public wages and higher social transfers. Public debt declined to an estimated 60.7 percent of GDP.

Outlook

The growth outlook is positive albeit challenged by an unfavorable global environment. Coming from a very high base, growth is expected to moderate to 3.4 percent in 2024, still led by private consumption and service exports, with investment in the tourism and energy sectors making a slight positive impact. Public investment is also expected to provide positive contribution to growth. The possibility of some announced, but not budgeted, large public investments and airport concessions could further boost growth, but the fiscal space is limited. Considering a closure of the thermal power plant in 2025 for reconstruction, which will necessitate greater energy imports, growth is expected to slow down to around 2.8 percent, and then bounce back in 2026 to 3 percent. While the CAD is expected to narrow to 11.0 percent of GDP in 2024, energy imports in 2025 would increase it again to an estimated 11.6 percent of GDP but are expected to remain largely financed by net FDI. Inflation is expected to soften to 3.9 percent in 2024 and further to 2.5 percent in 2025.

Poverty is projected to decline by 1.5 percentage points from 2023 to 7.5 percent in 2026.

The 2024 budget increased the minimum pensions and capital spending, which are expected to contribute to a fiscal deficit of 3.6 percent of GDP in 2024. The deficit is expected to decline gradually to 3.5 percent of GDP in 2025 and 3.4 percent of GDP in 2026. Additional fiscal consolidation measures would, however, result in a better fiscal performance. Public debt is expected to stabilize at around 62.5 percent of GDP through 2024–26. Maintaining debt sustainability requires strong fiscal discipline, particularly given challenging global financial conditions and Montenegro's sizable financing needs over 2024–26. The announced policies of reducing labor taxes and/or contributions without compensatory measures represent a risk to public finances.

The outlook is clouded by potential downside risks. Elevated geopolitical uncertainties could dampen growth prospects for Montenegro's trading partners, while the high cost of external financing poses a risk given the country's substantial financing needs.

TABLE 2 Montenegro / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	13.0	6.4	6.0	3.4	2.8	3.0
Private consumption	4.0	9.7	5.4	3.4	3.4	3.3
Government consumption	0.5	1.5	3.1	2.8	2.7	1.8
Gross fixed capital investment	-12.3	0.1	4.8	3.4	3.5	3.3
Exports, goods and services	81.9	22.7	8.6	4.4	3.9	3.8
Imports, goods and services	13.7	21.3	5.2	3.9	4.5	3.5
Real GDP growth, at constant factor prices	13.2	6.3	5.4	3.0	2.8	3.1
Agriculture	-0.5	-2.9	-1.0	-0.5	0.0	0.0
Industry	1.4	-5.2	3.4	2.2	-5.0	6.0
Services	19.1	10.6	6.6	3.6	4.9	2.7
Inflation (consumer price index)	2.4	13.0	8.6	3.9	2.5	2.0
Current account balance (% of GDP)	-9.2	-12.9	-11.4	-11.0	-11.6	-11.3
Net foreign direct investment inflow (% of GDP)	11.7	13.2	6.3	7.1	7.0	7.0
Fiscal balance (% of GDP)	-2.1	-4.9	0.5	-3.6	-3.5	-3.4
Revenues (% of GDP)	44.0	38.6	42.8	41.5	41.7	41.8
Debt (% of GDP)	84.0	69.2	60.7	63.5	62.6	61.3
Primary balance (% of GDP)	0.2	-3.3	2.3	-1.6	-1.2	-0.9
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	2.1	2.0	1.8	1.8	1.7	1.7
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	3.8	3.1	2.9	2.7	2.7	2.6
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	12.3	10.2	9.0	8.6	8.0	7.5
GHG emissions growth (mtCO₂e)	3.9	2.6	2.6	0.8	-2.2	-0.4
Energy related GHG emissions (% of total)	67.8	69.2	70.3	70.6	71.0	71.0

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

a/ Calculations based on ECAPOV harmonization, using 2022-SILC-C. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.

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

NORTH MACEDONIA

Table 1 **2023**

Population, million	1.8
GDP, current US\$ billion	14.3
GDP per capita, current US\$	7831.4
Upper middle-income poverty rate (\$6.85) ^a	19.1
Gini index ^a	33.6
School enrollment, primary (% gross) ^b	92.1
Life expectancy at birth, years ^b	74.5
Total GHG emissions (mtCO2e)	9.5

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent WDI value (2021).
 b/ Most recent value (2019), 2017 PPPs.

Real growth decelerated for the third consecutive year since the post-pandemic rebound amidst lingering inflationary pressures, stretched public finances, and higher borrowing costs. Poverty reduction continued as a result of crisis-support measures still in place and rising wages. Fiscal consolidation remains a priority in a context of higher mandatory spending commitments and a build-up of fiscal risks. The outlook over the forecast horizon remains positive, but downside risks prevail.

Key conditions and challenges

Real growth continued to slow down for the third year in a row after the brisk post-pandemic recovery in 2021. Inflation eased from double-digit growth in 2022 to a rate of 9.4 percent in 2023. However, rising wages risk keeping inflation higher for longer and a slower return to the long-term average. Poverty reduction is estimated to have continued in 2023, albeit at a slower pace vis-à-vis pre-pandemic trends, with the poverty rate projected to fall marginally by 0.3 percentage points in 2023, given the rise in real incomes as employment stagnates.

Fiscal consolidation continues to be challenging as the deficit remains sticky at above 5 percent and recent spending commitments related to the construction of a major highway to Albania and public sector wage increases have put additional spending pressure on medium-term fiscal plans. New strategic investments in the energy sector that have come with new tax expenditures also add to rising fiscal risks, including through guaranteed purchase liabilities for the energy sector SOE. Public debt increased back to 62 percent of GDP at end-2023, breaching the newly introduced fiscal rule (effective from 2025), while expenditure arrears remain continuously high at around 3 percent of GDP.

Monetary tightening has helped contain still-high inflation expectations amid lowered imported price pressures from food

and energy. The main policy rate has been stabilized at 6.3 percent since September 2023, but increased interest rates have slowed the pace of private sector corporate borrowing to 3.3 percent y/y in December 2023.

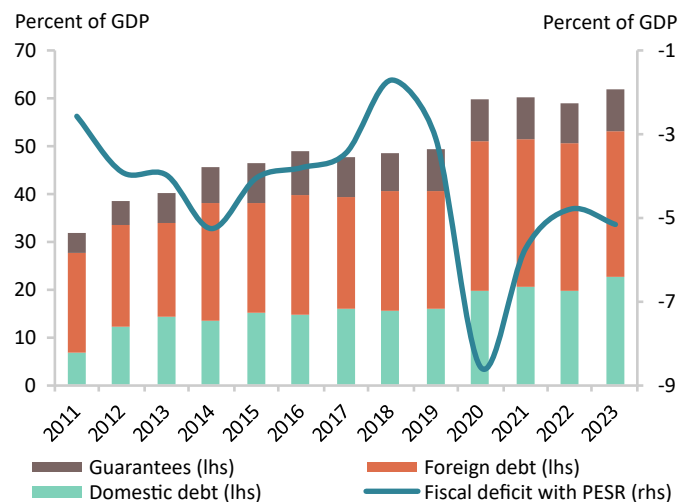
Navigating overlapping crises has left lasting scars in North Macedonia, slowing the pace of growth and income convergence with the EU. The growth recovery post-pandemic has been slower than in regional peers. Bolstering sustainability, boosting productivity, and bridging structural reform gaps will be critical to enable long-term growth in the context of heightened uncertainty and vulnerability.

Recent developments

Output growth subsided to 1 percent y/y in 2023 as consumption slowed while imports and inventories declined after a surge in the previous year. Growth was driven by services, in particular retail trade, finance, real estate, and ICT, while agriculture, manufacturing, and construction fell into negative territory.

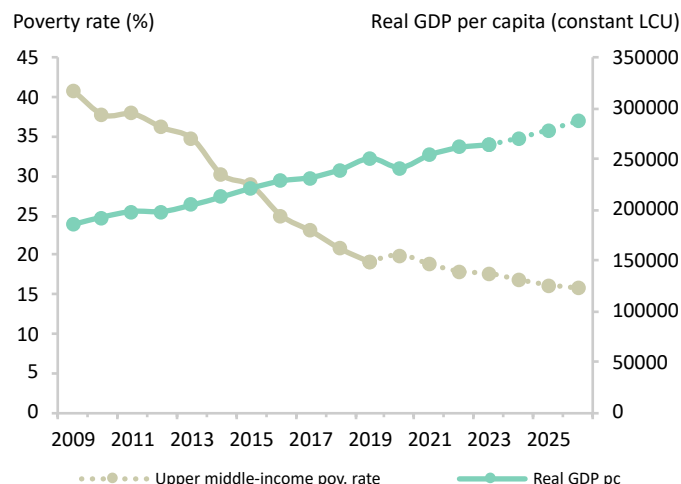
Compared to the previous quarter, labor market indicators in Q4 2023 showed rising unemployment to 13 percent, while the youth unemployment rate stood 2 pp higher at 32.5 percent. The labor force participation rate (ages 15+) lingers at a low 52.2 percent, while the employment rate fell marginally to 45.4 percent. Nominal wage growth continued to be brisk and reached 16.4 percent in December 2023, outpacing inflation by close to 13 pp.

FIGURE 1 North Macedonia / Fiscal performance



Sources: North Macedonia State Statistics Office, Ministry of Finance, and World Bank staff calculations.
 Note: Fiscal deficit with PESR included.

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



Source: World Bank. Notes: see Table 2.

Headline inflation fell to 3.6 percent in December 2023, but core inflation is still hovering above 5 percent. Inflationary pressures resulting from rising wages are set to continue as the minimum wage increases in April 2024.

The fiscal deficit (with the state roads finances included) is estimated at 5.2 percent of GDP for 2023 after two technical budget reallocations to accommodate additional spending for wages and transfers. The deficit grew despite a revenue boost from PIT, CIT, and social contributions as VAT collections disappointed and excises turned out lower, while transfers ended higher than initially planned.

Banking sector stability has been maintained in line with an increase in the capital adequacy ratio to 18.4 percent in Q3 2023, and a gradual return of the liquidity rate above 20 percent. At the same time, the NPL ratio remained constant at 2.8 percent.

The stability of the pegged exchange rate was maintained throughout 2023, and FX reserves stood above 4 months of imports

by year-end. The current account ended 2023 in surplus, as the trade deficit narrowed to 18.9 percent of GDP and remittances and incomes from abroad remained strong. Net FDI inflows remained robust at 3.8 percent of GDP.

Outlook

The medium-term outlook remains positive, but risks are tilted to the downside. While real GDP growth ended 2023 at 1 percent, reflecting delays in the take-off of highway construction works, weaker external demand, and lingering price pressures, it is expected to step up in the medium term. GDP growth is forecasted to be 2.5 percent in 2024, rising towards 3.0 percent over the medium term. This projection assumes strong growth in public investments and a gradual recovery of consumption and exports.

Inflation is projected to remain above the long-term average at 3 percent in 2024, but

to slow thereafter to 2 percent. The baseline scenario is built on the assumption that the impact of geopolitical tensions subsides over the forecast horizon and that the focus on the EU accession agenda remains in place after the general elections in May 2024. Poverty rates are projected to maintain a slow decline, falling by a further 1.8 percentage points over the forecast period.

Against several downside risks over the medium term, further progress with EU accession negotiations can provide an impetus for growth and accelerate income convergence with EU peers. Following up on pending structural reforms and ensuring fiscal sustainability is critical for boosting potential growth, which has declined to below 2 percent in the post-pandemic period. Importantly, scaling up decarbonization efforts accompanied by putting a price on carbon can strengthen domestic public revenues and maintain international competitiveness ahead of the implementation of the EU Carbon Border Adjustment Mechanism.

TABLE 2 North Macedonia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	4.5	2.2	1.0	2.5	2.9	3.0
Private consumption	8.7	3.8	2.4	1.4	2.5	2.5
Government consumption	0.9	-5.0	-0.6	15.0	3.3	2.7
Gross fixed capital investment	-5.5	3.4	-16.7	2.7	3.1	2.8
Exports, goods and services	14.3	11.4	-0.1	5.1	5.6	5.6
Imports, goods and services	14.8	12.4	-5.8	5.1	4.5	4.3
Real GDP growth, at constant factor prices	4.0	2.4	1.0	2.5	2.9	3.0
Agriculture	-8.7	-5.0	-3.8	1.2	1.1	1.1
Industry	-5.1	-1.9	7.6	1.6	1.4	1.4
Services	8.9	4.6	-0.6	2.9	3.6	3.7
Inflation (consumer price index)	3.2	14.2	9.4	3.0	2.0	2.0
Current account balance (% of GDP)	-2.8	-6.1	0.7	-1.8	-2.1	-2.1
Net foreign direct investment inflow (% of GDP)	3.3	5.0	3.8	4.6	4.4	4.3
Fiscal balance (% of GDP)	-5.3	-4.5	-4.9	-4.5	-4.0	-3.8
Fiscal balance with the state roads (% of GDP)	-5.7	-4.8	-5.2	-4.8	-4.2	-4.1
Revenues (% of GDP)	32.1	32.1	34.9	35.4	35.9	36.5
Debt (% of GDP)	60.3	59.0	62.0	62.5	62.7	62.2
Primary balance (% of GDP)	-4.1	-3.4	-3.4	-2.7	-1.9	-1.5
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	18.8	17.8	17.6	16.8	16.1	15.7
GHG emissions growth (mtCO₂e)	1.2	-0.8	-2.7	-2.9	-3.0	-2.9
Energy related GHG emissions (% of total)	71.5	71.1	70.0	68.8	67.6	66.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on ECAPOV harmonization, using 2020-SILC-C. Actual data: 2019. Nowcast: 2020-2023. Forecasts are from 2024 to 2026.

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

POLAND

Table 1 **2023**

Population, million	39.1
GDP, current US\$ billion	808.6
GDP per capita, current US\$	20681.2
Upper middle-income poverty rate (\$6.85) ^a	1.0
Gini index ^a	28.6
School enrollment, primary (% gross) ^b	95.8
Life expectancy at birth, years ^b	75.6
Total GHG emissions (mtCO2e)	318.9

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2021), 2017 PPPs.
 b/ Most recent WDI value (2021).

Poland's GDP growth decelerated sharply in 2023 as high inflation, tighter financing conditions, and an unwinding inventory cycle weighed on growth. The outlook is positive with a newly elected pro-EU government that has unlocked EU funds, should boost investors' confidence, and address structural challenges, notably Poland's needed green transition.

Key conditions and challenges

The Polish economy has weathered global and regional external shocks thanks to a well-diversified economic structure, integration into regional value chains, a commitment to macroeconomic stability, a sound financial sector, and domestic labor markets that have supported significant wage growth and private consumption, feeding into long-term poverty reduction and median income growth. The crises have yet weakened the fiscal stance, and the energy crisis resulting from the invasion of Ukraine has led to a sharp increase in inflation which reduced purchasing power of households and has started to weigh down on growth.

A pro-EU administration took office in December 2023 marking the first political transition in 8 years. It faces steep challenges, notably that of improving the quality of institutions, particularly the rule of law. The Polish economic model is also at a crossroads: it requires boosting productivity through stimulating innovation, decarbonizing the energy sector, tackling rising inequality, and reskilling and upgrading of the labor force in a context of a rapidly aging population. Greater efficiency in public spending and tax expenditures is needed to rebuild fiscal buffers and accommodate spending on health, defense, and renewable energy.

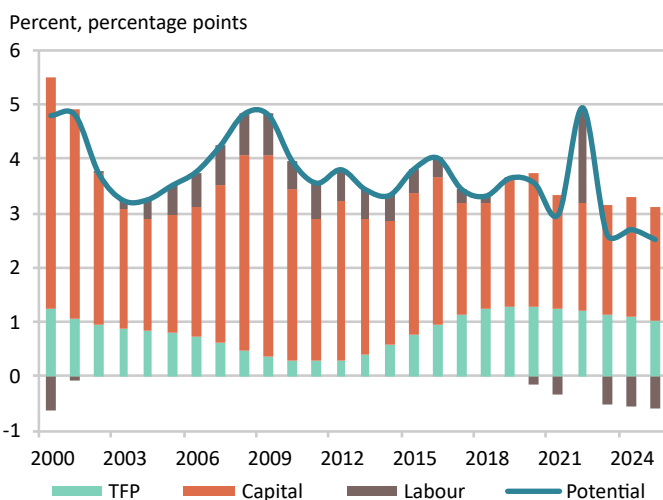
Medium-term economic prospects hinge on achieving the technological and green

transitions, advancing inclusion, and addressing labor shortages despite nearly 1 million refugees from Ukraine easing some pressure. The technological transformation and ambitious EU decarbonization objectives, where Poland is lagging other EU Member States (MS), require investment and planning, including ensuring a just transition that contains growing regional disparities, with political uncertainty potentially affecting investments until the end of the electoral cycle in May 2025.

Recent developments

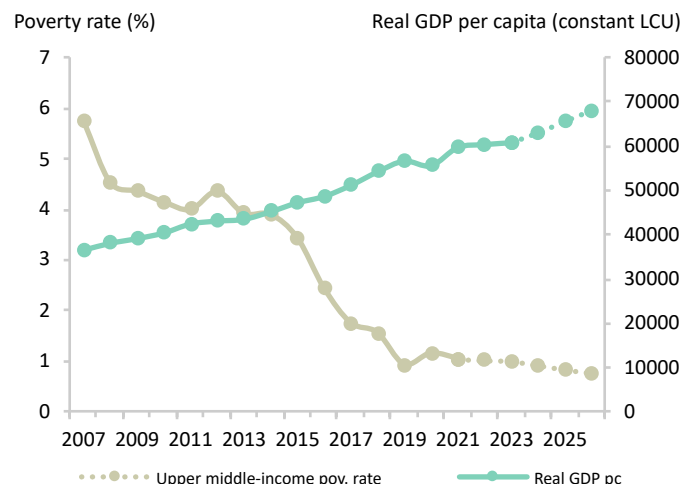
After a robust 5.3 percent real GDP growth in 2022, economic expansion decelerated markedly in 2023, to 0.2 percent. Private consumption was the main drag contracting due to high inflation, tighter financing conditions, and the unwinding of household support measures. This is despite a robust labor market and double-digit increases in average and minimum wages. External demand contracted as major trade partners' economic situations worsened. Exports significantly slowed in H2 2023. To the upside, firms' strong financial performance and the electoral cycle bolstered private and public investments. Inflation peaked at 18.4 percent year-on-year (y/y) in February 2023, then slowed down, reaching 3.9 percent y/y in January 2024, due to falling global commodity prices, a stronger zloty, and fewer supply disruptions. Measures like the extension of the zero VAT on essentials and

FIGURE 1 Poland / Potential output growth, and contributions to potential output growth



Sources: GUS and World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

fuel price caps until H1 2024 kept prices lower. The National Bank of Poland started its monetary easing cycle with a 75 basis points (bps) cut in September 2023, ending an early monetary tightening cycle started in October 2021 (665 bps). The zloty 10 percent's real appreciation in 2023 mirrored positive government-related risk perceptions.

The banking sector remains well capitalized and higher interest rates allowed for further improvement in capital adequacy. Continuous strengthening will be granted to finance growing investment needs, in the context of an accelerated green transition. The terms of trade shock that led to a current account deficit in 2022 reversed, returning the CAB to surplus in 2023. Untargeted measures to protect households and firms from the energy and food price shocks contributed to the widening of the fiscal deficit to 5.6 percent of GDP, as did higher debt service costs and the time-lagged impact of the PIT reform.

Mid-2023 saw a resumption of real wage growth due to slowing inflation and increases in nominal and real wages, ending a prolonged period of real wage declines. Extreme poverty rates (national concept) remained slightly above those in 2017, due to lingering impacts of pandemic labor

disruptions among vulnerable workers, reductions in the coverage of targeted minimum-income programs and in the real value of the Family 500 program, and declining purchasing power amid inflation. The Gini coefficient of inequality continued the upward trajectory visible since 2017.

Outlook

Economic growth is set to accelerate to 3 percent in 2024 and 3.4 percent in 2025, fueled by increased private consumption, as declining inflation and ongoing wage growth persist due to a tight labor market and a staged increase of the minimum wage in 2024. Boosts in the universal family transfers from 500 to 800 PLN per month, the expansion of the 14th month pension, along with investment driven by structural reforms and unlocked EU funds, will support growth, especially in 2025. Net exports' contribution to growth should turn negative in 2024 as domestic demand fuels imports while EU exports remain weak.

Inflationary pressures are expected during H2 2024 primarily due to the reinstatement

of VAT on basic foodstuffs and the phasing out of energy price caps. On an annual average, it should stabilize at around 5 percent and move closer to the NBP target of 2.5 percent (+/- 1 percent band) in the medium term.

Revenue shortfalls (from the tax reforms and exemptions), increased defense and election-related spending, are expected to keep the general government deficit at 5 percent of GDP in 2024. Expenditure pressures will remain high, suggesting a slow pace of fiscal consolidation. Public debt is sustainable and should remain below 60 percent of GDP in the forecast period, but the off-budget debt contracted in recent years increases fiscal risks. Poland issued its largest Eurobond to date in January 2024 at favorable terms (115 bps above mid-swaps for the 10-year and at 160 bps for the 20-year).

In 2024, poverty reduction is expected to resume due to expanded untargeted social programs, a strong labor market, and higher minimum wages, feeding into higher living standards for families, retirees, and working poor households. However, socially vulnerable households remain at risk due to long-term reductions in the coverage and adequacy of minimum income programs.

TABLE 2 Poland / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	6.9	5.3	0.2	3.0	3.4	3.2
Private consumption	6.1	5.3	-1.0	3.6	3.5	3.2
Government consumption	5.0	0.3	2.9	2.6	3.0	2.1
Gross fixed capital investment	1.2	4.9	8.4	1.4	6.3	5.5
Exports, goods and services	12.3	6.7	-1.9	0.5	4.0	3.5
Imports, goods and services	16.1	6.8	-8.3	1.7	5.1	4.0
Real GDP growth, at constant factor prices	6.6	5.5	1.1	3.0	3.4	3.2
Agriculture	-11.5	1.1	2.2	0.2	0.1	0.1
Industry	1.9	7.0	-1.0	3.0	3.1	3.1
Services	9.7	5.0	2.1	3.1	3.7	3.3
Inflation (consumer price index)	5.1	14.4	11.4	5.4	4.3	3.6
Current account balance (% of GDP)	-1.2	-2.4	1.6	0.1	-0.4	-0.8
Net foreign direct investment inflow (% of GDP)	3.8	3.7	2.3	2.5	2.5	2.5
Fiscal balance (% of GDP)	-1.8	-3.8	-5.6	-5.0	-4.4	-3.8
Revenues (% of GDP)	42.3	39.9	40.1	40.2	40.3	40.5
Debt (% of GDP)	53.6	49.3	51.4	53.0	53.9	55.6
Primary balance (% of GDP)	-0.7	-2.2	-3.3	-2.6	-2.6	-2.2
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	1.0	1.0	1.0	0.9	0.8	0.8
GHG emissions growth (mtCO₂e)	3.6	-3.9	-0.2	0.8	1.2	1.2
Energy related GHG emissions (% of total)	86.8	85.9	86.0	86.1	86.3	86.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on ECAPOV harmonization, using 2019-EU-SILC and 2022-EU-SILC. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.

b/ Projection using point-to-point elasticity (2018-2021) with pass-through = 0.7 based on GDP per capita in constant LCU.

ROMANIA

Table 1

	2023
Population, million	18.6
GDP, current US\$ billion	343.8
GDP per capita, current US\$	18460.5
International poverty rate (\$2.15) ^a	2.1
Lower middle-income poverty rate (\$3.65) ^a	3.3
Upper middle-income poverty rate (\$6.85) ^a	7.4
Gini index ^a	34.1
School enrollment, primary (% gross) ^b	90.8
Life expectancy at birth, years ^b	73.0
Total GHG emissions (mtCO ₂ e)	65.7

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2021), 2017 PPPs.
 b/ Most recent WDI value (2021).

The Romanian economy grew by 2.1 percent in 2023, supported by EU-financed investment and resilient consumption. Successful issuance of the first public green bond in February 2024 will support the green transition. Growth will accelerate in 2024, converging towards potential in the medium term. Fiscal and current account deficits will marginally decline. Poverty reduction is estimated to have decelerated in 2022 and 2023 due to slower growth and inflationary pressures.

Key conditions and challenges

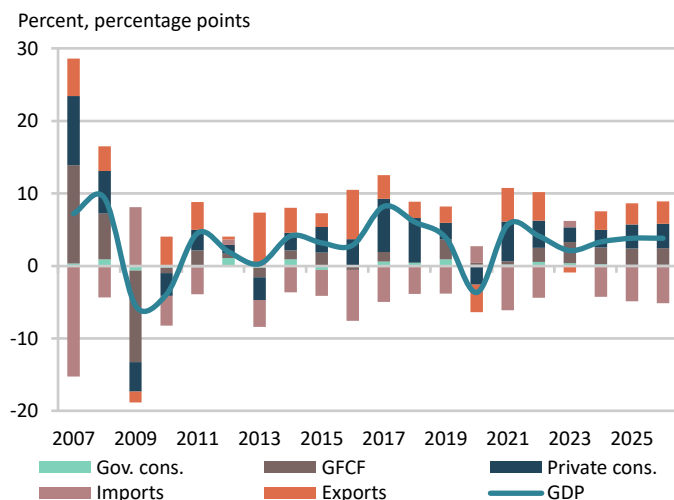
Romania has made considerable progress in economic performance and convergence with the European Union but faces challenges in fostering growth that is more inclusive and sustainable, both economically and environmentally. Challenges include regional disparities, weak institutions, skilled labor shortages, poor connectivity, and vulnerabilities to natural hazards and climate change. Pro-cyclical fiscal policies have stimulated consumption, resulting in persistently high twin deficits.

Romania has made notable achievements in diminishing poverty and inequality despite facing unprecedented challenges, including the COVID-19 pandemic and Russia's invasion of Ukraine. Nevertheless, Romania's poverty and inequality remain among the highest in the EU, and there are still significant disparities among the country's regions. The key challenges in the short term are to curb inflation and address fiscal pressures, which are particularly significant in the 2024 election year, while simultaneously tackling the persistently high poverty rate. To achieve a sustainable recovery and support fiscal consolidation efforts, it is vital to implement the reforms under the National Recovery and Resilience Plan (NRRP) and thereby maximize and efficiently absorb sizeable EU funds.

Recent developments

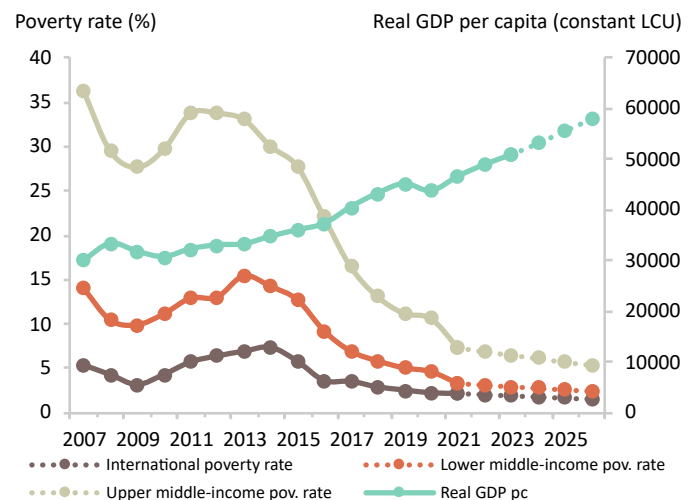
Growth decelerated to 2.1 percent y-o-y in 2023, impacted by higher inflation and weaker external demand. Investment (up 12 percent y-o-y), boosted by EU funds was the main driver. The contribution of private consumption remained significant (up 2.9 percent y-o-y), supported by low unemployment (close to pre-pandemic levels) and minimum wage and pension increases, which partially offset the impact of high energy and food prices on disposable incomes. Trade and current account deficits narrowed due to higher services surplus and reduced goods deficit amid import compression driven by slower consumption growth. Construction remained the main growth driver (up 11 percent y-o-y) but faced reduced momentum due to a deceleration in residential construction. Industry shrank for the second consecutive year due to elevated production costs, especially in energy-intensive sectors. Nominal net wages grew by 15.5 percent y-o-y in December 2023, above headline inflation, driven by wage increases in the private sector as the minimum wage increase fueled companies' labor costs. Headline inflation eased to 10.4 percent in 2023, supported by reduced energy and food market pressures and improved inflation expectations. The National Bank of Romania has maintained a tight monetary policy stance, keeping the policy rate at 7 percent since January 2023. Private sector credit growth decelerated to 6.4 percent y-o-y in December

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



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

2023 from 12.1 percent y-o-y in December 2022, reflecting the slowdown in loans to households (up 1.4 percent y-o-y).

The fiscal deficit declined to an estimated 5.7 percent of GDP in 2023 from a pandemic-related high of 9.3 percent in 2020, thanks to an expenditure-based consolidation. Additional tax measures implemented in January 2024 are expected to bring around one percent of GDP in extra revenue this year, supporting fiscal consolidation. However, more is required to accommodate higher recurrent spending in the short to medium term, stemming from the schedule of the recently adopted pension reform. The Ministry of Finance launched in mid-February 2024 two euro-denominated bond tranches with 7-year and 12-year maturities. The 12-year tranche, Romania's inaugural green bond issue, valued at EUR2 billion, was oversubscribed more than 4 times, underscoring the potential for sovereign green bonds to facilitate the shift towards a greener economy.

Poverty reduction (\$6.85/day PPP) is projected to decelerate, with a modest decline of 0.5 percentage points (from 7.4 percent in 2021 to 6.9 percent in 2022) due to slower growth and inflation. In 2021, around 25 percent of the population

faced energy poverty, spending about 8.7 percent of their budget on energy, with 17.8 percent struggling to pay utility bills, one of the highest rates in the EU. By 2022, 15.2 percent of households struggled to heat their homes, one of the highest rates in the EU, exacerbated by rising energy costs. Despite price caps, the burden on household budgets remains significant, especially at the lower end of the welfare distribution, indicating that the most economically disadvantaged segments of the population bear the brunt of these price increases. In 2023, poverty (\$6.85/day PPP) is projected to have declined slowly, reaching 6.6 percent.

Outlook

Economic growth is expected to accelerate in 2024 to an estimated 3.3 percent, supported by private consumption (benefiting from rising disposable incomes) and EU-financed investment. Romania's short-term growth prospects are dampened by external shocks mainly stemming from the ramifications of Russia's invasion of Ukraine, persistent structural fiscal challenges, and political and social

pressures in the context of the 2024 multi-level national and EU elections.

As fiscal consolidation is expected to accelerate with the resumption of the Excessive Deficit Procedures and the new economic governance framework, efficient EU fund absorption is key for a sustainable, green, and inclusive recovery. The Government has already received EUR6.3 billion (out of 28.5 billion by 2026) through the performance-based NRRP, reflecting the achievement of reform milestones in areas of decarbonization, database interoperability to reduce red tape, and fiscal and pension reforms. The NRRP funds and associated structural reforms are essential for a sustainable reduction of the fiscal deficit over the medium term, alongside strengthened lifelong skills formation and private capital mobilization, boosting potential growth.

With the growth acceleration, a slightly faster poverty reduction is expected in 2024. Maintaining or strengthening social safety nets during fiscal consolidation can help protect vulnerable populations from falling deeper into poverty, as some of the fiscal measures (i.e., higher VAT) can disproportionately affect low-income households. Adequate support for those facing economic hardships can be a crucial aspect of poverty reduction.

TABLE 2 Romania / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	5.7	4.1	2.1	3.3	3.8	3.8
Private consumption	7.2	5.8	2.9	3.5	4.7	4.8
Government consumption	1.8	-3.3	2.9	2.1	1.4	1.2
Gross fixed capital investment	2.9	5.9	12.0	8.4	7.9	7.8
Exports, goods and services	12.6	9.7	-2.1	5.4	6.0	6.2
Imports, goods and services	14.8	9.5	-1.8	7.5	8.2	8.3
Real GDP growth, at constant factor prices	5.3	3.6	2.1	3.3	3.8	3.8
Agriculture	13.7	-23.4	10.2	1.8	2.1	2.1
Industry	0.9	-4.6	-2.3	0.7	1.6	1.9
Services	6.8	9.4	3.4	4.4	4.7	4.6
Inflation (consumer price index)	5.1	13.8	10.4	6.3	3.9	3.2
Current account balance (% of GDP)	-7.2	-9.1	-7.0	-6.3	-6.1	-5.9
Net foreign direct investment inflow (% of GDP)	3.7	3.5	2.1	2.9	3.1	3.2
Fiscal balance (% of GDP)	-7.1	-6.3	-5.7	-5.5	-4.8	-4.3
Revenues (% of GDP)	32.9	33.7	34.0	34.7	36.4	36.7
Debt (% of GDP)	48.6	47.2	48.9	50.4	51.7	52.6
Primary balance (% of GDP)	-5.6	-4.7	-4.3	-4.1	-3.4	-3.0
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	2.1	2.0	1.9	1.8	1.7	1.6
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	3.3	3.1	2.9	2.8	2.6	2.4
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	7.4	6.9	6.6	6.2	5.7	5.4
GHG emissions growth (mtCO₂e)	2.2	-7.9	-4.2	-0.9	-0.3	-0.6
Energy related GHG emissions (% of total)	92.0	91.9	91.9	92.0	92.2	92.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on ECAPOV harmonization, using 2014-EU-SILC and 2022-EU-SILC. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.

b/ Projection using point-to-point elasticity (2013-2021) with pass-through = 0.7 based on GDP per capita in constant LCU.

RUSSIAN FEDERATION

Table 1 **2023**

Population, million ^a	143.8
GDP, current US\$ billion	2020.3
GNI per capita, Atlas method, current US\$ ^a	11610.0
Upper middle-income poverty rate (\$6.85) ^b	4.1
Gini index ^c	36.0
School enrollment, primary (% gross) ^d	104.1
Life expectancy at birth, years ^d	69.4
Total GHG emissions (mtCO ₂ e)	1565.8

Sources: WDI, MPO, Rosstat.
a/ Most recent value (2021).
b/ Most recent value (2020), 2017 PPPs.
c/ Most recent value (2020).
d/ Most recent WDI value (2019).

Economic growth is expected to decrease to 2.2 in 2024, and 1.1 percent in 2025. Stronger momentum from 2023 and continuation of loose fiscal policy underpin the growth projections. Export volumes are expected to increase in 2024 after two years of contraction. Poverty is projected to experience a modest decline between 2024 and 2026.

Key conditions and challenges

After the initial recessionary impact of sanctions in 2022, the economy has returned to growth in 2023, supported by fiscal stimulus including military spending and credit expansion, and by successfully mitigating the impact of the sanctions. Restrictions on trade and financing from the G7 countries and EU resulted in trade diversion to China, India, Türkiye, Central Asia and the South Caucasus, and investment in new infrastructure and logistics. Matching this process, the share of Russia's external trade transactions in currency of countries which introduced sanctions dropped from about 80 percent in 2021 to below 30 percent in 2023. The medium to long-term economic prospects remains dull, however. Russian businesses and households continue to be affected by great uncertainty, restrictions on export of a wide range of goods, persisting gaps in supply of some technological equipment, and higher trade costs. Restrictions on Russia's exports have put pressure on the external balance, exchange rate, and fiscal receipts. The fiscal position has deteriorated, with energy receipts compressed by the sanctions, and a sharp increase in general government spending on defense and national security, and social transfers. Moreover, there is a scarcity of labor for activities not related to the military, and the labor market has further significantly tightened due to

accelerated outmigration, which has contributed to inflationary pressure. Overall, loss of skilled workers, restrictions on imports of technological goods, and loss of productive FDI is expected to depress medium- to long-term growth prospects.

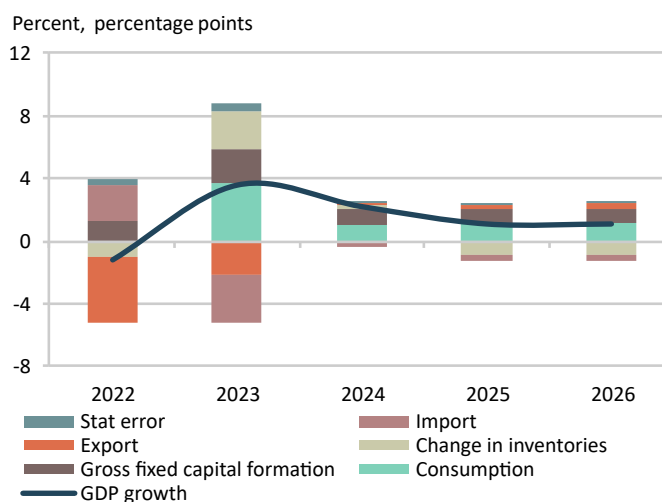
Recent developments

Russia's economy rebounded in 2023 with GDP growth of 3.6 percent. Growth was driven by manufacturing (+7 percent), reflecting a large increase in military related activity and import substitution, as well as a rebound in trade related services (+7.3 percent), the financial sector (+8.6 percent) and construction (+7 percent). Despite the sanctions on oil-related exports, extractives output declined by only 2 percent. Household consumption grew by 6.1 percent, and investment rose by 10.5 percent, supported by subsidized mortgages and military spending.

The economic rebound was partly fueled by expansionary fiscal policy, with general government expenditures rising by 1.3 percent of GDP, and investment from the sovereign wealth fund reaching 0.6 percent of GDP. Total revenues increased by 0.4 percent of GDP, as the drop in oil and gas revenues was compensated by an increase in non-oil/gas revenues. As a result, the general government deficit widened from 1.4 percent in 2022 to 2.3 percent of GDP in 2023.

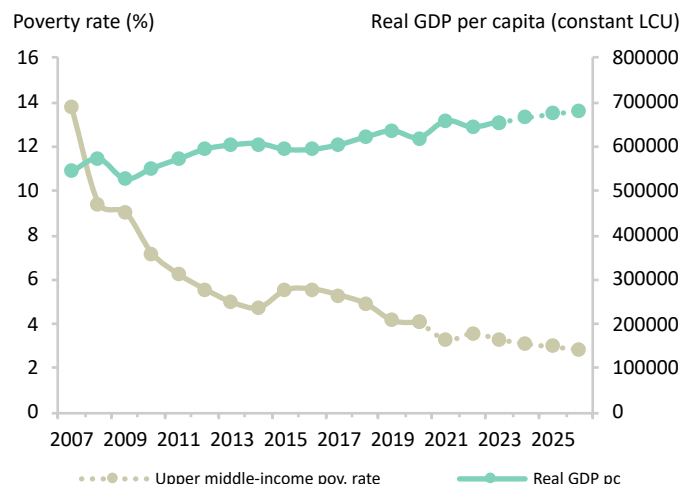
The current account remained in surplus in 2023, but shrank five-fold compared to 2022, as export receipts slumped, and

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



Sources: Rosstat and World Bank.

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



Source: World Bank. Notes: see Table 2.

imports rebounded. Capital outflows persisted, adding to the pressure on the exchange rate. The ruble depreciated by 20 percent vis-a-vis the US dollar in 2023 but stabilized later in 2024, aided by the central bank foreign exchange sales.

Economic output exceeding its potential and ruble depreciation have fueled inflationary pressures. CPI inflation increased to 7.6 percent by December 2023, with average of 6 percent for the year. The central bank raised interest rates by 8.5 percentage points to 16 percent by December 2023, and tightened macro prudential regulations. The authorities tightened new FX surrender requirements for some exporters.

Unemployment reached the historically low rate of 3 percent in 2023, largely associated with the military effort and the emigration abroad of large numbers of young Russian men. In 2023, there was also a reallocation of labor toward sectors engaged in military production and import substitution.

The banking sector recorded a profit of RUB 3, 3 trillion (US\$36 billion) in 2023, compared to RUB 0.2 trillion in 2022.

Credit to the private sector grew by 17.4 percent in real terms in 2023 (yoy), in part thanks to government support measures, including a RUB 100 billion recapitalization of VTB.

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. Available data limits our ability to assess the economic performance.

This outlook assumes that Russia's invasion of Ukraine and existing sanctions will continue. Growth of 2.2 percent is expected in 2024 before decreasing to 1.1 percent in 2025 and 2026. Fiscal stimulus is expected to maintain the economy above its potential level, with fiscal policy, monetary and quasi-fiscal policy not fully coordinated in this respect. Expansionary fiscal

policy aimed at adjustment to sanctions through trade diversion and import substitution, as well as rapid military production will support domestic demand as the main growth driver. Investment growth is expected to moderate, as macro prudential regulations are tightened and subsidized mortgage programs, narrowed. Elevated expenditures are expected to keep the general government balance in deficit of 2.1 percent of GDP this year, and only gradually to decline thereafter. Average annual CPI inflation is expected to increase to 6.9 percent in 2024 and then gradually approach the target of 4 percent by 2026. The current account surplus is expected to decrease to 2.1 percent of GDP in 2024 from 2.5 percent a year before mostly due to import growth. Poverty is expected decline marginally between 2024 and 2026.

Possible further rounds of mobilization and sanctions are negative risk to the baseline growth projections. Stricter compliance to sanctions, particularly that affect inflows of oil and gas revenues, or disrupt nascent trade patterns for commodities, may have a significant impact.

TABLE 2 Russian Federation / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	5.9	-1.2	3.6	2.2	1.1	1.1
Private consumption	11.9	-1.1	6.0	1.4	1.2	1.2
Government consumption	2.9	3.0	3.7	2.8	2.3	2.1
Gross fixed capital investment	9.3	6.7	10.5	4.5	3.2	3.2
Exports, goods and services	3.3	-13.9	-8.2	1.0	1.5	1.5
Imports, goods and services	19.1	-11.0	16.9	3.2	2.0	2.0
Real GDP growth, at constant factor prices	6.5	-0.3	3.4	2.2	1.1	1.1
Agriculture	1.3	7.0	0.5	1.2	1.2	1.2
Industry	4.3	0.4	1.5	2.0	1.4	1.4
Services	8.0	-1.1	4.5	2.3	1.0	0.9
Inflation (consumer price index)	6.7	13.7	6.0	6.9	4.4	4.2
Current account balance (% of GDP)	6.6	10.3	2.4	2.0	1.1	1.0
Net foreign direct investment inflow (% of GDP)	-1.4	-1.2	-1.3	-1.0	-0.9	-0.8
Fiscal balance (% of GDP)^a	0.8	-1.4	-2.3	-2.1	-1.7	-1.3
Revenues (% of GDP)	35.4	34.2	34.5	36.1	35.3	34.9
Debt (% of GDP)	17.2	16.7	17.1	17.8	18.6	18.7
Primary balance (% of GDP)^a	1.6	-0.5	-1.2	-0.7	-0.2	0.3
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{b,c}	3.3	3.6	3.3	3.1	3.0	2.9
GHG emissions growth (mtCO₂e)	4.4	-2.8	2.9	2.0	1.0	1.0
Energy related GHG emissions (% of total)	91.0	90.6	90.5	90.3	90.1	90.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

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

b/ Calculations based on ECAPOV harmonization, using 2020-HBS. Actual data: 2020. Nowcast: 2021-2023. Forecasts are from 2024 to 2026.

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

SERBIA

Table 1 **2023**

Population, million	6.6
GDP, current US\$ billion	75.6
GDP per capita, current US\$	11397.7
International poverty rate (\$2.15) ^a	1.6
Lower middle-income poverty rate (\$3.65) ^a	2.9
Upper middle-income poverty rate (\$6.85) ^a	7.9
Gini index ^a	33.4
School enrollment, primary (% gross) ^b	96.6
Life expectancy at birth, years ^b	72.7
Total GHG emissions (mtCO2e)	65.1

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

The growth of the Serbian economy accelerated in the second half of 2023 bringing GDP growth for the year as whole to 2.5 percent. The incidence of poverty declined to an estimated 7.5 percent. Growth is expected to accelerate further in 2024, but risks to the outlook are tilted to the downside. Poverty reduction is projected to continue, although at a slower pace, as unemployment will remain significant in some regions and for some age groups.

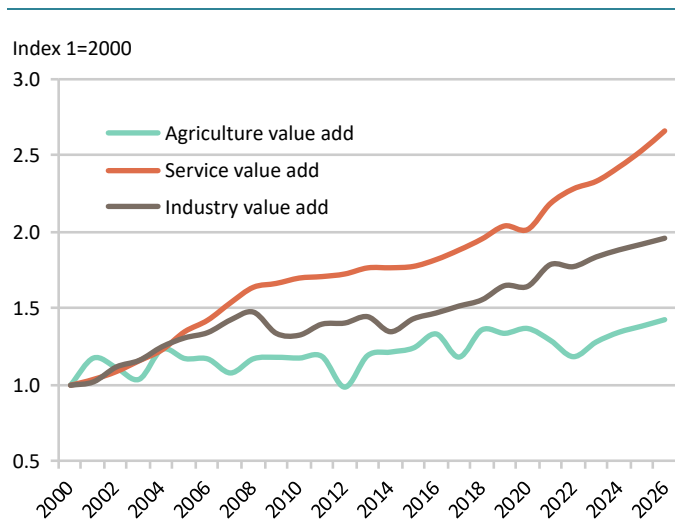
Key conditions and challenges

Growth in 2023 is estimated at 2.5 percent, y/y, higher than previously projected thanks to a better-than-expected performance of the agriculture and construction sectors, and a strong recovery of the energy sector, after the 2022 crisis. On the expenditure side, net exports and, to a lesser extent, consumption, were the main drivers of growth in 2023 while investment had a negative contribution. Consumption started to recover only in the second half of the year because of persistent inflation, and overall investment decreased primarily due to lower inventories. As wages have started to post growth in real terms and inflation decelerates, it is expected that consumption will start to recover more rapidly. In order to resolve the problem of chronically low investment, Serbia primarily needs to remove bottlenecks for private sector investment including those related to governance, competition and the business environment. Over the medium term, under the baseline scenario, the Serbian economy is expected to grow at around 3-4 percent. With limited space for future stimulus packages, structural reforms are needed to accelerate growth which in turn will help to accelerate convergence to EU incomes.

Recent developments

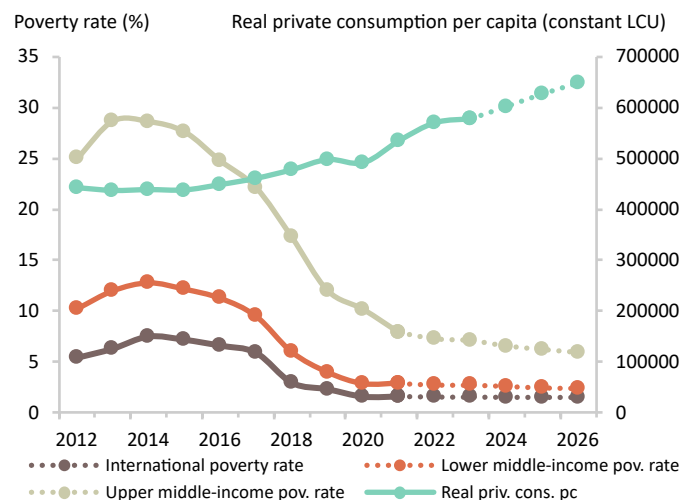
Weak GDP growth in Q1 and Q2 2023 (0.9 and 1.6 percent, y/y) was caused by a decline in investment and consumption. However, in the second half of the year consumption started to increase (compared to the same period of 2022), thus leading to an overall positive contribution to GDP growth in 2023. On the other hand, net exports made a positive contribution to growth in the first half of the year thanks to lower energy imports, which turned into a negative contribution in the second half of the year as external demand weakened. Labor market indicators remained broadly unchanged in 2023. The unemployment rate reached 9.1 percent in Q4 2023 (a slight increase compared to Q3) thus leading an annual average unemployment rate of 9.5 percent in 2023. Wages increased by 14.8 percent in nominal terms in 2023 compared to 2022. Poverty (based on the upper-middle income line of \$6.85/day in 2017 PPP) is estimated to have slightly declined from 7.9 percent in 2021 to 7.5 percent in 2022. In 2023, poverty reduction continued due to strong economic growth and improving labor market conditions, though it was partly countered by an output decline in agriculture, rising inflation at the end of the year, and the phasing out of government support programs, which had fueled the strong post-COVID-19 recovery of 2021. Inflation remained elevated throughout 2023, mainly due to a large increase in food and energy prices. The inflation rate

FIGURE 1 Serbia / Indexes of the level of sectoral GDP



Source: World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

reached a peak in March 2023 (16.2 percent) and moderated to 7.6 percent by year-end. The NBS responded to high inflation by continuously increasing the key policy rate between April 2022 and July 2023. It is kept unchanged at 6.5 percent since July 2023.

Budgetary revenues have overperformed significantly in 2023, primarily thanks to a higher-than-planned collection of contributions for social insurance, VAT, and corporate income tax. In 2023 total revenues were higher by 11.9 percent in nominal terms compared to 2022. Over the same period, expenditures increased by 9.8 percent in nominal terms. As a result, the consolidated fiscal deficit declined by nearly 20 percent in 2023 in nominal terms, reaching an estimated 2.2 percent of GDP. As a result, public debt continued to decline and stood at around 52.9 percent of GDP at the end of December.

The current account deficit narrowed significantly in 2023 to reach 2.6 percent of GDP (down by 56 percent compared to 2022 in euro terms). This improvement, by and large, was driven by a major decrease in the trade deficit (which stood at EUR 6.6 billion in 2023 compared to EUR 9.4 billion in 2022) as imports slowed. The services balance similarly improved,

due mainly to a continued increase in the export of IT services. Net FDI performed strongly reaching EUR 4.2 billion (or 6.1 percent of GDP). Foreign currency reserves increased to a record high level of EUR 24.9 billion by year-end. Overall credit decreased by 0.1 percent (y/y) through December. However, loans to private businesses and households were up by 2.4 percent and 1.2 percent respectively. Gross nonperforming loans declined to 3.1 percent in November 2023.

Outlook

The Serbian economy is expected to grow at around 3.5 percent in 2024, driven primarily by consumption. Over the medium term, the economy is projected to grow steadily at around 3-4 percent annually, supported by increases in consumption and investment, and a continued strong performance of exports. Foreign direct investment is expected to continue to play a key financing role. Inflation is expected to decline gradually and to return to the NBS target band by mid-2024. Fiscal deficit will continue to decrease and stabilize at around 1.5 percent of GDP. The banking

sector is expected to remain resilient, with NPLs stable at around 3 percent.

The poverty reduction pace is expected to gradually decline in 2023 and beyond. Poverty in 2023 is estimated at 7.1 percent. While Serbia's economy is expected to continue to grow, contributing to income growth for households, rising inflation will limit purchasing power. Particularly, rising energy prices would disproportionately affect the poor. The pace of labor market recovery remains critical for resumed poverty reduction. As the share of the poor shrinks, lifting out of poverty those that remain becomes more difficult – these are more likely to be families that are excluded from markets (due to disability, education, or other factors) and cannot benefit from positive economic trends. Thus, targeted social assistance or other direct channels will become essential in order to continue poverty reduction.

The outlook also crucially depends on the domestic reform agenda and its implementation. In particular, structural reforms in education, SOEs, along with further improvements in governance would pay off since those should incentivize private investors to invest more and to raise the quality of foreign investments in Serbia.

TABLE 2 Serbia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	7.7	2.5	2.5	3.5	3.8	4.0
Private consumption	7.9	4.0	0.8	3.7	3.6	2.9
Government consumption	4.3	0.4	0.1	2.8	1.6	4.0
Gross fixed capital investment	15.7	1.9	3.9	2.9	7.0	7.0
Exports, goods and services	20.5	16.6	2.4	4.0	6.5	6.1
Imports, goods and services	18.3	16.1	-1.1	4.7	6.3	6.0
Real GDP growth, at constant factor prices	7.7	2.2	2.6	3.5	3.8	4.0
Agriculture	-5.5	-8.3	4.8	3.4	3.4	3.4
Industry	8.9	0.1	-0.8	4.5	4.5	4.5
Services	8.8	4.5	4.1	3.0	3.5	3.8
Inflation (consumer price index)	4.0	11.9	12.1	5.0	3.5	3.2
Current account balance (% of GDP)	-4.3	-6.9	-2.6	-3.6	-3.9	-4.1
Net foreign direct investment inflow (% of GDP)	6.9	7.2	5.5	5.3	5.5	5.1
Fiscal balance (% of GDP)	-4.1	-3.0	-2.2	-2.0	-1.5	-1.5
Revenues (% of GDP)	43.2	43.4	42.9	42.8	42.7	42.4
Debt (% of GDP)	57.1	55.6	52.6	51.7	49.3	46.0
Primary balance (% of GDP)	-2.4	-1.5	0.1	0.2	0.2	0.1
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	1.6	1.6	1.6	1.5	1.5	1.5
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	2.9	2.8	2.7	2.6	2.5	2.4
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	7.9	7.2	7.1	6.5	6.2	5.9
GHG emissions growth (mtCO₂e)	1.9	1.5	0.2	1.6	1.7	1.9
Energy related GHG emissions (% of total)	74.1	74.8	74.8	75.1	75.4	75.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on ECAPOV harmonization, using 2022-EU-SILC. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.

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

TAJIKISTAN

Table 1 **2023**

Population, million	10.1
GDP, current US\$ billion	12.1
GDP per capita, current US\$	1189.0
International poverty rate (\$2.15) ^a	6.1
Lower middle-income poverty rate (\$3.65) ^a	25.7
Upper middle-income poverty rate (\$6.85) ^a	66.4
Gini index ^a	34.0
School enrollment, primary (% gross) ^b	95.9
Life expectancy at birth, years ^b	71.6
Total GHG emissions (mtCO ₂ e)	19.4

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

Tajikistan's economy grew at a blistering pace of 8.3 percent in 2023, fueled by private consumption and exports of precious metals. The outlook remains robust for 2024, supported by private consumption and public investment, while precious metal exports are expected to subside. To maintain rapid growth and convergence to higher income levels, Tajikistan will need to press ahead with ambitious structural reforms that support private sector-led job creation and enhance the efficiency of public service delivery.

Key conditions and challenges

Although Tajikistan has grown at more than 7 percent a year for the last decade, it remains the poorest country in the ECA region, with a GNI per capita of \$1,210 (Atlas method) in 2022 and 12.4 percent of households living below the LMIC poverty line.

Tajikistan's potential remains fettered by barriers to market competition, weak institutions, and limited human capital. Productivity is low, and few jobs are created by the private sector. Tajikistan depends on labor migration, primarily to Russia, and on exporting natural resources, particularly metals and minerals, which account for two-thirds of its total exports.

The government's short and medium-term priorities involve removing barriers to the development of a dynamic private sector, improving transparency and accountability of the public sector for better service delivery, including in state-owned enterprises (SOEs), and taking measures to make growth more inclusive and increase resilience to climate shocks.

Recent developments

Tajikistan's economy grew by 8.3 percent in 2023, supported by remittance-induced domestic demand and exports of precious metals. The economy experienced a

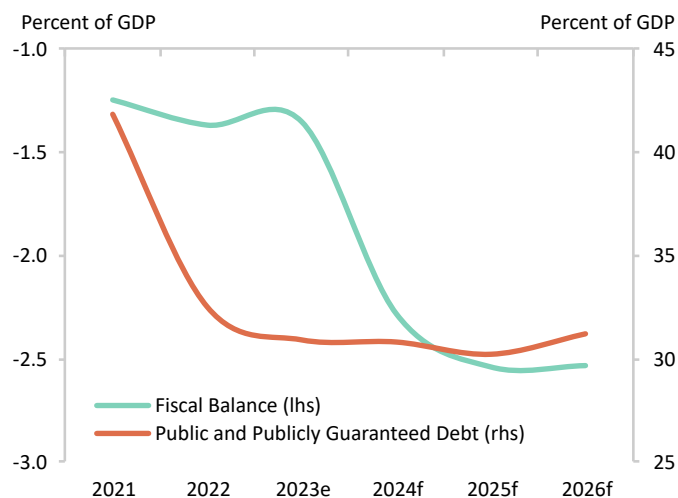
broad-based expansion led by the agriculture sector, followed by industry, construction, and services. Poverty under the LMIC poverty line is estimated to have declined from 12.4 percent in 2022 to 10.7 percent in 2023. According to the Listening to Tajikistan survey, about 42 percent of households had a migrant member and the share of households receiving remittances rose marginally from 17 percent in 2022 to 18 percent in 2023. The reduction in poverty was also supported by growth in domestic real wages of more than 7 percent in 2023.

Tajikistan's current account surplus remained robust at 5.7 percent of GDP. While inward remittances fell after the peak in 2022, this was offset by rising gold exports of 9.5 percent of GDP (from 4.9 percent in 2022). FDI inflows remained muted at below 1 percent of GDP. Gross international reserves stood at US\$3.6 billion (7.7 months of import cover) at end-2023, slightly below their level of US\$3.8 billion at end-2022.

Consumer price inflation remained contained in 2023, at 3.7 percent on average. Low inflation was supported by limited depreciation of the local currency, administrative price controls, solid agricultural output, and a drop in fuel prices. The central bank gradually loosened monetary policy reducing the policy rate from 13 percent to 10 percent in 2023, and to 9.5 percent in February 2024.

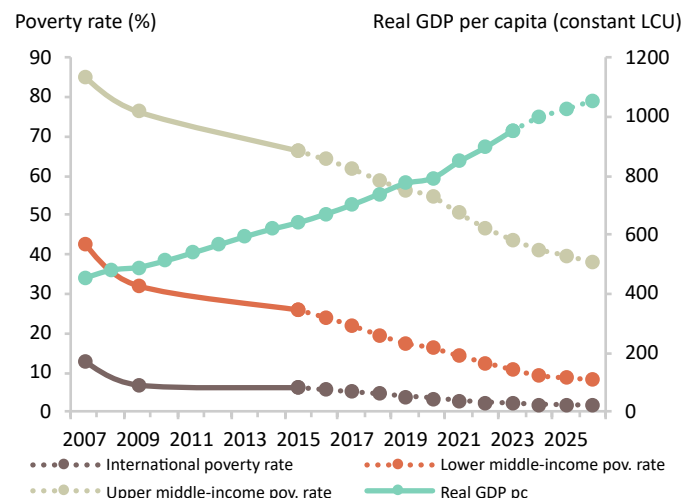
The 2023 budget deficit is estimated at 1.4 percent of GDP, which is similar to 2022. Due to robust economic activity and better tax administration, tax receipts increased from 18.5 percent in 2022 to 19.2 percent

FIGURE 1 Tajikistan / Fiscal balance and public debt



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

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



Source: World Bank. Notes: see Table 2.

of GDP in 2023. Budget expenditures increased from 28.5 percent of GDP to 30.8 percent, led by spending on energy, education, and communication. From July 2023, the authorities improved targeted social assistance to better identify vulnerable households and increased the amount of payments for households with more children. The budget deficit was financed primarily through external financing. Tajikistan is at high risk of debt distress (largely due to Eurobonds and IMF Rapid Credit Facility principal repayments in 2025-2027) but it is on a sustainable debt path in the medium term.

Although the banking sector has high capitalization levels, asset quality is relatively poor. At the end of 2023, the ratio of capital to risk-weighted assets was 21.3 percent, much above the minimum requirement of 12 percent. The share of nonperforming loans (NPLs) in total loans remains high at 12.7 percent at end 2023, and increased slightly from 12.2 percent at end 2022.

Outlook

Tajikistan's economy is expected to grow at 6.5 percent in 2024, supported by private consumption as Russia's demand for labor migrants remains strong, as well as by continued growth in domestic real wages and higher public spending on infrastructure. The surge in gold exports observed in 2023 is expected to decline due to a high base effect. Poverty, at the \$3.65 line (in 2017 PPP), is projected to decline from 10.7 percent in 2023 to 9.2 percent in 2024.

GDP growth potential is estimated at 4.5 to 5 percent in the medium term unless ambitious structural reforms are implemented. Inflation is expected to remain within the target range of 4 to 8 percent.

The fiscal deficit is expected to be capped at 2.5 percent of GDP over the medium term. The updated medium-term revenue

program is expected to improve tax collection performance, including by phasing out inefficient tax exemptions. Spending on Rogun Hydro Power Project and other large infrastructure projects is expected to be financed by improving revenues, financing from development partners, and offsetting cuts to non-priority spending. The government plans to continue to raise the share of budget spending on social sectors, including enhancing targeted social assistance to better safeguard vulnerable population groups. The moderate projected fiscal deficit is consistent with debt sustainability considerations.

Several factors pose risks to Tajikistan's economic outlook. These include geopolitical uncertainty, slower-than-expected global growth and tighter financial conditions, the high contingent liabilities of the SOE sector, and the slow pace of structural reforms. Additionally, Tajikistan is highly vulnerable to climate change and natural disasters.

TABLE 2 Tajikistan / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	9.4	8.0	8.3	6.5	4.5	4.5
Private consumption	4.3	15.7	4.7	3.2	2.9	2.8
Government consumption	4.6	12.6	13.0	7.9	3.8	3.8
Gross fixed capital investment	12.0	11.9	22.5	10.0	3.8	3.8
Exports, goods and services	55.4	-24.0	49.4	-20.4	5.7	4.2
Imports, goods and services	20.0	4.0	26.8	-3.0	5.5	2.5
Real GDP growth, at constant factor prices	10.4	9.0	8.3	6.5	4.5	4.5
Agriculture	-0.3	-4.5	9.0	5.0	3.0	3.0
Industry	13.2	9.1	11.3	8.0	5.0	5.0
Services	14.1	16.7	4.5	5.4	4.6	4.6
Inflation (consumer price index)	9.0	6.6	3.7	4.7	6.0	6.0
Current account balance (% of GDP)	8.2	15.3	5.7	3.5	3.0	2.4
Net foreign direct investment inflow (% of GDP)	0.4	1.5	0.8	1.5	1.5	1.5
Fiscal balance (% of GDP)	-1.2	-1.4	-1.4	-2.3	-2.5	-2.5
Revenues (% of GDP)	26.7	27.2	29.5	28.7	28.0	28.0
Debt (% of GDP)	41.9	32.5	30.9	30.8	30.2	31.2
Primary balance (% of GDP)	-0.4	-0.6	-0.7	-1.5	-1.7	-1.8
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	2.8	2.3	2.1	1.8	1.7	1.5
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	14.2	12.4	10.7	9.2	8.6	8.2
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	50.6	46.8	43.8	41.3	39.7	38.0
GHG emissions growth (mtCO₂e)	2.7	3.1	4.1	4.4	4.9	5.3
Energy related GHG emissions (% of total)	42.6	43.2	44.0	44.8	46.0	47.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on ECAPOV harmonization, using 2015-HSITAFIEN. Actual data: 2015. Nowcast: 2016-2023. Forecasts are from 2024 to 2026.

b/ Projection using neutral distribution (2015) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

TÜRKIYE

Table 1

	2023
Population, million	85.8
GDP, current US\$ billion	1024.5
GDP per capita, current US\$	11938.8
International poverty rate (\$2.15) ^a	0.4
Lower middle-income poverty rate (\$3.65) ^a	1.4
Upper middle-income poverty rate (\$6.85) ^a	7.6
Gini index ^a	44.4
School enrollment, primary (% gross) ^b	102.6
Life expectancy at birth, years ^b	76.0
Total GHG emissions (mtCO ₂ e)	511.1

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ Most recent WDI value (2021).

Over the past nine months Türkiye has been moving rapidly to normalize macroeconomic policies. Economic growth was strong at 4.5 percent in 2023 but is projected to moderate to 3.0 percent in 2024 before accelerating on a more solid footing in outer years. Poverty continued to decline in 2020 and 2021, though the combination of high inflation and macroeconomic policy adjustment related measures may slow progress in the short term.

Key conditions and challenges

The new economic team that took over after the May 2023 elections has been implementing an ambitious package of measures aimed at correcting previous macroeconomic imbalances. The central bank (CBRT) increased the policy rate by 4,150 bps since May 2023 to 50 percent in March 2024 while also adjusting reserve requirements, rolling back the FX-protected deposit scheme, lessening FX interventions, and providing targeted credit to exporters. Based on the new policy stance, in early March Fitch moved Türkiye's sovereign credit rating from B to B+ with a positive outlook. S&P and Moody's have not changed the credit rating but the outlook is positive. Despite high GDP growth in recent years, there are longstanding structural challenges that undermine potential growth, including: low productivity growth; low labor force participation and employment levels; and weakening foreign direct investment. In addition, boosting domestic revenues and maximizing the efficiency of public spending will be important to counter the recent deterioration in fiscal balances. Ambitious structural reforms would help accelerate sustainable economic growth.

Recent developments

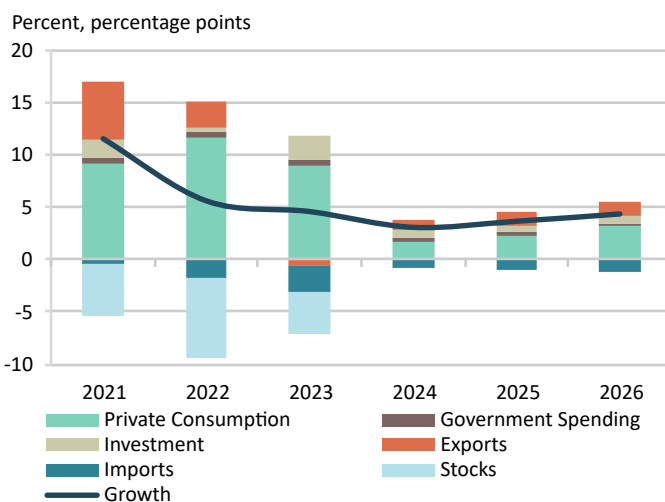
Türkiye's GDP expanded 4.5 percent in 2023, mainly driven by sustained growth

in private consumption (12.8 percent in real terms) alongside a strong pickup in investment (8.9 percent) and government consumption (5.2 percent). Exports contracted 2.7 percent in 2023 while imports grew firmly at 11.7 percent, dragging on growth. On a sectoral basis, services growth remained resilient at 4.8 percent and construction expanded 7.8 percent with earthquake recovery. The Turkish labor market continues to be strong; the seasonally adjusted unemployment rate was 9.1 percent in January.

The current account deficit fell to US\$45.4 bn in 2023 (4.2 percent of GDP) from US\$49.1 bn in 2022 with a sharp improvement in the second half of the year. Fewer FX interventions, steady lira depreciation, returning portfolio inflows, and the significant decline in credit default swap (CDS; a measure of risk premium) on Turkish assets (from above 700 prior to the May 2023 elections to 320 in end-March) have allowed CBRT net reserves to continue recovering, from a negative US\$5.7 billion in early June 2023 to a positive US\$19.6bn as of March 15.

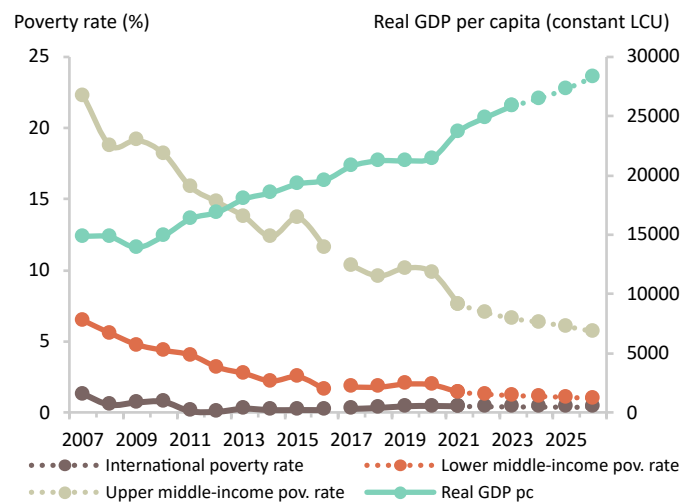
Inflation decreased from 57.7 percent in January 2023 to 38.2 percent in June 2023, but has since increased to 67.1 percent in February 2024 on the back of lira depreciation, sharp minimum wage increases (34 percent in July 2023 and 49.3 percent in January 2024), government tax adjustments, and strong demand. Interest rates are realigning and, along with high inflation and lower capital levels, are containing banks' loan growth despite the relaxation in credit market interventions: as of February 2024, nominal lira loan

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



Sources: Turkstat and World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

growth (13-week, FX-adjusted annualized trend) for state and private banks was 13.2 percent and 38.7 percent, respectively. Despite ongoing maturity mismatches, the banking sector's net FX position has improved with capitalization remaining strong. Notably, non-performing loans (NPLs) have declined since 2022 and the NPL ratio shows significant improvement (1.6 percent in January 2024 versus 4.4 percent in 2020). While tight monetary policy may impact some economic segments, particularly SMEs, the overall trend indicates a resilient banking sector.

The overall fiscal balance deteriorated to below -5 percent of GDP in 2023 (from -0.8 in 2022) due to rising expenditures and earthquake-related investment needs, and the primary balance was close to -3 percent of GDP (from +1.4 in 2022). However, the fiscal deficit is relatively low excluding earthquake-related expenditures. Public debt remains moderate at around 30 percent of GDP in 2023.

Poverty continued to decline but inequality widened between 2020 and 2021; the Gini coefficient increased to 46.0 in 2021 as the bottom and top income deciles reaped the largest benefits of growth. The bottom

decile experienced the highest real increase in labor income (26 percent), likely driven by the minimum wage increase that in 2021 exceeded CPI inflation; while the top decile reaped the highest benefits from real increases in business incomes (96 percent), likely due to the surge in asset prices. Poverty reduction was largely due to increased labor earnings.

Outlook

Economic growth is projected to moderate to 3.0 percent in 2024 on the back of policy tightening and slow global growth before accelerating to 3.6 percent in 2025 and 4.3 percent in 2026 with a more sustainable growth composition. Inflation is expected to decline gradually after peaking in May 2024 given tight monetary policy, while the current account balance is projected to improve starting from 2024 with a higher contribution of net exports. Given the economic slowdown and earthquake recovery needs, the general government deficit is expected to remain high in 2024 despite fiscal consolidation efforts.

The period ahead provides opportunities for tackling structural issues. It will be important to accelerate pro-growth structural reforms to unleash private sector productivity and investment in the medium-term. Poverty is expected to continue declining in the short run as increases in average nominal wages exceeded CPI changes in 2022 and 2023. However, if the distribution of growth remains the same as between 2020 and 2021, inequality is also likely to increase, impeding potential for long-term poverty reduction.

The outlook is contingent on continuation of the current policy stance. Risks to the outlook are balanced. Downside risks include: low net reserves and high external financing requirements, which imply low buffers against external shocks; heightened geopolitical tensions; vulnerability of the fiscal position to high borrowing costs; and slower growth resulting in political pressures to reverse policy normalization. On the upside, the increasing credibility of the new economic team may result in more investment inflows, which would help stabilize the currency and accelerate the economic adjustment.

TABLE 2 Türkiye / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	11.4	5.5	4.5	3.0	3.6	4.3
Private consumption	15.4	18.9	12.8	2.3	3.1	4.2
Government consumption	3.0	4.2	5.2	2.5	2.1	1.7
Gross fixed capital investment	7.2	1.3	8.9	2.9	2.9	3.1
Exports, goods and services	25.1	9.9	-2.7	4.5	5.2	5.9
Imports, goods and services	1.7	8.6	11.7	3.7	4.2	5.6
Real GDP growth, at constant factor prices	12.7	6.2	4.5	3.0	3.6	4.3
Agriculture	-3.0	1.3	-0.2	1.4	1.5	1.5
Industry	13.0	-0.6	3.7	4.6	4.8	5.0
Services	13.2	10.1	4.7	2.5	3.3	4.2
Inflation (consumer price index)	19.6	72.3	53.9	57.8	28.9	16.4
Current account balance (% of GDP)	-0.9	-5.4	-4.2	-2.8	-2.4	-2.5
Net foreign direct investment inflow (% of GDP)	0.8	1.0	0.7	0.9	1.1	1.4
Fiscal balance (% of GDP)	-2.6	-0.8	-5.4	-5.4	-3.7	-2.4
Revenues (% of GDP)	30.9	27.8	26.4	26.2	26.2	26.5
Debt (% of GDP)	41.5	30.3	29.7	29.9	30.5	31.2
Primary balance (% of GDP)	0.0	1.4	-2.5	-0.8	0.6	0.7
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	0.4	0.4	0.4	0.4	0.4	0.4
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	1.4	1.3	1.2	1.2	1.1	1.0
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	7.6	7.0	6.6	6.4	6.1	5.7
GHG emissions growth (mtCO₂e)	11.1	-5.2	1.8	2.3	3.0	3.5
Energy related GHG emissions (% of total)	78.6	76.5	75.8	75.2	74.6	74.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on ECAPOV harmonization, using 2021-SILC-C and 2022-SILC-C. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.

b/ Projection using point-to-point elasticity (2020-2021) with pass-through = 0.7 based on GDP per capita in constant LCU.

UKRAINE

Table 1 **2023**

GDP, current LCU trillion ^a	6.4
GDP, current US\$ billion ^a	177.3
GDP growth, annual % ^a	4.8
School enrollment, primary (% gross) ^b	92.8
Life expectancy at birth, years ^b	69.6
Total GHG emissions (mtCO2e)	154.3

Source: WDI, Macro Poverty Outlook, and official data.

a/ GDP numbers are expected (2023).

b/ Most recent WDI value (2021).

Ukraine's economy has resumed modest growth, estimated at 4.8 percent in 2023. Concurrently, macroeconomic risks emanating from the on-going active hostilities and uncertainty about the timing and amount of external assistance continue to rise and could require a policy adjustment if downside risks materialize. Household incomes increased in line with this economic growth, but household sentiments remain gloomy, with most people reporting financially worse conditions compared to their pre-war situation.

Key conditions and challenges

Even though Ukraine's economy has resumed modest growth in 2023 it continues to operate as a war economy that spent almost 50 percent of its 2023 budget on defense. Private demand remains subdued by a restrictive monetary policy, designed to rein in inflationary pressure resulting from continued supply disruptions and high demand from the public sector, whereas the public sector absorbs most scarce domestic resources and external aid to finance its large deficit.

As the war enters its third year, Ukraine's economic management has reached an inflection point. On the one hand, the country has been able to maintain macroeconomic stability since February 2022, controlling inflation, maintaining a stable currency, financing critical expenditure, and accumulating significant foreign exchange reserves. It has also been able to achieve EU candidacy status and has continued structural reform efforts despite the challenging conditions. On the other hand, the receipt of external aid - US\$42.5 billion in 2023 - was instrumental to this achievement, and concerns about the timing and amount of future aid disbursements are increasing. Ukraine's 2024 budget plans for the receipt of US\$37.3 billion in external financing, the timely receipt of which will be critical to enable the authorities to maintain macroeconomic stability and

to finance critical expenditure, including for social assistance.

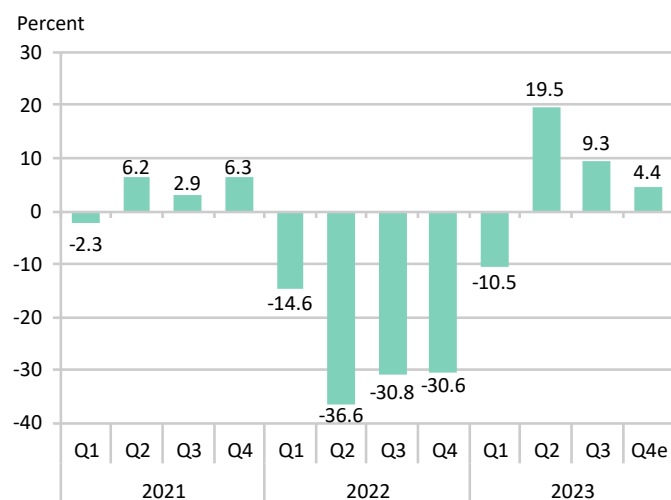
Looking ahead, Ukraine has, with support from its international partners, designed a medium-term structural reform agenda to enhance macro-fiscal sustainability and support growth. Effectively executing this agenda through timely reform approval and implementation, as well as prioritization, will be critical to reduce aid dependence and ensure that Ukraine benefits from the promise of EU membership. Restoring livelihoods through integration of displaced populations and ex-combatants into labor markets, ensuring continued social service delivery, and supporting households to recover from property damages are key priorities.

Recent developments

More reliable electricity, an exceptional harvest and the steadier receipt of external assistance have allowed for the first GDP expansion since February 2022, with year-on-year growth of 19.5 and 9.3 percent in Q2 and Q3 of 2023, respectively. Yearly growth for 2023 is estimated at 4.8 percent, with potential to the upside.

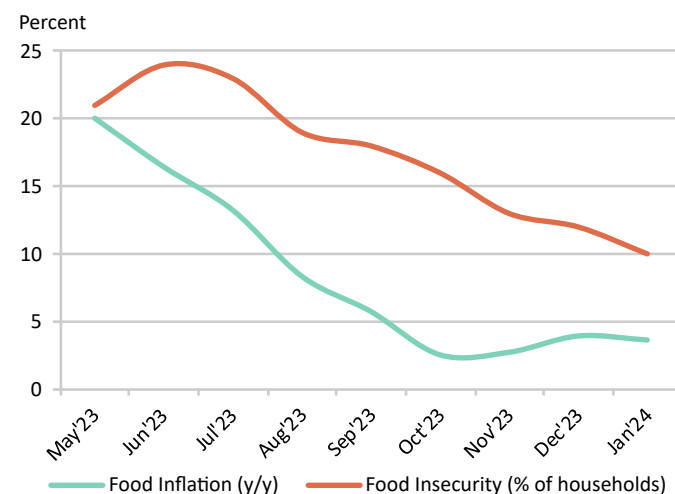
Inflation has declined from 26.6 percent at end-2022 to only 4.7 percent in January 2024. A restrictive monetary policy stance and conducive food supply contributed to this reduction. In October 2023, the NBU transitioned from a pegged to a slightly more flexible exchange rate regime, which has resulted in modest currency depreciation. Banks

FIGURE 1 Ukraine / Quarterly GDP growth, year-over-year



Source: Ukraine Statistics Office.

FIGURE 2 Ukraine / Trends on food inflation and food insecurity trends



Source: World Bank staff estimates.

have remained profitable and stable, but risks are prevalent.

After recording a surplus in 2022, Ukraine's current account turned into USD 9.6 billion deficit in 2023. This was driven by a widening trade deficit and the replacement of grant receipts by loans. Reserves were aided by external assistance and stood at USD 37.1 billion on March 1.

Higher needs for defense expenditure necessitated a significant revision of the 2023 budget and an expansion of the fiscal deficit, which reached an estimated 27 percent of GDP when excluding grants. Ukraine met its financing needs through domestic bank borrowing and external assistance but has not resorted to monetization in 2023.

There are signs of household incomes recovering. Estimates from earnings data suggest that nominal wages in the last quarter of 2023 had more than doubled year-on-year, outstripping inflation. Social transfers also increased in real terms. Nevertheless, 70 percent of households perceive being financially worse off compared to two years ago, reflecting a combination of high uncertainty, high prices

after a period of inflation, lack of savings and loss of property, with more than 20 percent of households having experienced damages since the war started.

Outlook

Ukraine's economic outlook is conditional on the timing and quantity of external assistance receipts and the assumed duration of Russia's invasion. Under an indicative scenario which assumes that active hostilities will continue throughout 2024, GDP is expected to expand modestly by 3.2 percent in 2024. Starting from 2025, Ukraine's economic growth would accelerate to 6.5 percent under the baseline assumption as export growth resumes, and reconstruction investment supports the demand side. Private consumption growth is projected to remain modest due to contractionary monetary policy needed to reign in post-war inflation. Inflation is expected to pick up in 2024 as one-off factors subside but is projected to decrease from 2025.

The current account is expected to widen to 7.8 percent of GDP deficit in 2024 and remain elevated under the baseline assumption, as a reduction in grants outweighs a gradually decreasing trade deficit from 2025 onwards. The fiscal deficit (excluding grants) is projected at 20.4 percent of GDP in 2024 before gradually declining to 6.6 percent by 2026, and is projected to be financed by external assistance, with an increasing contribution from domestic sources over time. Public and publicly guaranteed debt is projected to stabilize around 98 percent of GDP in the medium term.

This scenario is subject to significant downside risks due to the vulnerability of Ukraine's economic trajectory to external financing shortfalls and the possible prolongation of the active hostilities beyond 2024. Should downside risks materialize, a more stringent macroeconomic adjustment could become necessary. That adjustment could affect social spending and transfers to households that most of the poor have come to depend on, which could push many of them deeper into poverty.

TABLE 2 Ukraine / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	3.4	-28.8	4.8	3.2	6.5	5.1
Private consumption	6.9	-27.9	9.9	2.3	10.0	4.9
Government consumption	0.8	31.4	18.9	19.1	12.2	8.5
Gross fixed capital investment	9.1	-33.9	4.0	3.8	12.4	17.5
Exports, goods and services	-8.6	-42.0	-0.2	26.1	35.7	22.8
Imports, goods and services	14.2	-17.4	18.4	18.3	25.6	15.9
Real GDP growth, at constant factor prices	3.5	-28.8	4.8	3.2	6.5	5.1
Agriculture	14.4	-25.2	6.0	-1.0	10.0	6.0
Industry	7.2	-42.8	3.0	2.6	4.5	4.5
Services	0.5	-24.7	5.0	4.1	6.3	5.0
Inflation (consumer price index)	10.0	26.6	5.1	9.5	7.9	7.3
Current account balance (% of GDP)	-1.9	5.1	-5.4	-7.8	-8.6	-7.9
Net foreign direct investment inflow (% of GDP)	3.8	0.1	2.4	0.8	2.4	3.9
Fiscal balance (% of GDP)^a	-4.0	-24.8	-27.0	-20.4	-11.5	-6.6
Revenues (% of GDP)	36.5	40.6	36.9	37.4	38.4	39.5
Debt (% of GDP)	49.0	77.8	86.8	96.3	98.3	97.7
Primary balance (% of GDP)^a	-1.2	-21.6	-23.0	-14.9	-6.9	-2.4
GHG emissions growth (mtCO2e)	0.7	-28.2	-4.8	-7.3	-4.8	-3.1
Energy related GHG emissions (% of total)	72.4	67.0	68.3	67.8	67.1	66.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Fiscal Balance and Primary Balance are excluding grants in 2022-2026.

UZBEKISTAN

Key conditions and challenges

Recent developments

Table 1 **2023**

Population, million	36.2
GDP, current US\$ billion	90.9
GDP per capita, current US\$	2510.1
International poverty rate (\$2.15) ^a	2.3
Lower middle-income poverty rate (\$3.65) ^a	5.0
Upper middle-income poverty rate (\$6.85) ^a	17.3
Gini index ^a	31.2
School enrollment, primary (% gross) ^b	94.2
Life expectancy at birth, years ^b	70.9
Total GHG emissions (mtCO ₂ e)	198.1

Source: WDI, Macro Poverty Outlook, and official data.

a/ Most recent value (2022), 2017 PPPs.

b/ Most recent WDI value (2021).

The economy grew by 6 percent in 2023 amid broad based expansion and fiscal stimulus. The government is expected to consolidate fiscal spending in 2024 following an increase in the fiscal deficit in 2023. Robust real wage growth has contributed to poverty reduction in 2023. The medium-term outlook is positive as ambitious and ongoing structural reform is expected to improve the business environment in key sectors and stimulate private sector-led investment and growth. Steady economic growth is expected to result in a reduction in poverty.

Uzbekistan has implemented sweeping reforms in recent years that have liberalized parts of the economy and improved prospects for private sector development. In 2023, the authorities established an independent energy regulator, began energy tariff reform, restructured the state-owned enterprise (SOE) rail operator, privatized a large chemical plant and a bank, and unbundled the leading chemical SOE to promote competition. They also established the National Agency for Social Protection, approved strong new legislation to combat gender-based violence, and expanded access to free legal aid. Uzbekistan also took a green transition path by introducing more ambitious environmental targets, a new pollution control system, and a national green taxonomy. With high population growth and a large amount of youth entering the workforce each year, economic growth will need to support strong job creation. To do so, Uzbekistan needs to continue its reforms program to open up markets and boost competition, notably by reducing dominance of SOEs in the economy, strengthening land rights, liberalizing the telecommunications sector and raw materials trade, and reducing high trade costs. Faster job creation and productivity growth will also require increasing labor force skills.

Real GDP grew by 6 percent in 2023, led by investment, private consumption, and exports. Faster investment growth was facilitated by credit growth to SOEs and private sector. Real credit (loans to SOEs and private sector) grew by 11.6 percent between 2022 and 2023, up from 5.1 percent between 2021 and 2022.

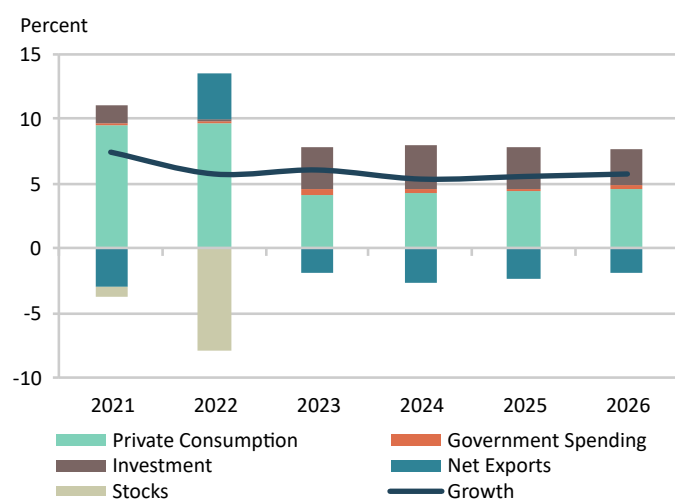
Consumer price inflation fell to its lowest level in seven years, dropping to 8.8 percent yoy in December 2023, compared to 12.3 percent in 2022. This was driven by sustained, tight monetary policy, as well as a VAT tax rate cut and lower international food and energy prices.

In 2023, the Uzbek som depreciated by 9 percent against the US dollar (USD), in part due to a flow on effect of the depreciation of the Russian ruble (a close trading currency) against the USD.

The current account deficit deteriorated as import growth accelerated and remittances declined in 2023 (the latter was related to the ruble's depreciation). Uzbekistan's gas exports dropped by half, and amid rising domestic gas needs, Uzbekistan began importing gas from Russia in 2023 for the first time.

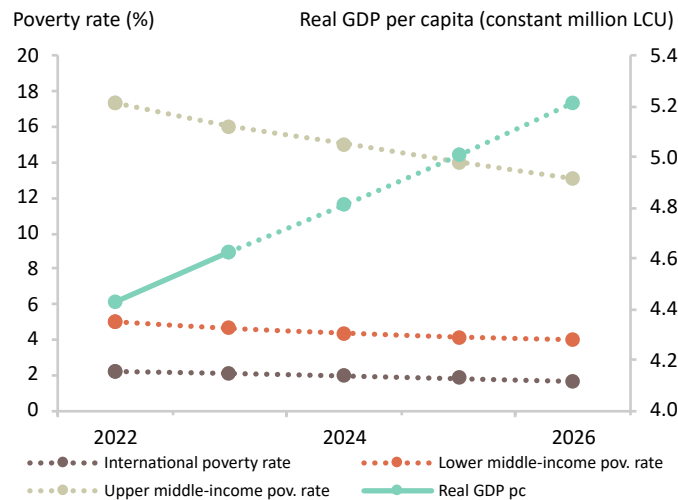
The fiscal deficit expanded from 4.1 percent in 2022 to 5.8 percent of GDP in 2023 due to emergency spending on energy infrastructure and fuel during the cold winter, higher spending on salaries and social benefits, energy subsidies, and subsidized lending to SOEs via state-owned banks. Foreign reserves remained ample

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



Source: World Bank staff calculations based on official data.

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



Source: World Bank. Notes: see Table 2.

at \$34.6 billion by December 2023, more than 8 months of prospective imports. Robust real wage growth contributed to reducing poverty from 5.0 percent in 2022 to 4.5 percent in 2023, measured at the lower-middle income poverty line (USD 3.65/day, 2017 PPP). The unemployment rate has dropped to 8.1 percent in 2023, down from 8.9 percent in 2022. Average real wages in 2023 increased by 7.8 percent not only due to growing demand but also because of skills shortages in the labor market. As a result, wage growth was higher among the more skilled (and wealthier) workers than among the poor, resulting in higher income inequality.

Outlook

GDP growth is projected at 5.3 percent in 2024 given the expected fiscal consolidation and slower export growth prospects to Russia and China, Uzbekistan's key trading partners. Growth will be supported

mainly by the continued implementation of structural reforms, notably SOEs' restructuring and privatization, and high energy sector investment.

Inflation is expected to increase in 2024 due to relatively sharp increases in domestic energy prices because of the energy tariff reforms (accompanied by social protection measures). This will be partially offset by a continued tight monetary stance while the central bank completes its transition to full inflation targeting. Inflation is expected to decelerate to 8 percent in the medium term, higher than the CBU target of 5 percent. Import growth is expected to moderate in 2024 but remains buoyant as imports support both economic modernization and growing consumption.

Remittances in 2024 are projected to decline mainly due to an expected reduction in the number of labor migrants to Russia. With decreasing remittances and strong imports, the current account deficit will widen slightly but remain sustainable as Uzbekistan's transformation process brings in foreign savings to

finance the deficit. This economic outlook is expected to reduce poverty moderately to 4.3 percent in 2024.

The fiscal deficit is expected to fall to 4.2 percent of GDP in 2024 and towards 3 percent of GDP by 2026 as large, untargeted energy subsidies and ineffective incentives to SOEs are withdrawn, and thanks to growing budget revenues amid privatization proceeds. The government is expected to adhere to its debt limits (60 percent of GDP for total Public and Publicly Guaranteed debt), with public debt slightly increasing to 36.5 percent of GDP in 2024 and then gradually declining to 34.4 percent of GDP by 2026.

Risks to outlook are tilted to the downside. External risks include possible deterioration of growth in key trading partners, notably China and Russia, and further tightening of external financial conditions. Domestic risks stem from the growing contingent liabilities from SOEs, PPPs, and state-owned banks. Upside risks include higher global gold and copper prices and stronger productivity growth due to ongoing structural reforms.

TABLE 2 Uzbekistan / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	7.4	5.7	6.0	5.3	5.5	5.7
Private consumption	11.6	11.3	4.6	4.9	5.0	5.2
Government consumption	3.1	3.6	6.2	3.9	1.7	4.2
Gross fixed capital investment	2.9	0.2	7.6	7.8	7.3	6.2
Exports, goods and services	13.3	27.9	23.4	10.1	11.2	12.3
Imports, goods and services	19.9	9.1	24.9	15.1	14.1	13.6
Real GDP growth, at constant factor prices	7.4	5.7	6.0	5.3	5.5	5.7
Agriculture	4.0	3.6	4.1	3.7	3.9	3.8
Industry	7.9	5.5	6.3	5.6	6.5	7.1
Services	9.1	6.9	6.8	6.0	5.7	5.8
Inflation (consumer price index)	10.8	11.4	10.0	11.0	9.9	8.2
Current account balance (% of GDP)	-7.0	-0.8	-4.7	-5.0	-4.5	-4.3
Net foreign direct investment inflow (% of GDP)	3.3	3.1	6.0	3.6	3.8	4.0
Fiscal balance (% of GDP)	-6.0	-4.1	-5.8	-4.2	-3.6	-3.0
Revenues (% of GDP)	25.9	30.5	28.8	28.9	29.2	29.4
Debt (% of GDP)	36.6	34.0	36.1	36.5	35.3	34.4
Primary balance (% of GDP)	-5.7	-3.7	-5.3	-3.6	-3.0	-2.4
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	..	2.3	2.1	2.0	1.8	1.7
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	..	5.0	4.6	4.4	4.2	4.0
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	..	17.3	16.0	15.0	14.0	13.1
GHG emissions growth (mtCO₂e)	3.9	1.6	2.0	1.6	1.9	2.0
Energy related GHG emissions (% of total)	60.8	60.7	60.7	60.4	60.1	59.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on ECAPOV harmonization, using 2022-HBS. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.

b/ Projection using neutral distribution (2022) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

Latin America and the Caribbean

Spring Meetings 2024

Argentina
The Bahamas
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
Uruguay

ARGENTINA

Table 1 **2023**

Population, million	46.5
GDP, current US\$ billion	624.6
GDP per capita, current US\$	13426.9
International poverty rate (\$2.15) ^a	0.6
Lower middle-income poverty rate (\$3.65) ^a	2.5
Upper middle-income poverty rate (\$6.85) ^a	10.9
Gini index ^a	40.7
School enrollment, primary (% gross) ^b	110.2
Life expectancy at birth, years ^b	75.4
Total GHG emissions (mtCO2e)	406.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2021).

The government faces the challenge of correcting significant macroeconomic imbalances while ensuring the protection of the most vulnerable. Priorities include eliminating the fiscal deficit, realigning prices, and strengthening the Central Bank's balance sheet. Inflation surged in December but is now declining. Despite the expansion of social programs, poverty rose to an estimated 12.4 percent in 2023. The economy is projected to shrink by 2.8 percent in 2024, with poverty reaching 15.1 percent.

Key conditions and challenges

Argentina has faced a decline in GDP per capita over recent decades, marked by a history of recurrent fiscal deficits and highly procyclical fiscal policies. These factors have contributed to economic volatility and repeated crises. Macroeconomic distortions have eroded Argentina's competitiveness and hindered export diversification, thereby impeding the country's ability to fully capitalize on its comparative advantages in agroindustry, as well as in select manufacturing and service sectors. As a major food producer, the country has become increasingly susceptible to weather-related shocks.

The country is now confronting the challenge of rectifying significant and enduring macroeconomic imbalances while preserving social stability. The central bank's monetary financing of persistent fiscal deficits over the last decade has resulted in soaring inflation, which reached triple digits in 2023. The implementation of multiple price controls has led to price misalignments, causing resource misallocation and complicating efforts towards economic stabilization.

To address these macroeconomic imbalances and rebuild economic confidence, comprehensive reforms are essential. The immediate priority is a fiscal consolidation strategy that halts the monetary financing of the fiscal deficit while safeguarding the poor. Such a strategy would need to be

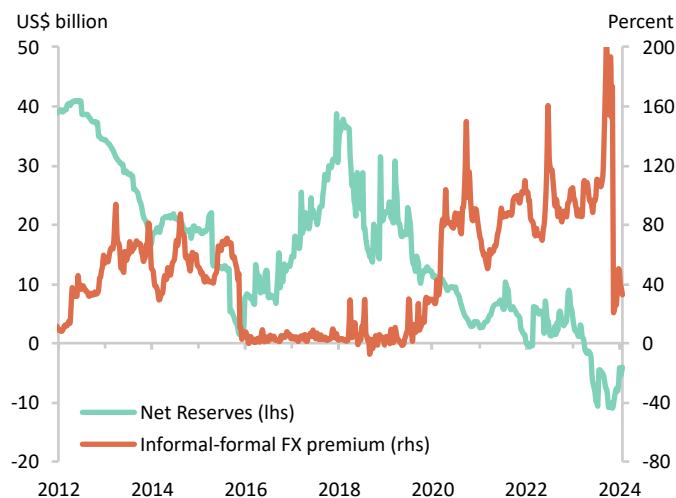
coupled with measures to strengthen the Central Bank's balance sheet and refine the monetary policy framework. Bold reforms are needed to remove barriers to growth, including by improving education outcomes and enhancing the business climate. These reforms (along with a credible and sustainable macroeconomic policy framework) are critical for encouraging private sector investment and job creation.

The labor market's apparent resilience in 2022-2023, with record low unemployment rates of around 6 percent, belies an unsustainable increase in public employment and a surge in vulnerable independent workers. Informal employment continues to be widespread, accounting for nearly 40 percent of the labor force. Concurrently, real wages have declined by an average of 25 percent between 2018 and 2023, resulting in income losses for all population segments, especially the middle class. Urban poverty rose from 10.9 percent in 2022 to an estimated 12.4 percent in 2023, based on the international poverty line of US \$6.85 per day (2017 PPP).

Recent developments

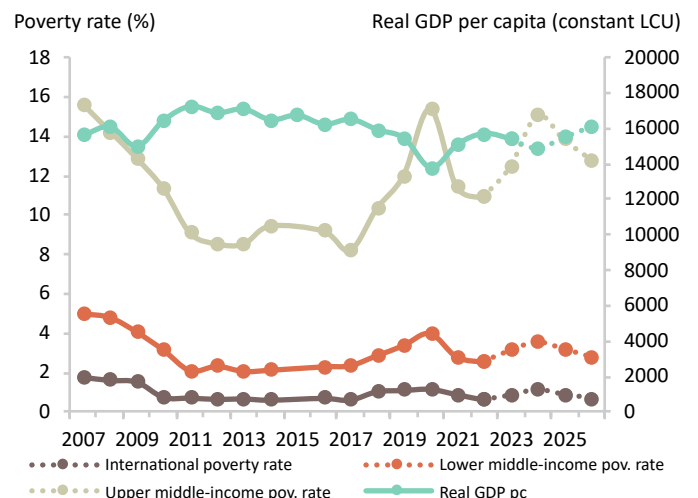
The economy is estimated to have contracted by 1.6 percent in 2023, largely due to persistent macroeconomic imbalances, a severe drought that led to a 26 percent year-over-year decline in agricultural production, and related export losses amounting to approximately US\$20 billion. The current account deficit expanded to 3.5 percent of GDP, exacerbating pressures on

FIGURE 1 Argentina / Net international reserves and percent difference between official and informal exchange rate



Source: World Bank based on Ministry of Economy.
Note: Net Reserves are gross reserves net of short-term foreign currency denominated liabilities.

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



Source: World Bank. Notes: see Table 2.

international reserves. The trade balance turned into a deficit of US\$6.9 billion, driven by a 24 percent fall in exports, which exceeded a 10 percent decrease in imports. Net international reserves were estimated to be negative US\$8.0 billion at the end of the year. The drought-induced revenue shortfall, combined with increased spending and tax cuts prior to the presidential elections, widened the Federal Government's fiscal deficit to 4.2 percent of GDP. A new administration assumed office on December 10 2023 and immediately began implementing a stabilization program. It announced an ambitious program aiming for a fiscal consolidation target of 5 percentage points of GDP for 2024, along with measures to correct relative price misalignments, fortify the Central Bank's balance sheet, and deregulate the economy. Key initiatives included a one-time devaluation of the official exchange rate by 55 percent, the introduction of a monthly crawling peg rate of 2 percent, the removal of import controls, and strategies to address the significant importer debt overhang. However, legislative and judicial challenges have obstructed some deregulation efforts and aspects of the fiscal plan. Inflation surged in December 2023, fueled by the devaluation's pass-through and the lifting of key price controls, but it has been on a gradual decline. Month-over-month

inflation peaked at 25.5 percent in December, decreasing to 13.2 percent by February. Adjustments are still needed for gas and electricity prices. Social protection measures included a doubling (in nominal terms) of the main social programs (universal family allowance and food support) and extraordinary monthly lump-sum supplements to low-income pensioners. Although social assistance is well-targeted, the real value of social benefits, including pensions and social transfers, fell by 30 percent year-over-year by February 2024.

Outlook

Real GDP is projected to shrink by 2.8 percent in 2024, largely due to the impact of price realignment and reduced public spending. The brunt of the economic adjustment is expected to be borne by non-agricultural sectors, while agricultural output is anticipated to bounce back from the previous year's drought, aiding fiscal revenue and reserve accumulation. The current account balance is forecasted to reach a surplus of 0.9 percent of GDP, bolstered by a substantial trade surplus. The fiscal consolidation initiative, along with the effects of inflation on public finances, is

likely to result in a 2.1 percent primary fiscal surplus for the central government. As the country tackles macroeconomic imbalances and rectifies price distortions, inflation is predicted to decline and economic growth to pick up. A stronger fiscal stance, consistent trade surpluses—supported by expected rises in energy and mining exports—and foreign direct investment (FDI) inflows should contribute to a reserve buildup and establish a basis for enduring growth. However, the economic forecast is marred by significant potential downside risks, including societal and legislative opposition to the reform agenda and the country's vulnerability to external shocks, including climate-related events. Social vulnerabilities are emerging from the steep drop in real incomes in the context of high inflation. The governing party's limited presence in Congress poses legislative hurdles for economic reforms. On the global stage, an economic deceleration in key trade partners or a fall in commodity export prices could undermine Argentina's stabilization efforts. Persistent high inflation could lead to a swift appreciation of the real exchange rate, undermining competitiveness. Additionally, any further adjustments to the exchange rate might stoke inflation expectations, jeopardizing the success of the stabilization program.

TABLE 2 Argentina / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	10.7	5.0	-1.6	-2.8	5.0	4.5
Private consumption	10.4	9.7	1.6	-6.7	3.5	3.0
Government consumption	6.3	1.9	4.0	-13.6	4.5	0.9
Gross fixed capital investment	33.8	11.1	2.1	-23.6	12.7	12.8
Exports, goods and services	8.5	5.8	-12.7	26.8	6.5	5.0
Imports, goods and services	20.4	17.9	5.5	-15.2	7.2	5.3
Real GDP growth, at constant factor prices	10.4	4.9	-1.6	-2.8	5.0	4.5
Agriculture	1.9	-4.5	-24.0	23.0	1.0	2.0
Industry	15.5	5.7	0.7	-5.1	5.0	4.5
Services	9.4	6.0	0.3	-4.3	5.5	4.8
Current account balance (% of GDP)	1.4	-0.7	-3.5	0.9	0.9	1.0
Net foreign direct investment inflow (% of GDP)	1.1	2.1	3.1	1.5	1.4	1.6
Fiscal balance (% of GDP)^a	-4.3	-3.7	-4.2	0.0	0.7	-0.4
Revenues (% of GDP)	32.2	32.2	29.7	31.0	31.0	30.6
Debt (% of GDP)^a	85.7	89.9	161.2	85.5	78.3	68.3
Primary balance (% of GDP)^a	-2.5	-1.7	-1.8	2.2	2.9	3.2
International poverty rate (\$2.15 in 2017 PPP)^{b,c}	0.9	0.6	0.8	1.1	0.9	0.7
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{b,c}	2.8	2.5	3.1	3.6	3.2	2.8
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{b,c}	11.4	10.9	12.4	15.1	13.8	12.8
GHG emissions growth (mtCO₂e)	4.2	1.5	-2.8	-1.6	3.1	3.4
Energy related GHG emissions (% of total)	39.6	39.7	38.3	37.0	37.5	37.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Fiscal data refer to the general government.

b/ Calculations based on SEDLAC harmonization, using 2022-EPHC-S2.

c/ Projections using microsimulation methodology.

THE BAHAMAS

Key conditions and challenges

Table 1	2023
Population, million	0.4
GDP, current US\$ billion	14.7
GDP per capita, current US\$	35730.0
School enrollment, primary (% gross) ^a	86.8
Life expectancy at birth, years ^a	71.6
Total GHG emissions (mtCO ₂ e)	2.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2012); Life expectancy (2021).

In 2023, the economy expanded by 4.3 percent, largely driven by a strong recovery in tourism. Fiscal and current account deficits narrowed significantly; the unemployment rate declined but remains high among young people. The Bahamas made significant progress in strengthening its AML/CFT framework. However, high public debt, global uncertainty, and vulnerability to natural disasters pose challenges for growth and poverty reduction.

The Bahamas is a small island state in the Caribbean. Tourism is its primary driver of economic growth, particularly from key markets, such as the United States, Canada, and the United Kingdom. The financial services sector, which is heavily reliant on foreign investment, also plays a significant role. Following the global financial crisis in 2008 economic growth decelerated to a modest average of 0.8 percent between 2010 and 2019. This slowdown can be attributed to several factors, such as the country's small size, lack of productive diversification, high import dependence, and vulnerability to natural disasters. In 2020, the economy experienced a sharp contraction of 23.5 percent due to the pandemic's impact, but a resilient recovery ensued, and by 2022, economic activity had rebounded to pre-pandemic levels.

Despite this recovery, economic growth is constrained by capacity limits in tourism, vulnerability to external shocks, skill shortages, and limited fiscal space. The Bahamas' labor market is still facing challenges, including restoring labor force participation to its former level and addressing the high unemployment rate among young adults. As of May 2023, labor force participation was at a low 75.9 percent, still below the pre-pandemic level of 81 percent. Additionally, the unemployment rate for individuals aged 25-35 was 25 percent,

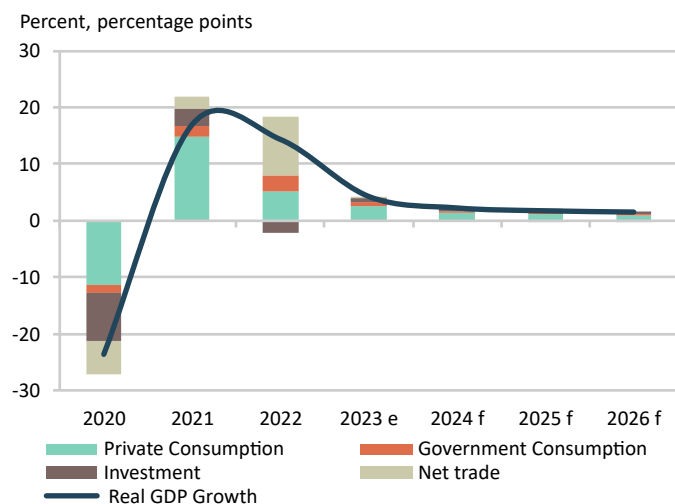
nearly triple the national average. The most recent poverty data which dates to 2013, estimated that 12.8 percent of the population lived below the Bahamas' national poverty line. The nation also contends with significant inequality, as evidenced by a GINI coefficient of 41.1 in 2013, which is considerably higher than the average for high-income countries. Despite these socioeconomic challenges, The Bahamas was ranked 57th in the Human Development Index (HDI) in 2022, which is on par with its Caribbean peers.

The pandemic has exacerbated some of the medium-term growth challenges, and public finances have suffered as a result. The country still faces elevated public debt. In response, the government is pursuing fiscal consolidation through tax reforms, enhanced tax administrations, and improvements in public financial management. The Bahamas was recently removed from the Financial Action Task Force's grey list, reflecting its commitment to addressing financial crime. Further efforts are being made to enhance Anti-Money Laundering regulations and supervision, ensuring full compliance with international standards. In October 2020, The Bahamas adopted a digital currency to facilitate financial inclusion.

Recent developments

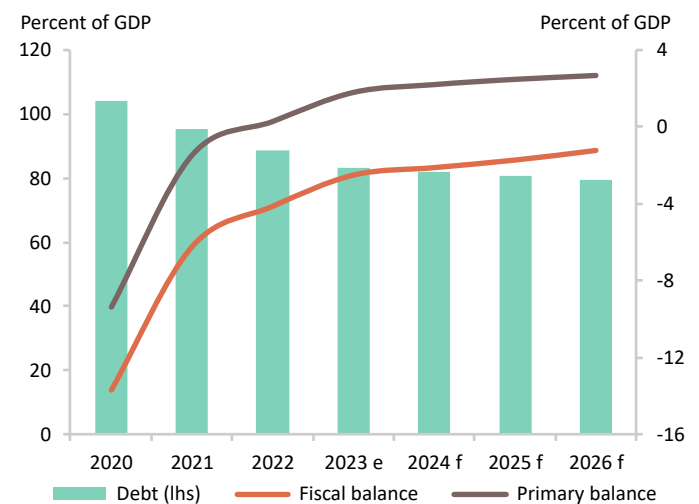
In 2023, the GDP of The Bahamas grew at a solid 4.3 percent, following a robust recovery of 14.4 percent in 2022. This economic resurgence was broad-based, with

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



Sources: Government of The Bahamas, IMF and World Bank staff calculations.

FIGURE 2 The Bahamas / Fiscal balance and public debt



Sources: Government of The Bahamas, IMF and World Bank staff calculations.

tourism showing a particularly robust performance. The vigorous recovery contributed to a reduction in the unemployment rate to 8.8 percent, the lowest since 2008. However, the unemployment rate among young people remains elevated. International travel, including flights and cruise ship arrivals, surged past pre-pandemic figures, reflecting strong tourist demand and successful government initiatives to attract new cruise lines and airlines. On average, cruise visitors spent 59 percent more in nominal terms in 2022 compared to 2019, while stayover visitors spent 18 percent more.

The current account deficit narrowed to 6.2 percent of GDP, and the banking sector showed strength with declining non-performing loans. Foreign exchange reserves were estimated to cover 4.9 months of imports of goods and services at the end of 2023. Inflation, which peaked in July 2022 at 7.1 percent y-o-y, primarily due to rising costs of energy and food, began to subside. The inflationary increase was largely attributed to global factors, but a downturn in global energy prices facilitated a quicker-than-anticipated reduction in inflation, with the rate dropping to 3.4 percent by the end of 2023, offering some relief to poor households that are particularly vulnerable to inflation, as it can significantly erode their purchasing power.

The robust economic rebound, coupled with the gradual withdrawal of pandemic-related financial support, led to improved public finances. This improvement occurred despite tax relief measures to alleviate inflationary pressures and an increase in public sector wages. The fiscal deficit shrank to 4.1 percent of GDP in fiscal year 2022/23. The central government's debt decreased from over 100 percent of GDP during the pandemic to 83.2 percent by the end of 2023. However, external sovereign spreads remained high. Significant gross financing needs were largely met through domestic issuance and central bank loans.

Outlook

The medium-term economic outlook is favorable, with real GDP growth projected at 2.3 percent in 2024. Growth is expected to moderate to 1.5 – 2 percent range in the medium term due to capacity limits in the tourism sector. The government expects long-term growth to be stimulated by investments in expanding hotel capacity, with several FDI-financed projects already in the pipeline. These investments, along with investments in other sectors of the economy, are expected to lead to job creation. Enhanced education policies are

also projected to improve the domestic supply of skilled workers, contributing to poverty reduction. Inflation is expected to fall to 3.1 percent by end-2024, and to about 2 percent over the medium term. The government aims to achieve a fiscal surplus by 2026, relying on greater cost recovery from public corporations and measures to improve spending efficiency that would allow for spending cuts. Tax reforms are expected to further increase primary surplus in the longer term, and similarly, increased expenditure on climate resilience is expected to contribute to this surplus. Such investments will ultimately reduce spending associated with natural disaster recovery and mitigate the adverse effects of natural disasters on GDP and, consequently, on revenues. The trade deficit is expected to narrow, and international reserves are projected to remain above 4 months of imports. However, the economic forecast is subject to several downside risks, including a potential deceleration in the United States due to monetary tightening, global uncertainty, reduced tourism demand from key source markets, global price shocks, and the escalating threat of climate-induced natural disasters. Addressing labor market challenges and bolstering climate resilience are crucial strategies to mitigate these potential adverse effects.

TABLE 2 The Bahamas / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	17.0	14.4	4.3	2.3	1.8	1.6
Private consumption	23.3	7.7	4.2	2.1	1.9	1.6
Government consumption	12.5	19.0	4.1	2.0	1.7	1.5
Gross fixed capital investment	12.4	-9.7	3.3	3.2	3.1	2.0
Exports, goods and services	22.6	39.9	10.2	10.0	8.8	8.4
Imports, goods and services	10.3	1.7	10.0	10.5	10.1	9.0
Real GDP growth, at constant factor prices	8.1	9.3	4.3	2.3	1.8	1.6
Agriculture	-32.4	29.7	11.6	5.1	4.3	4.0
Industry	-14.8	10.2	4.0	2.9	2.7	2.7
Services	11.7	9.0	4.3	2.2	1.7	1.5
Inflation (consumer price index)	2.9	5.6	3.4	3.1	2.6	2.2
Current account balance (% of GDP)	-21.1	-8.2	-6.2	-6.1	-5.8	-5.7
Net foreign direct investment inflow (% of GDP)	2.6	2.5	2.5	3.0	3.0	3.0
Fiscal balance (% of GDP)^a	-6.2	-4.1	-2.5	-2.1	-1.7	-1.2
Revenues (% of GDP)	22.6	22.1	21.8	22.0	22.0	22.0
Debt (% of GDP)^a	95.3	88.6	83.2	81.9	80.8	79.5
Primary balance (% of GDP)^a	-1.4	0.3	1.8	2.2	2.5	2.7
GHG emissions growth (mtCO₂e)	-3.5	1.1	4.0	3.0	0.8	0.1
Energy related GHG emissions (% of total)	86.0	86.1	86.1	85.9	85.6	85.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Fiscal balances are reported in fiscal years (July 1st -June 30th).

BARBADOS

Table 1 **2023**

Population, million	0.3
GDP, current US\$ billion	6.2
GDP per capita, current US\$	22144.0
School enrollment, primary (% gross) ^a	95.6
Life expectancy at birth, years ^a	77.6
Total GHG emissions (mtCO ₂ e)	3.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2022); Life expectancy (2021).

Barbados' economy grew at 4.5 percent in 2023, exceeding pre-pandemic levels as the number of tourists returned to pre-2019 levels. The resurgence of the economy is expected to alleviate poverty and improve households' living conditions. The government continues to implement the Barbados Economic Recovery and Transformation (BERT) plan, which seeks to increase the primary surplus, enhance debt sustainability, and reduce external and natural disaster-related vulnerabilities. A slowdown in tourism source markets, increases in global oil prices, and climate change represent latent risks.

Key conditions and challenges

Barbados confronts several challenges, including its small size, its high dependence on tourism from a few key markets, import dependency, and vulnerability to external shocks, including from climate change. It is highly affected by increases in import prices, especially from the US. The Central Bank has limited tools to address rising inflation. High public debt levels, exacerbated by the recent economic downturn, reduced fiscal space. However, the Government continues to implement the BERT 2022 plan, which seeks to reduce public debt to about 60 percent of GDP by 2035/36, incentivize a transition to green energy, diversify the economy, and improve competitiveness. It also includes a pledge to social cohesion, with investment in education and health, provision of affordable housing, and enhanced social safety nets. Barbados was one of the first countries to receive financial support from the IMF through the Resilience and Sustainability Facility (RSF) through a program approved in December 2022.

There have been no official poverty estimates since 2017. In 2016, approximately a quarter of the population lived below Barbados' basic needs threshold, and 3.4 percent of households could not afford even a minimum food basket. The poverty rate was higher among females, female-headed households, and larger households. Approximately 55.3 percent

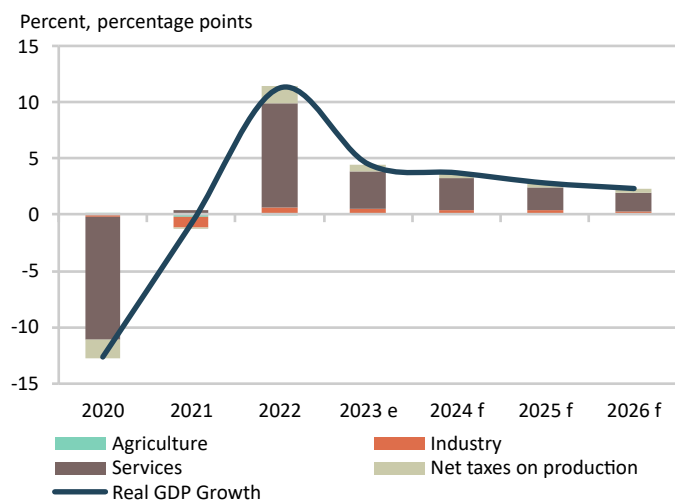
of the population was covered by at least one social protection benefit in 2021. However, social assistance to vulnerable groups through the National Assistance Program covered only 5,800 beneficiaries in 2020. Social insurance, operated by the National Insurance Scheme (NIS), faces longer-term challenges due to increasing expenditure on old-age pensions as a result of an aging population.

Recent developments

In 2023, real GDP expanded by an estimated 4.5 percent as tourist arrivals increased by 19 percent between January and September, pushing GDP above its pre-pandemic level. The recovery in tourism also led to significant overall growth in the services sector, particularly in areas such as hotels, retail trade, and entertainment, and in the agriculture sector which benefited from increased demand for local produce, also a result of the tourism upturn. Manufacturing led the industrial sector to a 5.0 percent rebound in 2023.

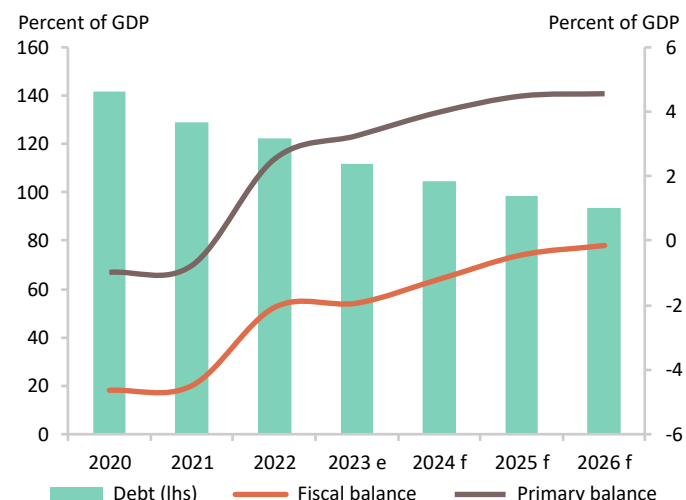
The primary fiscal balance reached 2.3 percent of GDP in the first half of FY2023/24, exceeding the government's target of 1.7 percent. The overall fiscal balance recorded a deficit of 0.5 percent of GDP, down from 2.3 percent of GDP in the first half of FY2022/23, as revenues continued to recover, and pandemic-related spending was phased out. The public debt-to-GDP ratio is estimated at 111.8 percent at the end of 2023, down from 122.3 percent at the end of 2022.

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



Sources: Government of Barbados, IMF and World Bank staff calculations.

FIGURE 2 Barbados / Fiscal balances and public debt



Sources: Government of Barbados, IMF and World Bank staff calculations.

The government has taken several measures to strengthen fiscal management, including the establishment of a Fiscal Council to ensure transparency and accountability in fiscal strategy implementation.

The Central Bank of Barbados has kept its benchmark rate at 2 percent. Inflation moderated, falling to 4.4 percent by the end of 2023 from a peak of 6.7 percent in May 2022, driven by lower international fuel prices and freight costs. However, some domestic factors, such as prolonged drought conditions and higher demand for restaurants and recreational activities, have pushed up the prices of certain food items and domestic services. Efforts to improve monetary and financial sector policies have led to a well-capitalized, liquid, and profitable banking system, with credit to the non-financial private sector experiencing a modest growth of 1.7 percent. The international reserves position continued to strengthen, with the current account deficit narrowing to an estimated 8.1 percent of GDP in 2023 and foreign reserves reaching an estimated 6.1 months of imports of goods.

The labor market also showed improvement in 2023. The rebound in tourism led

to higher employment, with unemployment claims reverting to pre-pandemic levels. Unemployment stood at 8.3 percent in July-September 2023, a substantial y-o-y decline from 12.4 percent in the same period a year earlier and compared to 10.1 percent in the second quarter of 2019. The difference in the unemployment rate of women and men is relatively small, at 8.6 and 8.1 percent respectively.

Outlook

The economy is projected to continue recovering, with real GDP expected to expand annually by around 3.7 percent in 2024 and 2.8 percent in 2025. Efforts to implement structural reforms, enhance fiscal institutions, and promote investments in renewable energy projects are expected to support sustainable and inclusive growth. Inflation is projected to reach 3.7 percent in 2024 and decline below 3 percent thereafter. Fiscal consolidation is expected to continue, with the fiscal deficit falling to 0.4 percent of GDP and the primary surplus increasing to 4.5 percent of GDP by

2025. The government plans to decrease transfers to state-owned entities and persist modernizing tax exemptions, bolstering revenue administration, and improving public financial management. The current account deficit is forecasted to narrow to 6.2 percent of GDP by 2025, driven by anticipated robust performance in the tourism sector, reduced commodity prices, and aided by fiscal consolidation. At the same time, government initiatives to combat climate change and to improve business environment are expected to stimulate investment. Overall, the government's commitment to fiscal consolidation, climate resilience, and debt sustainability, along with ongoing support from international financial institutions, sets the stage for continued progress in the country's reform agenda. The outlook remains subject to risks, including potential global economic and financial shocks, climate-related natural disasters, and an intensification of regional conflicts in other parts of the world, which could impact global commodity prices and raise inflation. The level of public debt remains high and exacerbates the potential impact of these risks.

TABLE 2 Barbados / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	-0.8	11.3	4.5	3.7	2.8	2.3
Real GDP growth, at constant factor prices	-0.8	11.3	4.5	3.7	2.8	2.3
Agriculture	-10.4	-6.4	3.0	3.0	3.0	3.0
Industry	-6.3	5.0	3.6	2.9	2.8	2.4
Services	0.6	12.9	4.7	3.8	2.8	2.3
Inflation (consumer price index)	3.1	9.2	5.0	3.7	2.8	2.4
Current account balance (% of GDP)	-10.5	-10.3	-8.1	-7.2	-6.2	-5.8
Fiscal balance (% of GDP)	-4.5	-2.1	-1.9	-1.2	-0.4	-0.1
Revenues (% of GDP)	27.7	27.9	28.5	30.2	30.2	30.3
Debt (% of GDP)	129.1	122.3	111.8	104.6	98.7	93.5
Primary balance (% of GDP)	-0.8	2.5	3.3	4.0	4.5	4.6
GHG emissions growth (mtCO₂e)	-3.6	-1.2	1.8	1.1	0.8	0.6
Energy related GHG emissions (% of total)	25.0	23.6	24.2	24.1	23.7	23.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

BELIZE

Table 1 **2023**

Population, million	0.4
GDP, current US\$ billion	3.3
GDP per capita, current US\$	7988.0
School enrollment, primary (% gross) ^a	99.9
Life expectancy at birth, years ^a	70.5
Total GHG emissions (mtCO ₂ e)	7.0

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2022); Life expectancy (2021).

Belize's economy is recovering from the COVID-19 pandemic with robust growth, lower debt, a primary surplus, and an improved current account. In 2023, GDP grew by 4.5 percent, inflation slowed, and unemployment remained low at 4 percent (albeit labor force participation is low too). The country still faces persistent poverty and inequality, dependence on tourism and energy imports, and exposure to climate shocks. The government has taken steps to strengthen fiscal management, but reforms to improve the business environment are critical to boost jobs, investment, and growth over the medium term.

Key conditions and challenges

Belize, an upper middle-income country, is heavily dependent on tourism, its primary source of foreign exchange, along with agriculture and remittances. The country's economic performance is closely tied to the US, the main source of tourists and remittances, the principal export destination, and a key provider of FDI. With its exchange rate pegged to the dollar and its status as a net importer of oil and gas, Belize is strongly affected by fluctuations in energy prices. The country is also highly exposed to climate-related shocks, such as flooding, wind damage, and coastal erosion.

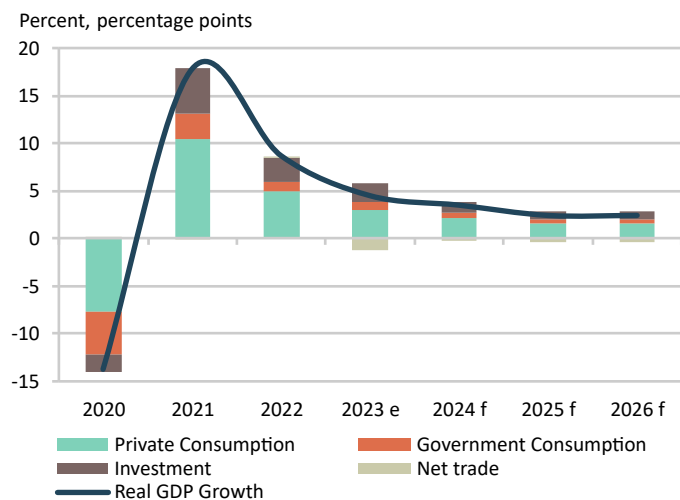
Belize is gradually emerging from a challenging period of economic instability and large fiscal imbalances, which were intensified by the COVID-19 pandemic. It has made notable progress in reducing its public debt through debt restructuring and a blue bond issuance, although debt servicing costs remain high. It has also made progress in strengthening fiscal management by building fiscal buffers that could help maintain a counter-cyclical fiscal stance and enhance fiscal discipline. Despite these advancements, the business environment faces significant challenges, such as restricted credit to the private sector, important infrastructure barriers, skills shortages, and elevated levels of crime and violence, all of which impede job creation, growth, and efforts to alleviate poverty.

Data on monetary poverty indicate that in 2018, 9 percent of the population could not afford a minimum food basket, and 52 percent were unable to afford a minimum food and non-food basket. Income inequality, as measured by the Gini coefficient, stood high at 0.49. Based on labor force survey data, the Statistical Institute of Belize estimated that 35.7 percent of the population was multi-dimensionally poor in 2021. There are notable geographic and demographic differences in poverty rates. In 2021, the southern district of Toledo reported the highest rate of multi-dimensional poverty at 60 percent and the rate for Belize's Maya population reached 61 percent.

Recent developments

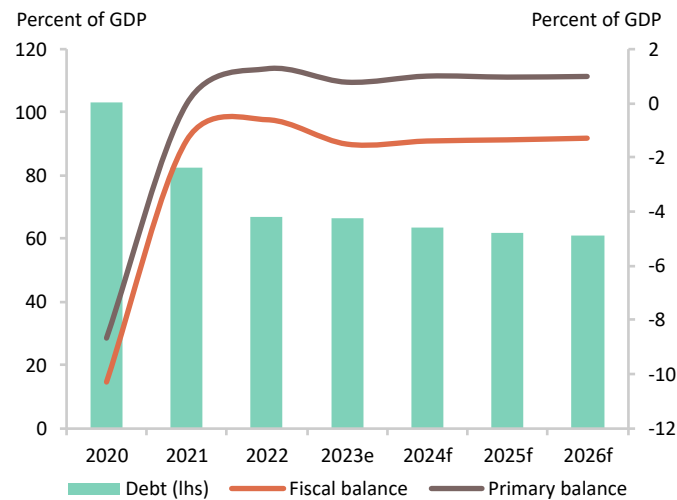
In 2023, Belize's economy experienced robust growth, with real GDP increasing by 4.5 percent, driven in large part by tourism, construction, and various services. Favorable weather conditions in 2023, coupled with increases in livestock production, animal feed production, and domestic agricultural processing, alongside high global sugar prices, contributed to the accelerated growth of the agriculture sector. As a result, real GDP was 16 percent higher than pre-pandemic levels, and the unemployment rate decreased significantly from 10.4 percent before the pandemic to 4 percent in 2023. However, labor force participation, which had declined rapidly during the pandemic, remained depressed. It is particularly low for women (44.5 percent) compared to men (71.4 percent for men) and for those who are less educated.

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



Sources: Government of Belize, IMF and World Bank staff calculations.

FIGURE 2 Belize / Fiscal balances and public debt



Sources: Government of Belize, IMF and World Bank staff calculations.

Average consumer price inflation slowed from 6.3 percent in 2022 to 4.4 percent in 2023. The fiscal position has improved over recent years, with public debt decreasing from 103 percent of GDP in 2020 to 66.3 percent in 2023, due to high growth, fiscal consolidation, and debt restructuring. However, the primary fiscal surplus slightly deteriorated in 2023, from 1.3 percent of GDP in 2022 to 0.8 percent of GDP. Revenues and grants as a share of GDP saw a slight decrease from 24 percent of GDP in 2022 to 23.2 percent in 2023. Non-interest expenditures as a share of GDP decreased slightly from 22.7 percent in 2022 to 22.4 percent in 2023. The overall budget deficit amounted to 1.5 percent of GDP.

Belize has made significant efforts to enhance resilience to climate change and natural disasters by investing in climate-resilient crops and infrastructure. The government is also working on implementing a Disaster Resilience Strategy that focuses on improving structural, financial, and post-disaster resilience.

The current account showed a notable improvement in 2023, narrowing from 8.3 percent of GDP in the previous year to 3.6 percent, reflecting more favorable terms of

trade for the country resulting from the dynamics of global commodity prices and the recovery in tourism.

The Central Bank of Belize focused its monetary policy on supporting overall economic stability and growth, including maintaining an adequate level of international reserves to strengthen the currency peg, which is essential for promoting confidence in the local currency. Gross international reserves amounted to 3.4 months of imports at the end of 2023.

Financial soundness indicators improved in 2023, with domestic banks' regulatory capital increasing, non-performing loans decreasing, and returns on assets rising. However, there are still concerns about high non-performing loans, low capital buffers, and tight liquidity in some banks compared to the pre-pandemic period, which could limit investment and real GDP growth in the future.

Outlook

Belize's economy is projected to perform reasonably well over the medium term,

with an expected real GDP growth of 3.5 percent in 2024 and 2.5 percent from 2025 onwards. Inflation is expected to further decline to 3.1 percent in 2024 and 2 percent over the medium term. This positive outlook, coupled with new policy initiatives to enhance the formalization of small and medium enterprises and improve social assistance, could contribute to poverty reduction. The fiscal position is expected to remain robust but public debt is projected to decline more slowly going forward, remaining above 50 percent of GDP over the next decade.

There are important external risks, including higher global commodity prices, vulnerability to climate-related disasters, higher-than-expected global interest rates, and persistent vulnerabilities in the banking sector.

Belize's key policy priorities for 2024-2026 include reducing public debt, increasing government revenues to finance priority spending on infrastructure, targeted social programs, crime prevention, implementing structural reforms to improve the business environment, and remaining vigilant to financial stability risks.

TABLE 2 Belize / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	17.9	8.7	4.5	3.5	2.5	2.5
Private consumption	16.9	8.0	4.9	3.5	2.5	2.5
Government consumption	16.7	6.6	5.3	3.7	2.6	2.6
Gross fixed capital investment	26.0	12.8	9.5	5.2	4.4	4.3
Exports, goods and services	36.4	11.5	8.1	7.6	7.0	6.7
Imports, goods and services	32.1	10.2	9.7	7.4	7.0	6.8
Real GDP growth, at constant factor prices	17.2	6.3	4.5	3.5	2.5	2.5
Agriculture	24.2	-0.8	8.6	6.0	4.5	4.3
Industry	15.1	-1.9	3.3	3.2	3.0	3.0
Services	16.6	9.8	4.1	3.2	2.0	2.0
Inflation (consumer price index)	3.2	6.3	4.4	3.1	2.3	2.0
Current account balance (% of GDP)	-6.5	-8.3	-3.6	-1.9	-2.0	-2.0
Net foreign direct investment inflow (% of GDP)	5.1	4.7	4.2	2.5	2.4	2.3
Fiscal balance (% of GDP)^a	-1.4	-0.6	-1.5	-1.4	-1.3	-1.3
Revenues (% of GDP)	23.4	24.0	23.2	23.2	23.2	23.2
Debt (% of GDP)^a	82.3	67.1	66.3	63.6	61.9	61.0
Primary balance (% of GDP)^a	0.0	1.3	0.8	1.0	1.0	1.0
GHG emissions growth (mtCO₂e)	0.0	0.0	-0.1	-0.1	-0.1	0.0
Energy related GHG emissions (% of total)	10.3	11.3	12.1	12.8	13.5	14.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Fiscal balances are reported in fiscal years (April 1st -March 31st).

BOLIVIA

Table 1 **2023**

Population, million	12.4
GDP, current US\$ billion	45.8
GDP per capita, current US\$	3699.8
International poverty rate (\$2.15) ^a	2.0
Lower middle-income poverty rate (\$3.65) ^a	5.4
Upper middle-income poverty rate (\$6.85) ^a	15.2
Gini index ^a	40.9
School enrollment, primary (% gross) ^b	96.4
Life expectancy at birth, years ^b	63.6
Total GHG emissions (mtCO2e)	136.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ WDI for School enrollment (2012); Life expectancy (2021).

After expanding an estimated 2.4 percent in 2023, the economy is expected to slow further as macroeconomic imbalances increasingly weigh on growth and prevent poverty reduction. Limited access to external financing, increased economic uncertainty, and low levels of international reserves will continue to constrain public spending and private sector activity. Bolivia would benefit from implementing a medium-term strategy to address macroeconomic imbalances, enhance fiscal policy efficiency and progressivity, and foster private investment-led growth.

Key conditions and challenges

The Government's state-led development strategy focused on import substitution, natural resource extraction, and public investment through state-owned enterprises has led to structurally high fiscal deficits, dwindling reserves, and a loss of access to international capital markets. Macroeconomic imbalances have been compounded by structural weaknesses, including a narrow export base, a decline in gas production, and a weak business environment that is depressing private-sector investment. As a consequence, growth is slowing significantly, and the country now has very limited buffers to respond to external and climate shocks. A credible medium-term plan to reduce the fiscal deficit, improve the business environment, and strengthen institutions is critical to address macroeconomic imbalances, ignite new sources of growth, and reinvest in poverty reduction. Fiscal sustainability and performance could be enhanced by transitioning from universal fuel subsidies to more targeted support mechanisms, rationalizing public investment, including in state-owned enterprises, making public procurement more efficient, and improving focus and progressivity of subsidies and social spending. Current social assistance programs are not effectively supporting the poor and vulnerable, with modest benefits not indexed to inflation, and their design

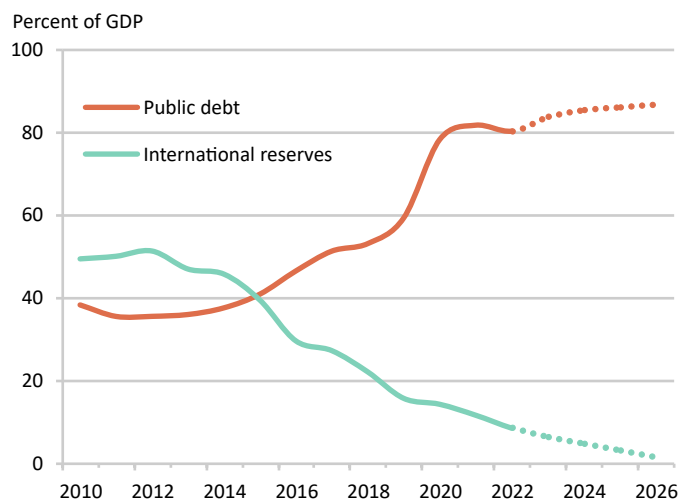
limits their ability to respond swiftly to economic shocks.

The ongoing demographic transition, increasing urbanization, and a more educated workforce are increasing the urgency of generating more and better jobs. Fostering foreign and private investment, as well as productivity growth among small and medium-sized enterprises, is critical to accelerate growth and job creation and would benefit from reducing red tape, removing tax distortions, modernizing labor regulations, improving transport and logistics, easing agricultural export restrictions, and fostering environmentally and socially sustainable mining.

Recent developments

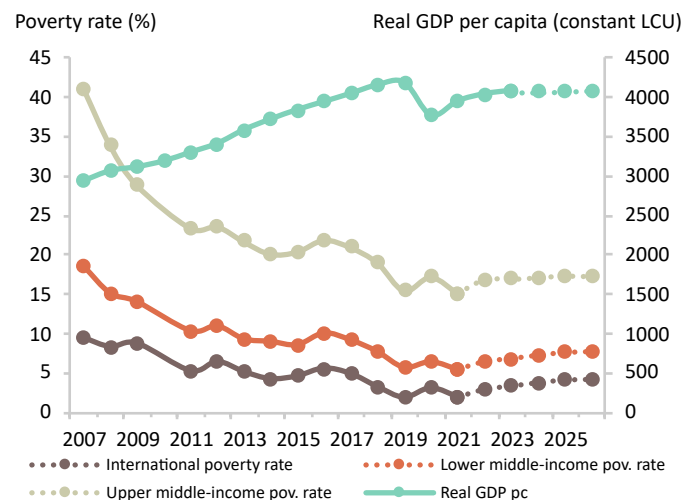
The economy expanded by an estimated 2.4 percent in 2023 as it continued to slow due to declining gas exports, dollar and fuel shortages, political tensions, and a severe drought. Subsidies and a fixed exchange rate helped keep inflation low at 2.1 percent in December 2023 (y-o-y change). The 12-month rolling fiscal deficit increased from 7.1 percent of GDP in December 2022 to 7.6 percent in June 2023 as declining gas exports, high subsidies, and rising interest payments more than offset the reduction in capital expenditure. Public debt increased to an estimated 84 percent of GDP in 2023, with the Government working on getting legislative approval for external loans and tapping into pension funds financing, crowding out the financial sector.

FIGURE 1 Bolivia / Public debt and international reserves



Sources: Central Bank of Bolivia and Ministry of Economy and Public Finance.

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



Source: World Bank. Notes: see Table 2.

Growth of employment and labor force participation rates decelerated throughout 2022 and came to a halt in 2023 due to the slowdown in economic activity. Underemployment stood at 6.3 percent (2023 Q3), still above pre-pandemic levels (4.5 percent in 2019 Q3). Labor informality remains high, with only 26.5 percent of workers covered by social security. Real household income is expected to stagnate in 2023 due to sluggish growth in real wages, alongside moderate real growth in remittances, and social assistance cash transfers failing to keep pace with inflation. In this context, poverty levels are anticipated to remain largely unchanged at 17 percent in 2023 (measured at the upper middle-income line of US\$6.85/day in 2017 PPP).

The country's external situation weakened in 2023. The current account balance is estimated to have fallen to -2.3 percent of GDP, driven by a shift from a trade surplus of US\$1.8 billion in 2022 to a deficit of US\$585 million in 2023 due to a decrease in gas exports and increased fuel imports. The country's international reserves declined to 1.7 billion dollars at the end of the year, a value close to the legal minimum level of 22 tons of gold, due to declining gas export earnings, elevated government subsidies, repayments on foreign debt, and gold sales. These dynamics contributed to

a severe shortage of U.S. dollars and a significant difference between the official exchange rate and the parallel market rate. In February 2024, the Government agreed with the private sector to ease the agricultural export restrictions subject to a commitment to supply the domestic market and deposit the dollars in the financial system. Still, it expressed a strong commitment to preserve the exchange rate peg.

Outlook

Growth is expected to decline to 1.4 in 2024 as existing macroeconomic imbalances increasingly limit private consumption and El Niño continues to impact agricultural output in the first half of 2024. Dollar shortages are expected to continue as the measures agreed with the private sector to ease export restrictions are not part of a strategy to address the underlying unsustainable fiscal balances. The fiscal deficit will continue at high levels due to falling hydrocarbon revenues and high subsidies. Public debt, including with the Central Bank, will increase from 80 percent in 2022 to 87 percent in 2026 (Figure 1).

Poverty is expected to remain constant at around 17 percent (US\$6.85/day in 2017 PPP)

in 2024 and 2025 amid the economic slowdown and weak private investment. The purchasing power of poor and vulnerable households is expected to erode given mounting inflationary pressures and the failure to adjust the value of existing cash transfers to rising prices. Inflation is expected to increase to 4.4 in 2024 as dollar shortages, political tensions, and social unrest generate import constraints and supply bottlenecks.

The current account deficit is projected to remain close to 2.5 percent due to low commodity prices and declining natural gas production. The impact of mobilizing foreign and public investment in lithium development and gas exploration is expected to be limited during the projection period due to the long investment horizons. Limited access to external financing and falling international reserves will constrain public spending, including public investment.

Depleted macroeconomic policy buffers increasingly expose the economy to downside risks, including lower commodity prices and natural disasters. Political tensions limit the room to address imbalances and the capacity to maneuver in a more adverse economic context that could shift market sentiment and erode confidence in the boliviano.

TABLE 2 Bolivia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	6.1	3.5	2.4	1.4	1.5	1.5
Private consumption	5.3	4.2	2.3	2.2	2.1	2.0
Government consumption	5.4	4.0	1.9	-1.4	-0.8	-0.3
Gross fixed capital investment	11.9	6.5	5.7	-0.2	-0.7	-0.2
Exports, goods and services	15.4	15.6	-15.4	1.8	3.0	2.9
Imports, goods and services	15.7	7.6	0.6	1.2	1.5	1.6
Real GDP growth, at constant factor prices	6.4	3.5	2.5	1.4	1.6	1.6
Agriculture	1.8	3.7	3.0	3.4	4.4	4.4
Industry	9.6	1.0	1.0	0.8	0.8	0.8
Services	5.8	5.3	3.5	1.2	1.3	1.2
Inflation (consumer price index)	0.7	1.7	2.6	4.4	4.5	4.5
Current account balance (% of GDP)	2.2	-0.4	-2.3	-2.6	-2.5	-2.5
Net foreign direct investment inflow (% of GDP)	1.2	0.7	0.7	0.7	0.7	0.7
Fiscal balance (% of GDP)	-9.3	-7.1	-7.2	-6.8	-6.4	-6.5
Revenues (% of GDP)	25.1	26.6	26.4	26.2	25.8	24.4
Debt (% of GDP)	81.6	80.1	83.6	85.5	86.2	86.5
Primary balance (% of GDP)	-7.9	-5.5	-5.4	-4.7	-4.1	-4.3
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	2.0	3.0	3.4	3.8	4.1	4.2
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	5.4	6.5	6.9	7.3	7.7	7.8
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	15.2	16.9	17.0	17.2	17.4	17.3
GHG emissions growth (mtCO₂e)	2.7	0.5	0.7	0.6	0.8	0.9
Energy related GHG emissions (% of total)	15.5	16.0	16.6	17.2	17.9	18.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on SEDLAC harmonization, using 2021-EH. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.

b/ Projections using microsimulation methodology.

BRAZIL

Table 1 **2023**

Population, million	204.1
GDP, current US\$ billion	2173.5
GDP per capita, current US\$	10646.8
International poverty rate (\$2.15) ^a	3.5
Lower middle-income poverty rate (\$3.65) ^a	8.4
Upper middle-income poverty rate (\$6.85) ^a	23.5
Gini index ^a	52.0
School enrollment, primary (% gross) ^b	103.5
Life expectancy at birth, years ^b	72.8
Total GHG emissions (mtCO2e)	2151.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2021).

In 2023, GDP growth reached 2.9 percent thanks to a bumper harvest, receding inflation pressures, and a robust labor market. This, along with Bolsa Familia expansion, helped reduce poverty. In 2024, economic activity is expected to moderate and fiscal risks will increase as the zero primary deficit target imposes an urgent need to increase revenues and contain expenditures. In the absence of significant fiscal adjustment, concerns over debt stabilization remain.

Key conditions and challenges

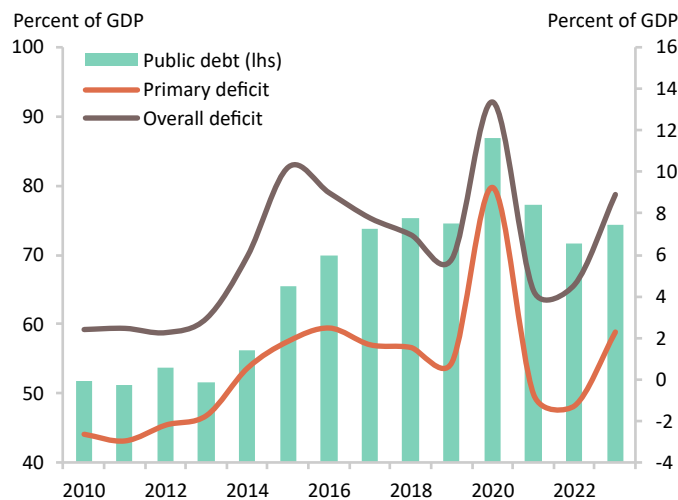
Brazil's economy rebounded quickly from the COVID-19 pandemic, emerging from a prolonged slump that began in 2015. However, productivity has remained stagnant for more than two decades, specifically in manufacturing and services. Achieving faster and sustained long-term growth will require significant reforms to boost the competitiveness and productivity of the economy, including a better business environment, a reduction in financial and product market distortions, increased infrastructure investment, deeper integration into global value chains, and improvements in education quality. Brazil's demographic structure is changing rapidly as the working-age population shrinks and the aging population grows, exerting pressure on pensions and healthcare expenditures. The long-term effects of the pandemic on human capital are evidenced by Brazil's 2021 Human Capital Index falling below 2009 levels. Although progress in reducing poverty has been inconsistent since the pandemic, the poverty rate (measured at \$6.85/day per capita, 2017 PPP) fell from 28.2 to 23.5 percent between 2012 and 2022. Inequality remains high, with limited progress in non-monetary aspects of poverty. Brazil has been grappling with high public debt amidst tepid growth. In 2023, the government introduced a new medium-term

fiscal framework to anchor public finances and adopted a historical constitutional reform of its indirect taxation system. The new framework, which combines an expenditure rule with primary balance targets, aims to improve predictability. However, adherence to this framework will necessitate significant efforts to increase revenues. The tax reform centers on replacing several existing indirect taxes with a dual value-added tax over the next decade. The reform is expected to streamline the tax system, reduce economic distortions, and boost business productivity.

Recent developments

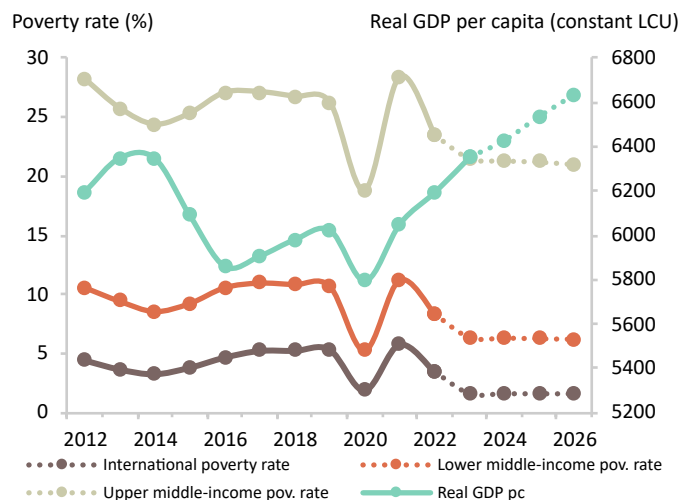
In 2023, real GDP grew by 2.9 percent, driven by a strong harvest, exports, and robust private consumption. Inflation moderated to 4.6 percent, falling within the Central Bank's target range (1.75 to 4.75 percent) and significantly below the peak of 12.1 percent in April 2022. Consequently, the Central Bank began to ease monetary policy in August, reducing the policy rate from 13.75 percent to 10.75 percent by March 2024. Real credit growth slowed to 3.1 percent in 2023 from 8.3 percent in 2022, driven by reduced credit to firms. The current account deficit shrank to 1.3 percent of GDP, fully covered by net FDI inflows of 1.6 percent of GDP. The primary deficit reached 2.3 percent of GDP in 2023, from a surplus of 1.2 percent in 2022, due to declining tax revenues, a significant rise in social transfers, and an

FIGURE 1 Brazil / Fiscal deficit and public debt



Source: Central Bank of Brazil.

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



Source: World Bank. Notes: see Table 2.

unusually large payment of judicial debts (0.9 percent of GDP). High debt service costs also increased, reaching 6.6 percent of GDP (from 5.8 percent in 2022). With this, gross debt grew to 74.4 percent of GDP in 2023 (from 71.7 percent in 2022). In 2023, the poverty rate continued to decline, reaching 21.5 percent (US\$ 6.85 per day, 2017 PPP), a reflection of improved economic conditions and social protection policies. Unemployment fell to 7.4 percent, the lowest since 2014. Formality rates remained unchanged, while average real wages rose by 6.2 percent in the first three quarters of 2023, notably in the services sector, which employs the majority of the poor workforce. The Bolsa Família Program was responsible for two thirds of the annual poverty reduction due to the expansion of its coverage by 2 million families (reaching 21.3 million), while the average monthly transfer increased from R\$395 to R\$670. Additionally, the real minimum wage was raised by 2.8 percent, benefiting approximately 1 in 4 households in the bottom 40 percent with at least one formal worker.

Outlook

GDP growth is expected to moderate to 1.7 percent in 2024 as the lagging effect of high-interest rates slows economic activity and as agricultural output normalizes after 2023's bumper harvest. Inflation is expected to gradually converge to about 3.5 percent by 2025, allowing for the gradual easing of monetary policy and contributing to faster growth in 2025. But growth is expected to remain at around 2 percent over the medium term, given persistent structural constraints to productivity growth. The current account deficit is expected to remain moderate and fully financed by FDI. With a focus on curbing expenditure growth and increasing tax revenues, the primary deficit is projected to improve to 0.4 percent of GDP in 2024 and to reach a surplus of 0.7 percent of GDP by 2026. Public debt is anticipated to stabilize at around 77.4 percent of GDP by 2026. Poverty reduction may be limited in 2024 as growth in agriculture and services, the latter employing 80.1 percent of poor

workers, is anticipated to slow. The real minimum wage is expected to increase by 3.1 percent in 2024. However, this may be partly offset by a 12.5 percent average increase in fuel prices (LPG, gasoline, ethanol, and diesel) due to the expiration of tax breaks, affecting households' purchasing power.

Key macroeconomic risks stem from the need for fiscal consolidation to meet primary balance targets, stabilize public debt, and anchor inflation expectations. This requires new revenue measures or expenditure controls that may encounter significant political resistance. Additionally, the continuation of El Niño could suppress agricultural output and increase food and energy prices. Ample reserves, low external debt, and a resilient financial system offer important macroeconomic buffers, but the political consensus around fiscal adjustment measures will continue to be critical for debt stabilization. While further economic growth may marginally contribute to poverty reduction in the coming years, insufficient investments in human capital and social infrastructure could impede progress.

TABLE 2 Brazil / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	4.8	3.0	2.9	1.7	2.2	2.0
Private consumption	3.0	4.1	3.1	1.5	2.2	2.0
Government consumption	4.2	2.1	1.7	1.2	1.7	1.7
Gross fixed capital investment	12.9	1.1	-3.0	1.7	1.5	1.3
Exports, goods and services	4.4	5.7	9.1	3.0	3.0	3.0
Imports, goods and services	13.8	1.0	-1.2	2.0	2.3	2.5
Real GDP growth, at constant factor prices	4.5	3.1	3.0	1.7	2.2	2.0
Agriculture	0.0	-1.1	15.1	0.0	2.0	2.0
Industry	5.0	1.5	1.6	1.5	1.7	1.7
Services	4.9	4.1	2.1	2.0	2.4	2.1
Inflation (consumer price index)	8.3	9.3	4.6	3.9	3.7	3.4
Current account balance (% of GDP)	-2.8	-2.5	-1.3	-1.8	-2.1	-2.3
Net foreign direct investment inflow (% of GDP)	1.8	2.1	1.6	2.0	2.2	2.5
Fiscal balance (% of GDP)	-4.2	-4.6	-8.8	-7.1	-5.1	-4.6
Revenues (% of GDP)	35.4	37.6	34.7	34.3	34.6	34.4
Debt (% of GDP)	77.3	71.7	74.4	77.2	77.3	77.4
Primary balance (% of GDP)	0.7	1.2	-2.3	-0.4	0.4	0.7
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	5.8	3.5	1.6	1.6	1.6	1.6
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	11.3	8.4	6.4	6.4	6.3	6.3
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	28.4	23.5	21.5	21.3	21.2	21.0
GHG emissions growth (mtCO₂e)	15.2	-8.3	-8.1	-4.8	-4.6	-4.7
Energy related GHG emissions (% of total)	17.0	17.6	19.7	20.1	20.8	21.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on SEDLAC harmonization, using 2022-PNADC-E1. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.

b/ Projections using microsimulation methodology.

CHILE

Table 1 **2023**

Population, million	19.6
GDP, current US\$ billion	345.6
GDP per capita, current US\$	17605.4
International poverty rate (\$2.15) ^a	0.4
Lower middle-income poverty rate (\$3.65) ^a	0.9
Upper middle-income poverty rate (\$6.85) ^a	4.7
Gini index ^a	43.0
School enrollment, primary (% gross) ^b	99.4
Life expectancy at birth, years ^b	78.9
Total GHG emissions (mtCO2e)	52.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2021).

Chile's sound macroeconomic policies led to a recovery from Covid-induced imbalances, including high deficits and inflation. Fiscal and monetary tightening stabilized the economy but stunted 2023 growth. Chile aims for faster, greener, and more inclusive growth, and reforms targeting productivity, technology, competition, and human capital development are crucial for achieving this objective.

Key conditions and challenges

Chile has a strong track record of sound macroeconomic policies and solid institutions. However, large fiscal transfers and pension fund withdrawals generated significant macroeconomic imbalances during the COVID-19 pandemic, including high fiscal and current account deficits and double-digit annual inflation. After strong fiscal and monetary tightening, macroeconomic imbalances have largely been resolved, but growth stagnated in 2023.

Despite being the world's largest exporter of copper and a major producer of lithium, a key challenge for Chile is to move towards higher and more inclusive growth. Growth averaged just 2 percent in the six years preceding the pandemic. Targeted reforms to address specific bottlenecks are needed to boost productivity growth, which has been declining for decades. This includes reducing regulatory barriers, fostering technology adoption, promoting competition, enhancing managerial capabilities, and increasing female labor force participation and job quality. Chile is also expected to leverage the global green transition, with both renewable energy and the plan to expand lithium production through public-private partnerships potentially contributing to increased growth going forward.

To move towards a more inclusive growth, the government is pursuing an ambitious social agenda. An initial tax reform proposal aimed at increasing fiscal

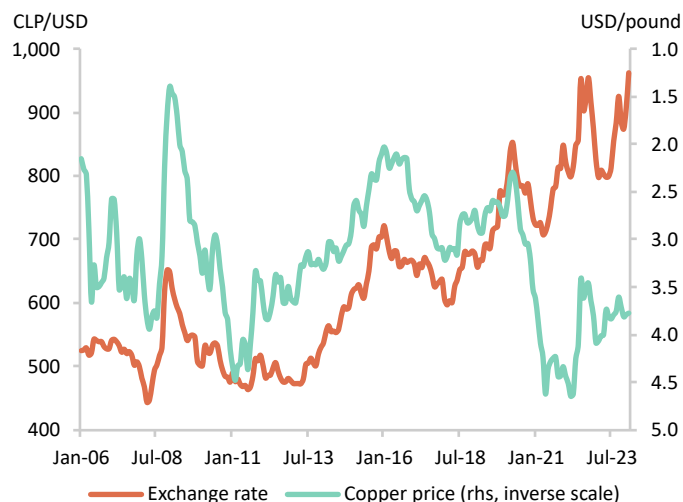
revenues to fund social spending was rejected in Congress. A revised, scaled back tax reform with an enhanced focus on tax compliance is being debated in Congress. A pension reform proposal to increase contributions and replacement rates is also in Congress. The proposed reform also includes a solidarity share of additional contributions.

Recent developments

Real GDP rose by 0.2 percent in 2023, as domestic demand adjusted after tighter macroeconomic policies during the post-Covid period. Services have shown resilience, but construction, commerce, and mining were subdued. The copper industry has performed weakly amid operational disruptions and lower ore grades. On the demand side, private consumption has bottomed out and started to stabilize in recent months, while exports and especially investment remained sluggish overall.

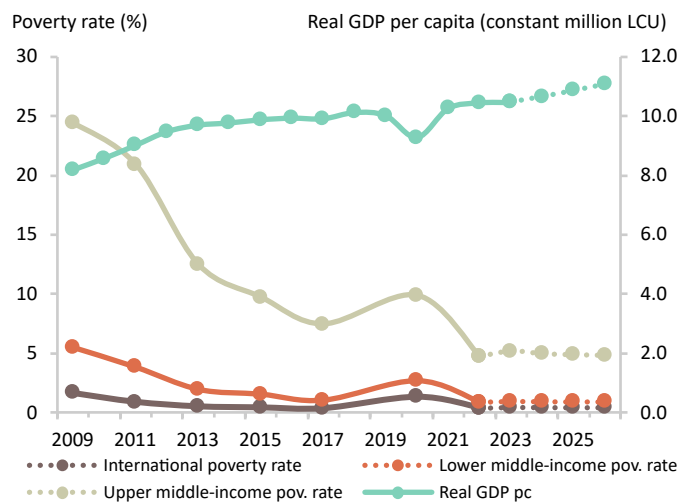
Labor market performance has yet to return to pre-pandemic levels. By December 2023, the employment rate stood at 56.6 percent, still below the rate of 58.6 percent registered during the same period in 2019. The unemployment rate remained high at 8.5 percent. Gender gaps in the labor market remain pronounced, with women's labor force participation at 52.6 percent compared to men's at 71.4 percent. Similarly, women's employment rate was 48.0 percent, while men's was 65.5 percent. Also, women continue to be more likely to work in the informal sector and earn lower salaries.

FIGURE 1 Chile / Exchange rate and copper prices



Source: World Bank based on Central Bank of Chile.

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



Source: World Bank. Notes: see Table 2.

Inflation has continued its descent, closing 2023 at 3.9 percent y-o-y after a determined monetary tightening and receding supply shocks. A policy easing cycle started in July 2023, with accumulated rate cuts of 400 basis points, bringing the reference rate to 7.25 percent in January 2024.

Real public expenditures remained contained in 2023, increasing by 1 percent largely due to emergency measures to support vulnerable households affected by El Niño phenomenon. However, revenues fell by 13 percent due to the slowdown in economic activity and declining mining revenues, leading to a fiscal deficit of 2.4 percent of GDP.

Poverty (\$6.85/day per capita 2017 PPP) is estimated at 5.2 percent in 2023 and the Gini inequality coefficient at 0.43.

After reaching a decades-high 9 percent of GDP in 2022, the current account deficit narrowed sharply to 3.6 percent by the end of 2023, as a contraction in nominal imports of goods (-16 percent y-o-y in 2023) amid the adjustment of domestic demand significantly surpassed that of exports (-3.7 percent). Foreign direct investment largely financed the current account deficit.

The peso depreciated by 18 percent from July 2023 to February 2024. Depreciation pressures are mostly driven by Chile being

ahead of other economies in the monetary policy easing cycle, with a rapidly narrowing interest rate differential with the U.S. The real exchange rate is now about 5 percent weaker than in 2019 since depreciation exceeded the inflation differential with trade partners. In 2021, a wedge appeared in the normally close alignment of movement between the peso and copper prices. While their close correlation has returned more recently, this appears to be the case at a lower equilibrium rate for the peso (Figure 1).

Outlook

Economic activity is forecast to recover gradually towards trend GDP growth of 2.0 percent in 2024. Consumption is expected to be the main driver of the recovery, and exports would contribute positively amid the start of new copper mining operations and the growing momentum in lithium production. Investment is projected to remain weak, as suggested by registries and sentiment surveys. With inflation on track to return to the 3 percent target this year, further monetary easing is expected.

Amid expected modest economic growth and controlled inflation, poverty (US\$6.85/day, 2017 PPP) is projected to reach 5.0 percent in 2024 and will stay around this value in the medium term. The Gini coefficient is projected to remain at 0.43.

The fiscal deficit is expected to narrow to 2.2 percent of GDP in 2024 as domestic revenues rise due to rebounding GDP growth, then to narrow gradually over the medium term amid a decline in the expenditures-to-GDP ratio. These projections do not include potential revenue increases from future tax reforms and assume a consolidation path toward medium-term structural deficit targets. The public debt-to-GDP ratio is projected to be near 42 percent by 2026, still comparing favorably with the 50.6 percent median of “A” rated peers. The current account deficit would decline toward 3 percent over the medium term.

Downside risks to the outlook include higher-for-longer interest rates in the U.S., geopolitical tensions, weaker-than-expected growth in China, and stronger-than-expected climate disasters like El Niño and La Niña. Domestic risks stem mainly from political gridlock, the inability to pass structural reforms in Congress, and potential social discontent.

TABLE 2 Chile / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	11.7	2.4	0.2	2.0	2.2	2.3
Private consumption	20.8	2.9	-5.2	1.9	2.1	2.2
Government consumption	13.8	4.1	1.6	2.4	2.2	2.2
Gross fixed capital investment	15.7	2.8	-1.1	0.2	2.4	2.4
Exports, goods and services	-1.4	1.4	-0.3	2.8	2.6	2.9
Imports, goods and services	31.8	0.9	-12.0	1.2	2.7	2.7
Real GDP growth, at constant factor prices	10.6	2.6	0.2	2.0	2.2	2.3
Agriculture	4.4	0.1	-1.0	2.4	2.3	2.2
Industry	4.6	-0.9	-0.2	2.0	1.9	1.8
Services	14.0	4.4	0.5	2.0	2.3	2.5
Inflation (consumer price index)	4.5	11.6	7.6	3.3	3.0	3.0
Current account balance (% of GDP)	-7.3	-9.0	-3.6	-3.6	-3.4	-3.1
Net foreign direct investment inflow (% of GDP)	0.6	2.7	3.4	3.0	3.0	3.0
Fiscal balance (% of GDP)	-7.5	1.4	-2.4	-2.2	-2.0	-1.7
Revenues (% of GDP)	26.0	28.1	23.0	23.7	23.6	23.6
Debt (% of GDP)	36.3	38.0	39.8	41.3	41.6	41.8
Primary balance (% of GDP)	-6.6	2.4	-1.3	-1.0	-0.7	-0.6
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	0.1	0.4	0.4	0.4	0.4	0.4
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	0.3	0.9	1.0	0.9	0.9	0.9
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	3.5	4.7	5.2	5.0	4.9	4.8
GHG emissions growth (mtCO₂e)	13.6	-7.5	0.4	2.6	2.4	2.6
Energy related GHG emissions (% of total)	163.3	167.9	166.7	164.1	161.6	159.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on SEDLAC harmonization, using 2022-CASEN. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.

b/ Projections using microsimulation methodology.

COLOMBIA

Table 1

2023

Population, million	52.1
GDP, current US\$ billion	363.5
GDP per capita, current US\$	6978.7
International poverty rate (\$2.15) ^a	6.0
Lower middle-income poverty rate (\$3.65) ^a	14.0
Upper middle-income poverty rate (\$6.85) ^a	34.8
Gini index ^a	54.8
School enrollment, primary (% gross) ^b	106.5
Life expectancy at birth, years ^b	72.8
Total GHG emissions (mtCO2e)	261.3

Source: WDI, Macro Poverty Outlook, and official data.

a/ Most recent value (2022), 2017 PPPs.

b/ Most recent WDI value (2021).

GDP growth decelerated to 0.6 percent in 2023 as the phase-out of stimulus measures added to policy uncertainty's weight on investment. Macroeconomic imbalances are narrowing, with declining inflation and fiscal and external deficits. Poverty reduction is expected to moderate, in line with economic activity. Key risks include persistent inflation and economic disruptions due to El Niño, outcomes of the policy reform agenda, and fiscal policy slippage amid tight fiscal space.

Key conditions and challenges

Colombia's solid macroeconomic institutional setting, grounded on a rules-based fiscal framework, a flexible exchange rate, and a modern inflation-targeting regime, has been the cornerstone of its macroeconomic stability. Yet, the pace of economic growth has been slowing. Productivity has not contributed significantly to GDP growth for decades, and despite joining numerous trade agreements, Colombia has not been able to diversify and expand its exports. Large infrastructure gaps, poor education outcomes, and institutional shortcomings further hamper the country's potential.

Colombia is a country of large social and territorial inequalities. To reduce poverty and promote prosperity across the country, it's crucial to increase productivity and reinvigorate regional convergence, improve the social security system, create more efficient and inclusive labor markets, and strengthen the intergovernmental fiscal transfer system to enhance the accessibility to and quality of public services across the country.

Colombia is also particularly vulnerable to the effects of climate change. On the one hand, climate shocks affect livelihoods and assets across the territory, undermining welfare improvements. On the other, Colombia is exposed to the reduction in fossil fuel demand as the world decarbonizes. Reaching the country's ambitious

climate targets could help reduce vulnerabilities and promote a more diversified economic structure in the long run. These multiple challenges would need to be addressed in a fiscally responsible way, which remains a key precondition for Colombia to advance its development goals.

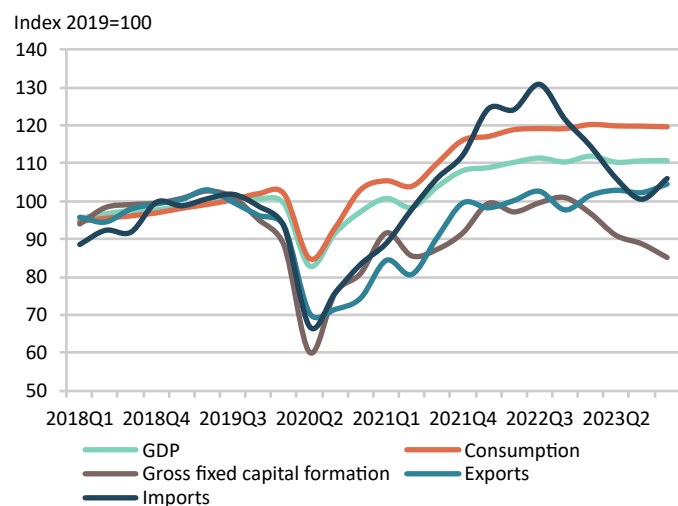
Recent developments

Colombia's overheated economy decelerated sharply in 2023. After growing a cumulative 18.9 percent in 2021-22, GDP expanded 0.6 percent (y-o-y) in 2023. The needed un-winding of stimulus policies and heightened policy uncertainty affected fixed investment, which fell 8.9 percent (y-o-y). Private consumption moderated but remained resilient. On the supply side, construction, commerce, and manufacturing had negative contributions to economic growth, which translated in job losses in these sectors. Unemployment remained constant at around 10 percent in 2023.

After a 2021-22 recovery, labor markets showed limited improvements in 2023, mainly in larger cities, but not reaching youth, women, and rural areas. Also, the emergency social program Ingreso Solidario was no longer active in 2023. The poverty rate is estimated to have remained stagnant in 2023 (\$6.85/day). Labor outcomes and poverty rates continue to show wide variations across the territory and socioeconomic groups.

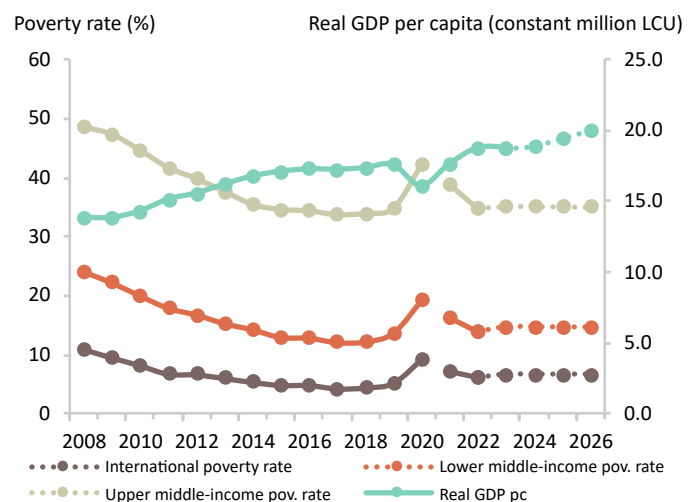
The deceleration of economic activity also helped narrow the current account deficit, from 6.2 to 2.7 percent of GDP between

FIGURE 1 Colombia / Indices of real GDP and its components



Sources: DANE and World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

2022 and 2023, as the good performance of exports contrasted with a collapse of imports, affected by weak consumption and the fall in investment. Primary payments also fell, and remittance inflows reached an all-time high, mitigating pressures on the external deficit. FDI inflows increased marked by oil and mining activities, while portfolio investment posted net outflows. Inflation declined from a peak of 13.3 percent (y-o-y) in March 2023 to 8.3 percent in January 2024, easing pressures on households' rising costs of living. The Central Bank kept the monetary policy rate constant through most of 2023 and reduced it cautiously by 25 bps in two consecutive Board meetings, to 12.75 percent in January 2024. Inflation expectations are falling but remain above the 2-4 percent inflation target range for 2024. The Colombian peso reversed losses from 2022, benefiting from high-interest rates, global financial liquidity, and a reduction in policy uncertainty.

The fiscal deficit of the general government fell sharply from 6.5 in 2022 to 2.5 percent of GDP in 2023, thanks to yields from the 2022 tax reform, a reduction in fuel subsidies, low budget execution levels, and extraordinary returns to pension funds. The peso appreciation and fiscal deficit reduction brought the debt-to-GDP ratio down to 60.1 percent. EMBIG spreads

also declined but remain high among its regional peers.

Outlook

The economy is projected to expand 1.3 percent in 2024 and slightly above the 3 percent potential growth rate in the following years until the negative output gap closes. Private consumption, solid export growth, and a steady rise in private investment are expected to support the pick-up, as inflation and interest rates recede, and policy uncertainty abates. The current account deficit is projected to expand marginally in 2024, as economic activity accelerates and imports rebound, and to stabilize at 3 percent of GDP by 2026, with solid exports—especially in services— and moderate growth in imports and primary payments.

The fiscal deficit of the general government is projected to increase to 3.5 percent of GDP due to the unwinding of cyclical factors that contributed to the large drop in 2023 and higher expenditure at the central level. The government committed to complying with the structural fiscal rule. In the face of uncertain revenues, adjustments to meet targets could come through low execution. The fiscal deficit is expected to narrow going forward, through the continued

reduction in fuel subsidies and lower capital expenditures.

Amid moderate economic growth in 2024, limited progress is expected in poverty reduction. Moreover, while inflation declined, higher prices are still impacting real incomes and food security, and climate shocks may affect households, particularly in regions like Caribe and Pacifico. Promoting more dynamic labor markets and adjusting the social protection system, for example, by expanding coverage and adaptiveness to shocks, would help build resilience.

Risks to the economic growth outlook include higher or more persistent inflation, exacerbated by the effects of El Niño on food and utility prices, or by continued currency volatility from tighter external financial conditions or domestic developments. Rising violence could undermine stability and growth. Uncertainty around the reform agenda could also increase fiscal pressures and lead to delays in private-sector investment. This is mitigated by the fact that the government has reiterated its commitment to the fiscal rule, complied with since its inception in 2011, including by the current administration. Finally, the impact of climate change on GDP growth, external and fiscal sustainability, and the most vulnerable is a continuous source of concern, as Colombia is very exposed to physical and transition risks.

TABLE 2 Colombia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	10.8	7.3	0.6	1.3	3.2	3.1
Private consumption	14.7	10.7	1.1	0.6	2.7	2.5
Government consumption	9.8	0.8	0.9	0.6	0.8	0.8
Gross fixed capital investment	16.7	11.5	-8.9	1.0	5.5	5.2
Exports, goods and services	14.6	12.3	3.1	3.2	5.2	5.5
Imports, goods and services	26.7	23.6	-14.7	9.5	2.9	3.0
Real GDP growth, at constant factor prices	10.3	6.4	0.6	1.3	3.2	3.1
Agriculture	4.4	-0.8	1.8	3.1	3.5	3.4
Industry	8.1	6.9	-1.9	1.6	3.3	3.0
Services	11.9	7.0	1.5	1.0	3.2	3.1
Inflation (consumer price index)	3.5	10.2	11.7	6.4	3.8	2.8
Current account balance (% of GDP)	-5.6	-6.2	-2.7	-3.1	-3.0	-3.0
Fiscal balance (% of GDP)	-7.1	-6.5	-2.5	-3.5	-3.0	-3.0
Revenues (% of GDP)	26.6	27.6	31.8	30.1	29.5	28.9
Debt (% of GDP)	65.7	64.6	60.1	60.4	59.3	58.7
Primary balance (% of GDP)	-3.7	-2.1	1.4	0.9	1.1	0.9
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	7.3	6.0	6.7	6.7	6.7	6.7
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	16.4	14.0	14.8	14.7	14.7	14.7
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	38.8	34.8	35.1	35.1	35.1	35.0
GHG emissions growth (mtCO₂e)	-0.5	-0.9	-0.9	-0.6	-0.1	-0.1
Energy related GHG emissions (% of total)	24.5	23.0	22.8	22.7	22.5	22.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on SEDLAC harmonization, using 2022-GEIH. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.

b/ Projections using microsimulation methodology.

COSTA RICA

Table 1 **2023**

Population, million	5.2
GDP, current US\$ billion	81.9
GDP per capita, current US\$	15713.5
International poverty rate (\$2.15) ^a	0.9
Lower middle-income poverty rate (\$3.65) ^a	3.3
Upper middle-income poverty rate (\$6.85) ^a	14.1
Gini index ^a	47.2
School enrollment, primary (% gross) ^b	108.9
Life expectancy at birth, years ^b	77.0
Total GHG emissions (mtCO2e)	7.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2021).

Growth accelerated to 5.1 percent in 2023 supported by strong domestic and external demand. Adequate monetary policy and lower international prices helped dissipate inflationary pressures, allowing for a less restrictive monetary stance since Q12023. This, combined with strong FDI, boosted private consumption and investment. Poverty (US\$6.85 poverty line) declined to 12.7 percent, but inequality remained high. Fiscal consolidation is enhancing market access and should continue promoting spending efficiency, while protecting the most vulnerable.

Key conditions and challenges

Costa Rica's income per capita has doubled in the past two decades, thanks to an outward-oriented growth model, investments in human capital, and good governance. The country upgraded and diversified its exports, making it less vulnerable to external shocks. It also strengthened its green trademark through sustainable natural resources management and reforestation. However, integration between the export and domestic economies remains weak, leading to income and territorial disparities. Despite accessible healthcare and education, monetary poverty reduction has been limited (only 2.6p.p. between 2010 and 2019), and inequality has persisted, with the Gini index remaining above 47 since 2010. Poverty rates are particularly high among vulnerable groups such as Afro-descendants, Indigenous populations, and migrants. The global pandemic deepened these challenges, with the poverty rate (measured by the US\$6.85/day 2017 PPP) increasing from 13.7 percent in 2019 to 19.9 percent in 2020. As labor market conditions improved and real household per-capita labor income recovered, poverty declined below pre-pandemic levels. Additionally, fiscal challenges arose between 2008 and 2018 due to increased spending without a rise in revenues. A 2018 reform was implemented to stabilize the fiscal situation, but the pandemic and commodity price shocks delayed

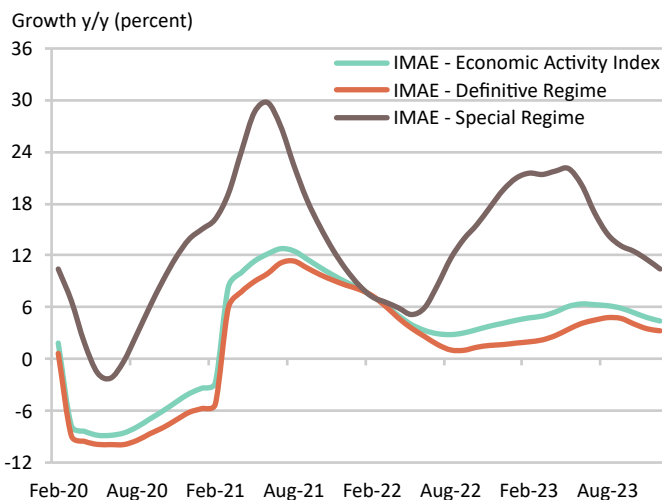
the adjustment. Public debt increased from 56 percent in 2019 to 68 percent of GDP in 2021, affected by fiscal pressures associated with the pandemic. Increased revenues, expenditure control measures, and strong growth enabled the country to post the first primary surplus in a decade in 2022. The public debt ratio is declining but remains relatively high.

Addressing Costa Rica's twin challenges of inclusivity and fiscal management is crucial. Growth would need to become more inclusive across the labor force and territory, and fiscal policies should continue to support creditworthiness. Improving revenue mobilization and spending efficiency, especially in social and infrastructure sectors, is essential to reduce poverty and inequality.

Recent developments

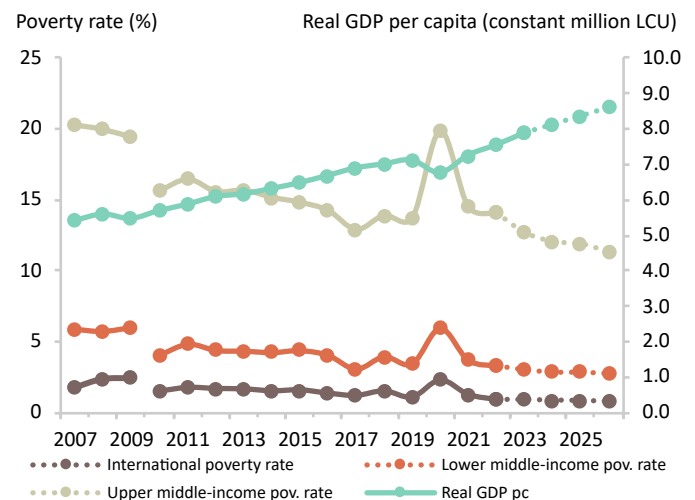
After moderating to 4.6 percent in 2022, growth surpassed expectations, reaching 5.1 percent in 2023, bolstered by robust domestic and external demand. Inflationary pressures subsided in the first half of 2023. Inflation rapidly decreased from its peak of 12 percent in August 2022 to within the targeted range by March 2023, subsequently transitioning to deflation during the second half of the year. This shift allowed the Central Bank to progressively reduce the policy rate starting in March, which in turn stimulated private consumption and investment. The current account deficit narrowed in 2023, driven by a larger trade surplus, and was financed by robust investment inflows. Exports, particularly of medical

FIGURE 1 Costa Rica / Economic activity growth (seasonally adjusted)



Sources: Central Bank of Costa Rica and World Bank staff calculations.
Note: Special Regime includes Free Trade Zone, Active Improvement and Refund of Rights regimes. Definitive Regime focus on domestic use or consumption.

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



Source: World Bank. Notes: see Table 2.

equipment, along with tourism and business services, saw notable expansion, outstripping the recovery in imports. Costa Rica maintained its position as one of the world's leading recipients of Greenfield FDI relative to GDP. Foreign reserves rebounded to cover over five months of goods and services imports, while the currency appreciated by approximately 12 percent in 2023.

The fiscal deficit widened to 3.3 percent of GDP in 2023 from 2.5 percent in 2022, pressured by a record-high interest bill of 4.8 percent of GDP and a smaller primary surplus of 1.6 percent of GDP. The latter resulted from the phase out of large one-off revenues associated with an institutional restructuring, which more than offset spending controls. The debt-to-GDP ratio continued to decline reaching 61.1 percent. Solid fiscal performance prompted Fitch, S&P, and Moody's to upgrade Costa Rica's sovereign credit rating to BB/BB-/B1. The country also successfully issued US\$3 billion in Eurobonds in two tranches (March and November). Costa Rica's progress on climate issues facilitated the inclusion of its sovereign bonds in JP Morgan's sustainability index.

Outlook

Amid global uncertainty and a slowdown in key trading partners, growth is projected to moderate to 3.7 percent during the forecast period. While external demand is anticipated to pick up in 2026, domestic demand is expected to temper as monetary policy normalizes and fiscal consolidation advances, aiding in closing the output gap. The current account deficit is projected to widen marginally to 2.7 percent of GDP, reflecting a deceleration in external demand and stabilization of terms of trade. Nonetheless, the deficit is anticipated to be fully covered by healthy FDI inflows.

As inflation stabilizes and labor market conditions continue to improve, particularly within the services sector, the poverty rate is projected to further decline to 11.3 percent by 2026, marking the lowest level in over a decade. Targeting and efficiency enhancements in social assistance programs, especially for historically marginalized groups and those living below the poverty line, could further reduce poverty and vulnerability.

Fiscal consolidation is expected to persist throughout the forecast period, underpinned by a fiscal rule that constrains spending growth, contributing to a reduction in the debt-to-GDP ratio to below 60 percent by 2025. Recent strides in debt management are likely to reduce Costa Rica's financing costs, while tax administration efforts should reinforce revenue mobilization. Announced reforms, including cuts in tax expenditures, adjustments to income tax, and a decrease in the fragmentation of social programs, are essential to bolster fiscal consolidation and establish safeguards against shocks while protecting the impoverished.

This economic outlook is subject to downside risks. Costa Rica's high susceptibility to external shocks, such as global inflationary pressures, dampened global growth, and tightening financial conditions, could pose challenges. Climate vulnerabilities, exacerbated by phenomena like El Niño, compound these uncertainties and could disproportionately impact the poor. Additionally, recent surges in migration and perceived criminality could increase expenditure demands, potentially impeding the pace of fiscal consolidation.

TABLE 2 Costa Rica / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	7.9	4.6	5.1	3.9	3.7	3.7
Private consumption	8.3	3.4	5.4	3.8	3.4	3.4
Government consumption	1.7	2.4	0.1	0.4	0.7	0.8
Gross fixed capital investment	7.8	1.5	8.6	5.0	5.9	6.2
Exports, goods and services	15.9	13.2	10.5	8.1	7.6	7.6
Imports, goods and services	19.2	6.0	5.6	7.9	7.9	8.1
Real GDP growth, at constant factor prices	7.2	4.4	5.1	3.7	3.7	3.8
Agriculture	0.3	-2.3	3.5	2.1	2.1	2.0
Industry	13.5	2.1	8.3	2.6	2.7	2.9
Services	5.9	5.6	4.2	4.1	4.2	4.2
Inflation (consumer price index)	1.7	8.3	0.5	1.9	3.0	3.0
Current account balance (% of GDP)	-3.2	-3.7	-1.0	-2.3	-2.4	-2.7
Net foreign direct investment inflow (% of GDP)	4.8	4.4	4.4	4.2	4.3	4.4
Fiscal balance (% of GDP)	-5.0	-2.5	-3.3	-2.8	-2.2	-1.6
Revenues (% of GDP)	15.7	16.4	15.4	15.5	15.8	16.0
Debt (% of GDP)	67.6	63.0	61.1	60.1	59.0	57.8
Primary balance (% of GDP)	-0.3	2.1	1.6	2.0	2.2	2.4
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	1.2	0.9	0.9	0.8	0.8	0.8
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	3.7	3.3	3.0	2.9	2.9	2.8
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	14.5	14.1	12.7	12.0	11.9	11.3
GHG emissions growth (mtCO₂e)	0.7	3.2	1.1	2.2	2.1	2.3
Energy related GHG emissions (% of total)	97.4	96.8	95.2	93.2	91.3	89.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on SEDLAC harmonization, using 2022-ENAH0. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.

b/ Projections using microsimulation methodology.

DOMINICA

Table 1 **2023**

Population, million	0.1
GDP, current US\$ billion	0.7
GDP per capita, current US\$	9015.8
School enrollment, primary (% gross) ^a	92.5
Life expectancy at birth, years ^a	72.8
Total GHG emissions (mtCO ₂ e)	0.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2021).

Dominica, a small island developing state (SIDS), faces economic challenges and climate vulnerability. Post-pandemic recovery is strong, driven by tourism, infrastructure, and agriculture, though high inflation is affecting the poor disproportionately. Food insecurity persists. Public debt soared due to pandemic support and inflation mitigation efforts. Investments in geothermal energy and an international airport will significantly boost future growth and stimulate private sector development. Reliance on volatile Citizen-by-Investment (CBI) revenues poses risks. Strengthening fiscal policy is needed to safeguard debt sustainability amid external shocks, including those related to climate change.

Key conditions and challenges

Dominica is highly vulnerable to climate change, natural disasters, and other external shocks. The economy has recovered from the pandemic and continues to perform well, largely supported by infrastructure investments and a rebound in tourism. Increases in global commodity prices pushed inflation to historical highs in 2022 and 2023. Although inflation is expected to moderate in 2024, higher price levels of basic goods continue to impact household welfare, particularly the poor. The latest round of the CARICOM/WFP online COVID-19 Food Security and Livelihoods Impact Survey in the Caribbean (May 2023) indicates that about half of respondents faced livelihood disruptions in the thirty days prior to the survey, largely due to unaffordable livelihood inputs. While there has been considerable improvement given the strength in tourism and stronger growth, 29 percent of the respondents reported a job loss or a reduction in labor income in the last six months, and this is actually an improvement compared to the earlier round. Although the survey provides helpful insights, the data is not representative and should be interpreted with caution.

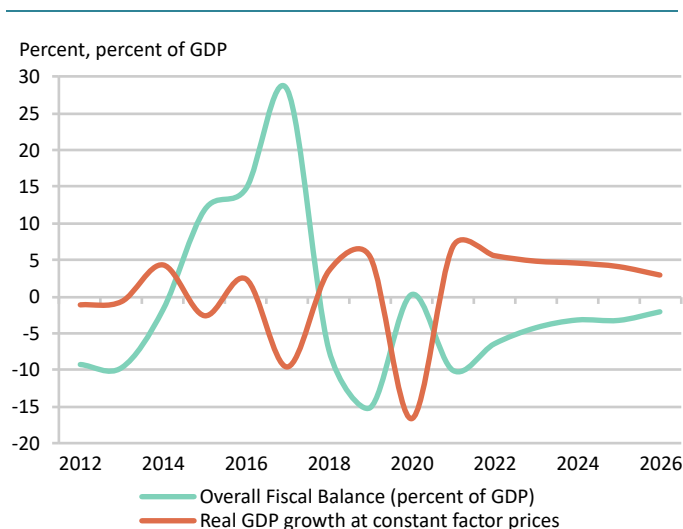
The fiscal deficit widened significantly during the pandemic, but it fell considerably in 2023. Pandemic-related support, increased infrastructure spending, and fiscal measures to mitigate the impact of inflation on

the poorest (e.g., subsidies on diesel and gasoline, increased VAT-free units in domestic electricity bills), led to high fiscal deficits and pushed public debt over 100 percent of GDP. Recurrent expenditures are now returning to pre-pandemic levels although further effort will be needed to meet Dominica's primary balance target of 2 percent of GDP by FY26 as per their fiscal rule. The government is implementing a highly ambitious public investment pipeline, largely financed by CBI revenues, including a new international airport, geothermal energy investments, and a significant housing program. While CBI revenues have remained buoyant, they can be volatile and reliance on such revenues raises financing risk. Dominica's vulnerability to hurricanes and climate change means that the authorities will have to increasingly focus on building resilience based on fiscal buffers, climate resilient investment, and expanding public and private insurance protection and social assistance within a context of limited fiscal space. Geothermal energy development and the new airport bode well for future growth prospects and will help address Dominica's small island state competitiveness challenges.

Recent developments

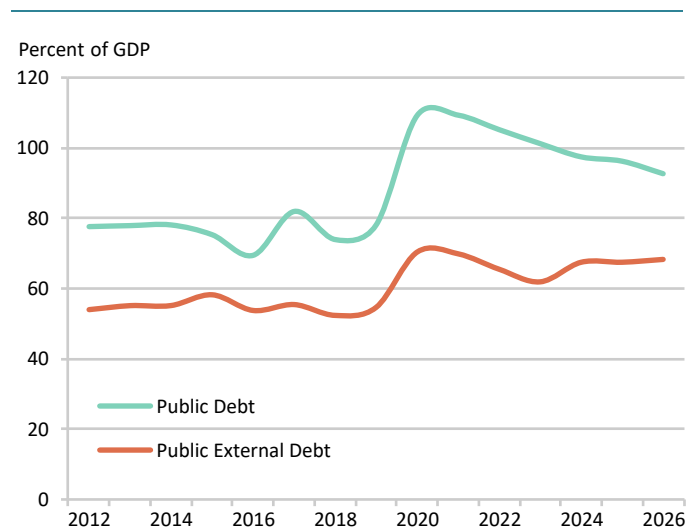
Growth continued its rebound in 2023 at 4.9 percent (5.6 percent in 2022), due to the relaxation of domestic COVID-19 containment measures and improving tourist arrivals. Growth is estimated to remain strong in 2024 as tourism returns to 2019

FIGURE 1 Dominica / Real GDP growth and fiscal balance



Sources: Government of Dominica and World Bank staff calculations.

FIGURE 2 Dominica / Public debt



Sources: Government of Dominica and World Bank staff calculations.

levels and as it is further supported by public investment. Inflation was 5.5 percent in 2023 after peaking at 7.8 percent in 2022, driven largely by fuel prices, and to a lesser extent by food prices. Inflation is expected to decline to 2.3 percent in 2024. Inflation continued to affect households' purchasing power and access to food over 2023, given Dominica's dependence on imported food products. According to the CARICOM/WFP survey, nearly all respondents reported an increase in prices of food, gas, transport, and electricity in the three months prior. Similarly, farmers and fishermen continue to report increased input costs. Food insecurity appears to have leveled out in the first half of 2023, although it remains widespread. A considerably large number of respondents indicated that they reduced essential non-food expenditures (e.g., education and health) and spent savings to meet immediate food needs, which could compromise their well-being in the long term and make them less prepared for future shocks. Low-income households, women, and younger respondents appear to be experiencing greater challenges across most metrics of well-being and are at risk of falling further behind.

The fiscal position has improved, registering an overall deficit of 4.2 percent in FY23 following a 6.4 percent deficit in FY22. This modest improvement was the result of reduced current expenditure in a post-COVID environment, reduced public investment, and a robust growth environment. Public

debt remains high at 101 percent of GDP at the end-2023 after peaking at 109 percent in 2021. Approximately 90 percent of Dominica's external debt is owed to multilateral and bilateral creditors on concessional terms. Nonetheless, with a 22 percent debt service to revenue ratio in 2023, public debt obligations run the risk of crowding out other spending priorities. A combination of sound fiscal policy and sustained growth is needed to put public debt levels on a firm downward trajectory.

The current account deficit (CAD) at 21.6 percent of GDP in 2023 reflects Dominica's SIDS status and is financed primarily by CBI revenues, grants, and FDI. Reserves are adequate at 5.0 months of import coverage. Financial sector stability and related risks are limited as banks are well capitalized. Recapitalization of credit unions is progressing, though balance sheets remain strained following recent shocks. Private sector credit remains constrained as most recent bank lending has been to the public sector.

Outlook

Short- to medium-term GDP growth continues to be driven by tourism, aided by a robust public investment program financed through CBI revenues. Geothermal developments and a new international airport should boost structural and potential growth. Nonetheless, these large

public investment projects will require careful management and implementation. Growth and lower inflation should contribute to a reduction in poverty rates in the medium term. There is an urgent need for updated poverty data, as well as other key indicators including labor market statistics, to monitor households' wellbeing and inform the design of public policy.

The fiscal deficit is expected to narrow as exceptional spending measures continue to be wound down, current spending is reduced and rationalized, and fiscal rules metrics are adhered to, including primary balances of 2.0 percent of GDP by 2026, though further measures will be needed to achieve this target. The CAD is forecast to narrow as tourism receipts increase, though high food and fuel prices will maintain some pressure on the CAD. Financial sector risks will continue to require monitoring given implicit contingent fiscal liabilities arising from the large credit union and insurance sectors. These sectors, while improving, have yet to fully recover from Hurricane Maria, and the impacts of the COVID-19 pandemic also continue to be felt on balance sheets.

Forecasts are subject to considerable downside risk given uncertain food and fuel prices, the economic impact of global geo-political developments, and continued reliance on volatile CBI revenues. Risks from natural disasters and the impact of climate change remain significant. Risks also arise from the financial sector and fiscal and public debt vulnerabilities.

TABLE 2 Dominica / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	6.9	5.6	4.9	4.6	4.2	3.0
Real GDP growth, at constant factor prices	6.8	6.8	4.9	4.6	4.2	3.0
Agriculture	23.4	-0.7	2.7	2.6	2.1	1.9
Industry	5.0	1.1	3.3	3.2	3.0	2.6
Services	4.5	9.4	5.6	5.2	4.7	3.3
Inflation (consumer price index)	1.5	7.8	5.5	2.3	2.0	2.0
Current account balance (% of GDP)	-32.9	-26.7	-21.6	-18.0	-15.3	-12.6
Fiscal balance (% of GDP)^a	-10.0	-6.4	-4.2	-3.1	-3.2	-2.0
Revenues (% of GDP)	58.6	53.1	48.1	47.2	46.1	43.8
Debt (% of GDP)^a	109.2	105.1	101.1	97.4	96.1	92.6
Primary balance (% of GDP)^a	-7.7	-3.6	-1.0	0.0	-0.5	0.6
GHG emissions growth (mtCO₂e)	-7.5	-1.9	-0.3	0.1	0.2	0.1
Energy related GHG emissions (% of total)	71.9	72.3	73.1	73.9	74.6	75.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Fiscal balances are reported in fiscal years (July 1st -June 30th).

DOMINICAN REPUBLIC

Table 1 **2023**

Population, million	10.8
GDP, current US\$ billion	120.9
GDP per capita, current US\$	11198.9
International poverty rate (\$2.15) ^a	0.8
Lower middle-income poverty rate (\$3.65) ^a	4.0
Upper middle-income poverty rate (\$6.85) ^a	21.5
Gini index ^a	37.0
School enrollment, primary (% gross) ^b	100.2
Life expectancy at birth, years ^b	72.6
Total GHG emissions (mtCO2e)	38.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

The Dominican economy is poised for a rebound in 2024, with an expected growth rate of 5.1 percent, fueled by the delayed impacts of monetary easing and increased public investment. Unemployment has decreased, and labor incomes have improved, reducing poverty to below pre-pandemic levels. To maintain its fast growth, the country would benefit from productivity-enhancing reforms and climate change adaptation, while continuing to implement prudent fiscal policy.

Key conditions and challenges

The Dominican Republic (DR) has been one of the fastest growing economies in Latin America and the Caribbean, with an average growth rate of 5.4 percent from 2005 to 2022. Prudent monetary and fiscal policies helped macroeconomic stability and social progress. During this time, the number of people living in poverty – earning less than US\$6.85 per day – dropped significantly from 57 to 22 percent. Foreign direct investment (FDI) inflows were about 4 percent of GDP each year. However, exports declined from 28 to 22 percent of GDP.

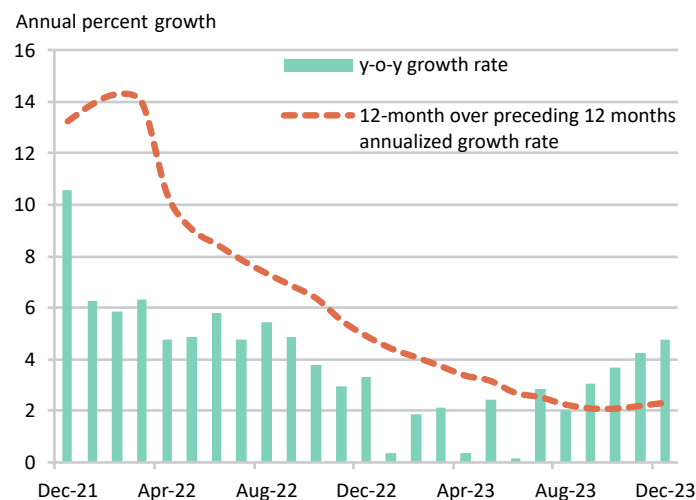
Recent exogenous shocks, including the pandemic, rising commodity prices, and severe floods, strained the country’s finances. Public debt remains above pre-pandemic levels, and new expenditure needs have arisen, with the interest bill consuming three percent of GDP in 2022. As a result, public investment fell from 3.9 to 2.6 percent of GDP between 2005 and 2022. To create space for more public investment, the country would need to improve domestic resource mobilization and spending efficiency. Rebuilding its fiscal buffers will also enable the country to respond better to unexpected events, like natural disasters. To keep growing and make sure poverty continues to decline, it is important to increase productivity. According to the Country Economic Memorandum published in 2023, this

will require ambitious structural reforms, such as (i) improving education; (ii) making markets more competitive; (iii) re-vamping the innovation strategy and adopting climate-friendly technologies; (iv) improving public spending and service delivery; and (v) rebuilding fiscal buffers to deal better with external shocks, including through additional resource mobilization. These changes should go hand in hand with improvements of labor market regulations and social protection systems.

Recent developments

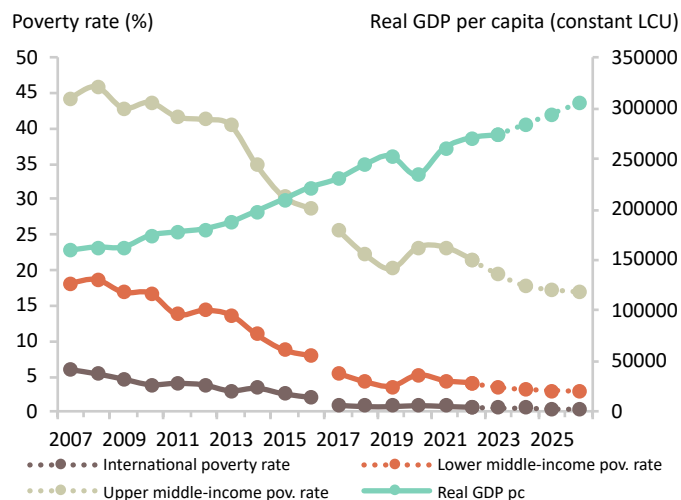
After a strong rebound in 2022, GDP growth decelerated to 2.4 percent in 2023. The construction sector experienced a significant slowdown in the first half of the year, as borrowing costs and input prices increased. However, the implementation of monetary liquidity facilities, representing nearly 2 percent of GDP, in conjunction with a resurgence in public investment mitigated the slowdown. This allowed the economy to witness an acceleration in the second half of the year, with a 4.7 percent year-on-year growth in December 2023. Service sectors, such as hospitality and health care, saw expansions of 10.7 percent, and 10 percent, respectively. This performance helped offset the construction’s sector early sluggishness. The economy witnessed the generation of around 148 thousand new jobs in 2023, translating into a year-over-year growth of 3.2 percent, significantly surpassing the

FIGURE 1 Dominican Republic / Index of economic activity, IMAE



Source: World Bank staff calculations based on Central Bank data.

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



Source: World Bank. Notes: see Table 2.

pre-pandemic numbers. This employment recovery was driven by a 5.6 percent (y-o-y) increase in formal employment, particularly among women, who saw the creation of 65,142 new jobs.

The current account deficit (CAD) is projected to have contracted to approximately 3.6 percent of GDP in 2023, a reduction from the 5.6 percent recorded in 2022. The nation welcomed 10.3 million visitors, with 78 percent being new arrivals. Revenue generated from these visits climbed to US\$9.8 billion, marking a 16.9 percent increase from 2022. Remittance grew by 3.1 percent in 2023, signaling a stabilization at levels exceeding those prior to the pandemic. The CAD was fully financed by robust FDI and long-term capital inflows.

Inflation declined throughout the year, reaching 3.6 percent y-o-y in December 2023, within the central band (4 percent±1 percent). The Central Bank reduced its policy rate from 8.5 percent to 7.0 percent in November 2023. In 2023, the poverty rate at US\$6.85 per day (2017 PPP) fell to 19 percent, below the 2019 pre-pandemic level of 20 percent. The principal factor contributing to this reduction in poverty was the growth in labor incomes, supplemented by public transfers.

The fiscal deficit expanded to 3.3 percent of GDP in 2023, up from 3.2 percent in 2022. Total revenue surged 12.2 percent, bolstered by enhancements in tax administration and extraordinary revenue from advanced corporate income tax payments. Expenditures escalated by 11.1 percent year-over-year, propelled by a substantial 21.0 percent increase in public investment and a 19.9 percent rise in interest payments.

Outlook

In 2024, economic growth is anticipated to accelerate to 5.1 percent, buoyed by the delayed effects of monetary policy easing and augmented public investment. Inflationary pressures are expected to continue easing, allowing the central bank to cut interest rates further. Over the medium term, robust consumption and investment are expected to underpin growth, bolstered by the execution of structural reforms in key sectors such as energy, water, and public-private partnerships, as well as initiatives aimed at improving education and attracting FDI. By the years

2025-27, growth is forecasted to stabilize at around 5 percent, contributing to further reductions in poverty rates (US\$6.85 per day, 2017 PPPs).

A gradual fiscal consolidation is expected over the medium term, driven by the ongoing Electricity Pact reforms, the phase-out of untargeted subsidies, and spending efficiency measures (e.g., procurement, social programs consolidation). Consequently, the public debt-to-GDP ratio is expected to decrease progressively, maintaining a level below 57 percent post-2026.

The macroeconomic outlook faces external and domestic risks. A deceleration in the US economy that outpaces expectations could adversely affect tourist arrivals and exports. Weather-related events, such as El Niño, could also severely affect agriculture and tourism and disproportionately affect the poor. Climate-induced GDP deviations from baseline could reach up to 16.7 percent of GDP by 2050. The high exposure to external shocks and the country's limited financial safeguards against such risks pose significant fiscal and financial risks. Therefore, fortifying resilience is imperative to sustain economic growth and ensure it is more inclusive.

TABLE 2 Dominican Republic / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	12.3	4.9	2.4	5.1	5.0	5.0
Private consumption	6.6	5.1	2.9	5.0	5.1	5.2
Government consumption	0.1	3.9	2.8	2.7	2.5	2.2
Gross fixed capital investment	22.1	4.0	-2.1	7.0	5.6	5.0
Exports, goods and services	36.2	13.7	2.2	4.0	4.5	4.6
Imports, goods and services	25.7	14.4	-3.8	4.4	4.1	3.8
Real GDP growth, at constant factor prices	11.5	4.7	2.4	5.1	5.0	5.0
Agriculture	2.6	5.0	3.9	3.6	3.4	3.2
Industry	16.5	1.3	-0.1	4.5	4.0	4.0
Services	10.0	6.5	3.5	5.5	5.7	5.7
Inflation (consumer price index)	8.2	8.8	4.8	4.4	4.2	4.0
Current account balance (% of GDP)	-2.8	-5.6	-3.8	-3.6	-3.4	-3.2
Net foreign direct investment inflow (% of GDP)	3.4	3.5	3.6	3.7	3.7	3.7
Fiscal balance (% of GDP)^a	-2.9	-3.2	-3.3	-3.1	-3.0	-2.9
Revenues (% of GDP)	15.6	15.3	15.8	15.4	15.2	15.1
Debt (% of GDP)^b	62.6	58.6	59.1	58.4	57.8	57.2
Primary balance (% of GDP)^a	0.2	-0.4	-0.1	0.5	0.7	0.8
International poverty rate (\$2.15 in 2017 PPP)^{c,d}	0.9	0.8	0.6	0.6	0.4	0.4
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{c,d}	4.3	4.0	3.5	3.2	3.0	2.9
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{c,d}	23.2	21.5	19.4	17.7	17.2	16.9
GHG emissions growth (mtCO₂e)	9.9	-0.5	-0.9	1.5	1.3	1.2
Energy related GHG emissions (% of total)	62.6	61.4	60.1	59.7	59.4	59.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Fiscal balances are shown for the non-financial public sector (i. e. excluding central bank quasi-fiscal balances).

b/ Consolidated public sector debt.

c/ Calculations based on SEDLAC harmonization, using 2022-ECNFT-Q03. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.

d/ Projections using microsimulation methodology.

ECUADOR

Table 1

	2023
Population, million ^a	18.0
GDP, current US\$ billion ^a	116.6
GDP per capita, current US\$	6476.6
International poverty rate (\$2.15) ^b	3.2
Lower middle-income poverty rate (\$3.65) ^b	9.5
Upper middle-income poverty rate (\$6.85) ^b	29.9
Gini index ^b	45.5
School enrollment, primary (% gross) ^c	97.5
Life expectancy at birth, years ^c	73.7
Total GHG emissions (mtCO2e)	100.2

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2022).
 b/ Most recent value (2022), 2017 PPPs.
 c/ WDI for School enrollment (2022); Life expectancy (2021).

Ecuador faces an unprecedented security crisis and significant fiscal challenges due to escalating security costs, diminished oil revenues, surging costs of fuel and electricity imports and high interest payments. Growth has slowed, also due to the effects of El Niño climate phenomenon and electricity shortages. To unlock sustainable growth, Ecuador needs to address fiscal imbalances, improve its security situation, and remove barriers to private sector development to unleash investment, formal job creation, and export diversification.

Key conditions and challenges

Ecuador is grappling with an unprecedented security crisis. A surge in violence associated with drug trafficking activities led to the declaration of a state of internal armed conflict and the army to intervene in January. At the same time, the country faces an electricity generation deficit amid historically low investment aggravated by climatic events, which led to electricity rationing in 2023, disrupting economic activity. Against this backdrop, snap elections yielded a fragmented National Assembly and a minority government with an 18-month term. The new government that took office in November faces significant liquidity constraints and a large financing gap, which is set to increase in the coming years in the absence of structural fiscal reforms. Ecuador remains excluded from international capital markets, with the EMBI spread around 1300 basis points. Adding to the fiscal and growth challenges, a referendum held in August 2023 will lead to a shutdown of oil extraction in the Yasuni National Park by the end of August 2024, affecting one-tenth of national oil production.

The Noboa administration has taken important steps to address the challenging fiscal situation. Besides implementing measures to address short-term liquidity constraints, the government passed a bill to increase the VAT rate. Moreover, plans are underway to reduce fuel subsidies and

cut current expenditures, particularly within State-Owned Enterprises (SOEs), among other initiatives. A referendum on policies encompassing security, part-time employment, asset forfeiture, and other issues is scheduled for April.

Amid declining domestic oil output and long-term global decarbonization trends, private investment is needed to ignite new growth sources in sectors with competitive advantages, such as mining and agriculture. Improving barriers to private sector development by strengthening the insolvency framework, reducing market intervention, allowing for competition, further expanding trade integration, and improving labor regulation will be critical, particularly in the context of dollarization.

Recent developments

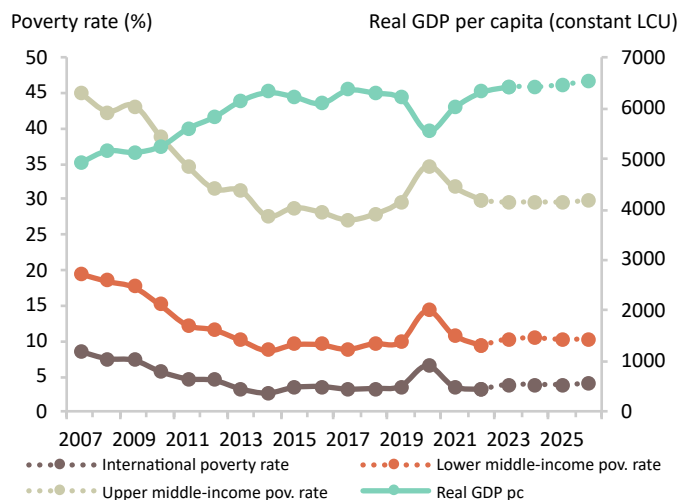
Real GDP grew by an estimated 2.8 percent in 2023, thanks to a good performance in the first half of the year, and despite a marked slowdown in the second half. Oil disruptions, the El Niño effect, heightened political uncertainty, and insecurity affected private consumption and investment in H2, slightly increasing poverty by the end of 2023. Annual inflation decreased from a peak of 4.2 percent in June 2022 to 1.4 percent in December 2023, one of the lowest in the region, amid weak domestic demand. Labor market conditions deteriorated, with the unemployment rate reaching 3.4 percent in December 2023 (3.2 percent as of December 2022), still mainly impacting women at a rate of 4.2 percent (compared

FIGURE 1 Ecuador / Emerging Market Bond Index (EMBI)



Source: JP Morgan Chase.

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



Source: World Bank. Notes: see Table 2.

to 2.8 percent for men). Job quality also deteriorated as underemployment in rural areas reached 22.3 percent (compared to 18.6 percent in 2022) and 20.6 percent in urban areas, explained by droughts, security concerns, and energy rationing. Despite a labor market deterioration, low inflation helped maintain poverty – measured at \$6.85PPP, the upper-middle-income poverty line – constant at about 30 percent. However, incomes for the poorest declined, especially in rural areas, resulting in a slight increase in extreme poverty measured at \$2.15PPP.

The fiscal deficit is expected to have widened to 3.5 percent of GDP in 2023. Interest payments and a higher fuel and electricity import bill increased spending last year. Revenues declined amid lower economic growth and oil revenues. Given liquidity shortages, arrears to the private sector surpassed 2020 levels. To address liquidity constraints, the government turned to short-term measures such as reprofiling of Central Bank debt, as well as a tax amnesty and advance income tax payments starting in 2024. The Assembly also approved temporary additional contributions to banks' and firms' profits and increased capital outflow tax rates in February. In addition, the VAT is set to increase from 12 to 15 percent as of April.

The current account surplus narrowed from 1.8 percent of GDP in 2022 to an estimated 1.4 percent in 2023 amid declining oil prices. With limited external financing and foreign investment, financial account outflows surpassed the current account surplus, and international reserves almost halved from US\$8.5 billion in December 2022 (3.3 months of imports) to US\$4.5 billion in December 2023 (2.3 months of imports).

Outlook

Growth is projected to decline to 0.7 percent in 2024 due to the security crisis, political uncertainty, declining oil production, and the impacts of El Niño and La Niña. Government arrears to the private sector are also expected to affect negatively economic growth. A reduction in political uncertainty following the 2025 elections and an improvement in the security, energy, and fiscal outlook after measures taken by the new administration are expected to help the economy start a gradual recovery in 2025, although medium-term growth would remain sluggish overall. Weak economic growth and structural labor market conditions, especially for women, will

maintain poverty measured at \$6.85PPP at the same level in 2024.

While fiscal accounts will be pressured in 2024 by the economic slowdown, declining oil revenues, and growing security expenditures, recently approved measures are expected to bolster revenues. Considering these measures, the fiscal deficit is expected to narrow to 2 percent of GDP. The NF-PS faces around \$7bn in financing needs in 2024, which are expected to grow further in 2025 and 2026.

The current account surplus is projected to narrow further to almost balance in 2024, driven by lower oil production and exports, while non-oil export growth continues to soften amid subdued investment prospects. Declining current account surpluses, low foreign investment, and rising external debt service would continue to put downward pressure on international reserves.

In addition to its vulnerability to lower oil prices and tighter-for-longer global financial conditions, Ecuador is exposed to natural hazards, including stronger-than-expected El Niño and La Niña that directly affect household incomes in rural areas. Domestically, risks stem from an inability to solve the fiscal crisis, a disorderly ending of oil exploitation in the Yasuni, social unrest, political instability, and a further worsening of the security crisis.

TABLE 2 Ecuador / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	9.8	6.2	2.8	0.7	1.7	2.0
Private consumption	11.3	7.4	1.3	1.1	2.3	2.4
Government consumption	0.0	1.8	1.9	0.2	1.5	1.7
Gross fixed capital investment	13.2	8.5	0.2	0.2	2.7	1.2
Exports, goods and services	9.4	7.3	2.3	-1.6	-0.9	2.9
Imports, goods and services	21.5	10.5	-4.0	-1.5	1.0	2.9
Real GDP growth, at constant factor prices	9.5	6.0	2.8	0.7	1.7	2.0
Agriculture	9.0	2.3	2.0	1.9	2.4	2.5
Industry	12.5	4.9	0.9	-4.9	-6.0	1.0
Services	8.2	7.1	3.8	3.0	4.8	2.4
Inflation (consumer price index)	0.1	3.5	2.2	1.9	1.8	1.8
Current account balance (% of GDP)	2.9	1.8	1.4	0.1	-0.1	0.0
Net foreign direct investment inflow (% of GDP)	0.6	0.7	0.4	0.3	0.3	0.3
Fiscal balance (% of GDP)	-1.7	0.0	-3.5	-2.0	-1.7	-1.5
Revenues (% of GDP)	34.5	36.4	34.5	35.4	35.7	35.7
Debt (% of GDP)	61.5	56.9	57.8	58.3	59.2	59.0
Primary balance (% of GDP)	-0.3	1.6	-1.5	0.1	0.4	0.6
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	3.6	3.2	3.8	3.8	3.8	3.9
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	10.9	9.5	10.3	10.4	10.3	10.3
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	31.7	29.9	29.6	29.7	29.6	29.9
GHG emissions growth (mtCO₂e)	2.2	1.8	1.7	0.7	1.1	1.6
Energy related GHG emissions (% of total)	34.9	35.6	36.3	36.3	36.7	37.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on SEDLAC harmonization, using 2022-ENEMDU. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.

b/ Projections using microsimulation methodology.

EL SALVADOR

Table 1 **2023**

Population, million	6.4
GDP, current US\$ billion	35.5
GDP per capita, current US\$	5580.8
International poverty rate (\$2.15) ^a	3.4
Lower middle-income poverty rate (\$3.65) ^a	8.6
Upper middle-income poverty rate (\$6.85) ^a	27.5
Gini index ^a	38.8
School enrollment, primary (% gross) ^b	88.7
Life expectancy at birth, years ^b	70.7
Total GHG emissions (mtCO2e)	12.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ WDI for School enrollment (2019); Life expectancy (2021).

El Salvador is projected to experience an average growth of 2.5 percent from 2024 to 2026, influenced by a US slowdown affecting remittances and tourism. In 2024, inflation is expected to fall to 2.1 percent, though poverty and vulnerability rates will likely stay constant, highlighting the need for more and better jobs. The current account deficit is expected to narrow, but the fiscal position remains precarious due to uncertain financing options.

Key conditions and challenges

El Salvador has maintained an average growth rate of 2 percent between 2000 and 2019. Its economic performance is closely linked to the US economy, particularly through high remittance rates (26 percent relative to GDP) and trade flows. Poverty and vulnerability are high. Slightly more than one-fourth of the population live on less than US\$6.85/day, while two-thirds live on less than US\$14/day. Inequality, in contrast, is among the lowest in the region. However, El Salvador faces persistent structural challenges, including low productivity and human capital deficiencies originating from issues such as malnutrition and inadequate schooling levels. Since 2022, substantial progress has been made in reducing gang-related violence, with some positive social and economic outcomes.

Despite being one of the largest recipients of remittances globally, El Salvador runs a chronic current account deficit, stemming from energy price sensitivity and underperforming exports. The ability to finance this deficit through capital inflows, is constrained, further straining reserves. While the banking sector remains profitable with low levels of non-performing loans, reductions in reserve requirements to accommodate government short-term debt raise concerns.

Addressing these challenges will require structural reforms, particularly in education and infrastructure, to stimulate long-term

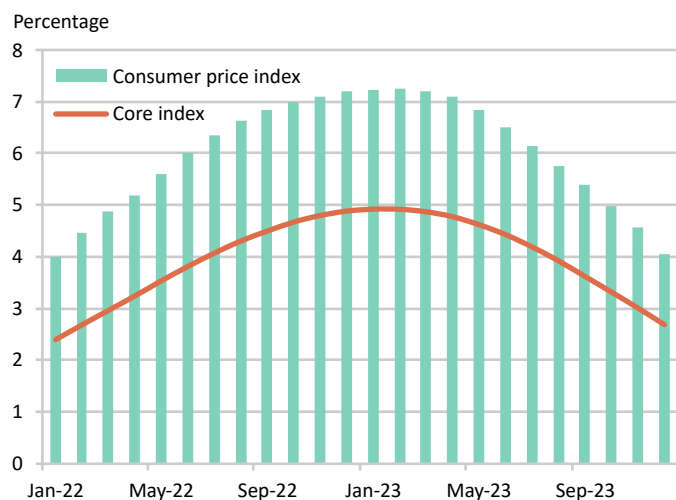
productivity growth, attract FDI, and generate jobs for the underprivileged. The latest PISA figures from the OECD reveal that improvements in education system are needed. However, persistent fiscal imbalances, coupled with limited access to external borrowing and a substantial current account deficit, present significant hurdles that may undermine potential growth.

Recent developments

El Salvador's growth is projected to reach 2.7 percent in 2023. Throughout the year, economic activity gained momentum, with year-on-year growth accelerating from 0.5 percent in the first quarter to 3.6 percent by the third quarter. This upswing was fueled by public investment and consumption, primarily driven by remittances, alongside a rebound in exports. The poor segment of the population, especially the extremely poor, rely less on remittances than more affluent households. This limits the potential impact of remittances on poverty reduction. Following a peak of 7.2 percent in 2022, inflation moderated to an average of 4.1 percent in 2023.

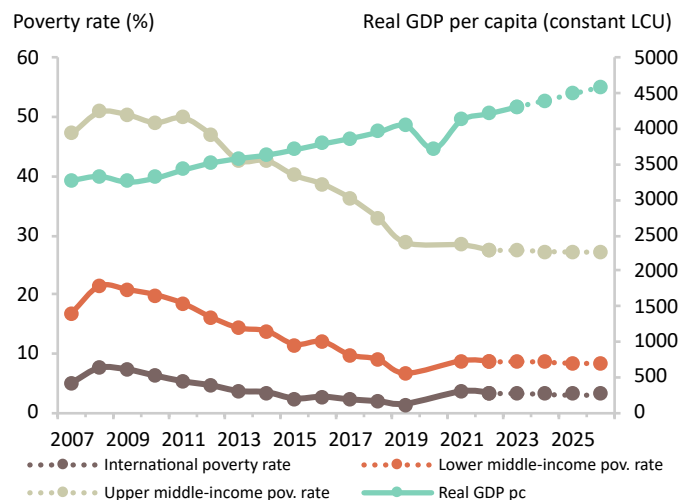
The fiscal deficit widened to 4.2 percent of GDP in 2023, up from 2.7 percent in 2022. Government revenues increased 6.8 percent, driven by higher current taxes stemming from improved economic performance, alongside rising social security contributions (13.8 percent). However, government spending outweighed it, expanding 10 percent, driven by both public

FIGURE 1 El Salvador / Consumer price index inflation and core inflation, 12 months moving average inflation



Source: World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

investment (69 percent) and consumption (9 percent). Nonetheless, social spending continues to be among the lowest in Latin America. El Salvador's public debt reached 76 percent of GDP in 2023.

The 2023 pension reform has temporarily improved the fiscal accounts by reducing interest payments until 2027. However, it may lead to future fiscal pressures due to increases in the minimum pension payout. Furthermore, while the reform has improved liquidity, El Salvador still confronts major financing challenges, and financing options are limited to pensions, banks and official creditors, as the government's access to international markets is closed.

The current account deficit, which widened in 2022, is expected to close 2023 at 2.5 percent, driven by declines in international fuel and food prices. Remittances continue to play a pivotal role in El Salvador's external position, stabilizing at 26 percent of GDP. Tourism has benefited from improvements in security, and arrivals have increased from 2.4 to 3.4 million between 2022 and 2023. Foreign Direct Investment rose by 1.1 percentage points, reaching 1.7 percent of the GDP in 2023, partially financing the deficit. Reserves remain low at 9 percent of GDP.

Outlook

El Salvador is projected to grow on average at 2.5 percent between 2024-2026, approaching its potential growth. This deceleration stems from a slowdown in US activity, likely dampening remittances, and tourism. Inflation is projected to continue its downward trajectory, reaching 2.1 percent in 2024. However, poverty and vulnerability rates are anticipated to remain almost constant until 2026, indicating that most of the population are not reaping the benefits of overall growth. This underscores the necessity for targeted policies, and the creation of higher-wage jobs.

The current account deficit is expected to narrow in 2024 on the back of improved net exports, despite the projected slowdown in remittances. This deficit is expected to be partly financed by official lending and FDI. Nonetheless, the pressure on international reserves is likely to persist without additional capital inflows and/or short-term fiscal consolidation.

The primary fiscal deficit is forecasted to decrease in 2024, primarily due to reduced public spending associated with the election cycle, the phase-out of subsidies (except for

propane gas), hiring freezes, and the moderation of automatic wage adjustments. Debt service will remain below 2022 levels due to restructuring short-term debt into long-term instruments, lowering rollover risk. Moreover, revenues are expected to remain strong helped by enhanced tax collection efforts.

El Salvador's fiscal position remains delicate for a dollarized economy, facing liquidity challenges and limited financing options. Medium-term prospects continue to be risky without a credible medium-term fiscal consolidation plan. Furthermore, the interest savings resulting from the pension reform will turn into a cost after 2027. However, a sustained decrease in sovereign spreads and in the public debt to GDP ratio could facilitate El Salvador's return to international markets relaxing liquidity constraints.

Downside risks to the outlook include a slowdown in global economic activity, a shift in immigration policy in the US, and an overreliance on domestic financing that could crowd out the private sector. Moreover, a more severe El Niño could disrupt supply chains and increase logistics expenses, affecting the health of vulnerable households. While security measures are expected to boost consumption and investment, their long-term sustainability remains uncertain.

TABLE 2 El Salvador / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	11.2	2.6	2.7	2.5	2.5	2.5
Private consumption	16.1	2.6	1.8	1.7	1.7	1.7
Government consumption	7.2	-1.4	4.4	1.3	1.2	1.1
Gross fixed capital investment	25.1	2.6	6.4	5.1	3.6	3.6
Exports, goods and services	29.4	10.2	3.5	1.6	2.4	2.5
Imports, goods and services	28.9	1.2	3.9	1.5	1.4	1.4
Real GDP growth, at constant factor prices	10.2	3.1	2.7	2.5	2.5	2.5
Agriculture	4.0	0.6	-1.9	-1.8	-1.1	-1.7
Industry	10.5	3.6	1.5	2.9	2.5	2.5
Services	10.7	3.2	3.5	2.7	2.8	2.8
Inflation (consumer price index)	3.5	7.2	4.1	2.1	1.9	1.7
Current account balance (% of GDP)	-4.3	-6.6	-2.5	-2.3	-2.0	-2.0
Net foreign direct investment inflow (% of GDP)	1.0	-0.3	1.7	1.7	1.8	2.0
Fiscal balance (% of GDP)^a	-4.8	-2.7	-4.4	-2.7	-2.6	-2.9
Revenues (% of GDP)	23.8	24.2	24.3	24.3	24.3	24.3
Debt (% of GDP)^b	82.7	78.0	75.7	74.3	73.0	72.2
Primary balance (% of GDP)^a	-0.4	1.9	-0.5	1.1	1.3	1.0
International poverty rate (\$2.15 in 2017 PPP)^{c,d}	3.6	3.4	3.4	3.3	3.2	3.2
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{c,d}	8.7	8.6	8.7	8.6	8.5	8.5
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{c,d}	28.4	27.5	27.6	27.2	27.0	27.0
GHG emissions growth (mtCO₂e)	5.4	-0.5	-0.6	0.1	0.2	0.3
Energy related GHG emissions (% of total)	51.2	50.8	50.4	50.3	50.1	49.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Fiscal and Primary Balance correspond to the non-financial public sector.

b/ Debt is total public debt.

c/ Calculations based on SEDLAC harmonization, using 2022-EHPM. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.

d/ Projections using microsimulation methodology.

GRENADA

Table 1 **2023**

Population, million	0.1
GDP, current US\$ billion	1.3
GDP per capita, current US\$	10503.8
International poverty rate (\$2.15) ^a	0.3
Lower middle-income poverty rate (\$3.65) ^a	1.3
Upper middle-income poverty rate (\$6.85) ^a	13.8
Gini index ^a	43.8
School enrollment, primary (% gross) ^b	83.4
Life expectancy at birth, years ^b	74.9
Total GHG emissions (mtCO2e)	2.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ Most recent WDI value (2021).

Grenada is expected to have returned to its strong pre-COVID growth in 2023, thanks to tourism and construction. The country has improved its fiscal position and continues to reduce its public debt. It has also continued with the implementation of pro-growth reforms, closing infrastructure gaps, and building climate resilience. Complying with established fiscal rules will be critical for Grenada to sustain inclusive growth and make continued progress in poverty and inequality reduction.

Key conditions and challenges

Grenada has outperformed its eastern Caribbean peers in economic performance, achieving an average annual growth of 3.3 percent between 2015 and 2019, while keeping public debt relatively low and reducing poverty. Growth has been driven by construction and tourism, supported by structural reforms initiated in 2015. The 2015 Fiscal Responsibility Act was replaced by the 2023 Fiscal Resilience Act (FRA) with the aim to further enhance Grenada’s fiscal policy framework by simplifying rules, broadening the definition of public debt, and strengthening the role of the medium-term fiscal strategy. State-Owned Enterprises (SOEs) play a vital role in the country’s economic stability and growth, as they are involved in various critical sectors. The Eastern Caribbean Currency Union’s fixed exchange rate anchors low inflation and price stability. Grenada’s financial sector remains stable and liquid.

However, vulnerabilities remain. Grenada’s economy relies heavily on tourism, a sector significantly affected by the global business cycle and natural disasters. Inequality, measured by the Gini coefficient, has hovered around 0.44 since 2018, which is high by international standards. Gender disparities in access to economic opportunities persist, and youth unemployment stands significantly above the national average.

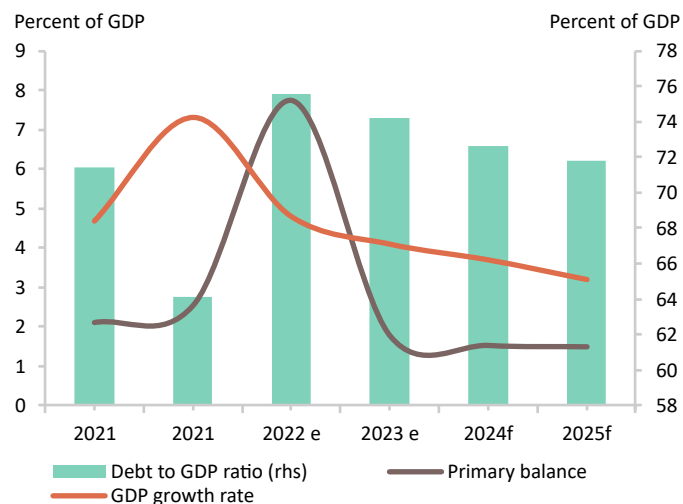
A strong commitment to adhering to fiscal rules and additional structural reforms are needed to sustain inclusive growth, reduce poverty and inequality, enhance the effectiveness of social protection programs, and strengthen climate resilience. Targeted policies to boost job creation and skill development for women and youth are also required. The Government has committed to remaining on track with the new fiscal rules in 2024 and plans to further improve accountability and fiscal transparency.

Recent developments

Economic activity improved in 2023, leading to gains in poverty reduction. Growth is estimated to have reached 4.8 percent in 2023 as visitor arrivals, public and private construction activity, and the return of students to St. George’s University (SGU) contributed significantly to the economy. Inflation rose to 2.7 percent by end-2023, mostly driven by increases in food and fuel prices. The recent underperformance in the agriculture sector was largely due to unfavorable weather conditions and the high cost of fertilizers. The unemployment rate dropped to 12.0 percent in 2023-Q2. However, it continues to be higher among women (14.6 percent) and the youth (36.2 percent). Poverty (\$6.85 a day in 2017 PPP) is estimated to have declined to 13.9 percent in 2023, remaining slightly above pre-pandemic levels (13.8 percent in 2018).

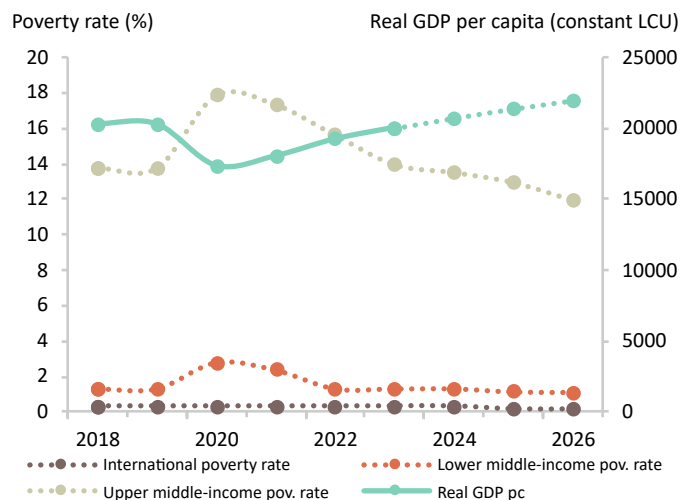
The current account deficit is estimated to have widened in 2023, as the increased

FIGURE 1 Grenada / Key macroeconomic variables



Source: World Bank, Macroeconomics and Fiscal Management Global Practice.
Notes: e= estimate; f = forecast.

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



Source: World Bank. Notes: see Table 2.

import bill exceeded the recovery in tourism-driven exports due to a larger volume of goods required for construction projects. Remittances are estimated to have slowed from the pandemic peak. However, it is unlikely to have impacted poverty, as the wealthiest households account for most of the remittances received. Citizenship-by-Investment (CBI) inflows were larger than expected in 2023 and supported both public and private investment. Foreign Direct Investment (FDI) helped finance the external deficit as did loans from multilateral and bilateral development partners. Estimated imputed reserves increased by 9 percent from 2021 to 2022.

The fiscal surplus further improved in 2023, owing to increased CBI non-tax revenues (EC\$382.9 million) and buoyant economic activity. Total revenue rose to 36.8 percent of GDP in 2023. These improvements more than compensated for the elevated capital expenditures. Public sector debt increased to 75.5 percent of GDP in 2023, up from 64.1 percent of GDP in 2022. This increase reflects the recently introduced FRA, which broadens the debt coverage by including the debt of all SOEs.

Outlook

Real output growth is projected to moderate to 4.1 percent in 2024, with an average of 3.7 percent over the medium term. This reflects a slower pace of expansion in tourism and construction, as public investments are expected to scale back due to the binding new fiscal rules. Nonetheless, private and public investments are expected to continue to support construction. The implementation of structural reforms is also expected to positively affect the output. Inflationary pressures are expected to ease over the medium term, from the 2022 peak. An overall inflation rate of 2.0 percent is forecast from 2024 onwards. Amid moderate economic growth and controlled inflation, poverty (\$6.85 a day in 2017 PPP) is projected to fall below pre-pandemic levels in 2024 and continue to decline in 2025 and 2026.

The authorities are advancing an ambitious fiscal reform agenda. On the expenditure side, they aim to raise wages moderately within the new FRA ceiling of 13 percent of GDP. CBI inflows, which spiked in 2023-24, are projected to taper off from 7.9 percent of

GDP in 2024 to 4.7 percent in 2026, reducing capital spending funds. A new public sector pension scheme should become operational in 2024 and may require Government contributions going forward. On the revenue side, a strong recovery in tax revenue collection and additional revenue enhancement measures are expected to offset increased spending and maintain the primary balance above the new FRA target of 1.5 percent of GDP over the medium term. Public debt is projected to remain on a downward path, supported by output growth, fiscal surplus, and declining debt service payments, and reach 71.8 percent of GDP by 2026 as additional primary surplus is assumed to be directed towards the National Transformation Fund. Externally, the risks are mainly on the downside and associated with the uncertainty around rising geopolitical tensions, the global economic slowdown, and persistent inflationary pressures. Domestically, both upside and downside risks exist. On the upside, a faster uptake in the tourism sector and/or construction projects could spur a new wave of growth. On the downside, the country's vulnerabilities to natural disasters, health issues, and other shocks could negatively impact future growth.

TABLE 2 Grenada / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	4.7	7.3	4.8	4.1	3.7	3.2
Real GDP growth, at constant factor prices	5.2	6.2	4.8	4.1	3.7	3.2
Agriculture	15.7	-16.8	-2.1	1.4	3.1	3.1
Industry	15.3	17.4	4.3	4.5	2.0	2.0
Services	2.0	5.5	5.5	4.2	4.2	3.5
Inflation (consumer price index)	1.9	2.9	2.7	2.0	2.0	2.0
Current account balance (% of GDP)	-14.5	-11.0	-14.3	-16.9	-13.5	-12.6
Fiscal balance (% of GDP)	0.3	0.9	6.3	0.2	0.2	0.3
Revenues (% of GDP)	31.6	32.7	36.8	34.8	30.2	30.2
Debt (% of GDP)^a	71.4	64.1	75.5	74.2	72.6	71.8
Primary balance (% of GDP)	2.1	2.5	7.7	1.8	1.5	1.5
International poverty rate (\$2.15 in 2017 PPP)^{b,c}	0.3	0.3	0.3	0.3	0.1	0.1
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{b,c}	2.3	1.3	1.3	1.3	1.1	1.1
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{b,c}	17.3	15.6	13.9	13.5	12.9	11.9
GHG emissions growth (mtCO₂e)	1.6	2.1	1.6	1.5	1.4	1.4
Energy related GHG emissions (% of total)	13.3	13.4	13.6	13.6	13.6	13.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ The debt coverage over the period 2023-2026 was expanded to include the non-guaranteed debt of all SOEs, aligned with the new FRA.

b/ Calculations based on CONLAC harmonization, using 2018-SLCHB. Actual data: 2018. Nowcast: 2019-2023. Forecasts are from 2024 to 2026.

c/ Projection using neutral distribution (2018) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

GUATEMALA

Table 1 **2023**

Population, million	17.6
GDP, current US\$ billion	100.5
GDP per capita, current US\$	5710.0
International poverty rate (\$2.15) ^a	9.5
Lower middle-income poverty rate (\$3.65) ^a	25.9
Upper middle-income poverty rate (\$6.85) ^a	55.4
Gini index ^a	48.3
School enrollment, primary (% gross) ^b	103.9
Life expectancy at birth, years ^b	69.2
Total GHG emissions (mtCO ₂ e)	40.9

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2014), 2017 PPPs.
 b/ WDI for School enrollment (2022); Life expectancy (2021).

Guatemala possesses the macroeconomic stability required to foster inclusive growth yet struggles to implement reforms to quicken growth and alleviate poverty and inequality. GDP growth forecast ranges from 3 to 3.5 percent in the medium term, with poverty and inequality projected to stay among the highest in the region. Significant risks to this outlook include natural disasters, political instability, and volatility in commodity prices.

Key conditions and challenges

Guatemala is recognized for its stable macroeconomic environment. Over the past five years, the average GDP growth was 3.6 percent, reserves stayed at comfortable levels and public debt remained at 28 percent of GDP, despite the economic disruptions caused by COVID-19 and the food and fuel crisis.

Despite this stability, underlying challenges persist, such as stagnant productivity growth and insufficient human capital development. The Human Capital Index has shown little improvement, moving from 0.44 in 2010 to 0.46 in 2020. Human development outcomes are particularly low among Indigenous Peoples, Afro-descendants, and residents of remote areas. Economic growth has primarily been driven by capital accumulation and labor force expansion, with the latter expected to increase until 2044. However, labor force participation remains relatively low at 60 percent in 2022, especially among women.

Poverty and inequality have seen minimal change over the last decade. Over half of the population lives below the poverty line (\$6.85, 2017 PPP), one of the highest poverty rates in Central America. Multidimensional poverty is predominantly rural, with 46 percent of the population living in these areas, accounting for 73 percent of the impoverished. The labor market is characterized

by high informality, with over 70 percent of the employed population working informally, and this figure rises to nearly 75 percent among women, particularly in the agricultural sector. Additionally, in 2022, 56.9 percent of households lacked access to at least one basic service, such as clean water, sanitation, electricity, or waste collection.

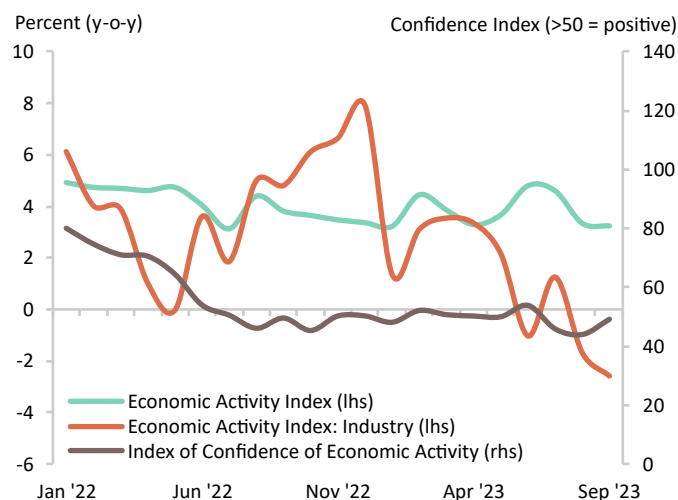
Guatemala would benefit from reforms that enhance productivity and foster inclusive growth. This requires improved infrastructure, education, business environment, and expanded social protection programs, which in turn entails more effective and increased spending. Historically, Guatemala has struggled to implement revenue-increasing reforms. The new government, which assumed office in January, faces significant challenges in passing reforms through Congress, even for less contentious issues.

Recent developments

In 2023, GDP growth decelerated from 4.1 percent in the previous year to 3.5 percent, despite stronger growth in the US and increased remittances. The presidential elections and the ensuing complex transition dampened business confidence, which has remained below 50 since mid-2023.

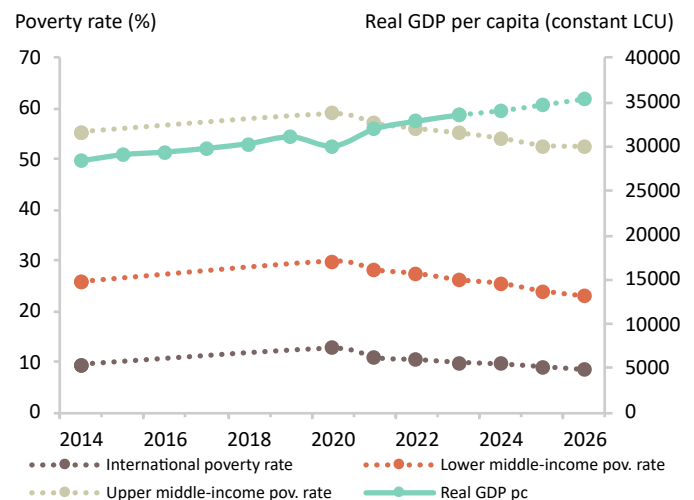
Inflation saw a substantial decline, dropping from 9.7 percent in January to 4.2 percent by December 2023, aided by reduced food and energy prices and a tighter monetary policy that maintained the interest rate at 5 percent since March.

FIGURE 1 Guatemala / Economic Activity Index (EAI) and Index of Confidence of Economic Activity (ICEA)



Source: Banco de Guatemala.

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



Source: World Bank. Notes: see Table 2.

Despite rising real interest rates throughout the year, credit to the private sector grew by 15 percent in 2023. The banking sector has remained robust and profitable, with a non-performing loan ratio of 1.8 percent.

The current account surplus is estimated to have grown to nearly 4 percent of GDP, attributed to a reduced trade deficit, improved terms of trade, and higher remittance inflows. Fiscal accounts showed a modest improvement from 2022 to 2023, with the budget deficit narrowing from 1.7 to 1.4 percent of GDP due to a moderate revenue increase and stable expenditures. Public debt remained low at 28.3 percent of GDP.

Lower inflation, remittance growth, and moderate growth have contributed to poverty reduction, with estimates showing a decrease to 55 percent (U\$6.85 2017 PPP poverty line) in 2023, from 56 in 2022. However, the labor market's limited dynamism and persistent high informality, have kept poverty rates above pre-pandemic levels (54 percent in 2019). Inequality is also estimated to have remained higher than pre-pandemic levels (49 in 2023 vs. 48.5 in 2019), reflecting entrenched social and geographical disparities.

Outlook

Economic activity slowed in 2023 and is expected to continue into 2024. The delayed effects of higher interest rates and low confidence will be felt, and El Niño will reduce agricultural yields in 2024. GDP growth is projected to moderate to 3 percent in 2024 due to lower consumption and government investment. A gradual increase is expected in 2025, as interest rates are reduced, El Niño's impact lessens, and business confidence recovers.

Inflation is predicted to rise in the first half of 2024, driven by food prices affected by El Niño-induced droughts. External accounts are expected to remain in surplus, though at a reduced level, due to an increased trade deficit and slower remittance growth. Poverty rates (U\$6.85 2017 PPP poverty line) are projected to stay close to 54.1 percent in 2024, as the sluggish agricultural sector and inflationary pressures persist, and poverty using the U\$2.15 line (2017 PPP) is anticipated to remain near 9.6 percent.

The fiscal outlook remains uncertain. The courts have suspended the approved 2024 budget, and the government is currently operating under the 2023 expenditure

ceiling, while projected revenues for 2024 are higher than those budgeted for 2023, which would yield a strong fiscal consolidation in 2024. The government has set a higher tax revenue target and intends to request an increase in the expenditure ceiling by 13 million LCU. Given the president's lack of a congressional majority, it is not clear that Congress will approve the increased expenditures in full. In lack of better guidance, the forecast assumes a nominal expenditure increase of 4 million LCU in 2024 compared to 2023, which would yield a deficit of 0.5 percent of GDP in 2024.

The main downside risks to the economic outlook include natural disasters, rising commodity prices, and political deadlock. Increases in commodity prices due to climate events like La Niña or geopolitical conflicts in the Middle East can lead to inflation spikes. Disruptions in global trade routes from such conflicts and droughts in the Panama Canal could increase freight costs and reduce supply, triggering inflation. The growing political impasse among all branches of government could prevent Guatemala from enacting reforms and implementing policies to tackle poverty and low productivity, potentially undermining its macroeconomic stability.

TABLE 2 Guatemala / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	8.0	4.1	3.5	3.0	3.5	3.5
Private consumption	8.5	4.2	4.0	3.8	3.7	3.7
Government consumption	4.9	7.2	5.0	3.0	3.5	3.5
Gross fixed capital investment	19.8	3.5	6.0	4.8	4.1	4.1
Exports, goods and services	10.3	7.0	-1.0	2.7	3.5	3.5
Imports, goods and services	19.5	4.4	3.7	5.6	4.2	4.2
Real GDP growth, at constant factor prices	7.8	4.4	3.5	3.0	3.5	3.5
Agriculture	4.3	2.6	3.0	0.5	3.5	3.0
Industry	8.6	4.6	2.5	2.0	3.3	3.3
Services	8.1	4.6	4.0	3.7	3.6	3.6
Inflation (consumer price index)	4.3	6.9	6.3	4.8	3.7	3.5
Current account balance (% of GDP)	2.2	1.3	3.8	3.4	3.3	3.3
Net foreign direct investment inflow (% of GDP)	3.8	1.3	1.8	1.9	1.9	2.0
Fiscal balance (% of GDP)	-1.2	-1.7	-1.4	-0.5	-0.5	-0.4
Revenues (% of GDP)	12.4	12.7	12.9	13.5	13.7	14.0
Debt (% of GDP)	30.8	29.2	28.3	27.4	26.4	25.6
Primary balance (% of GDP)	0.6	0.0	0.3	1.2	1.3	1.3
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	10.8	10.4	9.9	9.6	9.0	8.4
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	28.1	27.4	26.2	25.5	24.0	23.1
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	57.0	56.0	55.1	54.1	52.6	52.4
GHG emissions growth (mtCO₂e)	4.8	3.4	2.7	2.6	2.7	2.7
Energy related GHG emissions (% of total)	51.2	51.9	52.3	52.7	53.1	53.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on SEDLAC harmonization, using 2014-ENCOVI. Actual data: 2014. Nowcast: 2015-2023. Forecasts are from 2024 to 2026.

b/ Projections using microsimulation methodology.

GUYANA

Table 1 **2023**

Population, million	0.8
GDP, current US\$ billion	16.8
GDP per capita, current US\$	20626.2
School enrollment, primary (% gross) ^a	90.5
Life expectancy at birth, years ^a	65.7
Total GHG emissions (mtCO ₂ e)	30.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2020); Life expectancy (2021).

Guyana emerged as one of the world's fastest-growing economies following the development of its oil and gas (O&G) sector. In light of the substantial oil revenues, the government is implementing an ambitious investment program to structurally transform the non-oil economy and address its development needs. Lack of recent data on poverty and equity limits the effectiveness and monitoring of public policies to reduce poverty in these transformational times for Guyana. Sound management of O&G resources will be critical for inclusive growth.

Key conditions and challenges

Guyana is a small state with abundant natural resources, including significant oil and gas (O&G) reserves and extensive forest cover. With a large part of its territorial waters still unexplored, Guyana's gross oil resources are conservatively estimated at over 11 billion barrels, making it one of the world's highest levels per capita. The start of oil production in 2019 led to an unprecedented rate of economic growth, resulting in the country being reclassified as high-income as of July 2023.

Guyana's new-found resource wealth contrasts with the overall needs of the population. Poverty and social exclusion, including limited access to basic services, have traditionally been particularly severe in Guyana's hinterland and among Amerindians. The lack of recent data on poverty and equity inhibits an assessment of progress in fighting poverty and fostering social inclusion since the start of oil production. The development of the O&G sector has allowed a notable scale-up of investments in infrastructure to support growth in other sectors. With over 70 percent of the working-age population residing in rural areas, agriculture, forestry, and fishing remain important for job creation and poverty reduction.

Guyana's oil revenues are held at the Natural Resource Fund (NRF), a sovereign wealth fund outside of the economy, with clear withdrawal rules governed by the

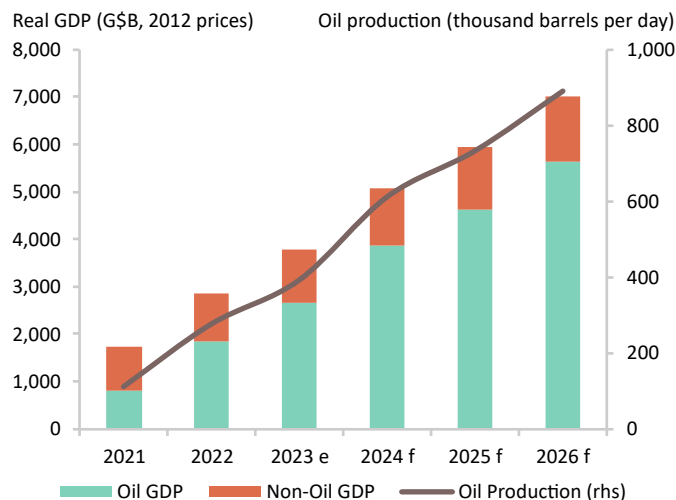
NRF Act 2021. As of December 2023, the closing balance in the NRF was US\$1.97 billion. The country is also advancing initiatives to sell carbon credits from forest conservation, which represent an additional source of fiscal revenues and will be partly employed to sustainably manage its forests.

Rising budget resources present both opportunities and risks for Guyana. They have allowed the government to respond to the global pandemic and inflation while increasing spending to address infrastructure gaps and human development needs. However, the extraordinary pace of scaling up public spending heightens the risks of spending inefficiencies, and oil revenues raise concerns of potential "Dutch Disease" effects. It is therefore critical to contain the pace of fiscal expansion and to effectively manage O&G revenues to support growth in the non-oil economy. Sound management of the O&G sector necessitates strengthening governance and proactive public financial management practices while boosting transparency and accountability to avoid increased social polarization. There has also been a recent escalation of tension between Guyana and Venezuela over the border controversy between the two countries.

Recent developments

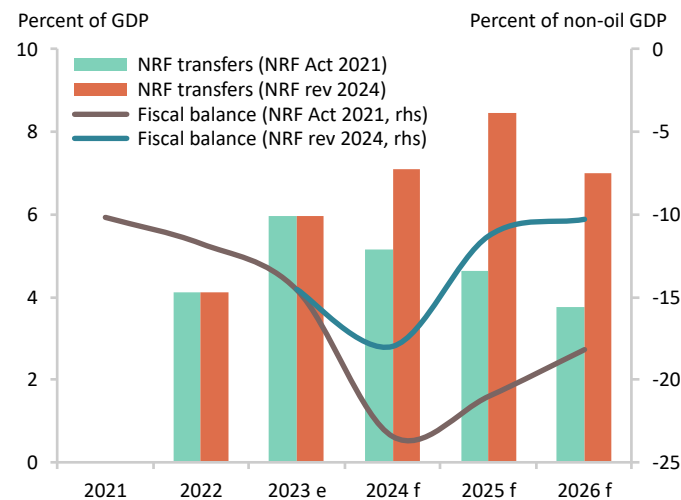
Guyana's economy continued its strong expansion in 2023, with real GDP growing by 33.0 percent. The third oil field started production in November 2023, allowing oil

FIGURE 1 Guyana / Oil production, real oil, and real non-oil GDP



Sources: Government of Guyana and World Bank staff calculations.
Notes: e=estimate, f=forecast.

FIGURE 2 Guyana / Fiscal balances and Natural Resource Fund (NRF) transfers under NRF Act 2021 and 2024 revisions



Sources: Government of Guyana and World Bank. Notes: e=estimate, f=forecast. NRF rev 2024 projections assume yearly withdrawal of maximum amounts allowed by the revised rules in the Fiscal Enactments Amendment Bill 2024.

production to reach 143 million barrels in 2023, leading to a 45.9 percent growth in oil GDP. The non-oil economy grew by 11.7 percent, driven mainly by expansion in the construction and services sectors, supported by strong public investment. Agricultural output grew by 7 percent, with notable growth in the sugar-growing sector due to improved yields.

The urban consumer price index increased by an average of 2.8 percent in 2023, reflecting a sharp slowdown in inflation compared to the 6.4 percent recorded in 2022. Inflation slowed across all categories, but price increases in food were relatively high, averaging 5.8 percent in 2023, compared to housing, transportation, and other categories. Higher food costs disproportionately affect the poor and vulnerable, who spend a larger portion of their budget on food, and can jeopardize food security. The nominal exchange rate has remained stable since 2019 through periodic intervention, and the real effective exchange rate was also stable in 2023, after a slight appreciation in 2022.

The fiscal deficit was 14.6 percent of non-oil GDP in 2023, despite significant transfers from the NRF. Transfers from the NRF approximated US\$1 billion (6.0 percent of GDP) in 2023, up from US\$608 million in 2022 (4.1 percent of GDP), in accordance with the NRF Act 2021. In February 2024, the government passed the Fiscal Enactments Amendment Bill 2024 that authorizes a significant increase in the withdrawal limit from the NRF and higher ceilings on domestic and external

debt. Fiscal policy focused on increasing capital investment to support growth in the non-oil economy, while providing relief to citizens from the adverse impact of the pandemic and rising prices. Relief efforts included direct and indirect income support, with adjustments to the income tax threshold and a reduction in the fuel excise tax. The public debt-to-GDP ratio increased to 28.5 percent of GDP in 2023 as a result of new external and domestic borrowing. The current account recorded a surplus of 11.8 percent of GDP in 2023, notably smaller than in 2022 due to the importation of the third oil platform.

Outlook

Guyana's economy is expected to continue its strong expansion over the medium term, with rising oil production driving the overall growth path. The three production platforms currently in operation are expected to reach over 550,000 bpd as the third and newest platform reaches full capacity. The fourth oil development project is expected to start operation in 2025, further increasing production capacity and GDP growth. Real non-oil GDP is projected to expand by an average of 9.4 percent annually, including through positive spillovers from the oil sector, supported by the Local Content Act, and the strong public investment program, boosting agricultural output and construction. Inflation is

expected to be moderate in 2024 but will remain elevated in the medium term due to increased government consumption and higher input costs. Poverty reduction will depend on efforts to boost the purchasing power of poor and vulnerable households, as well as on translating the performance of the non-oil economy into jobs.

The fiscal deficit, not yet reflecting the NRF revisions, is projected to average 20.9 percent of non-oil GDP (or 8.1 percent of total GDP) as the increase in capital spending outstrips NRF transfers. Public debt as a percentage of GDP is expected to be on a moderate downward trend as the economy continues to expand. Increased exports of oil, gold, and bauxite will result in a current account surplus of around 23.9 percent of GDP over the medium term, also irregularly affected by the importation of oil production platforms.

The extractive sector is the dominant source of growth and fiscal revenues for Guyana. This increases the country's susceptibility to oil-related shocks and requires proactive management. Prudent NRF management and strengthening the medium-term fiscal framework are critical for preventing the economy from overheating. Oil production has environmental consequences that must be carefully considered, and the sector may face additional risks amid global decarbonization efforts. Addressing climate change risks remains central to poverty reduction given that sea level rise and flooding expose large segments of the population to food insecurity and job losses.

TABLE 2 Guyana / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at market prices (total)^a	20.1	63.3	33.0	34.3	16.8	18.2
Real GDP growth, at market prices (non-oil)^b	4.6	11.5	11.7	11.9	8.2	7.9
Agriculture	-9.1	11.7	7.0	10.4	6.0	4.2
Industry	5.0	12.7	13.0	9.7	8.7	7.7
Services	12.1	9.3	10.5	6.9	6.8	6.5
Inflation (consumer price index)	4.8	6.4	2.8	3.8	5.0	5.5
Current account balance (% of GDP)^c	-24.8	25.9	11.8	35.3	15.6	20.9
Fiscal balance (% of GDP)^d	-10.1	-11.7	-14.6	-23.4	-21.0	-18.2
Debt (% of GDP)	38.9	24.8	28.5	27.8	23.8	20.8
Primary balance (% of GDP)^d	-9.4	-11.1	-13.7	-22.2	-19.8	-16.5
GHG emissions growth (mtCO₂e)	4.9	15.9	12.4	13.4	8.3	8.5
Energy related GHG emissions (% of total)	24.7	33.5	39.7	45.8	48.9	51.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Total GDP at 2012 prices.

b/ Non-oil GDP at 2012 prices.

c/ BOP definition in current US\$.

d/ Share of non-oil GDP.

HAITI

Key conditions and challenges

Table 1	2023
Population, million	11.7
GDP, current US\$ billion	19.9
GDP per capita, current US\$	1694.1
International poverty rate (\$2.15) ^a	29.2
Lower middle-income poverty rate (\$3.65) ^a	58.0
Upper middle-income poverty rate (\$6.85) ^a	85.8
Gini index ^a	41.1
Life expectancy at birth, years ^b	63.2
Total GHG emissions (mtCO2e)	11.3

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2012), 2017 PPPs.
 b/ Most recent WDI value (2021).

The political crisis and increasing gang violence continue to impact economic activity, with Haiti experiencing another year of negative growth in FY23. Haiti has one of the highest levels of food insecurity in the world, tripling the number of food-insecure people since 2016. Inflation remains high but is decelerating as monetary policy tightens and global price pressures ease. Despite significant job losses in the textile sector, remittances remain buoyant, supporting household consumption levels.

Haiti's economy has been hindered by deep structural challenges, including a weak business environment and inadequate public services, with limited job growth, a large share of unskilled workers, and few employment opportunities. The small industrial base related to textiles, apparel, and light manufacturing, relies heavily on imports and suffers from weak institutions. Growth has been hampered by a persistent political crisis and escalating gang violence, further eroding the already low human capital and institutional capacity and Haiti has become highly unsafe. Though gang violence manifests mainly in Port au Prince, it has spread to other parts of the country.

Haiti is vulnerable to natural hazard shocks, which are compounded by inadequate disaster risk management and response systems, leaving the country poorly equipped to handle the impacts of climate change. Issues such as widespread deforestation, watershed degradation, inadequate land use practices, limited infrastructure, and inadequate drainage infrastructure, and inadequate waste management, make Haiti extremely sensitive to natural hazards, which further exacerbates food insecurity and intensifies disease outbreaks.

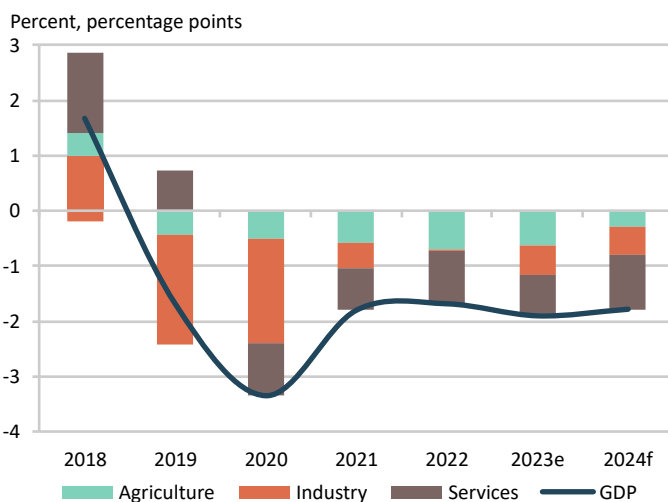
Inflation is declining, yet food prices remain elevated, disproportionately affecting the poorest households. To sustain

the downward inflation trajectory, it is crucial to tackle the persistent fiscal challenges arising from low tax revenue collection and to curtail monetary financing of the budget.

Recent developments

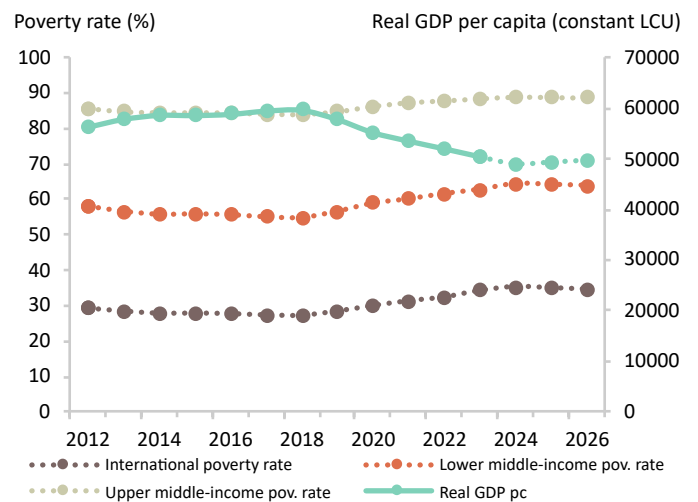
GDP continues to fall, due to heightened insecurity that affects all sectors. The agricultural sector, which employs over 40 percent of the labor force, registered the largest decline (-5.6 percent), contributing to increased poverty and food insecurity, as many poor households depend on agriculture for their livelihood. Enhancing agricultural productivity is therefore a critical policy focus to foster inclusive growth and improve equity. The textile sector, the largest formal private-sector employer, lost about 26,000 jobs (nearly half of the 56,000) in FY23, as two large textile/apparel operations closed and others had operations disrupted. In the current context where economic opportunities are scarce and social safety nets limited, job losses have driven many of these workers and their families into poverty. The poverty rate in FY23 was estimated at 63 percent (\$3.65 per day). Other sectors, such as construction, electricity, water, and transport have also seen significant declines. The services sector contracted by 2.9 percent, with the hospitality industry most affected. On the demand side, both public and private investments have collapsed due to the high level of insecurity and uncertainty, and government spending remains muted.

FIGURE 1 Haiti / Real GDP growth and sectoral contributions to real GDP growth, supply side



Source: World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

Consumption remains relatively buoyant, supported by remittances, which remain strong. However, the disruption to imports and transportation by gangs undermines access to food and essential goods. Tax revenue collection improved in FY23, thanks to tighter customs control and increased oil tax revenue. However, the tax-to-GDP ratio remains low at 6.3 percent. Efforts to reduce energy subsidies and limit capital spending have improved the fiscal position, lowering financing needs. The fiscal deficit narrowed to 2.3 percent of GDP in FY23 from 3.2 percent in FY22. Consequently, central bank (BRH) monetary financing of the deficit declined but continued to exceed statutory limits. Inflation decelerated during the second half of FY23 but remained high at 44.2 percent in FY23 due to continued monetization of the deficit, low agricultural productivity, and gang-related disruptions that hinder the transport of goods, affecting poor and vulnerable households the most. As of June 2023, an estimated 49 percent of Haiti's population was facing acute food insecurity. The exchange rate depreciated by 13.7 percent in FY23, following a 16.4 percent depreciation in FY22, though it has appreciated marginally over recent months.

In the external sector, exports declined more rapidly than imports, principally due to the downturn in the textile industry. Remittances remained strong at 18.9 percent of GDP, a slight decrease compared with FY22. Overall, the current account deficit widened to 3.4 percent of GDP.

Outlook

Haiti will experience another year of negative growth in FY24 (-1.8 percent) due to heightened insecurity, though the growth path remains highly uncertain and dependent on security improvements and political developments. Public and private investments are expected to continue to fall significantly in this insecure environment from already low levels. Private consumption should remain stable, supported by decelerating inflation and strong remittances. With negative real growth, per capita GDP is projected to further decline in FY24 (-3.0 percent), leading to an increase in poverty rates to over 64 percent (\$3.65 per day).

The anticipated decline in energy subsidies, creating additional fiscal space,

should help narrow the fiscal deficit to 1.4 percent of GDP in FY24. Fiscal consolidation efforts are expected to continue over the medium term, and with revenue increases, the fiscal deficit should fall to near 1.0 percent of GDP.

Despite a decrease in global price pressures, persistent high fuel and food prices, along with low agricultural productivity will keep inflation high at 27 percent in FY24 and 20 percent in FY25. The ongoing erosion of household purchasing power and the sustained economic downturn are expected to exacerbate poverty and food insecurity. Challenges in the export sector, lower imports, and high remittances, are projected to result in a modest current account deficit.

Haiti is facing a severe crisis and the inability to achieve a resolution carries large downside risks. Addressing the security situation and bringing inflation under control by reducing monetary financing of the fiscal deficit are key for macroeconomic stability, growth, and poverty reduction. Reducing disaster risks by strengthening the institutional framework and response system is also essential for inclusive growth as the risk of natural disasters is high.

TABLE 2 Haiti / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020/21	2021/22	2022/23e	2023/24f	2024/25f	2025/26f
Real GDP growth, at constant market prices	-1.8	-1.7	-1.9	-1.8	1.9	2.0
Private consumption	1.2	-0.7	0.1	0.0	0.7	0.6
Government consumption	9.7	17.6	3.3	27.5	15.0	15.1
Gross fixed capital investment	-28.8	-9.9	-17.6	-53.0	16.5	12.3
Exports, goods and services	23.5	2.4	-9.6	-5.4	1.5	2.1
Imports, goods and services	2.3	4.9	-0.4	1.6	5.5	5.5
Real GDP growth, at constant factor prices	-2.8	-1.8	-3.6	-1.9	1.9	2.1
Agriculture	-4.1	-4.5	-5.6	-1.0	1.5	2.0
Industry	-2.5	-0.4	-3.8	-2.2	2.0	1.5
Services	-2.5	-1.6	-2.9	-2.1	2.0	2.4
Inflation (consumer price index)	15.9	27.6	44.2	27.1	20.0	11.5
Current account balance (% of GDP)	0.4	-2.4	-3.4	-3.6	-4.2	-3.7
Net foreign direct investment inflow (% of GDP)	0.2	0.2	0.1	0.2	0.2	0.2
Fiscal balance (% of GDP)	-2.5	-3.2	-2.3	-1.4	-1.4	-1.0
Revenues (% of GDP)	6.9	6.6	8.0	8.0	7.8	7.8
Debt (% of GDP)	28.4	27.6	30.2	30.0	26.5	22.7
Primary balance (% of GDP)	-2.2	-2.9	-2.0	-1.1	-1.1	-0.8
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	31.3	32.3	34.2	35.3	34.9	34.6
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	60.1	61.6	62.8	64.4	64.1	63.9
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	87.5	88.0	88.6	89.1	89.0	88.8
GHG emissions growth (mtCO₂e)	3.5	0.3	-0.6	0.6	1.4	1.5
Energy related GHG emissions (% of total)	37.6	37.1	36.1	35.7	35.7	35.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2012-ECVMAS. Actual data: 2012. Nowcast: 2013-2023. Forecasts are from 2024 to 2026.

b/ Projection using neutral distribution (2012) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

HONDURAS

Key conditions and challenges

Table 1 **2023**

Population, million	10.6
GDP, current US\$ billion	31.9
GDP per capita, current US\$	3013.4
International poverty rate (\$2.15) ^a	12.7
Lower middle-income poverty rate (\$3.65) ^a	26.4
Upper middle-income poverty rate (\$6.85) ^a	49.5
Gini index ^a	48.2
School enrollment, primary (% gross) ^b	83.8
Life expectancy at birth, years ^b	70.1
Total GHG emissions (mtCO2e)	29.0

Source: WDI, Macro Poverty Outlook, and official data.

a/ Most recent value (2019), 2017 PPPs.

b/ Most recent WDI value (2021).

Growth has been moderate and dependent on remittances and external demand. It decelerated to 3.5 percent in 2023 and is expected to decrease slightly to 3.4 percent in 2024 due to slower US growth. Stable macroeconomic conditions have not led to more or better jobs, which combined with natural disasters, food insecurity, and crime, has led to persistent migration. Poverty remains above pre-pandemic levels, despite lower inflation.

Honduras grew on average 3.7 percent per year in 2010-19, largely driven by remittance-fueled households' consumption. Growth was underpinned by prudent macroeconomic policies, including adherence to the Fiscal Responsibility Law (FRL), a stable exchange rate, adequate foreign reserves, and a robust financial sector. However, the country's productive capacity has not expanded. As a result, the creation of formal jobs has been weak, which alongside widespread crime and violence fuels migration. Agriculture and light manufacturing, particularly the textile maquila, are key sources of employment and exports, mainly to the US.

Honduras is one of the poorest and most unequal countries in Latin America and the Caribbean (LAC) and grapples with increasing food insecurity, which rose from 40.9 percent in 2018 to 56.1 percent in 2021. Human development indicators are concerning. A child born in Honduras in 2020 is projected to achieve only 48 percent of the labor market productivity they could attain if they received high-quality education and healthcare. Significant gender disparities and informality levels in the labor market hamper poverty reduction efforts. Additionally, Honduras is extremely susceptible to the impacts of climate change, with

poverty and risk often concentrated in the same geographic areas.

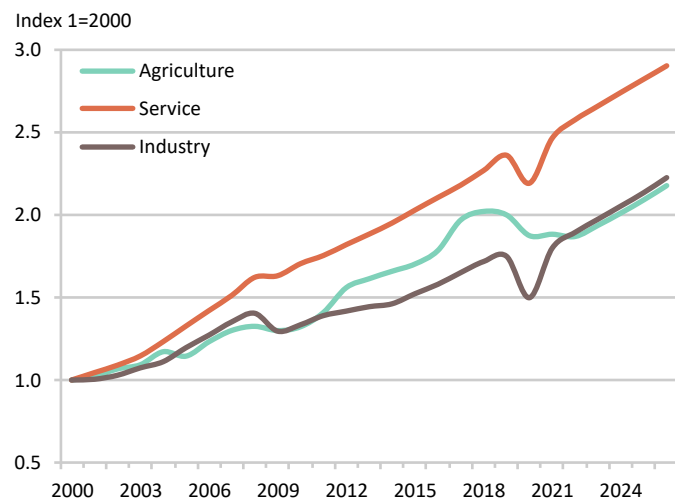
Recent developments

Real GDP growth decelerated to an estimated 3.5 percent in 2023, down from 4.0 percent in 2022, influenced by a decrease in US textile demand which drove a 7.2 percent contraction in manufacturing. The economy was partially buoyed by steady remittances and sustained credit growth, which supported household consumption and investment, helping offset the export decline.

Inflation eased to 6.7 percent by in 2023, after peaking at 9.1 percent in 2022, reflecting lower international prices and responding to central bank liquidity absorption measures, comprising open market operations and increases in reserve requirements and the overnight rate, which pushed up market interest rates. The replacement of the interbank foreign exchange (FX) market with a central bank auction system in April 2023 led to some FX scarcity and uncertainty regarding its future availability, although dollars remain available in the economy, bolstered by strong remittances.

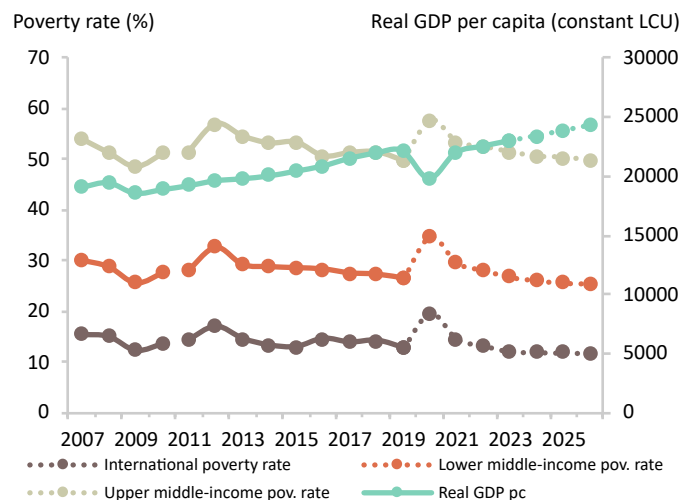
Unemployment fell to 6.4 percent in June 2023 -from 8.6 percent in 2021- but remained above pre-pandemic levels. Labor market gender disparities persist, with women's unemployment nearly doubling men's, while female labor force participation (40 percent in 2023) is about half the male rate. In 2023, poverty

FIGURE 1 Honduras / Real GDP by sector, index 2000=1



Source: World Bank staff calculations based on Honduras Central Bank data.

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



Source: World Bank. Notes: see Table 2.

(US\$6.85 line) is estimated to have reached 51.3 percent, declining from 2022 but still above pre-pandemic levels, and inequality (Gini index) is estimated to have been 47.3.

Despite the drop in exports, driven by lower volumes in textiles and lower international prices for coffee and palm oil, the trade deficit decreased by 9.2 percent y-o-y by Q3-2023 due to reduced imports of industrial inputs and lower energy prices. Remittances grew strongly, by 5.8 percent y-o-y in November 2023, helping to narrow the current account deficit (CAD) from 6.6 percent of GDP in 2022 to an estimated 4 percent in 2023, primarily financed by multilateral debt and foreign direct investment (FDI). By the end of 2023, foreign reserves stood at US\$7,555.9 million, around 5 months of non-maquila imports.

The fiscal deficit is estimated to have widened to 1.3 percent of GDP in 2023, as the execution of public investments improved in the second semester, particularly in energy, roads, and productive projects. Public debt decreased to 45.1 percent of GDP by June 2023, down from 46.2 percent in June 2022, due to net capital repayments.

Outlook

Growth is projected to slow to 3.4 percent in 2024 and 3.3 percent in 2025, with a subdued US economy delaying the recovery of manufacturing exports and dampening remittances, leading to a deceleration of households' consumption growth. Lower food inflation, growing external demand for agricultural products, and strong public investment will provide some counterbalance. Growth is expected to gradually increase thereafter, supported by improving global conditions and dynamic public and private investment.

Poverty is expected to decline to 50.5 percent in 2024 and 50.3 percent in 2025, thanks to a robust agricultural sector and low inflation, with inequality projected to reach 47.3 and 47.1 respectively (Gini index). Poverty is forecasted to decrease further in 2026 (49.6 percent), approaching pre-pandemic levels, primarily due to recovering exports and remittances.

Inflation is expected to fall within the central bank's target range (4±1 percent) in 2024, in line with declining international prices, despite potential renewed energy inflation, and stay subdued in the medium

term. The fiscal deficit is projected to expand to 2.5 percent of GDP in 2024 as budget execution continues to improve and narrow gradually over the medium term towards the FRL's 1 percent target, supported by broadening of the tax base and enhanced efficiency of revenue collection and public spending. The CAD is projected to remain stable in 2024 and mildly deteriorate in 2025, gradually narrowing thereafter as export demand and remittances strengthen. However, pressures on international reserves are likely to persist, as net FDI and other medium and long-term capital inflows are not expected to improve significantly in the short term.

Significant downside risks exist. Lack of improvement in FX management could trigger further loss of reserves. Persistent weakness in textile exports and short-term transition costs of the Honduras-China Free Trade Agreement could exacerbate the CAD, also reducing international reserves. Inflationary pressures could re-emerge from escalating geopolitical conflict. Slower-than-anticipated fiscal consolidation and adverse climate events could increase financing needs. Capacity constraints and legislative gridlock could impede social and structural reforms, negatively affecting investment, growth, and poverty reduction.

TABLE 2 Honduras / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	12.5	4.0	3.5	3.4	3.3	3.4
Private consumption	15.4	6.1	3.8	3.8	3.7	3.9
Government consumption	8.5	0.8	1.4	1.2	1.1	1.2
Gross fixed capital investment	34.7	5.6	5.3	4.2	4.0	4.2
Exports, goods and services	22.5	6.9	3.9	4.0	4.0	4.2
Imports, goods and services	35.5	9.8	3.9	4.0	3.9	4.2
Real GDP growth, at constant factor prices	12.5	4.0	3.5	3.4	3.3	3.4
Agriculture	0.4	-0.7	3.6	3.9	4.0	4.1
Industry	20.1	5.3	4.2	4.0	4.0	4.2
Services	12.5	4.5	3.2	3.1	2.9	2.9
Inflation (consumer price index)	4.5	9.1	6.7	4.6	4.1	4.2
Current account balance (% of GDP)	-5.4	-6.6	-4.0	-4.0	-4.1	-3.9
Net foreign direct investment inflow (% of GDP)	1.8	2.3	1.8	1.8	1.8	1.9
Fiscal balance (% of GDP)^a	-3.7	-0.2	-1.3	-2.5	-1.8	-1.0
Revenues (% of GDP)	30.0	29.6	30.1	30.0	30.1	30.4
Debt (% of GDP)^a	51.6	52.3	52.9	53.2	52.4	51.5
Primary balance (% of GDP)^a	-2.8	0.4	-0.6	-1.8	-1.2	-0.4
International poverty rate (\$2.15 in 2017 PPP)^{b,c}	14.5	13.3	12.2	12.0	11.9	11.8
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{b,c}	29.6	28.2	26.8	26.2	25.7	25.6
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{b,c}	53.3	52.4	51.3	50.5	50.3	49.6
GHG emissions growth (mtCO₂e)	4.3	-0.1	0.5	1.3	1.4	1.6
Energy related GHG emissions (% of total)	33.4	31.7	30.5	30.1	29.8	29.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Fiscal data refers to non-financial public sector.

b/ Calculations based on SEDLAC harmonization, using 2019-EPPHM. Actual data: 2019. Nowcast: 2020-2023. Forecasts are from 2024 to 2026.

c/ Projections using microsimulation methodology.

JAMAICA

Table 1 **2023**

Population, million	2.8
GDP, current US\$ billion	18.8
GDP per capita, current US\$	6666.6
International poverty rate (\$2.15) ^a	0.3
Lower middle-income poverty rate (\$3.65) ^a	2.4
Upper middle-income poverty rate (\$6.85) ^a	13.9
Gini index ^a	40.2
School enrollment, primary (% gross) ^b	90.7
Life expectancy at birth, years ^b	70.5
Total GHG emissions (mtCO2e)	9.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

Structural and institutional reforms strengthened macroeconomic management over recent years. This allowed the government to respond to the pandemic and inflation shocks without significantly impairing fiscal sustainability and poverty reduction objectives. Jamaica's real GDP surpassed its pre-crisis level in 2023, and poverty is gradually declining towards pre-crisis levels. Progress in lowering public debt and reducing poverty may be slower than expected if global economic conditions deteriorate and if constraints to growth remain unaddressed.

Key conditions and challenges

Jamaica has been a highly indebted economy for decades. Since 2013, the Government (GOJ) has successfully implemented fiscal consolidation measures, reducing the public debt-to-GDP ratio by more than 60 percentage points to 75.5 percent in 2023 – the lowest level in 25 years. Prudent macroeconomic management, anchored on debt reduction targets and inflation-targeting monetary policy with ample foreign reserves, facilitated post-pandemic recovery amid challenging external environment of inflationary pressures and tightening global financial conditions. A strengthened social protection system provided temporary assistance to vulnerable households and businesses during the pandemic to offset income losses, protect jobs, and stimulate demand. Additional assistance was provided to vulnerable households to mitigate the impact of rising prices.

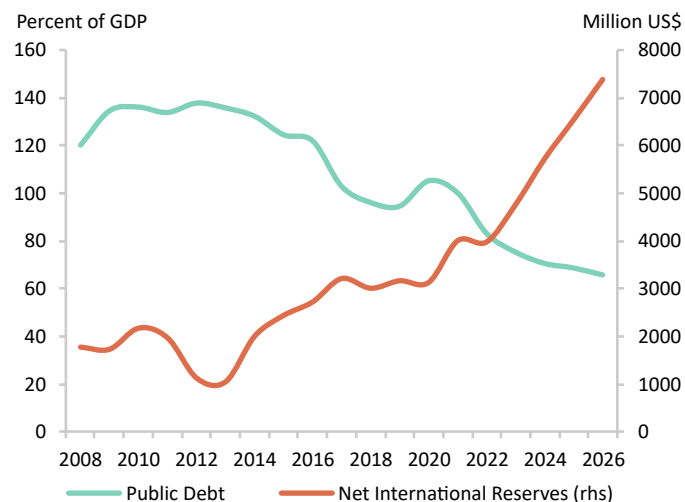
However, fiscal consolidation adversely affects growth while relatively high debt-service costs crowd out other government spending, including capital investment, which is critical to boost growth. Jamaica has been among the slowest growing economies in LAC given its concentration in low productivity services, limited technology adoption and innovation, a weak business environment, high connectivity costs, and pervasive crime. Learning disruptions during the pandemic risk further corrosive effects on growth, human

capital, and future earning potential of students if not addressed adequately. Jamaica is also highly vulnerable to external shocks given its reliance on imports and tourism. Tourism and agriculture, which account for more than half of jobs, are vulnerable to external shocks, especially climate-related ones, which could undermine growth and poverty reduction. The financial sector is stable, well-capitalized, and profitable but also susceptible to various shocks. To strengthen fiscal, financial, and social resilience to climatic shocks, Jamaica has been gradually integrating climate change adaptation into its policy framework. Further improving anti-AML/CFT framework and enhancing financial supervision is necessary to strengthen financial stability and attract private investment. Broader promotion of digital financial services will enhance financial inclusion.

Recent developments

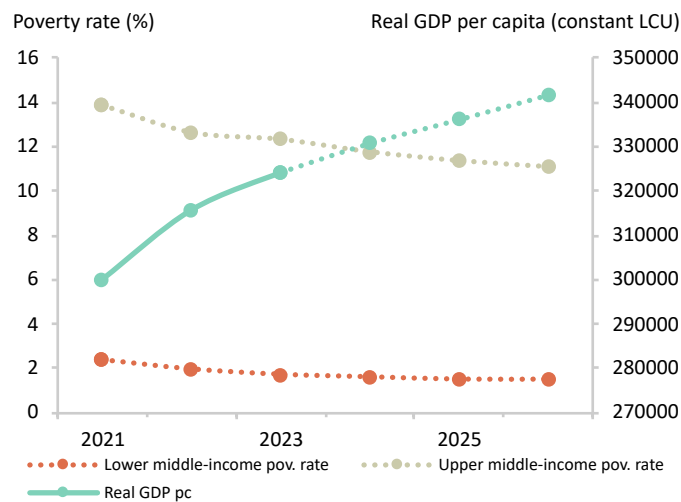
The Jamaican economy surpassed its pre-pandemic level, expanding in real terms by 2.9 percent y-o-y in the first three quarters of 2023. Growth was driven by net exports from a record expansion in tourism and mining, while agriculture declined due to an extended drought. Rising economic activity brought the unemployment rate to a record-low 4.2 percent in October 2023. Poverty (\$6.85 per day) declined from 13.9 in 2021 to an estimated 12.3 percent in 2023. The quality of employment remains a concern given high

FIGURE 1 Jamaica / Public debt and net international reserves



Sources: Bank of Jamaica, Ministry of Finance and the Public Service, and World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

informality (46.8 percent of non-agricultural employment in 2020) and fewer average hours worked relative to pre-pandemic levels.

Annual inflation accelerated to 7.4 percent in January 2024 (5.1 percent in October 2023) – above the Bank of Jamaica (BOJ)’s reference range (5 ±1 percent). This was influenced by (i) a sharp increase in food inflation amid droughts, (ii) increased public passenger vehicle (PPV) fares, (iii) increases in telephone and internet rates, and (iv) a minimum wage increase of 44 percent (over the previous rate as of July 2023) coupled with tighter labor market. Persistent high food price inflation (8.8 percent in January 2024) continued to undermine food security (33 percent of Jamaicans were severely food insecure in May 2023). The BOJ has kept the key policy rate at 7.0 percent since end-2022, maintained foreign currency interventions to support the Jamaican dollar and price stability, and tightened Jamaican dollar liquidity conditions.

The GOJ sustained efforts in fiscal consolidation while prioritizing social protection. The fiscal stance was supported by strong tax revenues. However, the fiscal account is estimated to have registered a deficit of 1.4 percent of GDP in 2023 from a surplus of 1.6 percent in 2022 due to increased spending on wages and salaries amid the recently approved three-year

compensation cycle. To further de-dollarize the public debt and mitigate foreign exchange risk, the GOJ issued its first domestic-currency international bond for J\$46.6 billion (US\$300 million) in November 2023. In the context of prudent fiscal management and macroeconomic stability, Jamaica’s credit worthiness improved. The external position remained strong, supported by robust earnings from tourism and remittances. The current account recorded an estimated surplus of 2.5 percent of GDP in the first half of 2023. Reserves remain adequate, at US\$4.7 bn in January 2024 (about 5.8 months of imports and 25 percent of GDP). In this context, the exchange rate remained relatively stable.

Outlook

Annual growth is expected to average only 1.7 percent y-o-y over the medium term as global demand weakens and fiscal austerity limits capital investments. Mining, tourism, and private investment in hospitality capacity and infrastructure are expected to drive growth. External account balances are expected to slightly deteriorate as tourism and remittances growth is expected to slow amid weaker economic conditions in the US and UK, partially

offset by reduced spending on imports in the context of lower commodity prices.

Higher wages and the second phase of the PPV fare increase in 2024 are anticipated to continue to generate inflationary pressures in the near term, diminishing the purchasing power of households. BOJ is likely to maintain tight monetary policy while ensuring adequate liquidity in the financial system, minimizing pressures on the currency, and returning inflation to its target range by mid-2025. Poverty is projected to continue a gradual decline as real incomes improve.

The fiscal account is expected to reverse to surplus over the medium term as a result of improvements in tax revenue and prudent spending. Spending is expected to decline slightly due to lower interest payments. Public debt is projected to remain on a downward trajectory, declining to 65.9 percent of GDP by 2026. Gross reserves are expected to remain at healthy levels.

Significant downside risks to the economic outlook include a possible deeper-than-expected global economic slowdown. Further tightening of financial market conditions could raise the cost of borrowing, curtail private investments, and derail longer-term growth, climate change adaptation, and debt objectives. Worsening crime and natural hazards could also impair growth and poverty reduction.

TABLE 2 Jamaica / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	4.6	5.2	2.6	2.0	1.6	1.6
Real GDP growth, at constant factor prices	4.6	5.2	2.6	2.0	1.6	1.6
Agriculture	8.3	9.0	-7.5	1.9	0.9	0.9
Industry	2.4	-0.4	5.9	2.5	1.4	1.4
Services	4.9	6.5	2.8	1.9	1.7	1.7
Inflation (consumer price index)	5.9	10.3	6.5	7.0	6.2	5.4
Current account balance (% of GDP)	1.0	-0.7	0.8	0.2	-0.8	-1.4
Net foreign direct investment inflow (% of GDP)	1.8	1.5	1.6	1.7	1.9	2.0
Fiscal balance (% of GDP)	0.0	1.6	-1.4	-0.4	-0.2	0.1
Revenues (% of GDP)	30.3	30.2	30.8	31.3	30.8	30.7
Debt (% of GDP)	100.5	83.5	75.5	70.8	68.9	65.9
Primary balance (% of GDP)	6.0	7.2	4.3	3.0	2.3	2.8
International poverty rate (\$2.15 in 2017 PPP)^a	0.3	0.3	0.3	0.3	0.3	0.3
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	2.4	2.0	1.7	1.6	1.5	1.5
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	13.9	12.7	12.3	11.8	11.3	11.1
GHG emissions growth (mtCO₂e)	9.8	7.0	4.2	3.1	1.8	1.8
Energy related GHG emissions (% of total)	77.8	79.2	79.9	80.5	80.8	81.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on CONLAC harmonization, using 2021-JSLC. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.

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

MEXICO

Table 1 **2023**

Population, million	128.5
GDP, current US\$ billion	1791.4
GDP per capita, current US\$	13945.6
International poverty rate (\$2.15) ^a	1.2
Upper middle-income poverty rate (\$6.85) ^a	21.8
Gini index ^a	43.1
School enrollment, primary (% gross) ^b	103.4
Life expectancy at birth, years ^b	70.2
Total GHG emissions (mtCO2e)	677.5

Source: WDI, Macro Poverty Outlook, and official data.

a/ Most recent value (2022), 2017 PPPs.

b/ Most recent WDI value (2021).

Real GDP growth is expected to be 2.3 percent in 2024 and gradually converge to its potential by 2026. Poverty has declined significantly since 2020, but structural reforms are needed to boost productivity, competitiveness, and inclusion. Persistent inflation and slower-than-expected growth in the US are key downside risks.

Key conditions and challenges

Mexico is among the most open economies globally, thanks to its macroeconomic stability, strategic proximity to major consumer markets, a wide array of trade agreements (particularly USMCA), and a diversified economy. Its integration into global value chains and a dynamic albeit informal labor market contribute to the recent economic dynamism, surpassing regional peers' growth. The anticipated nearshoring trend offers additional opportunities, particularly in manufacturing and related services such as logistics, utilities, and finance. Mexico's high integration with the U.S. economy also makes it highly reliant on the U.S. business cycle.

Despite these strengths, Mexico faces significant challenges, including decreasing productivity, violence, and pervasive informality. As indicated in the Productivity Report (2019), to unleash its full potential, Mexico must bolster infrastructure, improve the business environment, facilitate access to finance, especially for small and medium enterprises, address insecurity and regulatory uncertainty, improve public services provision, and strengthen the competition framework. Addressing these issues is imperative to bolster competitiveness, revitalize stagnant productivity, and foster more inclusive economic growth.

The official multidimensional poverty rate, which combines monetary poverty with indicators of social deprivation, fell

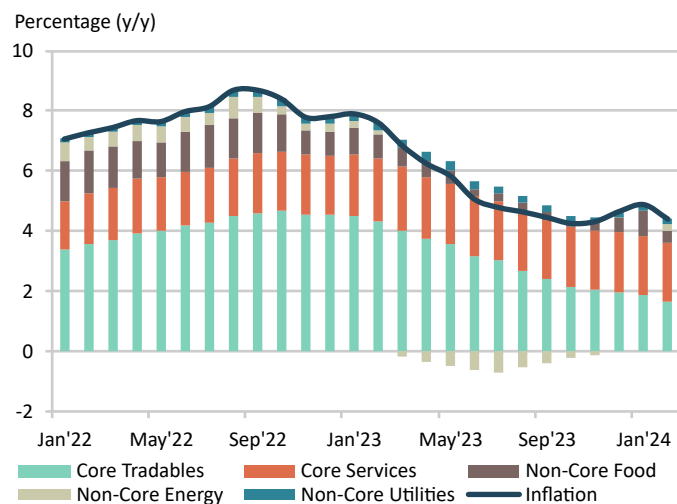
from 43.9 percent in 2020 to 36.3 percent in 2022, lifting 8.9 million Mexicans from poverty, with 46.8 million still living in poverty. The decline is mainly due to the fall in monetary poverty, which fell from 52.8 to 43.5 percent.

Mexico has a strong track record of macroeconomic stability, supported by an independent central bank and a sound financial sector. The recent shift towards a more state-led growth model will likely pose challenges for public finances: a high fiscal deficit is anticipated for 2024, along with mounting spending pressures from social programs, efforts to enhance access and quality of public services, essential infrastructure investment needs, replenishment of trust funds, and substantial fiscal support to PEMEX. Addressing these pressures will likely require revenue-boosting reforms to safeguard debt sustainability.

Recent developments

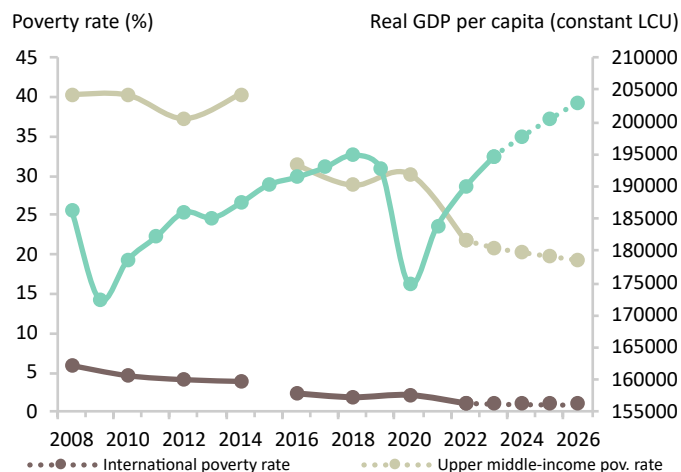
Real GDP grew 3.2 percent in 2023, driven by consumption and investment, with a slight weakening observed in the fourth quarter. On the supply side, growth was driven by the construction, retail, wholesale, transport, and manufacturing sectors. The current account deficit was 0.3 percent of GDP in 2023, financed by net FDI, which reached 1.7 percent of GDP. Exports grew by 0.3 percent in 2023, while imports remained fairly constant in real terms. The Mexican peso appreciated 8.1 percent (y-o-y) in February 2024, supported by the interest rate differential,

FIGURE 1 Mexico / Headline inflation and contributions to headline inflation



Source: INEGI.

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



Source: World Bank. Notes: See Table 2.

manageable public debt, and a solid external account. In 2023, remittances stood at US\$63.3bn (7.6 percent y-o-y), while reserves reached US\$212bn.

Inflation has declined but remains above the central bank's target range of 3 percent \pm 1 percent since September 2022. In February, annual headline (core) inflation reached 4.4 (4.6) percent. Consequently, the Central Bank of Mexico has kept the policy rate at a historically high level, currently at 11 percent.

Labor poverty, defined as the share of the population whose labor earnings fall below the food poverty line, decreased from 40.3 percent in 2021Q4 to 37.0 percent in 2023Q4, lower than the pre-pandemic level of 38.9 percent in 2019Q4. Real labor income per capita, adjusted for the cost of the official food basket, grew by 8.2 percent between 2022Q4 and 2023Q4. This improvement in labor earnings, along with a decline in the unemployment rate (from 3.7 to 2.7 between 2021Q4 and 2023Q4) and informality rate (from 55.8 to 54.8 percent over the same period) and an increase in the participation rate (from 59.7 to 60.5 percent), indicates ongoing labor market improvement which supports recent poverty reduction.

In 2023, the overall fiscal deficit was 4.3 percent of GDP. Public revenues rose by 1 percent in real terms y-o-y, thanks to

higher fuel tax revenues after the cessation of gasoline subsidies, although lower oil prices partly offset this. Expenditures increased by 1.8 percent in real terms, with financial costs surging by 21.5 percent. Despite Moody's recent downgrade of PEMEX's credit rating, which remains non-investment grade for most agencies, Mexico's overall credit rating remains classified as investment grade.

Outlook

Mexico's economic growth is projected to moderate to 2.3 percent in 2024 and 2.1 percent in 2025. The growth drivers will be services, manufacturing, and construction. This dynamic is attributed to tight monetary policy, the anticipated easing of the U.S. economy, and the slowdown of domestic demand due to years of growth above potential. As nearshoring-linked and public investment projects are finalized, Mexico is anticipated to return to its potential growth rate of 2 percent over the medium term. Inflation is expected to reach its target range during 2024H1.

The 2024 public budget anticipates an overall fiscal deficit of 5.4 percent of GDP, with a primary deficit of 1.2 percent. This reflects an expected reduction

in oil revenues, higher financial costs, increased social program spending, and greater public investment in flagship projects. As these projects are completed and interest rates normalize, the fiscal deficit is projected to decrease to 2.8 percent of GDP by 2026 gradually.

Monetary poverty, measured by the upper-middle income global threshold (\$6.85/day per capita, 2017 PPP), is expected to reach 20.2 percent in 2024 and 19.2 percent in 2026 as the economy converges to its potential growth rate.

Mexico's macroeconomic risks appear balanced, with a positive economic outlook bolstered by declining inflation and growing investment from nearshoring. Nonetheless, prolonged high-interest rates could dampen investment and add fiscal pressures. External factors like slower U.S. economic growth, renewed financial market volatility, or tighter monetary policy could diminish exports and FDI. While upcoming Mexican and U.S. elections may introduce policy uncertainty, a solid macroeconomic framework ensures stability. Additionally, El Niño could affect agricultural production and commodity prices, potentially hindering poverty reduction. Improvements in business climate, strategic investments in human capital and infrastructure, and policy stability are essential to attract further FDI.

TABLE 2 Mexico / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	5.7	3.9	3.2	2.3	2.1	2.0
Private consumption	8.1	5.2	4.3	2.1	2.0	2.0
Government consumption	-0.5	1.2	0.7	0.9	-1.2	0.4
Gross fixed capital investment	9.7	7.7	18.6	6.9	5.8	4.6
Exports, goods and services	7.2	8.7	-6.8	2.4	3.8	4.3
Imports, goods and services	15.0	8.3	4.7	4.2	4.7	5.0
Real GDP growth, at constant factor prices	5.5	3.8	3.2	2.3	2.1	2.0
Agriculture	2.3	1.6	1.9	1.7	1.9	2.1
Industry	6.7	5.3	3.5	2.6	2.3	2.1
Services	5.0	3.1	3.1	2.2	2.0	1.9
Inflation (consumer price index)	5.7	7.9	5.5	4.1	3.5	3.5
Current account balance (% of GDP)	-0.3	-1.2	-0.3	-0.4	-0.6	-0.8
Net foreign direct investment inflow (% of GDP)	-2.6	-1.5	-1.7	-1.9	-2.1	-2.2
Fiscal balance (% of GDP)	-3.8	-4.3	-4.3	-5.4	-3.0	-2.8
Revenues (% of GDP)	22.4	22.4	22.2	21.5	21.1	21.0
Debt (% of GDP)	49.2	47.8	46.8	48.8	49.4	49.7
Primary balance (% of GDP)	-1.2	-1.5	-1.0	-1.6	0.2	0.1
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	..	1.2	1.1	1.1	1.0	1.0
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	..	21.8	20.8	20.2	19.7	19.2
GHG emissions growth (mtCO₂e)	2.4	0.7	0.6	0.5	0.4	0.4
Energy related GHG emissions (% of total)	63.6	63.1	62.6	62.2	61.8	61.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on SEDLAC harmonization, using 2022-ENIGHNS. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.

b/ Projection using neutral distribution (2022) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

NICARAGUA

Key conditions and challenges

Table 1 **2023**

Population, million	7.0
GDP, current US\$ billion	17.9
GDP per capita, current US\$	2547.2
International poverty rate (\$2.15) ^a	3.9
Lower middle-income poverty rate (\$3.65) ^a	14.4
Upper middle-income poverty rate (\$6.85) ^a	42.1
Gini index ^a	46.2
School enrollment, primary (% gross) ^b	107.2
Life expectancy at birth, years ^b	73.8
Total GHG emissions (mtCO2e)	39.4

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2014), 2017 PPPs.
 b/ Most recent WDI value (2021).

GDP growth in Nicaragua is estimated at 4.3 percent in 2023, supported by a steep increase in remittances and foreign direct investment. Growth will be sustained over the medium term, though at a slightly slower rate in the context of prudent fiscal policy and limited progress in the implementation of growth-enhancing structural reforms. The country has high exposure to external shocks and poverty remains a persistent challenge.

Nicaragua is a small, open economy, driven by light manufacturing, services, and agriculture. The country has improved access to basic services and set the fundamentals for macroeconomic stability. It has demonstrated sound macroeconomic management with prudent fiscal and monetary policies, and continued reserve accumulation in recent years. Nicaragua has benefited substantially from foreign direct investment (FDI) and large remittances. Between 2010 and 2017, GDP growth averaged 5.1 percent on the back of solid private domestic demand and exports. Poverty rate, measured at US\$3.65 per day, more than halved between 2005 and 2014, from 29 to 14 percent, and is estimated to have continued declining in subsequent years up to 2018.

However, poverty increased to 15 percent by 2020 after the shocks from the sociopolitical unrest in 2018, the pandemic, and two hurricanes. GDP rebounded strongly in 2021, helped by large public investment, financed by government deposits, external financial assistance, and export demand. But this came at the expense of a surge in public debt which rose from 47.1 percent of GDP in 2017 to a peak of 65.5 percent in 2021.

Nicaragua is among the poorest countries in the region. Despite significant increases in trade openness in the past two decades, exports primarily consist of low-complexity products with limited destinations. High vulnerability to external shocks and

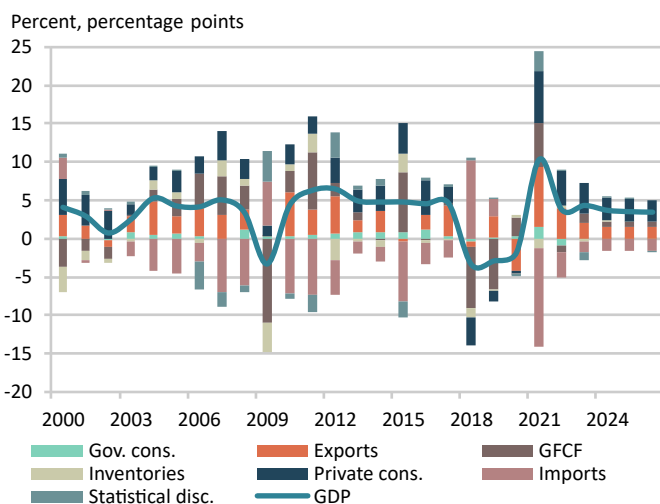
natural hazards, along with low levels of human capital, infrastructure gaps, and the weak institutional and business environment, have constrained its growth and social dividends. Nevertheless, Nicaragua has opportunities for sustainable growth, through investment in human capital and value addition in manufacturing and services sectors.

Recent developments

In 2023, the economy demonstrated robust performance, with growth estimated at 4.3 percent. This expansion was driven by sectors such as electricity, mining, trade, construction, finance, transport, and communications, exceeding expectations. Consumption and investment increased. The Monthly Index of Economic Activity (IMAE) reflected a year-over-year increase of 5.5 percent in December 2023. Consumption and investment increased by 13.3 and 10 percent in the third quarter of 2023 compared to the third quarter of 2022. Fiscal policy was managed prudently, with a slight increase in revenues and controlled public spending, resulting in a 0.7 fiscal deficit and 0.7 primary surplus. By the close of the year, 95.7 percent of the Public Investment Program had been executed, and public debt stood at 59.9 percent of GDP, marginally lower than the previous year.

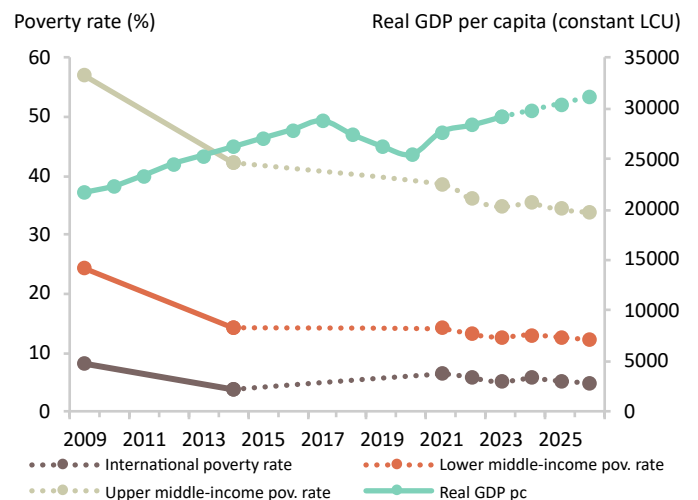
Tight monetary policy, a managed exchange rate, and declining global prices have helped reduce inflation to 5.6 percent year-over-year in December 2023

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



Sources: Central Bank of Nicaragua and World Bank.

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



Source: World Bank. Notes: see Table 2.

from 11.6 percent in December of the previous year. The Central Bank of Nicaragua (CBN) kept the Monetary Policy Rate (MPR) at 7 percent throughout the year, maintaining the rate set after an increase in 2022.

The current account deficit turned into a surplus of 4 percent of GDP in 2023, as lower import costs, particularly for petroleum and fertilizers, improved the terms of trade, and remittances reached a record high of over 27 percent of GDP. Strong FDI flows further helped to bolster net international reserves, which reached approximately six months of goods and services imports in 2023.

The sustained growth, coupled with lower inflation and higher remittances, led to an increased employment rate of 66.9 percent in the second half of 2023, close to pre-pandemic levels. Poverty, measured at US\$3.65 per day (2017 PPP), was projected to decrease to 12.5 percent in 2023 from 13.1 percent in 2022. The employment rate for women, at 56.9 percent in December 2023, showed a more significant increase compared to men's rate, at 78.2 percent,

relative to December 2022, but it remains substantially lower.

Outlook

In 2024, GDP growth is expected to decelerate, stabilizing at around 3.5 percent in the medium term. This anticipated slowdown is attributed to a decline in investment as projects funded by multilateral organizations are completed and private investors remain cautious. A moderation in remittances, exports, and FDI inflows is projected to reduce the external surplus yet continue to support the accumulation of international reserves.

In line with the expected decreasing trend in international inflation, domestic inflation is anticipated to be within the 4.0–5.0 percent range in the medium term. The easing of intense inflationary pressures should help maintain short-term stability in the Monetary Policy Rate (MPR) and alleviate pressures on purchasing power. Poverty levels, measured at US\$3.65 per

day (2017 PPP), are expected to hover around 13 percent in 2024–25.

The 2024 budget adheres to the medium-term budget framework and is consistent with fiscal prudence goals to decrease public debt and strengthen fiscal sustainability. Fiscal consolidation in the medium term is expected to rely on public investment cuts, with negative effects on growth, as significant adjustments in current spending require more profound reforms. The macroeconomic outlook is subject to several downside risks, including natural disasters, geopolitical uncertainties that could increase oil and food prices, economic downturns in major trading partners, and a decrease in concessional borrowing. The ongoing El Niño climate phenomenon has resulted in drought and extreme temperatures, reducing crop productivity and increasing food insecurity, impacting the Dry Corridor, which could offset the positive effects of remittances and lower inflation for certain population segments. Growth prospects may also be dampened by a reduced labor supply due to significant emigration.

TABLE 2 Nicaragua / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	10.3	3.8	4.3	3.7	3.5	3.5
Private consumption	8.7	5.9	4.9	3.8	3.7	3.6
Government consumption	9.3	-6.0	0.2	0.2	0.3	0.3
Gross fixed capital investment	26.3	-3.2	6.0	3.1	3.1	3.0
Exports, goods and services	18.1	8.6	4.0	3.2	3.1	3.0
Imports, goods and services	21.1	5.0	2.0	2.6	2.5	2.4
Real GDP growth, at constant factor prices	10.3	3.8	4.3	3.7	3.5	3.5
Agriculture	6.6	1.7	2.0	1.8	1.7	1.7
Industry	18.8	2.7	2.9	2.7	2.8	2.9
Services	8.5	4.7	5.5	4.6	4.3	4.1
Inflation (consumer price index)	4.9	11.6	5.6	4.8	4.3	4.0
Current account balance (% of GDP)	-3.1	-1.4	4.0	3.0	2.4	2.0
Net foreign direct investment inflow (% of GDP)	8.5	8.2	6.8	6.4	6.0	5.6
Fiscal balance (% of GDP)^a	-1.5	0.5	-0.7	-0.6	-0.5	-0.3
Revenues (% of GDP)	31.4	32.0	32.1	32.0	32.1	32.2
Debt (% of GDP)^b	65.5	60.5	59.9	59.0	58.6	57.8
Primary balance (% of GDP)^a	-0.3	1.9	0.7	0.8	0.9	0.9
International poverty rate (\$2.15 in 2017 PPP)^{c,d}	6.4	5.8	5.1	5.7	5.3	5.0
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{c,d}	14.2	13.1	12.5	13.0	12.6	12.1
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{c,d}	38.6	36.1	34.8	35.3	34.4	33.9
GHG emissions growth (mtCO₂e)	1.3	0.8	1.0	0.9	1.0	1.0
Energy related GHG emissions (% of total)	12.8	12.6	12.7	12.7	12.8	12.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Fiscal and Primary Balance correspond to the non-financial public sector.

b/ Debt is total public debt.

c/ Calculations based on SEDLAC harmonization, using 2014-EMNV. Actual data: 2014. Nowcast: 2015-2023. Forecasts are from 2024 to 2026.

d/ Projections using microsimulation methodology.

PANAMA

Table 1 **2023**

Population, million	4.5
GDP, current US\$ billion	83.5
GDP per capita, current US\$	18690.9
International poverty rate (\$2.15) ^a	1.3
Lower middle-income poverty rate (\$3.65) ^a	4.4
Upper middle-income poverty rate (\$6.85) ^a	12.9
Gini index ^a	48.9
School enrollment, primary (% gross) ^b	101.5
Life expectancy at birth, years ^b	76.2
Total GHG emissions (mtCO2e)	31.4

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2023), 2017 PPPs.
 b/ WDI for School enrollment (2022); Life expectancy (2021).

Panama is estimated to have grown 6.5 percent in 2023 fueled by strong construction, commerce, transport, tourism, the Colon Free Trade Zone, and financial activities during the first three quarters. Improving labor market conditions helped reduce poverty in 2023. However, the economy faced significant challenges in Q4, including slow Canal traffic, protests, and the subsequent closure of Cobre Panama, which are likely to affect inclusive growth during the forecasting period.

Key conditions and challenges

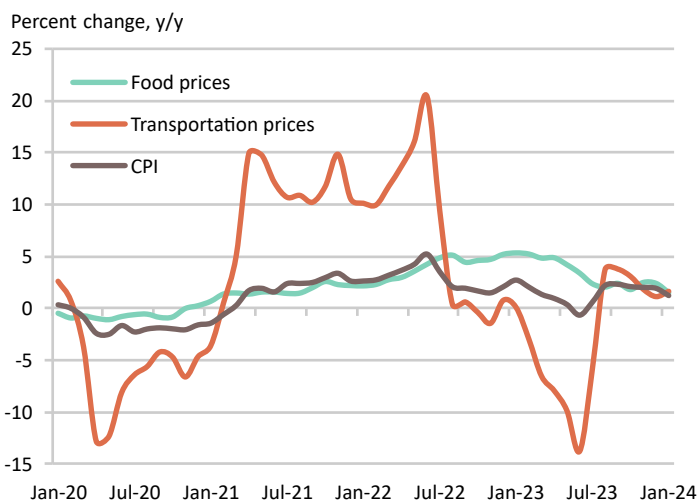
Panama is a crucial logistical and financial hub in Central America, which thrives on trade and services. The Panama Canal is critical for global trade and has an important impact on Panama's economy. Yet, its growth has been primarily fueled by capital and labor accumulation. Sustained robust growth over the past thirty years supported strong job creation, leading to a sharp decrease in poverty (from 48.2 percent in 1991 to 12.9 percent in 2023 at \$6.85 a day per capita, 2017 PPP). However, Panama remains one of the most unequal countries in the world, in part because of its very unequal labor market and limited redistributive capacity. As growth started to decline in the second half of the 2010s, unemployment and informality started to increase, peaking during the pandemic. Relative to 2019, the labor market has not fully recovered, and the government's emergency transfer Nuevo Programa Panama Solidario (NPPS) has played an important role in poverty reduction. Panama is an attractive offshore center due to its strategic location and dollarization. Authorities implemented important reforms in recent years to promote governance and transparency. These include modification of the anti-money laundering and counter-terrorism financing (AML/CFT) prevention regulation and significant improvements in beneficial

ownership information which led Panama to exit the International Financial Action Task Force's (FATF) list of jurisdictions in October 2023 and the EU's list for non-cooperative jurisdictions for tax purposes in March 2024. Comprehensive reforms in Public Private Partnerships (PPP) and procurement led to an increase in PPP financing for important infrastructure projects.

Recent developments

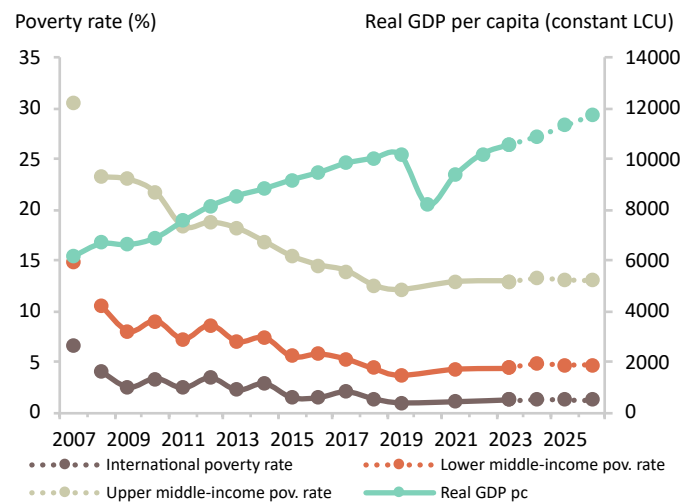
Due to street protests, the Supreme Court's declaration of the contract with Cobre Panama as unconstitutional, and a slowdown in the Panama Canal driven by prolonged drought, growth decelerated significantly in the last quarter of 2023, resulting in a 6.5 percent year-on-year increase for the entire year. This performance was supported by a surge in activities across various sectors, including construction, transport and storage, wholesale and retail commerce, utility, business services, and hotels and restaurants, which collectively employ 45 percent of the workers. Inflation decreased to 1.5 percent in 2023, led by a reduction in transport and food prices (Figure 1). Progress in poverty reduction was, however, uneven in 2023 (Figure 2). The unemployment rate improved to 7.4 percent, and support from the NPPS contributed to a decline in the poverty rate (US\$6.85/day per capita 2017 PPP) from 14.0 percent in 2022 to 12.9 percent in 2023. However, poverty increased in rural areas

FIGURE 1 Panama / Total, food and transport inflation



Source: Instituto Nacional de Estadística y Censo.

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



Source: World Bank. Notes: see Table 2.

from 29.3 to 32.3 percent during the same period as the sluggish recovery of non-agricultural labor markets in these areas failed to offset the gradual withdrawal of NPPS support.

Despite the challenging events of 2023, both the fiscal and primary deficit saw marginal declines to 3.8 percent and 1.7 percent of GDP, respectively. This was attributed to restrained government spending and an increase in tax and non-tax revenue. Notably, revenue included US\$576 million in royalties and taxes from the copper mine, US\$500 million from the sale of land to the Panama Canal Authority, and an increase in the efficiency of tax collection due to digital tax platforms. The current account deficit is estimated to have increased to 4.9 percent, as a result of a decline in copper and service exports, an increase in the imports of the Colon Free Trade Zone, and outflows of primary and secondary income. FDI is expected to experience a modest decrease from 3.8 percent in 2022 to 3.5 percent in 2023, indicative of a potential decline in investor confidence following the decision of the Supreme Court to declare Cobre Panama's contract as unconstitutional.

Outlook

Growth is expected to sharply decline in 2024 to 2.5 percent as copper production comes to a halt; however, the dynamism in the services sector should help gradually lift growth over the medium term. Poverty rates (US\$6.85 a day per capita, 2017 PPP) are projected to increase by almost 0.5 percentage points in 2024 due to the anticipated discontinuation of the NPPS and slower growth. However, GDP growth is expected to accelerate from 2025 onwards as Panama maintains its appeal as an attractive investment destination. Consequently, poverty is expected to start decreasing modestly in 2025 as the economy recovers and the labor market regains its pre-pandemic dynamism. Inflation is expected to stabilize at 2 percent.

The overall and primary deficits are expected to widen to 4.3 and 2.1 percent in 2024, respectively, impacted by lower revenues and higher expenditure, before gradually declining to 3.7 and 1.5 percent of GDP by 2026. This fiscal consolidation process relies on further containing spending (including the phasing out of

subsidies), and improvements in tax administration. Public debt is forecast to peak at 59 percent in 2024 and gradually decline to 57.7 percent by 2026 (Table 2).

The current account deficit is projected to narrow gradually to 4.7 percent of GDP by 2026. Merchandise exports are expected to remain subdued while service exports continue to be robust, supported by air transport, logistics, and tourism. FDI is estimated to recover gradually to 3.8 percent by 2026, continuing to finance most of the current account deficit, supplemented by portfolio investment and public sector financing. International reserves are expected to stay around 13 percent of GDP during 2024-2026.

Despite the downward pressure on the sovereign ratings of Panama following the closure of Cobre Panama, the country still has good access to capital markets as a dollarized economy with a stable macroeconomic environment and investment grade. This outlook is subject to several risks. The next administration will need to tackle important structural fiscal challenges and make progress in adapting to changing climate, such as increased frequency and intensity of hurricanes and droughts that could affect water levels in the canal.

TABLE 2 Panama / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	15.8	10.8	6.5	2.5	3.5	4.0
Private consumption	10.8	7.1	7.4	2.3	2.4	2.7
Government consumption	9.8	7.8	10.7	4.7	4.7	6.1
Gross fixed capital investment	45.1	7.3	8.3	4.6	4.0	3.7
Exports, goods and services	14.9	16.0	17.0	0.1	3.4	4.0
Imports, goods and services	17.0	23.7	20.3	2.1	2.3	2.3
Real GDP growth, at constant factor prices	15.7	10.7	6.5	2.5	3.5	4.0
Agriculture	4.7	5.2	2.0	1.5	1.4	1.3
Industry	30.2	12.3	10.8	-2.8	-1.2	0.7
Services	11.7	10.4	5.2	4.5	5.2	5.2
Inflation (consumer price index)	1.6	2.9	1.5	1.5	2.0	2.0
Current account balance (% of GDP)	-1.4	-4.0	-4.9	-6.1	-5.7	-4.7
Net foreign direct investment inflow (% of GDP)	2.0	3.8	3.5	3.4	3.8	3.8
Fiscal balance (% of GDP)	-6.4	-4.0	-3.8	-4.3	-3.8	-3.7
Revenues (% of GDP)	17.3	17.4	17.6	17.3	17.8	18.0
Debt (% of GDP)	60.1	57.9	57.5	59.0	58.4	57.7
Primary balance (% of GDP)	-4.2	-2.3	-1.7	-2.1	-1.6	-1.5
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	1.1	..	1.3	1.4	1.4	1.3
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	4.3	..	4.4	4.8	4.7	4.7
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	12.9	..	12.9	13.3	13.2	13.1
GHG emissions growth (mtCO₂e)	-1.0	7.2	35.2	-0.1	0.9	2.4
Energy related GHG emissions (% of total)	43.8	46.7	60.0	59.4	59.1	60.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on SEDLAC harmonization, using 2023-EH. Actual data: 2023. Forecasts are from 2024 to 2026.

b/ Projections using microsimulation methodology.

PARAGUAY

Table 1 **2023**

Population, million ^a	6.8
GDP, current US\$ billion	43.0
GDP per capita, current US\$	6335.6
International poverty rate (\$2.15) ^b	1.3
Lower middle-income poverty rate (\$3.65) ^b	5.6
Upper middle-income poverty rate (\$6.85) ^b	19.9
Gini index ^b	45.1
School enrollment, primary (% gross) ^c	93.2
Life expectancy at birth, years ^c	70.3
Total GHG emissions (mtCO2e)	98.3

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Does not reflect preliminary 2022 Census results.
 b/ Most recent value (2022), 2017 PPPs.
 c/ WDI for School enrollment (2022); Life expectancy (2021).

Paraguay's economy is expected to grow by 3.8 percent in 2024 assuming normal weather conditions, while poverty is projected to decline to 18.6 percent. Strengthening the business environment, boosting productivity, and building resilience to shocks would help accelerate growth and poverty reduction through more formal job creation. Improvements in governance, including of natural resources, and continued progress on human capital and infrastructure could attract more private capital to Paraguay.

Key conditions and challenges

Paraguay is a small, landlocked economy and a major exporter of agriculture, livestock, and hydropower. As 80 percent of direct exports and at least 17 percent of output rely on these sectors, it is vulnerable to fluctuations in commodity prices and weather conditions. Sound macroeconomic management has attenuated the impact of external shocks, but these have contributed to slower growth and poverty reduction over the past decade. An estimated 19 percent of Paraguayans lived below the international poverty line for upper middle-income countries (US\$6.85 per person per day in 2017 PPP) in 2023, only 5 percentage points lower than in 2013. Inequality remains high at 45 Gini points, reflecting disparities in human capital.

More durable and inclusive growth is possible if Paraguay engenders three transformations. One, enhancing the quality and level of public spending on infrastructure, human capital, and climate adaptation could accelerate structural transformation, create more formal jobs, and reduce Paraguay's vulnerability to climate change. Two, improving the regulatory environment for private investment and supporting the entry, growth, and exit of firms could help boost productivity, and ultimately formal employment and wage growth. Three, Paraguay could harness its abundance of hydropower to decarbonize its economy.

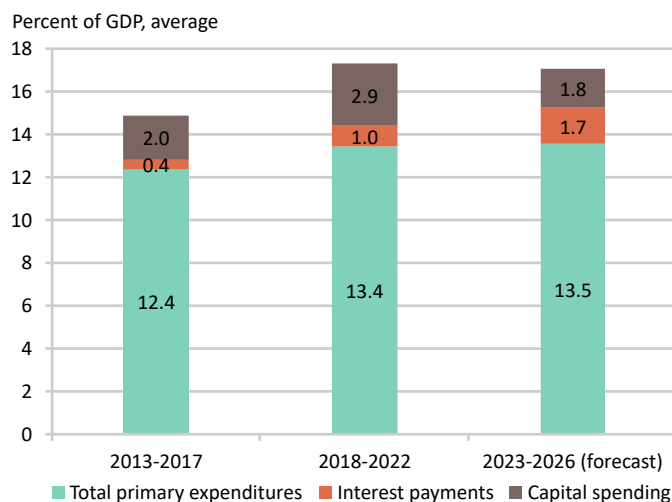
A capable state that enforces the rule of law and property rights, and that delivers good quality public services is crucial to drive these transformations. Paraguay has initiated several reforms to improve public sector efficiency and recently inched closer to investment grade. Advancing these reforms is not only important for investment, but to ensure that growth translates into meaningful increases in labor incomes, especially for the poorest 40 percent of the population.

Recent developments

In the first nine months of 2023, favorable weather conditions boosted agriculture and hydropower production, leading to a 4.7 percent y-o-y increase in real GDP. Exports more than compensated for the negative effects of inventory destocking and subdued investment, which was affected by tighter monetary and fiscal policies. The recovery began to slow in Q4 2023. The monthly index of economic activity expanded by only 0.3 percent on a quarter-on-quarter basis, seasonally adjusted, and annualized basis.

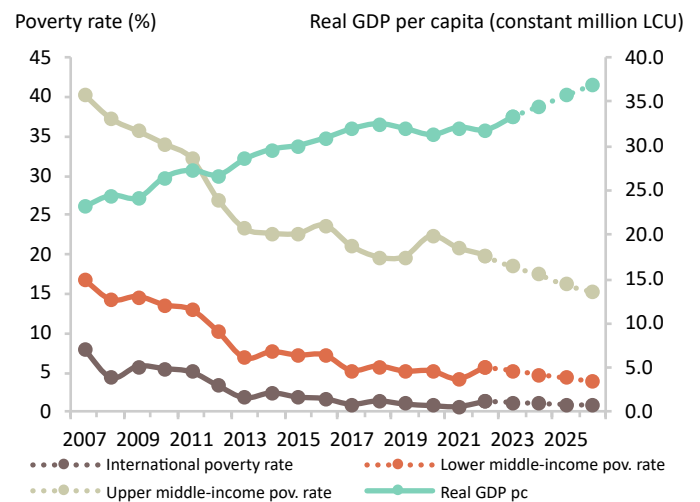
The goods trade balance recorded a surplus of US\$1.6 billion (an estimated 1.4 percent of GDP) in 2023 with exports increasing 24.7 percent y-o-y. Soybean exports' nominal value surged by 179 percent due to record volumes, despite lower prices. The value of hydropower exports decreased slightly by 6.5 percent year-on-year, reflecting reduced prices in energy exports. Import growth was

FIGURE 1 Paraguay / Fiscal expenditures as a share of GDP



Sources: Ministry of Economy and Finance and World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

modest at 3.1 percent as fuel and construction imports fell, and as global fuel prices stabilized. The Guaraní depreciated marginally (-0.5 percent) against the US dollar in nominal terms. The financial sector remains sound and total reserves were at 9.9 months of goods and services imports at the end of February.

Headline inflation fell to 2.9 percent y-o-y in February from 3.4 percent in January, well within the target range of 2-6 percent. Core inflation fell from 4.7 to 4.6 percent but remained above the midpoint. The Central Bank continued to cut rates in January and February 2024 by a cumulative 50 basis points, bringing the policy rate to 6 percent.

The fiscal deficit for 2023 was 4.1 percent of GDP, 1.8 percentage points higher than the original target, primarily due to the settlement of government arrears of approximately US\$600 million (around 1.1 percent of GDP), higher-than-expected interest payments and social transfers, as well as lower corporate income tax receipts due to the 2022 drought. Public debt rose to an estimated 38.2 percent of GDP, mostly denominated in foreign currency. To reduce its FX exposure, Paraguay successfully issued US\$500 million in Guaraní-indexed

sovereign bonds for the first time in February 2024, along with US\$500 million in USD-denominated bonds.

Labor market conditions in rural areas improved, but the national unemployment rate remained at 6 percent as urban unemployment increased slightly. Poverty is estimated to have declined from 20 percent in 2022 to 19 percent in 2023, but 35 percent of the population remains vulnerable to poverty.

Outlook

The economy is forecasted to grow by 3.8 percent in 2024, assuming no major weather disruptions. Fixed investment growth is anticipated to accelerate, driven by progress on greenfield private investments (estimated at around 10 percent of GDP) in pulp, biofuels, and green hydrogen as financing conditions improve. Private consumption growth is likely to accelerate as average inflation remains within the target range. Driven by growth, poverty is expected to decline to 18.6 percent in 2024. Faster progress is limited by the fact that only around three out of every ten workers

have formal jobs, a lower share than most countries in the region.

Growth is expected to moderate slightly to 3.6 percent in 2025-2026 as fiscal consolidation intensifies towards the legal limit of 1.5 percent of GDP in 2026. Official estimates suggest substantial cuts in personnel and capital spending to achieve this consolidation, which indicates slower government consumption and investment growth.

The current account is expected to shift into a small deficit over the forecast horizon as import growth, particularly of machinery and capital goods, accelerates along with the implementation of investment projects.

The outlook is subject to several downside risks. Heightened global uncertainty or unexpected inflation could lead to higher interest rates to remain higher for longer than projected, dampening private investment. Weaker than expected growth in trading partners could affect the demand for Paraguay's commodities. Weather shocks could affect agriculture and construction activity, potentially impacting poverty rates. On the other hand, faster progress on private investment projects and structural reforms could accelerate growth.

TABLE 2 Paraguay / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	4.0	0.2	4.6	3.8	3.6	3.6
Private consumption	6.1	2.3	2.5	3.3	3.3	3.3
Government consumption	2.6	-2.2	3.2	1.0	0.2	0.2
Gross fixed capital investment	18.2	-1.8	-5.1	2.4	4.4	5.8
Exports, goods and services	2.1	-1.1	26.6	4.0	4.0	4.0
Imports, goods and services	21.8	9.4	7.5	1.2	2.5	3.3
Real GDP growth, at constant factor prices	3.6	0.1	4.8	3.8	3.6	3.6
Agriculture	-11.6	-8.6	19.8	5.0	5.0	5.0
Industry	5.0	0.7	2.0	2.5	2.5	2.5
Services	6.5	1.5	3.8	4.4	4.1	3.9
Inflation (consumer price index)	4.8	9.8	4.6	4.0	4.0	4.0
Current account balance (% of GDP)	-0.9	-7.1	0.3	0.2	-0.1	-0.4
Net foreign direct investment inflow (% of GDP)	0.2	1.7	1.5	1.7	1.7	1.7
Fiscal balance (% of GDP)	-3.6	-2.9	-4.1	-2.6	-1.9	-1.5
Revenues (% of GDP)	13.7	14.0	14.0	13.9	13.7	13.7
Debt (% of GDP)	34.1	35.9	38.2	38.8	37.6	36.8
Primary balance (% of GDP)	-2.5	-1.7	-2.5	-0.8	-0.1	0.1
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	0.7	1.3	1.2	1.2	1.2	1.2
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	4.1	5.6	5.4	5.2	5.0	5.1
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	20.8	19.9	19.1	18.6	18.5	18.2
GHG emissions growth (mtCO₂e)	0.7	-0.6	1.0	1.5	1.3	1.3
Energy related GHG emissions (% of total)	9.0	9.1	9.5	9.8	10.2	10.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on SEDLAC harmonization, using 2022-EPH. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.

b/ Projections using microsimulation methodology.

PERU

Key conditions and challenges

Table 1	2023
Population, million	34.4
GDP, current US\$ billion	267.6
GDP per capita, current US\$	7789.3
International poverty rate (\$2.15) ^a	2.7
Lower middle-income poverty rate (\$3.65) ^a	9.5
Upper middle-income poverty rate (\$6.85) ^a	32.2
Gini index ^a	40.3
School enrollment, primary (% gross) ^b	107.7
Life expectancy at birth, years ^b	72.4
Total GHG emissions (mtCO2e)	183.2

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2022), 2017 PPPs.
 b/ WDI for School enrollment (2022); Life expectancy (2021).

GDP growth is expected to be 2.7 percent in 2024, following a contraction in 2023 due to adverse climatic events, social unrest, and weak business confidence.

Poverty is projected to decrease slightly to 33.2 percent in 2024. Risks include the potential intensification of El Niño and political uncertainty. Overcoming structural challenges related to low-productivity jobs and low-quality public services is critical to boosting long-term growth and poverty reduction.

Peru has recently concluded a decade of low growth (2014-2023), marked by limited advancements in creating quality jobs and reducing poverty. This contrasts sharply with the preceding decade (2004-2013), which saw rapid growth and consistent poverty reduction, fueled by capital accumulation and productivity gains underpinned by sound macroeconomic policies and favorable terms of trade. The macroeconomic environment is characterized by low public debt, ample international reserves, and a credible central bank and the financial system is well-capitalized and resilient to liquidity shocks. However, the economy is susceptible to commodity price fluctuations due to its reliance on mineral exports. Additionally, Peru's vulnerability to climate change is high due to its exposure to natural hazards and dependence on glacial freshwater. Structural constraints, such as subpar services and infrastructure quality limit formal job creation, economic diversification, and the pace of poverty and inequality reduction. By 2022, 32 percent of Peruvians lived on less than US\$ 6.85 per capita per day, largely due to low-paying jobs and insufficient social protection. Furthermore, food insecurity affected half of the population, a twofold increase since the pandemic. Enhancing the quality of public services, governance, and the business environment while ensuring political stability

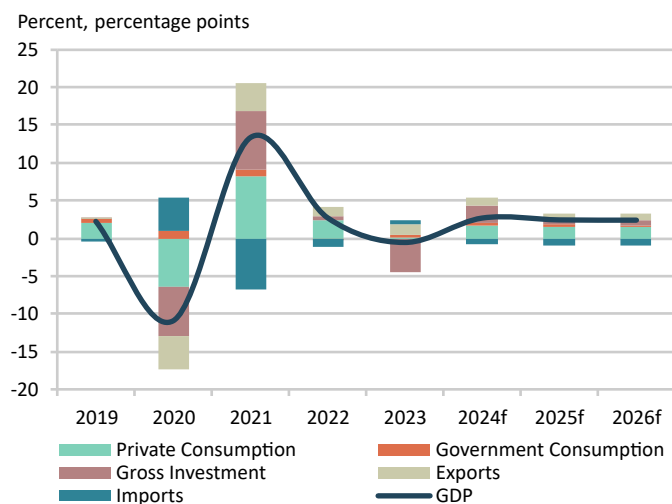
is crucial to achieve higher growth that combats poverty and inequality.

Recent developments

In 2023, real GDP shrank by 0.6 percent, impacted by adverse weather, social unrest, and faltering business confidence. El Niño and road blockades disrupted production in several regions, particularly in agriculture, fishing, and related manufacturing sectors. The mining sector, buoyed by the Quellaveco mine, grew by 9.5 percent, while the service sector saw a modest 0.6 percent growth. Domestic demand fell primarily due to weaker private investment and consumption, stymied by low business and consumer confidence, China's economic slowdown, tight financial conditions, and high inflation. The recession in 2023 adversely affected the labor market, with employment dropping by 0.9 percent, especially in small firms. Real wages rose by 3.5 percent but did not reach pre-pandemic levels. The share of people living under the US\$6.85 poverty line is estimated to have slightly risen to 33.8 in 2023, due to stagnant job quality and productivity. Inequality is believed to have increased with the Gini coefficient rising from 40.3 to 41.4.

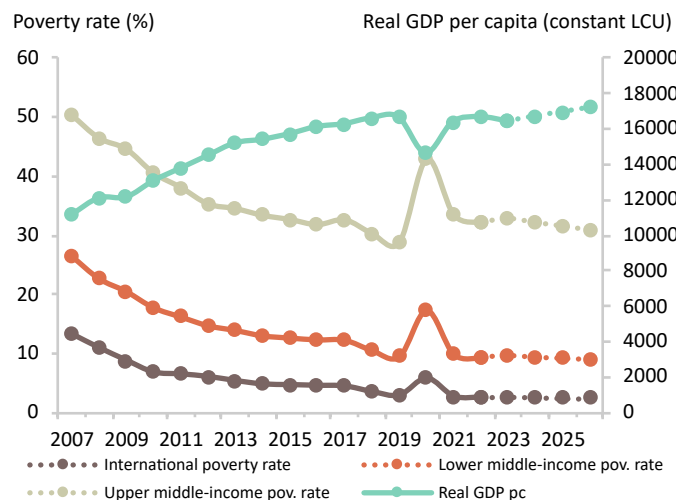
The fiscal deficit widened to 2.8 percent of GDP in 2023, exceeding the fiscal target by 0.4 percentage points. This marks the first time in 22 years that Peru has failed to accomplish its fiscal rule. Government revenues dropped by 2.3 percentage points of GDP from 2022, due to reduced corporate

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



Sources: BCRP and World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

income and value-added tax collections, reflecting lower mining prices and subdued economic activity. Expenditures decreased by 1.1 percentage points of GDP, reflecting the phasing out of emergency COVID-19 spending. Public debt (32.4 percent of GDP) and sovereign spreads (at around 170 basis points) remained among the lowest in the region.

Inflation decreased through 2023, reaching 3.0 percent by January 2024, within the Central Bank's target band (1-3 percent). Core inflation, excluding food and energy prices, was at 2.9 percent. Inflation expectations remained anchored at 2.6 percent, supported by the Central Bank's tightening measures and falling global fuel prices. The Central Bank reduced its reference policy rate, from 7.75 percent in August 2023 to 6.25 percent in January.

The current account closed 2023 with a 0.6 percent surplus in 2023, attributed to reduced import values and a smaller primary income deficit amid declining import prices and a contraction in domestic demand. The local currency appreciated by nearly 2.6 percent over the year, mirroring the global decline of the dollar. Net international reserves amounted to 26.5 percent of GDP in 2023, down from 29.3 percent in 2022, due to higher FX sales operations with the public sector.

Outlook

GDP growth is projected at 2.7 percent for 2024 as the negative shocks of 2023 subside. Monetary easing should bolster private spending. Public spending is anticipated to aid recovery, especially with improved execution of capital expenditure at the subnational level in the second year of their mandate. Potential growth is likely to stay at pre-pandemic levels due to ongoing institutional risks and China's decelerating growth, Peru's main trading partner. Over the medium term, GDP is expected to grow at an annual rate of 2.4 percent, primarily supported by exports from new mine projects (Quellaveco, Toromocho expansion).

The fiscal deficit is expected to narrow to 2.4 percent in 2024 due to a revenue recovery, which is supported by strong domestic demand, supportive mining prices and reforms of the tax administration. The deficit will, however, remain above the fiscal target due to spending pressures from increased public salaries and improved budget execution of subnational governments. Fiscal consolidation will continue in the coming years, however, the slower path

would postpone the return to the one-percent target in 2026. Public debt is projected to remain stable at around 34 percent of GDP. Annual inflation will remain within the target range of 1-3 percent in 2024, supported by the easing of output shocks and moderate domestic demand growth. Inflation expectations would remain within the target range. The Central Bank is expected to reduce the interest rate further until it converges to its natural rate of 2 percent.

The current account deficit is anticipated to widen slightly due to increased import values and higher expected profits from FDI as domestic demand recovers. FDI inflows are expected to remain above 2 percent of GDP as some medium-size projects (Zafranal, Antamina reposition, Taromochito expansion phase II) enter their execution phase.

Domestic and external risks persist. Domestically, continued political uncertainty could undermine private investment and exports. A stronger-than-expected El Niño could further impact agriculture and fishing. A delayed decrease in inflation could postpone the easing of financial conditions and the revival of domestic demand. External risks include lower-than-anticipated growth in China, a more rapid global economic slowdown, falling commodity prices, rising interest rates, and escalating climate change threats.

TABLE 2 Peru / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	13.4	2.7	-0.6	2.7	2.4	2.4
Private consumption	12.5	3.6	0.1	2.6	2.3	2.3
Government consumption	5.0	-0.2	3.2	2.0	2.0	2.0
Gross fixed capital investment	37.3	1.7	-12.5	11.3	2.8	2.8
Exports, goods and services	14.4	4.5	5.1	3.5	3.2	3.2
Imports, goods and services	25.6	4.0	-1.8	2.5	3.1	3.1
Real GDP growth, at constant factor prices	13.1	2.8	-0.4	2.7	2.4	2.4
Agriculture	5.3	3.1	-3.9	3.7	3.0	2.4
Industry	17.2	1.5	-1.3	2.7	2.1	2.1
Services	11.5	3.5	0.6	2.6	2.6	2.6
Inflation (consumer price index)	4.0	7.9	6.3	2.6	2.3	2.3
Current account balance (% of GDP)	-2.2	-4.0	0.6	-1.3	-1.2	-1.2
Net foreign direct investment inflow (% of GDP)	2.5	4.6	1.0	2.6	2.5	2.5
Fiscal balance (% of GDP)	-2.5	-1.7	-2.8	-2.4	-2.0	-1.5
Revenues (% of GDP)	21.1	21.8	19.8	20.2	20.4	20.5
Debt (% of GDP)	35.9	33.8	32.9	33.5	33.8	33.8
Primary balance (% of GDP)	-1.0	-0.1	-1.1	-0.8	-0.4	-0.1
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	2.8	2.7	4.2	3.6	3.1	2.6
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	10.0	9.5	11.4	10.6	10.0	9.3
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	33.4	32.2	33.8	33.2	32.5	31.8
GHG emissions growth (mtCO₂e)	2.0	0.8	-0.9	-0.5	-0.4	-0.4
Energy related GHG emissions (% of total)	25.4	25.8	24.9	24.2	23.8	23.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on SEDLAC harmonization, using 2022-ENAH0. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.

b/ Projections using microsimulation methodology.

SAINT LUCIA

Key conditions and challenges

Table 1 **2023**

Population, million	0.2
GDP, current US\$ billion	2.5
GDP per capita, current US\$	13980.1
International poverty rate (\$2.15) ^a	0.1
Lower middle-income poverty rate (\$3.65) ^a	0.6
Upper middle-income poverty rate (\$6.85) ^a	8.4
Gini index ^a	43.7
School enrollment, primary (% gross) ^b	103.7
Life expectancy at birth, years ^b	71.1
Total GHG emissions (mtCO2e)	1.1

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2015), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

Saint Lucia's economy, heavily reliant on tourism and imports, was hit hard by the pandemic and price increases of imported food and fuel. This resulted in soaring public debt and debt service, limiting the available fiscal space to invest in development projects. Price increases also slowed down the recovery of living standards coming out of the pandemic. Structural reforms supporting the private sector are needed to rebuild fiscal buffers, create jobs, and enhance poverty reduction.

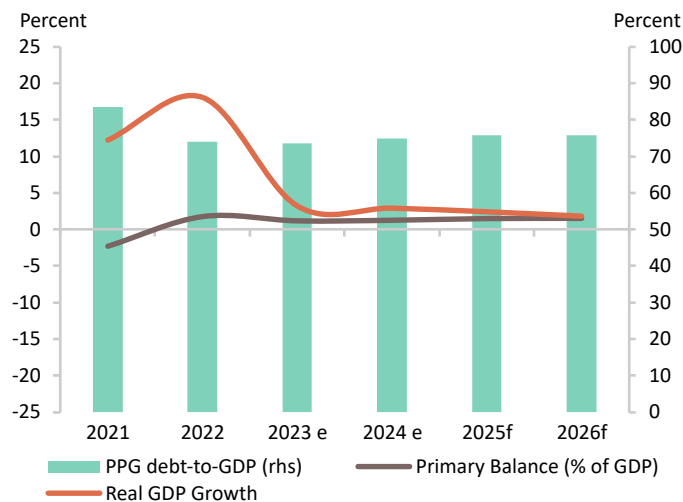
Saint Lucia is highly dependent on tourism and was severely affected by the pandemic, followed by increases in import prices for food and fuel. These price increases put pressure on living costs, especially for the most vulnerable. Frequent natural disasters and the effects of climate change cause significant socioeconomic losses. As a small open economy, economic growth had been volatile and relatively low even before the pandemic, averaging 1.3 percent between 2010 and 2019. This was attributable to several factors such as natural disasters and the country's reliance on tourism. Less than 1 in 10 Saint Lucians were poor in 2015 (latest available data, at \$6.85 poverty line, 2017 Purchasing Power Parity). Inequality was high, however, with a Gini index above 40. In line with slow growth, no meaningful reductions in poverty are expected to have taken place in the pre-pandemic period. However, projections indicate that the pandemic-related crisis and the subsequent surge in food and fuel prices increased poverty. Pandemic-related spending, low revenues, and sizeable public investment to support growth led to a rapid rise in public debt in 2020. Public debt is expected to stabilize over the medium term, but high debt service limits the government's space to fund critical development projects in the near term. The government has implemented several revenue enhancing measures, but

additional reforms should be explored to reduce distortions and design a more progressive tax framework. Given the continued high public debt level and Saint Lucia's vulnerability to external shocks, the country would benefit from a credible and growth-friendly fiscal consolidation and the implementation of a fiscal rule, which should be complemented by selected reforms to unlock private sector growth. The financial sector remained stable and liquidity in the banking sector was sizable. Nonetheless, the build-up of non-performing loans and gaps in compliance with Anti-Money Laundering/Countering the Financing of Terrorism impeded credit intermediation. The pegged exchange rate under the Eastern Caribbean Currency Union helped maintain low inflation before the pandemic and anchored price stability.

Recent developments

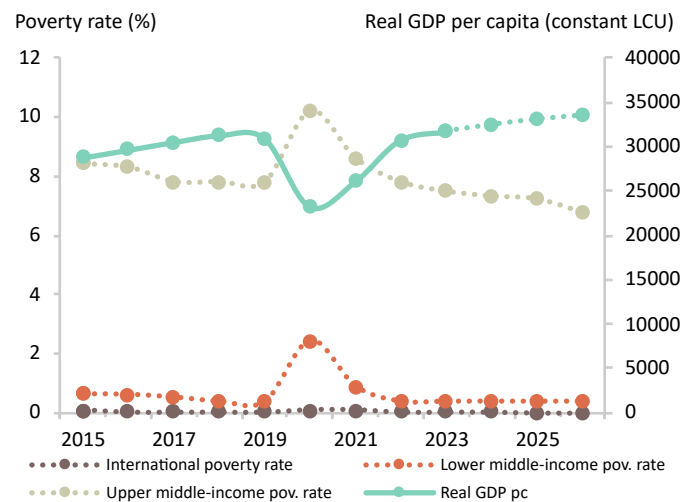
Real output growth started to decelerate in 2023, as stayover tourism began to slow down in 2023 after a strong increase of 78.7 percent in 2022. In 2023-Q3, stayover tourism remained 12.4 and 20.6 percent below its 2022 and 2019 levels, respectively. The suspension of trade with the United Kingdom, along with the unfavorable weather conditions led to a decline in banana and other agricultural exports in 2023. A labor market recovery - in conjunction with high growth - was reflected by the declining unemployment rate, from 23.0 percent in 2021-Q2 to 17.5 percent in 2022-Q2, helping to bring down poverty.

FIGURE 1 Saint Lucia / Key macroeconomic variables



Source: World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

The current account deficit continued to narrow to 0.8 percent in terms of GDP in 2023 as the recovery in tourism outpaced higher costs of food and fuel imports. Remittances in 2023 are estimated to have fallen slightly from 2022 and peak 2021 levels but are still above their pre-pandemic level. Foreign direct investments were 1.1 percent of GDP in 2023, owing to increased investment in tourism-related sectors, fully funding the current account deficit. International reserves increased to 3.9 months of imports in 2023.

Inflation started to slow in 2023 (3.7 percent) in tandem with global projections and the moderating economic recovery. This eased pressure on food security, which had worsened in 2022 as a result of the successive pandemic and food price shocks experienced in the past few years. The financial sector showed signs of growth in deposits, though risks remain elevated.

In 2023, the overall and primary fiscal balances deteriorated slightly compared to their 2022 levels. This was driven by lower tax revenues, resulting from slower-than-anticipated tourist arrivals and economic activity. The public wage bill decreased in

terms of GDP, despite retroactive payments related to the past triennial wage negotiation, costing EC\$40 million in FY22/23. Public sector debt increased from 62.2 percent of GDP in 2019 to 95.8 percent of GDP in 2020 as output plummeted, and the fiscal deficit ballooned. By 2023, a solid recovery and improvements in the fiscal deficit reduced public debt to 73.6 percent of GDP.

Outlook

Real output growth is projected to moderate to 2.9 percent in 2024 and to slow further over the medium term. Investments in major construction projects, such as the airport renovation and construction of several major hotels, are expected to peak in 2024. Agriculture is expected to grow sluggishly over the medium term, as supply-side constraints persist. Poverty is expected to continue its downward trend in the medium term. Inflationary pressures are expected to ease over the medium term.

The primary fiscal surplus is projected to be 1.2 percent of GDP in 2024, with

an average of 1.4 percent over the medium term. The government has announced several new tax policies including the health and citizen security levy and the increase in cigarette excise tax. These are expected to boost annual revenues (EC\$40.4 million) and have, at most, mildly regressive distributional effects in the short term. Medium-term total expenditure projections are 1.2 percent lower than the 10-year pre-pandemic (2010-2019) average, with notable containments of spending on government purchases. Interest payments are projected to remain stable at around 3.3 percent of GDP over the projection period, reflected in the overall deficit. Public debt is projected to marginally increase to 75.8 percent of GDP in 2025, as the government issues debt to finance infrastructure projects, stabilizing in the medium term.

Risks are tilted to the downside and include: (i) delayed implementation of fiscal consolidation measures; (ii) more profound economic deceleration in the main tourism source countries; (iii) rising geopolitical tensions; (iv) tightening financial conditions; (v) natural disasters; and (vi) climate change.

TABLE 2 Saint Lucia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	12.2	18.1	3.2	2.9	2.4	1.8
Real GDP growth, at constant factor prices	8.8	17.2	3.2	2.9	2.4	1.8
Agriculture	9.1	4.5	-8.7	0.5	0.9	0.9
Industry	9.3	1.7	4.5	3.6	2.6	2.6
Services	8.7	20.5	3.3	2.8	2.4	1.7
Inflation (consumer price index)	4.1	6.9	3.7	2.0	2.0	2.0
Current account balance (% of GDP)	-7.1	-2.3	-0.8	-0.4	-0.2	0.0
Fiscal balance (% of GDP)^a	-5.8	-1.2	-2.1	-2.1	-1.9	-1.9
Revenues (% of GDP)^a	22.8	21.8	21.2	21.0	21.3	21.3
Debt (% of GDP)^{a,b}	83.6	74.1	73.6	74.9	75.8	75.7
Primary balance (% of GDP)^a	-2.4	1.7	1.1	1.2	1.4	1.5
International poverty rate (\$2.15 in 2017 PPP)^{c,d}	0.1	0.0	0.0	0.0	0.0	0.0
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{c,d}	0.9	0.4	0.4	0.4	0.4	0.4
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{c,d}	8.6	7.8	7.5	7.3	7.2	6.8
GHG emissions growth (mtCO₂e)	19.6	22.1	7.4	6.1	5.3	4.5
Energy related GHG emissions (% of total)	71.6	70.3	68.5	66.5	64.5	62.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Fiscal balances are reported in fiscal years (April 1st -March 31st).

b/ Public debt includes payables and overdrafts/Eastern Caribbean Central Bank advances.

c/ Calculations based on CONLAC harmonization, using 2015-SLCHBS. Poverty estimates and projections shown here are not comparable to those shown in previous MPOs due to methodological changes. For details, see March/April 2024 Update to the Poverty and Inequality Platform (PIP) at <https://pip.worldbank.org/publication>. Actual data: 2015. Nowcast: 2016-2023. Forecasts are from 2024 to 2026.

d/ 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

Key conditions and challenges

Table 1 2023

Population, million	0.1
GDP, current US\$ billion	1.1
GDP per capita, current US\$	10305.1
School enrollment, primary (% gross) ^a	112.8
Life expectancy at birth, years ^a	69.6
Total GHG emissions (mtCO2e)	0.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2021).

Growth was strong in 2023, supported by a strong recovery in tourism, agricultural production, and publicly financed large-scale infrastructure projects. The risk of debt distress remains high. Fiscal support measures in response to the pandemic, the volcanic eruption, and high food and fuel prices are being wound down, but the fiscal responsibility framework remains suspended. Poverty is expected to have remained above pre-pandemic levels. New investments should significantly boost growth over the medium term as the government rebuilds fiscal buffers given the island's exposure to external shocks.

St. Vincent and the Grenadines (SVG) is a small island developing state (SIDS) particularly vulnerable to climate change, external economic shocks, and natural disasters. Prior to the pandemic, SVG was upgrading essential infrastructure to support stronger growth and economic diversification, including a new international airport, modernization of the seaport, and construction of a new hospital. In parallel, the government implemented fiscal consolidation measures, which generated primary surpluses from 2016 through 2019. The COVID-19 pandemic severely impacted the island, and in April 2021, a volcanic eruption displaced about 20 percent of the population, compounding the impact of the COVID-19 shock. Both shocks disrupted the fiscal reform agenda leading to fiscal deficits and increases in public debt. The challenge will be to reduce fiscal deficits while directing limited fiscal resources toward high priority public investment projects. There is no up-to-date poverty data available but based on the latest data from 2008 and using the national poverty line, 30.2 percent of the population is considered poor.

Recent developments

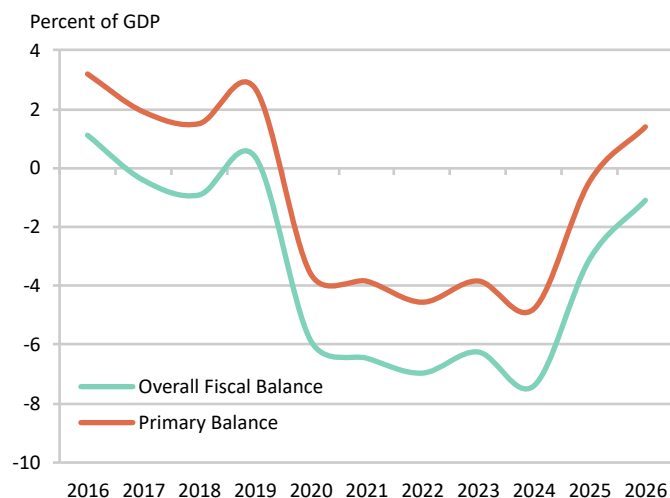
Tourism has rebounded and has essentially returned to 2019 levels. With

tourism recovering and agriculture rebounding post-volcanic eruptions, growth reached 6.5 percent in 2023 (7.2 percent in 2022), and is expected to remain strong at 5.0 percent in 2024.

The overall fiscal deficit remained significant at 6.2 percent of GDP in 2023, following a deficit of 7.0 percent in 2022, largely in response to the fiscal demands imposed by the volcanic eruption and exceptional COVID-19 related expenditures. Direct fiscal spending measures in response to the volcano totaled 5.5 percent of GDP over 2021 and 2022. Furthermore, the government took measures to cushion the impact of rising food and fuel prices, including the expansion of existing social programs, subsidies on electricity, the provision of social safety net payments to food-vulnerable households, and agricultural incentives. Total support across all of the above, on top of the volcano response, averaged US\$20 million (2.5 percent of GDP) annually over the 2020-2023 period. This posed challenges and several critical large investment projects were delayed/slowed to create the needed fiscal space, though these have now resumed. Port modernization (a 25 percent of GDP investment, of which 6.5 percent of GDP was disbursed in 2023) is in its peak spending phase. Public investment reached 9.8 percent of GDP in 2023 and is expected to be 11.3 percent in 2024. Fiscal rule targets have been suspended given the disruptions caused by the COVID-19 pandemic and the volcanic eruption and are to be reintroduced in 2025.

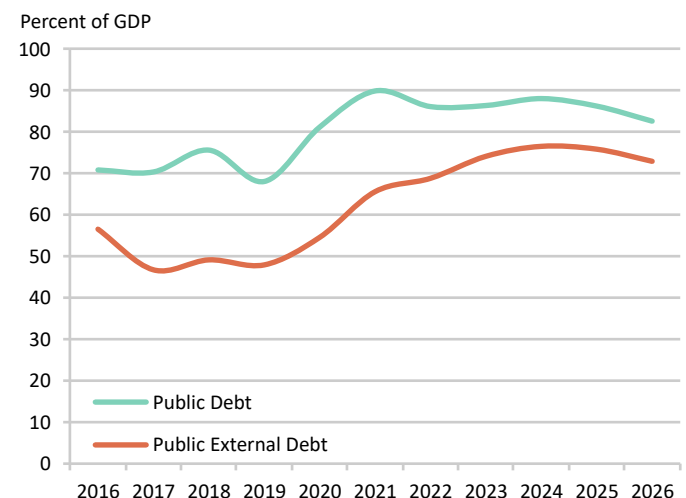
The current account deficit narrowed marginally largely as a result of higher tourism

FIGURE 1 St. Vincent and the Grenadines / Overall and primary fiscal balances



Sources: Ministry of Finance and World Bank staff calculations.

FIGURE 2 St. Vincent and the Grenadines / Public debt



Sources: Ministry of Finance and World Bank staff calculations.

arrivals, though imports for volcano recovery efforts, port modernization, and food and fuel import costs, also rose. The CAD is financed largely by FDI, private inflows (remittances), external borrowing on concessional terms, and limited domestic financing. International reserves remain at over 5 months of imports.

Public debt was 86.4 percent of GDP at end-2023, of which external debt is 62.8 percent. As a result, SVG remains at a high risk of debt distress. Debt is assessed as sustainable given the authorities' fiscal consolidation plans, which would ensure a drop in the public debt-to-GDP ratio to under 60 percent of GDP by 2035, the ECCU's regional goal. Government gross financing needs are covered primarily by official external financing and by some recourse to domestic financing through T-Bill and bond issuances.

Annual inflation in 2023 was 4.3 percent, a decrease from 5.7 percent in 2022, and should continue to moderate in 2024. Rising food prices contributed the most to overall inflation over the past two years and food price levels remain elevated despite easing inflation. Food prices are likely to pose a greater strain on low-income households and increase the likelihood of food insecurity. As of May 2023, 30 percent of the population was severely food insecure according to the Food Insecurity Experience Scale.

Outlook

Growth is expected to continue strong at 5 percent in 2024 and 3.9 percent in 2025 as tourism continues to rebound. Poverty is expected to follow a similar trajectory. Tourism growth over the medium term is expected to be further facilitated by the new airport and new hotel and resort facilities. Inflation is expected to slow to 2.6 percent in 2024 and return to more typical rates of around 2.0 percent thereafter.

The fiscal deficit will likely remain relatively high at 7.4 percent of GDP in 2024 due to public investment spending driven primarily by the port modernization project and hotel construction. Public investment is expected to peak at 11.3 percent of GDP in 2024, fall to 8.5 percent in 2025, and return to more typical levels of 4.5 to 5.0 percent in 2026. Recurrent spending on pandemic- and volcano-related activities have fallen and the authorities have taken several steps to rebuild fiscal buffers, as the contingency fund was replenished following its usage after the volcano. Prioritizing public investment by focusing on completing current port modernization, hotels, and the new hospital project, while scaling back other projects, will reduce public investment spending by up to 7 percent of GDP by 2026. As revenues increase, tourism remains strong and as

growth continues, a return to primary surpluses is expected. Importantly, recently adopted pension reform measures will lengthen the sustainability of the pension scheme to 2060. Previously, the pension scheme would have required fiscal support as early as 2026/27. Nonetheless, limiting the deficit, given the uncertain global economic environment, will require sound fiscal management, including continued revenue mobilization measures. As the economy stabilizes and returns to a more traditional growth path, fiscal rule targets would need to be adjusted to reflect increased debt levels and the Fiscal Responsibility Framework would need to be fully operationalized. Primary fiscal surpluses beginning in 2026 should facilitate a reduction in public debt levels over the medium term.

Forecasts are primarily subject to downside risks given the uncertainty in global economic conditions, continuing global price pressures, heightened global geopolitical pressures, and the ever-present risk of natural disasters. The government's commitment to adherence to the FRF should contribute to improving its financial position, while replenishment of the contingencies fund and continued deposits thereto should mitigate climate-related and natural disaster risks. On the upside, continued strength in tourism and completion of the new port could boost growth over the short to medium term.

TABLE 2 St. Vincent and the Grenadines / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices^a	0.8	7.2	6.5	5.0	3.9	3.7
Real GDP growth, at constant factor prices^a	-1.7	8.0	6.7	5.0	3.9	3.7
Agriculture	-29.4	-6.2	7.5	2.5	2.1	2.0
Industry	6.1	7.9	5.9	3.7	2.1	2.1
Services	-0.1	9.1	6.8	5.5	4.4	4.2
Inflation (consumer price index)	1.6	5.7	4.3	2.6	2.0	2.0
Current account balance (% of GDP)	-22.6	-18.9	-17.5	-16.8	-13.4	-9.9
Fiscal balance (% of GDP)^b	-6.4	-7.0	-6.2	-7.4	-3.1	-1.1
Revenues (% of GDP)	32.9	28.1	29.5	29.7	29.7	29.6
Debt (% of GDP)^b	89.9	86.1	86.4	88.1	86.3	82.6
Primary balance (% of GDP)^b	-3.8	-4.6	-3.8	-4.8	-0.5	1.4
GHG emissions growth (mtCO₂e)	5.5	2.0	2.8	2.5	2.4	2.4
Energy related GHG emissions (% of total)	74.8	75.2	75.8	76.3	76.8	77.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Growth projections for 2021-23 remain sensitive to uncertainties surrounding the timing of the vaccine roll-out and the recovery in tourism.

b/ Budget balances and public debt are for the central government.

SURINAME

Key conditions and challenges

Table 1 2023

Population, million	0.6
GDP, current US\$ billion	3.8
GDP per capita, current US\$	6069.2
International poverty rate (\$2.15) ^a	1.1
Lower middle-income poverty rate (\$3.65) ^a	4.2
Upper middle-income poverty rate (\$6.85) ^a	17.5
Gini index ^a	39.2
School enrollment, primary (% gross) ^b	98.0
Life expectancy at birth, years ^b	70.3
Total GHG emissions (mtCO2e)	13.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2021).

Successful debt restructuring and implementation of wide-reaching reforms under a comprehensive macroeconomic stabilization program has put Suriname on a path to fiscal sustainability. Currency stabilization and tight monetary policy are gradually reducing inflationary pressures, improving the purchasing power of households, particularly the most vulnerable. Prospective offshore oil production is stimulating growth-enhancing investment. It will be critical to put a good framework in place to manage the incoming oil wealth.

Suriname has made progress with implementing a comprehensive macroeconomic stabilization program to reverse imbalances built up over years of economic mismanagement and the COVID-19 pandemic. In mid-2020, the government adopted a program to address debt sustainability, improve monetary and exchange rate policies, promote financial sector stability, and strengthen economic governance, supported by an IMF Extended Fund Facility (EFF). The program temporarily went off-track in mid-2022 due to spending overruns which triggered rapid currency depreciation and accelerated already high inflation. However, the government subsequently reestablished policy discipline under revised EFF targets.

Preliminary findings of a new poverty assessment indicate that in 2022, after years of macroeconomic challenges, about 17.5 percent of the population lived below the World Bank's upper middle-income poverty line of US\$6.85 (2017 PPP) per day. Inequality, as measured by the Gini coefficient, was approximately 38.9, not out of line with other countries in the region. About four in 10 Surinamese lived in multidimensional poverty – a broader poverty measure highlighting chronic illness, low levels of education, limited ICT skills, and lack of access to medical insurance. Both monetary and multidimensional poverty are markedly higher in the country's interior.

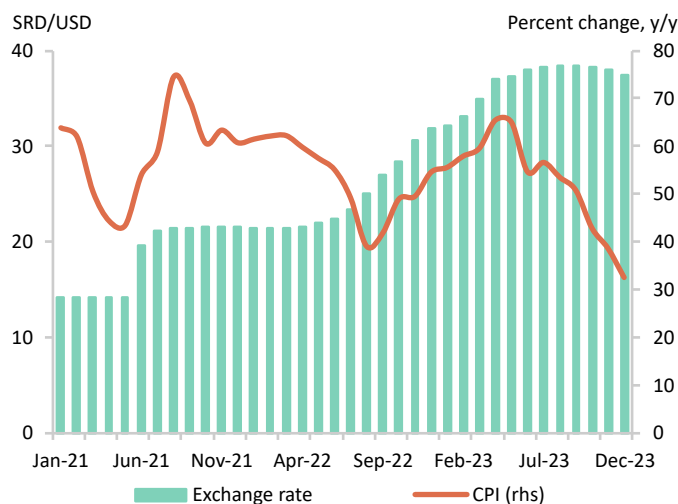
Suriname is susceptible to natural disasters (floods and droughts) due to irregular precipitation; water management is a high priority, especially in the more vulnerable interior. Recent discoveries of several offshore oil deposits should improve Suriname's economic prospects over the medium term. A Final Investment Decision by one of the major oil companies is expected by the end of 2024, with production starting in 2028. Unlocking sustainable and inclusive economic growth will require resolving significant governance and institutional challenges, strengthening fiscal management, improving public services including education provision, and adapting to climate change.

Recent developments

Output growth is estimated to have moderated to 2.1 percent in 2023, from a 2.4 percent rebound in 2022. Services and industry (manufacturing and construction) led the expansion, supported by recovery in agriculture. The monthly economic activity index increased by an average of 0.3 percent (y-o-y) up to August 2023, driven by mining and some of the more labor-intensive sectors like transport and storage, construction, and food and accommodation.

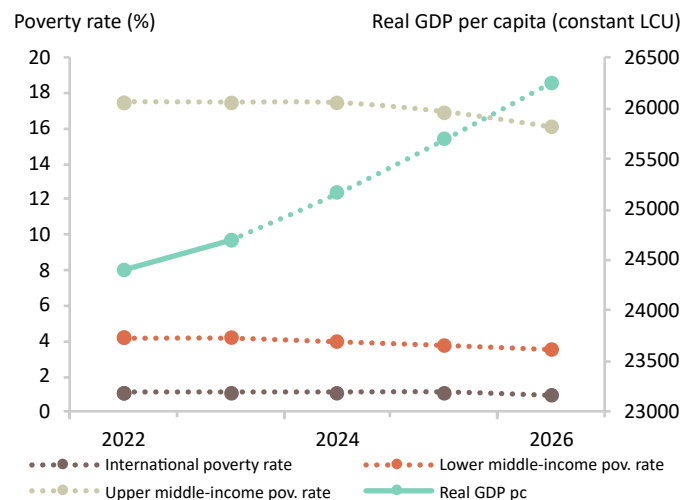
The currency, which had depreciated sharply against the USD during the second half of 2022, stabilized at around SRD 38/USD in 2023Q4 as a result of tight monetary policy. A decline in global commodity prices helped boost the current account

FIGURE 1 Suriname / Exchange rate and inflation



Source: Central Bank of Suriname.

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



Source: World Bank. Notes: see Table 2.

to an estimated 2.7 percent surplus in 2023, edging up from 2.1 percent in 2022. Mining exports underperformed but the EFF and other multilateral financing strengthened reserves allowing gross international reserves to increase to \$1346 million in 2023, from \$1194 million in 2022. Currency stabilization, along with easing global inflationary pressures allowed domestic inflation to moderate to 32.6 percent (y-o-y) by December 2023. Nevertheless, higher inflation in food and non-alcoholic beverages, and transportation led to an erosion of purchasing power, especially among the poorest households. Financial sector indicators highlight chronic vulnerabilities in the banking system related to capital adequacy and asset quality.

Fiscal policy is focused on restoring debt sustainability while improving the quality of public spending and protecting vulnerable persons through enhanced social assistance. The government achieved a primary surplus of 1.6 percent in 2023 following a series of revenue and expenditure measures, including a phaseout of energy subsidies, expanded VAT coverage of goods and services, and removal of unregistered workers from public payrolls. These measures were coupled with increased cash transfers to mitigate the impact of higher energy prices for the vulnerable. Spending

on social assistance increased to 2.8 percent of GDP in 2023 (from 1.9 percent in 2022). To further improve social assistance performance, the government seeks to expand coverage, introduce digital payments, and regularly update payment amounts in line with inflation.

Debt restructuring negotiations with most official and private creditors have been completed. Standard and Poor raised Suriname's credit rating to CCC+/C with a stable outlook in December 2023 following the successful exchange with private bondholders. Adherence to prudent fiscal reforms and policies under the EFF is critical to entrench debt sustainability and improve growth prospects.

Outlook

Real output growth in 2024 is projected to accelerate to 3.0 percent, driven by public investment spending in non-oil sectors. Growth is expected to maintain momentum over the medium term despite fiscal consolidation, as private investment in infrastructure for the oil and gas sector picks up. Inflation is anticipated to significantly decelerate in 2024 and over the medium term as the government maintains tight

monetary policy and as external inflationary pressures subside.

The fiscal position is expected to continue improving as the government completes debt restructuring and ends fuel subsidies to parastatals. Gross financing needs will decline until 2026, but external debt repayment is expected to increase in the medium to long term as grace periods on restructured debt end. Continued implementation of fiscal consolidation measures will create space to scale up social spending and support growth-enhancing infrastructure investments, including for climate adaptation. The 2024 budget foresees social assistance spending of 3.1 percent of GDP which, combined with reduced price pressure, could have important implications for poverty reduction.

Over the long term, earnings from offshore oil production will further increase fiscal space for social programs and resilient growth. However, increased reliance on the oil sector raises Suriname's vulnerability to commodity price shocks, can lead to Dutch Disease, and has environmental consequences. Enhancing macroeconomic institutions, governance, and human capital ahead of the oil windfall is critical to alleviating risks and creating a foundation for efficient and equitable management of oil revenues.

TABLE 2 Suriname / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	-2.4	2.4	2.1	3.0	3.0	3.0
Real GDP growth, at constant factor prices	-2.4	2.4	2.0	3.0	3.0	3.1
Agriculture	-7.5	-1.6	3.5	1.6	1.9	1.9
Industry	-10.9	3.1	0.5	3.5	2.8	3.0
Services	2.2	2.7	2.5	3.0	3.2	3.2
Inflation (consumer price index)	59.1	52.4	51.6	23.3	18.3	11.9
Current account balance (% of GDP)	5.3	2.1	2.7	2.4	0.7	1.0
Net foreign direct investment inflow (% of GDP)	-3.7	0.1	-1.7	-0.3	0.3	0.4
Fiscal balance (% of GDP)^a	-6.4	-3.0	-0.9	-0.6	0.0	0.4
Revenues (% of GDP)	26.4	26.8	25.7	24.9	25.2	25.1
Debt (% of GDP)^a	115.9	116.1	90.1	92.5	87.2	82.4
Primary balance (% of GDP)^a	-0.5	1.0	1.6	2.9	3.5	3.5
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	..	1.1	1.1	1.1	1.1	1.0
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	..	4.2	4.2	4.0	3.8	3.5
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	..	17.5	17.5	17.4	16.9	16.1
GHG emissions growth (mtCO₂e)	-0.1	0.8	0.6	1.1	1.2	1.3
Energy related GHG emissions (% of total)	19.1	19.6	19.9	20.5	21.2	21.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Budget balances and public debt are for the central government.

b/ Calculations based on SEDLAC harmonization, using 2022-SSL. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.

URUGUAY

Table 1 **2023**

Population, million	3.6
GDP, current US\$ billion	72.8
GDP per capita, current US\$	20425.9
International poverty rate (\$2.15) ^a	0.2
Lower middle-income poverty rate (\$3.65) ^a	0.8
Upper middle-income poverty rate (\$6.85) ^a	6.4
Gini index ^a	40.6
School enrollment, primary (% gross) ^b	108.0
Life expectancy at birth, years ^b	75.4
Total GHG emissions (mtCO2e)	34.5

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2022), 2017 PPPs.
 b/ Most recent WDI value (2021).

After experiencing a severe drought in 2023, Uruguay's growth is expected to rebound to 3.2 percent in 2024. Private consumption should increase due to real wage growth and stable inflation expectations. Positive labor market developments support poverty reduction, but further expansion of the middle class would require productivity growth. Risks to the outlook include slower growth in global trading partners, particularly China, and climate-related shocks.

Key conditions and challenges

Like other Latin American countries, Uruguay's growth has slowed over the past decade. Real GDP grew by an average of 4.9 percent annually between 2003 and 2015, but decelerated to an average of 1 percent from 2015-2022, slower than OECD economies. The poverty rate is the lowest in the region (6.4 percent in 2022 under the international line of \$6.85 per day, 2017 PPP), but it is twice as high among children and youth, and disparities in its incidence across regions and race persist. Income inequality has increased from 39.7 in 2019 to 40.5 Gini points in 2022.

The normalization of commodity prices, the COVID-19 pandemic, and adverse climatic shocks have contributed to the growth slowdown. A severe drought from October 2022 to August 2023 resulted in losses of nearly US\$2 billion or about 3 percent of GDP. However, structural challenges also limit potential growth. Despite outperforming the region on the World Bank's Human Capital Index, Uruguay faces skills shortages due to high dropout and repetition rates, and uneven access to education. Integration into the global economy and competition levels are lower than expected given Uruguay's per capita income level. The aging population and high exposure to climate-related shocks also pose challenges to macro-fiscal and welfare dynamics.

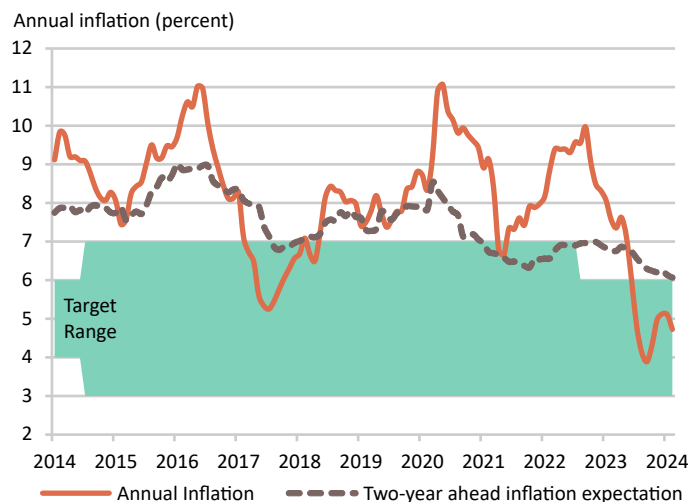
With strong institutional capital, consensus-based policymaking, and a social compact focused on equity, Uruguay is equipped to address these challenges. The government has made progress in reducing chronically high inflation, enacted parametric pension reforms, and continues to adhere to the fiscal rule. Reforms to enhance productivity, competitiveness, and labor market flexibility would boost growth and the inclusion of lagging groups.

Recent developments

Real GDP contracted by 0.4 percent y-o-y in 2023 as the drought caused a larger-than-expected downturn in agriculture production. Manufacturing and construction activity were also weak, affected by the planned maintenance of an oil refinery and the completion of a new pulp mill, respectively. Activity began to recover slowly in Q4 2023 as the drought subsided: the seasonally adjusted monthly GDP proxy rose by an average of 0.8 percent from the previous quarter.

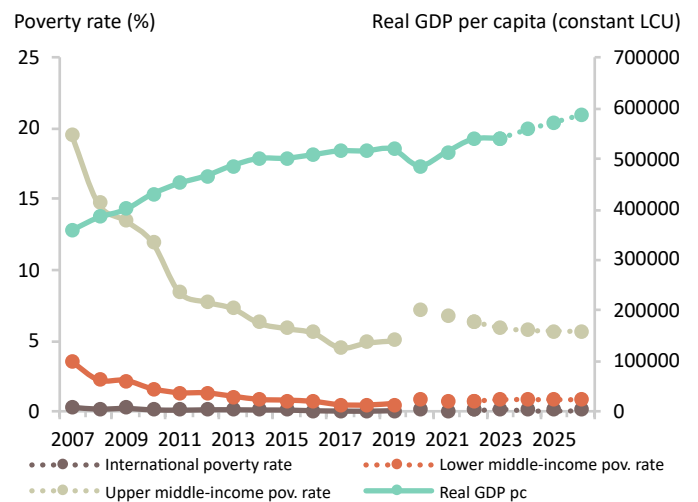
The current account deficit widened to US\$3.6 billion (4-quarter rolling sum) in Q3 2023 or an estimated 5 percent of GDP from US\$2.8 billion or 3.9 percent of GDP at the end of 2022. The goods trade surplus shrank due to the drought-related 44 percent fall in soy and beef exports, which could not be offset by a small increase in cellulose exports from the new mill. The current account deficit was financed by FDI, which doubled to US\$4.1 billion in the

FIGURE 1 Uruguay / Inflation and the inflation target range



Sources: Central Bank of Uruguay and World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

first three quarters of 2023 compared to the same period in 2022.

The Central Bank reduced policy rates by a cumulative 225 basis points in H2 2023 as annual inflation remained within the target range of 3-6 percent. The Uruguayan peso depreciated 4.3 percent in nominal terms over the same period. In February 2024, headline inflation decelerated to 4.7 percent y-o-y from 5.1 percent in January, while core inflation remained at the midpoint of the target range. Policy rates stayed at 9 percent at end-February 2024. The financial sector remains sound, with ample capital adequacy and low non-performing loan rates of 1.8 percent at end-January 2024.

The 2023 non-monetary public sector fiscal deficit reached 3.3 percent of estimated GDP, 0.5 pp higher than in 2022. Lower non-personnel and capital spending partially offset the impact of slower direct tax revenue growth due to the drought, and lower sales tax collections as more Uruguayans traveled to and shopped in Argentina. Gross public debt is estimated to have increased to 63 percent of GDP. In November 2023, Uruguay reopened its

sustainability-linked bond maturing in 2034, raising US\$700 million at a coupon of 5.75 percent. Uruguay continues to enjoy the lowest sovereign spreads in the region. Labor incomes improved as average real wages grew by 3.7 percent in 2023, with a larger increase in the public sector. The national employment rate rose by 1 percentage point to 58.1 percent. Sectors with the largest employment gains, such as construction and manufacturing, have a significant composition of low-skilled workers. These developments boosted per capita household income especially in Montevideo (4.1 percent, compared with 0.7 percent in the rest of the country).

Outlook

The economy is forecasted to grow by 3.2 percent in 2024. Assuming no extreme weather events, agricultural exports should recover, while cellulose exports will increase, reflecting added capacity. Private consumption is expected to temporarily accelerate due to income tax cuts

and positive labor market outcomes, but only moderately as average inflation remains at the upper end of the target range. Private investment is also projected to recover as financing conditions improve. As growth converges towards potential in 2025-2026, poverty is expected to gradually fall to 5.7 percent.

The fiscal deficit is expected to decline gradually as the fiscal rule caps primary expenditures at potential economic growth. Revenues as a share of GDP are expected to dip slightly as income tax cuts take effect, but a phasing out of drought-linked transfers and lower capital spending should support expenditure consolidation. Public sector debt is projected to decline to around 60 percent of GDP.

Weaker global demand, especially from China, could limit the magnitude of the recovery. Global financial volatility is a risk given high levels of dollarization, and about half of public debt is denominated in foreign currency. Climate shocks could dampen exports and domestic incomes. Faster progress on reforms in education, the labor market, and public sector efficiency could improve growth prospects.

TABLE 2 Uruguay / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	5.6	4.7	0.4	3.2	2.6	2.6
Private consumption	3.2	5.7	3.6	3.8	3.3	3.3
Government consumption	5.2	2.5	-0.2	0.5	0.8	0.3
Gross fixed capital investment	19.3	11.8	-7.0	4.0	2.6	2.6
Exports, goods and services	13.5	9.8	0.7	4.7	4.0	4.0
Imports, goods and services	17.9	12.4	6.0	5.0	4.5	4.5
Real GDP growth, at constant factor prices	5.3	4.5	0.4	3.2	2.6	2.6
Agriculture	13.2	-9.6	5.3	2.5	2.5	2.5
Industry	5.6	3.5	-3.8	4.0	1.8	1.8
Services	4.5	6.2	1.1	3.1	2.9	2.8
Inflation (consumer price index)	7.7	9.1	5.9	5.8	5.7	5.6
Current account balance (% of GDP)	-2.5	-4.0	-4.4	-3.2	-2.9	-2.7
Net foreign direct investment inflow (% of GDP)	2.5	4.2	4.8	2.0	2.0	2.0
Fiscal balance (% of GDP)^a	-3.1	-2.8	-3.3	-3.1	-2.9	-2.7
Revenues (% of GDP)	29.2	29.6	30.0	29.3	29.2	29.2
Debt (% of GDP)	62.4	62.0	63.0	62.3	61.7	60.0
Primary balance (% of GDP)^a	-0.9	-0.6	-1.0	-0.7	-0.7	-0.6
International poverty rate (\$2.15 in 2017 PPP)^{b,c}	0.1	0.2	0.2	0.2	0.2	0.2
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{b,c}	0.8	0.8	0.9	0.9	0.9	0.9
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{b,c}	6.7	6.4	6.0	5.8	5.7	5.7
GHG emissions growth (mtCO₂e)	2.6	0.6	-2.4	1.0	1.2	1.1
Energy related GHG emissions (% of total)	20.3	21.1	21.2	21.6	22.0	22.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Non-Financial Public Sector. Excluding revenues associated with the "cincuentones".

b/ Calculations based on SEDLAC harmonization, using 2022-ECH. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.

c/ Projections using microsimulation methodology.

Middle East and North Africa

Spring Meetings 2024

Algeria
Bahrain
Djibouti
Egypt, Arab Republic
Iran, Islamic Republic
Iraq, Republic
Jordan

Kuwait
Lebanon
Libya
Morocco
Oman
Palestinian Territories
Qatar

Saudi Arabia
Syrian Arab Republic
Tunisia
United Arab Emirates
Yemen, Republic

ALGERIA

Table 1 **2023**

Population, million	45.6
GDP, current US\$ billion	252.3
GDP per capita, current US\$	5531.4
National poverty rate ^a	5.5
International poverty rate (\$2.15) ^a	0.5
Lower middle-income poverty rate (\$3.65) ^a	4.0
Gini index ^a	27.6
School enrollment, primary (% gross) ^b	108.3
Life expectancy at birth, years ^b	76.4
Total GHG emissions (mtCO2e)	286.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2011).
b/ WDI for School enrollment (2022); Life expectancy (2021).

Algeria's growth remained robust in 2023 and, although lower hydrocarbon prices narrowed the current account surplus from its 2022 peak, the rebuilding of official reserves continued. Lower hydrocarbon budget revenues put pressure on the fiscal deficit as the increase in public sector wages continued amid high inflation. With high imports and rigid public spending exposing Algeria to global oil market risk, diversifying the economy, enabling private sector investment, and strengthening the macroeconomic policy framework remain key development priorities.

Key conditions and challenges

The oil and natural gas sector accounted for 18 percent of GDP, 93 percent of product exports, and 41 percent of budget revenues between 2016 and 2022, which means that Algeria remains exposed to hydrocarbon price volatility. Double-digit fiscal and current account deficits persisted during the pre-COVID-19 years. As public debt increased rapidly, large scale monetization and rapid currency depreciation, coupled with import reduction policies posed further challenges to economic stability.

Economic output recovered to its pre-COVID-19 level in 2022 and rising gas demand from Europe combined with high hydrocarbon prices boosted the current account surplus and budget revenues to their highest level in a decade. Notwithstanding, unemployment and inflation are still relatively elevated, and poverty remains high for Algeria's level of development, despite improvements in education, health, and living standards during the pre-pandemic years.

The government aims to accelerate private investment and jobs through the 2019 Hydrocarbon Law, the 2022 Investment Law, banking sector reforms, large mining and infrastructure projects, as well as greater regional integration. Successful implementation of these reforms is important in a context in which public investment, previously the engine of Algeria's growth, is

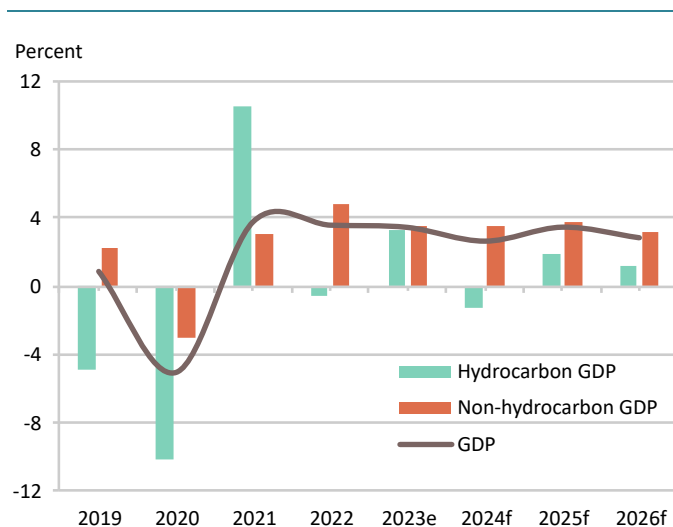
likely to be constrained by high and rigid spending on wages and subsidies.

Recent developments

National accounts data have not been published since Q4-2022 but available administrative data and World Bank use of big data indicate robust hydrocarbon and non-hydrocarbon activity in 2023. Hydrocarbon output and exports continued to increase as growing natural gas production compensated for falling oil production amid OPEC quota cuts. Night-time lights data suggest that non-hydrocarbon growth has remained robust in 2023 while satellite image analysis indicates subdued agricultural output amid drought episodes. The strong increase in equipment and automobile imports suggest dynamic investment and consumption driven by higher public spending, large investment projects, and the selective relaxation of import controls. With hydrocarbon prices moderating and imports increasing, external surpluses narrowed sharply in 2023. At end-November 2023 the trade surplus stood at 5 percent of GDP, down from 11.5 percent of GDP in 2022. Nevertheless, official reserves increased by US\$8.0 billion during 2023 and reached US\$69.7 billion, or an estimated 16.8 months of imports.

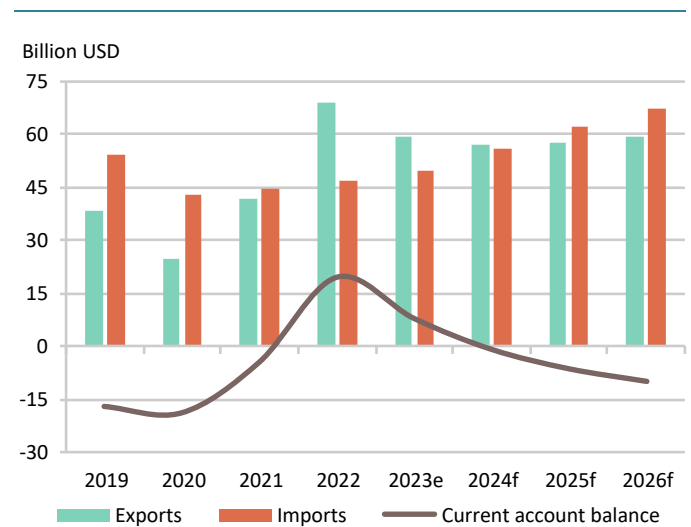
The budget deficit is estimated to have widened from 2.5 percent in 2022, the lowest level in a decade, to 6.5 percent in 2023, driven by falling hydrocarbon revenues, a second year of public sector wage increases, and an expansion of

FIGURE 1 Algeria / Annual GDP growth



Sources: Algerian authorities and World Bank staff estimates.

FIGURE 2 Algeria / Current account, exports, and imports



Sources: Algerian authorities and World Bank staff estimates.

public employment. Partially offsetting these effects, tax revenues increased from the growing public wage bill and the effect of non-hydrocarbon dynamism on corporate income, consumption, and imports, while dividends from the national oil company Sonatrach surged to reach 2.9 percent of GDP. The deficit is expected to have been mostly financed by hydrocarbon savings accumulated in 2021 and 2022. Consequently, public debt decreased from 48.1 percent to 46.8 percent of GDP in 2023 and remains nearly all domestically held at long-term maturities and low interest rates.

Inflation remained elevated at 9.3 percent over 2023 but began to moderate in Q4. Fueled by fresh produce prices, inflation hurts vulnerable Algerians the most as food accounts for over half of the spending for the bottom 40 percent of the population. The government responded via increases in public sector wages, unemployment transfers, and food subsidies, as well as by pursuing a stable currency. Although broad money growth slowed in H2-2023, monetary policy remained

accommodative with interest rates unchanged at 3 percent since May 2020, which means that real policy rates are significantly negative.

Outlook

GDP growth is expected to moderate in 2024 amid declining oil production in line with OPEC quota cuts. Non-hydrocarbon growth would stabilize driven by strong public spending and its impacts on household consumption, industrial output, and services. Lead crop growth indicators suggest that agricultural production would remain subdued in 2024. Growth would accelerate in 2025 as agricultural output recovers and crude oil production tracks recovering OPEC quotas, and then slows slightly in 2026 with stabilizing hydrocarbon output.

The current account would return to a modest deficit, driven by declining global oil prices, quota cuts, and rebounding equipment-led imports. The budget

deficit would widen further in 2024 as hydrocarbon receipts decline and the government implements the third tranche of public sector wage increases. The government's medium-term budget framework indicates slow fiscal consolidation in 2025 and 2026, including subdued public investment growth. Public debt would increase above 60 percent of GDP by 2026 as hydrocarbon savings would only partially finance deficits.

The fluctuation of hydrocarbon prices amid geopolitical uncertainties remains the most important risk to Algeria's fiscal and external balances pointing to the importance of accelerating private sector investment in non-hydrocarbon sectors to support diversification and increase the economy's resilience. Structural reforms to foster productivity growth would also support lower consumer prices and higher job creation, key to reducing youth unemployment and raising Algeria's standards of living. Lastly, two years of weak agricultural output underscore vulnerability to climate change, with shocks having become more frequent in recent years.

TABLE 2 Algeria / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	3.8	3.6	3.5	2.7	3.5	2.9
Private consumption	1.6	3.5	4.7	3.4	3.2	2.5
Government consumption	1.2	2.8	4.2	3.0	1.1	1.2
Gross fixed capital investment	0.4	2.6	8.3	6.3	5.8	5.3
Exports, goods and services	11.5	0.2	3.9	-2.6	2.6	0.9
Imports, goods and services	-4.5	-0.2	16.1	5.8	4.3	3.6
Real GDP growth, at constant factor prices	4.3	3.8	3.5	2.7	3.5	2.9
Agriculture	-1.1	5.0	-1.1	0.5	3.1	2.6
Industry	6.3	4.0	3.4	1.8	3.3	2.5
Services	3.9	3.5	4.3	3.6	3.6	3.1
Inflation (consumer price index)	7.2	9.3	9.3	7.5	6.4	6.1
Current account balance (% of GDP)	-2.4	8.6	3.1	-0.3	-2.2	-3.3
Fiscal balance (% of GDP)	-6.3	-2.5	-6.5	-9.2	-9.3	-8.5
Revenues (% of GDP)	26.2	29.6	30.2	27.8	26.6	25.6
Debt (% of GDP)	55.2	48.1	46.8	51.2	57.0	61.4
Primary balance (% of GDP)	-5.7	-1.3	-5.2	-8.0	-8.0	-7.0
GHG emissions growth (mtCO₂e)	2.8	2.4	2.1	1.7	2.4	2.1
Energy related GHG emissions (% of total)	52.6	53.7	54.6	55.3	56.2	57.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

BAHRAIN

Table 1 **2023**

Population, million	1.5
GDP, current US\$ billion	44.9
GDP per capita, current US\$	30221.9
School enrollment, primary (% gross) ^a	92.3
Life expectancy at birth, years ^a	78.8
Total GHG emissions (mtCO2e)	57.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2022); Life expectancy (2021).

Notwithstanding the advancement of the diversification agenda, hydrocarbon revenues still account for more than 60 percent of total budget revenues which exposes the economy to the volatility of energy prices. Bahrain continues to face structural challenges, notably these relating to fiscal sustainability, as debt and gross financing needs remain elevated. Despite progress, female labor force participation is low and public sector remains the largest employer. Larger than forecasted drop in oil prices, potential delays in implementing fiscal reforms, and climate change, pose significant risks to Bahrain's economic outlook.

Key conditions and challenges

The non-oil sector remains the driving force of the economy thanks to ongoing diversification efforts. Fiscal consolidation is on track, notably helped by contained spending and increased revenue—thanks notably to the doubling of the VAT rate to 10 percent in 2022—as the government remains committed to its Fiscal Balance Program (FBP). The new four-year program 2023-26 prioritizes several objectives that aim to raise living standards, including improving infrastructure and accelerating digital transformation. A new National Labor Market Plan (NLMP) has also been approved in July 2023 to encourage Bahraini employment in the private sector. In November 2023, the kingdom unveiled the national energy strategy, aiming for a 30 percent reduction in emissions by 2035 and net-zero emissions by 2060, while ensuring reliable and affordable access to energy.

Downside risks to the outlook are mostly linked to a drop in hydrocarbon prices and tightening global financial conditions, which could put pressure on the fiscal position and delay implementation of fiscal reforms. The depletion of underground water resources could have serious long-term growth implications. On the upside, sustained high oil prices and enacting additional fiscal reforms would reduce fiscal and external vulnerabilities and put debt on a firm downward path while rebuilding fiscal buffers. Advancing

structural reforms including those related to increase employment opportunities among youth, would ensure a private sector-led inclusive recovery.

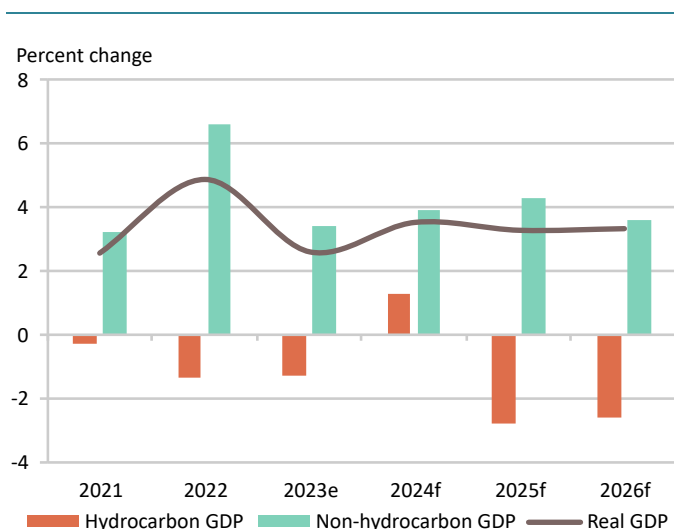
Recent developments

Bahrain's economy has moderated in 2023, amid limited hydrocarbon sector growth, and tight fiscal and monetary policies. Following a strong performance in 2022, economic growth has slowed down to an estimated 2.6 percent in 2023. Preliminary official data reveals that the economy grew by 2 percent in the first nine months of 2023 (9M-2023 y/y), driven primarily by 3.1 percent expansion in the non-oil sectors as a result of the ongoing diversification efforts. Manufacturing, construction, and government services led the growth in non-oil activities, which outpaced the contraction in the oil sector (falling by 3.4 percent) due to seasonal operational maintenance. Inflation decelerated to 0.1 percent in 2023, mainly owing to fading base effects, lower global commodity prices, and lower transportation costs.

Official fiscal data for 2023 have not been released yet. However, the state budget for 2023-2024 aims for public finances to remain on a stable footing, as part of the government's multi-year Fiscal Balance Program. This includes the progress so far to enhance non-hydrocarbon revenue mobilization and the continued spending restraint.

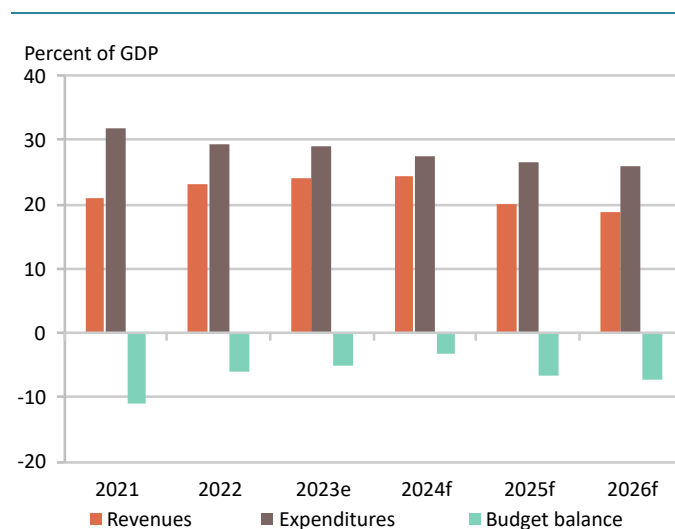
The current account balance posted a small surplus of US\$2 billion (6.4 percent of GDP) in the 9M-2023, versus 15.4 percent of GDP

FIGURE 1 Bahrain / Real annual GDP growth



Sources: Bahrain authorities, World Bank, and IMF projections.

FIGURE 2 Bahrain / General government operations



Sources: Bahrain authorities and World Bank projections.

same period in 2022, reflecting lower oil exports (down by 22.8 percent y/y). However, official reserve assets remained stable at around US\$4 billion in 2023—an increase of US\$297 million compared to 2022. According to the most recent International Labor Organization (ILO modeled) estimates, the labor force participation rate and employment-to-population ratio are projected at 71.8 percent (-0.1 ppt relative to 2023) and 70.9 percent (+0.1 ppt relative to 2023) respectively in 2024. The unemployment rate is expected to hold steady at around 1.4 percent in 2024, with the rate among women at 4.1 percent and among men at 0.5 percent.

Outlook

Bahrain's economic outlook hangs on oil market prospects and the accelerated

implementation of structural reforms. Growth is estimated to pick up to 3.5 percent in 2024 in line with higher oil output, while the non-oil sector remains the main growth driver. The hydrocarbon sector is expected to expand by 1.3 percent in 2024, far below the non-hydrocarbon sectors' projected growth of almost 4 percent supported by the recovery in tourism and the service sectors, in addition to the continuation of infrastructure projects. In the medium term, growth is expected to slow down—hovering slightly above 3 percent—as fiscal consolidation accelerates while the non-oil economy stays resilient. Inflation is estimated to remain low at 1.5 percent in 2024 and to converge to less than 2 percent in the medium term reflecting the positive impact of tighter monetary policy and in line with the currency peg to U.S. dollar.

Limited spending growth under the FBP and higher oil and non-oil revenues are expected to result in a lower fiscal deficit of 3.2 percent in 2024, down from more than 5 percent in 2023. Achieving fiscal balance would require higher oil prices. The budget deficit is expected to increase in 2025-26 reflecting projected lower oil prices and higher interest burden. The debt-to-GDP ratio is projected to slightly decline in 2024 but remains elevated (above 100 percent) in the medium term—requiring deeper fiscal consolidation measures.

The current account surplus is forecast to expand to 7.3 percent of GDP in 2024, helped by higher oil export prices but would narrow down during 2025-26, in line with the projected oil price outlook. The comfortable external position is expected to boost foreign reserves and strengthen resilience against future external shocks.

TABLE 2 Bahrain / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	2.6	4.9	2.6	3.5	3.3	3.4
Private consumption	18.9	2.8	2.4	2.6	2.5	2.7
Government consumption	6.5	3.3	2.5	2.0	1.5	1.7
Gross fixed capital investment	-4.2	2.3	3.6	4.1	4.4	4.7
Exports, goods and services	29.5	4.5	1.6	2.6	2.5	2.3
Imports, goods and services	15.2	3.5	2.7	3.0	3.1	3.0
Real GDP growth, at constant factor prices	2.4	3.3	2.6	3.5	3.3	3.4
Agriculture	7.2	4.4	3.8	3.4	3.3	3.3
Industry	0.5	1.2	0.7	2.3	3.9	3.5
Services	3.9	4.9	4.1	4.4	2.9	3.3
Inflation (consumer price index)	-0.6	3.6	0.1	1.5	1.8	2.1
Current account balance (% of GDP)	6.6	15.4	6.7	7.3	6.6	5.3
Net foreign direct investment inflow (% of GDP)	-4.4	0.0	-2.6	-2.6	-2.7	-2.7
Fiscal balance (% of GDP)	-11.0	-6.2	-5.1	-3.2	-6.5	-7.3
Revenues (% of GDP)	20.8	23.1	24.0	24.4	20.0	18.7
Debt (% of GDP)	127.2	117.4	120.9	118.7	121.2	124.0
Primary balance (% of GDP)	-6.3	-1.8	-0.6	1.4	-1.9	-2.2
GHG emissions growth (mtCO₂e)	-5.6	0.8	7.2	4.0	0.7	0.3
Energy related GHG emissions (% of total)	58.6	58.4	60.2	60.9	60.3	60.4

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

DJIBOUTI

Key conditions and challenges

Table 1 **2023**

Population, million	1.1
GDP, current US\$ billion	4.1
GDP per capita, current US\$	3606.4
International poverty rate (\$2.15) ^a	19.1
Lower middle-income poverty rate (\$3.65) ^a	43.8
National poverty rate ^a	21.1
Gini index ^a	41.6
School enrollment, primary (% gross) ^b	64.4
Life expectancy at birth, years ^b	62.3
Total GHG emissions (mtCO ₂ e)	1.4

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2017), 2017 PPPs.
 b/ WDI for School enrollment (2022); Life expectancy (2021).

In 2023, Djibouti's economy rebounded impressively with a GDP growth of +6.7 percent, but Djibouti's growth model faces vulnerabilities, including heavy dependence on global maritime transport and exposure to conflict-prone neighbors.

Ethiopian demand for transport and logistics services and domestic infrastructure projects are expected to drive growth, with GDP forecasted to gradually increase to 5.1 percent in 2024-2025. Poverty at 14.7 percent in 2024 (international poverty line) is expected to decline, yet risks persist amid the fragile regional context.

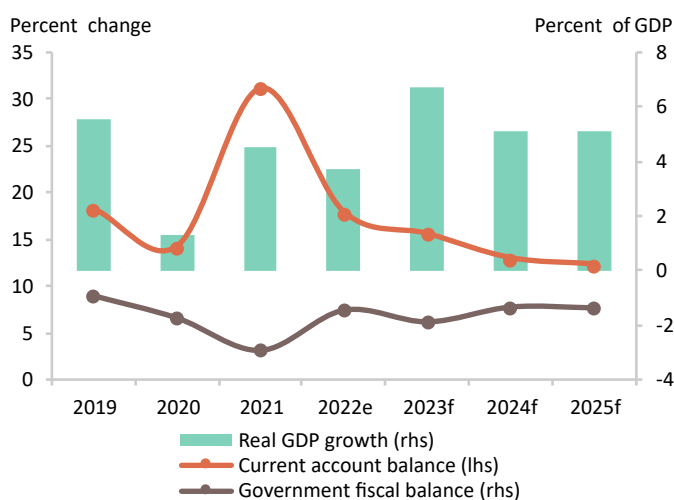
Djibouti experienced rapid economic growth, averaging over 4 percent annually over the period 2000-21, driven by significant investments in transport and port infrastructure. However, this growth, financed by increasingly expensive borrowing, has heightened debt vulnerabilities, thereby limiting fiscal space for essential social spending. The pandemic, conflict in neighboring Ethiopia, and the Russian invasion in Ukraine exacerbated economic and fiscal strains through foreign trade, financial, and commodity price channels, rendering debt unsustainable since February 2022. Also, Djibouti's ambition to better exploit its unique geographic position at the entrance of the Red Sea and become a major transport and logistics hub faces challenges. Heavy dependence on imports exposes the economy to global price fluctuations and transport disruptions. Moreover, Djibouti's subsidy for fuel pricing strains government finances without effectively reducing poverty, necessitating alternative approaches. This is particularly true as the fuel subsidy is primarily consumed by richer households. Still, poverty rates are projected to have declined from their 19 percent baseline in 2017 to around 14.7 percent in 2024. This is a slower reduction than previously anticipated, primarily due to factors influenced by COVID-19 and regional instability. Poverty at the lower middle-income poverty line remains

high at around 36 percent, down from 44 percent in 2017. Ongoing disruptions in the Red Sea produce mixed impacts. On the one hand, Djibouti's port activity has surged because of the ship diversion, notably in transshipment services, to the point that it is overwhelming its (new) port capacity. On the other, escalating sea freight costs and higher insurance premiums due to maritime risks are anticipated to increase consumer goods prices, exacerbating Djibouti's vulnerability to such fluctuations. Additionally, the Red Sea tensions may have significant fiscal implications, potentially impacting customs revenue, and fuel pricing strategies.

Recent developments

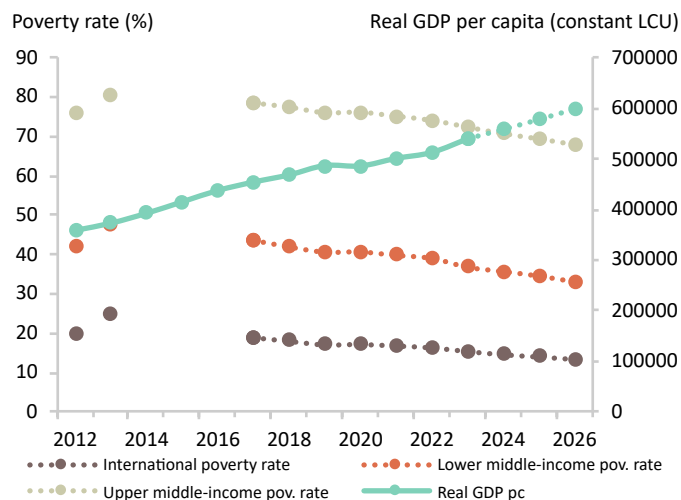
In 2023, Djibouti experienced a robust economic rebound, with GDP growth surpassing expectations at 6.7 percent. This resurgence was fueled by a significant increase in port activity, particularly in container traffic, which increased by 41 percent in 2023 compared to 2022, driven by renewed trade with Ethiopia following the peace agreement reached in November 2022 between the federal government and the Tigrayan People's Liberation Front. Despite disruptions in the Red Sea, Djibouti's port activity continued to increase in January 2024, driven by the strong boom in transshipment activity as carriers have rapidly expanded transshipment operations in Djibouti, strategically positioned in the south of the Red Sea, to circumvent the Red Sea corridor and Houthi-impacted

FIGURE 1 Djibouti / Real GDP growth, fiscal, and current account balances



Sources: Government of Djibouti and World Bank staff projections.

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



Sources: World Bank. Notes: see Table 2.

areas. Domestically, construction and public works sectors thrived, with cement sales surging by 80 percent as projects previously disrupted by the COVID-19 pandemic resumed. Inflation peaked at 11 percent in July 2022 but decelerated to 3.8 percent by December 2023, attributed to global food price slowdowns and government measures. However, Djibouti continued to face fiscal challenges marked by a decline in (already low) revenues due to new tax exemptions introduced in the 2023 budget. Total public spending surged, driven by increased capital expenditure, widening the budget deficit to 1.9 percent of GDP. External debt reached 69.4 percent of GDP in 2023 from 66.5 percent of GDP in 2022, due to new loans and inclusion of last year's debt arrears. Also, Djibouti's stock of external arrears increased significantly to 6 percent of GDP by the end of September 2023. Djiboutian authorities reached a preliminary agreement for debt reprofiling in late 2023 with its main creditor, EXIM-BANK CHINA, including a 4-year moratorium for rail and water supply projects, aiming to secure more favorable terms. However, addressing outstanding arrears with other creditors remains crucial to mitigate continued debt distress. Authorities engaged with the Paris Club for arrears clearance plans and intend to also reopen

discussions with Exim Bank India for debt restructuring. On the external front, Djibouti's sector exhibited positive trends, recording a notable current account surplus due to increased trade and logistics demand from Ethiopia. Foreign exchange reserves remained strong, providing sufficient coverage for prospective imports for four months. Despite previous challenges, the banking sector remained stable, reflecting the resilience of Djibouti's economy.

Outlook

Djibouti's economic outlook is heavily influenced by regional uncertainties, including exposure to conflict-prone neighbors and unexpected inflationary pressures, which pose challenges to its trajectory. Recent developments in Ethiopia, such as defaulting on euro bond payments and imposing restrictions on imports, further add to uncertainties. Additionally, Ethiopia's pursuit of direct access to the Red Sea evidenced by recent agreements with Somaliland and a recent MOU signing in Lamu complicates further the regional landscape. Despite this, Djibouti maintains confidence in its strategic position and world-class port complex, fortified

over the past three decades. In the medium term, Djibouti's economic prospects appear promising, driven by foreign trade and public works. GDP is forecasted to remain strong at 5.1 percent from 2024 to 2026, propelled by continued Ethiopian demand for transport and logistics services. Locally, the development of the Damerjog Industrial Park Project and infrastructure programs under the National Development Plan (NDP) are expected to boost Gross Fixed Capital Investment. Fiscal consolidation measures, including reprioritizing central government investment spending and improving fiscal management, aim to gradually reduce the budget deficit, stabilizing at 1.4 percent of GDP by 2025-2026. Projected poverty rates are expected to decline alongside GDP growth, with poverty rates projected to reach 13.5 percent in 2026 (at the international poverty line) and 33.1 percent (at the lower middle-income poverty line). However, there are risks, including the ongoing accumulation of public debt and arrears, regional tensions, and climatic shocks. The persistence of these risks could jeopardize Djibouti's ability to manage future challenges and fund essential public services, particularly given its reliance on trade and transport activities with Ethiopia.

TABLE 2 Djibouti / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	4.5	3.7	6.7	5.1	5.1	5.2
Private consumption	9.6	-0.6	4.4	5.0	5.0	5.0
Government consumption	-2.5	-14.3	8.1	2.9	2.2	2.2
Gross fixed capital investment	4.9	2.7	12.4	8.5	6.8	7.6
Exports, goods and services	29.5	-12.5	8.4	9.0	10.0	10.0
Imports, goods and services	18.2	-6.2	10.4	11.0	11.3	11.3
Real GDP growth, at constant factor prices	4.1	4.0	6.7	5.1	5.1	5.2
Agriculture	16.5	-0.5	5.9	5.5	5.5	5.5
Industry	11.4	7.2	10.0	10.0	10.0	10.0
Services	2.5	3.4	6.0	4.0	4.0	4.0
Inflation (consumer price index)	1.5	5.1	1.4	2.6	2.0	2.5
Current account balance (% of GDP)	31.2	17.9	15.6	13.0	12.3	11.2
Fiscal balance (% of GDP)	-2.9	-1.4	-1.9	-1.3	-1.4	-1.4
Revenues (% of GDP)	20.0	18.9	18.9	18.9	18.9	18.8
Debt (% of GDP)	71.3	66.5	69.4	66.6	63.7	61.0
Primary balance (% of GDP)	-2.7	-0.7	-1.1	-0.5	-0.5	-0.6
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	16.9	16.5	15.5	14.7	14.1	13.5
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	39.9	39.1	36.9	35.8	34.6	33.1
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	75.2	74.2	72.5	70.8	69.5	68.0
GHG emissions growth (mtCO₂e)	0.2	-0.4	0.0	0.2	0.3	0.3
Energy related GHG emissions (% of total)	23.8	23.3	22.9	22.4	21.9	21.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2017-EDAM. Actual data: 2017. Nowcast: 2018-2023. Forecasts are from 2024 to 2026.

b/ 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

Key conditions and challenges

Table 1 **2023**

Population, million	105.2
GDP, current US\$ billion	395.9
GDP per capita, current US\$	3764.5
Lower middle-income poverty rate (\$3.65) ^a	17.6
National poverty rate ^a	29.7
Gini index ^a	31.9
School enrollment, primary (% gross) ^b	91.6
Life expectancy at birth, years ^b	70.2
Total GHG emissions (mtCO ₂ e)	320.8

Source: WDI, Macro Poverty Outlook, and official data.

a/ Most recent value (2019), 2017 PPPs.

b/ WDI for School enrollment (2022); Life expectancy (2021).

Leveraging large-scale investments and financing, Egypt undertook monetary adjustments to address the foreign currency crisis sparked by macroeconomic imbalances and global shocks. Growth is forecast to decline to 2.8 percent in FY24 due to eroded real incomes, before a projected rebound in FY25-FY26. On- (and off) budget consolidation (in line with external sustainability) and transformative investment climate reforms are critical for private sector-driven, inclusive, and sustainable growth.

In early March 2024, the CBE resumed its move towards a flexible exchange rate regime to address severe foreign exchange market distortions, after more than a year of delayed macroeconomic adjustments, build-up of foreign currency backlogs, as well as a soaring parallel market rate. To anchor inflation expectations, the CBE hiked key policy rates by 600 basis points (bps) in March (bringing policy rates to 27.25 percent and 28.25 percent for the overnight deposit and lending transactions, respectively; 1,900 bps above their levels prior to March 2022). In tandem, the government announced mitigation packages, including scaling-up cash transfers, hiking the minimum wage, among other measures. These adjustments are underpinned by the large-scale UAE investments and the completion of the IMF Extended Fund Facility (EFF) reviews (originally slated for March and September 2023).

The effective implementation of the recent policy announcements to redefine the role of the state, contain public investments, and enable the private sector will be crucial to address the long-standing external and fiscal imbalances that have been exacerbated by the multiple global shocks. Non-oil exports and FDI have been underperforming with the gradual shift in the economy towards non-tradable and low value-added sectors, and away from high productivity and export-oriented sectors.

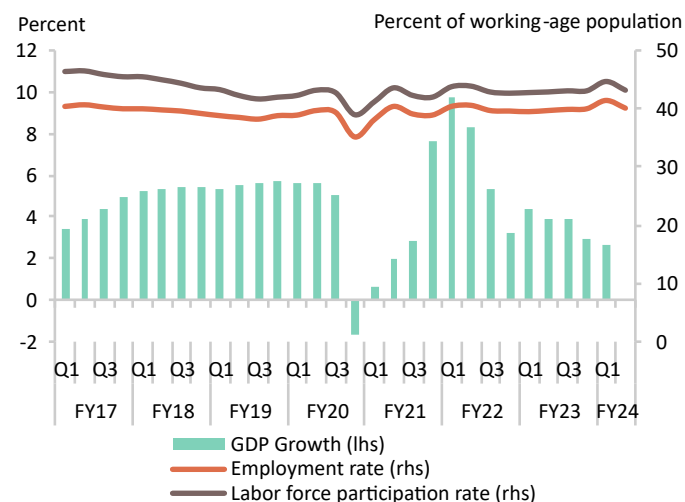
Furthermore, despite on-budget consolidation, government debt increased to 95.2 percent of GDP at end-FY23, reflecting off-budget borrowing and the depreciation. Additionally, contingent liabilities reached 28.7 percent of GDP at end-January 2023. Thus, fiscal space remains constrained by high interest payments (7.6 percent of GDP in FY23) as well as low domestic resource mobilization (tax-to-GDP ratio of 12.4 percent). Hence, public expenditures for human capital development and social protection remain well below the needs of the rapidly rising population of above 105 million.

The national poverty rate is expected to have increased substantially (last reported at 29.7 percent in 2019), due to double-digit inflation since March 2022, with partial mitigation from the government's social packages. Low labor force participation and employment rates (at 43.1 percent and 40.1 percent, respectively, of the working-age population in Q2-FY24) are also not conducive to poverty reduction.

Recent developments

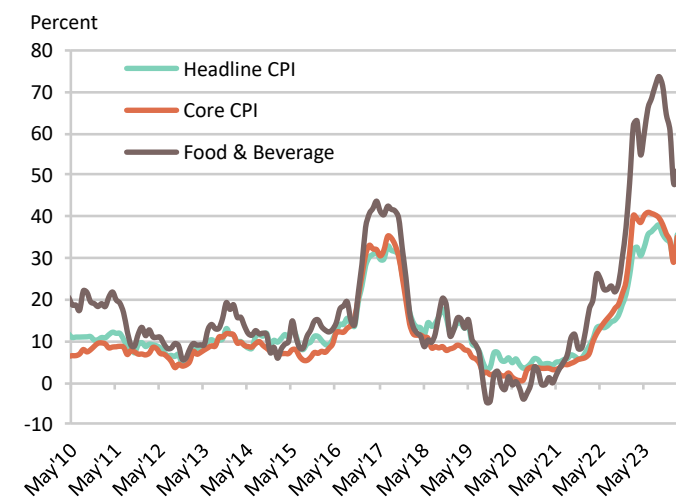
Growth declined to 2.7 percent in Q1-FY24 from 4.4 percent in Q1-FY23, reflecting the contraction of non-oil manufacturing and gas extractives; impacted by the foreign exchange crisis, import restrictions, capital controls, as well as domestic production problems. Shockwaves from the Middle East conflict which caused a sharp drop in Suez Canal traffic and dampened the strong recovery of tourism are also constraining growth in recent months.

FIGURE 1 Arab Republic of Egypt / 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 and Economic Development (MPED).

FIGURE 2 Arab Republic of Egypt / Annual inflation rates



Sources: Central Bank of Egypt (CBE) and CAPMAS.

Annual urban inflation accelerated to an average 33.8 percent in January–December 2023 (up from 13.8 percent in 2022), even though 21.4 percent of the Consumer Price Index basket is regulated. Food items (63.9 percent inflation in 2023) remain the main driver of the headline rate and account for over 44 percent of bottom quintile expenditures.

Despite the successive monetary tightening, real interest rates remained negative through March 2024. Government credit remains the main driver of credit growth, indicating that excess demand from the public sector has been another contributor to inflation, on top of the cost-push factors. Meanwhile, private sector credit remains limited (29.6 percent of total domestic credit).

Outlook

Growth is forecast to decline to 2.8 percent in FY24 from 3.8 percent in FY23, exacerbated by the repercussions of the Middle East conflict notably on key foreign income-generating sectors (Suez Canal and tourism). Growth is expected to start rebounding in FY25-FY26 driven by growth in investment (albeit from a low base), and

improved private consumption with the projected pickup in remittances and the gradually abating inflation.

Fiscal consolidation is expected to slow down in FY24. The tax-to-GDP ratio is expected to decline due to sluggish economic activity, while interest payments rise with monetary tightening and a depreciated currency. The government debt-to-GDP ratio is thus expected to increase to 97.6 percent at end-FY24, due to the valuation effect of the exchange rate depreciation, as well as the higher deficit. Fiscal consolidation and debt reduction (including from off-budget borrowing) are expected to resume by FY25, as tax reforms kick in (the payroll tax systems standardization, enhanced administration, and exemptions rationalization), besides streamlining of energy subsidy.

While external accounts are expected to remain under pressure till end-FY24 due to the pre-existing backlogs, the UAE investment deal, along with major external financing will gradually alleviate the foreign currency crisis. The banking system's net foreign assets position (-US\$29 billion at end-January 2024) is expected to immediately improve—at least by US\$11 billion: the UAE deposits at the CBE that have been converted to investments. Official reserves and foreign currency assets

(US\$45 billion at end-February 2024) are expected to be boosted by the one-off US\$24 billion in FDI inflows (the remainder of the UAE deal), state asset sales (US\$2.3 billion during July-February FY24), the IMF EFF and financing from the World Bank and other development partners. Eliminating the parallel market premium will encourage formal-channel remittances, which had declined by US\$10 billion in FY23. Nevertheless, clearing the arrears owed to international oil companies and import backlogs (jointly reportedly estimated at above US\$14 billion at end-February), in addition to medium- and long-term debt servicing scheduled for payment in the second half of FY24 (US\$15.9 billion) will remain a drain on reserves.

High inflation, especially for food, remains a source of concern for poverty reduction. Going forward, continued implementation of the ambitious reforms envisaged under Egypt's State Ownership Policy, while ensuring wider public sector fiscal consolidation is critical for creating space for human development and social protection spending, and for external sustainability. Business environment reforms will be crucial to enable private sector growth and job-creation.

TABLE 2 Arab Republic of Egypt / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	3.3	6.6	3.8	2.8	4.2	4.6
Private consumption	6.2	2.8	3.8	3.2	3.4	3.7
Government consumption	3.4	4.9	-2.8	3.0	2.0	2.5
Gross fixed capital investment	-3.2	18.5	-24.1	-7.4	16.0	10.0
Exports, goods and services	-13.9	57.4	31.4	12.9	13.5	14.0
Imports, goods and services	0.5	24.3	1.1	-0.5	15.5	13.0
Real GDP growth, at constant factor prices	2.0	6.2	3.6	2.7	4.2	4.5
Agriculture	3.8	4.0	4.1	3.3	3.3	3.3
Industry	-1.2	6.9	-0.6	-1.1	3.4	4.7
Services	3.7	6.2	6.2	4.8	4.8	4.7
Inflation (consumer price index)	4.5	8.5	24.1	33.4	24.9	12.6
Current account balance (% of GDP)	-4.3	-3.5	-1.2	-3.2	-3.3	-3.0
Net foreign direct investment inflow (% of GDP)	1.1	1.8	2.5	6.8	2.7	1.9
Fiscal balance (% of GDP)	-7.1	-6.2	-6.0	-6.5	-6.4	-6.3
Revenues (% of GDP)	16.6	17.2	15.4	15.5	16.5	16.9
Tax revenues (% of GDP)	12.5	12.6	12.4	12.2	12.8	13.4
Debt (% of GDP)	87.9	88.3	95.2	97.6	91.3	88.0
External government debt (% of GDP)	19.0	19.5	25.1	31.7	27.2	23.3
Primary balance (% of GDP)	1.4	1.3	1.6	2.2	3.0	3.0
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	19.8	19.3	21.5	23.8	23.4	23.1
GHG emissions growth (mtCO₂e)	4.0	1.8	1.0	0.7	1.1	1.3
Energy related GHG emissions (% of total)	64.9	65.0	65.4	65.9	67.8	69.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2010-HIECS, 2015-HIECS, and 2019-HIECS. Actual data: 2019. Nowcast: 2020-2023. Forecasts are from 2024 to 2026.

b/ Projection using annualized elasticity (2010-2015) with pass-through = 0.02 based on GDP per capita in constant LCU. Poverty estimates for 2020, 2023, and 2024 are based on microsimulations of the impacts of Covid, high inflation, and government mitigating measures.

IRAN, ISLAMIC REPUBLIC

Key conditions and challenges

Table 1 2023

Population, million	89.2
GDP, current US\$ billion	401.9
GDP per capita, current US\$	4506.4
Upper middle-income poverty rate (\$6.85) ^a	21.9
Gini index ^a	34.8
School enrollment, primary (% gross) ^b	104.5
Life expectancy at birth, years ^b	73.9
Total GHG emissions (mtCO2e)	921.8

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2022), 2017 PPPs.
 b/ WDI for School enrollment (2020); Life expectancy (2021).

Iran's economy is continuing its oil-driven growth in 2023/24, helping employment to return to pre-pandemic levels. Inflation remained elevated despite tighter monetary policy, in part due to inflationary expectations. Economic prospects are hindered by long-lasting structural challenges that are exacerbated by economic sanctions, heightened geopolitical tensions, and the impact of climate change.

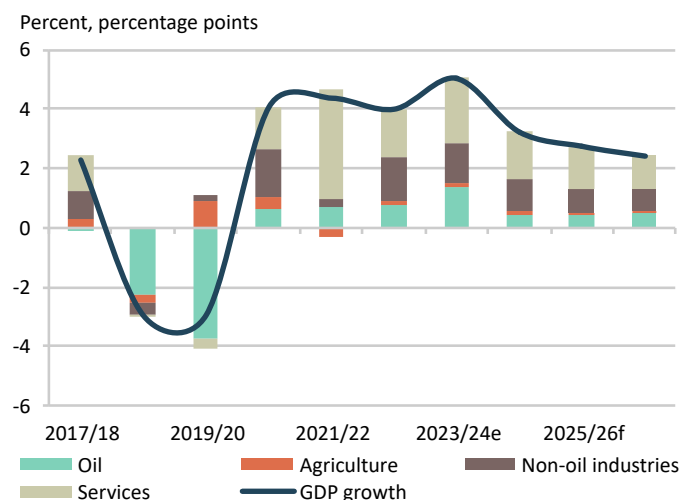
Economic growth has proven resilient over the past four years, despite ongoing economic sanctions and heightened geopolitical uncertainty. While the economy has benefitted from improved oil sector growth, the non-oil sector, notably services and manufacturing, has been the main driver of growth. Tradable sector production has shifted towards meeting domestic consumption, which has partly mitigated the impact of the financial and trade embargos and the limited access to foreign exchange reserves. Employment has also recently returned to pre-pandemic levels. Fiscal policy, notably the social protection system with its quasi-universal cash transfer, has partly buffered the impact of external shocks on the most vulnerable households and helped sustain consumption-led growth. The economy continues to face structural challenges that impact sustainable developmental outcomes. Ongoing sanctions limit technology transfer and investments to boost productivity. Energy subsidies and other administered prices are contributing to supply-demand mismatches, wasteful consumption, and allocative inefficiencies; this comes at a significant fiscal burden and at a detriment to the environment. Climate change exacerbates the energy and water shortages, negatively impacting food security and jobs in the stagnating agriculture sector. Limited job

opportunities and persistently high inflation have negatively impacted purchasing power and poverty outcomes. An estimated 40 percent of households are vulnerable, in that they have a high probability of falling back into poverty if they experience a shock. The gradual aging of the population, significant emigration of highly skilled workers, and a declining birth rate not only impact growth prospects but also strain an already struggling pension system. Financial sector challenges, including the undercapitalized banking sector and liquidity shortages, also restrict prospects of private sector-led growth.

Recent developments

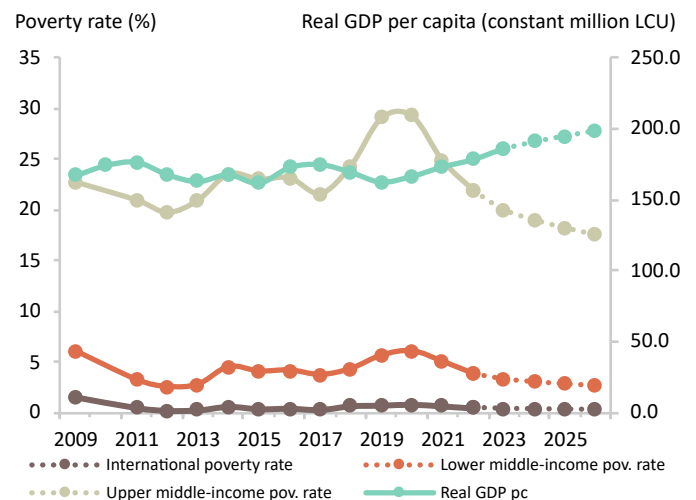
GDP growth accelerated to 5.1 percent year-on-year (Y-o-Y) in the first half of 2023/24 (Iranian year ending March 20), primarily driven by the oil sector and services. The oil sector value-added surged by 17.1 percent (Y-o-Y), fueled by a tight global oil market and greater success in marketing oil exports, including through price discounts. The non-oil sector also showed robust growth of 3.8 percent (Y-o-Y), which drove employment to pre-pandemic levels in Q3-23/24, as job creation increased by 2.9 percent and the unemployment rate reached a record low of 7.6 percent. Lower-than-expected government revenues in the first seven months of 2023/24 (Apr-Oct 2023) led to a reprioritization of expenditures. Only 72 percent of the budgeted revenues were realized in the period, as less than half of the planned

FIGURE 1 Islamic Republic of Iran / Real GDP growth and supply-side contributions to real GDP growth



Sources: Central Bank of Iran (CBI) and World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

oil revenues materialized due to lower Iranian oil export prices. This revenue shortfall forced the government to cut expenditures, especially capital investments, and to finance the growing deficit from the National Development Fund.

Inflation edged down in 11M-23/24 but remained above 40 percent. The decline was attributed to reduced inflationary expectations, spurring hopes of progress in nuclear negotiations, and tighter monetary policy. Headline and core CPI remained elevated, at 41.6 percent and 41.4 percent in this period, respectively, driven by high food prices and housing costs. To curb inflation, the central bank started implementing measures, including constraining bank balance sheet growth, increasing reserve requirements for riskier banks, and raising deposit and interbank interest rates.

Between 2020/21 and 2022/23, poverty declined as the economy recovered. Over two years, poverty as measured at the US\$6.85 poverty line declined by a cumulative 7.4 percentage points to 21.9 percent in 2022/23, meaning an estimated 6.5 million people were lifted out of poverty. For the lower-middle income poverty line of US\$3.65, poverty declined by 2.2 percentage points to 3.8 percent. Between 2020/21 and 2022/23, the bottom 40 percent of households experienced higher consumption growth

than the top 60 percent of households, reducing inequalities. This has also reduced overall inequality, with the Gini index dropping from 35.8 to 34.8. A combination of increased wages, an increase in self-employed earnings, and a top-up to the national cash-transfer program contributed to the growth in consumption and the corresponding reduction in poverty.

Outlook

Real GDP growth is forecasted to moderate to an annual average of 2.8 percent from 2024/25 to 2026/27. The initial boost in oil production and exports in 2023/24 is projected to moderate significantly with a similar spillover effect into the non-oil sector. Weaker global demand, ongoing sanctions, energy shortages, liquidity constraints, underinvestment, and geopolitical tensions further contribute to this outlook. While inflation is expected to decelerate further, it is expected to remain elevated. Despite government plans to consolidate the budget in 2024/25, fiscal pressures are forecast to persist, resulting in a fiscal deficit, compounded by off-budget expenditures. The current account surplus is projected to gradually decrease, influenced by lower commodity

prices, and heightened global competition in key markets.

Poverty is projected to decrease, but at a slower pace. Poverty at the US\$6.85 line is expected to drop by a further 3 percentage points over the next three years, and poverty at the US\$3.65 percentage line will decrease only slightly. Building on the last two years of inclusive growth, while ensuring a robust safety net, will help ensure the trend of poverty reduction continues.

The economic outlook is influenced by various risks, including global oil market dynamics, climate change, the intensification of economic sanctions, and prospects of conflict in the Middle East. A decline in oil prices resulting from reduced global demand would adversely affect economic prospects. Growing economic linkage with China makes the economy susceptible to fluctuations in China's economy. Increased extreme weather events threaten agricultural production and employment, posing risks to food security and livelihoods. The intensification of economic sanctions, especially impacting trade with neighbors and existing trade partners, would significantly weigh on growth. An expansion of the conflict in the Middle East would have significant ramifications for Iran and the region. Conversely, the removal or partial waiver of sanctions would significantly boost growth.

TABLE 2 Islamic Republic of Iran / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021/22	2022/23	2023/24e	2024/25f	2025/26f	2026/27f
Real GDP growth, at constant market prices	4.7	3.8	5.0	3.2	2.7	2.4
Private consumption	3.9	8.7	3.2	2.4	2.1	1.8
Government consumption	8.3	-3.6	1.6	1.9	2.1	2.2
Gross fixed capital investment	0.0	6.7	5.8	4.5	4.2	3.1
Exports, goods and services	5.2	8.2	15.4	7.1	5.2	5.2
Imports, goods and services	24.1	7.5	1.6	1.8	2.1	2.1
Real GDP growth, at constant factor prices	4.4	4.0	5.0	3.2	2.7	2.4
Agriculture	-2.6	1.1	1.0	0.9	0.8	0.8
Industry	3.2	7.4	8.8	4.9	3.7	3.7
Services	6.5	2.7	3.6	2.7	2.5	1.9
Inflation (consumer price index)	46.2	46.5	40.8	35.3	32.0	30.5
Current account balance (% of GDP)	3.1	3.4	2.9	2.7	2.3	2.2
Fiscal balance (% of GDP)	-3.2	-1.9	-2.0	-2.2	-2.4	-2.5
Revenues (% of GDP)	11.0	11.7	11.8	11.8	11.8	11.9
Gross public debt (% of GDP)	42.4	30.1	30.7	32.3	34.1	35.9
Primary balance (% of GDP)	-2.7	-1.5	-1.6	-1.8	-2.0	-2.1
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	0.7	0.5	0.4	0.4	0.4	0.3
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	5.0	3.8	3.3	3.1	2.9	2.8
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	24.8	21.9	20.0	19.0	18.2	17.6
GHG emissions growth (mtCO₂e)	2.9	2.9	3.1	2.0	1.8	1.6
Energy related GHG emissions (% of total)	67.8	67.6	67.8	67.7	67.5	67.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2019-HEIS and 2022-HEIS. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.

b/ Projection using annualized elasticity (2019-2022) with pass-through = 0.7 based on GDP per capita in constant LCU.

REPUBLIC OF IRAQ

Key conditions and challenges

Table 1

	2023
Population, million	45.5
GDP, current US\$ billion	285.8
GDP per capita, current US\$	6279.7
Lower middle-income poverty rate (\$3.65) ^a	2.4
Upper middle-income poverty rate (\$6.85) ^a	24.7
National poverty rate ^a	22.5
Gini index ^a	29.5
School enrollment, primary (% gross) ^b	103.7
Life expectancy at birth, years ^b	70.4
Total GHG emissions (mtCO2e)	231.6

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2012), 2017 PPPs.
 b/ WDI for School enrollment (2007); Life expectancy (2021).

Iraq's economy contracted in 2023 due to OPEC+ production cuts that more than off-set a non-oil sector rebound. A sharp fiscal expansion is fueling consumption but weighs on fiscal and external balances, and undermines fiscal sustainability in the medium term.

Downside risks to the outlook include oil market volatility, climate change risks, and the impact of heightened geopolitical tensions. The long-term development prospects remain uncertain.

Iraq's economy, among the world's most oil-dependent, is contracting due to crude oil production cuts and lower global oil prices. GDP contraction reflects the OPEC+ production cuts and the halting of oil exports from the northern oil pipeline since late March 2023, following the International Chamber of Commerce's ruling on a case between Iraq and Türkiye. The economy was kept afloat by the non-oil sector, in part helped by the large 2023 fiscal expansion. Lower oil revenues and significant increase in government expenditures have sharply narrowed the fiscal surplus.

Looser fiscal policy and over dependence on oil have raised vulnerabilities to external shocks, especially considering the risks of spillover from the recent conflict in the Middle East. The 71 percent surge (relative to 2022 outturn) in government spending envisaged in the budget law for 2023 to 2025, driven by a surge in the wage bill and funded by oil revenues, leaves little room for discretionary spending, and fragilizes the goal of stabilizing the economy and consumption smoothing. Iraq's dependence on oil also translates into low labor force participation, exposes households to volatility, and limits the role of jobs in increasing household incomes.

Current reform efforts have to be sustained and deepened to put the economy on a more sustainable path. Reprioritization of

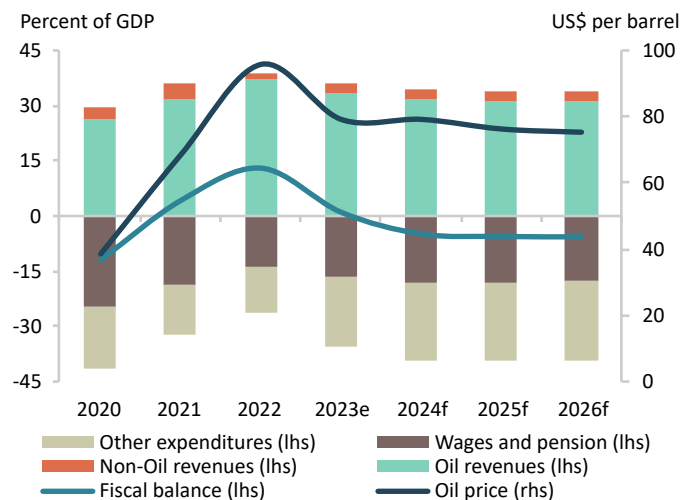
expenditures, notably rightsizing the wage bill, better targeting transfers, and a more concerted effort on domestic revenue mobilization, could free up fiscal space for growth-enhancing investment in human and physical capital and improve the long-term fiscal sustainability. Leveraging the oil wealth toward sustainable growth and diversification, reducing the dominance of the public sector, and enhancing the business environment will be essential for economic sustainability and private sector-led growth. Climate change adaptation and mitigation measures can help tackle Iraq's intertwined climate and developmental challenges such as addressing food insecurity and water shortages.

Recent developments

Iraq's economy is contracting due to lower oil production and despite a rebound in the non-oil sector. Following the strong expansion seen in 2022, GDP is estimated to have contracted by 2.5 percent in 2023. Growth was weighed down by OPEC+ production cuts, including Iraq's voluntary cuts, and the halting of oil exports through the Iraq-Türkiye pipeline, which led oil GDP to contract by 7.4 percent. The 5.9 percent y/y bounce back in the non-oil sector reported in the first nine months of 2023 (9M-23), was led by the agriculture sector and non-oil industries that benefited from CBI lending initiatives, albeit a temporary impact.

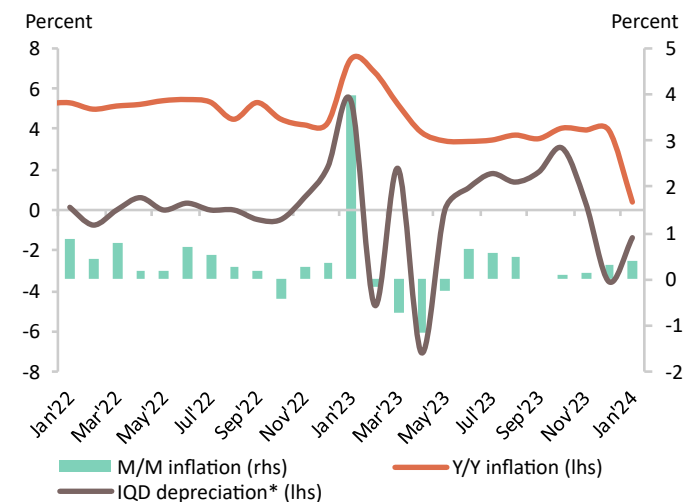
Inflationary pressures have eased in part due to the impact of exchange rate

FIGURE 1 Republic of Iraq / Fiscal account outlook



Sources: Ministry of Finance, Ministry of Oil, and World Bank staff calculations.

FIGURE 2 Republic of Iraq / Consumer price inflation and the parallel market pressures



Sources: Iraq's Central Statistical Organization, Central Bank of Iraq, media, and World Bank staff calculations. Note: *Positive values represent dinar's depreciation against the dollar in the parallel market.

reevaluation in February 2023 and tighter monetary policy. After an initial spike in inflation in January-February 2023, sparked by the depreciation of the Iraqi dinar in the parallel market, the reevaluation of the dinar against the dollar up by 11.5 percent in February 2023 and the moderation of global commodity prices helped lower inflation. The Central Bank of Iraq (CBI) raised the policy rate by 3.5 percentage points to 7.5 percent, which further curbed inflation and moderate capital outflows. As a result, headline and core inflation eased to 4.3 and 4.0 percent in 2023 y/y, respectively. CBI measures to manage the volatility in the exchange markets have helped reduce the gap between the official rate to 17 percent in February, which is still elevated due to continued FX demand in the parallel market.

Lower oil revenues and the fiscal expansion have narrowed the fiscal and current account surplus. Government revenues, heavily dependent on oil, declined by 16.1 percent y/y in 2023 due to lower oil prices and despite marginally higher export volumes. Total expenditures increased by 21.8 percent y/y but remained significantly below the budget targets. As a result, the fiscal account recorded a

small surplus of 0.8 percent of GDP (cash basis), down from a 12.7 percent of GDP surplus in 2022. The current account surplus almost halved in 9M-23 with lower oil exports and is estimated to have narrowed to 2.1 percent of GDP in 2023 given a surge in imports in the last quarter. The shift in the current account halted the previous years' rapid accumulations of official reserves, although these still remain sizeable, at US\$102.7 billion or 12.6 months of imports at end-2023.

Outlook

The economic outlook hinges on global oil market prospects and the implementation of the 3-year budget plans. GDP growth is expected to recover to an average of 4.0 percent in 2024-2026 due to a projected rebound in the oil sector. Growth is forecast to peak in 2025 with the planned expiry of oil production cuts. Despite higher projected oil exports, the fiscal expansion is forecast to more than offset this rebound, leading to double deficits starting in 2024. The growing fiscal pressures are forecast

to increase gross financing needs to an average of US\$24.2 billion per year in 2024 to 2026, while the public debt burden is projected to increase to over 60 percent of GDP in 2025.

Downside risks to the outlook stem from oil market volatility, spillovers from conflict, and climate change. The recent outbreak of conflict in the Middle East has introduced significant downside risks but also upside risks if global oil prices increase. Iraq's heavy reliance on oil makes it particularly susceptible to oil shocks stemming from the conflict, which could lead to disruptions in the flow of oil exports and price fluctuations. The conflict could significantly impact fiscal and external balances, and worsen household food security and welfare, necessitating coping mechanisms such as dissaving and reducing investments in human capital. Spillovers from a broader conflict are also likely to have adverse humanitarian impacts in Iraq, including civilian casualties and displacement. These developments would reverse gains in poverty reduction made in recent years. Climate change impact and severe weather events such as El Niño, could intensify food security risks and add to public grievances.

TABLE 2 Republic of Iraq / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	0.1	7.6	-2.5	1.6	6.1	4.2
Private consumption	2.6	3.9	6.5	4.5	4.0	4.0
Government consumption	4.6	2.2	21.8	8.5	4.7	4.7
Gross fixed capital investment	33.6	11.7	11.8	20.4	9.4	8.5
Exports, goods and services	-13.3	9.7	-7.4	-0.2	8.4	5.2
Imports, goods and services	7.7	4.2	22.0	13.7	7.0	7.0
Real GDP growth, at constant factor prices	1.6	7.6	-2.5	1.6	6.1	4.2
Agriculture	-20.6	-33.3	3.0	2.5	2.2	2.2
Industry	-0.7	13.3	-5.9	0.3	8.0	5.0
Services	9.8	1.3	4.2	4.0	2.8	2.8
Inflation (consumer price index)	6.0	5.0	4.3	3.8	3.4	3.2
Current account balance (% of GDP)^a	12.0	19.1	2.1	-3.7	-4.0	-4.2
Net foreign direct investment inflow (% of GDP)^a	-1.3	-0.8	-0.8	-0.8	-0.8	-0.8
Fiscal balance (% of GDP)^a	4.0	12.7	0.8	-5.1	-5.7	-5.8
Revenues (% of GDP)	36.2	38.9	36.1	34.3	33.8	33.6
Debt (% of GDP)^a	58.8	40.9	45.5	54.2	64.8	72.1
Primary balance (% of GDP)^a	4.5	13.5	1.3	-4.8	-5.3	-5.1
GHG emissions growth (mtCO₂e)	-13.8	-5.2	6.5	7.8	13.4	10.0
Energy related GHG emissions (% of total)	42.3	42.0	42.8	44.5	46.1	48.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Share of factor cost GDP.

JORDAN

Key conditions and challenges

Table 1 **2023**

Population, million	11.3
GDP, current US\$ billion	50.9
GDP per capita, current US\$	4491.1
National poverty rate ^a	15.7
School enrollment, primary (% gross) ^b	87.6
Life expectancy at birth, years ^b	74.3
Total GHG emissions (mtCO2e)	39.2

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2017/8).
 b/ WDI for School enrollment (2014); Life expectancy (2021).

Jordan has demonstrated resilience amidst consecutive external shocks, preserving macroeconomic stability albeit with growing vulnerabilities associated with climate change and regional conflicts. However, addressing structural challenges in the labor market and the business environment remains essential to achieve sustainable higher economic growth and employment. The country's susceptibility to climate-related shocks further emphasizes the need to tackle water, and energy concerns. A sustained focus on reform implementation would help Jordan break out of its low-growth, low employment equilibrium.

Despite consecutive regional and global external shocks, Jordan has maintained modest economic growth, averaging around 2.2 percent annually over the past decade, supported by a prudent fiscal and monetary policy mix. Jordan's prudent monetary policy has maintained macroeconomic stability, while the country has also achieved progress in domestic revenue mobilization. However, key structural constraints remain entrenched, notably those related to labor market and business environment. Jordan can break out of its low-growth equilibrium by raising productivity, pursuing investment, and export-led growth.

The latest conflict in the Middle East, that erupted on October 7, 2023, initially affected tourism, trade, and investment sentiment across the region, but especially so for neighboring countries like Jordan. The risk of a prolonged and wider conflict could exacerbate existing challenges such as trade disruptions and rising shipping costs, further squeezing fiscal space in Jordan. Additionally, the financial sustainability of the water and electricity sectors remains a concern. Navigating the current complex external environment requires policy agility to preserve macroeconomic stability while also focusing on the implementation of structural reforms. Jordan is one of the most water-scarce countries in the world,

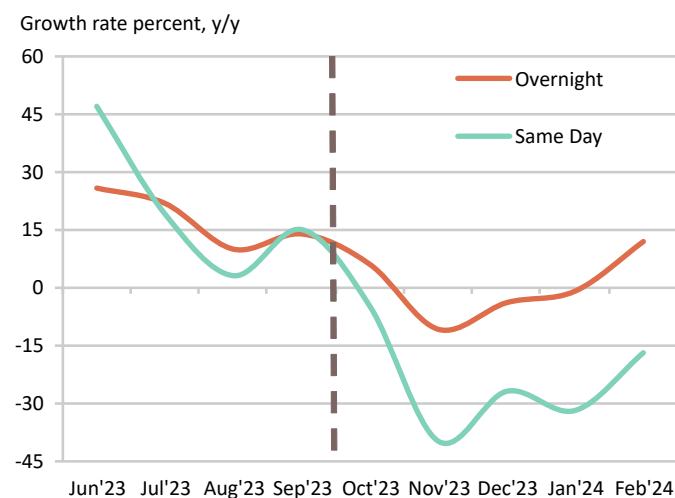
and its vulnerability to extreme weather conditions, including rising temperatures and lower precipitation, exacerbates the risks to water scarcity and food security. While no new official poverty rate has been released since 2018, it is likely that any negative economic effects of the neighboring conflict would adversely affect the poorest and most vulnerable households. Declining tourism rates will particularly affect those relying on informal employment with little job security. The refugee population in Jordan is particularly vulnerable. According to the Vulnerability Assessment Framework by the WB and UNHCR, two-thirds of registered refugees live under the poverty line.

Recent developments

The remarkable performance in the manufacturing and agriculture sectors, coupled with the continued robust contribution of services, led to a slight increase in growth to 2.7 percent (y-o-y) in Q3-2023. Revised national accounts in October 2023 showed that manufacturing and agriculture registered their highest average growth rates since 9M-2011 and 9M-2010, respectively. The restaurants and hotels sector also witnessed its highest average growth rate since 9M-2012. Despite the initial setback in tourist arrivals due to the eruption of the conflict, the sector is showing some signs of recovery.

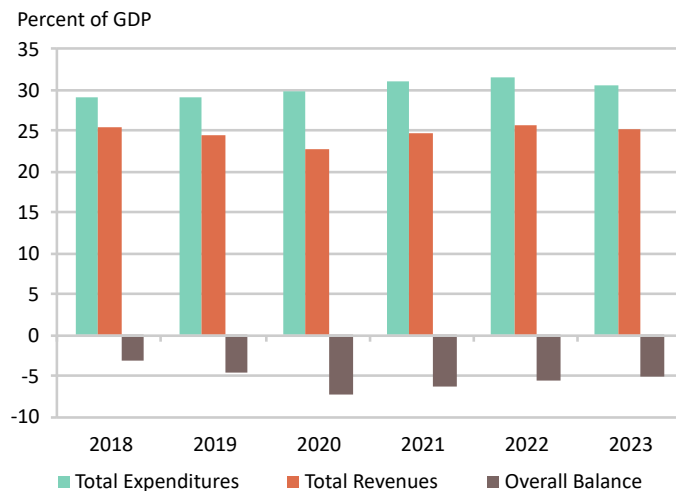
Labor markets slightly improved after declining for three consecutive quarters. Labor force participation improved to

FIGURE 1 Jordan / Tourist arrivals took a hit as the Conflict in the Middle East erupted before gradually picking up again



Sources: Ministry of Tourism and Antiquities and World Bank staff calculations.

FIGURE 2 Jordan / Fiscal performance benefited from lower subsidies in 2023



Sources: Ministry of Finance and World Bank staff calculations.

34.1 percent in Q4-2023, driven mainly by higher female participation which recorded the highest level since Q1-2019 at 15.1 percent in Q4-2023. Meanwhile, unemployment declined slightly to 21.4 percent in Q4-2023, yet it remained above the pre-COVID average. Inflation decelerated to 2.1 percent in 2023, mainly reflecting lower commodity prices and monetary tightening.

Fiscal consolidation continued in 2023, but at a pace that leaves debt at an elevated level. The overall fiscal deficit narrowed slightly, to 5.2 percent in 2023, down from 5.6 percent of GDP in 2022. Total revenues declined mainly due to lower grants and slightly lower tax revenues, which more than offset the increase in non-tax revenue. Spending declined slightly due to the phasing out of fuel subsidies, which offset the increase in interest payments. Meanwhile, capital expenditure increased to 3.8 percent of GDP in 2023, staying below the budgeted amount of 4.4 percent of GDP. However, general government debt level remains elevated, reaching 89.4 percent of GDP in 2023.

The CAD halved to 4.2 percent of the estimated full year GDP in 9M-2023, relative to the same period in 2022. This was mainly driven by lower imports, supported by the decline in international prices of key imports (i.e., oil, wheat, and maize) and improved tourism receipts which collectively more than offset the slight decrease in exports and current transfers in

9M-2023. Portfolio investments increased in 9M-2023, supported by the Eurobond issuance by MoF in April 2023 which more than offset the decline in net FDI, relative to the same period in 2022. At the end of 2023, CBJ's gross reserves of foreign currencies and gold stood at USD19.1 billion (7.6 months of next year's imports of GNFS), relative to USD18.2 (7.2 months of imports of GNFS) in December 2022.

Outlook

Growth is forecasted to register 2.6 percent in 2023, reflecting slower growth in Q4 2023 attributed to the impact of the conflict in the Middle East. The ongoing conflict is expected to weigh on the performance of sectors that have backward and forward linkages with the tourism sector. Moreover, the shift in consumer behavior is also expected to weigh on domestic consumption. Agriculture sector growth is expected to normalize in 2024 after experiencing a strong rebound in H1 2023 due to a favorable base-effect. Accordingly, a subsequent deceleration of real GDP growth rate to 2.5 percent is anticipated in 2024, followed by a resurgence to 2.6 percent thereafter. Relatively stable prices for imported commodities and muted core inflation are projected to keep inflation in check, despite some transitory impact from higher shipping costs due to the Red Sea disruptions.

Fiscal consolidation is projected to continue, albeit at a tepid pace. Revenue-enhancing measures, along with the expected easing of monetary policy are expected to support domestic revenues. Meanwhile, the primary fiscal deficit is projected to continue narrowing, turning into a surplus in 2025 as primary expenditure remain contained. However, the overall fiscal deficit is projected to increase slightly in 2024 due to higher interest payments, before beginning to narrow in subsequent years. Nevertheless, remaining fiscal pressures from the water and electricity sectors are expected to keep Central Government debt levels elevated and growing in the short- to medium-term, while the General Government debt is projected to decrease thanks to continued operating surpluses of the Social Security Investment Fund.

The CAD is projected to continue narrowing supported mainly by the lower trade deficit and higher tourism receipts in 2023, relative to the previous year. Further containment of imports and higher current transfers are projected to support lower CAD in 2024. However, while the baseline projections assume that the conflict in the Middle East will end in the short term, the duration and extent of the conflict may impact the pace of improvement through lower tourism receipts, changes in domestic consumption patterns, trade flow disruptions, and increased shipping costs, which can affect value chains and production costs.

TABLE 2 Jordan / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	3.7	2.4	2.6	2.5	2.6	2.6
Real GDP growth, at constant factor prices	3.7	2.5	2.7	2.6	2.7	2.7
Agriculture	6.6	3.3	5.4	2.4	2.4	2.4
Industry	2.7	3.3	3.0	2.6	2.5	2.4
Services	4.0	2.0	2.4	2.6	2.8	2.8
Inflation (consumer price index)	1.3	4.2	2.1	2.0	2.1	2.1
Current account balance (% of GDP)	-8.0	-7.7	-6.8	-6.4	-5.7	-4.8
Net foreign direct investment inflow (% of GDP)	1.3	2.6	2.5	2.6	2.8	3.0
Fiscal balance (% of GDP)^a	-6.2	-5.6	-5.2	-5.6	-5.4	-5.1
Revenues (% of GDP)	24.7	25.8	25.3	25.9	26.2	26.3
Expenditures (% of GDP)^a	30.9	31.5	30.5	31.5	31.6	31.4
Central government debt (% of GDP)^b	108.8	111.4	114.1	115.2	116.1	116.5
General government debt (% of GDP)^b	87.5	88.8	89.4	88.9	88.2	87.1
Primary balance (% of GDP)^a	-1.9	-1.5	-0.4	-0.3	0.1	0.5
GHG emissions growth (mtCO₂e)	3.2	3.3	4.2	2.4	2.6	2.6
Energy related GHG emissions (% of total)	62.1	61.3	61.3	61.2	61.0	60.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Including the Adjustment on receivables and payables (use of cash) as per IMF Country Report No. 23/49.

b/ GG coverage refers to CG debt excl. the holdings of the Social Security Corporation (SSC) investment arm. Based on current pension entitlements, the SSC's financial surplus is projected to gradually decline and turn into a deficit, leading GG debt ratio to converge to CG debt ratio over the longer term.

KUWAIT

Table 1 **2023**

Population, million	4.3
GDP, current US\$ billion	161.8
GDP per capita, current US\$	37528.6
Life expectancy at birth, years ^a	78.7
Total GHG emissions (mtCO ₂ e)	161.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for Life expectancy (2021).

In 2023, Kuwait's economy significantly decelerated following strong performance in 2022, with expectations of stabilization in the medium term. This downturn is largely attributed to OPEC+ oil production cuts and weak global economic activity. A negative fiscal balance has occurred, driven by low energy prices and fiscal expansion, and is expected to persist into 2024. The economic forecast remains uncertain, clouded by geopolitical tensions, slowdowns in major economies, oil price fluctuations, and political gridlock on reforms, with the potential for political transformation from a change in government offering new prospects for reform.

Key conditions and challenges

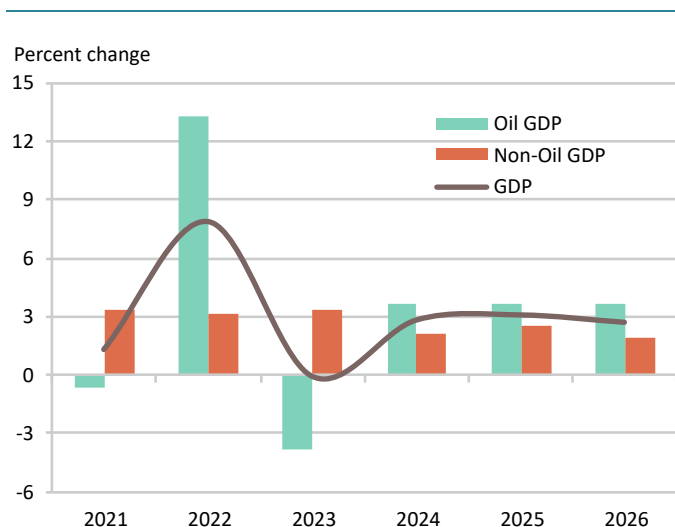
Kuwait's long-term economic outlook is significantly impacted by its heavy dependence on oil, while structural reforms are being delayed. Key risks are oil market volatility, global economic slowdown, escalation of geopolitical tensions and climate shocks, as well as domestic challenges, including an oversized public sector, frequent government changes and a lack of reforms momentum. On the upside, a decrease in global inflation and an increase in global demand could lead to favorable outcomes. Key challenges include substantial public sector employment, regional competitiveness lag, fostering a dynamic economy for youth, alignment behind a national vision, and enhancing economic productivity. Macroeconomic stability is underpinned by the world's largest sovereign wealth fund, the Kuwait Investment Authority (KIA) and its significant foreign assets, yet such resources cannot fully buffer against short-term oil market volatility. Addressing these vulnerabilities requires comprehensive fiscal and structural reforms. Overcoming political deadlock and enhancing government stability is critical to accelerate economic diversification and related structural reforms. The government's 2024-27 work plan for Kuwait, outlined in February 2024, aims to reduce unsustainable public spending, and decrease reliance on oil revenues. Additionally, it endeavors to curb

unsustainable fiscal policies and promote private sector expansion by enhancing liquidity management, implementing tax reforms, and adjusting subsidies. Moreover, expectations of sustained high oil prices in the medium term could support the financing of the economic transition towards sustainable, inclusive, and environmentally friendly growth.

Recent developments

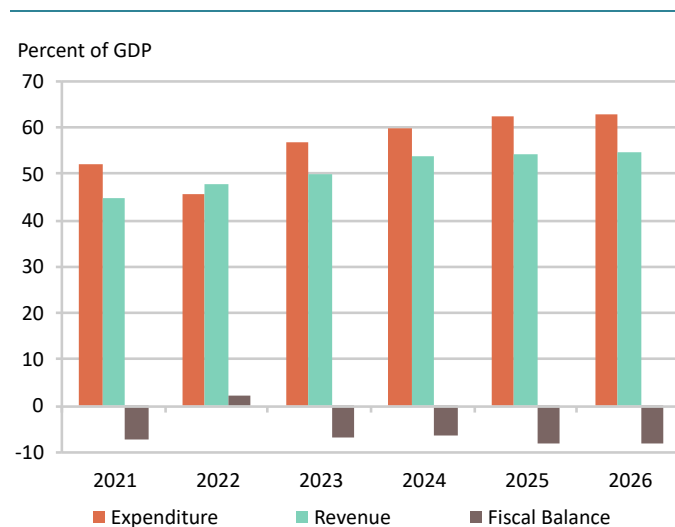
In 2023, economic growth significantly decelerated mainly due to OPEC+'s production quota cuts, and a global slowdown, resulting in an overall GDP decline of -0.1 percent. Annual oil output is estimated to have declined by 3.8 percent, affected by a 9 percent year-on-year decline in Q3 2023 only (for the second consecutive quarter), due to oil production cuts undertaken as part of Kuwait's OPEC+ obligations. Nonetheless, the economy benefitted from the expansion of the Al Zour oil refinery. The non-oil sector, however, showcased resilience, recording a 1.5 percent growth in Q2 2023, and expanded further by 2.8 percent in Q3 2023, leading to an estimated 3.3 percent in 2023. This was driven by both domestic and international demand, high oil prices, increased government expenditure, and the restart of projects disrupted by the pandemic. Tight monetary policy, coupled with slow economic growth and substantial government subsidies for food and energy, contributed to a containment of inflationary pressures to 3.6 percent in 2023,

FIGURE 1 Kuwait / Annual real GDP growth



Sources: Kuwait CSB, IMF WEO, and World Bank staff estimates.

FIGURE 2 Kuwait / Public finances



Sources: World Bank and IMF WEO.
Notes: Based on the fiscal year cycle (April to March 31). Fiscal balances exclude investment income and FGF transfers.

with a further decline to 3.3 percent observed in January 2024.

The fiscal account recorded a deficit of 6.8 percent of GDP (excluding investment income and the Future Generation Fund transfers), due to a 27 percent drop in revenue and a 55 percent surge in expenditures, primarily from increased salaries, grants, and subsidies spending in the first three quarters of FY2023-24.

The banking sector remains stable despite a slowdown and continues to be well-capitalized and liquid. Nonperforming loans are contained at a low level (1.7 percent in Q3-2023). In 2023, domestic credit growth decelerated to 1.7 percent from 7.7 percent in 2022, with a slight uptick of 0.9 percent in Q4 driven by strong credit for securities purchases and financial institutions, despite a significant decline in business and household credit. Following global trends and the US Federal Reserve (given the predominant role of the US dollar in the Kuwaiti Dinar's pegged basket), the central bank increased policy rates multiple times, from 1.5 percent in January 2022 and stabilizing at 4.25 percent as of January 2023, while maintaining reserves at comfortable levels of 4.6 months of import in first 3 quarters of 2023. The current account surplus declined to 29.3 percent of GDP in 2023 (down from 32.1 percent in 2022), owing to declining oil revenues and a reduction in global demand. Kuwait's labor market continues to recover from the impact of the pandemic, although

many indicators have not yet rebounded to their pre-pandemic levels. The labor force participation rate is projected at 71.3 percent in 2024 (ILO modelled estimates), below the projections for 2023 as well as the pre-pandemic rate. The employment-to-population ratio is projected at 69.9 percent in 2024, remaining about 1.6 percentage points lower than in 2019. Unemployment rates are projected to remain relatively steady in 2023 at 0.9 percent among men and 5.7 percent among women, still higher than the 2019 rates by 0.2 and 0.6 percentage points, respectively. Unemployment rate projections are especially high for young women (aged 15-24), at 28.7 percent for 2024.

Outlook

Economic growth is expected to recover to 2.8 percent in 2024, supported by expansionary fiscal policies, higher oil production, and increased output from Al Zour refinery. Oil output is expected to grow by 3.6 percent, as OPEC+ announces extension by mid-2024 of additional voluntary cuts (135 tb/d for Kuwait), with global oil prices remaining robust. An improvement in domestic credit is expected in 2024, driven by a sharp pick up in project awards, stable or declining interest rates, and the low base effect from 2023. The non-oil sector is projected to grow by 2.1 percent, but

still relatively elevated interest rates may restrain domestic consumption, preventing the economy from achieving its full potential. Moreover, ongoing political uncertainties may delay the implementation of new infrastructure projects and slow the pace of reform initiatives.

The fiscal deficit is projected to persist in the medium term, influenced by the current expansionary fiscal stance. In the absence of economic diversification, oil revenue remains the government's predominant source of income. To ensure fiscal stability and reduce procyclicality, it is key to further reduce oil revenue dependency and advance the Vision 2035 goals, alongside strengthening public financial management. Creating space for private sector activity, introducing VAT in alignment with other GCC countries), as well as other fiscal adjustments could broaden revenue sources and support the diversification agenda.

External accounts are expected to maintain a strong trade surplus at 22.7 percent of GDP in 2024, driven by oil exports. Benefits from the recovering tourism industry are expected to be offset by a deficit in services and increased payments to international contractors engaged in the Vision 2035 strategic development plan and 2024-2027 work plan. This is expected to trigger a gradual narrowing of the current-account surplus to 20.7 percent of GDP by 2026, down from an estimated 29.3 percent in 2023.

TABLE 2 Kuwait / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	1.3	7.9	-0.1	2.8	3.1	2.7
Private consumption	3.2	4.8	2.0	2.5	2.6	2.5
Government consumption	1.1	2.0	2.3	2.4	2.5	2.5
Gross fixed capital investment	3.9	4.4	1.8	2.5	2.9	2.3
Exports, goods and services	2.2	12.0	-1.9	3.1	3.2	3.2
Imports, goods and services	5.7	5.3	1.6	2.5	2.3	2.8
Real GDP growth, at constant factor prices	1.4	7.9	-0.1	2.8	3.1	2.7
Agriculture	0.5	1.1	0.1	1.1	1.1	1.2
Industry	2.2	8.3	0.2	3.3	3.3	3.3
Services	0.4	7.3	-0.6	2.1	2.8	1.9
Inflation (consumer price index)	3.4	4.0	3.6	3.0	2.6	2.4
Current account balance (% of GDP)	23.9	32.1	29.3	22.7	21.9	20.7
Fiscal balance (% of GDP)^a	-7.2	2.2	-6.8	-6.3	-8.0	-8.0
GHG emissions growth (mtCO₂e)	10.7	6.1	1.4	5.0	6.7	6.9
Energy related GHG emissions (% of total)	68.0	68.1	66.8	66.5	66.7	66.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Based on fiscal year cycle (April to March 31). Fiscal balances exclude investment income and FGF transfers.

LEBANON

Table 1 **2023**

Population, million	5.4
GDP, current US\$ billion	17.9
GDP per capita, current US\$	3350.3
National poverty rate ^a	27.4
Gini index ^a	31.8
Life expectancy at birth, years ^b	75.0
Total GHG emissions (mtCO ₂ e)	23.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2011).
b/ Most recent WDI value (2021).

In Q4 2023, Lebanon was hit by yet another large shock: the spillover effects from the conflict in the Middle East centered in Gaza. The escalation in military confrontation in southern Lebanon has caused substantive infrastructural damage, and primarily affected the tourism and agriculture sectors, further weighing down on Lebanon's crisis-ridden economy, amidst prolonged political paralysis. With the ongoing conflict the economy is expected to have contracted by 0.2 percent in 2023. Subject to high uncertainty, and assuming a cessation of clashes in H2-2024, real GDP growth is projected at 0.5 percent for 2024.

Key conditions and challenges

Military confrontation between Lebanon and Israel has been escalating and widening in South Lebanon since October 2023, resulting in hundreds of casualties and injuries, and mass displacement of close to 90,000 individuals in Lebanon. Tens of thousands of households in South Lebanon have lost their livelihoods, and hundreds of houses have been destroyed amid massive destruction to local infrastructure. Agricultural lands in the south have suffered substantial damage, burning and contamination. For a tourism dependent economy, the shock to tourism that started in Q4 of 2023 has knock-off effects for economic growth.

The conflict is further weighing on Lebanon which remains mired in a crippling socio-economic crisis, amidst political and institutional vacuum. A presidential vacuum since October 2022, a caretaker government with restricted executive powers, an interim central bank governor, limited legislative action by parliament, and no political appetite to undertake urgent reforms necessary to get the country out of the four-year-old unprecedented crisis, all contribute to a bleak outlook on sustainable economic recovery.

Food insecurity is on the rise in Lebanon, with average annual and food inflation rates soaring in recent years. The gradual removal of foreign exchange subsidies on food has led to significant increases in food

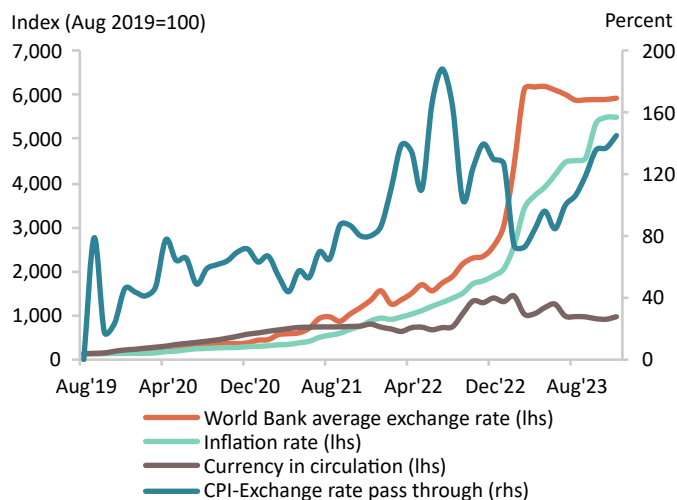
prices, which were further exacerbated by the war in Ukraine. Almost two-thirds of households surveyed in early 2023 reported having to reduce their food purchases compared to pre-crisis 2019, with many relying on less preferred or cheaper food options. Close to a third of households have had to cut back on meals or limited adult consumption to feed children, with Syrian refugee households being disproportionately affected. Recent surveys by Gallup and Arab Barometer further confirm the severity of the situation, with a high percentage of households running out of food or lacking money to buy more, and many children going to bed hungry or skipping meals.

Recent developments

After four years of sharp contraction, equivalent to 33.7 percent of real GDP between 2018-2022 and marking one of the worst economic downturns in modern history, the pace of Lebanon's contraction in economic activity decelerated to 0.2 percent in 2023. Prior to the conflict, a slight economic expansion of 0.2 percent was projected for 2023, in part driven by strong tourism receipts in the first 9 months of the year. The continued contraction in economic activity is primarily driven by the sharp shock to tourism spending undermining consumption growth, compounded by reduced business activity, and a disruption to trade activity, all materializing in Q4 of 2023.

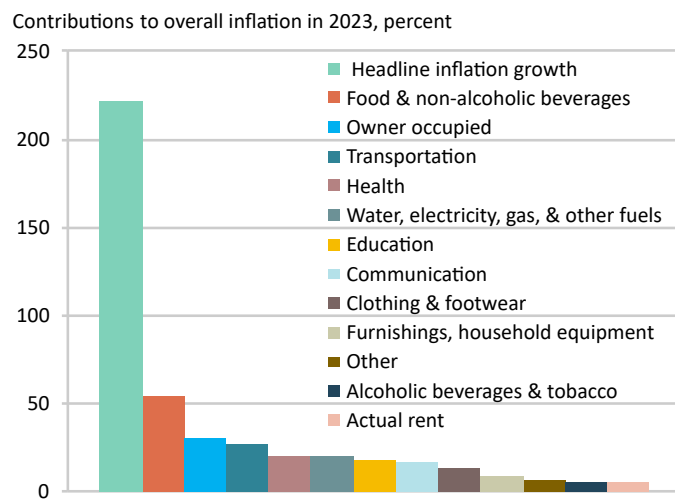
Increased revenue, resulting from the correction of exchange rate mis-valuations

FIGURE 1 Lebanon / Exchange rate depreciation drives the surge in inflation



Sources: Lebanese authorities and World Bank staff calculations.

FIGURE 2 Lebanon / Inflation in basic items has been a key driver of overall inflation, hurting the poor and the middle class



Sources: Lebanese authorities and World Bank staff calculations.

for customs and taxes, coupled with expenditure restraints in the absence of a ratified budget and monetary financing, resulted in a fiscal surplus of 0.5 percent of GDP in 2023. Revenues are estimated to have increased from 6.1 percent of GDP in 2022 to 15.3 percent of GDP in 2023 thanks to revenue mobilization measures in the 2022 budget which materialized in 2023 and the decision to collect port and airport fees in US\$ starting in 2023. The new BdL management's halt of decades long monetary financing of the budget in the second half of 2023, has also supported the overall fiscal and primary surplus. Parliament ratified the 2024 government budget in February 2024, within the constitutional deadline for the first time in two decades. The 2024 government budget projects a zero fiscal balance, with revenues and expenditures at 17.3 percent of GDP. The fiscal balance, however, does not take into account past arrears and foreign currency loans of the government. In essence, the budget 2024 represents a missed opportunity to enact much needed comprehensive change to deficient budget processes and fiscal policy. The ratified budget remains a simple summation of the cost of inputs for each of the ministries, and a compilation of regressive tax revenues, as tax revenues constitute 79 percent of total revenues, of which 76 percent are indirect taxes. After losing more than 98 percent of its value since the onset of the crisis, the

Lebanese pound has stabilized at an exchange rate of 89,700 LBP/US\$ since mid-2023, in tandem with the change in BdL management. The stabilization of the exchange rate is primarily owed to (i) the stoppage of the Sayrafa platform (the main platform used for foreign exchange interventions by the central bank) in July 2023, (ii) an increase in foreign exchange inflows from tourism and remittances for the most of 2023, and a (iii) a decrease in currency circulation which is easing exchange rate pressures. Central bank gross reserves (liquid reserves) have increased by US\$883 million in the last five months of 2023, primarily driven by the halt of the Sayrafa platform and BdL purchases of US\$ supply from foreign currency inflows. Inflation accelerated to 221.3 percent in 2023, primarily on account of the steep depreciation of the LBP in the first half of 2023. The exchange rate stabilization in the second half of 2023 has, however, steadily decreased month-to-month inflation to an average of 1.2 percent between August and December 2023 (excluding October that witnessed a more than six-fold increase in the education CPI component); this supports a positive outlook for decelerating inflation in 2024. The current account (CA) deficit is projected to narrow to 11 percent of GDP in 2023, following a dramatic increase to 32.7 percent of GDP in 2022. The estimated contraction in the CA deficit, from US\$6.9 billion in 2022 to US\$2 billion in 2023, has

been driven by a narrowing trade-in-goods deficit. According to customs data, imports of goods have decreased by 9.4 percent (yoy) in 7M-2023. A 10 percent of GDP surplus in trade-in-services, primarily driven by tourism receipts in the first three quarters of 2023, also contributed to a lower CA deficit.

Outlook

As the country adjusts to a volatile security situation, and assuming a cessation of hostilities in 2024 H2, real GDP growth is projected at 0.5 percent in 2024. Growth in private consumption supported by tourism, remittances and a stabilization in private sector activity will underpin a continued yet volatile bottoming out of the economy and drive modest growth in 2024. Because tourism tends to be volatile and subject to external and internal shocks (the spillover of the current conflict being a case in point), the sector cannot substitute for more sustainable and diverse drivers of growth. Without a crisis resolution plan, and a new sustainable growth model, further erosion of the country's physical, human, social, and natural capital stock is likely. As the components of the CPI basket are increasingly dollarized, inflation is projected to decrease in 2024 to double digits at 83.9 percent.

TABLE 2 Lebanon / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f
Real GDP growth, at constant market prices	-7.0	-0.6	-0.2	0.5
Private consumption	2.1	2.3	0.2	0.4
Government consumption	-76.0	34.9	-18.4	1.5
Gross fixed capital investment	-67.6	-88.6	-57.9	-18.1
Exports, goods and services	13.1	0.3	2.8	-0.9
Imports, goods and services	-12.2	3.5	-0.3	-0.6
Real GDP growth, at constant factor prices	-5.3	-0.6	-0.2	0.5
Agriculture	-7.1	-0.8	0.5	0.5
Industry	-6.9	-0.6	0.7	-0.2
Services	-4.9	-0.6	-0.4	0.7
Inflation (consumer price index)	150.0	171.2	221.3	83.9
Current account balance (% of GDP)	-12.5	-32.7	-11.0	-10.4
Net foreign direct investment inflow (% of GDP)	8.5	0.8	0.6	1.5
Fiscal balance (% of GDP)	0.9	-2.9	0.5	0.0
Revenues (% of GDP)	7.5	6.1	15.3	17.3
Debt (% of GDP)	172.5	179.7	201.2	180.4
Primary balance (% of GDP)	1.8	-2.5	1.6	0.4
GHG emissions growth (mtCO₂e)	-16.6	-6.1	3.2	-3.8
Energy related GHG emissions (% of total)	68.5	68.6	73.2	72.5

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

LIBYA

Table 1 **2023**

Population, million	6.9
GDP, current US\$ billion	50.5
GDP per capita, current US\$	7327.2
School enrollment, primary (% gross) ^a	106.9
Life expectancy at birth, years ^a	71.9
Total GHG emissions (mtCO ₂ e)	99.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2021).

Challenges in deploying a unified and effective State response to the devastating floodings in the eastern part of the country in September 2023 have highlighted Libya's fragilities. Competition over the control of the oil wealth and rent seeking continue to weaken the health of the economy and citizen trust. Libya's key challenges remain to find a peaceful resolution of the political divisions, improve the transparent and effective management of the oil wealth, and rebuild and diversify the economy.

Key conditions and challenges

The devastation of part of Libya's eastern coastal region caused by storm Daniel and the floodings led to a moment of national solidarity but did not trigger more lasting political reconciliation and consensus. The effectiveness of the authorities' response quickly ran into political divisions and two distinct reconstruction funds were announced by the parallel governments.

More recently influential Libyan political leaders from both the eastern and western parts of the country and some geopolitical leaders are renewing efforts to unlock the country's political deadlock through the formation of an interim government to organize elections. Diplomatic efforts from the United Nations and geopolitical leaders have also increased discussions with the internationally recognized Government of National Unity which rejects the formation of a caretaker government.

The Libyan economy is dominated by the hydrocarbon sector and remains undiversified with a bloated public sector. The oil and gas sector represents 60 percent of GDP, 94 percent of goods and services exports, and 97 percent of total government revenues in 2023. The private sector is underdeveloped and employs less than 14 percent of the workforce.

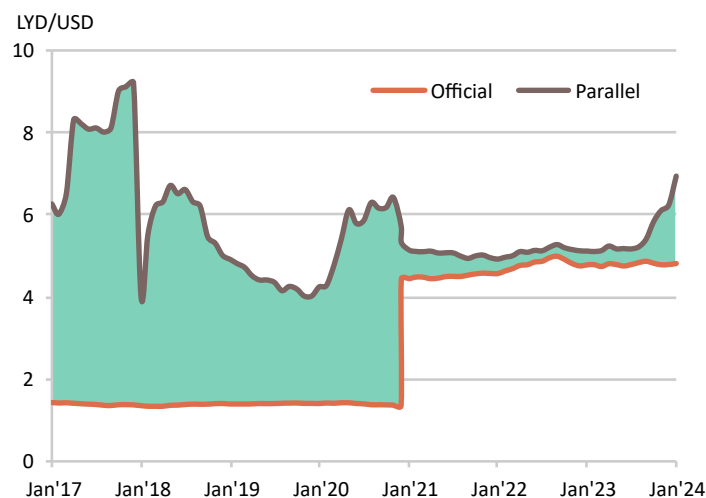
Social conditions have deteriorated over the past years due to high unemployment,

low labor force participation, income disparities, and poor public infrastructure and services. Only half of the working-age population is active in the labor market and mostly engaged in the public sector (44 percent). The unemployment rate is estimated at 15.3 percent (National Labor Force Survey 2022), with higher rates among women and youth (18.4 and 23.1 percent respectively). While no official poverty estimates are available yet, the average monthly household consumption expenditure is 3094 libyan dinar or about US\$645 according to the recently released Household Consumption Survey (2023). Reported consumption inequality, measured by a Gini coefficient of 0.31, is slightly lower than income inequality at 0.33 (Household Consumption Survey 2023). Access to basic services such as water has become more challenging, particularly in the aftermath of the floods in Derna and groundwater upsurge in Zliten.

Recent developments

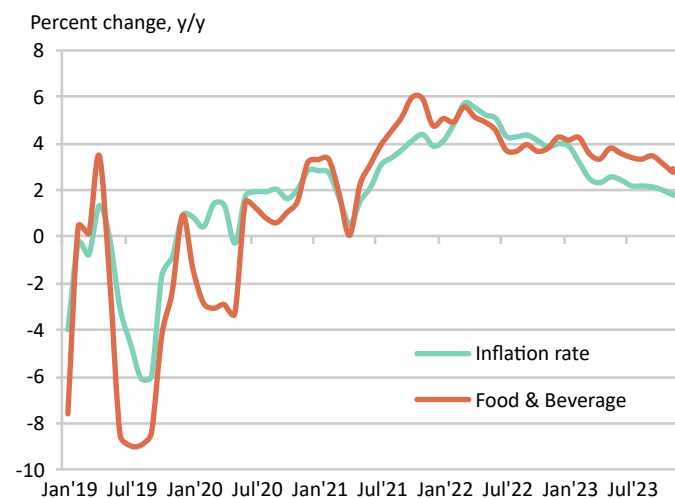
The Libyan GDP at factor prices grew by 10.5 percent in 2023 mainly driven by the hydrocarbon sector. Oil production increased by 11 percent on an annual basis to 1.18 million bpd thanks to the improved security conditions and limited disruptions from the Derna floodings, the resumption of activities by several companies, higher financing for investment and maintenance for the National Oil Company as well as exemption from the Organization

FIGURE 1 Libya / LYD/USD exchange rate in the official and parallel markets



Source: Central Bank of Libya.

FIGURE 2 Libya / Official inflation rate in the region of Tripoli



Sources: Central Bank of Libya and World Bank staff calculations.

of the Petroleum Exporting Countries (OPEC) output cuts.

External surpluses have narrowed in 2023 driven by lower global oil prices. During the initial ten months of 2023, the trade surplus contracted by 56 percent in nominal terms compared to the same period in 2022 as export revenues dropped by 44 percent and imports fell by 27 percent.

According to official figures, inflation eased from 4.6 to 2.3 percent between 2022 and 2023. Inflation remains mainly driven by food prices which affects more poor and vulnerable households. While the dinar was overall stable in nominal terms in 2023, the gap between the official and parallel market rates has widened since October 2023. The gap reached 27 and 43 percent in December 2023 and February 2024 respectively, in comparison to 7 percent on average during the first nine months of 2023. The widening gap is driven by higher demand for foreign exchange fueled by weak fiscal discipline and high public spending, trade and financial policies deficiencies translating into large informal and illicit trade. In March 2024, the Central Bank of Libya (CBL) announced the introduction of a tax on FX sales of 27 percent.

The GNU budget was overall balanced in 2023 with a deficit of 0.1 percent of GDP. Government revenues dropped by 6 percent in nominal terms compared to 2022 while spending decreased by 1.7 percent despite a 26 percent increase of the wage bill. In 2023, the GNU transferred an extra budgetary allocation of 11 percent of GDP to the NOC and General Electricity Company of Libya (GECOL). The public wage bill, subsidies, and social transfers represent respectively 51 and 16 percent of government spending. Notwithstanding oil revenues and fuel subsidies are under-represented since 2021 when the NOC established a barter system oil for fuel.

Outlook

The Libyan economy is expected to grow between 4.8 and 5.8 percent over 2024-2026 assuming overall political and oil sector stability is maintained. On the demand side, growth would be driven by government spending and investment. A public investment rebound

is also expected assuming at least part of a reconstruction program is implemented under agreed political and institutional arrangements.

Inflation is projected to stabilize at 2.4 percent in 2024 and 2025 thanks to less volatile global commodity prices and progress toward the full reunification of the central bank.

On the fiscal front, the Budget of the GNU is expected to be nearly balanced as improved government revenues are counter-balanced by more spending on wages and subsidies and part of the needed reconstruction. The current account surplus is projected to stabilize at around 26-28 percent of GDP during the 2024-2026 period assuming oil production stabilizes.

This outlook is subject to significant uncertainty and downside risks. Recent social unrests in January 2024 in southern Libya and threats to shut down oil fields across the country by the Petroleum Facility Guards (PFG) in February 2024, along with clashes in Tripoli, highlight the fragility of the situation. Prospects for political stability and consensus remain uncertain but would be a major upside for the Libyan economy and citizens.

TABLE 2 Libya / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	153.5	1.3	-1.7	4.8	5.3	5.8
Private consumption	136.8	-4.2	-12.8	2.8	4.5	4.1
Government consumption	41.6	23.2	-2.2	3.9	5.4	7.2
Gross fixed capital investment	255.2	5.5	-19.6	8.4	1.6	-1.1
Exports, goods and services	126.1	-19.9	7.1	5.8	6.8	7.1
Imports, goods and services	46.6	-13.9	-16.5	5.4	5.7	5.2
Real GDP growth, at constant factor prices	114.5	2.4	10.5	4.8	5.3	5.8
Agriculture	6.0	10.0	6.8	4.0	6.0	4.0
Industry	223.0	-12.1	12.5	5.1	5.7	6.3
Services	28.8	32.4	7.8	4.4	4.7	5.1
Inflation (consumer price index)	2.8	4.6	2.3	2.5	2.4	2.9
Current account balance (% of GDP)	11.9	22.1	24.6	26.3	28.0	28.5
Fiscal balance (% of GDP)	9.2	2.1	-0.1	-0.1	-0.7	-2.2
Revenues (% of GDP)	49.0	49.6	51.7	51.6	52.9	52.2
Debt (% of GDP)	72.5	57.6	54.5	58.1	62.2	58.9
Primary balance (% of GDP)	9.2	2.1	-0.1	-0.1	-0.7	-2.2
GHG emissions growth (mtCO₂e)	68.9	-10.1	-13.0	4.0	13.4	11.4
Energy related GHG emissions (% of total)	58.8	60.9	62.6	62.4	61.1	62.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

MOROCCO

Table 1 **2023**

Population, million	37.8
GDP, current US\$ billion	143.1
GDP per capita, current US\$	3782.4
National poverty rate ^a	4.8
Lower middle-income poverty rate (\$3.65) ^a	9.8
Gini index ^a	39.5
School enrollment, primary (% gross) ^b	114.2
Life expectancy at birth, years ^b	74.0
Total GHG emissions (mtCO2e)	90.5

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2014).
 b/ WDI for School enrollment (2022); Life expectancy (2021).

Economic growth has accelerated thanks to a partial recovery of agricultural output, solid manufacturing and services exports, and supportive macroeconomic policies. But the country faces adverse labor market dynamics as the private sector is still recovering from recent shocks and a five-year long drought is destroying rural jobs. Limited employment opportunities and eroded real disposable incomes due to the recent inflationary surge are likely to have negative impacts on welfare, which will be partly mitigated by ongoing social protection reforms.

Key conditions and challenges

Despite a challenging global environment, Morocco is leveraging its presence in international markets. Dynamic manufacturing and services exports together with workers' remittances are contributing to a pronounced improvement in the current account balance. The succession of greenfield FDI projects announced in recent months suggests that Morocco has become increasingly attractive for foreign investors. Low sovereign spreads and a stable currency are additional signs of the confidence instilled by the Moroccan economy.

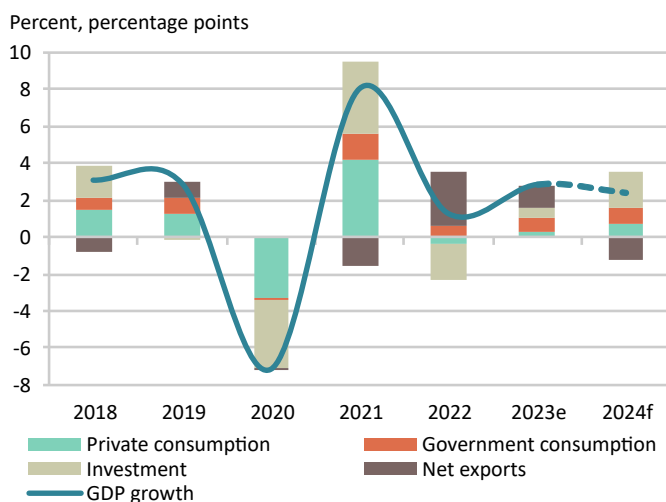
Yet, the private sector still lacks the dynamism that would be required to meet the landmark targets of the New Development Model. Estimated potential growth is half of that which would be needed to double per capita income levels by 2035. Gross capital formation continues to be led by the public sector, while domestic private investment is still recovering from recent shocks. The performance of labor markets remains underwhelming, with a spike in unemployment and a sustained increase of inactivity that disproportionately affects women and the youth. Although the recent inflationary shock is subduing, labor income losses, especially in rural areas, could have a negative impact on households' purchasing power and welfare.

After five consecutive years of drought, water scarcity is posing a growing threat to the Moroccan economy and society. Rainfall has remained well below historical averages since 2019, reducing dams' filling rates to little over 25 percent and aggravating the overexploitation of underground water sources. The government is responding to the looming water crisis with the deployment of new infrastructure, including desalination plants. It is also imposing water restrictions on irrigated agriculture and other activities, which may need to be tightened if climatic conditions do not improve.

Recent developments

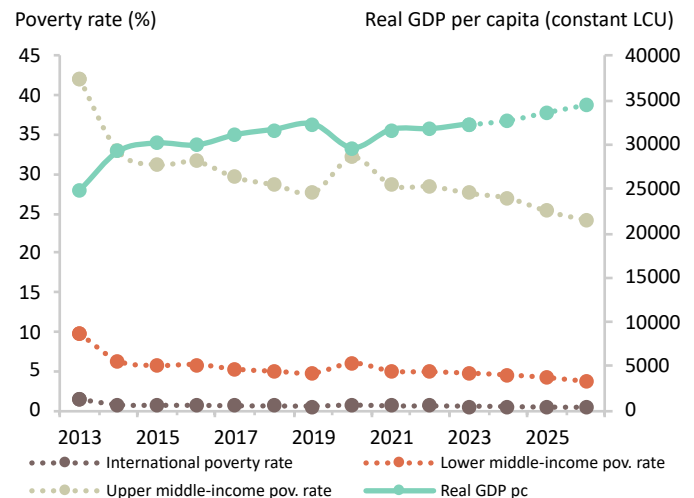
The expansion of the agricultural sector owing to a base effect and the strong performance of tourism-related services have pulled real GDP growth to 2.8 percent in 2023. Although some export-oriented niches are growing at double digits, industrial growth has been dampened by the contraction of phosphates - fertilizers and the construction sector. On the demand side, growth has been pulled by net exports and (mostly public) investment. After contracting in 2022, private consumption increased moderately in 2023 supported by a decline in inflation from 10.1 percent in February 2023 to 2.3 percent in January 2024. In the context of weakening price pressures, the central bank has maintained the monetary policy rate unchanged at 3 percent since March 2023, back in positive territory in real terms.

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



Sources: HCP and World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

The current account deficit declined from 3.5 to 0.4 percent of GDP due to a rebound of tourism inflows, a 27.5 percent expansion of automobile and electronics exports, lower energy prices, and strong remittances. Gross FDI inflows contracted by 17.8 percent, to 2.2 percent of GDP, but new greenfield investment projects continue to be announced.

The budget deficit declined from 5.4 to 4.3 percent of GDP in 2023. An emergency plan for the water sector and ongoing social sector reforms are exerting pressures on public spending, which increased by 5.8 percent in 2023. But this was more than offset by the dynamism of tax and especially non-tax revenues originating from asset monetization operations.

Despite rising economic growth, the labor force participation rate decreased to 43.6 percent in 2023 (-0.7 p.p), with a gender gap of 50 p.p. Unemployment increased to 13 percent. Although most of the job losses are in rural, non-remunerated activities, unemployment is concentrated among the educated urban youth. Losses in labor income may explain the drop in household confidence, at its lowest level since 2008. Households lament a worsening of living conditions due to high food prices and the deterioration of public services, education in particular.

Outlook

Real GDP growth is projected to decline to 2.4 percent in 2024 and to accelerate to 3.7 percent in 2025. The agricultural sector is expected to contract by 2.8 percent, as unusually dry and warm conditions are compromising key crops. On the contrary, the manufacturing sector is expected to accelerate to 2.3 percent, supported by the continued momentum of the automotive and electronic industry, an improved performance of phosphates and fertilizers, and a more dynamic construction sector pulled by new programs of direct financial support to home-buyers and the post-earthquake reconstruction effort. The services sector is expected to slow moderately (to 3.7 percent), as tourism begins to revert to long-term growth patterns. On the demand side, private consumption is projected to gradually firm-up, supported by milder inflationary pressures.

The current account deficit is projected to widen to 2 percent of GDP as domestic demand recovers and cereal imports increase. It will continue to be financed by long-term official debt and FDI inflows, which are expected to increase as the recently announced projects begin to

materialize. The solid progression of tax and non-tax revenues will allow the government to maintain the budget deficit on a downward trend despite a solid growth of public spending pulled by social sector reforms and ongoing water investments. This would allow public debt to slightly decline over time (as a ratio of GDP).

The balance of risks remains tilted to the downside. A continuation of the drought would depress agricultural output and potentially affect other sectors. More geopolitical tensions could adversely affect Morocco's terms-of-trade and slow the disinflation process. The ongoing fiscal consolidation increasingly relies on asset monetization operations that create a stream of future payment obligations from the State.

In 2023, poverty fell to its pre-covid levels and will continue to slowly decrease in 2024, despite the announced negative performance of the agricultural sector. At the national level, the new direct cash transfer program, better targeted and more generous than the previous ones, will at least partly compensate welfare losses from price rises and rising inactivity. However, for the growth process to be more inclusive and resilient, a more intense job creation is more than ever needed, especially for women and youth.

TABLE 2 Morocco / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	8.0	1.3	2.8	2.4	3.7	3.3
Private consumption	6.9	-0.7	0.5	1.3	2.1	2.3
Government consumption	7.2	3.3	3.6	4.6	4.1	3.6
Gross fixed capital investment	7.6	-2.2	6.3	4.4	4.6	4.9
Exports, goods and services	7.9	20.4	10.8	7.6	8.3	8.1
Imports, goods and services	10.4	9.0	6.4	8.8	6.3	7.0
Real GDP growth, at constant factor prices	7.8	1.0	3.1	2.4	3.7	3.3
Agriculture	19.0	-12.7	6.7	-2.8	8.1	0.7
Industry	7.1	-1.7	-0.4	2.3	2.5	3.1
Services	5.8	5.4	4.0	3.7	3.3	4.2
Inflation (consumer price index)	1.4	6.6	6.1	2.2	2.4	2.1
Current account balance (% of GDP)	-2.3	-3.5	-0.4	-2.0	-2.4	-2.1
Net foreign direct investment inflow (% of GDP)	1.1	1.2	0.1	1.0	1.1	1.2
Fiscal balance (% of GDP)	-6.0	-5.4	-4.3	-4.1	-3.5	-3.0
Revenues (% of GDP)	25.3	28.7	28.6	28.3	27.4	26.8
Debt (% of GDP)	69.5	71.6	70.6	70.2	69.5	68.4
Primary balance (% of GDP)	-3.7	-3.2	-2.2	-1.6	-1.0	-0.5
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	0.6	0.6	0.6	0.5	0.4	0.4
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	5.0	4.9	4.7	4.5	4.2	3.7
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	28.7	28.5	27.6	27.0	25.4	24.2
GHG emissions growth (mtCO₂e)	5.4	-0.7	0.5	1.0	2.7	2.7
Energy related GHG emissions (% of total)	74.7	74.7	74.6	74.8	75.4	75.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2013-ENCDM. Actual data: 2013. Nowcast: 2014-2023. Forecasts are from 2024 to 2026.

b/ Projection using neutral distribution (2013) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

OMAN

Table 1 **2023**

Population, million	4.6
GDP, current US\$ billion	108.2
GDP per capita, current US\$	23295.3
School enrollment, primary (% gross) ^a	90.1
Life expectancy at birth, years ^a	72.5
Total GHG emissions (mtCO ₂ e)	125.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2022); Life expectancy (2021).

Oman's economy continues to perform well, supported by favorable oil prices and a commitment to the economic diversification program, in line with the country's Vision 2040. Concerted efforts are underway to catalyze private investment, including through Oman Investment Authority (OIA). The government's commitment to keep the fiscal position under control and use the oil revenues to lower public debt signals a commitment to fiscal discipline and has prompted a credit rating upgrade. Economic growth is expected to improve slightly in 2024, but downside risks to the outlook include oil market volatility, climate change risks, and potential indirect spillovers from the ongoing conflict in the Middle East.

Key conditions and challenges

Economic activity slowed down in 2023 on the back of OPEC+ output cuts, but a gradual recovery is underway, driven by non-hydrocarbon sectors notably in agriculture, construction, and services. Higher energy prices, and prudent fiscal management under the Medium-Term Fiscal Plan (MTFP) and Vision 2040, have together boosted the fiscal and external positions. The hydrocarbon windfalls were also wisely utilized to reduce government debt in 2023 by almost half of its peak of almost 68 percent of GDP in 2020.

The government continues to advance governance and efficiency reforms. In January 2024, it has revealed plans to boost the economy through the launch of the Oman Future Fund by Oman Investment Authority (of OMR2 billion/US\$5.2 billion), with an ambition to attract foreign investment and boost investments in local small and medium-sized enterprises (SMEs). Furthermore, Oman is prioritizing investments in renewable energy and green hydrogen projects, in support of the country's energy transition goals and to meet its target of deriving 20 percent of the total energy generation from renewable sources by 2030.

Notwithstanding the existence of sizable buffers, government revenue, export proceeds, and the debt trajectory remain closely tied to oil market developments, as the hydrocarbon sector continues to play a

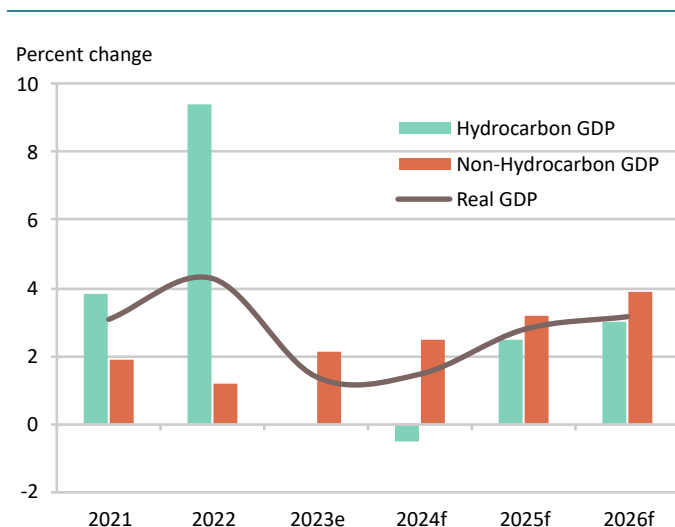
major role in the economy. Key risks to the outlook arise from oil prices volatility, which could pose significant challenges to the fiscal and external accounts and disrupt the government's reform program. This is in addition to geopolitical risks associated with a potential escalation of the conflict in the Middle East. On the upside, higher oil production and prices, coupled with additional fiscal and diversification measures, could spur growth and strengthen fiscal and external positions. Steadfast implementation of the new social protection and labor laws would promote private sector-led growth and boost female labor force participation.

Recent developments

Real GDP growth is estimated to have decelerated to 1.4 percent in 2023, down from 4.3 percent in the previous year, reflecting the oil output cuts to adjust to the OPEC+ quotas. In the first nine months of 2023 (9M-2023), real growth reached 2 percent, with the non-hydrocarbon sectors growing by 2.7 percent and compensating for the slowdown in the hydrocarbon sector (0.5 percent). Average headline inflation eased from 2.8 percent in 2022 to 0.9 percent in 2023, contained by subsidies on basic food items and domestic petroleum prices.

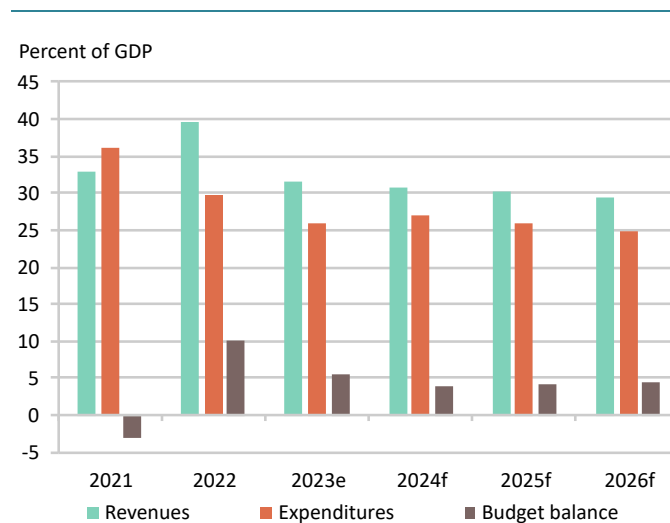
Fiscal revenues declined by 17 percent in the first ten months of 2023 (10M-2023), due to the decline in hydrocarbon revenues. In parallel, public spending declined by 16 percent during the same period, reflecting a drop in public debt

FIGURE 1 Oman / Real annual GDP growth



Sources: Oman authorities, World Bank staff projections, and IMF projections.

FIGURE 2 Oman / General government operations



Sources: Oman authorities and World Bank staff projections.

service costs as well as the removal of gas purchase and transport expenses from the state's general budget, which were transferred to the Integrated Gas Company. Accordingly, Oman's overall fiscal surplus declined to 2 percent of GDP during 10M-2023, down from over 2.7 percent of GDP during the same period of 2022. The lower hydrocarbon revenues are estimated to limit the scope for larger declines in the debt-to-GDP ratio. With the repayment of government debt, credit rating agencies Fitch and S&P upgraded Oman's rating to "BB+" from "BB".

The trade balance surplus narrowed to US\$20 billion (18.7 percent of GDP) by end-2023, compared to over US\$27 billion (31 percent of GDP) in 2022, as hydrocarbon receipts contracted by almost 17 percent. Gross foreign assets remain sizable at US\$17.5 billion by end-2023.

Based on the latest ILO modelled estimates, the labor force participation rate and employment-to-population ratio are projected to reach 68.7 percent and 67.7 percent respectively in 2024, slightly above the level projected in 2023. The

unemployment rate is projected at 1.5 percent. According to the most recent monthly statistical bulletin, the rate of job seekers among women aged 25-29 was 20 percent in December 2023 (6.7 percentage points lower relative to December 2022), while the rate of job seekers among men aged 25-29 in that same period was 2.4 percent (0.3 percentage points higher relative to December 2022).

Outlook

Oman's economic outlook remains favorable, with real growth expected to reach 1.5 percent in 2024, driven by increased gas production and diversification efforts. These include efforts to further improve the business environment, support the role of SMEs in the economy, and accelerate investments in renewable energy and green hydrogen. The newly issued tourism law is expected to attract FDIs to promote regional development in the country and improve the sector's competitiveness.

Growth is expected to further accelerate over the medium term supported by global demand recovery, increased investment in non-hydrocarbon sectors and renewable energy. Inflation is forecast to converge to 2 percent over the medium term, helped by the stabilizing effect of the currency peg to the U.S. dollar.

Despite relatively moderate hydrocarbon prices during the forecast period, continued fiscal discipline will keep Oman's overall fiscal balance in comfortable surplus, exceeding 4 percent of GDP in 2024-26. Accordingly, public debt is expected to continue its downward trajectory over the medium term.

Similarly, the current account is projected to remain in surplus over the medium term, as hydrocarbon and nonhydrocarbon revenues rise. This will help Oman rebuild its foreign reserves and improve the country's resilience against oil market fluctuations and external shocks. Oil market volatility, tighter-than-needed global financial conditions, climate change risks, and the impact of heightened geopolitical tensions are key risks to the outlook.

TABLE 2 Oman / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	3.1	4.3	1.4	1.5	2.8	3.2
Private consumption	6.8	4.2	1.8	2.2	2.8	2.6
Government consumption	0.9	3.1	1.1	1.8	1.7	2.4
Gross fixed capital investment	-1.5	3.8	3.0	3.5	3.1	3.0
Exports, goods and services	14.2	13.0	1.2	1.9	3.5	3.4
Imports, goods and services	2.7	7.6	4.3	4.7	3.3	2.5
Real GDP growth, at constant factor prices	3.1	4.4	1.4	1.5	2.8	3.2
Agriculture	9.0	-9.7	2.7	1.3	1.5	1.4
Industry	1.1	5.1	0.2	1.8	2.1	2.3
Services	5.4	4.4	2.9	1.1	3.7	4.3
Inflation (consumer price index)	1.5	2.8	0.9	1.6	2.0	2.0
Current account balance (% of GDP)	-5.4	5.0	2.8	2.9	2.6	2.4
Net foreign direct investment inflow (% of GDP)	8.6	4.0	5.6	3.4	3.6	3.8
Fiscal balance (% of GDP)	-3.1	10.1	5.6	3.8	4.3	4.5
Revenues (% of GDP)	33.0	39.7	31.5	30.7	30.1	29.5
Debt (% of GDP)	61.3	39.9	37.6	35.4	33.1	31.9
Primary balance (% of GDP)	0.0	12.5	8.2	6.4	6.8	6.9
GHG emissions growth (mtCO₂e)	4.1	6.6	4.9	3.5	4.4	0.0
Energy related GHG emissions (% of total)	71.5	72.6	73.3	73.7	74.5	74.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

PALESTINIAN TERRITORIES

Table 1 **2023**

Population, million	5.1
GDP, current US\$ billion	17.5
GDP per capita, current US\$	3401.8
Upper middle-income poverty rate (\$6.85) ^a	20.5
Gini index ^a	33.7
School enrollment, primary (% gross) ^b	91.8
Life expectancy at birth, years ^b	73.5

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2016), 2017 PPPs.
 b/ WDI for School enrollment (2022); Life expectancy (2021).

Since October 2023, the Palestinian economy has experienced one of the largest shocks recorded in recent economic history. In Gaza, the loss of life, the speed and extent of fixed assets damage, and the reduction in production flows are unparalleled. The knock-on effects in the West Bank include massive job losses and a spiraling fiscal crisis for the Palestinian Authority, leading to further cuts and delays in public salary payments. The outlook is tied to the conflict's evolution and level of future restrictions imposed by Israel.

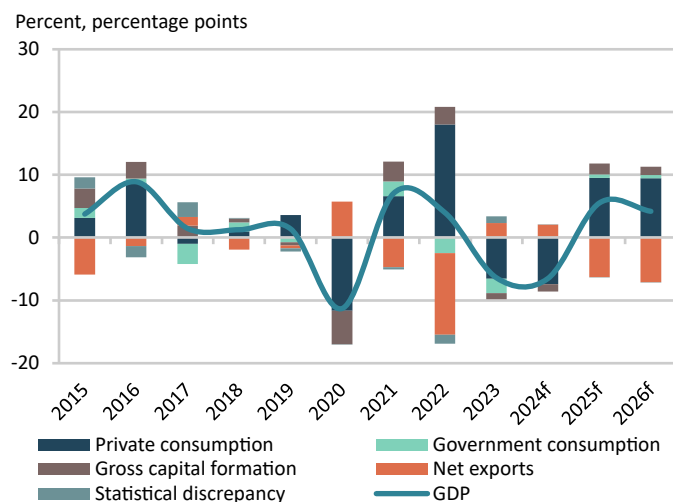
Key conditions and challenges

From 2017 to 2022, the Palestinian economy barely grew, with an average annual real GDP growth of 0.6 percent. Economic potential has been principally curtailed by the restrictions stemming from the Israeli occupation which, according to Israel, are in place for security reasons. A combination of depressed aid inflows, COVID-19, low private capital attraction, incomplete reform efforts by the Palestinian Authority (PA), and the internal divide between the West Bank and Gaza, also contributed to economic stagnation. Before the onset of the ongoing conflict, the Palestinian economy was already slowing, especially in Gaza reflecting an Israeli decision restricting Gazan fish sales in the West Bank, since August 2022. In a context of weak growth outcomes, high unemployment, dwindling foreign aid, and no access to traditional economic policy instruments, the fiscal situation in the Palestinian territories has steadily deteriorated over the years. Income per capita trends have been highly heterogeneous, across the territories. In 2022, the GDP per capita in Gaza was US\$1,253 - approximately a quarter of the West Bank's at US\$4,491. Poverty has followed a similar trend as according to the latest national household survey from 2016/17, almost half of the Gaza population lived below the upper-middle income poverty line (\$6.85 2017 PPP a day), compared to less than 10 percent in the West Bank.

Recent developments

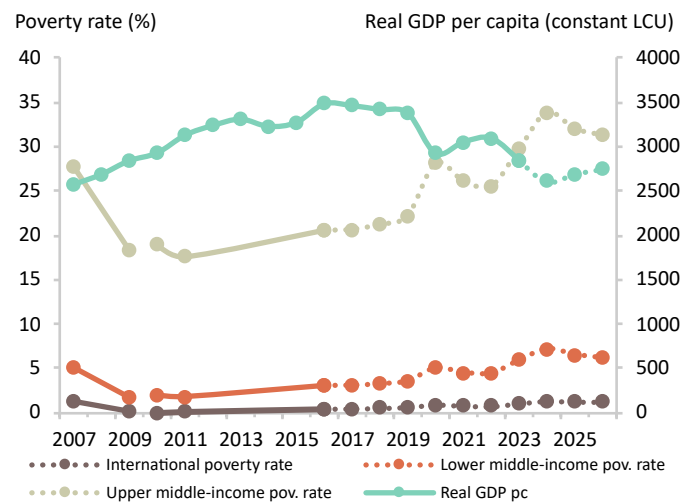
Since the onset of the conflict on October 7, activity in Gaza has come to a near-complete stop: GDP declined by 86 percent in the fourth quarter (Q4) of 2023. Simultaneously, additional movement and access restrictions imposed by Israel within the West Bank heavily dampened demand resulting in an estimated 22 percent contraction of the West Bank's GDP in Q4 2023. The pre-conflict projection by the World Bank, forecasting a 3.2 percent real GDP growth for the Palestinian economy in 2023, turned into a 6.4 percent contraction. The destruction in the economy's productive capacity has been severe and will have a lasting impact. In Gaza, as of January 26, 2024, an estimated 82 percent of private sector establishments have either been partially damaged or destroyed. Further, 62 percent of residential buildings in Gaza have incurred some form of damage. Infrastructure is heavily impacted, with over 62 percent of all roads damaged or destroyed. Overall CPI in Gaza increased by 33 percent in Q4 2023 compared to the previous quarter, largely owing to supply disruptions stemming from the conflict. Food prices, specifically, increased by 39 percent, quarter-on-quarter (q/q) driven by reduced access to food, heightened transportation costs, and lower volumes of aid. In contrast, the CPI in the West Bank increased marginally by 0.9 percent, q/q, over the same period. On the fiscal front, additional deductions by Israel from the revenues it collects

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



Sources: Palestinian Central Bureau of Statistics and World Bank estimates.

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



Source: World Bank. Notes: see Table 2.

on behalf of the PA (clearance revenues) increased from an average of NIS200m to NIS500-600m per month since October 2023. According to Israel, the additional deductions are equivalent to the amount that the PA spends in Gaza, including salaries to PA civil servants hired before 2007. Given the transition to a cash-based economy as a result of the conflict, Israel says it is concerned the money could fall into the wrong hands. The PA disputes this risk and asserts that payments to Gaza have been occurring consistently since before 2007, with no alteration in the type of recipients or the mechanism. Due to the deductions, clearance revenue transfers shrank by over 50 percent and, as a response, the PA decided to decline several of the monthly transfers of the sharply reduced amount. Notably, clearance revenues, prior to deductions, have shrunk drastically due to the contraction of economic activity and Palestinian trade. This, paired with decreased domestic tax collection has made the 2023 fiscal deficit balloon fivefold vis-a-vis the pre-conflict baseline, reaching US\$516 million, or 3.0 percent of GDP.

Even before the start of the conflict, unemployment in Gaza stood at 45.1 percent (September 2023), with youth unemployment at 59.5 percent. Preliminary

estimates indicate that approximately 74 percent of employees in Gaza have been out of work since the start of the conflict. Around 170,000 workers from the West Bank, working in Israel and the settlements prior to October 7, have either lost their jobs or are no longer able to access them. Furthermore, owing to the new Israeli-imposed restrictions on movement within the West Bank, approximately 67,000 workers who commute from different governorates can no longer reach their workplaces.

The sharp contraction of GDP per capita will result in a rapid increase in the poverty rate. The national poverty rate at the international line of \$6.85 a day is estimated to have stood at around 25.5 percent in 2022. The conflict pushed this up to almost 30 percent in 2023, with the expectation that this will increase further to around 33.8 percent in 2024 – the highest it has been in at least 20 years. This corresponds to around 1.8 million people living in poverty.

Outlook

The lagging effect of the fixed assets losses will keep economic activity subdued in

Gaza, at least for the medium term. Workers' mobility within the West Bank and to the Israeli market will largely shape growth outcomes in the West Bank. The Palestinian economy is expected to contract further in 2024, by 6.5 percent. Assuming an end to the hostilities, and reconstruction efforts starting in 2025, growth should rebound to 5.5 percent in 2025 while GDP levels are not anticipated to recover to the pre-conflict baseline any time soon. Consequently, the poverty rate is expected to remain high, exceeding 30 percent, in the outlook.

On the fiscal front, an increase in clearance revenue transfers to the levels seen before the conflict is assumed as well as a gradual uptick in domestically managed taxes, reflecting rebounding economic activity. This will drive total revenues up, improving the fiscal deficit over the medium term. However, these assumptions are subject to very high levels of uncertainty.

Downside risks remain elevated. The severity of the economic contraction will directly hinge on the evolution of the conflict and the resolution of the clearance revenues dispute. Absent a cessation of the hostilities and a substantial increase in external aid, the risks of potentially disorderly fiscal consolidation measures cannot be excluded.

TABLE 2 Palestinian territories / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	7.0	3.9	-6.4	-6.5	5.5	4.2
Private consumption	7.5	20.5	-6.4	-7.3	9.4	9.0
Government consumption	10.3	-10.5	-11.3	0.3	2.7	2.5
Gross fixed capital investment	13.7	11.8	-3.4	-4.0	6.2	4.7
Exports, goods and services	17.3	6.2	2.9	3.0	10.7	8.4
Imports, goods and services	14.8	25.7	-2.6	-2.0	12.0	11.8
Real GDP growth, at constant factor prices	6.2	1.3	-6.4	-6.5	5.5	4.2
Agriculture	-0.7	-5.7	-11.3	-5.2	3.3	2.7
Industry	4.5	3.4	-7.5	-6.0	9.0	8.6
Services	7.5	1.5	-5.6	-6.8	4.7	3.0
Inflation (consumer price index)	1.2	3.7	5.9	4.6	3.0	2.5
Current account balance (% of GDP)	-9.8	-15.0	-14.7	-19.2	-16.3	-16.1
Net foreign direct investment inflow (% of GDP)	1.6	1.3	1.1	0.7	0.9	1.3
Fiscal balance (% of GDP)	-5.8	-1.4	-3.0	-2.9	-2.7	-1.7
Revenues (% of GDP)	25.0	27.3	25.5	27.9	27.7	28.2
Debt (% of GDP)	56.0	53.2	58.2	64.9	64.2	63.3
Primary balance (% of GDP)	-5.1	-0.7	-2.2	-2.2	-2.0	-1.1
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	0.8	0.8	1.1	1.4	1.3	1.3
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	4.5	4.5	5.9	7.1	6.5	6.2
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	26.1	25.5	29.7	33.8	32.0	31.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2016-PECS. Actual data: 2016. Nowcast: 2017-2023. Forecasts are from 2024 to 2026.

b/ Projection using neutral distribution (2016) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

QATAR

Table 1	2023
Population, million	3.0
GDP, current US\$ billion	227.5
GDP per capita, current US\$	76699.8
School enrollment, primary (% gross) ^a	102.1
Life expectancy at birth, years ^a	79.3
Total GHG emissions (mtCO ₂ e)	130.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2020); Life expectancy (2021).

Notwithstanding its large hydrocarbon resources and associated liquefied natural gas (LNG) revenues, Qatar is pursuing a long-term strategy focused on economic diversification. Growth in tourism, new infrastructure projects, and the launch of the Third National Development Strategy (NDS3) are expected to support the economy. Nevertheless, the hydrocarbon sector continues to play a major role, as external and fiscal surpluses remain contingent on LNG exports and will—in the medium term—be aided by the North Field LNG expansion. Key risks include further escalation of geopolitical tensions and fluctuating energy prices.

Key conditions and challenges

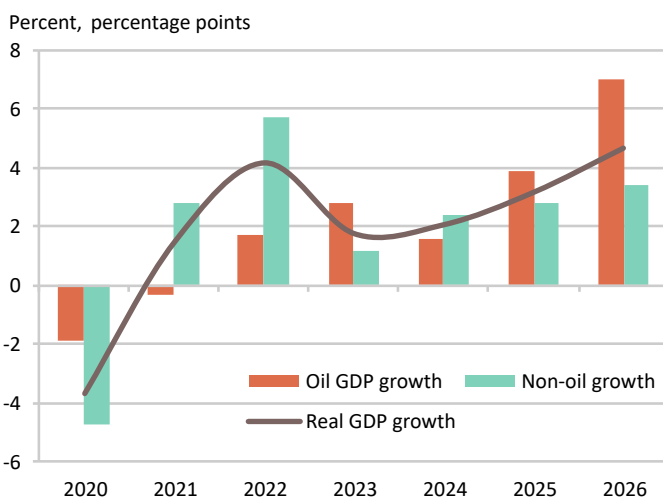
In January 2024, Qatar launched the Third National Development Strategy (NDS3) 2024-2030, the final stage toward achieving Vision 2030. This strategy aims to accelerate economic diversification, expand North Field LNG production, and position Qatar as a top destination for investors. Qatar's diversification efforts have been ongoing for many years, culminating in the recent success of receiving more than four million visitors in 2023, surpassing the annual visitor numbers of the previous five years. This positive momentum continues in 2024, with a record high of 702,800 visitors in January. The positive trend in tourism has stimulated other sectors, with strong backward linkages evident in the 15 percent growth of the hospitality sector in H12023, making it the fastest-growing sector. Additionally, the transportation and entertainment sectors experienced 9 percent and 6 percent growth respectively. Post-World Cup, the fiscal space generated from oil and gas revenues is being channeled towards investments in human capital, research and development, and the private sector to further diversify the economy. The Qatar Investment Authority (QIA), ranked as the tenth largest Sovereign Wealth Fund (SWF) globally, plans to invest over US\$1 billion in international and regional venture capital funds in 2024, with a focus on the technology and healthcare sectors,

showcasing Qatar's commitment to long-term economic growth and diversification. However, challenges remain. Gas production and prices continue to be key determinants of fiscal and external accounts balances. More recently, these risks have been compounded by the potential impact of the conflict in the Middle East on energy price volatility, as well as its impact on incoming tourism and investment in the region. Recent Houthi attacks on the Red Sea shipping routes risk also affecting the European demand for Qatari gas in the near term, while Qatar's growing dependence on China as a key trading partner—China was Qatar's largest LNG buyer in 2022, accounting for 21.7 percent of Qatar's exports—raises concerns about the country's vulnerability to potential economic downturns in China.

Recent developments

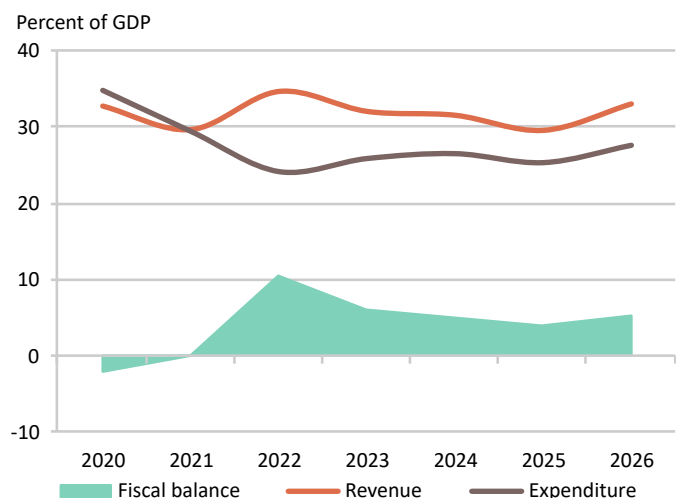
Following a significant 4.2 percent growth in 2022, driven primarily by hosting the FIFA World Cup, the economy has exhibited modest growth in year 2023, reaching 1.6 percent year-on-year (y-o-y) in H12023, driven mainly by hydrocarbon sector growth (3.2 percent) and, to a much lesser extent, non-hydrocarbon sectors growth (0.6 percent). The latter was supported by new infrastructure projects and a vibrant tourism sector post-World Cup. The PMI – which reflects private sector activity – remained expansionary except for December but suggests an overall modest growth in 2023. In the

FIGURE 1 Qatar / Annual real GDP growth



Source: World Bank.

FIGURE 2 Qatar / Fiscal balance



Source: World Bank.

hydrocarbon sector, commitment towards Asian and European countries are maintained through the signing by QatarEnergy of new 10-year supply agreements, thereby providing a solid, long-term base for the expansion of gas exports despite the risks of reduced European appetite for Qatari gas in the near term triggered by recent Houthi attacks on Red Sea shipping routes. Inflation remained subdued, reaching 3.1 percent in 2023 down from its 2022 peak of 5 percent, helped by lower commodity prices and a strong Qatari riyal, reflecting the peg to the US dollar. The Qatar Central Bank (QCB) kept interest rates unchanged at 6 percent since July 2023, aligning with the US Federal Reserve.

Sizeable fiscal surpluses continued to be achieved (7.7 percent of GDP in H12023), supported by the relatively elevated hydrocarbon prices and a fall in public spending after the World Cup. The current account balance narrowed from US\$11.7 billion in Q1 to US\$9.4 billion in Q3, primarily due to a smaller merchandise trade surplus and lower energy prices, as natural gas prices fell from US\$20/mmbtu in January 2023 to US\$11/mmbtu in September 2023. However, the surplus remains ample, supported by

continued tourist influx. International reserves and foreign currency liquidity remain strong, reaching QAR 246 billion (USD 67.6 billion) in January 2024.

The latest ILO estimates indicate that key labor market indicators are expected to remain stable through 2024. The labor force participation rate (15+) is projected to remain at 88.9 percent in 2024 (equal to the revised estimates for 2023), and the employment-to-population ratio is estimated to remain at 88.8 percent for the year. The unemployment rate is projected to remain stable at 0.1 percent in 2024, with higher rates among women and among young people. Women aged 15-24 were estimated to experience the highest unemployment rate, around 1.7 percent in 2024.

Outlook

Real GDP growth is projected to strengthen marginally in 2024 but remain modest at 2.1 percent. Non-oil growth will continue to be robust at 2.4 percent, driven by a growing tourism sector. Qatar's state-of-the-art infrastructure will allow the country to reap the benefits

through the hosting of several major global events in 2024. The hydrocarbon sector is expected to decelerate to a 1.6 percent growth in 2024, affected by capacity constraints. Yet, a major boost is anticipated for the period Q42025 to 2027, with the North Field expansion project coming online. Consumer price growth is projected to decelerate to 2.1 percent, contained by the tight monetary policy.

Despite further moderation in global energy prices, the fiscal and current account balances are projected to remain in surplus for the coming years. The fiscal surplus is however anticipated to narrow to 4.9 percent of GDP in 2024, as income from oil and gas accounts for around 80 percent of government revenue. The much-delayed introduction of value-added tax (VAT), assuming to take place in 2025, will offset some of the declines in hydrocarbon revenue and support strengthen the fiscal surplus, notwithstanding a potential one-off impact on economic activity.

The current account surplus is also expected to narrow in the short-medium term, but remains strong at 13.3 percent in 2024, supported by energy and services (tourism) exports.

TABLE 2 Qatar / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	1.6	4.2	1.8	2.1	3.2	4.7
Private consumption	3.4	5.2	2.7	3.5	3.5	3.4
Government consumption	2.8	4.1	1.2	1.5	2.4	2.3
Gross fixed capital investment	2.3	3.1	2.1	2.2	2.3	2.3
Exports, goods and services	2.4	4.7	2.4	2.7	4.2	6.5
Imports, goods and services	4.7	6.5	4.5	4.7	3.9	4.0
Real GDP growth, at constant factor prices	1.6	4.2	1.8	2.1	3.2	4.7
Agriculture	0.5	7.7	2.4	2.1	2.9	2.9
Industry	0.7	5.2	2.2	2.5	3.1	6.0
Services	3.5	2.0	0.9	1.4	3.4	1.8
Inflation (consumer price index)	2.3	5.0	3.1	2.1	1.9	1.9
Current account balance (% of GDP)	14.7	26.6	16.1	13.3	12.3	13.2
Net foreign direct investment inflow (% of GDP)	-0.7	-1.0	-0.5	-0.8	-0.6	-0.6
Fiscal balance (% of GDP)	0.2	10.4	6.1	4.9	4.1	5.4
Revenues (% of GDP)	29.6	34.6	32.0	31.5	29.5	33.0
Debt (% of GDP)	58.4	42.4	41.4	39.2	38.5	36.2
Primary balance (% of GDP)	1.9	11.6	7.2	6.2	5.2	6.4
GHG emissions growth (mtCO2e)	3.9	4.3	0.9	2.2	3.3	4.3
Energy related GHG emissions (% of total)	71.9	73.0	73.1	73.6	74.3	75.3

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

SAUDI ARABIA

Key conditions and challenges

Table 1	2023
Population, million	32.8
GDP, current US\$ billion	1069.0
GDP per capita, current US\$	32593.0
School enrollment, primary (% gross) ^a	93.3
Life expectancy at birth, years ^a	76.9
Total GHG emissions (mtCO2e)	776.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2008); Life expectancy (2021).

Subsequent OPEC+ decisions of cutting oil production is adversely affecting Saudi Arabia's overall GDP, fiscal, and external balance positions. Meanwhile, the performance of non-oil private sector is robust and continue to reap benefits from reform implementation. Inflation remains contained supported by generous subsidies, tight monetary policy, and cheaper imports. An escalation in regional and global armed conflicts, volatility in oil prices, and tighter-than-needed global financial conditions are key risks to the outlook.

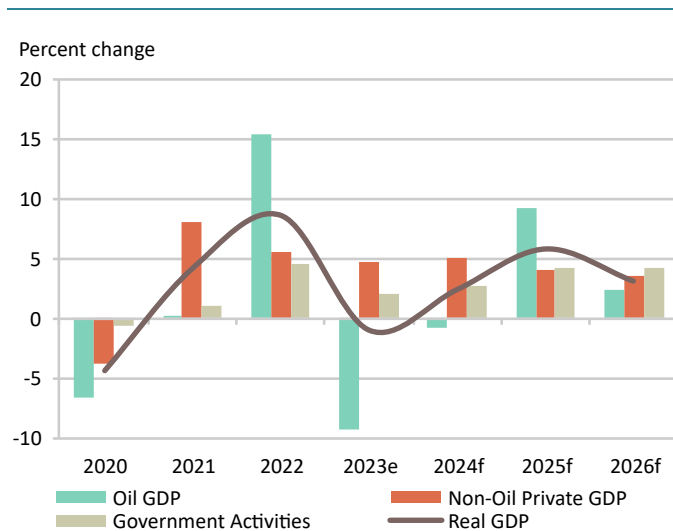
Saudi Arabia has made significant oil production cuts for over a year, as part of the OPEC+ alliance decisions. The most recent voluntary cut of 1 mbpd was initiated in July 2023 and extended to expire in Q2 2024. However, these cuts did not prevent a decline in oil prices, as the average per barrel price fell from US\$100 to US\$83 in 2022 and 2023, respectively; affected by weak global demand. Assessing oil price developments in a scenario where production cuts had not been implemented is challenging, yet the overall effect on the fiscal and external positions is negative. Moreover, with these cuts, Saudi Arabia is losing market share to other oil exporters (e.g., the US, or Angola after it left OPEC over quota disputes) and concerns remain over peak oil demand, which risks leaving oil reserves stranded. With this background, limiting supply to stabilize prices is becoming even more challenging for Saudi Arabia, which is further exacerbated by the Kingdom's need to finance its ambitious reform agenda. Other downside risks and uncertainties to the outlook include downward revisions of China's growth prospects, which will have an adverse impact on Saudi Arabia's main export market. Further escalation of the conflict in the Middle East and Russia's invasion of Ukraine, in addition to tighter-than-needed global financial conditions, all risk affecting regional

and global economic activity. Delays or digressions in implementing structural reforms in support of the diversification goals highlighted in the Vision 2030, perhaps due to other global shocks or an uncomfortable fiscal position, would reduce prospects for stronger long-term growth and employment.

Recent developments

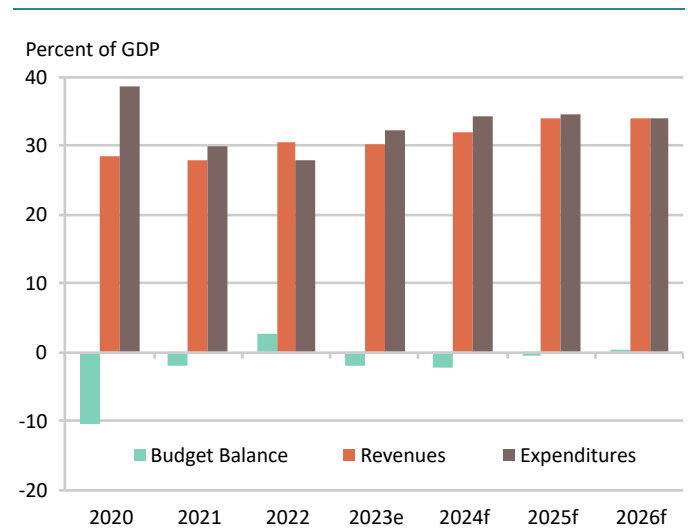
Economic activity contracted in real terms by 3.7 percent (y/y) in Q4-2023 (preliminary data), which represents a sharp decline in annual growth for the second consecutive quarter. This translates to an annual contraction of 0.9 percent in 2023, the worst performance in 20 years (apart from the pandemic and global financial crises years). The decisions by OPEC+ to cut oil production, initiated in Q1-2023 and further deepened by Saudi Arabia's voluntary cut of 1 mbpd since H2-2023, have had a detrimental impact on oil GDP, which contracted by 9.2 percent (y/y). The strong performance of non-oil private activities, which grew by 4.6 percent (y/y) during 2023, was not sufficient to fully compensate for the decline in oil activities. High-frequency data reaffirm a strong start of non-oil activities in 2024, with the January and February PMI recording 55.4 and 57.2, respectively; driven primarily by stronger domestic demand despite tight monetary conditions. Lower oil revenues, due to lower prices and production levels, coupled with expansionary fiscal policy (expenditures are

FIGURE 1 Saudi Arabia / Annual real GDP growth



Sources: GASTAT Saudi Arabia and World Bank staff estimates.

FIGURE 2 Saudi Arabia / Central government operations



Source: World Bank.

up by 11 percent y/y) shifted the fiscal surplus of 2.6 percent of GDP in 2022 into a deficit of 2.1 percent of GDP in 2023. Financing needs have been covered by the issuance of a US\$10 billion sovereign bond while state oil firm Aramco introduced a performance-linked dividend, on top of its annual base dividend, to shore up budgetary funds. In January 2024, Saudi Arabia made its largest international debt issuance since 2017 (US\$12 billion) to partially cover the anticipated financing gap. Balance of payments data shows the current account surplus narrowing to US\$36.9 billion during the first 9 months of 2023 (down from US\$131 billion in the previous year) driven primarily by a 25.8 percent fall in oil receipts. As a result, the estimated current account surplus narrowed from 13.7 to 4 percent of GDP in 2022 and 2023, respectively. The Saudi Central Bank's (SAMA) foreign reserves reached US\$436.9 billion in December 2023, the lowest in 14 years, suggesting that oil revenues are being channeled to PIF to finance its larger investment role in the local economy. Overall, labor market outcomes are positive, as Saudis, both men and women, find jobs particularly in manufacturing, construction, and in the public sector. The overall unemployment rate remained at 5.1 percent, while unemployment for

Saudi women slightly rose in Q3-2023, possibly driven by labor supply growth that outpaced labor demand. However, it remains far below the level a year ago. The overall labor force participation rate, however, declined to 51.6 percent in Q3-2023, down from 52.4 percent in Q1-2023. The number of Saudis working in the private sector in Q3-2023 is estimated at 2.6 million while the non-Saudi nationals increased to 8.1 million. The employment-to-population ratio decreased slightly between Q1 and Q3-2023, with the declines primarily driven by changes among Saudi males and among non-Saudi women. The employment-to-population ratio among Saudis declined from 48 percent to 47.2 percent over the same period.

Outlook

Following the contraction witnessed in 2023, real GDP is expected to grow by 2.5 percent in 2024, driven primarily by robust non-oil private activities (forecast to grow by 4.8 percent). Loose fiscal policy, lower interest rates, strong private consumption, and investment, will continue to support non-oil activities in the medium term. Meanwhile, and despite Aramco's plan to

halt the increase in oil production capacity to 13 mbpd by 2027 (now at 12 mbpd), oil output is expected to increase gradually to exceed 10 mbpd by end 2024—from around 9 mbpd in January. With the recent announcement by the Ministry of Energy to extend voluntary oil production cuts until end Q2-2024, oil GDP is expected to contract in 2024 by 0.8 percent. These trends are expected to be reversed in 2025, with oil output anticipated to ramp up aggressively resulting in 5.9 percent overall GDP growth. Inflation is expected to hover around 2.2 percent in the medium term, contained by generous subsidies on fuel and food and cheaper imports. The fiscal deficit is expected to widen to 2.4 percent of GDP in 2024, reflecting continued expansionary fiscal policy and the drop in oil receipts. Aramco's distribution of performance-linked dividends, which started in Q3-2023, should improve the fiscal position in the medium term—supported by recovery in oil production levels. As budgetary financing needs grow, the debt-to-GDP ratio is expected to rise to 27.7 percent in 2024, before moderating to 25.8 percent in the medium term. The current account surplus should widen in the medium term (averaging 7.1 percent of GDP) supported by the recovery of oil production and non-oil exports.

TABLE 2 Saudi Arabia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	4.3	8.7	-0.9	2.5	5.9	3.2
Private consumption	9.5	4.9	4.5	3.3	3.0	3.1
Government consumption	0.8	9.3	4.9	2.0	5.8	2.7
Gross fixed capital investment	10.7	21.7	3.3	3.0	2.0	3.8
Exports, goods and services	1.0	19.7	-7.9	-1.0	11.0	3.7
Imports, goods and services	8.3	12.4	8.1	4.3	5.0	4.0
Real GDP growth, at constant factor prices	3.9	9.2	-1.3	2.5	5.9	3.2
Agriculture	2.5	4.1	5.5	2.0	2.0	2.0
Industry	1.1	13.2	-4.8	-0.5	6.4	1.6
Services	7.6	4.7	2.9	6.1	5.6	5.0
Inflation (consumer price index)	3.1	2.5	2.3	2.1	2.3	2.2
Current account balance (% of GDP)	4.8	13.7	4.0	4.2	6.6	7.7
Net foreign direct investment inflow (% of GDP)	-0.2	0.1	-1.2	-1.1	-1.1	-1.1
Fiscal balance (% of GDP)	-2.1	2.6	-2.1	-2.4	-0.6	0.2
Revenues (% of GDP)	27.8	30.5	30.2	32.0	33.9	34.1
Debt (% of GDP)	26.9	23.8	26.2	27.7	26.1	25.5
Primary balance (% of GDP)	-1.2	3.3	-1.1	-1.4	0.5	1.3
GHG emissions growth (mtCO2e)	1.8	3.5	2.8	3.1	3.5	1.9
Energy related GHG emissions (% of total)	68.3	68.5	68.3	68.1	68.0	67.3

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

SYRIAN ARAB REPUBLIC

Key conditions and challenges

Table 1 2023

Population, million	23.2
GDP, current US\$ billion	12.0
GDP per capita, current US\$	515.9
International poverty rate (\$2.15) ^a	24.8
Lower middle-income poverty rate (\$3.65) ^a	67.0
School enrollment, primary (% gross) ^b	74.4
Life expectancy at birth, years ^b	72.1
Total GHG emissions (mtCO2e)	51.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

Syria's protracted economic contraction persists due to a combination of shocks related to conflict both within Syria and across the region. Indeed, the Middle East conflict has spilled over into Syria as airstrikes damaged critical infrastructure. With the economy in continued retreat and increased cost of living due to currency depreciation and trade disruptions, ordinary Syrians continue to bear the brunt of the conflict, with about one-quarter of Syrians now estimated to live in extreme poverty.

Syria's civil war is the deadliest conflict of the past three decades. Between 2011 and 2022, the Uppsala Conflict Data Program (UCDP) recorded more than 407,000 battle-related deaths in Syria. As political settlements to end the conflict remain elusive and extremist groups, notably the so-called Islamic State, continue waging insurgencies, the Syrian civil war has become one of the most protracted conflicts in recent history. To date, the conflict in Syria ranks second in duration, with only the Afghan civil wars of 1989-2001 and 2006-2021 lasting longer since 1990.

A decade of conflict has had devastating economic and social consequences on Syria. Syria has further been subjected to several external shocks, which the war has made the country ill-equipped to deal with. These include economic turmoil in neighboring Lebanon and Turkey, the knock-on effects on commodity prices due to the war in Ukraine, earthquakes in Syria and Turkey in February 2023, and lately, attacks and trade disruptions related to the ongoing Middle East conflict. Gross Domestic Product (GDP) contracted by 54 percent between 2010 and 2021. The decline in Gross National Income per capita prompted the World Bank to reclassify Syria as a low-income country in 2018.

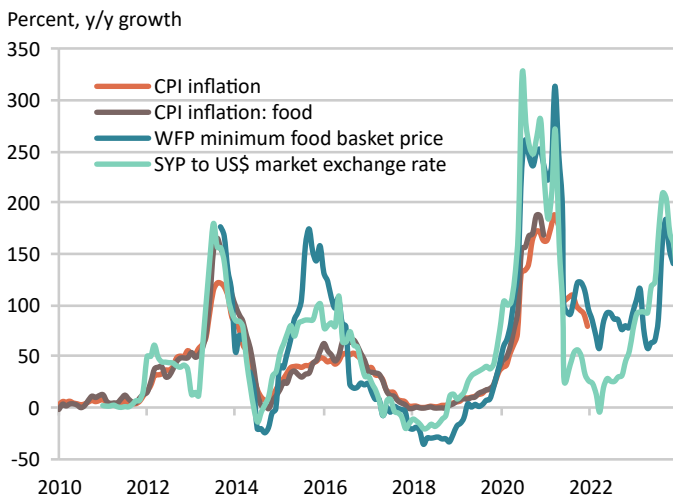
Poverty rates in Syria have increased significantly in the last two decades. This

decrease in the welfare of Syrian households stems from the direct effects of the long-lasting conflict and recent natural disasters, combined with increased inflation following regional shocks and monetization of fiscal deficits. In 2022, extreme poverty, as measured by the share of the population living below the international poverty line of US\$2.15 (2017 PPP) per capita per day, affected almost 25 percent of the Syrian population, starkly contrasting with the virtually non-existent extreme poverty before the conflict. When considering the US\$3.65 (2017 PPP) international poverty line of low- and middle-income countries, poverty affected 67 percent of the population in 2022, equivalent to approximately 14.5 million Syrians.

Recent developments

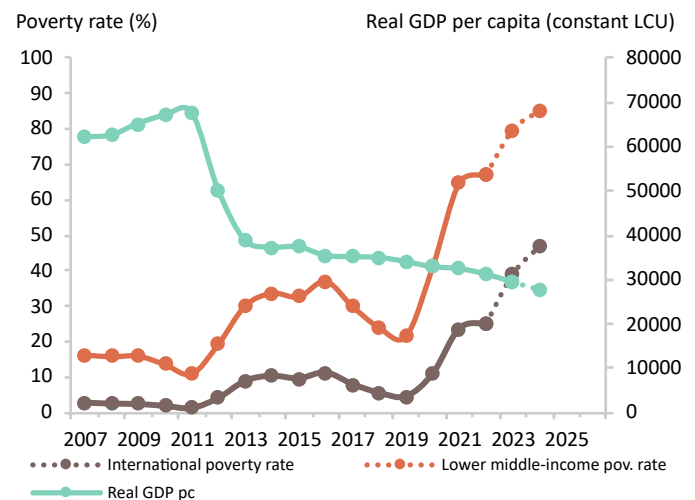
The Middle East conflict has spilled over Syria's borders. According to data compiled by the Armed Conflict Location & Event Data Project (ACLED), Syria recorded 146 conflict events and 136 fatalities linked to Israeli attacks from October 2023 to January 2024. Repeated Israel airstrikes on Syria's main airports led to a 42 percent decline in overall flights in the fourth quarter of 2023 compared to the previous quarter. Military groups affiliated with the Iran-backed "axis of resistance" carried out at least 83 attacks on US bases in northeast Syria from October 2023 to January 2024 and targeted locations in the occupied Golan Heights, prompting a fierce US military response in January 2024.

FIGURE 1 Syrian Arab Republic / Inflation and exchange rates



Sources: Central Bureau of Statistics of Syria, WFP Market Price Watch Bulletin, and World Bank estimates.

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



Source: World Bank. Notes: see Table 2.

Macroeconomic conditions in Syria have further deteriorated. Economic activity, as proxied by nighttime light emissions (see our Syria Economic Monitor for details), declined in 2023 by 1.2 percent year-on-year (yoy), particularly along Syria's western borders, possibly due to weakened trade activity. Nighttime gas flaring data points to a decrease in oil production in 2023 of 3.5 percent yoy, likely due to earthquake- and conflict-related infrastructure damage.

Currency depreciation and consumer price inflation are persistently high. In 2023, the market price of the Syrian pound depreciated by 141 percent against the US dollar. With heavy reliance on imports, currency depreciation quickly leads to higher consumer prices in Syria. Consequently, consumer price inflation is estimated to have risen by 93 percent in 2023.

After rebounding in the wake of the February 2023 earthquake, aid flows to Syria have declined and access to humanitarian assistance has become more challenging. According to the UN Financial Tracking Service (FTS), total funding for humanitarian assistance amounted to US\$2.8 billion

in 2023, a 5 percent decrease from the previous year. Compounded by soaring prices and diminished access to essential goods, this has deepened welfare challenges for Syrian households. According to the REACH Humanitarian Situation Overview in Syria (HSOS) surveys, access to health services, sewage systems, and food markets has continued to deteriorate in highly affected areas in northern Syria after the earthquake. Heightened financial vulnerability increasingly prompts households to borrow money, purchase goods on credit, and rely on child labor as a coping strategy.

Outlook

Subject to extraordinarily high uncertainty, real GDP is projected to contract by 1.5 percent in 2024, assuming that the regional conflict will remain largely contained this year. Inflation is anticipated to remain high in the short term due to the pass-through effects of currency depreciation, along with persistent shortages and reduced rationing of food and fuel. Private

consumption will remain subdued with a continued erosion of purchasing power amid rising prices. Private investment is expected to remain weak, as the security situation is expected to remain volatile and economic and policy uncertainties to persist. Government spending, especially capital expenditures, will continue to be constrained by low revenues and lack of access to financing.

Risks to the growth outlook are significant and tilted to the downside. Increased intensity of conflict and heightened geopolitical tensions stemming from the recent Middle East conflict risk deepening a growth contraction. Escalating airstrikes and bombings may lead to additional infrastructure damage, potentially further disrupting supply chains and increasing logistics costs. A broader regional conflict could elevate commodity prices, negatively affecting Syria as a net food and fuel importer. A potential redirection of aid and international assistance in response to the conflict in Gaza could exacerbate Syria's humanitarian crisis, potentially worsening malnutrition, further increasing poverty, and the likelihood of disease outbreaks.

TABLE 2 Syrian Arab Republic / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f
Real GDP growth, at constant market prices^a	1.3	-0.1	-1.2	-1.5
Inflation (consumer price index)	118.8	74.0	92.6	99.7
Fiscal balance (% of GDP)	-9.6	-8.4	-8.2	-8.0
International poverty rate (\$2.15 in 2017 PPP)^{b,c}	23.6	24.8	39.0	46.8
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{b,c}	65.0	67.0	79.7	84.9

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

Notes: e = estimate, f = forecast.

a/ Projections based on nighttime light data.

b/ Calculations based on 2022-HNAP and 2007, 2009 CBS. Actual data: 2022. Nowcast: 2021, 2023. Forecasts: 2024.

c/ Projection and nowcast using neutral distribution (2022) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU deflated by CPI. Poverty rates in 2009 and 2022 use different sources that are not directly comparable.

TUNISIA

Key conditions and challenges

Table 1	2023
Population, million	12.5
GDP, current US\$ billion	51.2
GDP per capita, current US\$	4107.7
National poverty rate ^a	16.6
Lower middle-income poverty rate (\$3.65) ^a	2.2
Upper middle-income poverty rate (\$6.85) ^a	16.2
Gini index ^a	32.8
School enrollment, primary (% gross) ^b	105.0
Life expectancy at birth, years ^b	73.8
Total GHG emissions (mtCO2e)	38.8

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021).
b/ Most recent WDI value (2021).

Tunisia's economic outlook remains highly uncertain. Tunisia's already timid post-Covid economic recovery came almost to a halt in 2023 amid a severe drought and difficult financing conditions. Authorities have established a Central Bank financing facility to finance the government debt service in 2024 and have used it to repay a maturing Eurobond. Inflation and unemployment remain significant challenges for the authorities. Accelerating the recovery and stabilizing the economy will require the speedy implementation of fiscal, SOE and structural reforms.

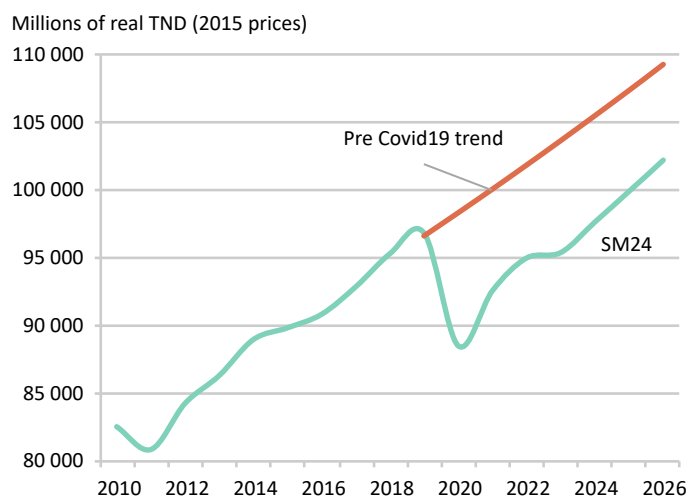
Tunisia faces increasingly difficult economic conditions. Since 2011 weak reform implementation has left the economy inefficiently closed to investment and trade and ill-equipped to exploit opportunities in the global economy. As growth and private job creation stagnated, the State stepped in as an employer of last resort and price stabilizer through subsidies. This has caused a deterioration of the fiscal and the current account deficits under the weight of a large public sector wage bill, higher consumer subsidies and underperforming state-owned enterprises. The COVID-19 pandemic, Russia's invasion on Ukraine and the ongoing drought have exacerbated these longstanding weaknesses. Tunisia's growth prospects continue to hinge on decisive structural reforms to address economic distortions and fiscal pressures. These include: (i) eliminating business entry permits and unnecessary licenses, (ii) gradually phasing out controls to capital outflows for non-offshore businesses and individuals; (iii) reducing consumer subsidies while compensating vulnerable households; (iv) improving the performance of state-owned enterprises; (v) making the tax system fairer. Progress in these reforms is critical to stabilize the macroeconomic situation, accelerate the recovery and

lay the foundation for a more sustainable economic growth.

Recent developments

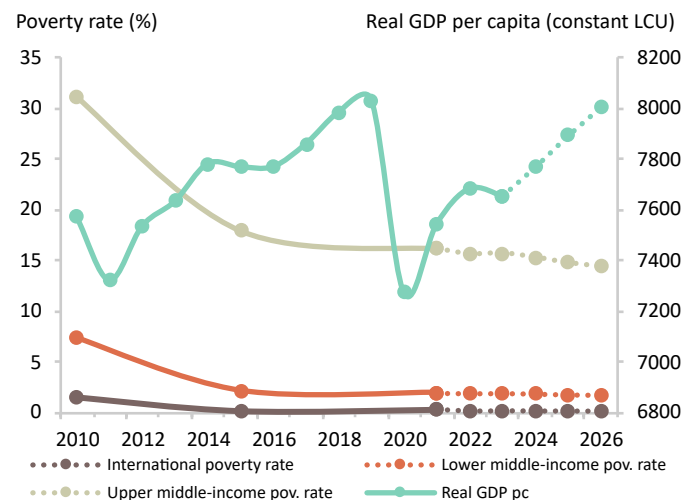
Economic recovery has been modest in real terms since the sharp contraction in 2020 due to COVID-19 (-8.6 percent). After a moderate rebound in 2021 (4.6 percent), the rate of growth decelerated to 2.6 percent in 2022 and to only 0.4 percent in 2023. The latest economic slowdown reflects the severe drought in 2023 (with agriculture declining by 11 percent in real terms), the uncertain financing conditions, and some fiscal consolidation. Shortages of some basic products have persisted amidst import compression and declining agricultural production. The merchandise trade deficit narrowed to 10.9 percent of GDP in 2023 down from 17.5 percent in 2022 amidst more benign global prices and robust manufacturing exports. As a result, the current account deficit (CAD) fell from 8.7 to 2.6 percent of GDP over the same period, also helped by robust tourism receipts. While the decline in commodity prices and the energy and food subsidy bill provides some respite, the pressure on public finances remains elevated as public expenditure reforms continue to falter amid weak growth. This contributes to the challenges in financing the public debt, which between 2019 and 2023 increased from 67.8 to 80.1 percent of GDP (without including government guarantees and SOE debts).

FIGURE 1 Tunisia / Real GDP: Actual, forecast and pre-COVID-19 trend



Sources: World Bank estimates and National Institute of Statistics.

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



Source: World Bank. Notes: see Table 2.

With limited access to international financing, the authorities have established a Central Bank financing facility up to TND 7 billion in 2024 (4 percent of GDP and a quarter of 2024 financing needs) to finance the government debt service. The facility – which was used to repay a Euro 850 million Eurobond maturing in February 2024 - could undermine the stability of the Dinar, the Central Bank independence, and fiscal discipline.

Inflation continued to moderate since the peaks of February 2023, declining from 10.4 percent to 7.5 percent in February 2024. The decline appears to be driven by lower global prices and weak domestic demand. However, inflation remains above both the 2021-2022 average (7 percent) and food inflation is higher (10.2 percent), which presents a particular challenge for lower-income households.

With weak economic growth, the unemployment rate increased to 16.4 percent in Q4 2023 from 15.2 percent a year before. This is one of the highest rates in the region and it is associated with a year-on-year decrease in labor force participation. The average rate in 2023 (45.8) was 1.5 percentage points below the average pre-Covid, suggesting continued growth in the number of discouraged workers.

Outlook

After the significant slowdown in 2023, the economy is expected to experience a moderate rebound. Assuming a moderation of the ongoing drought and slightly more benign financing conditions, growth is forecast to reach 2.4 percent in 2024 and 2.3 percent in 2025-26. With this growth rate, real GDP in 2024 would finally reach its pre-Covid 19 level, a full four years after the pandemic. This modest structural growth is due to challenging conditions linked to water scarcity, the uncertainty around debt financing, and the weak momentum on structural reforms.

Tunisia's public finance and external account will remain precarious in the absence of sufficient external financing. The budget deficit is expected to decline somewhat to 6.1 percent of GDP in 2024 (compared to 6.7 percent of GDP in 2023). That is mainly driven by a decline of subsidies and wage bills in real terms and a moderate increase in tax revenues. Gross financing needs are expected to rise further at 16.1 percent of GDP in 2024 (from 13.8 percent in 2023) due to significant external debt service.

The CAD is projected to remain stable at 2.4 percent of GDP in 2024 with continued growth in travel exports and stable terms of trade. With FDI projected to be relatively stable and minimal portfolio investments, foreign lending would still have to shoulder the financing of the CAD.

The 2024-26 growth forecast is subject to significant downside risks. Growth projections would be even lower should Tunisia not implement decisive fiscal and pro-competition reforms and/or should available financing not be sufficient to cover Tunisia's external needs. If these conditions occur, it may be challenging to secure sufficient foreign currency in the economy, which could lead to pressures on exchange rates and prices, exerting a negative impact on economic activity and employment. In addition, should the drought conditions persist, the projections could be revised downwards given the negative impact on agriculture and the trade balance. Poverty using the Lower Middle Income Poverty Line (US\$3.65/person/day line in 2017 PPP term) is projected to remain stable at 2.3 percent in 2022-23 and so until 2026. The share of poor and vulnerable at the upper-middle income country poverty line (US\$6.85/person/day in 2017 PPP) is projected to constantly decline to 14.5 percent by 2026.

TABLE 2 Tunisia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	4.6	2.6	0.4	2.4	2.4	2.2
Private consumption	2.4	2.2	1.4	2.7	2.9	3.4
Government consumption	1.5	-1.2	1.9	-0.5	-1.0	-1.8
Gross fixed capital investment	3.2	1.7	-10.7	5.6	8.5	3.2
Exports, goods and services	11.9	17.3	9.8	2.1	4.0	4.1
Imports, goods and services	10.9	11.5	6.6	2.7	5.2	4.6
Real GDP growth, at constant factor prices	4.8	2.5	0.0	2.4	2.3	2.3
Agriculture	-2.3	1.0	-11.0	5.9	5.0	5.0
Industry	9.8	0.9	-1.5	-0.3	-0.3	0.9
Services	4.1	3.4	2.4	2.9	2.9	2.4
Inflation (consumer price index)	5.7	8.3	9.3	7.0	6.0	5.0
Current account balance (% of GDP)	-5.9	-8.7	-2.7	-2.4	-2.3	-2.4
Net foreign direct investment inflow (% of GDP)	-1.1	-1.4	-1.3	-1.3	-1.2	-1.2
Fiscal balance (% of GDP)	-7.6	-6.7	-6.4	-5.6	-4.6	-3.2
Revenues (% of GDP)	25.7	28.5	28.5	28.0	26.1	26.3
Debt (% of GDP)	79.9	79.9	80.0	79.7	79.1	81.5
Primary balance (% of GDP)	-4.7	-3.4	-3.1	-2.2	-1.1	0.2
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	0.3	0.2	0.2	0.2	0.2	0.2
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	2.0	2.0	2.0	1.9	1.8	1.8
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	16.2	15.7	15.7	15.3	14.8	14.4
GHG emissions growth (mtCO₂e)	4.7	-0.3	0.3	1.7	2.3	2.3
Energy related GHG emissions (% of total)	70.4	70.0	70.1	70.4	70.9	71.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2021-NSHBCL. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.

b/ Projection using neutral distribution (2021) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

UNITED ARAB EMIRATES

Table 1 **2023**

Population, million	9.5
GDP, current US\$ billion	477.1
GDP per capita, current US\$	50128.3
School enrollment, primary (% gross) ^a	115.8
Life expectancy at birth, years ^a	78.7
Total GHG emissions (mtCO ₂ e)	292.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2020); Life expectancy (2021).

The UAE maintains its status as a key regional hub for trade, finance, and tourism, bolstered by substantial progresses in economic diversification and a reduced dependence on hydrocarbon income. Economic growth is estimated to have significantly decelerated in 2023, primarily due to OPEC+ production reductions, but is expected to pick up in 2024. Major risks to the outlook include an escalation of geopolitical conflicts, large fluctuations in oil prices, and continued global financing tightening.

Key conditions and challenges

Hydrocarbon activity remains the primary source of government revenue, but efforts are underway to accelerate the diversification of the economy and of government revenues. These include the introduction of Corporate Income Tax (CIT) in mid-2023, coupled with a phased withdrawal from the business fee structure. The outlook for the non-oil sector is robust, with an anticipated increase in oil sector activity expected to maintain strong external and fiscal positions. Key risks to growth include OPEC+ decisions on quotas, as well as the continuation/expansion of the conflict in the Middle East and its potential impact on oil prices volatility and on the movement of goods and people (tourism). In particular, the disruption of trade routes in the Red Sea have triggered an increase in shipping costs and rerouting, including for Asia-Europe trade. This could negatively impact the transport and logistics sectors, posing potential downside risks to economic growth in 2024.

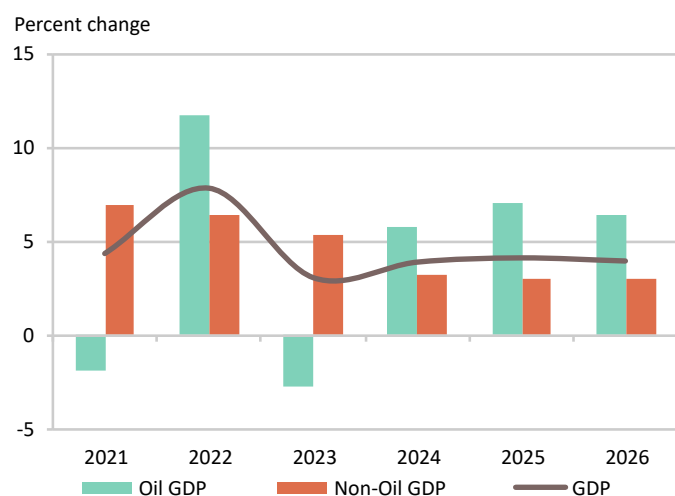
Recent developments

The UAE economy experienced a significant slowdown to 3.1 percent in GDP growth in 2023, down from 7.9 percent in 2022. The deceleration was attributed

to weaker economic global activities and a decline in oil production to comply with OPEC+ decisions. As a result, the oil sector has witnessed a contraction of an estimated 2.7 percent. The non-oil sector, however, remains robust and resilient as growth accelerates to 5.4 percent, driven by the financial and insurance services, construction, real estate, and wholesale and retail trade sectors. Relatedly, the Purchasing Managers' Index (PMI) rose to 57.5 in February 2024, indicating a stimulation in non-oil private sector growth, driven by increases in output, new orders, and employment. Inflation pressures eased in 2023 due to lower food prices, offsetting higher housing costs, with public wage growth remaining moderate throughout the year. Following the US Federal Reserve's stance, the Central Bank of UAE held key policy rates steady at 5.4 percent since July 2023. The banking system remains well capitalized and liquid, with the non-performing loans ratio dropping to 5.3 percent in Q42023 (down from 6.5 percent in Q42022) and private sector credit continuing to grow.

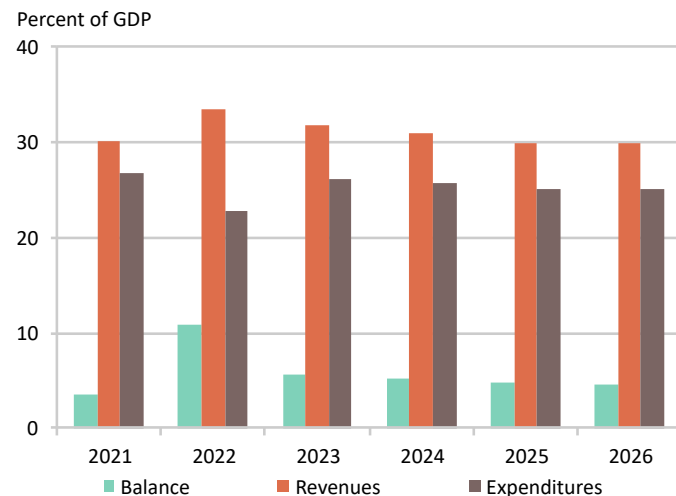
The fiscal surplus more than halved in 2023, declining to 5.6 percent (down from 10.8 percent in the previous year), reflecting the impact of cuts in oil production on oil proceeds. The decrease in government revenue was due to diminished tax and non-tax receipts, although this was partly offset by increased social security contributions. Meanwhile, expenditures grew across all subcategories, except for spending on goods, services grants, and capital spending, which has seen a minor decline.

FIGURE 1 United Arab Emirates / Annual real GDP growth



Sources: UAE authorities, IMF WEO, and World Bank staff estimates.

FIGURE 2 United Arab Emirates / Public finances



Sources: UAE authorities, IMF WEO, and World Bank staff estimates.

This strategic allocation supports key initiatives such as the UAE Energy Strategy 2050, the UAE Tourism Strategy 2031, the UAE Digital Government Strategy 2025, and the Dubai Autonomous Transportation Strategy, underlining a focus on sustainable and digital growth.

The current account surplus reached an estimated 9.1 percent of GDP, driven by oil receipts and rising non-oil exports. Free trade agreements with key Asian and African markets are anticipated to continue to further facilitate and boost non-oil exports and sustain the external balance surplus.

The limited availability of UAE household and labor market data prevents a detailed measurement and understanding of poverty, inequality, and livelihoods. According to the most recent available ILO estimates, the labor force participation rate was expected to reach 82.7 percent in 2023, slightly above its 2019 level. Employment rebounded in 2022 to pre-pandemic levels and was expected to continue to increase in 2023. The unemployment rate was projected to be 2.7 percent for 2023, a decrease from the height of the pandemic but remaining below the 2019 rates. Unemployment rates remain substantially higher among young adults ages 15-24 than among adults ages 25 and over. The gap is especially wide among women,

with projected rates of 18.6 percent and 5.5 percent respectively for 2023.

Outlook

Real GDP growth is projected to accelerate to 3.9 percent in 2024, fueled by OPEC+'s announced significant oil production hike in the second half of 2024 and a recovery in global economic activity. Oil output growth is projected to reach 5.8 percent in 2024, as OPEC+ announces extension of additional voluntary cuts (163 tb/d), to the Q22024, with an expectation that global oil prices will remain strong. Non-oil output will remain robust and continue to support economic growth in 2024, expanding at 3.2 percent, driven by strong performance in the tourism, real estate, construction, transportation, and manufacturing sectors. However, growth prospects are tempered by substantial risks, notably, from potential additional decisions by OPEC+ to delay increases in production, and other members decisions on production, in addition to the adverse impact of the conflict in the Middle East on UAE's economy.

In 2024, inflation is expected to moderate to 2.3 percent - helped by earlier interest rate hikes and reflecting base effects - and

to remain contained at around 2.1 percent during 2025-26. Yet, the positive impact from falling commodity prices and lower import costs (from expanded trade agreements) may be offset by spikes in food prices.

The fiscal surplus is expected to be sustained by strong oil revenues, together with a robust growth of the non-oil economy, and is projected to further decline to 5.1 percent of GDP in 2024. The introduction of a 9 percent federal corporate tax in June 2023 is expected to expand the share of non-oil revenues and broaden the tax base. The ongoing implementation of fiscal revenue reforms, along with the maintenance of prudent and well-coordinated fiscal policies tailored to individual emirates, will enhance fiscal buffers and bolster overall fiscal sustainability.

A strong performance in the external sector, bolstered by diversification initiatives, is anticipated to maintain a current account surplus, projected at 8.4 percent of GDP in 2024. Export performance is expected to continue to be affected by volatility in the oil sector and the reestablishment of secure trade corridors. Nonetheless, diversifying into non-oil sectors and focusing on emerging markets in South Asia and East Africa are projected to improve export proceeds.

TABLE 2 United Arab Emirates / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	4.4	7.9	3.1	3.9	4.1	4.0
Private consumption	5.0	9.0	5.2	4.1	4.0	4.0
Government consumption	1.4	3.5	3.0	2.7	2.6	2.4
Gross fixed capital investment	9.6	6.0	5.7	3.6	3.5	3.3
Exports, goods and services	6.8	8.4	3.5	4.8	4.6	4.5
Imports, goods and services	8.8	7.4	5.3	4.8	4.1	4.1
Real GDP growth, at constant factor prices	4.4	7.9	3.1	3.9	4.1	4.0
Agriculture	3.8	3.4	3.5	3.5	3.0	3.0
Industry	1.3	8.8	1.2	3.8	4.5	4.2
Services	7.4	7.1	4.9	4.0	3.8	3.8
Inflation (consumer price index)	-0.1	4.8	3.2	2.3	2.1	2.1
Current account balance (% of GDP)	11.5	11.7	9.1	8.4	8.3	8.3
Fiscal balance (% of GDP)^a	3.5	10.8	5.6	5.1	4.8	4.7
Revenues (% of GDP)	30.2	33.6	31.7	30.9	30.0	29.9
Debt (% of GDP)	35.1	31.4	29.2	27.1	25.3	23.6
Primary balance (% of GDP)	3.7	11.1	5.8	5.3	5.0	4.9
GHG emissions growth (mtCO₂e)	11.4	7.0	-1.9	1.5	1.4	1.6
Energy related GHG emissions (% of total)	75.1	76.4	75.8	75.6	75.3	75.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Consolidated fiscal balance.

REPUBLIC OF YEMEN

Table 1 **2023**

Population, million	34.4
GDP, current US\$ billion	18.4
GDP per capita, current US\$	533.4
School enrollment, primary (% gross) ^a	83.9
Life expectancy at birth, years ^a	63.8
Total GHG emissions (mtCO2e)	22.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2016); Life expectancy (2021).

Amid the blockade of the IRG's oil exports by the Houthis and conflict in the Middle East, Yemen navigates between glimpses of hope and a grim reality. The national economic rebound in 2022 was short-lived, with 2023 witnessing a sharp 24 percent decline in GDP per capita. Consequently, widespread poverty and food insecurity are estimated to have intensified. The outlook remains uncertain, due to stalled peace negotiations and regional conflict. While the IRG faces mounting external financing needs, hopes for the future hinge on conflict resolution, timely support from partners, and government's reforms.

Key conditions and challenges

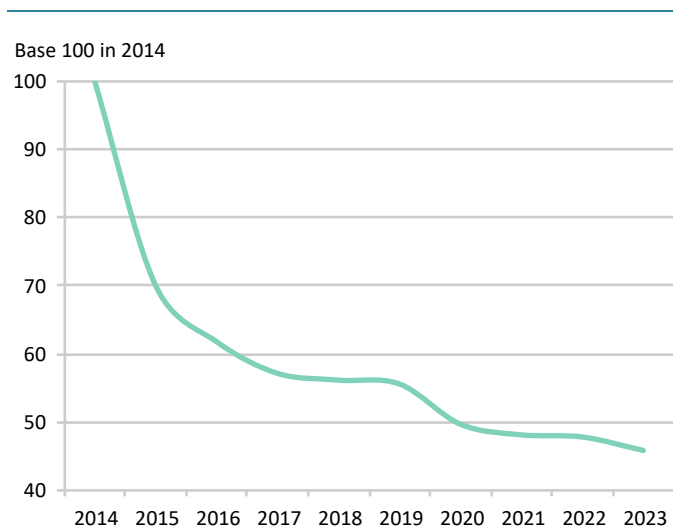
Yemen's humanitarian crisis is deeply rooted in its conflict and complex, highly fragmented political and economic landscape. Between 2015 and 2023, the country has experienced a staggering 54 percent contraction in real GDP per capita, resulting in most Yemenis living in poverty and 17 million facing food insecurity, as evidenced by the 2022 Integrated Food Security Phase Classification (IPC). Moreover, the conflict has intensified the country's fragmentation into two distinct economic zones, each governed by its unique set of institutions (including two central banks with their respective currencies) and policies, resulting in increasing disparities. The Northern areas, under Houthi control, are home to some 70 percent of the population while the Southern areas, governed by the Internationally Recognized Government (IRG), hold the country's oil and gas resources. The economy has further deteriorated since the expiration of the truce in late 2022. During 2022, the economy showed signs of improvement, supported by a UN-brokered truce that brought a glimmer of hope, albeit without the parties reaching a permanent political settlement. The truce expired in October 2022, and although an informal truce remained in place, the situation worsened due to a Houthi-imposed blockade on IRG's oil exports. This ongoing blockade dramatically

impacted national growth in 2023 and exacerbated IRG's fiscal and monetary challenges. Since October 2023, the escalation of the conflict in the Middle East and in the Red Sea, intensified by direct Houthi involvement, further compromises the already precarious economic and social conditions of the Yemeni people.

Furthermore, Yemen continues to face deep structural challenges. The key oil sector has suffered from years of lack of investments, maintenance, and inability to retain or attract foreign investment. The non-oil sector is severely constrained by physical barriers to domestic trade and logistics, interruptions in essential service delivery, acute input shortages, pervasive double taxation, and uncoordinated policies. Additionally, Yemenis remain vulnerable to volatility in remittances and aid flows, a key lifeline, as well as climate change impacts on agriculture and water resources.

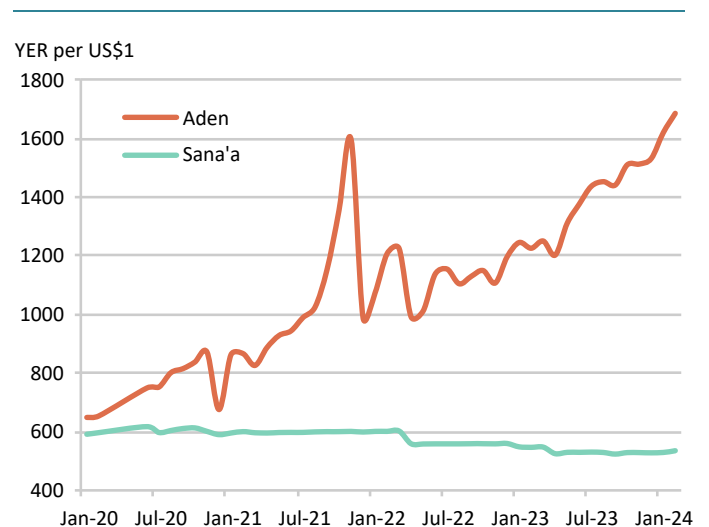
Living conditions are dire for most Yemeni people due to inadequate food security, limited dietary diversity, and access to health and education, as well as basic services. While some households, especially the better-off, can sell assets or tap into remaining savings to navigate shortages, due to widespread poverty and food insecurity, many households have exhausted these typical coping mechanisms. Consequently, they turn to last-resort strategies, including child labor or engaging in high-risk work, with enduring destructive effects on safety, physical and mental health, and family and social fabric. Children are most vulnerable and disproportionately affected by these challenges, suffering

FIGURE 1 Republic of Yemen / Real GDP per capita



Sources: World Bank and IMF staff calculations.

FIGURE 2 Republic of Yemen / Exchange rate trend: Sana'a and Aden



Sources: Telegram Exchange Market Group and World Bank staff calculations.

from some of the highest levels of stunting and being underweight.

Recent developments

The Houthi blockade on IRG's oil exports and heightened tensions significantly impacted Yemen's economy in 2023. Overall, national GDP is estimated to have contracted by 2.0 percent in real terms in 2023, following a rebound of 1.5 percent in 2022 but the dollar GDP per capita decline was much deeper, as noted above. The Houthi blockade on IRG's oil exports resulted in a notable decrease in oil production, from an estimated 51.4 thousand barrels a day in 2022 to 17.0 thousand in 2023. Additionally, heightened uncertainties, hostile actions, and protests further stifled activity in the non-oil sector.

The fiscal situation of the IRG has deteriorated. According to the Ministry of Finance in Aden, IRG's fiscal revenues declined by over 30 percent in 2023, primarily oil and customs revenues. The pledged budgetary support from Saudi Arabia, totaling US\$1.2 billion, with an initial disbursement of US\$250 million in August 2023 (followed by a second disbursement in early 2024), helped alleviate some of the financial pressures, particularly in funding public sector wages. However, despite measures such as reducing subsidies and expenditures on goods and services, the IRG's fiscal deficit is estimated to have widened from 2.7 percent in 2022 to around 4.0 percent of GDP in 2023.

Additionally, the complete halt in IRG's oil exports has intensified external pressures and led to the further depreciation of the Yemeni Rial in the Aden market

(YER). In 2023, the country's current account deficit widened to 19 percent of GDP, mainly due to the halt in IRG's oil exports. This resulted in pressures on liquid international foreign exchange reserves, as reported by CBY-Aden, and a notable depreciation of the YER in the Aden market to YER 1,620 per US dollar by the end of January 2024 (from 1,114 in 2022), reflecting levels last observed at the end of 2021. However, despite the currency depreciation in the Aden market, with the deeply depressed national economy, consumer prices in Yemen declined on average by 1.5 percent during 2023, also due to a drop in global commodity prices.

Outlook

The macroeconomic outlook for Yemen is clouded by the regional conflict and escalating tensions in the Red Sea. As a result, the resumption of IRG's oil exports in 2024 is now unlikely due to the slowdown in peace negotiations amid the conflict, resulting in a downward revision of growth projections. Also, maritime traffic along the Red Sea route has decreased by 30 percent since mid-December, disrupting broader trade flows. While Yemen's imports and prices have so far shown relative stability, with continued conflict, there are increasing risks of supply shortages and rising import costs due to reduced and more costly imports, increased shipping expenses, including due to rising war premiums and insurance costs. Furthermore, the sanctions imposed on the Houthis by the US administration in February 2024 could have extensive repercussions across various sectors, including the banking, aid,

and remittances. These developments are expected to significantly impact the economic situation in Yemen, with another projected contraction of 1.0 percent in real GDP in 2024 and further fiscal and monetary pressures on the IRG. Any disruptions to humanitarian aid, essential imports, remittances, and sources of livelihood will exacerbate Yemen's economic and social conditions, particularly in a society plagued by widespread poverty, deprivation, and food shortages. The risks regarding food insecurity are alarming, exacerbated by the suspension of aid and food distribution by the World Food Program (WFP) in Houthi-controlled areas. The conflict has already inflicted profound and far-reaching economic, social, and humanitarian consequences on Yemen.

Although risks continue to lean towards the downside, Yemen holds a significant opportunity for peace dividends if the conflict is resolved. The country stands at a pivotal moment in its development trajectory. While heightened domestic and regional tensions pose significant risks to its economic, social, and humanitarian situation, the attainment of a lasting truce or peace agreement holds the promise of rapid economic recovery. With strong external financial assistance and reconstruction efforts supported by Yemen's development partners, along with post-conflict reform, the country could achieve accelerated growth within a short timeframe. In such a favorable scenario, growth would be expected to be driven by a swift rebound in domestic transportation, trade, financial inflows, and reconstruction. Such efforts are essential for overcoming the current crisis and laying the foundations for a unified and prosperous future for all Yemenis.

TABLE 2 Republic of Yemen / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	-1.0	1.5	-2.0	-1.0	1.5
Inflation (consumer price index)^a	31.5	29.5	-1.5	14.2	17.3
Current account balance (% of GDP)	-13.8	-17.8	-19.3	-24.5	-22.9
Net foreign direct investment inflow (% of GDP)	3.2	0.9	-0.4	0.4	0.2
Fiscal balance (% of GDP)	-0.9	-2.7	-3.9	-3.4	-3.5
Revenues (% of GDP)	7.3	9.5	6.9	7.0	7.3

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

Notes: e = estimate, f = forecast.

a/ Inflation rates refer to end-of-period figures.



South Asia



Spring Meetings 2024



Afghanistan
Bangladesh
Bhutan
India

Maldives
Nepal
Pakistan
Sri Lanka

AFGHANISTAN

Key conditions and challenges

The economic crisis continues, causing decreased activity and persistent poverty. A combination of better supply and depressed demand results in ongoing deflation. Off-budget transfers were reduced in 2023, shrinking the economy and raising concerns about pro-poor expenditure sustainability. The Interim Taliban Administration's (ITA) revenue collection remains slightly below target. The Afghani (AFN) depreciated against USD during Jan-Feb 2024 after strengthening throughout 2023. Poverty affects half of the population, with persistent high unemployment and underemployment amid contracting job and business opportunities.

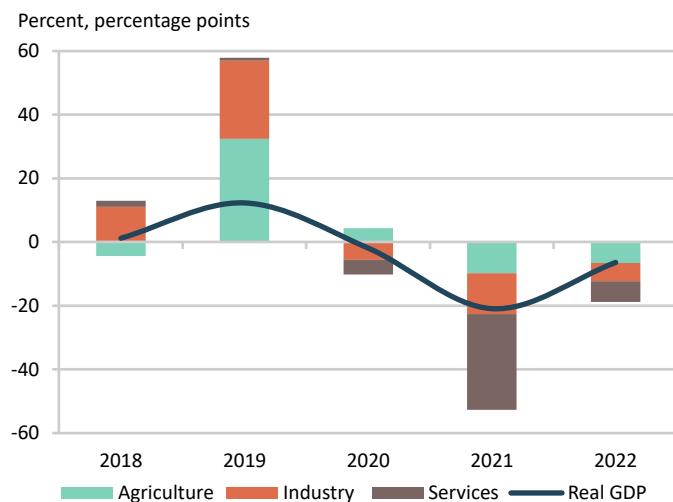
Afghanistan's economy remains weak, reflecting the lack of endogenous sources of growth compensating for the decline in international aid after the Taliban takeover. The deflationary process that started in April 2023 continued into January 2024, sustained by the appreciation of the local currency and the negative income shock brought about by the enforcement of the opium ban. This ongoing deflation reflects a troubling inability of both private and public sectors to stimulate sufficient demand. While falling prices may offer temporary financial relief to the most vulnerable households by reducing the cost of living, it can also harm the broader macroeconomy. Prolonged deflation can lead to a damaging cycle where consumers delay purchases, businesses reduce investment, and economic growth stalls, ultimately impeding more sustainable poverty alleviation and employment opportunities. The economic hardship has increased labor force participation, leading to a rise in unemployment as jobs are not available. About half of the country's population is living in poverty, and around 15 million people are facing food insecurity. Foreign aid is entirely off-budget, given the ITA's position on human rights, gender, and inclusion. While most off-budget spending is aimed at helping the poor, the global experience highlights sustainability challenges and increased service delivery

costs. In the medium term, the anticipated reduction in off-budget transfers (OBT) will negatively affect social sector service delivery for a vulnerable population. ITA is prioritizing non-productive security sector spending, and its insufficient policy response to the OBT cut will exacerbate the service delivery vacuum. The private sector remains burdened by the central bank's commitment to an overvalued currency and a fragile banking sector.

Recent developments

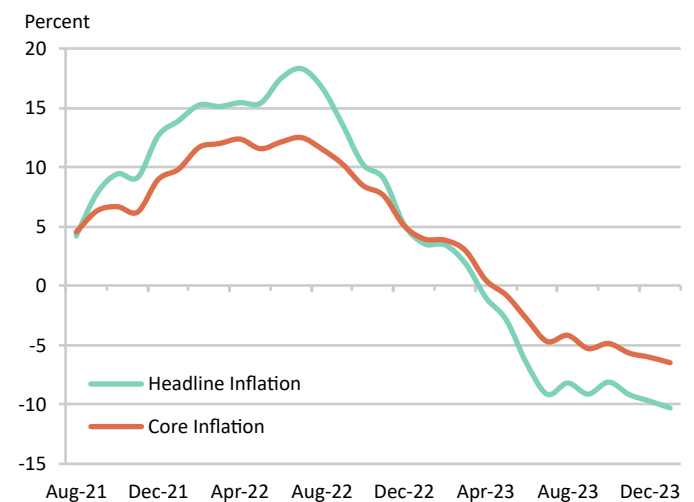
The real GDP shrank by a cumulative 26 percent during the last two fiscal years, with economic activity remaining stagnant during the ongoing fiscal year 2023-24. While supply conditions have eased, aggregate demand remains low, resulting in a sharp decline in the general price level. The headline inflation turned negative in April 2023, and in January 2024, it reached -10.2 percent YoY, primarily driven by negative inflation in the food group (-15.1 percent) and the non-food segment (-4.8 percent). Core inflation, excluding food and energy prices, also fell to -6.5 percent YoY. A significant appreciation of AFN against the USD during 2023 contributed to the falling price of imported commodities. The opium cultivation ban may be causing additional deflationary pressure due to a decrease in farmers' incomes, estimated to be around \$1.3 billion (about 8 percent of GDP) by the United Nations Office on Drugs and Crime, and a reduction in domestic food prices as approximately

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



Source: National Statistics and Information Authority.

FIGURE 2 Afghanistan / The country is facing deflation



Source: National Statistics and Inflation Authority.

200,000 hectares of land is estimated to be converted from illicit to licit crops. Moreover, since opium cultivation is more labor-intensive than other crops, the ban is likely to put additional upward pressure on unemployment. While declining prices might have contributed to improving the welfare of most vulnerable households, the overall weakness of the economy and the lack of employment opportunities are likely holding back more sustainable poverty reduction.

The country's total exports in CY2023 reached \$1.9 billion, almost the same as in CY2022. While coal exports fell by 46 percent, increased exports of food and textiles partially compensated for this. In CY2023, Afghanistan's imports surged 23 percent YoY to \$7.8 billion, resulting in a trade deficit of \$5.9 billion, 34 percent higher than the previous year. Analysis suggests that approximately a quarter of these imports were intended for the Pakistani market and financed by Pakistani importers as authorities implemented direct controls to lower imports. This explains a significant increase in imports in specific categories despite an overall decrease in real GDP and deflation. These imports subsequently enter Pakistan. Accounting for these, estimates suggest that imports for Afghanistan are approximately \$5.5 billion instead of \$7.8 billion, resulting in a de facto trade deficit of ~\$3.5 billion. The UN cash shipments of ~\$1.8 billion and estimated remittances at ~\$2 billion more than covered the de facto trade deficit of ~\$3.5 billion. The local forex market was in surplus, resulting in a 27 percent AFN appreciation in 2023. Recently, during Jan-Feb 2024, there has been some correction, with the AFN depreciating by 5.4 percent against the USD.

Revenue collection for the eleven months of FY2023-24 (from March 22, 2023, to February 21, 2024) totaled AFN 189 billion, narrowly missing the target by 2 percent

but marking a 5.6 percent increase from the same period of the previous fiscal year. The shortfall is mainly due to border taxes, which saw a mere one percent rise despite a 22 percent surge in imports. The AFN appreciation, reduced tariffs on some food items, and lower Business Receipt Tax on manufacturing inputs have contributed to this modest increase. Conversely, Inland revenues increased 11.8 percent YoY, driven by the Small Taxpayer Office and provincial collection. The growth was mainly due to improved compliance and collection of arrears. For the FY2023-24 budget, around AFN 295 billion is earmarked for expenses, representing a 43 percent YoY increase, mainly due to the planned new hiring and increased development projects. Non-productive security spending is prioritized over social sectors, significantly impacting health, agriculture, and social protection. However, attainment seems unlikely due to limited own-source collection.

The Afghan financial sector cannot support the private sector through financial intermediation. Banks face limitations in international payments. Due to the mandatory transition to Islamic Finance and legal uncertainties around loan recoveries, banks are not lending, and deposit withdrawal limits remain in place. Banks are reliant on commission-based business rather than core banking activities. The private sector is thus deprived of meaningful access to finance and standard banking services. In addition, the capacity of the Central Bank to monitor emerging risks, particularly around AML/CFT, remains unclear.

Outlook

The current ban enforced by the ITA on female education is endangering the economy's future. Continuing the ban

will cause a shortage of educated and skilled females in the country and may induce a further reduction in OBT. The economy is projected to remain stagnant, with no growth in the baseline. In 2025, GDP is projected to barely reach 2022's level with 2-3 percent annual growth after contracting 2-3 percent in 2023, resulting in a decrease in real per capita income. The baseline assumes a 15 percent decline in OBT in 2023 and 10 percent in the subsequent years, with domestic revenues only partially offsetting OBT decline amid contracting economic activity. Inflation will bounce back and will, on average, remain between 6-10 percent in 2024 and 2025 because of the base effect and correction in the exchange rate. Inflation and low growth will result in high poverty, while decreased pro-poor spending due to reduced off-budget transfers may cause a decline in service delivery for health and education and heighten vulnerability to falling into poverty. Unemployment and underemployment are expected to persist amid limited job and business prospects.

There are significant downside risks to the baseline scenario. A higher-than-projected decline in off-budget transfers will have substantial implications for pro-poor spending, having ripple effects on businesses and economic activities and thereby worsening the economic downturn. Insufficient investment in the country's human capital will have long-term consequences on the country's growth prospects and capacity to reduce poverty sustainably. Faster-than-expected depreciation of the Afghani will limit imports, taking a toll on economic growth, while a subsequent surge in inflation will intensify economic hardships. In addition, the lack of a country-wide strategy and necessary financial support to invest in climate adaptation will add additional downward risks to economic activity and poverty reduction.

BANGLADESH

Table 1 **2023**

Population, million	173.0
GDP, current US\$ billion	437.4
GDP per capita, current US\$	2529.1
International poverty rate (\$2.15) ^a	5.0
Lower middle-income poverty rate (\$3.65) ^a	30.0
Upper middle-income poverty rate (\$6.85) ^a	74.1
Gini index ^a	33.4
School enrollment, primary (% gross) ^b	117.7
Life expectancy at birth, years ^b	72.4
Total GHG emissions (mtCO2e)	256.2

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2022), 2017 PPPs.
 b/ WDI for School enrollment (2022); Life expectancy (2021).

Real GDP growth is expected to slow from 5.8 percent in FY23 to 5.6 percent in FY24, as inflation weighs on consumption and import restrictions and financial sector vulnerabilities constrain private investment. Poverty is projected to rise marginally in FY24, with stagnant inequality. External buffers need to be rebuilt to ensure macroeconomic stability. Export diversification, financial sector reforms, and revenue mobilization are key policy priorities ahead of Least Developed Country (LDC) graduation in 2026.

Key conditions and challenges

Macroeconomic stability and strong exports underpinned 6.6 percent average real GDP growth over the decade preceding the COVID-19 pandemic. A stimulus program and accommodative monetary policy sustained modest growth during the pandemic. From 2016 to 2022, poverty incidence declined by 2.1 percentage points (US\$ 3.65 poverty line) and 0.7 percentage points for extreme poverty (US\$ 2.15) annually. Thirty percent of the population (51.3 million people) currently lives in poverty (US\$ 3.65). Multidimensional poverty declined from 45.3 to 30.6 percent over the same period, lifting 20 million people out of deprivation of basic services. Inequality based on the Gini coefficient remained unchanged at 33.4.

Economic conditions deteriorated in FY23 as inflation accelerated and the balance of payments (BoP) deficit widened, driven by a financial account deficit. FX rationing restricted imports, leading to electricity blackouts. Rising financial sector vulnerabilities have dampened growth prospects. Unemployment was low in 2022 (3.6 percent), and the female labor force participation rate (42.7 percent) was almost half that of males. However, job quality deteriorated between 2016 and 2022 as employees earning more than US\$ 3.65/day fell from 77.9 to 50.2 percent.

Bangladesh's expected graduation from UN LDC status in 2026 will gradually result in a

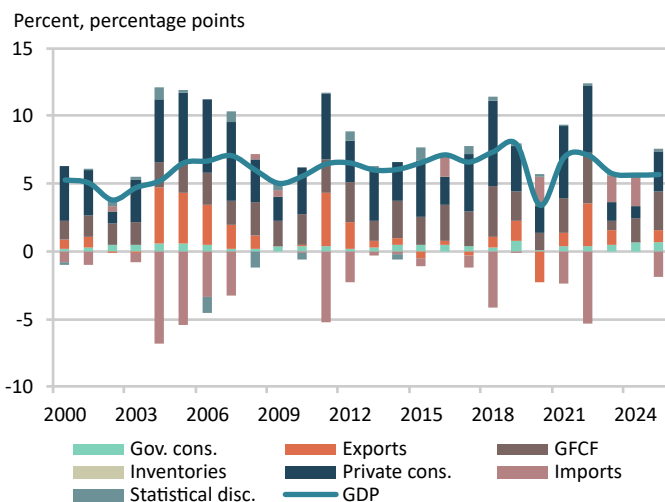
loss of trade preferences. Export diversification away from garments and negotiation of trade agreements are key medium-term objectives. Revenue mobilization, tariff modernization, and elimination of non-tariff barriers would promote diversification and boost growth. Addressing financial sector vulnerabilities and streamlining regulations would support foreign investment inflows. Improving governance, building human capital, and mitigating climate risks are key long-term challenges.

Recent developments

Estimated real GDP growth slowed in the first half of FY24 as private consumption and investment growth stagnated. On the supply side, industrial growth moderated as energy shortages and import restrictions offset steady external demand for RMG. The services sector slowed as domestic purchasing power declined, while agricultural growth remained modest. This has impacted labor income, especially for vulnerable populations working in services and agriculture.

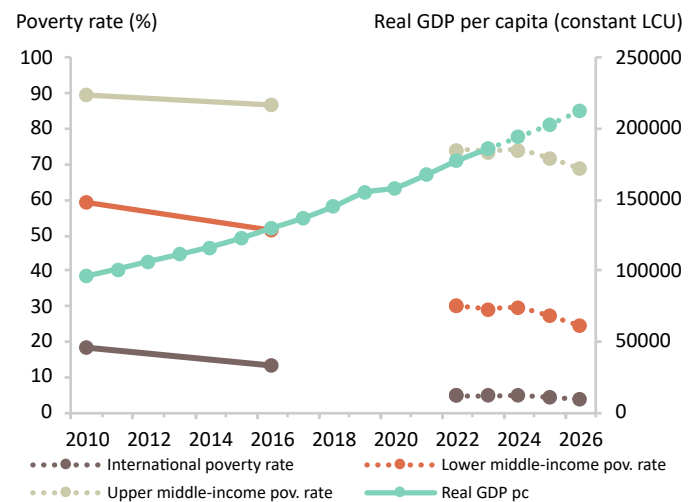
Inflation remained elevated in the first half of FY24, declining marginally to 9.7 percent in February 2024, driven by rising food and electricity prices. Weak private consumption growth and high inflation have halted poverty reduction. Higher food prices particularly impacted poor households, which allocate over half of their budget towards food expenditures. Bangladesh Bank (BB) raised the policy rate by a cumulative 325 basis points

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



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

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



Source: World Bank. Notes: see Table 2.

since May 2022. However, policy transmission has been impaired by a cap on lending rates. The nonperforming loan ratio increased to 9.2 percent in FY23, although this ratio understates vulnerabilities due to lax regulatory definitions and reporting standards.

The current account moved into a US\$ 3.1 billion surplus in the first seven months of FY24 as exports grew by 0.2 percent and imports contracted by 16.3 percent. Official remittance growth remained muted at 3.6 percent. The financial account deficit surged to US\$ 7.4 billion, led by a decline in short-term lending. The BoP deficit narrowed to US\$ 4.7 billion over the first seven months of FY24, compared to US\$ 7.4 billion over the same period of FY23. Official exchange rates depreciated modestly, remaining insufficient to clear the FX market. BB intervened heavily in the market to maintain exchange rate caps. Gross FX reserves declined to US\$ 20.0 billion at end-January 2024, a \$4.8 billion decline in FY24, providing 3.4 months of import coverage. The fiscal deficit narrowed modestly to 4.4 percent of GDP in FY23, down from 4.6 percent in FY22, as weak revenue growth was offset by deferred capital investment

and limited public sector wage growth. The public debt to GDP ratio increased to 35.0 percent but remained sustainable, with a low risk of debt distress.

Outlook

Growth is expected to decelerate to 5.6 percent in FY24 from 5.8 percent in FY23 before returning gradually to its long-term trend above 6.0 percent. Elevated inflation will weigh on consumption, while private investment will remain constrained by FX rationing. As consumption growth slows and the population increases, almost half a million Bangladeshis are projected to fall into extreme poverty (at US\$ 2.15) between FY23 and FY24, while moderate poverty (at US\$ 3.65) increases from 29.3 to 29.4 percent, rising by around 0.84 million. Inequality is forecasted to remain stagnant. External sector pressure will ease gradually, with resilient export growth. The CAD is expected to narrow further in FY24 as import restrictions persist before widening over the medium term as policies normalize. Remittance inflows are expected to

rise, underpinned by a higher outflow of workers and greater exchange rate flexibility. The financial account is expected to return to surplus with the resumption of trade credit flows and a higher volume of external financing. Additional exchange rate flexibility would accelerate the stabilization of FX reserves.

The fiscal deficit is projected to stay below 5.0 percent of GDP over the medium term. Nominal revenues will rise with increasing trade, improving domestic activity, and ongoing efforts to strengthen the tax administration. Over the longer term, rising public expenditure requirements to meet infrastructure needs, mitigate climate vulnerabilities, and accelerate human capital investment will require the mobilization of additional revenues, as trade-based taxes decline with tariff modernization.

Downside risks to the growth outlook have increased, with a weak global outlook. The pace of monetary and exchange rate reforms may be insufficient, depleting FX reserves. Tighter liquidity could exacerbate banking vulnerabilities. Fiscal risks include revenue underperformance, realization of financial sector contingent liabilities, and monetization of the deficit.

TABLE 2 Bangladesh / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020/21	2021/22	2022/23e	2023/24f	2024/25f	2025/26f
Real GDP growth, at constant market prices^a	6.9	7.1	5.8	5.6	5.7	5.9
Private consumption	8.0	7.5	2.0	1.4	4.9	5.3
Government consumption	6.9	6.2	8.5	10.6	9.9	7.4
Gross fixed capital investment	8.1	11.7	2.2	5.6	8.8	8.6
Exports, goods and services	9.2	29.4	8.0	0.1	7.2	6.4
Imports, goods and services	15.3	31.2	-9.8	-12.2	12.5	10.2
Real GDP growth, at constant factor prices^a	7.0	7.2	6.2	5.7	5.7	5.9
Agriculture	3.2	3.1	3.4	3.1	3.1	3.2
Industry	10.3	9.9	8.4	6.6	7.2	6.8
Services	5.7	6.3	5.4	5.6	5.1	5.8
Inflation (consumer price index)	5.6	6.1	9.0	9.6	8.5	6.5
Current account balance (% of GDP)	-1.1	-4.0	-0.6	0.9	0.7	-0.2
Net foreign direct investment inflow (% of GDP)	0.3	0.4	0.4	0.3	0.4	0.4
Fiscal balance (% of GDP)	-3.7	-4.6	-4.4	-4.6	-4.7	-4.8
Revenues (% of GDP)	9.4	8.5	8.2	8.6	9.0	9.3
Debt (% of GDP)	32.4	33.7	35.0	35.0	35.3	36.3
Primary balance (% of GDP)	-1.7	-2.6	-2.5	-2.1	-2.2	-2.3
International poverty rate (\$2.15 in 2017 PPP)^{b,c}	..	5.0	4.9	5.1	4.5	3.7
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{b,c}	..	30.0	29.3	29.4	27.2	24.3
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{b,c}	..	74.1	73.5	73.8	71.6	68.7
GHG emissions growth (mtCO₂e)	5.9	5.1	2.6	1.8	2.0	2.6
Energy related GHG emissions (% of total)	41.3	43.0	43.6	43.7	43.9	44.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ FY23 estimates based on BBS provisional estimates.

b/ Calculations based on SAR-POV harmonization, using 2022-HIES. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.

c/ Projections using microsimulation methodology.

BHUTAN

Key conditions and challenges

Table 1 2023

Population, million	0.8
GDP, current US\$ billion	2.9
GDP per capita, current US\$	3707.1
International poverty rate (\$2.15) ^a	0.0
Lower middle-income poverty rate (\$3.65) ^a	0.5
Upper middle-income poverty rate (\$6.85) ^a	8.4
Gini index ^a	28.5
School enrollment, primary (% gross) ^b	103.8
Life expectancy at birth, years ^b	71.8
Total GHG emissions (mtCO2e)	-5.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2021).

Output grew by 4.5 percent in FY22/23 and growth rate is projected to increase in the medium term, due to recovery in industry and services sectors. Fiscal deficit is anticipated to increase in FY23/24 before moderating in the medium term.

Current account deficit is expected to improve with increased hydropower exports, tourism, and reduced crypto equipment imports. In 2022, about 9 percent of the population lived below \$6.85/day but a substantial share of Bhutanese is vulnerable to falling into poverty.

Annual real GDP growth has averaged 7.5 percent since the 1980s, driven by the hydropower sector and in services, including tourism. Rapid economic growth has contributed to poverty reduction over the last two decades. Extreme poverty based on \$2.15/day was eliminated by 2022. Less than one percent of people live on less than \$3.65/day international poverty line and 8.5 percent of people live with less than \$6.85/day. Poverty reduced significantly in the last five years, partly driven by growth in real per capita consumption, social transfers and increases in remittances. Declines were particularly salient in rural areas. Access to food, education, water, and sanitation also improved in the last five years. Inequality, measured by the Gini index, decreased from 37 in 2017 to 28 in 2022. However, vulnerability to shocks and spatial inequalities remain a challenge, with a poverty rate as high as 41 percent in Zhemgang district and as low as 1.5 percent in Thimphu district, while Gini is as high as 0.32 in Zhemgang and as low as 0.24 in Punakha and Thimphu. Sluggish job creation with high youth unemployment rate (15.9 percent in 2023) has prompted an increase in emigration and contributed to a loss of skilled workforce.

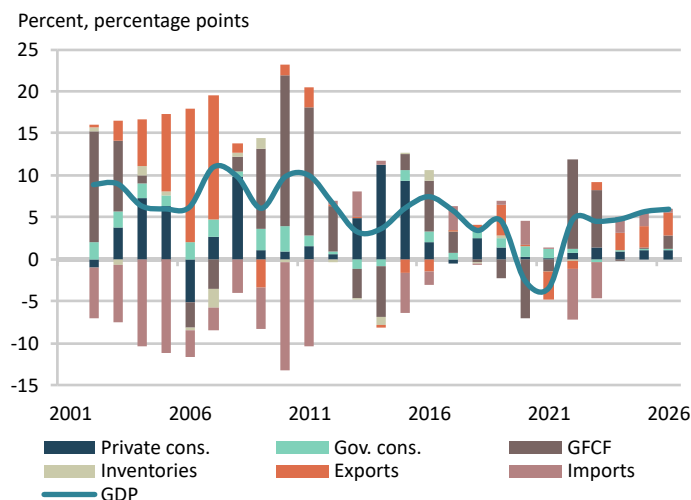
The economy has recovered from the shocks resulting from the pandemic and Russia's invasion of Ukraine. The fiscal deficit declined as pandemic-related relief measures were phased out and capital expenditures decreased. However, a major national investment in cryptocurrency mining resulted in a decline in international reserves and a widening of the current account deficit (CAD) to 34.3 percent of GDP in FY22/23. The government announced plans to establish a Special Economic Zone known as the Gelephu megacity project, aiming to mobilize significant foreign investments.

The downside risks to the economic outlook persist. Delays in hydropower projects could affect fiscal and external balances. Delayed fiscal consolidation and the materialization of financial sector contingent liabilities could further erode fiscal buffers. Rising and volatile commodity prices due to geopolitical tensions could exert further pressure on the external balance. Continued emigration of skilled labor could also weigh on the economy.

Recent developments

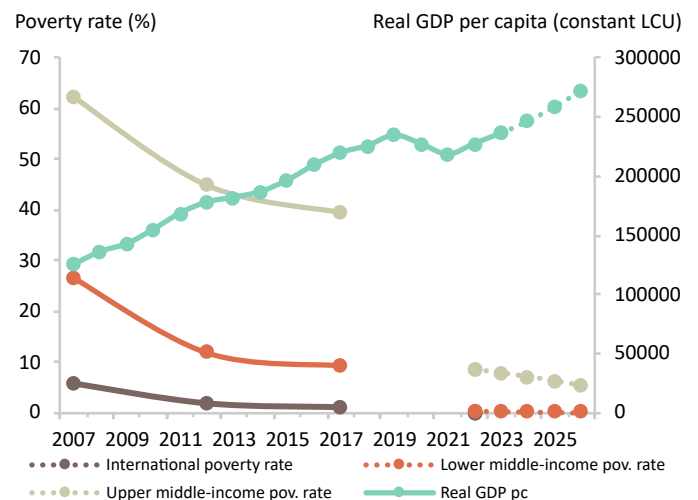
Real GDP is estimated to have grown by 4.5 percent in FY22/23, supported by the reopening of borders for tourism. The industry sector grew by 5.6 percent, driven by construction, mining, and manufacturing activities. The services sector grew by 4.9 percent, supported by transport- and trade-related services.

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



Sources: National Account Statistics and National Statistics Bureau (NSB).

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



Source: World Bank. Notes: see Table 2.

Growth in agriculture has been moderate, primarily due to reduced crop production. Demand side growth was driven by non-hydro goods and services exports and private investment, with potential positive effects on employment and wages.

The headline inflation rose marginally since March 2023 to reach 5.0 percent in December 2023. The pickup was driven by the increase in food prices locally and rising prices in India. This is expected to have negative effects on household consumption, particularly in poor urban households.

The fiscal deficit declined to 4.1 percent of GDP in FY22/23, primarily due to reduced capital spending. Although corporate income taxes, driven by hydro revenues, remained subdued, non-hydro revenues increased, reflecting the gradual recovery of the industrial and services sectors. Capital expenditure remained low in FY22/23 due to frontloading of the 12th Five-Year Plan in FY20/21.

The current account deficit (CAD) widened significantly to 34.3 percent of GDP in FY22/23. Tourist inflow supported export services growth, and imports

declined with the fall in crypto-related IT equipment imports. Hydropower exports declined due to increased domestic consumption, reflecting the higher electricity needs for crypto-mining operations. Gross international reserves stood at US\$533 million as of November 2023.

Outlook

The economy is projected to grow by 4.9 percent in FY23/24, supported by higher growth in tourism. Net trade is expected to improve due to rising services exports and a fall in crypto-related IT equipment imports. Medium-term growth is expected to be supported by the services sectors and the commissioning of the Puna II hydropower plant. The growth is expected to improve household income and create new jobs.

The incidence of poverty is estimated to decrease slightly to 7.8 percent in 2023 based on \$6.85/day. However, a large share of the population will remain vulnerable to falling into poverty.

The fiscal deficit is projected to increase in FY23/24. Current expenditure is expected to increase due to a major salary hike for public sector employees and capital expenditures are likely to remain robust, but close monitoring of the expenditure will keep the fiscal deficit at 5 percent of GDP. The fiscal deficit is expected to decline beyond FY24/25, driven by higher revenue from the Puna II hydropower plant and lower capital expenditure due to declining grants. Public debt is expected to remain elevated at 110.9 percent of GDP in FY23/24.

The CAD improved in the first quarter of FY23/24 and is expected to improve further to 15.7 percent of GDP in FY23/24 driven by a lower trade deficit. Export growth is expected to be driven by hydro exports and services exports fuelled by increased tourist arrivals. Conversely, the import of goods is expected to decrease, primarily due to the decline in imports of crypto IT equipment, which constituted approximately 6 percent of GDP in 2022. International reserves are expected to decline by US\$63 million since FY22/23 to US\$516 million in FY23/24 (3.8 months of import).

TABLE 2 Bhutan / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020/21	2021/22	2022/23e	2023/24f	2024/25f	2025/26f
Real GDP growth, at constant market prices^a	-3.3	4.8	4.6	4.9	5.7	6.0
Private consumption	0.3	1.5	2.9	2.0	2.2	2.3
Government consumption	5.4	1.9	-1.2	0.5	0.9	1.4
Gross fixed capital investment	-3.4	25.4	13.3	-0.5	0.4	3.2
Exports, goods and services	-10.4	-3.6	3.7	7.7	9.3	9.7
Imports, goods and services	-0.5	13.2	8.9	-4.0	-3.9	-1.0
Real GDP growth, at constant factor prices	-2.3	4.9	4.6	4.9	5.7	6.0
Agriculture	2.7	0.1	0.3	1.7	1.6	1.7
Industry	-5.9	4.8	5.6	5.0	9.1	9.6
Services	-1.2	6.3	5.0	5.6	4.7	4.7
Inflation (consumer price index)	8.2	5.3	4.6	4.9	4.1	4.0
Current account balance (% of GDP)	-11.1	-28.1	-34.3	-15.7	-9.7	-9.6
Fiscal balance (% of GDP)	-5.8	-7.0	-4.1	-5.0	-3.5	-2.2
Revenues (% of GDP)	30.9	25.1	25.2	24.6	25.1	24.1
Debt (% of GDP)	123.3	118.8	116.5	110.9	103.4	112.0
Primary balance (% of GDP)	-4.8	-5.6	-2.4	-3.8	-2.0	-0.3
International poverty rate (\$2.15 in 2017 PPP)^{b,c}	..	0.0	..	..	..	..
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{b,c}	..	0.5	0.4	0.3	0.3	0.2
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{b,c}	..	8.4	7.8	7.0	6.3	5.3
GHG emissions growth (mtCO₂e)	0.1	-1.2	-1.5	-1.4	-1.4	-1.4
Energy related GHG emissions (% of total)	-14.6	-15.3	-16.4	-17.3	-18.3	-19.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ The GDP estimates in the AM23 MPO reflect the base year 2000. The National Statistics Bureau has recently updated the base year from 2000 to 2017. The SM24 MPO will reflect the rebased NIA estimates for 2017 to 2022.

b/ Calculations based on SAR-POV harmonization, using 2022-BLSS. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.

c/ Projection using neutral distribution (2022) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

INDIA

Table 1	2023
Population, million	1428.6
GDP, current US\$ billion	3610.5
GDP per capita, current US\$	2527.2
School enrollment, primary (% gross) ^a	108.1
Life expectancy at birth, years ^a	67.2
Total GHG emissions (mtCO ₂ e)	3620.1

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2022); Life expectancy (2021).

Buoyant construction, manufacturing, and services drove strong growth in India in FY23/24 and will continue to anchor growth at high levels over the medium term despite the muted global outlook. In recent years, high growth and recovery in the labor market have been accompanied by declining rates of extreme and moderate poverty, and improvements in non-monetary poverty. Critical structural reforms for sustained development include promoting trade and private investments, improving the business climate, supporting the catch-up growth of lagging states, and creating conditions for more and better jobs, particularly for the youth and women.

Key conditions and challenges

Between 2000 and 2019, India's economy grew by 6.6 percent annually on average; per capita GDP doubled, and the extreme poverty rate decreased from 40 percent in 2004 to 13.2 percent in 2019. Non-monetary poverty (deprivation in health, education, and living standards) fell by 70 percent from 2005-06 to 16.4 percent in 2019-21. These developments were underpinned by India's deeper integration into the global economy, improvements in the business environment, basic services expansion, and prudent macroeconomic management. However, inequality persisted, with a consumption-based Gini index of 33 percent, and around 44 percent of the population lived below the lower middle-income poverty line in FY21/22. Regional disparities in non-monetary poverty and access to basic services remain largely unchanged.

The economy contracted by 5.8 percent in FY20/21, due to COVID-19 related mobility restrictions, before rebounding by 9.7 percent in FY21/22 to above its pre-pandemic level. Over the same period extreme poverty spiked temporarily to 15.5 percent before dropping to 13 percent. Labor market outcomes improved notably in FY22/23, with the urban unemployment rate decreasing to 7.2 percent in FY22/23 from 9.8 percent in FY21/22. The labor force participation rate improved, particularly for women, as self-employment and unpaid

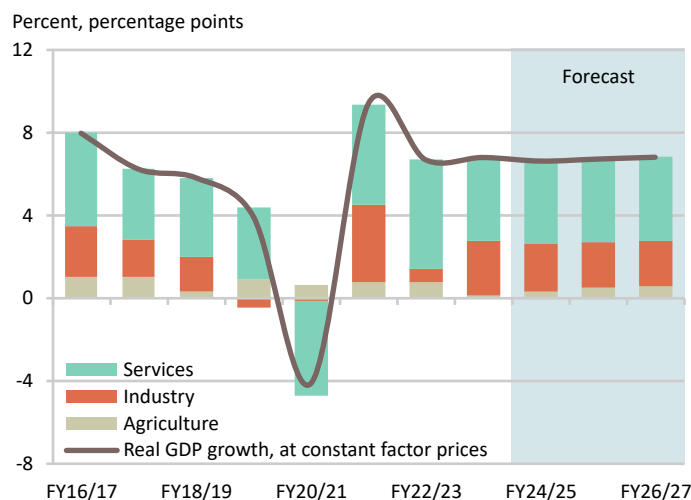
work increased, albeit raising concerns about the quality and sustainability of these improvements.

Risks to the growth and poverty reduction outlook are balanced. Global growth has remained subdued; there are signs of recovery, although geopolitical tensions could cause supply chain disruptions. Indian manufacturing firms have benefited from lower input costs as global commodity prices eased. While not immune to international developments, India's economy is resilient with its vast domestic market, diversified structure, and substantial foreign exchange reserves providing external buffers. Achieving higher growth would require enhancing the efficiency of public investment in human capital, addressing constraints to the participation of women in the labor market, further deepening the transition to green energy, expanding infrastructure, and easing trade, investment, job creation, and doing business more generally through the next generation regulatory reforms.

Recent developments

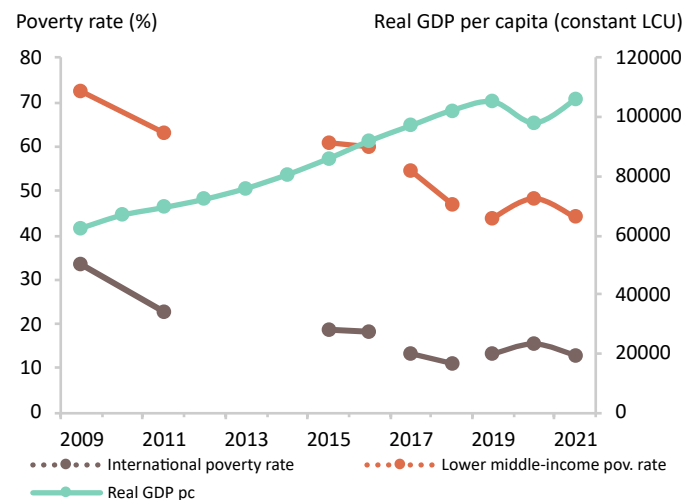
Growth is projected to reach 7.5 percent in FY23/24. Buoyant services and industry activity, especially in construction and manufacturing, offset a slowdown in agriculture due to uneven monsoons. Investment is projected to grow by 10.8 percent, fueled by significant public infrastructure spending and increased private investment. Private consumption is forecast to moderate as weak agriculture

FIGURE 1 India / Real GDP growth and contributions to real GDP growth at factor cost



Sources: National Statistics Office (NSO) and World Bank.
Note: FY14/15 refers to the fiscal year 2014-15 (April 2014-March 2015) and so on.

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



Source: World Bank. Notes: see Table 2.

performance depressed rural incomes and post-pandemic pent-up demand waned. Inflation is expected to fall to 5.5 percent in FY23/24. Core inflation fell below 4 percent, while food inflation remained around 8 percent as of February 2024. The RBI's Monetary Policy Committee maintained the policy rate unchanged at 6.5 percent and its "withdrawal of accommodation" stance. The sustainability of poverty reduction and consumption spending by poorer households are constrained by weak agriculture, stagnant real wages for casual labor, food price volatility, and better utilization of social schemes like PM Awas Yojna and PM Ayushman Bharat can help sustain the achievement.

The fiscal deficit is expected to narrow to 8.6 percent of GDP in FY23/24 from 9.1 percent in FY22/23. At the central level, gross tax revenues increased by 12.5 percent in FY23/24, surpassing the 10.5 percent budget target, thanks to continued efforts to broaden the base and improve tax services. Non-tax revenues were buoyed by higher-than-expected dividends from the RBI and other financial institutions. Current expenditure grew by 2.5 percent y-o-y, allowing a sizeable expansion of public investment by 28 percent. The aggregate fiscal deficit of states increased to 2.8 percent from 2.7 percent in FY22/23. Despite a lower overall

deficit, the debt-to-GDP ratio is expected to rise from 82.5 in FY22/23 to 84.3 percent in FY23/24 as nominal growth was significantly lower in FY23/24 at 9.2 percent from 14.2 percent in FY22/23.

The current account deficit is expected to narrow to 1.1 percent of GDP in FY23/24, from 2.0 percent in the previous year. Strong services exports and declining international fuel prices drove the improvement. Net Foreign Direct Investment is estimated to remain subdued at 0.8 percent of GDP as repatriation surged, but foreign portfolio inflows rebounded in FY23/24. Thus, international reserves rose to US\$622 billion as of February 2024, amounting to around 10 months of import cover.

Outlook

Growth is expected to decelerate to 6.6 percent in FY24/25, before picking up in subsequent years. Growth will be dampened in FY24/25 by the subdued external environment, the unwinding of the post-COVID-19 rebound, and the general slowdown of activity, particularly capex, during the election period. The medium-term outlook is positive as past public investment will crowd-in corporate investment, and private consumption growth

will be supported by the recovery of agriculture and declining inflation. Under the baseline scenario, headline inflation is projected to decline to 4 percent over the medium term. These developments are expected to be accompanied by further reductions in extreme and moderate poverty. New official data on household expenditures from 2022/23 and 2023/24 household surveys will allow to reassess poverty and inequality rates.

The overall fiscal deficit is projected to narrow, helping to gradually reduce public debt. Revenues are projected to remain robust, thanks to improving tax administration and healthy corporate profits. Current spending should continue to increase in absolute terms but decline as a share of GDP, with capital spending remaining high (at over 5 percent of GDP). The debt-to-GDP ratio is projected to decline gradually to around 81 percent by FY26/27.

The current account deficit is expected to remain at around 1.5 percent of GDP over the forecast period supported by declining commodity prices, vibrant services exports, and continued progress in high and medium-technology goods exports. The deficit should be adequately financed by foreign (direct and portfolio) investment flows, with foreign exchange reserves providing ample cover against any adverse external development.

TABLE 2 India / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021/22	2022/23	2023/24e	2024/25f	2025/26f	2026/27f
Real GDP growth, at constant market prices	9.7	7.0	7.5	6.6	6.7	6.8
Private consumption	11.7	6.8	3.8	5.1	6.3	6.8
Government consumption	0.0	9.0	3.1	5.8	5.9	6.1
Gross fixed capital investment	17.5	6.6	10.8	9.7	7.6	7.4
Exports, goods and services	29.6	13.4	3.1	4.5	7.2	8.2
Imports, goods and services	22.1	10.6	10.4	4.9	7.1	8.5
Real GDP growth, at constant factor prices	9.4	6.7	6.8	6.6	6.7	6.8
Agriculture	4.6	4.7	0.7	2.1	3.7	4.0
Industry	12.2	2.1	8.8	7.6	7.1	7.1
Services	9.2	10.0	7.4	7.3	7.3	7.3
Inflation (consumer price index)	5.5	6.7	5.5	4.7	4.1	4.0
Current account balance (% of GDP)	-1.2	-2.0	-1.1	-1.4	-1.5	-1.5
Net foreign direct investment inflow (% of GDP)	1.2	0.8	0.8	1.2	1.4	1.5
Fiscal balance (% of GDP)	-9.5	-9.1	-8.6	-8.0	-7.5	-7.4
Revenues (% of GDP)	20.6	19.2	19.6	20.2	20.4	20.4
Debt (% of GDP)	84.8	82.5	84.2	83.1	81.8	80.6
Primary balance (% of GDP)	-4.2	-3.9	-3.4	-2.8	-2.4	-2.3
International poverty rate (\$2.15 in 2017 PPP)^a	12.9	..	..	..	..	..
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^a	44.1	..	..	..	..	..
GHG emissions growth (mtCO₂e)	6.2	5.0	2.5	4.2	3.1	3.2
Energy related GHG emissions (% of total)	69.1	70.3	70.9	71.9	72.7	73.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Estimates based on World Bank Poverty and Inequality Platform. Ministry of Statistics and Programme Implementation (MOSPI) has recently released a Factsheet on the 2022/23 Household Consumption Expenditure Survey. The survey is part 1 of a two-year consecutive survey effort (2022-23 and 2023-24) that should fill a long gap in official poverty statistics in India. The official poverty numbers for 2022-23 will be available when the microdata is released.

MALDIVES

Key conditions and challenges

Table 1	2023
Population, million	0.5
GDP, current US\$ billion	6.6
GDP per capita, current US\$	12624.9
Upper middle-income poverty rate (\$6.85) ^a	3.9
Gini index ^a	29.3
School enrollment, primary (% gross) ^b	97.8
Life expectancy at birth, years ^b	79.9
Total GHG emissions (mtCO2e)	2.7

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2019), 2017 PPPs.
 b/ WDI for School enrollment (2020); Life expectancy (2021).

Economic growth is slowing, despite rising tourist arrivals. Large external imbalances, combined with external financing gaps have led to declining foreign exchange reserves and substantial liquidity pressures. These add to solvency concerns that reflect a high public debt stock, large fiscal deficits, and expenditure arrears. Sustaining macroeconomic stability and growth will require a major fiscal adjustment and implementation of a multi-year reform plan. Protecting the poor and vulnerable from income and welfare losses will be crucial.

Tourism, which directly accounts for a quarter of the economy, has continued to expand driven by arrivals from Russia, India, and China, as well as new markets such as the USA. However, a decline in the average duration of stay and lower per capita tourist spending has led to slower economic growth in 2023.

Following substantial increases in public spending in recent years, economic imbalances and vulnerabilities have reached critical levels in the Maldives. Persistent large current account and fiscal deficits have depleted external buffers. With a heavy reliance on imports, the nation faces significant external and fiscal pressures due to substantial level of construction-related imports, and limited official reserves. Pressure on public finances is exacerbated by government support for underperforming State-Owned Enterprises (SOEs), blanket provision of subsidies, continued high levels of capital spending, and a generous public health scheme. Hard-to-sustain subsidies and in-kind transfers play a vital role in boosting household incomes, particularly among the economically disadvantaged and those living in the atolls, raising concerns about the welfare impact of fiscal vulnerabilities.

While infrastructure projects have boosted long-term growth prospects, they have largely been financed from external non-concessional sources and sovereign

guarantees. The rising cost of external borrowing has also forced the government to turn towards domestic financing sources, increasing the exposure of the monetary and financial sector to the sovereign.

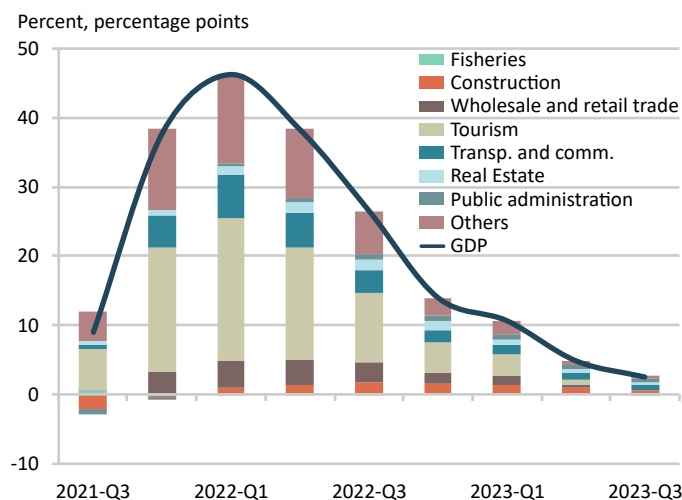
As a positive step, the government recently announced its commitment to a fiscal reform agenda that aims to address economic vulnerabilities. Details of this agenda still need to be released but will likely include reforms to subsidies, SOEs, the public health insurance (Aasandha) scheme, and capital spending. Revenues saved could be partially recycled to mitigate poverty and inequality increases. Without a meaningful fiscal adjustment, public and publicly guaranteed (PPG) debt is forecast to remain high.

Recent developments

Tourist arrivals climbed by 12 percent (y-o-y) and reached 1.88 million in 2023, an all-time high. However, this did not translate into higher GDP growth due to decreased spending per tourist linked to a growing preference for guest houses over high-end resorts. Real GDP grew by only 2.5 percent (y-o-y) on a 4-quarter rolling basis in 2023Q3, as the tourism and trade sectors contracted by, respectively, 0.4 and 0.9 percent (y-o-y) in the quarter. Overall, the Maldivian economy is estimated to have grown by 4.0 percent in 2023.

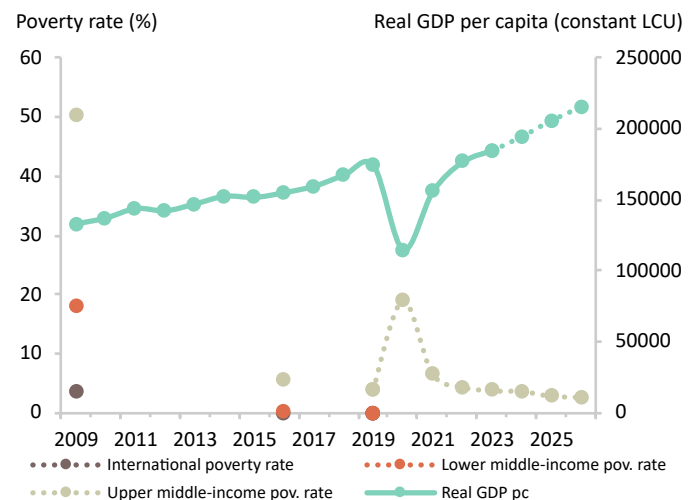
Compared to its historical average of 0.5 percent, domestic inflation remained elevated at 2.9 percent (y-o-y) in 2023, given high global commodity prices and

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



Sources: Maldives Bureau of Statistics and World Bank estimates.

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



Source: World Bank. Notes: see Table 2.

a fiscally prudent increase in the goods and services tax (GST) rate. Price increases were particularly acute in the food, education, and restaurant and accommodation services sectors. The poverty impact of food inflation alone could be 0.4 percentage points, and higher in atolls (0.6 percentage points).

Travel export receipts contracted by 6.8 percent (y-o-y) in 2023, while merchandise imports remained elevated at US\$3.5 billion, driven by high commodity and capital goods imports. As a result, the current account deficit widened considerably to an estimated 23.4 percent of GDP. High import costs and external debt repayments also put significant pressure on gross reserves, which fell to US\$551.1 million (1.9 months of imports) in January 2024, from US\$790.0 million a year earlier.

Failure to implement planned subsidy reforms and rapidly rising recurrent and capital spending led to a sharp rise in overall expenditure and an increase in the fiscal deficit to an estimated 13.2 percent of GDP in 2023. This was despite raising GST rates, which resulted in overall revenues growing by 17 percent (y-o-y). A supplementary budget (6.1 percent of GDP) was approved to cover rapidly rising expenditure.

Outlook

Supported by tourism, the economy is projected to grow by 4.7 percent on average over the medium term – significantly lower than the pre-pandemic average of 7.4 percent. This outlook is predicated on a significant expected fiscal adjustment – including the negative impact on real household incomes from the planned subsidy reforms and a reduction in government consumption and investments – and more moderate tourist spending. Slower projected growth also translates into slowing poverty reduction in 2024.

The fiscal deficit is expected to remain elevated in 2024, as the approved Budget includes ambitious spending plans with an unidentified financing gap of over US\$700 million. As a result, PPG debt is projected to remain around 120 percent of GDP over the medium term. A fiscal reform package was announced, but a larger fiscal adjustment is required – particularly through higher cuts in non-essential capital and untargeted recurrent spending – to lower public debt and substantially address fiscal and external vulnerabilities. Inflation is projected to rise due to

the planned removal of blanket subsidies. In the absence of mitigation, this could drive poverty to increase by 2.5 percentage points. Higher prices could impact the labor market and increase existing inequalities in employment opportunities.

The current account deficit is expected to remain elevated given commodity price pressures and continued capital imports to complete ongoing and planned infrastructure projects. Rising external financing needs – including debt servicing – are expected to sustain pressure on official reserves.

Major downside risks exist. Any shock to the tourism sector could threaten the already modest levels of projected economic growth and lead to larger welfare losses. Limited domestic and external financing may further exacerbate liquidity and solvency risks, especially considering the approaching spike in external debt servicing payments. A further widening of the current account deficit could exacerbate external vulnerabilities. Sustaining macroeconomic stability will require a major fiscal adjustment and the implementation of a multi-year reform plan which needs to be accompanied by targeted transfer mechanism to offset welfare losses among vulnerable groups.

TABLE 2 Maldives / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	37.7	13.9	4.0	4.7	5.2	4.1
Real GDP growth, at constant factor prices	33.8	15.0	4.0	4.7	5.2	4.1
Agriculture	-0.7	3.1	3.2	3.0	2.8	2.7
Industry	-4.6	25.2	8.5	2.0	4.7	1.8
Services	43.4	14.7	3.5	5.1	5.4	4.5
Inflation (consumer price index)	0.5	2.3	2.9	7.5	6.5	5.0
Current account balance (% of GDP)	-8.7	-16.7	-23.4	-19.4	-18.0	-14.3
Net foreign direct investment inflow (% of GDP)	12.2	11.9	12.1	11.7	12.3	11.5
Fiscal balance (% of GDP)	-14.2	-12.0	-13.2	-12.2	-11.0	-9.5
Revenues (% of GDP)	26.4	30.0	33.0	31.8	31.5	31.9
Debt (% of GDP)	117.1	114.5	122.9	122.1	119.7	118.4
Primary balance (% of GDP)	-11.6	-8.3	-9.6	-8.3	-7.2	-6.0
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	6.7	4.5	3.9	3.7	2.9	2.8
GHG emissions growth (mtCO₂e)	11.1	13.8	8.9	6.6	6.0	5.9
Energy related GHG emissions (% of total)	74.7	77.0	78.1	78.8	79.4	79.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on SAR-POV harmonization, using 2019-HIES. Actual data: 2019. Nowcast: 2020-2023. Forecasts are from 2024 to 2026.

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

NEPAL

Table 1 **2023**

Population, million	30.9
GDP, current US\$ billion	41.2
GDP per capita, current US\$	1332.2
International poverty rate (\$2.15) ^a	8.2
Lower middle-income poverty rate (\$3.65) ^a	40.0
Upper middle-income poverty rate (\$6.85) ^a	80.4
Gini index ^a	32.8
School enrollment, primary (% gross) ^b	118.8
Life expectancy at birth, years ^b	68.4
Total GHG emissions (mtCO ₂ e)	49.2

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2010), 2017 PPPs.
 b/ WDI for School enrollment (2022); Life expectancy (2021).

GDP growth is projected to increase from 1.9 percent in FY23 to 3.3 percent in FY24, driven by revived tourism and improved electricity generation. Decreased expenditure is anticipated to trim the fiscal deficit, while a current account surplus is expected due to reduced merchandise imports and increased remittances. Monetary easing could also support medium-term growth. Despite significant reduction in poverty over the past decade, concerns persist over vulnerability to relapse and short-term risks such as high inflation and other shocks.

Key conditions and challenges

Nepal's economy experienced an average growth rate of 4.5 percent over the past decade, punctuated by four significant external shocks in 2015 (earthquake), 2016 (India blockade), 2017 (landslide), and 2020 (COVID-19). Remittances, accounting for approximately one-quarter of the country's GDP for a decade, have driven private consumption. The new household survey data shows a 66 percent increase in average real per capita consumption between FY11 and FY23, alongside a significant decline in the poverty rate by 21.6 percentage points to 3.6 percent over the same period (based on the 2011 national poverty line). Remittances were a major factor in poverty reduction, contributing an estimated 32 percent.

Despite these positive developments and achieving lower-middle-income country status in FY20, Nepal's per capita income level still lags its peer countries. Persistent challenges such as low productivity and fiscal pressures from the transition to fiscal federalism impede progress. Sluggish private sector growth, geographic and environmental challenges, weak international competitiveness, and governance issues pose further obstacles. Although both the inequality and prosperity gap have decreased, about 20.3 percent of the population still live below the new national poverty line, which is 70 percent higher than the 2011 poverty threshold.

The incidence of poverty varies across the seven provinces of Nepal, reflecting spatial disparities across the country.

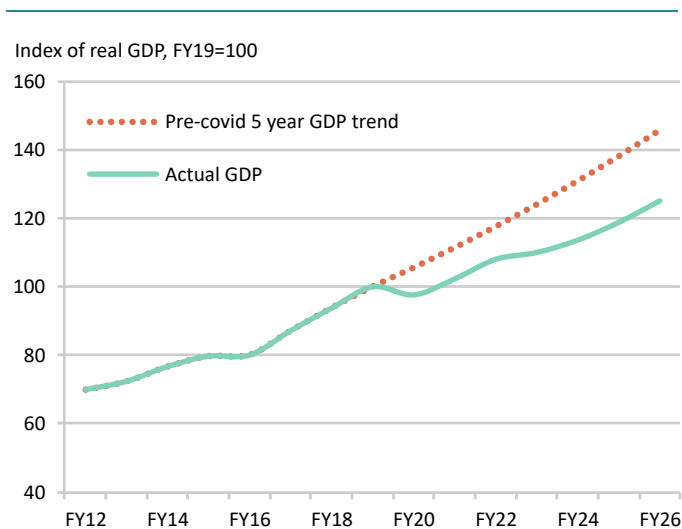
Limited job opportunities are another characteristic of Nepal's economy. Consequently, emigration remains a preferred option for Nepalis across the income distribution, with poorer households benefiting increasingly more from remittances over the past decade. On average, migrant workers earned three times more than domestic workers. Self-employment or unpaid work comprised a third of all employment in FY23, while over half of those with secondary education and a quarter with tertiary education were unemployed.

Recent developments

After a 1.9 percent growth in FY23, high-frequency indicators show improvement in growth in the first half of FY24 (H1FY24) compared to H1FY23. Industrial growth benefited from higher hydropower generation, while services saw gains from a 46.8 percent (year-on-year) increase in tourism arrivals. Agriculture grew due to increased paddy production. However, weak domestic demand persists despite a 1 percentage point policy interest rate cut in December 2023.

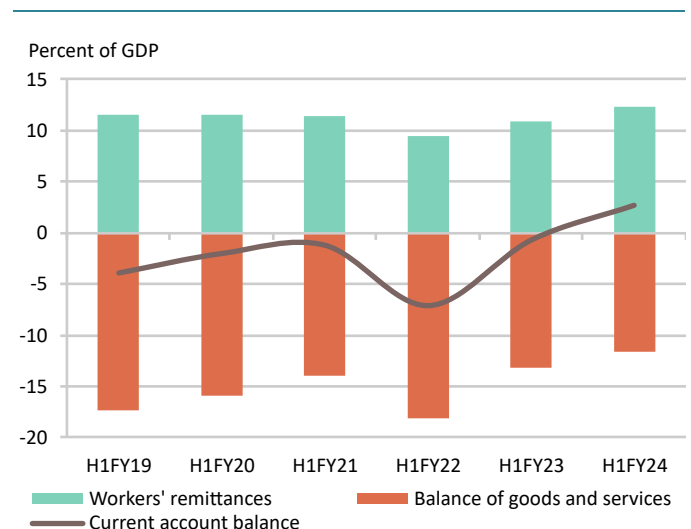
Average inflation cooled to 6.5 percent in H1FY24 from 8 percent in H1FY23, driven by an easing in prices of transportation and housing and utilities. However, inflation expectations appear persistent, and poor households may face rising prices

FIGURE 1 Nepal / Real GDP levels: Actual vs. pre-covid trend



Sources: World Bank staff calculations and Nepal National Statistics Office.

FIGURE 2 Nepal / Current account deficit



Sources: World Bank staff calculations and Nepal Rastra Bank.

due to increased shipping costs from Red Sea supply disruptions.

The current account balance turned from a deficit in FY23 to a surplus in H1FY24, the first time since H1FY16. This was supported by (a) strong remittance inflows, which grew by 22.6 percent year-on-year, and (b) declining imports of food, beverages, and industrial supplies, which narrowed the trade deficit. Additionally, exports increased due to higher earnings from tourism. Consequently, official foreign exchange reserves grew and reached 12.1 months of import cover by the end of H1FY24.

The fiscal deficit widened to 6.2 percent of GDP in FY23, driven by lower revenues owing to import restrictions. However, the deficit declined in H1FY24, reflecting improvement in income tax collections following provisions in the FY24 budget requiring banks and financial institutions to pay income tax on profits received through mergers or acquisitions and issuance of Further Public Offerings at a premium rate, and a decrease in expenditure, partly due to lower capital budget execution and austerity measures.

Outlook

Growth is projected to recover from 1.9 percent in FY23 to 3.3 percent in FY24, and further accelerate to an average of 5 percent in

FY25-FY26, supported by monetary policy easing. The services sector is expected to remain the primary driver of real GDP growth and job creation over the medium term. However, most service sector jobs remain low productivity and informal. Industrial growth, particularly in the electricity sub-sector, is projected to strengthen due to significant additions in hydroelectric capacity, which could boost productivity. The economy could also benefit in the medium term from increased private investment if reforms are implemented to improve the business environment.

Consumer price inflation is expected to remain elevated in FY24 compared to the FY17-23 average, increasing short-term poverty and vulnerability risks, before gradually declining, reflecting moderation in global commodity prices and lower inflation expectations.

The current account balance is projected to turn into a surplus in FY24, the first since FY16, due to robust remittances growth and lower merchandise imports. The surplus will narrow in subsequent years as import growth outpaces that of exports. While electricity exports are set to continue, the recent surge in remittances, from record migration in FY23, is projected to subside.

Tax revenues are expected to decline further in FY24, despite some tax reforms, due to lower merchandise imports and revenue loss from increases in electric vehicle imports at lower tax rates. Spending

is also forecast to decline driven by lower capital spending, as well as reduced fiscal transfers to subnational governments and administrative spending. The overall fiscal deficit is projected to narrow to 3.1 percent of GDP in FY24. Buoyed by strong GDP and merchandise imports growth, revenues are expected to expand over the medium term. Public investment is also expected to rise post-FY24, supported by the implementation of the National Project Bank. The fiscal deficit is projected to further narrow in FY25 and FY26. This would stabilize the debt below 41 percent of GDP by the end of FY26.

The forecast is subject to both domestic and external risks. Externally, geopolitical uncertainty may lead to a rebound in international commodity prices, affecting all sectors. A slowdown in partner countries could reduce remittance inflows and tourism, hindering growth and poverty reduction progress. In addition, the social protection programs are largely untargeted, have limited reach among the poor, and lack shock responsiveness. This poses fiscal risks and hinders social program effectiveness. These pressures, along with a weak domestic labor market, could further impact the poor and vulnerable population. Furthermore, persistent inflation expectations and lower domestic demand will weigh on the economy and the people. Natural disasters pose additional risks to sustaining welfare gains.

TABLE 2 Nepal / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	4.8	5.6	1.9	3.3	4.6	5.3
Private consumption	8.0	6.8	4.1	3.5	3.7	3.7
Government consumption	-1.7	9.6	-35.2	-16.5	9.2	9.3
Gross fixed capital investment	9.8	3.8	-10.9	-4.4	15.4	12.1
Exports, goods and services	-21.3	34.1	5.5	5.4	12.5	14.7
Imports, goods and services	18.8	15.1	-17.2	-4.5	13.1	9.7
Real GDP growth, at constant factor prices	4.5	5.3	2.2	3.3	4.6	5.3
Agriculture	2.8	2.2	2.7	2.2	2.4	2.5
Industry	6.9	10.8	0.6	2.9	5.7	8.6
Services	4.7	5.3	2.3	4.0	5.4	5.8
Inflation (consumer price index)	3.6	6.3	7.7	6.7	6.0	5.5
Current account balance (% of GDP)	-7.7	-12.6	-1.3	3.9	1.6	1.0
Net foreign direct investment inflow (% of GDP)	0.4	0.4	0.1	0.2	0.4	0.6
Fiscal balance (% of GDP)	-4.0	-3.7	-6.2	-3.1	-2.8	-2.7
Revenues (% of GDP)	23.3	23.1	19.2	18.7	19.6	20.1
Debt (% of GDP)	39.9	40.8	42.7	42.5	41.7	40.8
Primary balance (% of GDP)	-3.2	-2.7	-4.8	-1.7	-1.6	-1.7
GHG emissions growth (mtCO₂e)	3.2	-0.5	-1.1	1.6	2.4	2.9
Energy related GHG emissions (% of total)	34.1	32.8	31.1	31.1	31.8	32.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

PAKISTAN

Table 1

	2023
Population, million	240.5
GDP, current US\$ billion	338.4
GDP per capita, current US\$	1407.0
International poverty rate (\$2.15) ^a	4.9
Lower middle-income poverty rate (\$3.65) ^a	39.8
Upper middle-income poverty rate (\$6.85) ^a	84.5
Gini index ^a	29.6
School enrollment, primary (% gross) ^b	84.4
Life expectancy at birth, years ^b	66.1
Total GHG emissions (mtCO2e)	499.5

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2018), 2017 PPPs.
 b/ Most recent WDI value (2021).

Despite some recovery, Pakistan's economy remains under stress with low foreign reserves and high inflation. Policy uncertainty remains elevated and economic activity is subdued, reflecting tight fiscal and monetary policy and import controls. Growth is projected to remain below potential with heightened social vulnerability and limited poverty reduction in the medium term. Financial sector risks, policy uncertainty, and stronger external headwinds pose significant risks to the outlook.

Key conditions and challenges

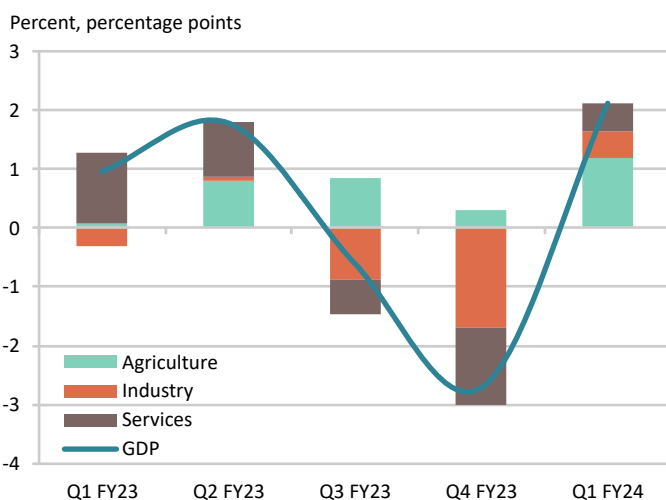
Pakistan's economy contracted by 0.2 percent in FY23 (based on real GDP at factor cost) on surging world commodity prices, global monetary tightening, catastrophic flooding, and inadequate macroeconomic management (Figure 1). These headwinds led to pressures on domestic prices, external and fiscal accounts, the currency, and foreign reserves. Import and capital controls were consequently imposed, disrupting domestic supply chains, fueling inflationary pressures, and smothering economic activity. In response to deteriorating real wages and declining job quality, poverty rose by 4.5 percentage points in FY23, with approximately 10 million people just above the poverty line at risk of poverty in the face of shocks (Figure 2). New multilateral external financing this year improved the foreign reserve position and permitted the easing of import controls. The economy has shown broad-based but still nascent signs of a recovery. Despite this, risks remain high, with the outlook predicated on the IMF-SBA program remaining on track, continued fiscal restraint, and additional external financing. Financial sector risks, policy uncertainty, and stronger external headwinds pose significant risks.

Recent developments

After contracting for two consecutive quarters, real GDP at factor cost rose by 2.1 percent y-o-y over July to September 2023 on strong agricultural growth and some improvement in confidence. Agricultural output expanded by 5.1 percent in Q1 FY24, the highest quarterly growth on record, as conducive weather conditions led to strong yields. On easing import controls, the industry sector grew by 2.5 percent in Q1 FY24, the strongest growth in five quarters, while service sector output rose by 0.8 percent. However, daily wages for unskilled labor, in which most of the poor are engaged, grew by just 5 percent in H1 FY24, much lower than inflation. Because of falling real wages, growth did not translate into poverty reduction.

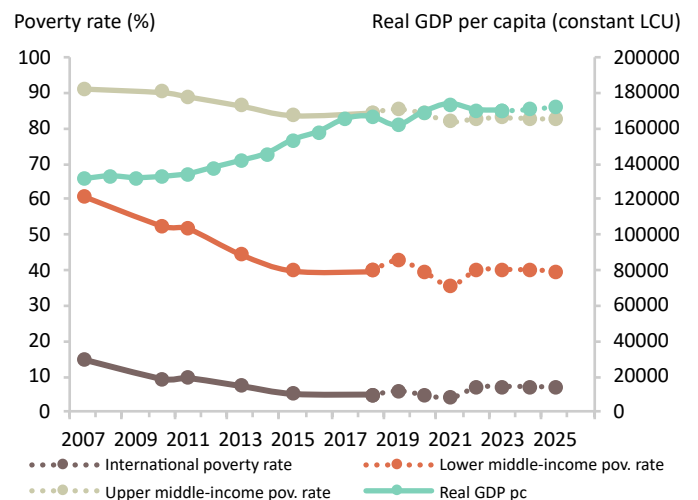
Pakistan's current account deficit (CAD) narrowed to US\$0.8 billion in H1 FY24 from US\$3.6 billion in H1 FY23, on import controls, reduced domestic demand, and lower global commodity prices. Meanwhile, official remittances fell by 6.8 percent y-o-y in H1 FY24 due to exchange rate rigidities earlier in the year. Fresh external inflows led to a balance of payments (BOP) surplus of US\$3.0 billion. Consequently, international reserves increased to US\$9.4 billion at the end of December 2023, equivalent to 1.7 months of imports. With the BOP surplus and regulatory reforms in the forex market, the rupee appreciated modestly against the U.S. dollar over H1 FY24.

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



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

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



Source: World Bank. Notes: see Table 2.

Headline consumer price inflation rose to a multi-decade high of an average of 28.8 percent y-o-y in H1 FY24, up from 25.0 percent in H1 FY23, reflecting higher domestic energy prices and supply chain disruptions, which in turn raised overall production costs. Food inflation remained high, particularly impacting poor and vulnerable households who spend half of their budgets on food, leading to inflation inequality and increased food insecurity, especially in Sindh, Khyber Pakhtunkhwa, and Balochistan. Transportation costs rose faster in rural areas, increasing the cost of accessing markets, schools, and health centers for the rural poor, potentially leading to children being taken out of school and delayed medical treatments as households cope with the rising cost of living. The policy rate was held at 22.0 percent, implying negative real interest rates throughout H1 FY24.

With fiscal consolidation efforts, the primary fiscal surplus doubled to PKR1.8 trillion in H1 FY24. Supported by higher direct taxes and the petroleum development levy hikes, total revenue rose more than non-interest expenditure. The overall fiscal deficit stood at PKR2.4 trillion for H1 FY24.

The estimated consolidation of the Public Sector Development Program in real terms likely reduced public spending on construction, which employs many poor and vulnerable. In addition, federal public pensions grew while Benazir Income Support Programme (BISP) spending declined in H1 FY24, contributing to rising inequality.

Outlook

Economic activity is expected to remain subdued, with real GDP growth estimated at 1.8 percent in FY24, reflecting continued tight macroeconomic policy, import controls, high inflation, and continued policy uncertainty. Output growth is expected to increase to around 2.5 percent over FY25-26, remaining below potential. Poverty reduction is projected to stall in the medium term, owing to weak growth, limited increase in real labor incomes, and persistently high food and energy inflation. Poverty is expected to remain close to 40 percent until FY26.

Inflation is projected to remain elevated at 26.0 percent in FY24 due to higher domestic

energy prices, with little respite for poor and vulnerable households with depleted savings and lower real incomes. With high base effects and lower projected global commodity prices, inflation is expected to moderate over the medium term. With continued import controls, the CAD is expected to remain low at 0.7 percent of GDP in FY24 and to further narrow to 0.6 percent of GDP in FY25 and FY26.

The fiscal deficit is projected to widen to 8.0 percent of GDP due to higher interest payments but gradually decline as fiscal consolidation takes hold and interest payments fall over time. Fiscal consolidation will likely lead to continued high energy inflation and restricted public spending on development and social sectors, which may worsen monetary, welfare, and human development outcomes. While targeted transfers are critical in protecting the poorest, the 20 percent increase in BISP cash transfers in H2 FY24 may not be enough. The macroeconomic outlook is predicated on the successful completion of the IMF-SBA program, continued fiscal restraint, and external financing, but limited progress with major structural reforms and continued policy uncertainty.

TABLE 2 Pakistan / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020/21	2021/22	2022/23	2023/24e	2024/25f	2025/26f
Real GDP growth, at constant market prices	6.5	4.8	0.0	1.8	2.3	2.7
Private consumption	9.4	7.1	2.4	1.7	2.2	2.5
Government consumption	1.8	-1.3	-4.9	0.9	1.4	2.0
Gross fixed capital investment	3.7	3.3	-16.3	-0.5	1.2	2.0
Exports, goods and services	6.5	5.9	2.4	2.1	3.2	3.7
Imports, goods and services	14.5	11.0	-0.3	0.3	1.2	1.6
Real GDP growth, at constant factor prices	5.8	6.2	-0.2	1.8	2.3	2.7
Agriculture	3.5	4.3	2.3	3.0	2.2	2.7
Industry	8.2	6.9	-3.8	1.8	2.2	2.4
Services	5.9	6.7	0.1	1.2	2.4	2.9
Inflation (consumer price index)	8.9	12.1	29.2	26.0	15.0	11.5
Current account balance (% of GDP)	-0.8	-4.7	-0.7	-0.7	-0.6	-0.6
Net foreign direct investment inflow (% of GDP)	0.5	0.5	0.2	0.3	0.3	0.4
Fiscal balance, including grants (% of GDP)	-6.0	-7.8	-7.7	-8.0	-7.4	-6.5
Revenues (% of GDP)	12.4	12.1	11.5	12.2	12.3	12.4
Debt (% of GDP)	77.6	80.7	81.4	73.1	72.3	72.5
Primary balance, including grants (% of GDP)	-1.1	-3.1	-0.9	-0.1	-0.2	-0.2
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	5.0	4.2	6.8	7.0	7.0	6.9
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	39.5	35.5	39.9	40.1	40.0	39.7
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	84.1	81.9	82.9	83.0	82.9	82.7
GHG emissions growth (mtCO₂e)	5.2	5.2	1.5	3.4	3.5	3.7
Energy related GHG emissions (% of total)	43.7	44.5	43.5	43.6	43.7	43.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on SAR-POV harmonization, using 2018-HIES. Actual data: 2018. Nowcast: 2019-2023. Forecasts are from 2024 to 2026.

b/ Poverty projections based on microsimulations using 2018-HIES and aggregate macroeconomic indicators (see Caruso et al 2017).

SRI LANKA

Key conditions and challenges

Table 1	2023
Population, million	22.2
GDP, current US\$ billion	84.4
GDP per capita, current US\$	3792.8
International poverty rate (\$2.15) ^a	1.0
Lower middle-income poverty rate (\$3.65) ^a	11.3
Upper middle-income poverty rate (\$6.85) ^a	49.3
Gini index ^a	37.7
School enrollment, primary (% gross) ^b	96.9
Life expectancy at birth, years ^b	76.4
Total GHG emissions (mtCO2e)	38.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2019), 2017 PPPs.
b/ Most recent WDI value (2021).

The economy has shown initial signs of stabilization with improved fiscal and external balances, supported by a recovery in remittances and tourism and the continued debt service suspension. However, this will be insufficient to reverse crisis-induced welfare losses as poverty levels remain elevated. The narrow path to restoring growth and prosperity will hinge on a successful debt restructuring and continued reform implementation despite the upcoming elections.

In 2022, Sri Lanka plunged into a severe economic crisis, as longstanding structural weaknesses were exacerbated by exogenous shocks and policy mistakes. After losing access to international financial markets in 2020, official reserves dropped precipitously, and the forex liquidity constraint led to severe shortages of essential goods. The country announced an external debt service suspension in April 2022, pending debt restructuring. The economy contracted by 9.5 percent in total during 2022 and 2023, and public and publicly guaranteed debt ballooned to 119.2 percent of Gross Domestic Product (GDP) in 2022 amid high inflation (46.4 percent, annual average in 2022) and a sharp currency depreciation (81.2 percent, y-o-y, 2022). Food insecurity and malnutrition increased, poverty doubled, and inequality widened. Approximately 60 percent of households experienced a decline in income due to reduced work hours or job losses. The implementation of recent structural reforms, including cost-reflective utility pricing and new revenue measures, helped macroeconomic stability but strained household budgets. Domestic debt restructuring was completed in September 2023, while negotiations with external creditors are progressing. In March 2024, a Staff Level Agreement was reached between the authorities and International Monetary Fund staff on the

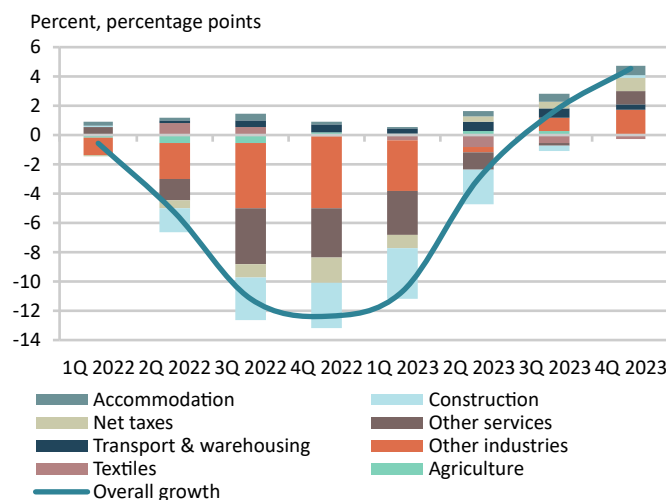
second review of the Extended Fund Facility program. Key reforms focusing on debt, fiscal management, trade, investment, and State-Owned Enterprises (SOEs) continue to advance.

Recent developments

The economy contracted by 2.3 percent in 2023, despite growth in 3Q and 4Q (1.6 and 4.5 percent, y-o-y, respectively) following six quarters of contraction. This was driven by shrinking construction and mining, financial and IT services, and textile manufacturing, amid weak demand, tight private credit, and shortages of inputs, and was partly offset by growth in transport, accommodation, food, and beverage services, resulting from a rebound in tourism.

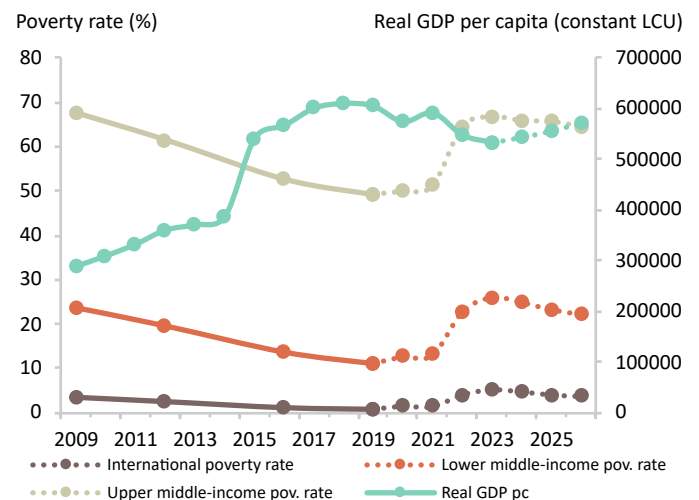
Inflation remained benign, after declining to single-digit levels in July 2023, supported by currency appreciation and improved supply. However, with the recent spike in food prices and pass-through of fuel and utility prices, headline inflation as measured by the Colombo Consumer Price Index increased to 5.9 percent in February 2024 (y-o-y). Labor force participation declined (from 49.8 to 48.8 percent between 2022 and 3Q 2023), especially in urban areas. Households have adopted risky coping strategies to deal with lower incomes and price pressures, including using savings, taking on more debt, and limiting their diets. Food insecurity rose during H2 2023, with 24 percent of households being food insecure.

FIGURE 1 Sri Lanka / Real GDP growth and contributions to real GDP growth (production side)



Sources: Department of Census and Statistics and World Bank staff calculations.
Notes: Accommodation includes food and beverage service activities and textiles include wearing apparel and leather-related products.

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



Source: World Bank. Notes: see Table 2.

After almost two years of monetary tightening, the central bank cut policy rates by 650 basis points between June and November 2023. Combined with improvements in liquidity, this resulted in a sharp decline in the government's cost of domestic borrowing. While y-o-y growth rates remain negative, private sector credit has been recovering monthly since June 2023.

In 2023, the current account recorded a surplus for the first time since 1977, as remittances and tourism rebounded sharply, and imports remained subdued. The continued external debt service suspension, inflows from development partners, large purchases of foreign exchange, and postponed repayments on existing credit lines have helped build usable official reserves to about 2 months of imports (US\$3.1 billion by end-February 2024, compared to US\$500 million in December 2022). The Rupee appreciated by 10.8 percent against the US Dollar in 2023.

Despite the primary balance registering a surplus (due to a significant increase in revenue and the repayment of an on-lent amount by an SOE), a sharp rise in interest payments is estimated to have contributed

to a high overall fiscal deficit in 2023. Interest payments absorbed approximately three-fourths of revenue collected.

Outlook

Growth prospects depend on progress with debt restructuring and the continued implementation of structural reforms. The primarily revenue-based fiscal adjustment is, however, likely to further reduce disposable incomes, weaken demand, and weigh down growth in the short term. The modest recovery will be insufficient to reverse welfare losses experienced during the crisis, and poverty is estimated to remain above 22 percent until 2026.

Inflation is likely to rise moderately in the near-term, due to new revenue measures and the waning of favorable base effects, and remain benign in the medium term as demand continues to be subdued. Further increases could reverse the marginal poverty reduction (1.1 percentage points) expected in 2024.

The current account is projected to remain in surplus, with subdued import growth

and gradual recovery in tourism and remittances. Although the primary deficit is expected to decline further, the overall fiscal balance will remain high in 2024 due to the large interest bill. Debt restructuring and continued fiscal consolidation are projected to reduce the overall fiscal balance in the medium term.

While recent macroeconomic performance has been better than expected, downside risks remain high, given a narrow path to recovery and limited buffers. These risks include a protracted or insufficiently deep debt restructuring, reform fatigue or reversal following the elections, and a weaker recovery linked to scarring effects from the crisis. With declining household expenditure on health and education, concerns over the impact on future human capital remain high. Financial sector risks need to be carefully monitored as elevated non-performing loans and significant exposure to the sovereign continue to hinder financial sector stability and impede credit intermediation. On the upside, a strong and sustained implementation of the structural reform program, could boost confidence and attract fresh capital inflows.

TABLE 2 Sri Lanka / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices^a	4.2	-7.3	-2.3	2.2	2.5	3.0
Private consumption	2.6	-9.0	-3.2	2.4	2.6	3.1
Government consumption	-2.8	1.4	-2.7	-0.3	0.2	1.3
Gross fixed capital investment	6.3	-22.8	-9.1	3.3	3.1	3.9
Exports, goods and services	10.1	10.2	1.8	2.6	2.7	3.1
Imports, goods and services	4.1	-19.9	-2.7	2.3	1.6	2.3
Real GDP growth, at constant factor prices^a	3.9	-7.0	-2.6	2.2	2.5	3.0
Agriculture	1.0	-4.2	2.6	1.5	1.5	1.5
Industry	5.7	-16.0	-9.2	2.6	2.7	2.9
Services	3.4	-2.6	-0.2	2.1	2.5	3.3
Inflation (consumer price index)	6.0	46.4	17.4	7.8	6.4	5.6
Current account balance (% of GDP)	-3.7	-2.0	1.6	0.7	-0.2	-0.4
Net foreign direct investment inflow (% of GDP)	0.7	1.2	0.7	0.8	0.8	0.9
International poverty rate (\$2.15 in 2017 PPP)^{b,c}	1.5	4.1	5.2	4.7	4.1	3.8
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{b,c}	13.1	22.7	25.9	24.8	23.2	22.2
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{b,c}	51.2	64.4	66.6	65.8	65.6	64.4
GHG emissions growth (mtCO₂e)	9.1	-3.0	-2.1	3.5	3.3	3.7
Energy related GHG emissions (% of total)	62.9	62.3	61.6	62.7	64.0	65.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Components of GDP by expenditure for 2020-2022 are estimates, as the data published on March 15, 2024, by authorities only included GDP by production.

b/ Calculations based on SAR-POV harmonization, using 2019-HIES. Actual data: 2019. Microsimulation that models sectoral GDP growth rates, inflation, remittances, employment, and cash transfers 2020-2022. Nowcast and forecast (2023-2026) use nominal GDP growth rates by sector and CPI inflation for food and non-food items.

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

Sub-Saharan Africa

Spring Meetings 2024

Angola
Benin
Botswana
Burkina Faso
Burundi
Cabo Verde
Cameroon
Central African Republic
Chad
Comoros
Congo, Dem. Republic
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

ANGOLA

Table 1 **2023**

Population, million	36.1
GDP, current US\$ billion	92.2
GDP per capita, current US\$	2549.9
International poverty rate (\$2.15) ^a	31.1
Lower middle-income poverty rate (\$3.65) ^a	52.9
Upper middle-income poverty rate (\$6.85) ^a	78.0
Gini index ^a	51.3
School enrollment, primary (% gross) ^b	88.6
Life expectancy at birth, years ^b	61.6
Total GHG emissions (mtCO ₂ e)	110.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ Most recent WDI value (2021).

In 2023, lower oil production and an exchange rate shock led to economic stagnation. The May-June currency slide continues to fuel inflationary pressures. Lower tax revenues, larger interest payments and higher fuel subsidies led the government to cut other expenses. The non-oil sector would drive growth since 2024, but risks to the outlook remain high due to over-reliance on oil. Poverty is projected to grow marginally to 36.1 percent.

Key conditions and challenges

Angola's economy remains overly dependent on the oil sector, which accounts for a quarter of GDP, 60 percent of tax revenues, and 95 percent of exports. Oil production is in structural decline due to oil depletion and lack of investment, falling from 2 million to 1.1 million barrels per day between 2010 and 2023. The reliance on oil has led to high vulnerability to external shocks, undermining macroeconomic stability, and stunted the non-oil economy through strong real exchange rate appreciation, limiting economic diversification and job creation. Among those employed, 80 percent are informal, and half are either self-employed with no employees or unpaid workers of family enterprises. Women face higher unemployment and are more likely to be informal (89 percent compared to 72 percent for men). Progress has been made in enhancing macro-fiscal stability through exchange rate liberalization, central bank autonomy, and fiscal consolidation. However, while these efforts should be accelerated, greater economic diversification is needed to boost economic growth and reduce poverty, particularly in the context of the global energy transition. Between 2015 and 2022, real GDP per capita fell by 28 percent, reinforcing the need for a more diversified and inclusive growth strategy.

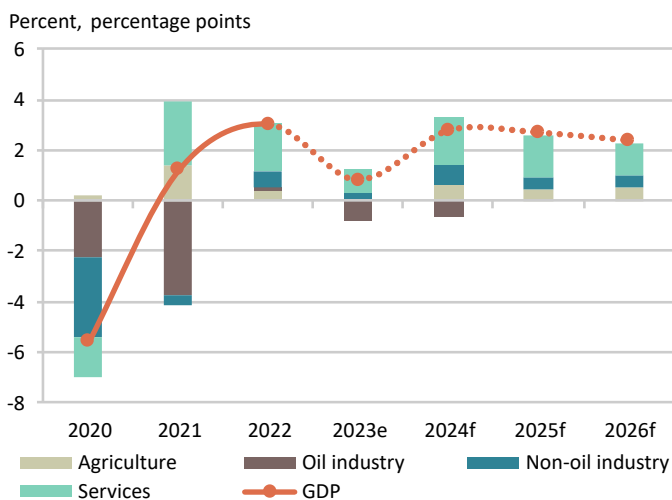
Angola's poverty rates stand above what would be expected for a country with its GDP level: as of 2018, a third lived on less than \$2.15 per day. Building human capital is a key priority for reducing poverty and boosting growth. Limited access to health and education reduces the productivity of an Angolan child to a third of his or her potential. Important progress is being made in building a social safety net, including the flagship cash transfer program Kwenda that has registered 1.5 million rural households and initiated payments to 1.03 million beneficiaries. Yet, urban households remain uncovered and vulnerable to food price shocks.

Recent developments

The 2023 real GDP growth has been revised downward from 1.3 to 0.8 percent since the previous MPO. Oil production in 2023 (1.11 million b/d) fell short of the government's expectations (1.18 million b/d) due to a longer-than-expected maintenance shutdown at a major oil field. The non-oil sector slowed down due to a cost-push shock to key inputs from a one-off adjustment in gasoline prices and a sharp currency depreciation. The economic stagnation reduced government revenues, especially those from the non-oil sector.

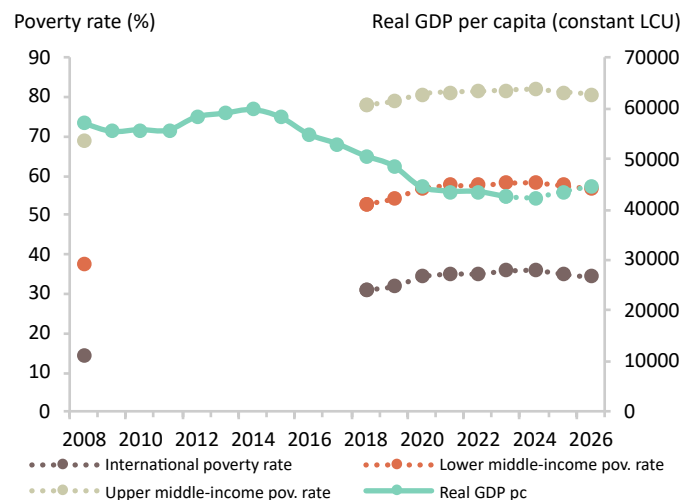
The value of oil exports fell by 27 percent in 2023 due to lower oil prices and production. This, together with large debt service payments, reduced the supply of foreign currency, which triggered a

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



Sources: Angola National Institute of Statistics and World Bank.

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



Source: World Bank. Notes: see Table 2.

40 percent depreciation in May-June 2023 and widened the gap between the official and the parallel exchange rates. The slide in the kwanza resulted in higher-than-expected interest payments and fossil fuel subsidies, to which the government responded with cuts in other expenses. The depreciation has also fueled inflationary pressures as year-on-year inflation soared from 11.5 percent in February 2023 to 24 percent in February 2024. The increase in gasoline prices in June 2023 further fueled inflation. The National Bank of Angola raised its policy rate by 100 basis points to 18 percent in November and then to 19 percent in March.

The economy is not generating enough jobs to keep up with Angola's growing working age population. Between Q4 2022 and Q4 2023, over 550,000 new workers joined the labor force, but only 10,000 jobs were added. Urban and youth unemployment surged to 42 and 58 percent in Q4 2023, respectively, up from 39 and 53 percent a year earlier. While the share of jobs in the primary sector grew by 1.1 percentage points, jobs in commerce fell by 2.5 percent.

Outlook

Growth is expected to rebound to 2.8 percent in 2024 and then remain at similar rates. Non-oil sectors would drive this recovery, as oil production is projected to fall by 2.5 percent in 2024 and then stagnate due to oil depletion and lack of investment. Hence, on the demand side, exports are expected to stall, while both final consumption and gross fixed capital formation drive growth. Achieving higher growth rates will depend on the efforts to diversify the economy.

Year-on-year inflation is projected to reach around 28 percent by mid-2024 and then decline to around 12 percent by end-2026. Monetary policy tightening, together with a conservative fiscal stance, is expected to contain inflationary pressures. In addition, the stock of international reserves (7 months of imports), and the imminent monetary loosening in the US would reduce downward pressures on the kwanza and, thus, on inflation.

Food inflation, combined with a weakening labor market and a decline in per capita growth, suggests that poverty may increase to 36.1 percent in 2024, which corresponds to almost 13.5 million Angolans living on less than \$2.15/day.

The economic outlook faces several downside risks, primarily driven by lower-than-expected oil prices and production. Lower oil revenues could lead to additional public spending cuts, impacting economic growth, and greater inflationary pressures resulting from a weaker currency. Further monetary tightening to combat inflation would also delay the economic recovery. Increasing efforts to diversify the economy has become essential to reduce the impact of oil price volatility on public finances, economic performance, and poverty reduction. In the near term, it will also be important to address food insecurity, tackle high unemployment, especially among the urban poor, and protect against human capital deterioration by ensuring that all Angolan children have access to adequate nutrition, medical care, and education.

TABLE 2 Angola / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	1.2	3.0	0.8	2.8	2.7	2.4
Private consumption	4.0	5.4	2.3	4.6	4.0	3.0
Government consumption	-2.9	3.6	-15.3	5.1	2.7	2.4
Gross fixed capital investment	7.4	8.1	4.6	1.4	2.7	2.8
Exports, goods and services	-8.6	3.3	-2.8	-2.5	0.0	0.0
Imports, goods and services	-3.8	26.1	-7.3	-3.3	2.2	1.3
Real GDP growth, at constant factor prices	-0.1	3.1	0.8	2.6	2.6	2.3
Agriculture	17.2	3.9	0.6	6.3	4.8	4.8
Industry	-8.3	1.8	-1.3	0.1	1.0	1.2
Services	6.2	4.2	2.8	4.2	3.6	2.7
Inflation (consumer price index)	25.8	21.4	13.6	24.7	15.4	11.4
Current account balance (% of GDP)	11.8	10.4	4.2	3.4	1.1	-0.2
Net foreign direct investment inflow (% of GDP)	4.6	5.9	2.3	2.1	1.3	1.0
Fiscal balance (% of GDP)	4.0	1.0	-1.7	-2.8	-2.4	-3.2
Revenues (% of GDP)	24.7	25.6	20.0	18.7	17.5	16.8
Debt (% of GDP)	87.9	69.5	87.2	74.5	69.2	67.0
Primary balance (% of GDP)	9.5	5.4	3.5	3.0	2.9	2.4
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	35.2	35.2	36.0	36.1	35.2	34.3
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	57.6	57.7	58.3	58.4	57.6	56.9
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	81.2	81.3	81.7	81.8	81.2	80.7
GHG emissions growth (mtCO₂e)	-1.9	-0.8	-0.4	-0.2	0.0	0.0
Energy related GHG emissions (% of total)	12.6	12.2	12.0	11.8	11.8	11.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ 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.

b/ Actual data: 2018. Nowcast: 2019-2023. Forecasts are from 2024 to 2026.

BENIN

Table 1 **2023**

Population, million	13.7
GDP, current US\$ billion	19.6
GDP per capita, current US\$	1429.4
International poverty rate (\$2.15) ^a	12.7
Lower middle-income poverty rate (\$3.65) ^a	43.4
Upper middle-income poverty rate (\$6.85) ^a	81.4
Gini index ^a	34.4
School enrollment, primary (% gross) ^b	113.0
Life expectancy at birth, years ^b	59.8
Total GHG emissions (mtCO2e)	26.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

The 2023 Niger border closure, policy changes in Nigeria and climate shocks moderated growth to 5.8 percent. The international poverty measure fell to 11.7 percent. A revenue based fiscal consolidation decreased the fiscal deficit to 4.5 percent of GDP, although public debt increased slightly to 55 percent. Growth will settle at 6 percent potential from 2024, but risks are rising, including from transit trade and insecurity.

Key conditions and challenges

Despite achieving high GDP growth rates averaging 4.8 percent over 2010-2019, pre-COVID GDP per capita grew at a modest rate of 1.8 percent. Although experiencing a post-2020 growth recovery of 3.8 percent over 2021-22, this delivered few private wage jobs and limited poverty reduction. Vulnerable employment (including contributing family workers and own-account workers) declined by only 0.3 ppt over 2010-2021, from 88.7 percent of total employment to 88.4 percent, in contrast to 8.1 ppt and 3.8 ppt for structural and aspirational peers. This vulnerability reflects the structure of Benin's economy, with a large share of agriculture and prevalent informality. The closure of the Niger border following the July 2023 coup and the insecurity risks in the north of Benin disproportionately impacted poor and vulnerable households, slowing poverty reduction, and increasing fragility. Extreme climate events such as floods led to the declaration of a state of emergency in 32 municipalities, displacing 182,803 people and reversing poverty reduction.

The private sector is constrained by limited access to credit and lack of infrastructure, impeding productivity growth and job creation. Government action plans have reduced the infrastructure gap, though large investment projects and pressing expenditure needs combined with low tax revenue (10.5 percent of GDP

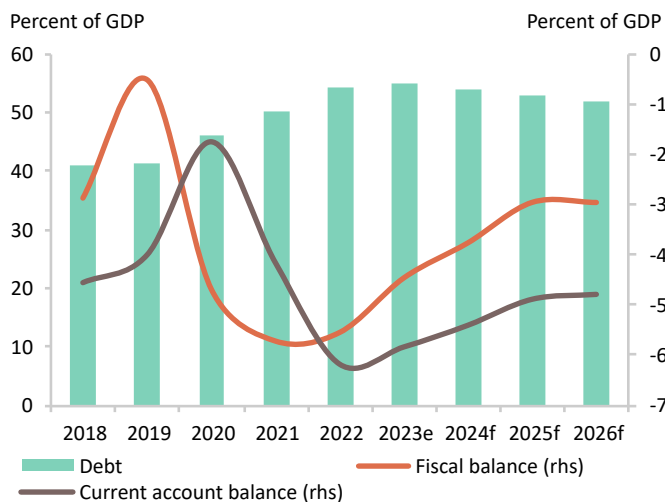
in 2015-22) led to rising debt levels, from 30.9 percent of GDP in 2015 to 54.2 percent in 2022. Accordingly, boosting revenues is critical to sustainably finance increasing development needs. As fiscal space is limited, private sector mobilization is central for infrastructure investment.

Recent developments

Growth slowed to 5.8 percent in 2023 (3.0 percent per capita terms), from 6.3 percent in 2022, due to climate shocks undermining the agriculture sector (notably cotton), and uncertainties in neighboring countries disrupting transit trade. The service sector was impacted by the Niger border closure and diminished demand from Nigeria. The expansion of the Glo-Djigbé Industrial Zone (GDIZ) and construction supported robust growth of the secondary sector. Growth in agriculture combined with relatively low inflation reduced the international poverty rate (\$2.15 a day, 2017 PPP) from 12.3 percent in 2022 to 11.7 percent in 2023.

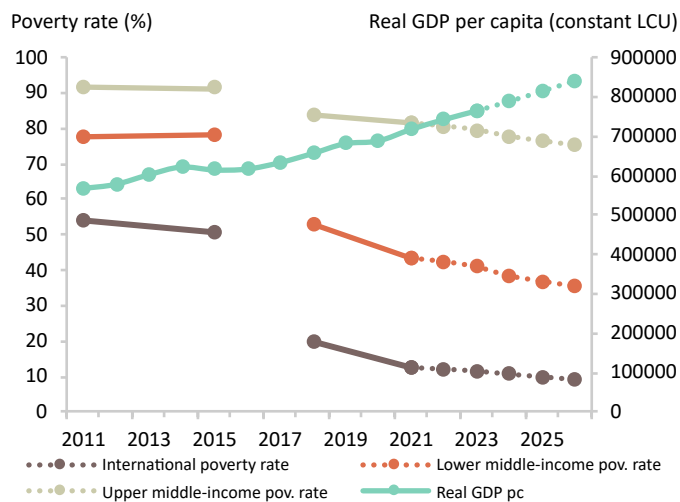
Headline inflation doubled to 2.8 percent in 2023 with the end of the gasoline subsidy in Nigeria, resulting in a 60 percent increase in the price of smuggled gasoline, used by 80 percent of the population. To counter inflation across WAE-MU countries, the Central Bank of West African States (BCEAO) raised policy interest rates by a cumulative 150 basis points since mid-2022 to 3.5 percent for liquidity calls and 5.5 percent for the marginal lending facility. However, inflation in the region (3.7 percent in 2023) was

FIGURE 1 Benin / Key macroeconomic balances



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

still above the 1-3 percent target range and foreign exchange reserves have been on a downward trend, estimated at 3.5 months of imports at end-2023, down from 4.3 months at end-2022.

The fiscal deficit declined to 4.5 percent of GDP driven by a 0.6 ppt increase in tax revenue and spending rationalization of 1.2 ppt of GDP. Despite the increase in the public wage bill and security spending, the fiscal consolidation is on track with an increase in tax revenues and decline in capital expenditures. Although public debt slightly increased to 55.0 percent of GDP (from 54.2 percent in 2022), the debt accumulation slowed down to 1.4 percent in 2023 in comparison to 9.6 percent in 2020-22. The current account deficit (CAD) declined to 5.8 percent of GDP in 2023, driven by service exports (tourism), robust export performance of industrial crops (cashew, soybeans, and palm oil), and reduced imports, offsetting a sharp decline in cotton exports (62.8 percent of goods exports in 2021-22). The financing of the CAD was supported by debt, and FDI inflow to the Special Economic Zone.

Outlook

Growth is projected to stabilize at 6.0 percent between 2024 and 2026 (average 3.2 percent per capita terms), driven by investment and the GDIZ expansion. As inflation is expected to moderate to an average of 2 percent, consumption contributions to growth are set to increase. Reforms to boost agriculture productivity should increase output, while growth in the secondary sector will be supported by ongoing and new infrastructure investment under the PAG2 (Government Action Program). The service sector would benefit from the dynamism of tourism, and the resumption of transit trade with neighboring States. Poverty rates are expected to trend downward, with the headcount rate (\$2.15 a day, 2017 PPP) declining from 11.7 percent in 2023 to 10.0 percent by 2025, supported by robust economic growth.

The BCEAO may need to continue tightening in 2024 to bring inflation under

control regionally and in the context of rising uncertainties over the withdrawal of Niger, Mali, and Burkina Faso from ECOWAS and potential spillovers to WAEMU. These uncertainties are likely to increase investors' risk perceptions leading to tighter financing conditions and putting additional strain on already low foreign exchange reserves.

Through the 2023 Medium-term Revenue Strategy, the government has committed to mobilize additional revenue of 0.5 percent of GDP annually to support its fiscal consolidation drive and reach the WAEMU fiscal deficit target of 3 percent of GDP. Lower debt accumulation will likely sustain public debt on a downward path to reach 52.1 percent by 2026. The CAD will gradually decline to 4.8 percent by 2026, due to higher exports from the GDIZ, financed by debt such as the US\$ 750 million Eurobond issued in 2024. Despite past resilience, downside risks remain. Headwinds may include prolonged transit trade disruptions and climate-related shocks. Worsening security risks are also a major threat to development gains.

TABLE 2 Benin / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	7.2	6.3	5.8	6.0	6.0	6.0
Private consumption	4.8	5.0	3.2	3.8	3.9	3.8
Government consumption	8.5	3.5	11.4	5.0	6.4	5.8
Gross fixed capital investment	17.8	12.9	5.6	8.6	7.6	8.1
Exports, goods and services	12.6	19.1	2.9	8.0	7.9	8.3
Imports, goods and services	16.8	18.5	0.1	5.1	5.0	5.5
Real GDP growth, at constant factor prices	6.6	6.0	5.8	6.0	6.0	6.0
Agriculture	5.2	4.8	4.7	5.2	5.4	5.5
Industry	9.1	7.9	7.5	7.8	7.3	7.0
Services	6.6	6.0	5.7	5.8	5.9	5.9
Inflation (consumer price index)	1.7	1.4	2.8	2.0	2.0	2.0
Current account balance (% of GDP)	-4.2	-6.2	-5.8	-5.4	-4.9	-4.8
Net foreign direct investment inflow (% of GDP)	1.7	1.9	1.6	1.6	1.6	1.7
Fiscal balance (% of GDP)	-5.7	-5.5	-4.5	-3.8	-3.0	-3.0
Revenues (% of GDP)	14.1	14.3	14.9	15.2	15.7	16.0
Debt (% of GDP)	50.3	54.2	55.0	54.1	52.9	52.1
Primary balance (% of GDP)	-3.5	-3.9	-2.8	-2.1	-1.4	-1.5
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	12.7	12.3	11.7	10.8	10.0	9.2
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	43.4	42.5	41.0	38.5	37.0	35.6
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	81.4	80.5	79.5	77.7	76.4	75.2
GHG emissions growth (mtCO₂e)	-0.4	0.2	-1.9	0.2	1.0	1.6
Energy related GHG emissions (% of total)	30.6	29.7	27.1	25.9	25.3	25.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2021-EHCVM. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.

b/ Projections using microsimulation methodology.

BOTSWANA

Table 1 **2023**

Population, million	2.7
GDP, current US\$ billion	22.1
GDP per capita, current US\$	8249.6
International poverty rate (\$2.15) ^a	15.4
Lower middle-income poverty rate (\$3.65) ^a	38.0
Upper middle-income poverty rate (\$6.85) ^a	63.5
Gini index ^a	53.3
School enrollment, primary (% gross) ^b	93.7
Life expectancy at birth, years ^b	61.1
Total GHG emissions (mtCO2e)	53.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2015), 2017 PPPs.
b/ Most recent WDI value (2021).

In 2023, economic growth slowed to 3.3 percent, driven by reduced global demand for diamonds. In FY24-26, economic activity is projected to stabilize at 3.5-4.0 percent, buoyed by an expansionary fiscal policy and growth in the non-mining private sector. Diamond value chain risks underscore the urgency of implementing structural reforms to boost growth and jobs, including through human capital development, enhancing market contestability, reducing regulatory and trade barriers, allowing for reductions in poverty and inequality.

Key conditions and challenges

Until the 2009 global financial crisis, abundant diamond resources, political stability, effective institutions, and prudent macroeconomic policies delivered robust growth. They allowed the government to deliver improved public services, including health, education, and infrastructure. Social assistance programs also served to reduce extreme poverty.

Yet, since the early 2010s, structural constraints contributed to slowing down economic expansion as the economy remains dominated by the diamond sector, which is increasingly vulnerable to boom-and-bust cycles on international markets. Poor learning outcomes, skills mismatches, and infrastructure deficiencies in transportation, communication, energy, and water services have negatively impacted productivity and competitiveness. Regulatory barriers and red tape have increased the cost of doing business, stifled entrepreneurship, and deterred investment. The large state presence, especially state-owned enterprises, has crowded out private investment.

The current growth model, based on low-labor-intensive sectors yields fewer jobs. The unemployment rate remains high, at 25.9 percent in 2023Q3, mainly affecting the youth. Poverty, projected at 14.3 percent in 2022 using the US\$2.15 per day international poverty line, remains high for Botswana's income level, while inequality (Gini index of 53.3) is among the world's highest.

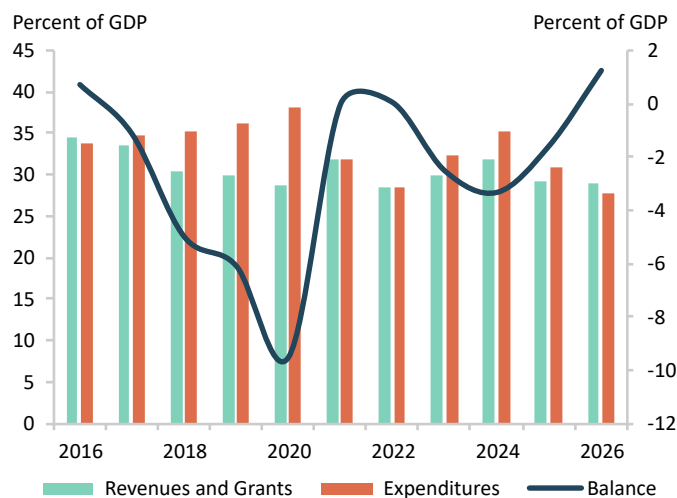
Reforms to promote competition, reduce the costs of doing business, remove policy barriers to trade and services, and promote trade facilitation would strengthen economic diversification, boost growth and exports, and encourage job creation. Improving the effectiveness and efficiency of public services, including public investment efficiency and strengthening education outcomes to meet the demand for skills in the private sector, could further enhance growth. Incentivizing innovative new businesses to emerge and grow, attracting Foreign Direct Investment, creating linkages with local firms, encouraging market contestability would improve the business environment.

Recent developments

Economic activity moderated to an estimated 3.3 percent in 2023 following the 5.8 percent rebound in the aftermath of the COVID-19 pandemic spurred by the decline in global demand for rough diamonds, falling prices, and intensifying competition from synthetic diamonds. Headline inflation declined in 2023, averaging 5.2 percent compared with 12.2 percent in 2022, supported by tight monetary policy conditions and a reduction in fuel prices. In December 2023, the central bank cut the policy rate by 25 basis points to 2.4 percent to address the persistent and sizable output gap.

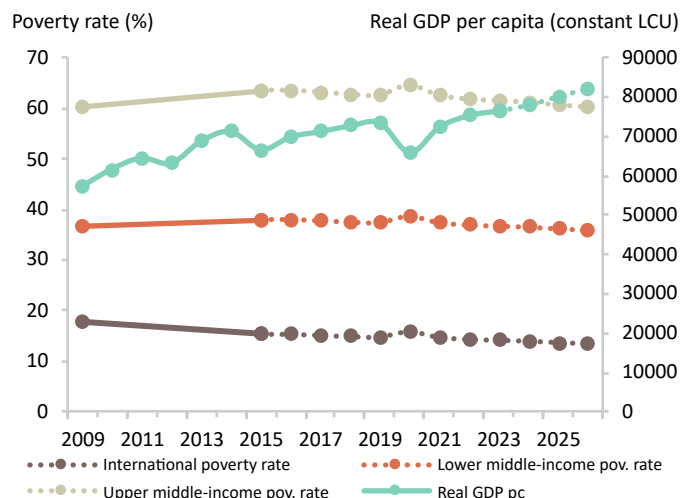
The financial sector remains profitable and stable. However, the ongoing repatriation of pension fund assets poses liquidity risks

FIGURE 1 Botswana / Fiscal consolidation will rest on spending cuts



Sources: Statistics Botswana and World Bank.

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



Source: World Bank. Notes: see Table 2.

in local financial markets due to limited investment opportunities.

After two years of a balanced budget, the fiscal balance deteriorated in 2023, despite higher Southern African Customs Union (SACU) revenues. Higher recurrent spending alongside capital investments underscore the need for improved expenditure efficiency. Increased subsidies necessitate re-evaluating their criteria, enhancing monitoring and evaluation, and exploring alternative policy instruments beyond price controls to improve spending quality. Implementation deficiencies constrain the expansionary fiscal stance and require lower spending growth and a strong recovery in mineral revenues.

The current account turned into a surplus of 2.5 percent of GDP by 2023Q3 due to increased SACU receipts and mineral export proceeds. Foreign exchange reserves increased, averaging US\$4.7 billion in October 2023, equivalent to nine months of imports, supported by increased SACU receipts and higher capital inflows.

Amid high domestic prices and weak job creation, poverty is estimated to have remained broadly unchanged.

Outlook

The economy is projected to expand by 3.5-4.0 percent annually over 2024-26 as the global economy strengthens and demand for copper and diamonds increases. Projected investments in power generation from coal bed methane, battery-grade manganese, and solar photovoltaic projects will support GDP growth.

An expansionary fiscal policy and accommodative monetary policy in 2024 are expected to support the economy but effects of the first are mitigated by leakages owing to a high import content. The fiscal deficit is projected to deteriorate to 3.4 percent of GDP in FY24, driven by large increases in capital and recurrent spending and to steadily improve over the medium term, reaching a surplus by 2026. Projections hinge on SACU revenue trends and the government's initiatives to boost domestic revenue mobilization, which include the introduction of electronic invoicing for value-added tax.

Inflation is projected to remain within the central bank's target range of 3-6 percent, in line with declining import prices of energy and food. The current account balance is projected to improve, driven by a recovery in global demand for diamonds.

The expansion of the private sector is expected to remain too subdued to increase the demand for employment. Lower inflation is expected to support household purchasing power. Still, limited job opportunities will constrain significant reductions in poverty and inequality, which is projected to remain high, at 14 percent in 2024 based on the US\$2.15 international poverty line.

Downside risks to the outlook include how the G7's decision regarding diamond traceability may impact the diamond trade and the local value chain; inward-looking trade policies; delays in implementing the Transitional National Development Plan and the severity of the ongoing drought, which can impact output negatively and the current account via higher imports, as well as renew inflationary pressures and create fiscal pressures as the government provides support to affected households.

TABLE 2 Botswana / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	11.8	5.8	3.3	3.5	4.3	4.0
Private consumption	2.4	4.5	2.4	2.8	2.8	2.2
Government consumption	4.0	3.0	2.5	4.3	-0.3	-0.9
Gross fixed capital investment	-0.3	0.0	-0.7	3.6	3.3	1.8
Exports, goods and services	31.7	-5.6	4.6	7.0	9.9	10.2
Imports, goods and services	2.3	-11.8	-10.4	7.6	5.4	5.2
Real GDP growth, at constant factor prices	11.9	5.8	3.3	3.5	4.3	4.0
Agriculture	-1.0	2.4	2.6	2.0	2.4	2.2
Industry	19.3	7.6	4.0	4.4	4.6	4.7
Services	8.1	4.8	2.9	3.0	4.2	3.6
Inflation (consumer price index)	6.7	12.2	5.2	4.9	4.7	4.5
Current account balance (% of GDP)	-0.5	2.9	2.0	1.1	1.3	1.5
Net foreign direct investment inflow (% of GDP)	0.6	0.2	0.7	0.7	0.6	0.6
Fiscal balance (% of GDP)^a	0.0	0.0	-2.4	-3.4	-1.6	1.2
Revenues (% of GDP)	31.9	28.5	30.0	31.7	29.2	28.8
Debt (% of GDP)^b	22.4	20.6	22.0	25.0	22.5	20.1
Primary balance (% of GDP)^a	0.5	0.6	-1.6	-2.5	-1.0	1.8
International poverty rate (\$2.15 in 2017 PPP)^{c,d}	14.8	14.3	14.2	14.0	13.7	13.4
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{c,d}	37.5	37.0	36.8	36.6	36.4	36.1
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{c,d}	62.6	61.8	61.6	61.2	60.8	60.3
GHG emissions growth (mtCO₂e)	0.8	-0.7	-0.4	1.2	1.5	1.5
Energy related GHG emissions (% of total)	11.3	11.3	11.1	16.3	18.0	19.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Fiscal balances are reported in fiscal years (April 1st -March 31st).

b/ Refers to Public and Publicly Guaranteed debt.

c/ Calculations based on 2009-CWIS and 2015-BMTHS. Actual data: 2015. Nowcast: 2016-2023. Forecasts are from 2024 to 2026.

d/ Projection for \$2.15 poverty uses annualized elasticity (2009-2015) with pass-through = 0.87 based on GDP per capita in constant LCU. Higher poverty lines use regional elasticity.

BURKINA FASO

Key conditions and challenges

Table 1 2023

Population, million	23.3
GDP, current US\$ billion	22.9
GDP per capita, current US\$	984.0
International poverty rate (\$2.15) ^a	25.3
Lower middle-income poverty rate (\$3.65) ^a	60.7
Upper middle-income poverty rate (\$6.85) ^a	88.1
Gini index ^a	37.4
School enrollment, primary (% gross) ^b	82.4
Life expectancy at birth, years ^b	59.3
Total GHG emissions (mtCO ₂ e)	67.6

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2021), 2017 PPPs.
 b/ WDI for School enrollment (2022); Life expectancy (2021).

GDP growth is estimated at 3.2 percent (0.5 percent per capita) in 2023, supported by services, while mining was hampered by insecurity. Average inflation subsided to 0.7 percent, facilitating a small decrease in the extreme poverty rate to 25.9 percent. The growth outlook is expected to remain constrained by insecurity and subject to downside risks, including political instability, increasing financing costs, impacts of the announced ECOWAS withdrawal, and climate-related shocks.

Insecurity and political instability remain the most critical growth constraints. The two coups in 2022 triggered a sharp reduction in external development financing while negatively affecting private investment. Insecurity has disrupted industrial mining (gold), which accounted for 77 percent of exports, 16 percent of GDP, and 22 percent of government revenues in 2023. Displacement of local populations weakens agricultural output, which employs over 90 percent of the poor and is already highly vulnerable to climate shocks, aggravating food insecurity. In 2023 there has been a doubling of recorded security-related deaths to 8,494. In September 2023, Burkina Faso, Mali, and Niger formed the “Alliance of Sahel States” (AES) – a security and military pact with political and economic aims. On January 28, 2024, in a joint communiqué, the three countries announced their ‘immediate’ withdrawal from ECOWAS. According to the revised ECOWAS Treaty, a notification period of one year is required to leave ECOWAS. These developments have increased political and policy uncertainty, including the timetable for elections in Burkina Faso.

Recent developments

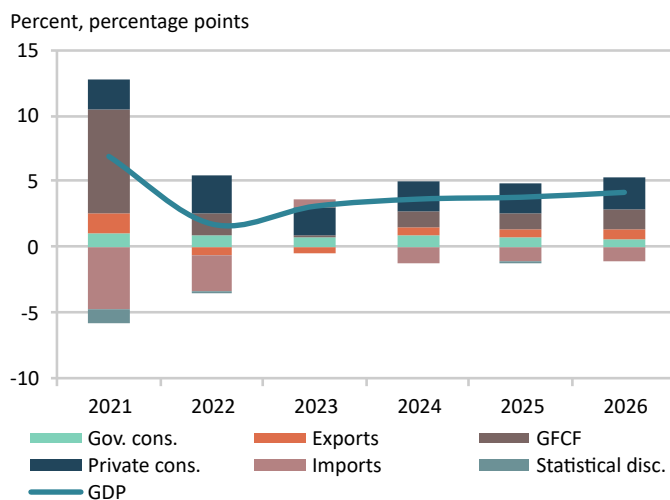
In 2023, the economy is estimated to have grown by 3.2 percent (0.6 percent

per capita), up from 1.8 percent in 2022. The services sector, accounting for 48 percent of GDP, remained the main growth driver, fueled by an expansion of the public sector. Agricultural sector growth was hindered by security challenges, which restricted access to rural areas. Secondary sector growth was kept positive only by manufacturing and construction, while gold production dropped further due to insecurity despite high international gold prices. On the demand side, private consumption was the main growth driver, bolstered by low inflation. In contrast, investment is expected to stagnate given high public investment in 2022 and uncertainties in the mining sector. Favorable terms of trade with an increase in gold prices coupled with a decrease in energy prices helped narrow the current account deficit to 4.9 percent of GDP in 2023.

After surging to a record high of 14.1 percent in 2022, inflation fell to 0.7 percent in 2023 with declines in local product prices, particularly for cereals, flour, and fresh vegetables. As a result, the extreme poverty rate, which was rising through 2022, has decreased by 0.6 percentage points to 25.9 percent in 2023. However, the humanitarian situation remains very critical, with around 2 million internally displaced persons, and an estimated 2.3 million facing severe food insecurity as of December 2023.

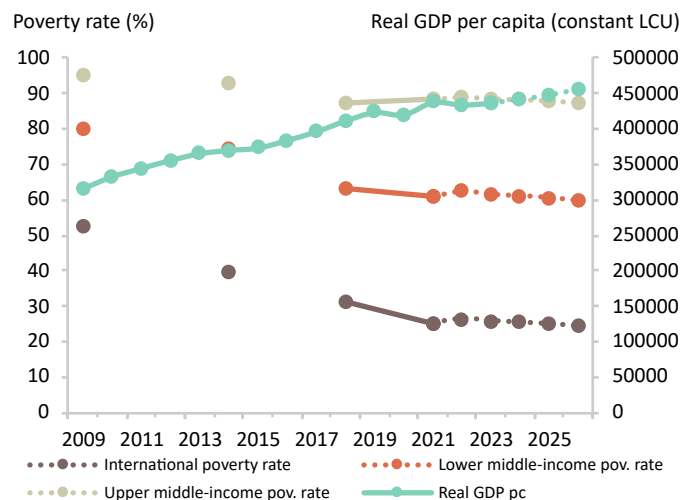
To counter inflation across WAEMU countries, the Central Bank of West African States (BCEAO) raised policy interest rates by a cumulative 150 basis points since mid-2022 to 3.5 percent for liquidity calls and 5.5 percent for the marginal lending facility. However, inflation in the

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



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

region (3.7 percent in 2023) was still above the 1-3 percent target range and foreign exchange reserves have been on a downward trend, estimated at 3.5 months of imports at end-2023, down from 4.3 months at end-2022.

The country started fiscal consolidation in 2023 with the deficit falling to 6.4 percent of GDP – 1.2 percent lower than 2022 (excluding a one-time inclusion of all accumulated securitized debt in 2022). The consolidation was expenditure-driven, through a scaling back of capital investment and subsidies (helped by lower international oil prices), while military and humanitarian spending remained high. As bilateral donor grants declined, efforts were made to sustain domestic revenue mobilization. With a still elevated fiscal deficit, public debt is estimated to have crossed the 60 percent of GDP mark in 2023. The share of expensive regional financing is increasing; in February 2024, Burkina Faso's average yields on the regional bond market were 8 percent for 6-month T-bills and 9.6 percent for

3-year T-bonds. The risk of external debt distress remains moderate.

Outlook

The outlook hinges on the security situation. If the situation does not deteriorate further, growth could slowly pick up and average 4 percent (1.5 percent per capita) over 2024-26, driven by recovering mining and agricultural production and service sector growth. This includes the expected impacts of an orderly ECOWAS withdrawal: lower trade with non-WAEMU ECOWAS states, higher investors' risk premia, and increased regional financing costs.

If the government continues its fiscal consolidation path, the fiscal deficit is expected to gradually decline towards the WAEMU ceiling of 3 percent of GDP. Public debt as a share of GDP is forecast to rise at least until 2025, driven by high interest rates on domestic debt.

Poverty is expected to remain relatively unchanged over the medium term. While

inflation has come down dramatically and is expected to remain below 3 percent over the medium term, accelerating poverty reductions will require higher growth per capita, particularly in agriculture, which employs 71 percent of the poor.

The outlook remains subject to significant downside risks, including a deterioration in the security situation, political instability, climatic shocks, terms of trade shocks, and the withdrawal from ECOWAS. An unnegotiated ECOWAS withdrawal with disruptions to transport, transit, and free movement of goods, services, capital, and labor could exacerbate negative impacts due to spillovers onto WAEMU trade. The BCEAO may need to continue monetary tightening in 2024 to bring inflation under control and in the context of increased risks from the withdrawal of Niger, Mali, and Burkina Faso from ECOWAS. A further increase in the cost of financing on the regional market for Burkina Faso could require further cuts in public expenditure, and especially investment, at the same time as defense and security expenditures pressures mount.

TABLE 2 Burkina Faso / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	6.9	1.8	3.2	3.7	3.8	4.2
Private consumption	3.4	4.3	3.1	3.4	3.5	3.6
Government consumption	6.6	5.2	4.5	5.4	3.9	3.8
Gross fixed capital investment	34.8	6.4	0.7	4.0	4.4	5.4
Exports, goods and services	6.5	-2.8	-2.1	3.0	3.1	3.4
Imports, goods and services	15.5	8.2	-1.9	3.8	3.2	3.3
Real GDP growth, at constant factor prices	6.9	1.8	3.2	3.7	3.8	4.2
Agriculture	-4.1	5.7	2.3	4.5	4.3	4.3
Industry	11.0	-8.2	0.3	2.8	3.4	3.9
Services	10.3	6.0	5.2	3.7	3.8	4.3
Inflation (consumer price index)	3.9	14.1	0.7	2.8	2.5	2.2
Current account balance (% of GDP)	0.4	-6.2	-4.9	-4.2	-4.1	-3.7
Net foreign direct investment inflow (% of GDP)	0.5	0.3	0.3	0.4	0.5	0.4
Fiscal balance (% of GDP)	-7.5	-10.6	-6.4	-5.6	-4.7	-4.4
Revenues (% of GDP)	20.2	21.6	21.3	21.3	21.2	21.2
Debt (% of GDP)	55.4	58.1	61.4	63.3	65.4	63.2
Primary balance (% of GDP)	-6.0	-8.5	-4.3	-3.0	-1.9	-1.5
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	25.3	26.5	25.9	25.4	25.0	24.4
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	60.7	62.4	61.4	61.1	60.5	59.7
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	88.1	88.7	88.3	88.1	87.8	87.3
GHG emissions growth (mtCO₂e)	6.0	4.6	5.0	5.1	5.1	4.8
Energy related GHG emissions (% of total)	11.1	11.4	11.8	12.3	12.7	13.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2021-EHCVM. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.

b/ Projections using microsimulation methodology.

BURUNDI

Table 1 **2023**

Population, million	13.2
GDP, current US\$ billion	3.5
GDP per capita, current US\$	267.3
International poverty rate (\$2.15) ^a	62.1
Lower middle-income poverty rate (\$3.65) ^a	86.2
Gini index ^a	37.5
School enrollment, primary (% gross) ^b	103.9
Life expectancy at birth, years ^b	61.7
Total GHG emissions (mtCO2e)	9.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2020), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

In 2023, economic growth rebounded to 2.7 percent from 1.8 percent in 2022, spurred by robust agricultural production. However, inflation spiked, then moderated late in the year. Poverty rate would remain stable in 2024, due to the combination of insufficient growth, projected to improve to 3.8 percent, and rapid population expansion. Risks include regional turmoil, closure of the Burundi-Rwanda border, delayed exchange rate unification, and limited external financing.

Key conditions and challenges

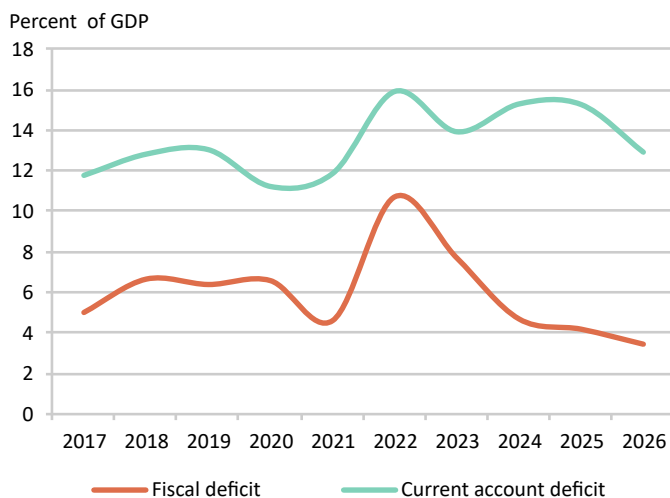
Burundi's economic landscape is marred by a fragility trap, with entrenched poverty. Political instability, weak institutions, rapid population increase, and environmental degradation are persistent vulnerabilities. Economic challenges include low productivity, high dependence on foreign aid, inadequate infrastructure, and limited diversification. Agriculture contributes 40 percent to GDP and engages over 90 percent of the workforce. Industrialization is minimal, and exports are confined largely to coffee and tea. Despite possessing significant reserves of minerals critical for the energy transition, the mining sector is stunted, stifled by uncompetitive business environment, thus making an insignificant contribution of less than 1 percent to GDP. The export-to-import coverage hovers between 15-20 percent, signaling structural external imbalances. Environmental issues, including land degradation and deforestation, threaten to keep agricultural production low. High population growth strains resources and infrastructure, exacerbating conflicts amongst local communities while impeding sustainable development. Since the 2015 political crisis, macroeconomic imbalances have persisted, ranging from high fiscal and current account deficits, and inflated currency value to limited external financing and fiscal dominance of monetary policy, compounded by soaring public debt and scant investment

in infrastructure and human capital. The provision of basic public services needs to keep pace with rapid population growth. Secondary school enrollment is a mere 48 percent, and 30 percent of adolescent girls are not in school. Chronic malnutrition is widespread, with stunting affecting 55.8 percent of children under five, a figure likely to have worsened by recent food inflation. As of 2023, poverty afflicts 62 percent of the population (at US\$ 2.15 per capita/day in 2017PPP). Continued re-engagement with the international community and the government's commitment to reforms, through the completion of the exchange rate unification reforms, modernization of the monetary policy framework, fiscal consolidation, governance reforms, and growth-enabling structural reforms, would help change the country's growth trajectory while boosting social spending and productive investments.

Recent developments

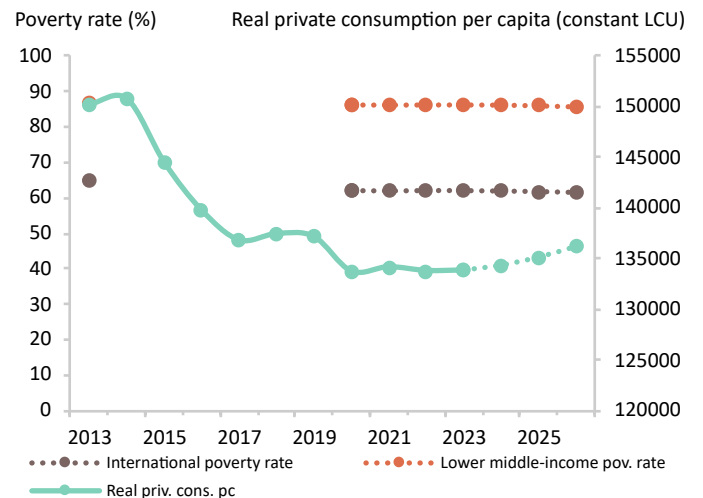
Economic growth picked up in 2023 against a backdrop of high inflation and widening fiscal and current account deficits. Growth accelerated to 2.7 percent, up from 1.8 percent in 2022, buoyed by favorable rains and robust public investment. Industry and services felt the pinch of high inflation, fuel shortages, and flaring premium on the forex parallel market. On the demand side, growth was underpinned by government and private sector spending.

FIGURE 1 Burundi / Fiscal and current account deficit



Sources: Official statistics and World Bank staff estimation.

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



Source: World Bank. Notes: see Table 2.

Aided by expenditure cutbacks, the fiscal deficit fell to 7.7 percent of GDP, down from 10.7 percent the previous year. The deficit was predominantly financed through domestic shorter-maturity higher-interest loans from banks and Central Bank advances, reflecting a reliance on domestic debt instruments. Subsequently, public debt climbed to 72.4 percent of GDP from 68.4 percent in 2022. The current account deficit (CAD) remained high at 13.9 percent of GDP in 2023, pressured by soaring oil prices and sluggish exports amid delayed mining contract negotiations. Remittances fell, reducing net current transfers, but capital account balances benefited from increased project grants. Trade credits are the mainstay of financing the current account deficit.

By December 2023, Burundi's international reserves could cover just 0.8 months of imports, a significant drop from 1.8 months the previous year. The foreign exchange market saw a parallel premium soaring to 75.0 percent in March 2023, up from 62.0 percent a year prior. Inflation peaked to an average of 27.1 percent in 2023 due to escalating food and fuel costs—but softened in the final quarter as food prices declined. Inflation's bite is sharpest for the poor, who allocate more budget to food. This trend may swell

poverty rates in the short term and erode human capital long-term, as families cut meals, liquidate assets, or resort to child labor. International poverty rate (\$2.15 in 2017 PPP) is estimated to remain elevated at 62 percent in 2023.

Outlook

Growth is forecasted to rise to 3.8 percent in 2024, and to accelerate to 4.6 percent on average in 2025-26, supported by robust agricultural season, mining upticks, and government spending. Favorable rainfall will sustain agricultural growth, while services and industry should rebound due to eased forex restrictions and increased power generation. High private consumption and public investment will likely continue, spurred by economic recovery.

The fiscal deficit is expected to narrow to 4.7 percent of GDP in 2024 and 3.2 percent by 2026, underpinned by the digitization of tax administration and a recalibration of non-essential spending, supported by the IMF ECF program. Public debt is projected to recede by 6 percentage points from its 2022 level, settling at 58.8 percent of GDP in 2026. The CAD will remain high over 2024-2025

before easing to 12.9 percent of GDP in 2026, due to mining exports resumption and positive impacts of foreign exchange reforms. Burundi's growth path is not matching high demographic growth, and population is set to double by 2050, further exacerbating existing pressures on limited land resources and services. Against the current trajectory, poverty is projected to remain unchanged at 61.9 percent in 2024. Substantial structural reforms are essential to expand the private nonfarm sector, boost agricultural output, and secure a well-educated, healthy population.

A favorable review of IMF's program along with reducing the misalignment between the official and parallel exchange rates could improve external accounts, with structural reforms likely enhancing exports, foreign investment, and revenues. Conversely, agricultural setbacks from adverse weather and a protracted closure of the border with Rwanda could cloud growth prospects. Failure to consolidate fiscal accounts or boost revenue collection could heighten fiscal risks and external vulnerabilities. A disruption to the IMF program might reduce access to crucially needed concessional financing and aid, and spur a further deterioration of external accounts.

TABLE 2 Burundi / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	3.1	1.8	2.7	3.8	4.4	4.8
Private consumption	3.0	2.4	2.7	3.0	3.2	3.4
Government consumption	2.9	5.9	5.4	5.1	5.2	5.0
Gross fixed capital investment	3.9	4.0	8.1	10.5	12.3	13.2
Exports, goods and services	3.4	5.8	7.8	13.8	14.2	15.2
Imports, goods and services	3.2	7.0	7.0	7.1	7.3	7.5
Real GDP growth, at constant factor prices	3.1	1.8	2.7	3.8	4.3	4.8
Agriculture	3.4	-0.8	2.8	3.8	4.0	4.2
Industry	3.0	3.2	2.7	3.8	4.9	5.3
Services	2.9	3.1	2.6	3.8	4.3	4.9
Inflation (consumer price index)	8.3	18.8	27.1	22.8	20.4	16.2
Current account balance (% of GDP)	-11.9	-15.9	-13.9	-15.3	-15.2	-12.9
Net foreign direct investment inflow (% of GDP)	0.3	0.3	0.0	-0.1	-0.1	-0.1
Fiscal balance (% of GDP)	-4.6	-10.7	-7.7	-4.7	-4.2	-3.4
Revenues (% of GDP)	23.8	22.8	22.3	23.0	23.4	23.6
Debt (% of GDP)	66.6	68.4	72.4	69.9	64.8	58.8
Primary balance (% of GDP)	-1.6	-8.2	-4.8	-2.1	-1.4	-1.0
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	61.9	62.1	62.0	61.9	61.7	61.4
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	86.1	86.2	86.2	86.1	85.9	85.7
GHG emissions growth (mtCO₂e)	3.9	4.0	3.9	3.9	3.7	3.7
Energy related GHG emissions (% of total)	8.7	8.6	8.6	8.7	8.9	9.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2020-EICVMB. Actual data: 2020. Nowcast: 2021-2023. Forecasts are from 2024 to 2026.

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

CABO VERDE

Table 1 **2023**

Population, million	0.5
GDP, current US\$ billion	2.5
GDP per capita, current US\$	4968.9
International poverty rate (\$2.15) ^a	4.6
Lower middle-income poverty rate (\$3.65) ^a	19.3
Upper middle-income poverty rate (\$6.85) ^a	50.9
Gini index ^a	42.4
School enrollment, primary (% gross) ^b	97.0
Life expectancy at birth, years ^b	74.1
Total GHG emissions (mtCO2e)	0.7

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2015), 2017 PPPs.
 b/ WDI for School enrollment (2019); Life expectancy (2021).

Growth is expected to have slowed to 4.8 percent in 2023 despite exports, mainly tourism, returning to pre-pandemic levels. Inflation stood at 3.7 percent, aided by declining fuel and food prices. Growth-friendly fiscal consolidation should allow stable growth of 4.7 percent over the medium term, though the outlook remains subject to downside risks from commodity price spikes, weaker external demand, limited progress on key SOE reforms, and climate shocks.

Key conditions and challenges

Cabo Verde is a small, and vibrant island nation with an open economy. Its economic growth has been driven by tourism, remittances, and foreign direct investment enabled by structural reforms and social and political stability. The development model has shown signs of fatigue since the 2008 global financial crisis: growth fell from a robust average 7.5 percent in the 2000s to 2.8 percent in the last decade (excluding 2020) and is highly volatile. The impact of the pandemic accentuated debt risks and underscored key vulnerabilities, including the dominance of the tourism sector, absence of buffers to shocks, and poor performing State-Owned Enterprises (SOE).

Achieving higher and sustained growth requires reforms to reduce the economy's vulnerabilities to external economic and climate-related shocks; increase private sector productivity to benefit from the thriving tourism sector; and reduce internal transport costs and market fragmentation. A gradual transition to blue (ocean related) and green (environment related) activities are policy priorities for the medium term.

Recent developments

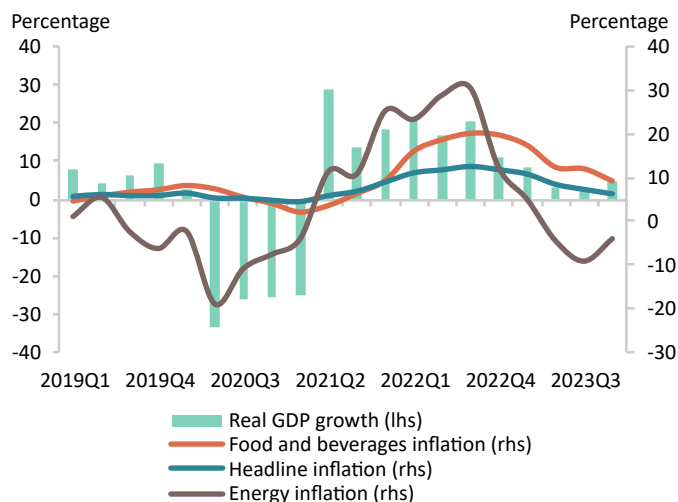
Economic growth is estimated to have slowed to 4.8 percent in 2023 (4.2 percent in per capita terms), reflecting the stabilization

of service exports after the post-covid tourism rebound. On the supply side, accommodation, transport, and commerce drove growth, while on the demand side, growth was led by exports and private consumption. Growth was accompanied by a 0.9 percentage points reduction in poverty (using the US\$3.65 per person and per-day-2017 PPP).

Headline inflation decelerated to 3.7 percent (y/y) in 2023 from the high of 7.9 percent in 2022, driven by the easing of international food prices and falling oil prices. Food inflation, which represents 25 percent of the CPI basket, slowed to 8.9 percent while energy inflation decreased by 3.2 percent on average. Core inflation reached an annual average of 2.3 percent. Poverty (\$3.65 per day PPP 2017) is expected to reach 15.1 percent in 2023, down from 16.0 percent in 2022, but above its 2019 pre-pandemic level of 14.1 percent. Economic growth was fundamental for poverty reduction in 2023, coupled with a decrease in inflation compared to 2022. Growth of the services sector led to creation of new jobs, especially in tourism, but the household real income benefits were dampened by inflation pressures, especially in food items.

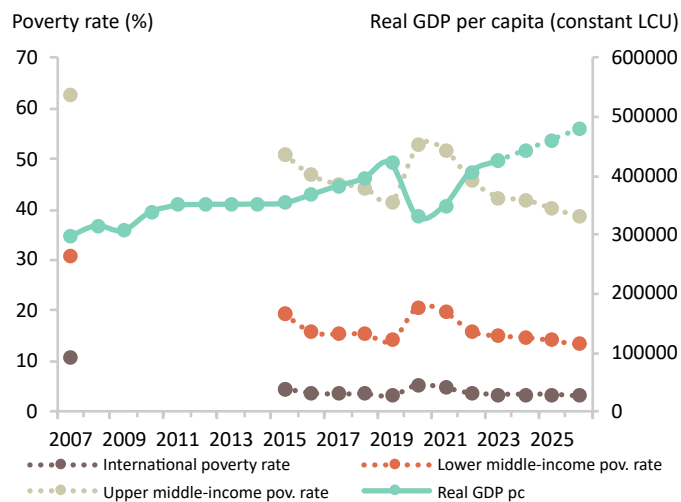
Increased revenues and under execution of the capital budget narrowed the fiscal deficit to 0.5 percent of GDP in 2023 from 4.3 percent in 2022. Revenue increased by about 20 percent over the same period driven by corporate income tax and VAT collection, as well as revenues linked to the airport private concession. Total expenditure increased by 2.6 percent. Public debt declined from 127.1 percent in 2022 to

FIGURE 1 Cabo Verde / Real GDP growth and inflation



Source: Government of Cabo Verde.

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



Source: World Bank. Notes: see Table 2.

115.3 percent in 2023, driven by GDP growth. External debt is mainly concessional, at 105 percent of GDP, while domestic debt has surged to over 30 of GDP post-COVID-19, driving the high risk of overall debt distress.

The current account deficit (CAD) widened from 3.4 percent of GDP in 2022 to 5.3 percent in 2023, due to the slowdown in exports of goods and services, mainly tourism, and remittances compared to 2022. The CAD was financed primarily by FDI and concessional loans, while international reserves remained at a comfortable 5.8 months of import coverage.

Outlook

Real GDP growth is projected to remain relatively stable in 2024, at 4.7 percent (4.2 percent in per capita terms). Over the medium term, growth will be supported by the implementation of structural reforms aimed at improving public sector efficiency and the business environment.

Inflation is expected to decline further to 2.7 percent in 2024, as global inflation the international price shock continues to subside, and converge to around 2 percent over the medium term, supported by the strong nominal anchor provided by the peg to the Euro.

Poverty (using US\$3.65 per day-2017 PPP) is projected to decline to 14.9 percent in 2024 driven by the services and industry sectors, and a moderation of inflation. Projections for 2025 suggest a further decline in poverty to 14.2 percent, aligning with the pre-pandemic level, with this downward trend continuing into 2026 to reach 13.4 percent.

Overall fiscal balance is projected to widen to -3.0 percent of GDP in 2024, reflecting the increase in total expenditure with staff salary updates, increases in social benefits and acquisition of goods and services, and sound execution of public investments. Tax revenue collection will remain strong, with a review of tax benefits and the continued implementation of measures to improve tax administration efficiency and broaden the tax base. Continued efforts to

mobilize domestic revenue and contain current expenditure will reduce the fiscal deficit to just above 1 percent of GDP by 2026. The public debt-to-GDP ratio is expected to improve to 102.1 percent by 2026 but continued management of fiscal risks related to SOE arising from loan guarantees remains critical.

Stronger import growth vis-à-vis exports, with the continued dynamism of economic activity, will increase the CAD to 6.2 percent of GDP in 2024. CAD is projected to decline to 5.7 percent of GDP in 2026 supported by stronger growth in tourism and remittances, which, together with higher FDI inflows, will help maintain international reserves at about 6 months of prospective imports.

The outlook is subject to substantial downside risks stemming from new commodity price spikes due to geopolitical shocks, weaker external demand in tourism markets, and limited progress with the SOE reform agenda, which could undermine the fiscal consolidation and weaken growth. Climate-related shocks will remain a concern, given the country's high vulnerability.

TABLE 2 Cabo Verde / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	5.6	17.1	4.8	4.7	4.7	4.6
Private consumption	1.4	25.9	6.5	8.8	8.6	8.1
Government consumption	5.3	-4.6	0.5	20.4	0.9	2.7
Gross fixed capital investment	23.4	-54.2	-2.4	-19.1	-6.5	1.8
Exports, goods and services	2.1	97.5	4.4	8.6	9.2	9.5
Imports, goods and services	7.7	12.7	3.4	12.5	9.5	11.4
Real GDP growth, at constant factor prices	5.6	17.1	4.8	4.7	4.7	4.6
Agriculture	3.1	-14.3	-2.0	-2.3	2.6	2.7
Industry	13.2	7.5	7.7	5.2	5.5	5.4
Services	4.4	21.9	4.7	5.1	4.7	4.6
Inflation (consumer price index)	1.9	7.9	3.7	2.7	2.1	1.9
Current account balance (% of GDP)	-12.2	-3.4	-5.3	-6.2	-6.5	-5.7
Net foreign direct investment inflow (% of GDP)	4.6	4.7	4.0	3.9	3.7	3.6
Fiscal balance (% of GDP)	-7.7	-4.3	-0.5	-3.0	-2.2	-1.1
Revenues (% of GDP)	23.9	22.4	24.6	28.3	27.4	26.3
Debt (% of GDP)	152.0	127.1	115.3	112.0	107.7	102.1
Primary balance (% of GDP)	-5.5	-2.0	1.8	-0.7	0.0	1.1
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	4.7	3.7	3.5	3.5	3.5	3.1
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	19.7	16.0	15.1	14.9	14.2	13.4
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	51.8	45.7	42.4	41.9	40.1	38.5
GHG emissions growth (mtCO₂e)	-3.5	-1.2	5.3	6.4	6.7	6.6
Energy related GHG emissions (% of total)	84.5	85.0	85.2	85.6	86.0	86.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2015-IDRF. Actual data: 2015. Nowcast: 2016-2023. Forecasts are from 2024 to 2026.

b/ Projections using microsimulation methodology.

CAMEROON

Table 1 **2023**

Population, million	28.8
GDP, current US\$ billion	47.4
GDP per capita, current US\$	1646.1
International poverty rate (\$2.15) ^a	23.0
Lower middle-income poverty rate (\$3.65) ^a	46.7
Upper middle-income poverty rate (\$6.85) ^a	76.0
Gini index ^a	42.2
School enrollment, primary (% gross) ^b	110.7
Life expectancy at birth, years ^b	60.3
Total GHG emissions (mtCO2e)	134.6

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2021), 2017 PPPs.
 b/ WDI for School enrollment (2022); Life expectancy (2021).

Cameroon's economy grew by 4.0 percent in 2023, up from 3.6 percent in 2022. However, poverty reduction remains slow, with 23.0 percent living below the international poverty line of \$2.15 PPP per person per day. Sustained fiscal consolidation kept the deficit at 0.8 percent of GDP in 2023. Looking ahead, while the medium-term outlook is favorable, risks include commodity price volatility and persistent security crisis in certain regions. Low per capita growth coupled with high food and energy prices may worsen poverty.

Key conditions and challenges

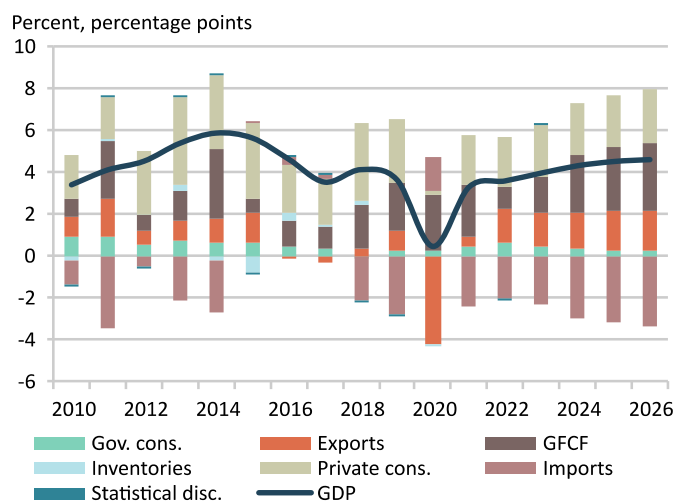
Cameroon is the largest economy in the CEMAC region, accounting for 45 percent of the region's GDP and 63 percent of regional foreign exchange reserves in 2023. It is also the region's most diversified economy. However, the oil sector still accounts for 2.2 percent of GDP and 18.4 percent of fiscal revenues, keeping the country vulnerable to oil price shocks. Cameroon's debt pressures have intensified, calling for cautious fiscal policies and improved debt management. The current development model appears incapable of delivering Cameroon's ambition of becoming an upper middle-income country by 2035, as institutions of governance have deteriorated, human capital remains weak, the business environment is unfavorable, and climate change represents a growing threat. The employment landscape reflects concerning trends, particularly for the youth, with half of the working-age population either unemployed or otherwise disengaged from the workforce. The informal sector, constituting over 85 percent of total employment, is experiencing a shift from agriculture to urban informal activities, calling for urban development. Productivity, notably in agriculture, lags similar countries due to high input costs, limited financing, and underutilization of innovative technologies. Cameroon has failed to reduce extreme poverty over the past two decades.

Household survey data collected in 2021/22 suggest 23.0 percent of the population lives below the extreme international poverty line of \$2.15 PPP per person per day. The extreme poverty rate has remained unchanged since 2001, decreasing by only 0.9 percentage points between 2014 and 2021. The population living in extreme poverty has swelled by over 2 million since 2001 and now exceeds 6 million. Inequality remains high, with a consumption Gini coefficient of 42.2, indicating large disparities in living standards between regions and urban and rural areas. Furthermore, fragility is proliferating, with six out of Cameroon's ten regions now affected by conflict, including spillovers from conflicts in neighboring countries. Climate change also threatens Cameroon's poverty-reduction prospects given its reliance on natural resources, with around 4 in 10 workers being primarily engaged in agriculture.

Recent developments

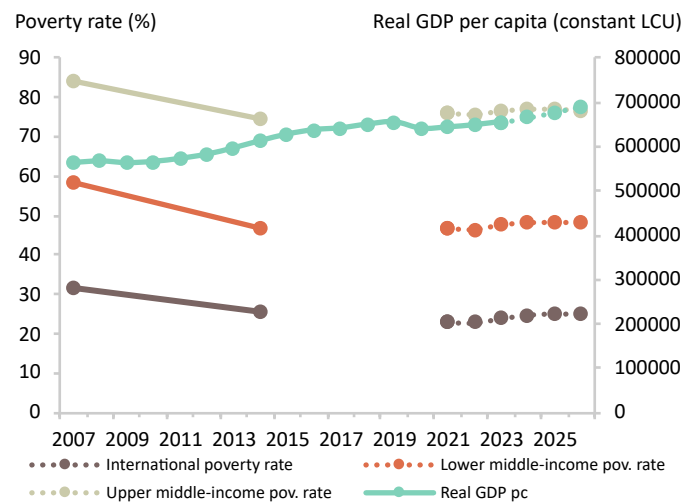
Cameroon's economic recovery continued in 2023, with real GDP growing by 4.0 percent, up from 3.6 percent in 2022 driven by improvements across various sectors. Services and manufacturing sectors expanded respectively by 4.5 percent and 5.5 percent, thanks to better energy supply and market conditions. Private investments supported the construction sector's growth despite lower public spending. Agriculture sector grew by 3.5 percent, driven by high cocoa and cotton prices and the recovery of the Cameroon Development Corporation.

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



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

Inflation increased to 7.4 percent as of the end 2023 from 6.3 percent in 2022 mainly due to higher domestic fuel prices, despite the tight monetary policies and global inflation easing. Despite service and income balance improvements, the current account balance deteriorated slightly, reaching 3.6 percent of GDP from 3.5 percent due to a widened trade deficit caused by declining oil and gas exports.

Fiscal consolidation efforts in 2023 resulted in a reduced fiscal deficit of 0.8 percent of GDP, down from 1.1 percent in 2022, supported by lower fuel subsidies, reduced capital spending, and improved tax collection. Public debt decreased to 41.9 percent of GDP in 2023 from 45.3 percent in 2022. Nonetheless, Cameroon remained at a high risk of debt distress, despite sustainable debt levels.

The regional central bank (BEAC) maintained in 2023 a tight monetary policy to contain inflation and support the exchange rate. While Cameroon's banking system remained strong, vulnerabilities remained, with the non-performing loan ratio reaching 15.3 percent in 2023 and a significant exposure to sovereign bonds.

The gradual reduction in fuel subsidies will provide additional fiscal space for pro-poor spending but may lead to short-term inflationary pressures. Tax incentives for agriculture and minimum wage increases will

mitigate impacts, though the latter's effect on poverty reduction may be limited due to the prevalence of informal employment.

Outlook

The medium-term economic outlook for Cameroon is positive on balance but subject to downside risks. Real GDP growth is projected at 4.3 percent in 2024 and 4.5 percent in 2025 and 2026, driven by dynamism in agro-industry, forestry, and services. The anticipated LNG production boom is expected to offset declining oil field production in 2025. Improved energy supply from projects like the Nachtigal hydroelectric dam and Memve'ele power plant transmission lines will benefit manufacturing and construction, backed by robust public investment.

The current account deficit is expected to gradually narrow over the medium term, benefiting from sustained high commodity prices, the LNG boom in 2025, and government export efforts. Over the medium term, inflation is expected to drop from 7.0 percent in 2024 to 4.9 percent by 2026, supported by moderating import price inflation, improved industrial production from better energy supply, and the BEAC's tight monetary policy.

The fiscal deficit is projected to remain below 1 percent of GDP, supported by measures aimed at enhancing revenue and gradually reducing current expenditures, particularly fuel subsidies. These actions are expected to counterbalance the anticipated rise in capital expenditure necessary for accelerating investment projects. Public debt is projected to decline, reaching 35.5 percent of GDP by 2026, driven by improved debt management.

However, low per capita growth may exacerbate poverty, with the poverty rate at the international poverty line of \$2.15 PPP per person per day projected to reach 25.0 percent by 2026, leaving around 8 million Cameroonians in poverty. Moreover, food prices are projected to rise faster relative to other goods. Redirecting budgetary savings from fuel subsidy reductions into productive spending, including investments in social programs and human capital, could support the poor and vulnerable in the short run, but sustained poverty reduction will require accelerating economic growth that creates more jobs.

The outlook is subject to risks such as commodity price volatility, ongoing security crises in certain regions, uncertain budget support from external donors, exchange rate fluctuations impacting debt and fuel subsidies, and increased climate-related disasters.

TABLE 2 Cameroon / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	3.3	3.6	4.0	4.3	4.5	4.6
Private consumption	3.5	3.6	3.7	3.7	3.8	4.0
Government consumption	3.4	5.1	3.1	2.4	2.2	1.7
Gross fixed capital investment	7.9	3.2	5.1	8.4	9.0	9.1
Exports, goods and services	3.2	10.1	10.1	10.0	9.9	9.9
Imports, goods and services	9.0	7.3	7.8	9.7	9.9	10.0
Real GDP growth, at constant factor prices	3.3	3.6	4.0	4.3	4.5	4.6
Agriculture	4.1	4.3	4.7	5.0	5.6	5.6
Industry	4.1	4.2	4.5	4.8	5.4	5.4
Services	2.7	3.1	3.5	3.9	3.8	3.9
Inflation (consumer price index)	2.5	6.3	7.4	7.0	5.7	4.9
Current account balance (% of GDP)	-3.8	-3.5	-3.6	-3.3	-3.4	-3.0
Fiscal balance (% of GDP)	-2.9	-1.1	-0.8	-0.7	-0.8	-0.7
Revenues (% of GDP)	14.2	15.9	16.0	16.1	16.1	16.3
Debt (% of GDP)	47.3	45.3	41.9	40.1	38.8	35.5
Primary balance (% of GDP)	-1.9	-0.3	0.2	0.2	0.0	0.0
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	23.0	22.9	23.9	24.8	25.2	25.0
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	46.7	46.3	47.7	48.3	48.4	48.4
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	76.0	75.6	76.5	77.0	77.0	76.7
GHG emissions growth (mtCO₂e)	1.8	1.4	1.5	1.5	1.8	1.7
Energy related GHG emissions (% of total)	7.3	7.4	7.6	7.8	8.1	8.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2021-ECAM-V. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.

b/ Projections using microsimulation methodology.

CENTRAL AFRICAN REP.

Table 1 **2023**

Population, million	5.7
GDP, current US\$ billion	2.6
GDP per capita, current US\$	460.3
International poverty rate (\$2.15) ^a	65.7
Lower middle-income poverty rate (\$3.65) ^a	85.8
Upper middle-income poverty rate (\$6.85) ^a	96.2
Gini index ^a	43.0
School enrollment, primary (% gross) ^b	110.7
Life expectancy at birth, years ^b	53.9
Total GHG emissions (mtCO2e)	55.9

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

Economic growth is estimated to have reached 0.9 percent in 2023, compared to 0.5 percent in 2022. CAR's structural vulnerabilities, compounded by external shocks, continue to strain public finances and adversely affect growth, food security, and poverty reduction efforts, necessitating bold macro-fiscal reforms. As of 2023, two-thirds of the population lived in extreme poverty, with projections suggesting a one percentage point increase in the next two years due to negative per capita growth.

Key conditions and challenges

Since 2020, CAR's macro-fiscal vulnerabilities have been exacerbated by a series of exogenous shocks (renewed insecurity and violence, COVID-19 pandemic and Russian invasion of Ukraine). These shocks have strained public finances, added inflationary pressures, jeopardized food security, and slowed poverty reduction efforts. Also, climate shocks, including drought and floods, continue to pose threats to an already alarming humanitarian situation, particularly in remote areas. As of December 31, 2023, the total number of internally displaced persons (IDPs) was estimated at 511,803 individuals, while approximately 754,421 people were registered as refugees in neighboring countries.

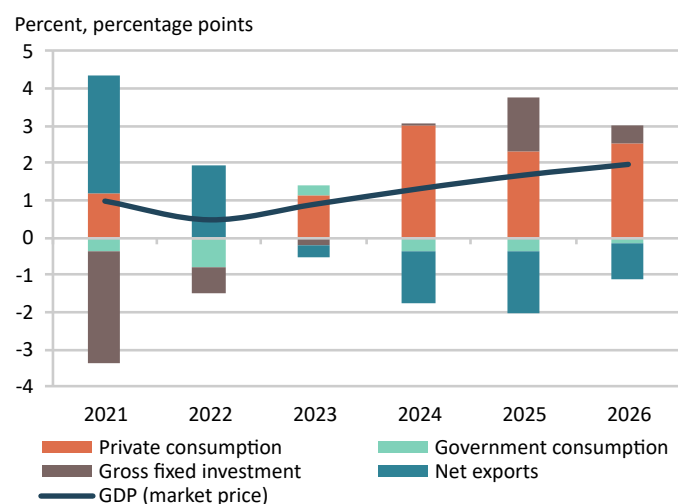
The private sector continues to be hampered by unattractive business conditions and high borrowing costs. Employment opportunities remain extremely limited while the workforce is growing. Continued efforts by country authorities to promote more inclusive and resilient growth will be critical. This includes improving the business environment and state-owned enterprise (SOE) governance to attract private investment, improving revenue mobilization to restore fiscal sustainability, and rationalizing untargeted subsidies to create space for higher social spending.

Recent developments

Economic growth was estimated at 0.9 percent in 2023, a slight increase from 0.5 percent in 2022, as a result of limited fuel supply and mixed agricultural performance. Limited fuel supply has contributed to higher transportation prices and disrupted trade and local production. Production of diamonds, one of the country's most important commodity exports, fell by 6.7 percent in FY2022/23 due to the decline of international demand for natural diamond due to synthetic diamond surge. However, a shift of artisanal miners from the diamond to the gold sector and a relative rise in the price of gold helped to boost the production of gold. Official timber and sawn wood production would have increased in 2023, driven by improvements in security conditions, secured contracts with key bilateral partners, and a slight rebound in international prices for logs and sawn wood. Persistent power shortages continued to hold back the industrial sector while the services sector suffered from higher transportation prices. Despite rising transportation costs, inflation fell from 5.6 percent in 2022 to 3.0 percent in 2023, its lowest level since 2021.

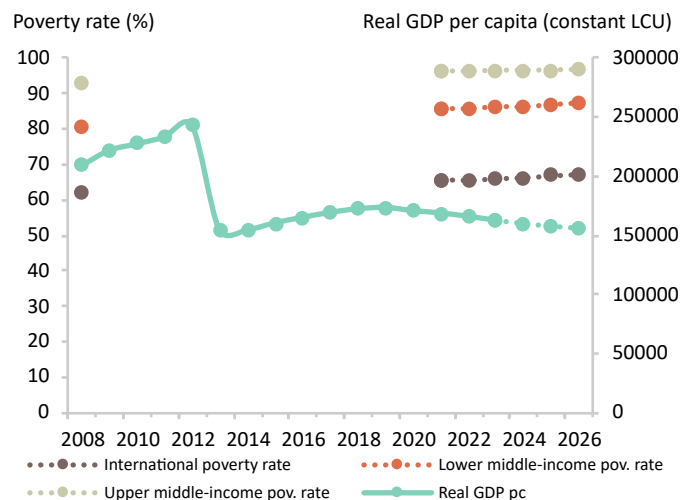
Tight budget constraints due to lack of growth and elevated transportation prices reduced households' purchasing power, worsened food insecurity, and slowed poverty reduction efforts. Poverty remains elevated, with an estimated 65.9 percent of the population living in extreme poverty in 2023 (i.e., below the international poverty line of US\$2.15 per person per day, 2017 PPP).

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



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

The extreme poverty rate is set to increase by one percentage point over the next two years, due to negative per capita growth. The Bank of Central African States (BEAC) maintained its tight monetary policy stance during 2023 to contain inflationary pressures and support the external viability of the exchange rate arrangement. The BEAC policy rate was maintained at five percent following a cumulative increase by 175 basis points between November 2021 and March 2023. Weekly liquidity injections were discontinued in early 2023 and BEAC stepped up its liquidity absorption operations. CAR's indicators of financial soundness remain broadly adequate, although the non-performing loan ratio deteriorated and stood at 16.4 percent in 2023, compared to 15.5 percent in 2022. While the overall fiscal balance continued to improve in 2023, it remained structurally in deficit. Fuel shortages during the last quarter of 2023 reduced petroleum tax collection and dampened recent tax recovery efforts. Domestic revenue mobilization (DRM) efforts, including the implementation of the new tax on electronic communications, combined with moderation of current spending and expanded external grant financing enabled a reduction in the overall fiscal balances in 2023. Public debt increased to 55.7 percent of GDP in 2023 in the form of issuance of net domestic bonds.

In 2023, domestic debt is estimated to reach 21 percent of GDP. Yields on 3-year issuances have hovered around 11 percent, among the highest in CEMAC. The current account deficit improved to 9 percent of GDP in 2023, mainly due to a 14.4 percent improvement in the terms of trade. However, a lack of competitiveness, coupled with commodity price shocks and a weak linkages with global value chains, continued to weigh on the external position.

Outlook

The medium-term outlook shows gradual improvement in economic performance but is vulnerable to headwinds. Real GDP growth is projected to recover gradually, reaching 1.3 percent in 2024 before averaging 1.8 percent in 2025-26, partly due to the base effect and contingent on the second disbursement of budget support from the African Development Bank (AfDB) and the implementation of policy adjustments to pave the way for improved fuel supply. Inflation is expected to be above the regional ceiling in 2024 and remain elevated in the medium term. Poverty is expected to remain high due to declining per capita income, relatively high food prices, and the weak economic recovery.

The overall fiscal balance is projected to gradually improve from 2024 to 2026, provided that DRM efforts continue, particularly in improving the collection of taxes, especially VAT, and miscellaneous revenues through a treasury single account (TSA) system. Under these circumstances, domestic revenue could reach pre-war levels for the first time in 2026. The country is expected to remain at high risk of external debt distress and overall debt distress, although public debt is projected to remain sustainable.

The current account balance is projected to improve but remain in significant deficit. The balance of payments is projected to show a financing gap of roughly 1 percent of GDP per year in the medium term which would be covered by bridge financing from the regional market, possible disbursements of budget support from donors, and disbursements under the IMF's ongoing ECF program.

Risks to the outlook remain tilted to the downside and include: (i) a reversal of security gains that could jeopardize economic growth and the pathway out of fragility; (ii) persistent pressure on food and transportation prices that could slow down poverty reduction efforts; (iii) failure to implement bold and agreed policy reforms under the ECF program, which could delay expected disbursements, dampen donor appetite for budget support and lead to a possible accumulation of arrears.

TABLE 2 Central African Republic / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	1.0	0.5	0.9	1.3	1.7	1.9
Private consumption	1.3	0.0	1.2	3.3	2.5	2.7
Government consumption	-3.8	-8.2	3.5	-4.5	-4.4	-1.9
Gross fixed capital investment	-15.9	-4.5	-1.5	0.2	9.8	3.2
Exports, goods and services	-5.3	2.6	9.0	5.2	9.0	5.4
Imports, goods and services	-11.5	-5.5	5.5	7.3	9.9	5.5
Real GDP growth, at constant factor prices	1.5	1.0	0.9	1.3	1.7	1.9
Agriculture	2.7	2.2	2.3	2.5	2.9	3.1
Industry	-1.7	-3.9	-0.5	1.3	1.8	2.1
Services	2.2	2.4	0.5	0.3	0.6	0.9
Inflation (consumer price index)	4.3	5.6	3.0	4.7	4.6	3.8
Current account balance (% of GDP)	-11.1	-12.7	-9.0	-7.7	-6.7	-5.4
Fiscal balance (% of GDP)	-6.0	-5.3	-3.5	-3.1	-1.8	0.1
Revenues (% of GDP)	13.7	12.3	14.4	13.9	16.1	18.2
Debt (% of GDP)	48.6	54.2	55.7	55.6	54.5	50.7
Primary balance (% of GDP)	-5.7	-4.9	-2.9	-2.2	-0.9	0.9
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	65.7	65.3	65.9	66.2	66.8	67.3
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	85.8	85.6	86.2	86.1	86.7	87.1
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	96.2	96.1	96.4	96.4	96.5	96.7
GHG emissions growth (mtCO₂e)	0.6	0.1	0.0	-0.1	0.0	0.0
Energy related GHG emissions (% of total)	0.4	0.4	0.4	0.4	0.4	0.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2021-EHCVM. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.

b/ Projections using microsimulation methodology.

CHAD

Table 1 **2023**

Population, million	18.3
GDP, current US\$ billion	13.2
GDP per capita, current US\$	722.4
International poverty rate (\$2.15) ^a	30.8
Lower middle-income poverty rate (\$3.65) ^a	62.8
Upper middle-income poverty rate (\$6.85) ^a	88.8
Gini index ^a	37.4
School enrollment, primary (% gross) ^b	90.4
Life expectancy at birth, years ^b	52.5
Total GHG emissions (mtCO2e)	121.1

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2022), 2017 PPPs.
 b/ WDI for School enrollment (2022); Life expectancy (2021).

Chad's economy has proven resilient despite the war in neighboring Sudan. GDP growth in 2023 is estimated at 4.1 percent (1 percent per capita), supported by higher oil production and public investment. Improved agricultural production eased inflation to 4.1 percent. While the poverty rate has declined, 5.5 million people still live in extreme poverty. Downside risks include uncertainty from the political transition, regional instability, insecurity, and climate shocks.

Key conditions and challenges

Chad's economic growth has been volatile and weak, reflecting the lack of economic diversification and dependence on the oil sector, which accounts for 85 percent of exports and 56 percent of fiscal revenues. Chad is also among the world's most vulnerable countries to climate change. Insufficient rains and frequent flooding have often had adverse impacts on the agricultural sector, the main sector of employment, which, together with conflict and displacement, has led to chronic food insecurity. Security remains precarious with threats by Boko Haram in the Lake Chad region, the armed FACT rebellion in the north, and escalating inter-community tensions. According to UNHCR, Chad was hosting nearly one million forcibly displaced persons at the end of 2022, including 593,000 refugees and nearly 400,000 IDPs. Since April 15, 2023, the war in Sudan has caused a mass influx of Sudanese refugees and Chadian returnees to eastern Chad. The number of new arrivals was estimated at around 496,834 at end-December 2023. In addition to the humanitarian challenges, the war in Sudan has induced higher expenditures (mostly military) and shortages of goods.

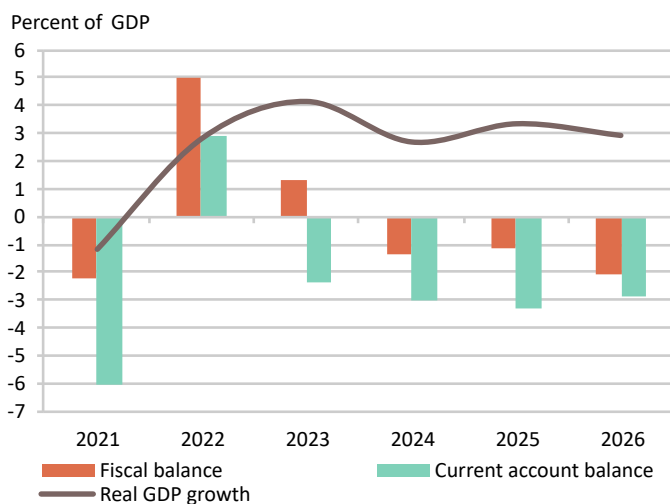
Recent developments

Despite the ongoing humanitarian crisis triggered by the war in Sudan, Chad's

economy is poised for its strongest, albeit still modest, performance since 2014, with an estimated GDP growth of 4.1 percent (1 percent per capita) in 2023. This growth is underpinned by oil production, which is expected to rise by 4.4 percent. Non-oil GDP is estimated to grow 4.1 percent (up from 2 percent the previous year) driven by public investment. After recovering from the 2022 floods, the agricultural sector is estimated to contribute 1.6 percentage points (ppts) to growth, followed by the services (1.4 ppts) and industry (1 ppt) sectors. Investment, primarily government-driven, is the main growth driver on the demand side, contributing 7 ppts to growth. In contrast, private investment is expected to have fallen due to increased interest rates and crowding out effects. The boom in public investment (+195.9 percent) led to a sharp increase in domestic demand (+9.5 percent). This in turn increased imports, along with other imports for humanitarian-related operations in support of the Sudanese refugees, and by significantly more than exports (imports +16 percent vs. exports +2.9 percent), resulting in a current account deficit of 2.4 percent of GDP in 2023.

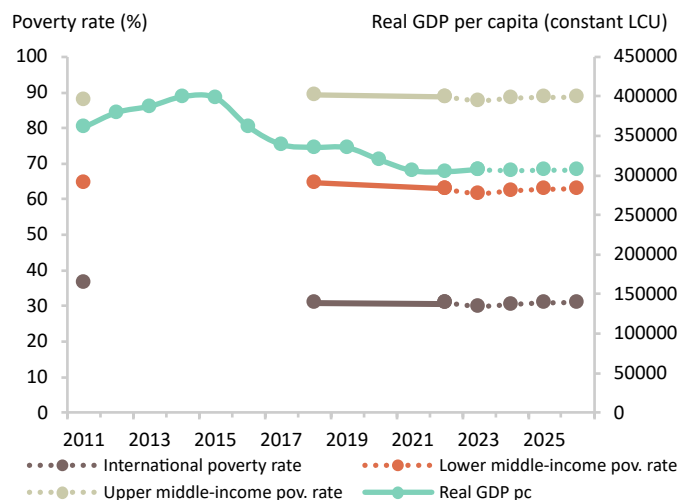
Inflation eased to 4.1 percent in 2023, owing to the base effect of high inflation in 2022 and the deceleration in food inflation (4.8 percent) because of improved agricultural production. Food insecurity remains a significant problem despite these improvements, with around 2.1 million people, or 11.5 percent of the population, facing severe food insecurity as of December 2023. The extreme poverty rate is expected

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



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

to decrease by 1 ppts to 29.9 percent in 2023; however, about 30 percent of the population (5.5 million people) continue living in extreme poverty.

The Bank of Central African States (BEAC) maintained its tight monetary policy stance during 2023 to contain inflationary pressures and support the external viability of the exchange rate arrangement. The BEAC policy rate was maintained at five percent following a cumulative increase by 175 basis points between November 2021 and March 2023.

Chad maintained a fiscal surplus of 1.3 percent of GDP in 2023, equivalent to a non-oil fiscal deficit of 15.8 percent, and falling from a 5 percent of GDP fiscal surplus in 2022. Despite high growth in tax revenues, supported by tax administration digitalization measures, and a peak in oil revenue, the fiscal surplus declined, reflecting the sharp rise in public investment. Total public debt is estimated to decline to 44.8 percent of GDP in 2023, compared to 47.4 percent in 2022.

Outlook

In 2024, growth is projected to decelerate to 2.7 percent (0.4 percent per capita) due to an expected decline in oil production and expectations of lower public investment, compared to 2023 levels. During 2025-2026, growth is projected to average 3.1 percent (0.1 percent per capita), as new oil fields are brought onstream. Non-oil GDP growth is projected at around 3.5 percent over 2024-2026. Government measures addressing food insecurity should ease food inflation, with inflation projected to fall to 3.9 percent in 2024 as a result, before averaging 3.3 percent over 2025-2026. With few linkages to poor and vulnerable populations, oil-sector driven growth is not expected to lead to poverty reduction without significant structural reforms. Moreover, continued security restrictions, low social protection coverage, and the ongoing Sudan crisis will restrict poverty

reduction. Extreme poverty is projected to increase by 0.5 ppt in 2024, equivalent to an additional 263,671 people falling into extreme poverty.

Reflecting lower oil prices and still elevated levels of government expenditures, the fiscal balance is projected to turn into a 1.4 percent of GDP deficit in 2024, remaining in deficit through to 2026. Public debt to GDP is projected to decline to 41.6 percent in 2025 and stabilize in the medium term. The current account deficit is expected to further deteriorate to 3 percent of GDP in 2024, and average 3.1 percent over 2025-2026, driven by moderating oil prices. The outlook is subject to multiple downside risks, including lower oil prices, political instability during the upcoming elections, heightened insecurity, and climate shocks. A prolonged Sudan war could worsen the humanitarian crisis, strain public finances, and increase inflationary pressures. Moreover, an escalation of tensions between Chad and Sudan could lead to considerable security concerns.

TABLE 2 Chad / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	-1.2	2.8	4.1	2.7	3.3	2.9
Private consumption	1.6	2.7	1.9	3.6	3.2	2.3
Government consumption	3.7	-1.5	1.1	0.4	3.0	3.1
Gross fixed capital investment	-4.3	-6.1	62.8	-17.2	-2.1	-0.4
Exports, goods and services	-0.4	5.0	2.9	3.8	4.1	4.2
Imports, goods and services	5.1	2.0	16.0	-3.1	2.0	2.1
Real GDP growth, at constant factor prices	-1.2	2.8	4.1	2.8	3.3	2.9
Agriculture	6.2	2.0	5.0	3.1	3.4	3.3
Industry	-4.6	4.1	3.3	1.1	2.0	1.7
Services	-4.3	2.3	4.1	3.9	4.4	3.5
Inflation (consumer price index)	1.0	5.8	4.1	3.9	3.6	3.0
Current account balance (% of GDP)	-6.0	2.9	-2.4	-3.0	-3.3	-2.8
Fiscal balance (% of GDP)	-2.2	5.0	1.3	-1.4	-1.2	-2.1
Revenues (% of GDP)	16.3	23.5	27.1	22.3	22.6	21.8
Debt (% of GDP)	52.1	47.4	44.8	42.3	41.6	41.9
Primary balance (% of GDP)	-0.6	6.5	3.0	-0.5	-0.3	-1.2
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	..	30.8	29.9	30.4	30.8	30.9
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	..	62.8	61.6	62.4	62.9	63.1
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	..	88.8	87.8	88.4	88.7	88.7
GHG emissions growth (mtCO₂e)	2.0	2.1	2.0	2.1	2.0	1.9
Energy related GHG emissions (% of total)	1.2	1.2	1.2	1.2	1.2	1.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2022-EHCVM. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.

b/ Projections using microsimulation methodology.

COMOROS

Key conditions and challenges

Table 1 **2023**

Population, million	0.9
GDP, current US\$ billion	1.3
GDP per capita, current US\$	1520.5
International poverty rate (\$2.15) ^a	18.6
Lower middle-income poverty rate (\$3.65) ^a	39.5
Upper middle-income poverty rate (\$6.85) ^a	68.6
Gini index ^a	45.3
School enrollment, primary (% gross) ^b	106.2
Life expectancy at birth, years ^b	63.4
Total GHG emissions (mtCO2e)	0.7

Source: WDI, Macro Poverty Outlook, and official data.

a/ Most recent value (2014), 2017 PPPs.

b/ Most recent WDI value (2021).

The Comoros' economy continues to recover following the resumption of private consumption and investments in tourism and transport infrastructure. Growth is expected to average 3.9 percent over 2024-26, compared to 2.8 percent in 2022-23. The poverty rate has remained high at 38.2 percent (using the lower middle-income poverty threshold). Policy priorities include fiscal consolidation and reforms to improve financial intermediation, and enhance the business climate and access to basic services.

Economic growth slowed to 1.9 percent over 2019-23, below already anemic long-term growth, which averaged 2.7 percent over the previous two decades. This recent poor growth performance is mainly due to multiple natural and external shocks, including Cyclone Kenneth in 2019, the COVID-19 pandemic, and the 2022 global commodity price shock. As a result, poverty remains high at 38.2 percent in 2023 (using the lower middle-income poverty rate threshold). The Comoros' growth is driven by private consumption fueled by remittances as they support "grands mariages." Low and declining productivity, limited investment and fiscal space, and underperforming state-owned enterprises (SOEs) also weigh on growth. Even though public debt is assessed as sustainable, the Comoros is at high risk of public debt distress, largely reflecting the issuance of non-concessional loans.

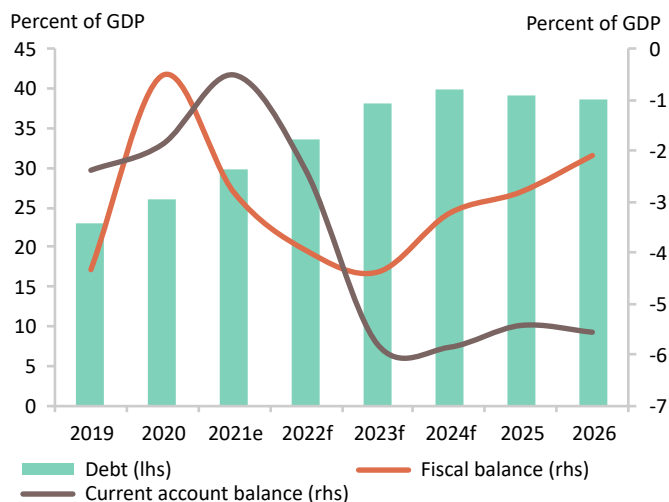
Due to red tape, the dominance of state-owned enterprises, and limited market competition and challenges in accessing finance, private sector development is weak, constraining job creation. Low levels of human and physical capital and misallocation of resources have hindered growth in the tourism and fisheries sectors, which hold high potential for job creation. Labor force participation is also constrained by weak labor

market institutions and persistent forms of wage discrimination against women. A low employment intensity of growth and weak economic growth contribute to the high poverty level, which is a source of fragility for the Comoros. Furthermore, recent shocks have highlighted the Comoros' vulnerabilities and the need to implement reforms that increase productivity and private investment to promote growth. These include reforms to improve the business environment and increase financial intermediation. Higher public investment, including in infrastructure, is also needed to attract larger private investments, including foreign direct investment.

Recent developments

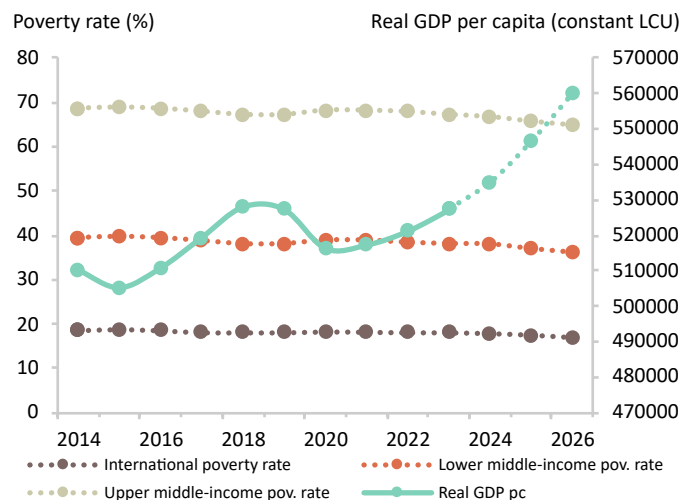
The economy expanded by an estimated 3 percent in 2023 as domestic activities were supported by the resumption of "grands mariages" and the associated increase in diaspora community arrivals, primarily from France. Public servant salary hikes in January 2023 aimed at preserving purchasing power, a high level of remittances, and higher public investment supported domestic demand. On the supply side, the construction sector benefited from increased public spending, while the primary sector benefited from higher agricultural prices and favorable climate conditions. As inflationary pressures from imported food and energy products moderated, inflation declined from 12.4 percent in 2022 to 9.2 percent in 2023. An increase of 50 basis points in the key monetary policy rate

FIGURE 1 Comoros / Public debt, fiscal and current account balances



Sources: National authorities and World Bank estimates and forecasts.

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



Source: World Bank. Notes: see Table 2.

in July 2023 and lower credit growth in response to liquidity management operations also helped decrease inflation. Stronger domestic demand translated into high import demand and contributed to the widening of the current account to 5.8 percent of GDP in 2023 (from 0.5 percent in 2022). However, international reserves remained at adequate levels as the Comoros received exceptional financing from international financial institutions.

The fiscal deficit continued to widen in 2023 to an estimated 4.4 percent of GDP, despite improved domestic revenue mobilization. The deterioration of the fiscal position by 0.4 percentage points of GDP in 2023 was mainly driven by a large increase in public spending of 3.5 percentage points of GDP, particularly higher public capital expenditures. Public debt stock reached 38.2 percent of GDP at end-2023, compared with 34.0 percent of GDP at end-2022. Compliance with quantitative fiscal targets under the four-year International Monetary Fund Extended Credit Facility program approved in June 2023 is expected to help improve fiscal outturns and contain the increase in public debt.

The January 2024 presidential election was followed by post-electoral demonstrations,

which weighed on economic activities and slowed progress on the implementation of public projects and policy.

Outlook

The economic recovery from the COVID-related slowdown is expected to continue, with growth reaching 3.3 percent in 2024 and 4.2 percent over 2025-26, driven primarily by private consumption and public investment. The construction of the El Maarouf hospital and the Galawa hotel, as well as the construction or restoration of roads and ports, should support the economic recovery. In the medium term, productivity growth is expected to benefit from the 2023 energy law, which promotes the production of electricity from renewable sources. The creation of a credit registry and a partial credit guarantee scheme, as well as the operationalization of the leasing law in 2024-25, are also expected to support the recovery in 2025-26. The poverty rate is expected to decrease slowly to 36.2 percent in 2026 as the economy continues to expand more rapidly.

Lower imported inflation would contribute to lower headline inflation of 2.2 percent in 2024. Lower global commodity prices and improvements in the monetary policy framework would also help reduce inflation. The current account deficit is expected to average 5.5 percent of GDP over 2024-26, as major public investments contribute to the widening of the trade deficit to an average of 20 percent of GDP. Public debt is projected to reach 38.2 percent of GDP by 2026. Fiscal consolidation, enhanced SOE performance monitoring, and increased expenditure efficiency are expected to reduce the fiscal deficit to 2.2 percent of GDP by 2026.

The outlook faces significant downside risks related to the impact of the 2024 elections on the pace of execution of investment projects and delays in the implementation of key fiscal and governance reforms during the first half of the year. Concomitantly, contingent liabilities threaten debt sustainability. Other downside risks include the cholera outbreak in February 2024, prolonged global geopolitical tensions, and the occurrence of natural disasters.

TABLE 2 Comoros / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	2.1	2.6	3.0	3.3	4.0	4.3
Private consumption	1.0	0.2	1.9	3.2	3.6	3.6
Government consumption	5.0	5.4	11.6	0.7	4.5	5.4
Gross fixed capital investment	9.6	2.0	8.0	4.8	6.8	2.9
Exports, goods and services	48.2	22.6	-4.2	5.1	6.5	6.5
Imports, goods and services	7.7	4.2	3.0	3.7	5.6	3.2
Real GDP growth, at constant factor prices	2.0	2.4	3.0	3.3	4.0	4.2
Agriculture	3.4	3.3	4.7	4.3	4.6	5.0
Industry	-0.2	0.4	2.3	1.0	1.5	3.0
Services	1.8	2.4	2.4	3.2	4.2	4.1
Inflation (consumer price index)	0.0	12.4	9.2	2.2	2.3	2.2
Current account balance (% of GDP)	-0.5	-0.7	-5.8	-5.8	-5.4	-5.6
Fiscal balance (% of GDP)	-2.8	-3.9	-4.4	-3.2	-2.5	-2.2
Revenues (% of GDP)	17.0	14.2	17.4	17.2	15.7	15.7
Debt (% of GDP)	29.8	33.7	38.2	39.9	39.1	38.7
Primary balance (% of GDP)	-2.5	-3.7	-4.0	-2.9	-2.2	-1.9
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	18.2	18.1	18.1	17.9	17.4	16.8
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	39.0	38.5	38.2	38.1	37.0	36.2
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	68.2	67.9	67.2	66.7	65.7	64.8
GHG emissions growth (mtCO₂e)	2.1	2.1	2.1	2.2	2.3	2.1
Energy related GHG emissions (% of total)	48.7	48.8	49.0	49.1	49.3	49.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2015-EESIC. Actual data: 2014. Nowcast: 2015-2023. Forecasts are from 2024 to 2026.

b/ Projection using neutral distribution (2014) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

DEMOCRATIC REP. OF CONGO

Table 1 **2023**

Population, million	102.3
GDP, current US\$ billion	64.4
GDP per capita, current US\$	629.5
International poverty rate (\$2.15) ^a	78.9
Lower middle-income poverty rate (\$3.65) ^a	92.1
Upper middle-income poverty rate (\$6.85) ^a	97.7
Gini index ^a	44.7
School enrollment, primary (% gross) ^b	122.4
Life expectancy at birth, years ^b	59.2
Total GHG emissions (mtCO2e)	691.7

Source: WDI, Macro Poverty Outlook, and official data.

a/ Most recent value (2020), 2017 PPPs.

b/ Most recent WDI value (2021).

Following a strong recovery at 8.9 percent in 2022, the DRC's economy is estimated to have slowed down in 2023 but remained resilient. The terms-of-trade deterioration and higher imports would maintain high current account and fiscal deficits and put pressure on the domestic currency with strong pass-through to inflation. Prospects for growth and poverty reduction are favorable, but subject to downside risks related to commodity price shocks and geopolitical conflicts.

Key conditions and challenges

The Democratic Republic of the Congo (DRC), home to the second largest rainforest in the world and vast metal deposits, has yet to leverage its natural wealth to spur economic development. DRC's exports are highly concentrated with copper and cobalt accounting for 80 percent of the total (40 percent of which headed to China). With its agricultural potential untapped, DRC is a net food importer, increasing vulnerabilities to external shocks. Political instability, weak institutional capacity, poor governance, and frequent bouts of violence have all contributed to undermining DRC's foundations of a robust and diversified economy. These issues have not only deterred the creation of economic opportunities but also contributed to escalating poverty levels, particularly with a rapidly growing population. Persistent structural constraints result in an underdeveloped private sector and a large informal economy. Climate-related shocks, including floods and droughts, and the associated infrastructure damage add to these challenges.

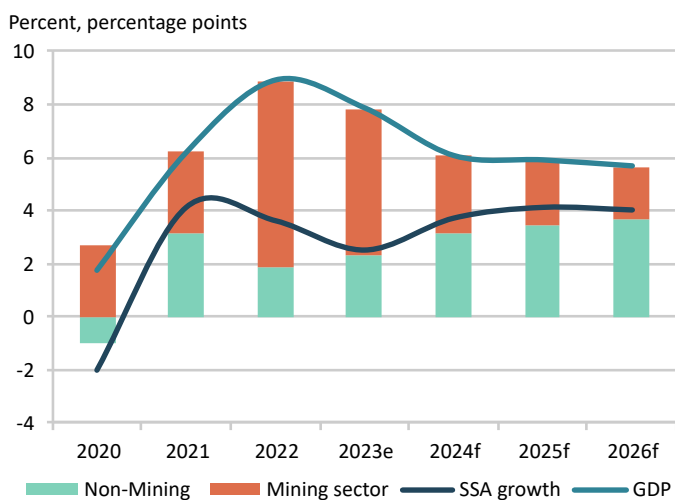
Poverty remains widespread, with the bulk of the poor living in extreme poverty. Significant geographical disparities in poverty exist, with extreme poverty concentrated in the central and northwestern areas and the largest number of poor in Eastern provinces. DRC remains second in

Sub-Saharan Africa after Nigeria in terms of the number of extreme poor despite some improvements in the past decades. The December 2023 elections have led to a second 5-year term for incumbent President Tshisekedi, but a majority is yet to be negotiated in Parliament to form a government. Reaching political consensus and increasing the presence and credibility of the state, including through improved governance, are key to maintaining stability and peace, and advancing structural reforms that will attract investments and create jobs. The imperative for the state to enhance service delivery to citizens, alongside preserving macroeconomic stability, underscores the importance of boosting domestic revenue mobilization to expand fiscal space.

Recent developments

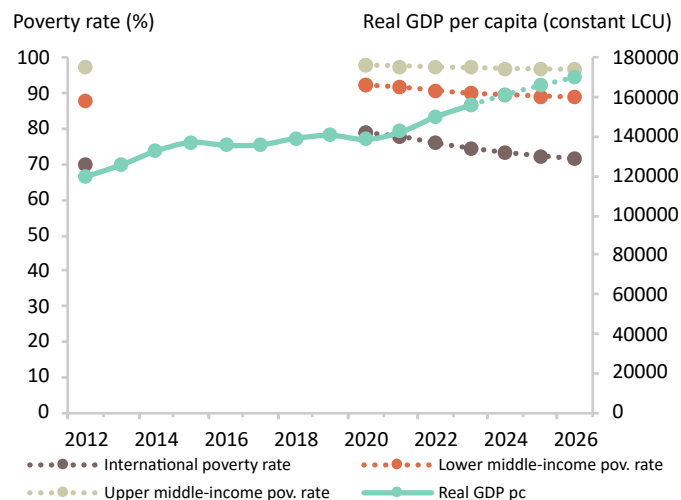
The DRC economy expanded by 7.8 percent in 2023 (2022: 8.9 percent), supported by a strong mining sector, which grew by 15.4 percent, contributing around 70 percent to overall growth in 2023. DRC copper and cobalt production increased by 18.7 and 21.2 percent, respectively, in 2023 (2022: 33.2 and 24.0 percent, respectively), reflecting ongoing expansions of production at relevant mines. Non-mining GDP grew by 3.6 percent in 2023, led by the construction and services sectors. Agriculture production slowed to 2.2 percent in 2023 (from 2.4 percent in 2022). On the demand

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



Sources: Democratic Republic of Congo statistical authorities and World Bank.

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



Source: World Bank. Notes: see Table 2.

side, growth was led by private investment and exports, while inflationary pressures caused private consumption to contract, potentially impacting poverty reduction. Extreme poverty is estimated at 74.6 percent in 2023, a 1.4 percentage points decrease compared to 2022.

The current account deficit (CAD) further deteriorated to 6.3 percent of GDP in 2023, from 4.9 percent in 2022, owing to higher imports. Nevertheless, FDI and external financing contributed to build up foreign reserves, reaching 8.9 weeks of imports in 2023 (2022: 7.7 weeks). However, the exchange rate depreciated by 21.6 percent in 2023 and inflation accelerated to 19.9 percent on average in 2023 (up from 9.2 percent in 2022) despite the central bank's intervention in FX market and its contractionary monetary policy during the second half of the year (raising the policy rate from 11 to 25 percent).

The security and elections spendings caused the fiscal deficit to widen to 1.7 percent of GDP in 2023 (from 0.3 percent in 2022), amid softening domestic revenues, due to lower cobalt prices and declining windfall taxes. The fiscal deficit was partly funded by treasury bills/bonds and external concessional borrowing.

Outlook

GDP growth is expected to moderate to 6.0 percent in 2024 and to stabilize around 5.8 percent over 2025-26. The mining sector will continue to drive growth. Moreover, non-mining sectors (mainly services and manufacturing) will gradually support growth in the medium term with a growth rate of 5.5 percent by 2026. On the demand side, government consumption and investment and, to a lesser extent, private consumption shall support growth in the medium term.

The fiscal deficit is projected at 2.0 percent of GDP in 2024, driven by security-related spending, before narrowing to 0.2 percent in 2026. Gross fixed capital investment is expected to drop in 2024 as lower domestic revenue and higher expenditures -attributed to outgoing and incoming administrations- leave a narrow scope for relevant budget allocation. Despite rising imports of capital goods, the current account deficit will narrow to 3.5 percent of GDP in 2024-26 thanks to improved terms of trade associated with favorable commodity prices. Furthermore, FDI inflows will contribute to building up reserves and maintaining exchange rate

stability while the inflation rate (end-of-period) is expected to decline towards its 7 percent medium-term target.

Extreme poverty is projected to further decrease reaching 72.4 percent by 2025 given favorable economic prospects, despite the lasting negative effects of the pandemic, high population growth, and war in Ukraine.

DRC's economy remains subject to downside risks given its vulnerability to commodity price swings and growth performance of major trading partners which might be disturbed by geopolitical conflicts. The continued economic consequences of the war in Ukraine, through rising global commodity prices, could exert stronger pressure on the fiscal deficit, inflation, and households' consumption, thus, exacerbating poverty and inequality.

In addition, with the agriculture sector employing over 60 percent of the working force, the vulnerability to climate change-related risks (floods, droughts) is substantial. Finally, an escalating war in the East and continued political volatility could undermine the ability to advance with ambitious structural reforms efforts. To mitigate these risks, DRC's immediate challenge is to strengthen security and maintain political and macro-economic stability.

TABLE 2 Democratic Republic of Congo / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	6.2	8.9	7.8	6.0	5.9	5.7
Private consumption	1.6	10.1	-1.6	8.6	5.5	6.5
Government consumption	11.8	25.1	-9.2	4.0	8.9	4.6
Gross fixed capital investment	7.7	5.7	17.8	0.3	4.6	4.0
Exports, goods and services	11.7	25.0	24.9	8.9	3.7	2.5
Imports, goods and services	5.4	18.0	13.1	5.3	3.4	3.0
Real GDP growth, at constant factor prices	6.2	8.9	7.8	6.0	5.9	5.6
Agriculture	2.4	2.4	2.2	2.5	2.5	2.5
Industry	7.8	16.1	13.0	7.2	6.4	5.3
Services	5.8	2.7	2.9	5.6	6.4	7.3
Inflation (consumer price index)	9.0	9.3	19.9	17.2	14.5	10.5
Current account balance (% of GDP)	-0.4	-4.9	-6.3	-4.3	-3.3	-2.9
Fiscal balance (% of GDP)	-1.7	-0.3	-1.7	-2.0	-0.7	-0.2
Revenues (% of GDP)	12.1	16.9	14.2	13.4	13.9	14.6
Debt (% of GDP)	24.0	24.0	23.7	22.8	21.5	19.8
Primary balance (% of GDP)	-1.4	0.0	-1.4	-1.7	-0.4	0.1
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	77.9	76.0	74.6	73.4	72.4	71.5
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	91.6	90.6	89.8	89.5	89.1	88.8
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	97.6	97.2	97.1	96.9	96.8	96.7
GHG emissions growth (mtCO₂e)	0.3	0.1	0.1	0.1	0.2	0.2
Energy related GHG emissions (% of total)	1.4	1.4	1.4	1.4	1.4	1.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2020-EGI-ODD. Actual data: 2020. Nowcast: 2021-2023. Forecasts are from 2024 to 2026.

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

REPUBLIC OF CONGO

Key conditions and challenges

Between 2015 and 2023 the Republic of Congo's (ROC) real GDP annual growth averaged -1.9 percent, while its GDP per capita contracted by a cumulative 32.3 percent. The 2014-16 collapse in oil prices plunged the economy into a prolonged recession as a result of a massive cut in public spending and the accumulation of domestic arrears to private sector firms, which impacted private investment. The COVID-19 crisis further exacerbated the economic recession. GDP per capita has now regressed to levels of the early 1970s, just a decade after gaining independence. The decline in per capita income levels since 2015 have resulted in extreme poverty incidence (less than US\$2.15 PPP per day) increasing from 33.5 percent in 2015 to 46.6 percent in 2022.

The country's high levels of non-concessional borrowing in a context of reliance on volatile oil revenue and weak governance, led its debt to be classified as "in distress" and unsustainable in 2017, with its debt-to-GDP ratio increasing from 42.3 percent in 2014 to 103.5 percent in 2020. Higher oil prices, improved debt management, and debt restructuring agreements helped restore debt sustainability in the second half of 2021, but Congo remains in debt distress due to the ongoing restructuring and audit of domestic arrears as well as the recurrent accumulation of temporary external arrears.

The enduring reliance on oil revenues has left the economy vulnerable to oil price volatility and weakened long-term growth prospects. Attaining sustainable development in Congo urgently requires efforts to diversify national assets, focusing on stronger institutions, development of human and physical capital, and a more balanced exploitation of natural capital.

Table 1

	2023
Population, million	6.1
GDP, current US\$ billion	15.3
GDP per capita, current US\$	2506.0
International poverty rate (\$2.15) ^a	35.4
Lower middle-income poverty rate (\$3.65) ^a	59.1
Upper middle-income poverty rate (\$6.85) ^a	83.5
Gini index ^a	48.9
School enrollment, primary (% gross) ^b	87.7
Life expectancy at birth, years ^b	63.5
Total GHG emissions (mtCO2e)	34.2

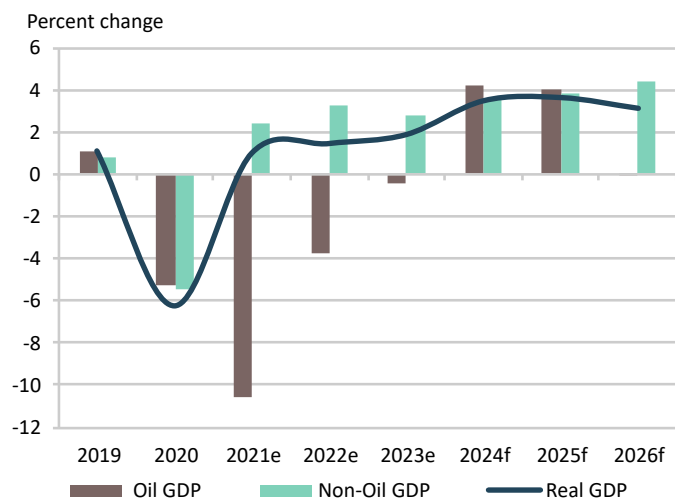
Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2011), 2017 PPPs.
 b/ WDI for School enrollment (2018); Life expectancy (2021).

The economy is gradually recovering, but growth remained modest at an estimated 1.9 percent in 2023, driven by non-oil activities. The ongoing fuel subsidies reform is helping to maintain fiscal surpluses but has also contributed to a temporary increase in inflation, which is projected to return to the 3.0 percent target by 2025. Growth prospects, albeit improved, remain vulnerable to unsteady oil production, volatile oil prices, delayed structural reform implementation, and adverse weather conditions.

Recent developments

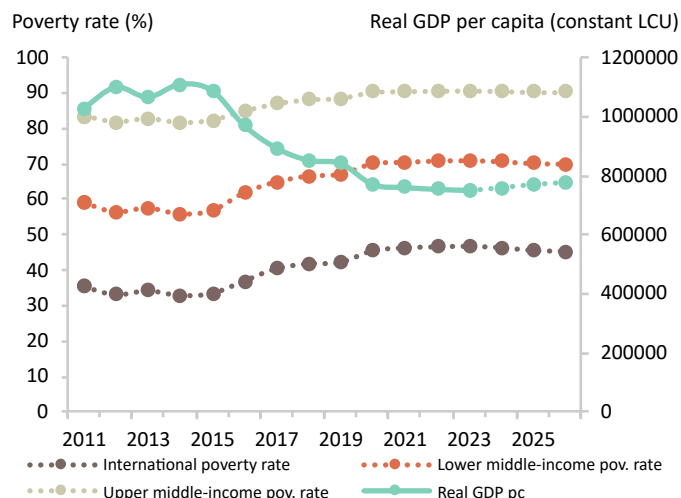
Driven by the non-oil sector, economic activity in Congo is estimated to have increased by 1.9 percent in 2023, compared to an estimated 1.5 percent in 2022. Non-oil growth, estimated at 2.8 percent in 2023, was broad-based, spurred by agriculture, manufacturing (including beverages, sugar, and cement), and services (including restaurants and hotels, transport, and post and electronic communications). The oil sector, on the other hand, underperformed with production declining for the fourth consecutive year in 2023 by 0.5 percent, due to technical challenges and maturing oil fields. Despite a drop in oil revenues due to lower oil prices and oil production, the budget posted a surplus in 2023. Fiscal discipline and strong reforms such as the 30 percent increase in gasoline retail prices since January 2023 and a new requirement on dividends payment from state-owned enterprises helped sustain the budget surplus estimated at 3.6 percent in 2023. Lower export receipts and increased imports reduced the current account surplus to an estimated 2.1 percent of GDP in 2023.

FIGURE 1 Republic of Congo / Real GDP growth



Source: World Bank.
 Note: Oil GDP growth rate in 2026 is projected at -0.1.

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



Source: World Bank. Notes: see Table 2.

The banking sector remains solvent, but vulnerability to non-performing loans (NPLs) remains high. Bank deposits and credit to the private sector were up as of end-August 2023 (y-o-y), and while the NPL to gross loan ratio has improved to 17 percent at end-August 2023 (compared to 19 percent a year ago), it remains elevated. The Bank of Central African States (BEAC) maintained its tight monetary policy stance during 2023 to contain inflationary pressures and support the external viability of the exchange rate arrangement. The BEAC policy rate was maintained at five percent following a cumulative increase by 175 basis points between November 2021 and March 2023.

Real GDP per capita growth remained negative in 2023 and the poverty incidence consequently increased slightly to an estimated 46.8 percent. The fuel price adjustment and increased domestic demand pushed up inflation to 4.3 percent in 2023. Food inflation decelerated in 2023 but remains elevated at 4.3 percent, which is likely to continue to affect the poorer segments of the population more as they typically spend a higher share of their household budget on food.

Outlook

The Congolese economy is expected to continue its gradual recovery. GDP is expected to grow at 3.5 percent in 2024 and to average 3.4 percent in 2025-26. Oil sector growth (expected to average 2.7 percent in 2024-26) will be driven primarily by increased investments by oil companies, including in asset maintenance, and by new oil fields. Non-oil sector growth (expected to average 3.9 percent in 2024-26) will be spurred by growth in agriculture, non-oil industry and services, supported by the continued clearance of government arrears, gradual increase in social spending and public investment, and the implementation of reforms in governance and the business environment. Growth will be further supported by the development of the gas sector, with commercial production and exportation of liquefied natural gas expected to start in 2024. Inflation is expected to ease to 3.8 percent in 2024 and to return to BEAC's 3.0 percent target by 2025.

The poverty rate is expected to marginally decrease to 46.4 percent in 2024 and to an

average of 45.5 percent in 2025-26, consistent with projected growth in GDP per capita. The fiscal balance is expected to remain positive, fueled by high oil prices, increased oil production, the commercialization of natural gas, the reduction in direct oil subsidies to energy SOEs, and fiscal discipline. Although debt vulnerabilities remain elevated (with a high level of non-concessional debt stock and domestic arrears), the debt-to-GDP ratio is projected to decline to 81 percent by 2026 thanks to improved debt management and fiscal discipline. The current account surplus is projected to decline, and to turn into a deficit by 2026, due to lower oil export receipts and increased imports to support investment, including for growing non-oil economic activities.

The economic recovery remains fragile as risks are tilted to the downside. Risks include volatile global oil prices and unsteady oil production, persistent high food inflation or refined oil shortages in Congo as part of spillover from conflicts elsewhere, weaker-than-expected global demand, further tightening of global or regional financial conditions, adverse weather conditions and delayed structural reforms implementation.

TABLE 2 Republic of Congo / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021e	2022e	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	1.0	1.5	1.9	3.5	3.7	3.2
Private consumption	11.5	5.0	4.9	4.9	5.0	5.1
Government consumption	2.1	-5.0	0.6	1.8	1.6	1.6
Gross fixed capital investment	14.0	10.0	8.6	8.6	5.6	5.4
Exports, goods and services	-1.0	-0.7	1.0	4.2	4.5	1.9
Imports, goods and services	25.0	5.9	8.9	8.5	7.0	5.0
Real GDP growth, at constant factor prices	1.0	1.5	1.9	3.5	3.7	3.2
Agriculture	1.9	3.0	2.8	3.2	3.4	3.7
Industry	-3.3	-0.6	0.7	4.5	4.8	3.2
Services	2.0	3.1	2.9	3.1	3.2	3.4
Inflation (consumer price index)	2.0	3.0	4.3	3.8	3.0	3.0
Current account balance (% of GDP)	8.9	18.7	2.1	1.5	0.4	-0.7
Net foreign direct investment inflow (% of GDP)	0.3	0.5	4.1	4.5	4.7	4.8
Fiscal balance (% of GDP)	1.2	7.9	3.6	3.9	3.2	3.1
Revenues (% of GDP)	21.1	28.6	24.3	25.5	25.2	24.8
Debt (% of GDP)	92.1	86.6	96.0	91.3	85.9	81.0
Primary balance (% of GDP)	3.1	10.2	6.4	6.6	5.8	5.7
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	46.4	46.6	46.8	46.4	45.6	45.4
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	70.6	70.9	71.0	70.7	70.2	70.1
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	90.6	90.7	90.8	90.6	90.4	90.3
GHG emissions growth (mtCO₂e)	3.2	3.2	3.3	3.4	3.4	3.3
Energy related GHG emissions (% of total)	14.0	14.7	14.8	15.1	15.4	15.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2011-ECOM. Actual data: 2011. Nowcast: 2012-2023. Forecasts are from 2024 to 2026.

b/ Projection using neutral distribution (2011) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

CÔTE D'IVOIRE

Key conditions and challenges

Recent developments

Table 1 2023

Population, million	28.9
GDP, current US\$ billion	81.3
GDP per capita, current US\$	2815.2
International poverty rate (\$2.15) ^a	9.7
Lower middle-income poverty rate (\$3.65) ^a	38.4
Upper middle-income poverty rate (\$6.85) ^a	76.4
Gini index ^a	35.3
School enrollment, primary (% gross) ^b	94.6
Life expectancy at birth, years ^b	58.6
Total GHG emissions (mtCO2e)	55.0

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

Amid global and regional turbulence and tight financial conditions, economic growth has moderated slightly to 6.4 percent in 2023, while inflation remains elevated at 4.4 percent, driving a small increase in extreme poverty. Macroeconomic imbalances have eased owing to fiscal consolidation and improved terms of trade. Revenue-based fiscal consolidation continues as terms of trade improve, strengthening debt sustainability. Medium-term structural and climate transition reforms should help sustain growth around potential.

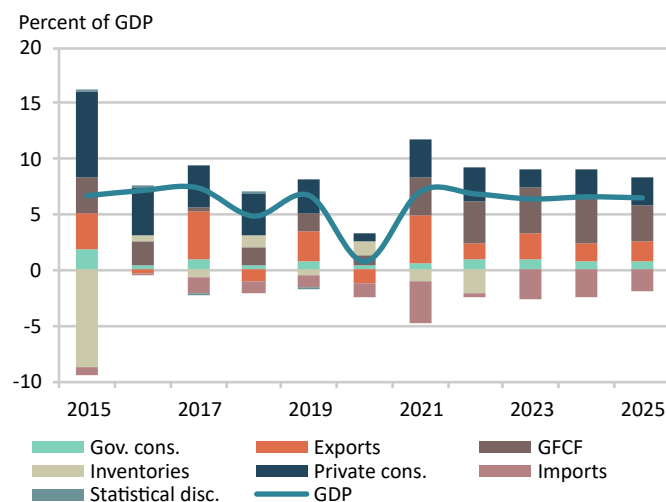
The Ivorian economy demonstrated remarkable resilience against overlapping global and regional crises, posting 7-percent average growth (5.5 percent in per capita) over 2021-2022, albeit short of pre-pandemic performance. Nonetheless, increasing uncertainty has underscored the need for structural reforms and increasing fiscal space to move towards the objective of doubling GDP per capita between 2020 and 2030. Creating better-paid jobs and promoting more inclusive growth would require improving human capital, leveraging private investment, and reducing allocative inefficiencies.

Short-term headwinds are high. Russia's invasion of Ukraine has fueled commodity price volatility and macro-fiscal imbalances. Heightened market uncertainties, tight monetary policy, and depreciated exchange rates have increased external and domestic debt costs, requiring active debt management and continued focus on domestic revenue mobilization. Global and regional insecurity may aggravate economic and fiscal pressures, with the recently announced withdrawal of three Sahel countries from ECOWAS potentially affecting trade, market confidence, investment flows, and borrowing costs. Increasing impact from climate change could cloud the outlook. Upside risks rest on the rollout of the national development plan, which requires adequate financing through greater public and private investment.

Growth momentum slowed as geopolitical tensions persisted, and financial conditions tightened. Real GDP growth is estimated at 6.4 percent in 2023 (3.8 percent per capita) down from 6.9 percent in 2022, driven by strong public and private investment, fueled by the African Cup of Nations preparation. Conversely, private consumption softened, reflecting higher domestic fuel and electricity tariffs (about +10 percent in January 2024) as the government has rolled back crisis-related subsidies. Industry, including construction, and services, supported supply-side growth, albeit at a slower pace, contributing 1.1 and 4.1 percentage points to 2023 growth, respectively. Export-oriented agriculture underperformed due to poor weather, with output falling for cocoa (-10.4 percent), coffee and cottonseed (around -60 percent).

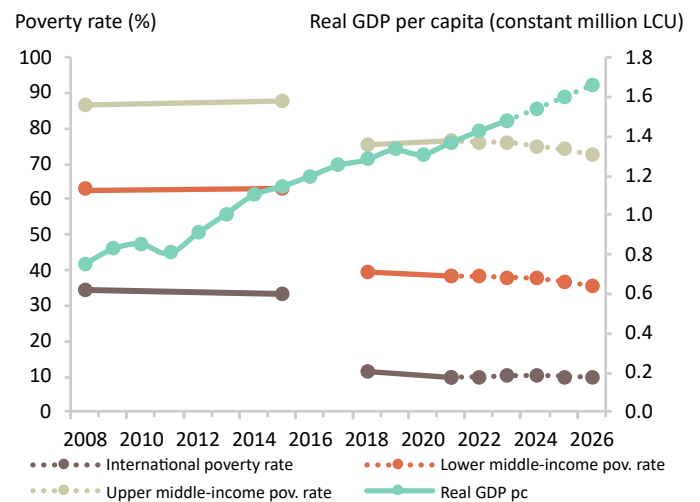
Inflation averaged 4.4 percent in 2023, down from 5.2 percent in 2022, as increasing energy and transport inflation partially offset slower food inflation. Core inflation was 3.2 percent, still above the central bank's 2 percent target and 1-3 percent band, reflecting persistent effects of global supply chain disruptions and exchange rate depreciation. To counter inflation across WAEMU countries, the Central Bank of West African States (BCEAO) raised policy interest rates by a cumulative 150 basis points since mid-2022 to 3.5 percent for liquidity calls and 5.5 percent for the marginal lending facility. However, inflation in the region (3.7 percent in 2023) was still above the 1-3 percent target range.

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



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

and foreign exchange reserves have been on a downward trend, estimated at 3.5 months of imports at end-2023, down from 4.3 months at end-2022.

Extreme poverty (less than \$2.15 a day per capita at PPP 2017) is likely to reach 10.1 percent in 2023, a 0.4 percentage points increase from 2021. Expanding industry and services, which employ 13.3 and 40.9 percent of the workforce, respectively, would put downward pressure on poverty rates. However, agriculture (employing 45.8 percent of the workforce, 76.6 percent of rural workers, and 70.2 percent of the poor) is likely to slow in 2023 and along with higher food prices, would offset the impacts of growth in industry and services.

Frontloaded tax measures and phase-out of crisis-related energy and food subsidies lowered the fiscal deficit to an estimated 5.2 percent of GDP in 2023 from 6.5 percent in 2022. Revenues increased by 1.3 ppt of GDP y/y in the first eleven months of 2023 compared to 2022, primarily on higher tax revenues. Expenditure was contained as faster capital expenditures and interest payments were balanced by cuts in recurring expenditures. Two-thirds of the fiscal deficit was covered by short-term issuances on the regional market and one-third by external loans and budget support, keeping public

debt at around 60 percent of GDP. Substantial gains in terms of trade almost closed the large trade deficit in 2023 which, combined with a lower fiscal deficit, narrowed the CAD to a forecast 5.8 percent of GDP from 7.5 percent in 2022.

Outlook

Prudent macroeconomic policies, structural and climate-related reforms should sustain robust growth in the short and the medium term, albeit below pre-pandemic levels, amid persistent adverse global and regional geopolitical trends. Growth should rebound to 6.6 percent in 2024 (4.0 percent per capita), boosted by the hosting in Q1 of the African Cup of Nations and the start-up of the first operating phases of new oil and gas fields, and average 6.5 percent in 2025-26. Sustained investment in network infrastructure, particularly in the digital and transport sectors, and higher oil extraction should boost business confidence and increase productivity. Value chain development could increase agricultural productivity and bolster manufacturing, sustaining growth potential. Inflation should fall

within the WAEMU's 1-3 percent target band by 2025.

Continued progress on domestic revenue mobilization would sustain the realignment to the 3 percent regional fiscal deficit target by 2025, stabilizing debt at around 58 percent of GDP, and creating headroom for sustained priority social and infrastructure spending above pre-pandemic levels. The recent \$2.6b Eurobond issuance should help tame short-term liquidity vulnerabilities and shore up external reserves. Improving terms of trade and private sector-led export diversification should boost the trade balance and, alongside the improved fiscal stance, narrow the CAD. Downside risks include heightened global and regional tensions, notably an escalation of the Middle East crisis and uncertainties over the withdrawal of the Sahel economies from ECOWAS, which could dampen market sentiment, stunt inflation reduction, tighten financing conditions, exacerbate debt vulnerabilities, and squeeze the already low foreign exchange reserves. Extreme poverty should stabilize at 10.2 percent in 2024, reflecting strong growth, but held back by persistent post-pandemic inflation. Poverty reduction will resume in 2025, sustained by growth and abated inflation.

TABLE 2 Côte d'Ivoire / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	7.1	6.9	6.4	6.6	6.5	6.5
Private consumption	5.3	5.1	2.6	3.8	4.3	4.3
Government consumption	6.2	10.6	9.0	7.4	7.1	7.1
Gross fixed capital investment	14.9	14.6	14.9	14.6	10.5	9.9
Exports, goods and services	16.9	4.9	8.9	6.0	6.5	7.0
Imports, goods and services	15.9	1.3	10.5	9.5	7.0	6.7
Real GDP growth, at constant factor prices	6.1	7.3	6.2	6.6	6.5	6.5
Agriculture	7.3	4.7	4.0	4.3	4.4	4.8
Industry	4.9	8.1	5.8	6.2	6.5	6.6
Services	6.2	7.9	7.2	7.5	7.2	7.0
Inflation (consumer price index)	4.2	5.2	4.4	3.6	3.0	2.0
Current account balance (% of GDP)	-4.5	-7.5	-5.8	-4.0	-3.4	-3.3
Net foreign direct investment inflow (% of GDP)	1.5	1.3	1.6	2.2	1.9	1.7
Fiscal balance (% of GDP)	-4.8	-6.6	-5.2	-4.0	-3.0	-3.0
Revenues (% of GDP)	15.7	14.9	16.2	16.8	17.2	17.5
Debt (% of GDP)	51.4	56.5	58.0	58.2	58.0	56.9
Primary balance (% of GDP)	-2.9	-4.4	-2.8	-1.7	-0.6	-0.7
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	9.7	9.8	10.1	10.2	10.0	9.6
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	38.4	38.3	38.1	37.6	36.7	35.4
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	76.4	76.1	76.0	75.1	74.1	72.8
GHG emissions growth (mtCO₂e)	2.7	1.5	0.6	0.6	0.8	1.7
Energy related GHG emissions (% of total)	25.0	25.3	25.0	24.5	24.2	24.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2021-EHCVM. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.

b/ Projections using microsimulation methodology.

EQUATORIAL GUINEA

Table 1 **2023**

Population, million	1.7
GDP, current US\$ billion	12.1
GDP per capita, current US\$	7051.5
School enrollment, primary (% gross) ^a	51.2
Life expectancy at birth, years ^a	60.6
Total GHG emissions (mtCO2e)	16.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2019); Life expectancy (2021).

Equatorial Guinea's economy contracted by an estimated 5.8 percent in 2023, mainly due to declining oil reserves. The fiscal and external balances deteriorated amid declining oil export earnings. The economy is projected to remain in recession over the medium term. A more-pronounced-than-expected decline in oil production and prices, sustained tightening of global financial conditions, global trade disruptions, and a decline in demand from main export partners represent downside risks to the outlook.

Key conditions and challenges

As a result of declining oil reserves and lower investment, Equatorial Guinea's oil-dependent economy has contracted for more than a decade. Between 2013 and 2023, the country registered an average negative 4.2 percent growth per year. Gross national income (GNI) per capita has been declining and was at US\$ 5,240 in 2022, 58 percent lower than its peak level in 2008. Structural reforms are needed to prevent the economic decline, by diversifying the growth drivers and building fiscal stability through domestic revenue mobilization efforts and more efficient public spending.

Reforms have been adopted in recent years to improve governance and the business environment, including with the passage of an Anti-Corruption law in late 2021, the completion of the audits of the largest state-owned oil and gas companies, and the signature of a decree establishing a treasury single account. Yet, weaknesses persist in the governance of extractive revenues and the business environment, preventing the country from attracting investments and creating jobs to achieve sustained and diversified growth.

Actions are also needed to better protect and include the poor. Despite Equatorial Guinea's upper middle-income status, living standards remain low. Life expectancy at birth is estimated at 60.7 years, compared to 75 years for countries in the same

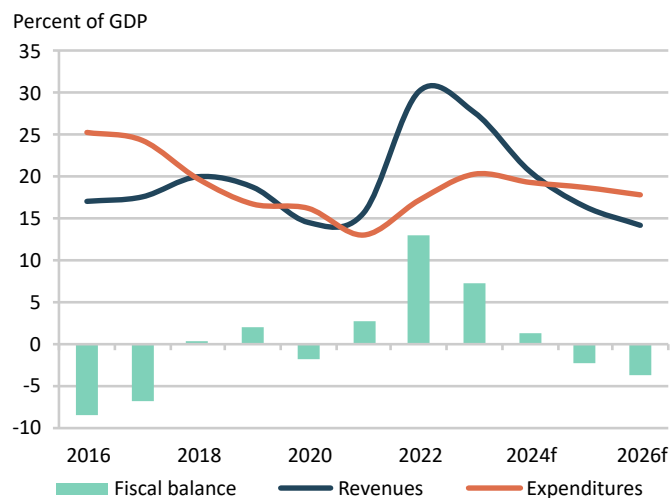
income group. Around 40 percent of households experience at least one day without electricity per month. Scarce poverty data remain a challenge to an effective protection of vulnerable groups. The II National Household Survey report, scheduled to be released in June 2024, will fill knowledge gaps in poverty and inequality, enabling more evidence-based social protection policies.

Recent developments

After two years of recovery, the Equatoguinean economy fell back into recession with an estimated real GDP growth rate of -5.8 percent in 2023 (from 3.8 percent in 2022), driven by the decline in the hydrocarbon sector (-19.3 percent growth in 2023H1 compared to 2022H2). Lower investment contributed to the contraction on the demand side. The current account deficit widened to 1.6 percent of GDP (from 1.0 percent of GDP in 2022) on account of declining export earnings.

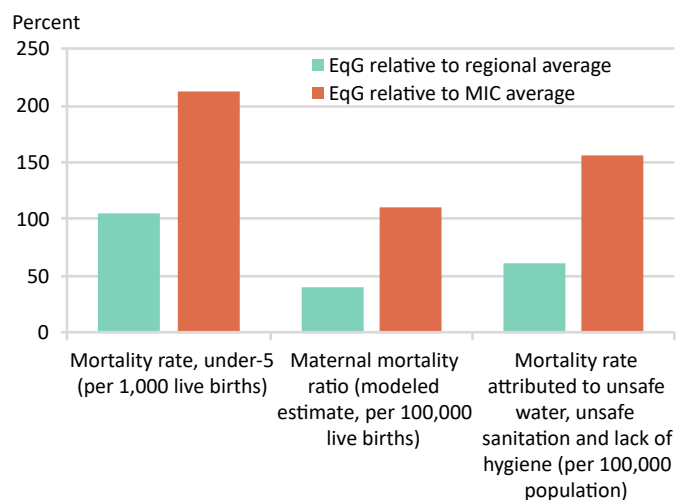
Lower oil production and prices led to a 74 percent decline in oil revenues in 2023Q3 (y-o-y). The overall fiscal surplus is estimated to have dropped to 7.3 percent of GDP in 2023 from 13.0 percent in 2022, while the non-oil fiscal balance in 2023 to 26.4 percent of GDP, compared to 21.3 percent in 2022. The debt-to-GDP ratio declined in 2023. Over the period 2019-23, CFAF 572.2 billion (or 9.5 percent of GDP) out of the CFAF 1,382.5 billion outstanding arrears was paid to construction companies: as of August 2023, outstanding domestic arrears with

FIGURE 1 Equatorial Guinea / Public finances



Sources: National authorities and World Bank.

FIGURE 2 Equatorial Guinea / Non-income poverty indicators



Source: World Bank.

construction companies was 7.9 percent of GDP. High levels of non-performing loans – 32 percent of total loans in 2023Q4 – are a source of banking system vulnerability.

The Bank of Central African States (BEAC) continued to tighten its monetary policy in 2022 and 2023 to contain inflationary pressures and support the exchange rate arrangement. The BEAC policy rate was maintained at five percent following a cumulative increase by 175 basis points between November 2021 and March 2023. Moreover, the BEAC ended its weekly liquidity injections in March 2023 after steadily scaling them back since June 2021. Inflation is estimated to have decreased from 4.9 percent in 2022 to 2.4 percent in 2023, including thanks to containment measures by the BEAC, the agreement to import food products from Serbia, and the reduction of some import tariffs. According to the national institute of statistics, the prices of food products increased by 7.1 percent between March 2020 and September 2023, which represents an average loss of the purchasing power of households of 4.5 percent.

Outlook

Equatorial Guinea is expected to remain in recession in 2024 (with growth of –4.3 percent) on the back of declining hydrocarbon production and domestic demand. Without significant diversification efforts and progress in structural reforms, declining hydrocarbon production and lower commodity prices are expected to keep impacting the economy with a negative average growth of 3.5 percent in 2025–2026. Decreasing exports would lead to current account deficits over the medium term. Albeit at a slower pace, imports would also decrease, on account of declining public spending due to limited fiscal space. The fiscal balance is projected to turn to deficits in 2025–2026, with public expenditure cuts unable to compensate for the larger decline in hydrocarbon revenues.

Risks to the outlook are tilted to the downside. A stronger decline in hydrocarbon production or prices would reduce the fiscal space and risks external

stability. Global trade disruptions affecting food prices amid a protracted war on Ukraine would increase food insecurity especially for the most vulnerable, as the country relies heavily on food import. A further tightening of global financial conditions and lower demand from China and India, Equatorial Guinea's main export partners, could also undermine growth. The decline in hydrocarbon reserves indicates the need for Equatorial Guinea to move to a new growth model by creating the conditions for successful private sector activities in non-oil sectors to reinvigorate growth. Ultimately, implementing the economic diversification vision will require efforts to advance the governance agenda, facilitate trade, improve the business environment and public financial management. Strengthening the social protection system would help protect the most vulnerable and reduce inequities, especially as social spending in Equatorial Guinea was estimated at 1.6 percent of GDP in 2022, three times lower than the West and Central Africa average.

TABLE 2 Equatorial Guinea / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	0.3	3.8	-5.8	-4.3	-3.3	-3.6
Private consumption	-0.8	9.6	-5.7	-4.8	2.8	2.0
Government consumption	5.2	-5.3	7.3	20.9	0.3	-6.2
Gross fixed capital investment	37.4	-2.0	-38.0	-25.2	-11.4	-9.0
Exports, goods and services	0.3	12.7	-3.7	-5.9	-8.2	-5.5
Imports, goods and services	8.5	19.0	-1.4	3.8	-3.3	-2.8
Real GDP growth, at constant factor prices	0.4	3.5	-5.8	-4.3	-3.3	-3.6
Agriculture	8.0	7.5	-9.1	-6.5	1.5	1.6
Industry	-5.9	3.1	-39.1	-23.1	-19.6	-14.8
Services	10.8	3.8	43.1	7.5	3.9	0.1
Inflation (consumer price index)	-0.1	4.9	2.4	4.0	2.5	2.2
Current account balance (% of GDP)	-2.1	-1.0	-1.6	-3.6	-4.2	-4.1
Net foreign direct investment inflow (% of GDP)	5.2	5.6	4.5	3.4	2.5	1.9
Fiscal balance (% of GDP)	2.6	13.0	7.3	1.2	-2.4	-3.7
Revenues (% of GDP)	15.6	30.1	27.6	20.5	16.3	14.1
Debt (% of GDP)	43.4	39.3	36.6	32.6	32.3	34.8
Primary balance (% of GDP)	3.7	14.2	8.7	2.4	-1.3	-2.6
GHG emissions growth (mtCO2e)	22.0	12.3	-9.6	-5.6	-3.7	-2.3
Energy related GHG emissions (% of total)	39.0	44.2	41.7	40.4	39.8	39.7

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

ERITREA

Table 1 **2023**

Population, million	3.7
GDP, current US\$ billion	2.7
GDP per capita, current US\$	712.3
School enrollment, primary (% gross) ^a	72.0
Life expectancy at birth, years ^a	66.5
Total GHG emissions (mtCO ₂ e)	7.0

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2019); Life expectancy (2021).

Economic growth is projected at 2.8 percent in 2024, supported by the Colluli potash project construction. Lower global food prices are expected to help reduce inflation to 5.1 percent in 2024. Downside risks to the outlook include production delays at the Colluli mine, global commodity price volatility, geopolitical and regional tensions, and climate vulnerabilities. Poverty is assessed to be widespread, although national accounts and poverty statistics have not been produced for more than a decade.

Key conditions and challenges

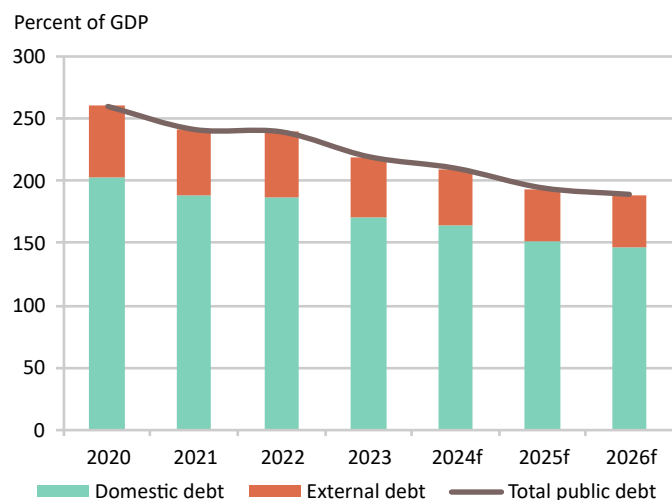
Eritrea emerged from a decade of international isolation with the lifting of UN sanctions in November 2018. During that period, the government relied on domestic sources of growth. As a result, the economy is dominated by large state-owned enterprises that crowded out the private sector. Zinc, copper, and gold account for over 90 percent of exports, so metal price fluctuations are a key source of vulnerability. Monetary policy under a fixed exchange rate regime (pegged to the US dollar) seems ineffective and has been undertaken through administrative measures. Its effectiveness is further weakened by fiscal dominance and an underdeveloped financial sector. The absence of a competition law framework discourages foreign capital inflows. Competition is severely constrained by state-owned enterprises dominance and government restrictions. Severe import restrictions limit the demand for foreign currency in the context of low foreign exchange reserves. The country is vulnerable to climate change, with frequent weather shocks posing a heavy burden on the economy and rural livelihoods. The COVID-19 crisis hit Eritrea when it paused its engagement with international development partners and faced challenges in accessing external funding. Informal cross-border trade seemed less affected as the conflict in northern Ethiopia ended, giving cross-border trade a boost.

The emergency conditions that prevailed in Eritrea over the past decade have led to severe data production capacity constraints. National accounts data are limited to unofficial GDP estimates produced by the Ministry of Finance that the government does not endorse. Inflation estimates cover only the capital city, Asmara, and the full balance of payment accounts is not produced. The last population census in Eritrea took place more than 25 years ago, and the last official poverty rate for the country dates from 1996/97, when it was calculated that 70 percent of urban households lived in poverty. Limited growth and the multiple economic shocks since then, affecting both urban and rural households, suggest that this figure may now be higher.

Recent developments

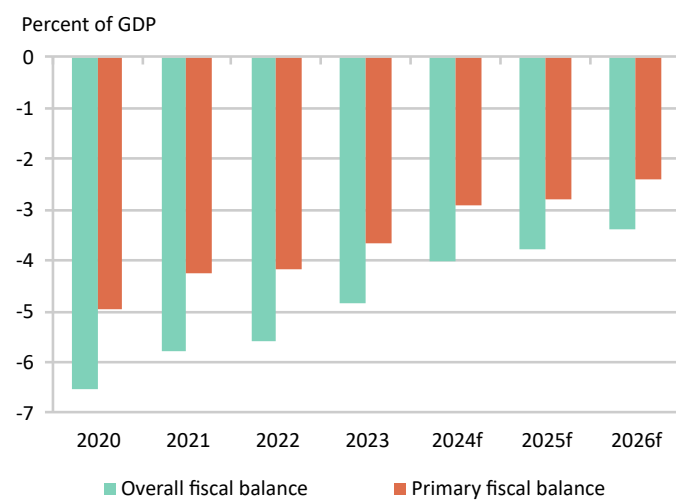
Real GDP growth is estimated to have remained relatively stable at 2.6 percent in 2023, underpinned mainly by the construction of the Colluli potash project. Meanwhile, inflation moderated to just over 6 percent, largely due to easing global food and energy prices, providing some respite for households. Although global zinc prices fell by 24 percent in 2023, relatively high gold and copper prices contributed to higher export revenues. Together with lower fuel and food imports, this helped maintain the current account surplus above 14 percent of GDP. Notwithstanding such large surpluses, international reserves are estimated at

FIGURE 1 Eritrea / Evolution of total public debt



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

FIGURE 2 Eritrea / Primary and overall fiscal balances



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

around three months of imports. Strong mining export revenues have also supported government revenues. Public debt was estimated at around 219 percent of GDP at end-2023, of which nearly 80 percent is owed to domestic banks. The country is in debt distress, and as of January 2023, Eritrea was at a pre-decision point in the Highly Indebted Poor Countries (HIPC) list.

Eritrea has begun to re-engage with development partners and revitalize some bilateral relations. In 2023, the African Development Bank Board approved US\$49.9 million to build a 30-megawatt solar photovoltaic power plant in Dekemhare, and the project is scheduled to be completed in 2027. The Chinese company Sichuan Road and Bridge Group has acquired a 50 percent stake in the Colluli project, and the mine is scheduled to start operating in 2026. In addition, Eritrea has rejoined the East African trade bloc, the Intergovernmental Authority on Development, nearly 17 years after withdrawing from the body.

Outlook

GDP growth is projected to increase to 2.8 percent in 2024, as domestic demand is boosted in the short term by progress in the construction of the Colluli mine. Growth is projected to reach 3.3 percent in 2026 once the mine begins production. In line with easing global food prices, inflation is expected to decrease further to about 5 percent in 2024. The current account surplus is expected to widen to over 14 percent of GDP in 2024, helped by robust mining sector performance amid tight import controls. Gradual fiscal consolidation and sustained strong mining sector receipts should support a narrowing of the fiscal deficit to 4 percent of GDP in 2024, with fiscal consolidation continuing over the medium term. The economic recovery should support a reduction in the public debt-to-GDP ratio, from 211 percent of GDP in 2024 to 189 percent of GDP in 2026. 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 the pervasive deprivation in the country.

Significant downside risks include weaker-than-expected global or Chinese demand for Eritrean commodity exports and related volatility in metals and minerals prices, production delays at the Colluli mine, spillovers from the conflict in Sudan, and heightened tensions in the Middle East. Moreover, severe climate vulnerabilities could worsen in the coming years, posing a high risk to food security in Eritrea.

Against this backdrop, 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, help abate the risks associated with climate change, and jumpstart the private and financial sectors. Development of the private and financial sectors could enhance job creation and promote inclusive growth.

TABLE 2 Eritrea / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	2.9	2.5	2.6	2.8	3.0	3.3
Private consumption	3.0	3.6	4.0	4.3	4.1	4.1
Government consumption	14.0	5.7	3.7	4.1	4.1	4.1
Gross fixed capital investment	39.1	13.1	22.7	3.6	12.5	14.9
Exports, goods and services	31.0	9.2	5.1	3.7	4.1	4.1
Imports, goods and services	21.6	11.0	5.3	4.1	4.3	4.3
Real GDP growth, at constant factor prices	2.9	2.5	2.6	2.8	3.0	3.3
Agriculture	4.5	1.6	3.5	3.6	3.2	3.2
Industry	1.4	3.2	2.9	3.3	3.3	3.1
Services	5.3	1.3	1.5	1.2	2.2	3.8
Inflation (consumer price index)	6.6	7.4	6.4	5.1	5.2	5.2
Current account balance (% of GDP)	14.0	13.0	14.1	14.2	14.2	15.8
Net foreign direct investment inflow (% of GDP)	1.4	1.3	1.2	1.2	1.0	1.0
Fiscal balance (% of GDP)	-5.8	-5.6	-4.8	-4.0	-3.8	-3.4
Revenues (% of GDP)	26.7	27.0	27.6	27.9	27.7	26.9
Debt (% of GDP)	241.7	239.8	219.4	210.6	193.9	188.5
Primary balance (% of GDP)	-4.2	-4.2	-3.7	-2.9	-2.8	-2.4
GHG emissions growth (mtCO₂e)	1.6	1.6	1.4	1.6	1.5	1.5
Energy related GHG emissions (% of total)	11.7	11.7	11.5	11.7	11.9	12.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

ESWATINI

Table 1

	2023
Population, million	1.2
GDP, current US\$ billion	4.6
GDP per capita, current US\$	3822.9
International poverty rate (\$2.15) ^a	36.1
Lower middle-income poverty rate (\$3.65) ^a	58.0
Upper middle-income poverty rate (\$6.85) ^a	78.1
Gini index ^a	54.6
School enrollment, primary (% gross) ^b	120.9
Life expectancy at birth, years ^b	57.1
Total GHG emissions (mtCO2e)	3.1

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2016), 2017 PPPs.
 b/ Most recent WDI value (2021).

Real GDP is projected to grow by 4.1 percent in 2024, driven by continued increase in public spending financed by higher Southern African Customs Union (SACU) revenues. Despite easing global inflationary pressures, annual average inflation increased in 2023 but is projected to slightly decline to 4.9 percent in 2024. The budget deficit is projected to continue declining in 2024, though fiscal policy remains highly procyclical. The poverty rate is projected to decrease slightly to 52 percent in 2024 using the poverty line for lower and middle-income countries.

Key conditions and challenges

Over the past 20 years, Eswatini's GDP per capita growth only averaged 1.8 percent. The proportion of the population living below the US\$3.65/day (2017 PPP) poverty line fell from 76.4 percent to 58.1 percent between 2000 and 2016, but at 52 percent in 2024 poverty remains high. The country's low growth rate can partly be explained by deteriorating public finances, characterized by rising public debt, the accumulation of domestic expenditure arrears, and public spending inefficiencies. Concurrently, structural weaknesses have hindered the development of the private sector. These include a weak investment climate due to cumbersome regulations, distortions caused by inefficient state-owned enterprises, and a limited access to regional and international markets. Adopting a comprehensive strategy that accumulates more physical and human capital, while ensuring more efficient and inclusive use of these resources, will be critical for Eswatini to meet its development goals. The government is working on a new growth strategy. Volatile SACU revenues have shaped the macro-fiscal dynamics. The increase in rigid spending lines, such as wages and interest payments in the face of volatile SACU revenue, contributed to rising fiscal deficits, public debt, and arrears. To make fiscal policy more predictable and countercyclical, there is an urgent need to consolidate expenditure including implementing the state

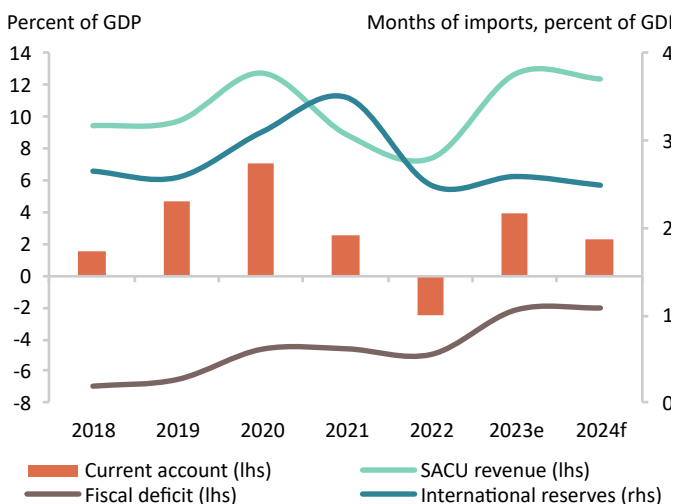
owned enterprises (SOEs) reforms and, improve domestic revenue mobilization. Poverty and inequality remain high. Over 50 percent of the population live below the US\$3.65/day (2017 PPP) lower middle-income country poverty line. High and persistent inequality (54.6 percent in 2016) is also a risk to social stability.

Recent developments

Real GDP rebounded to an estimated 4.8 percent in 2023 (from 0.5 percent in 2022), driven by an increase in services and exports. The doubling of SACU receipts allowed the government to reduce the overall fiscal deficit, while increasing spending that boosted government-linked services. Meanwhile, agriculture contracted by 2.5 percent, mainly due to weather-related challenges that affected production. Annual average inflation increased from 4.8 percent in 2022 to 5.0 percent in 2023 despite easing global inflationary pressures. The increase was partly the result of higher prices for transport and food. These pressures continued in early 2024, with inflation increasing from 4.3 percent in December 2023 to 4.5 percent in January 2024 (yoy). However, inflation remained within the 3-6 percent band, with the central bank maintaining the repo rate at 7.5 percent since July 2023.

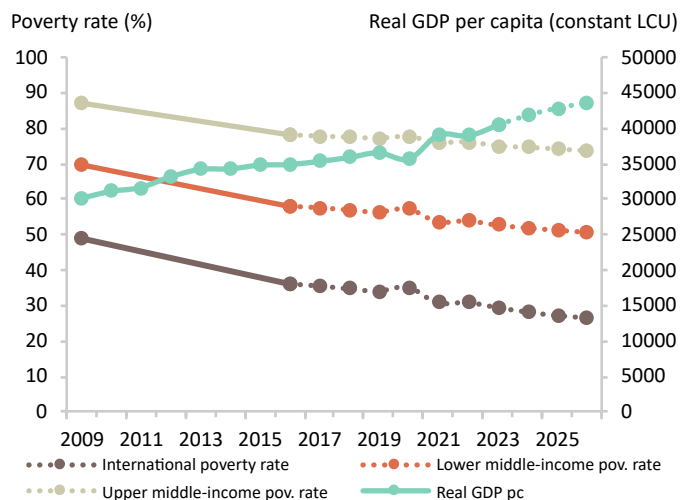
The fiscal deficit declined from 5 percent of GDP in 2022 to 2.1 percent in 2023, but expenditure arrears increased again. Revenue was boosted by the more than doubling of SACU receipts in 2023.

FIGURE 1 Eswatini / SACU revenues and macroeconomic variables



Sources: Eswatini Ministry of Finance and World Bank projections.

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



Source: World Bank. Notes: see Table 2.

Expenditure also increased as a result of a higher public sector wage bill, interest payments, and election-related expenditures. While the level of public debt declined between 2022 and 2023, arrears increased again, due weak commitment controls, reaching an estimated 2.0 percent of GDP in February 2024. The government established a SACU Revenue Stabilisation Fund in 2023, but it has not been fully capitalized, as expenditure pressures continued in 2023.

The current account returned to a surplus in 2023, reflecting higher SACU revenue and an increasing trade surplus, fueled by higher exports of key commodities as such soft drink concentrates, sugar and sugar products. The level of international reserves remained constant at 2.6 months of imports in 2023.

While the increase in economic activity has contributed to higher income, higher transport and food prices disproportionately affect the poor, who spend a larger share of their resources on these items. High inflation has limited the progress in poverty reduction, with estimated poverty rates only showing a slight decline from 54 percent in 2022 to 52.8 percent in 2023, using the lower-middle-income country poverty line.

Outlook

The medium-term economic outlook looks moderately favorable, with GDP growth stabilizing at about 3 percent over 2024-26. Growth is expected to be driven by higher investments, including from the government (due to higher SACU revenue), and sustained improvements in industry and services. By contrast, the agricultural sector could be negatively affected by climate change, which could hurt the poor most. Risks are tilted to the downside given uncertainty in a major trading partner (South Africa), especially on energy supply, and international geopolitical tensions. Domestically, the country remains exposed to social and political uncertainty. Inflation is projected to slow slightly to 4.9 percent in 2024, following global trends, but elevated crude oil prices, a weaker exchange rate, and higher food prices could mar this outlook.

On the fiscal side, SACU revenues are projected to increase again in 2024, by 11.5 percent relative to FY2023/24. This

increase should contribute to a reduction in the fiscal deficit and the payment of accumulated expenditure arrears. However, the magnitude of the adjustment will also depend on public expenditures, especially the public sector wage bill and SOEs reforms. The government should capitalize on the positive revenue shock by fully operationalize the SACU Revenue Stabilisation Fund while continuing with fiscal consolidation- both expenditure reducing and domestic revenue mobilization measures. Debt is projected to stabilize in the medium term, as the fiscal deficit declines. The current account is expected to remain in surplus in 2024, on the back of higher SACU receipts and increased export demand of key products.

Poverty, based on the lower-middle-income country poverty line, is projected to decline from 52 percent in 2024 to 51.3 percent in 2025. While the projected economic recovery should have a positive impact on households, such improvement will be constrained by the lower agricultural production and structural challenges facing the poor including low job creation and low access to services.

TABLE 2 Eswatini / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	10.7	0.5	4.8	4.1	3.3	2.7
Private consumption	5.7	-5.3	4.1	3.2	2.6	2.6
Government consumption	-10.6	-0.3	9.7	2.2	0.8	0.8
Gross fixed capital investment	11.4	-10.8	1.0	9.6	7.0	3.5
Exports, goods and services	8.8	-0.4	8.0	2.6	2.4	2.4
Imports, goods and services	14.0	3.4	7.0	2.7	2.0	2.0
Real GDP growth, at constant factor prices	10.7	0.2	4.8	4.1	3.3	2.7
Agriculture	4.6	5.1	-2.5	-1.2	1.9	2.5
Industry	17.9	-0.3	1.5	4.0	3.0	2.0
Services	7.1	-0.1	8.2	4.9	3.7	3.2
Inflation (consumer price index)	3.7	4.8	5.0	4.9	5.2	5.3
Current account balance (% of GDP)	2.6	-2.4	4.0	2.3	0.6	-1.5
Net foreign direct investment inflow (% of GDP)	1.2	0.7	0.8	0.8	0.7	0.7
Fiscal balance (% of GDP)	-4.6	-5.0	-2.1	-2.0	-2.7	-1.3
Revenues (% of GDP)	25.1	23.9	29.4	27.7	26.3	24.5
Debt (% of GDP)	37.9	41.8	38.9	35.4	33.5	31.2
Primary balance (% of GDP)	-2.7	-2.7	-0.2	-0.3	-1.2	0.1
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	30.9	31.0	29.6	28.5	27.5	26.9
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	53.7	54.0	52.8	52.1	51.4	50.7
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	76.1	76.2	75.1	74.7	74.2	73.7
GHG emissions growth (mtCO₂e)	5.8	0.4	0.7	2.8	4.0	4.1
Energy related GHG emissions (% of total)	48.2	47.9	47.5	48.0	49.1	50.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2016-HIES. Actual data: 2016. Nowcast: 2017-2023. Forecasts are from 2024 to 2026.

b/ Projection using neutral distribution (2016) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

ETHIOPIA

Table 1 **2023**

Population, million	126.5
GDP, current US\$ billion	171.3
GDP per capita, current US\$	1353.5
International poverty rate (\$2.15) ^a	27.0
Lower middle-income poverty rate (\$3.65) ^a	65.0
Upper middle-income poverty rate (\$6.85) ^a	90.9
Gini index ^a	35.0
School enrollment, primary (% gross) ^b	85.5
Life expectancy at birth, years ^b	65.0
Total GHG emissions (mtCO2e)	216.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2015), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

Growth surged from 6.4 percent in FY22 to 7.2 percent in FY23, supported by good harvests and steady service sector growth. However, growth remains lower than before COVID-19, and compounded shocks since 2019 made it more difficult to translate economic growth into poverty reduction. Reflecting slow reform implementation, growth is expected to drop to 7 percent in FY24 and over the medium term. Urgent reforms implementation is critical to restore macroeconomic stability and create enabling environment for structural transformation.

Key conditions and challenges

Ethiopia's state-led and public-invest-intensive development model supported growth rates of nearly 10 percent between 2004 and 2018, among the world's highest, and drove significant gains in poverty reduction. Despite these achievements, the country's development model yielded negligible improvements in structural transformation and productivity growth while contributing to macroeconomic imbalances: debt vulnerabilities, fiscal constraints, depleted liquidity buffers, and foreign-exchange shortages. The 2019 Home-Grown Economic Reform Agenda sought to prioritize reforms that would address macroeconomic distortions, unlock greater private sector participation and market orientation. However, implementation was slowed amid multiple shocks—including the COVID-19 pandemic, major conflict in the north, and soaring global food and energy prices—that exacerbated macroeconomic vulnerabilities. This has slowed growth to about 6 percent since FY20.

In recent months, the government has announced a revival of the 2019 HGER to target macro-financial measures to stabilize the macroeconomy and reduce macroeconomic vulnerabilities; introduce structural reforms to alleviate business constraints to create an enabling environment for private sector investment; and implement sectoral policies to address

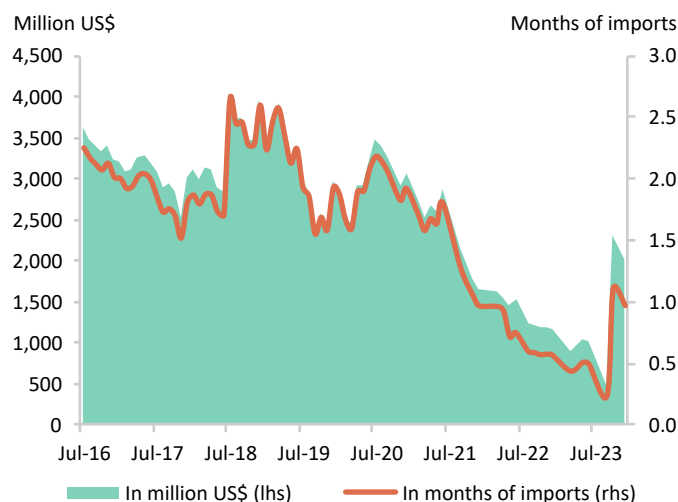
sector-specific institutional and market failures and enhance productivity. The combination of climatic shocks, disease outbreaks, armed conflict, and economic shocks have made difficult to continue reducing poverty at the pace observed before 2019. Poverty rates are estimated to have stagnated at around the level observed in 2016. Food insecurity has also worsened, due to global food and energy price shocks and the disruptions to grain supply due to the war in Ukraine.

Recent developments

Growth picked up to 7.2 percent in FY23 (ending June 2023) from 6.4 percent in FY22 as good harvests supported agricultural sector growth despite protracted drought in pastoral areas. Service sector dynamism also contributed to growth, while the manufacturing and construction sectors were negatively affected by worsening foreign exchange shortages, restrictions on non-essential imports, and the suspension of preferential US market access.

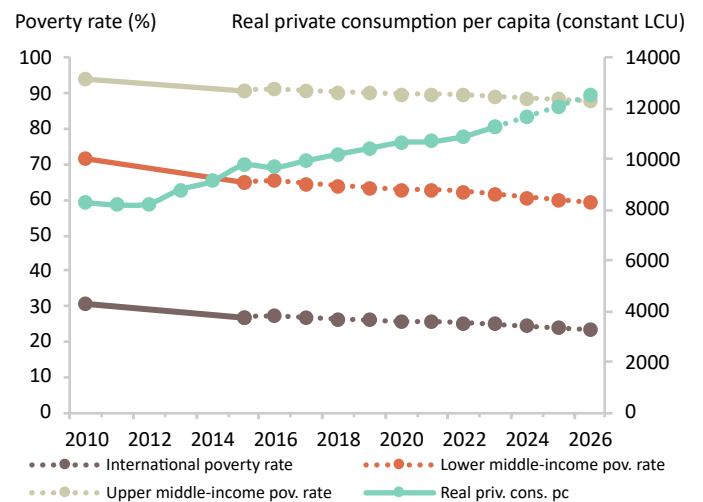
The current account deficit narrowed to 2.8 percent of GDP in FY23 from 4 percent of GDP in FY22, due to strong service exports and lower imports related to foreign exchange shortages. It was largely financed through foreign direct investment and the drawdown of foreign exchange reserves. A two-year debt suspension agreement with the G20 Official Creditors' Committee in November 2023 helped ease external financing pressures, but its continuity is

FIGURE 1 Ethiopia / Gross foreign exchange reserves



Source: National Bank of Ethiopia.

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



Source: World Bank. Notes: see Table 2.

contingent on reaching agreement with the International Monetary Fund on an economic reform program.

Fiscal space narrowed further amid declining revenues and donor flows. Ethiopia's tax revenues (with a tax-to-GDP ratio of 6.8 percent in FY23) are insufficient to fund essential spending and growth-enhancing investments and anchor fiscal sustainability. To contain fiscal deficits, public spending has been steadily cut, falling to 10.8 percent of GDP in FY23 (less than half the levels in the early 2000s). With limited financing options, the deficit narrowed from 4.2 percent of GDP in FY22 to 2.5 percent of GDP in FY23, and was financed mainly through domestic borrowing, including from the central bank. The public debt-to-GDP ratio continued to decrease in FY23 as external disbursements remained constrained.

Inflation remains high, reaching 28.7 percent in December 2023, with large contributions from non-food inflation due to the phasing out of fuel subsidies, monetary financing of the deficit, and widening premiums in parallel currency markets (that reached over 100 percent in recent months). Overlapping crises—persistent droughts and a surge in global

food, fuel, and fertilizer prices—have also contributed to inflation.

Against this backdrop, poverty is expected to have remained stagnant, which combined with high population growth has led to a ceaseless increase in the already large number of poor people in the country—by 2023, 31.5 million people lived below the \$2.15/day poverty line.

Outlook

Growth is projected to drop to about 7 percent over the medium term amid slow progress in reform implementation. Although still a high level of growth, the continuance of policy distortions, including a significantly overvalued exchange rate, constrains Ethiopia from translating this growth into tangible improvements in productivity and job opportunities for people. Although fiscal and current account deficits narrow over the medium term, Ethiopia will remain severely constrained by a shortage of domestic and external financing. Inflation is projected to decline gradually, as monetary financing declines in line with narrowing fiscal deficits. The implementation

of critical macroeconomic and structural reforms under discussion would help address macroeconomic distortions and improve the quality of growth.

A shift in Ethiopia's economic model towards a private sector led and more market oriented one is urgently needed to address mounting macroeconomic vulnerabilities, restart a stalled structural transformation and create jobs. Addressing the significant distortions in the foreign exchange market is critical to restore productivity-led growth, improve resource allocation, and alleviate external payment risks. Debt treatment and the resumption of official external flows will also be crucial to ease external financing pressures. However, any intensification in conflicts would complicate reform implementation and affect foreign exchange inflows.

Substantial poverty reduction in the medium term would require strong performance in the agricultural sector, which employs over 70 percent of the labor force, as well as dynamism in other sectors. Additional shocks could push millions more into poverty and increase further spatial inequalities and mitigating this risk requires, among other things, an acceleration of reforms to rebuild fiscal and social buffers.

TABLE 2 Ethiopia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020/21	2021/22	2022/23e	2023/24f	2024/25f	2025/26f
Real GDP growth, at constant market prices	6.3	6.4	7.2	7.0	7.0	7.0
Private consumption	3.0	4.5	6.1	6.1	6.1	6.1
Government consumption	12.2	1.5	-16.0	0.6	4.8	5.0
Gross fixed capital investment	7.6	11.0	11.2	10.7	6.3	6.4
Exports, goods and services	5.5	11.7	-0.8	6.5	6.1	6.1
Imports, goods and services	2.0	10.8	-4.1	11.2	1.2	1.2
Real GDP growth, at constant factor prices	6.3	6.4	7.2	7.0	7.0	7.0
Agriculture	5.5	6.0	6.3	6.0	6.0	5.9
Industry	7.3	4.8	6.9	7.0	7.0	7.1
Services	6.3	7.9	8.0	7.9	7.7	7.7
Inflation (consumer price index)	20.2	33.7	32.6	28.5	23.2	17.6
Current account balance (% of GDP)	-2.7	-4.0	-2.8	-2.4	-1.7	-1.3
Fiscal balance (% of GDP)	-2.8	-4.2	-2.5	-2.0	-1.8	-1.8
Revenues (% of GDP)	11.2	8.3	8.2	7.5	7.0	6.8
Debt (% of GDP)	56.6	54.4	42.7	36.1	31.8	29.8
Primary balance (% of GDP)	-2.2	-3.6	-1.9	-1.5	-1.4	-1.5
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	25.6	25.4	24.9	24.4	24.0	23.5
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	62.7	62.2	61.4	60.6	59.8	59.0
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	89.7	89.5	89.1	88.6	88.2	87.8
GHG emissions growth (mtCO₂e)	3.5	2.3	2.5	2.6	2.5	2.7
Energy related GHG emissions (% of total)	14.5	14.0	13.5	13.0	12.4	11.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Growth projections reflect limited available information, and are subject to revision as better data becomes available.

a/ Calculations based on 2010-HICES and 2015-HICES. Actual data: 2015. Nowcast: 2016-2023. Forecasts are from 2024 to 2026.

b/ Projection using annualized elasticity (2010-2015) with pass-through = 0.7 based on private consumption per capita in constant LCU.

GABON

Table 1 **2023**

Population, million	2.4
GDP, current US\$ billion	20.5
GDP per capita, current US\$	8414.1
International poverty rate (\$2.15) ^a	2.5
Lower middle-income poverty rate (\$3.65) ^a	8.1
Upper middle-income poverty rate (\$6.85) ^a	31.2
Gini index ^a	38.0
School enrollment, primary (% gross) ^b	100.6
Life expectancy at birth, years ^b	65.8
Total GHG emissions (mtCO2e)	22.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2017), 2017 PPPs.
b/ Most recent WDI value (2021).

Gabon's economy grew by 2.3 percent in 2023 on the back of sustained oil production, down from 3.0 percent in 2022. Following a coup d'état in August 2023, an orderly return to an elected government over the planned two-year transition period will be key to avoid risks of sanctions and adverse impacts on investment and growth. Substantial reforms are needed to boost growth, reduce poverty, restore fiscal stability, and strengthen governance.

Key conditions and challenges

Despite Gabon's rich natural endowments, over recent decades low and erratic growth and insufficient diversification resulted in high unemployment and persistent poverty. Popular discontent around governance weaknesses and electoral fraud allegations fueled support for the August 2023 coup d'état. A transitional government was rapidly set up with a two-year plan for return to elected government. After six months of sanctions, Gabon was reintegrated in the Economic Community of Central African State on March 9, 2024.

Public expectations for the transition are high, putting pressure on social spending and delivery of quick results. The authorities increased civil service hirings, extended fuel subsidies to the electricity utility (SEEG), and reinstated scholarships for secondary education. These decisions have a fiscal cost in a context of constrained financing capacity. While domestic revenue mobilization efforts are underway, reliance on volatile oil revenues and tight financing conditions pose risks to the budget. Calibrating spending pressures against realistic revenue mobilization goals will be key for fiscal sustainability.

The transition could provide an opportunity for renewed reform momentum and improved institutional controls of public finances. Promoting access to credit, entrepreneurship, and strengthening social

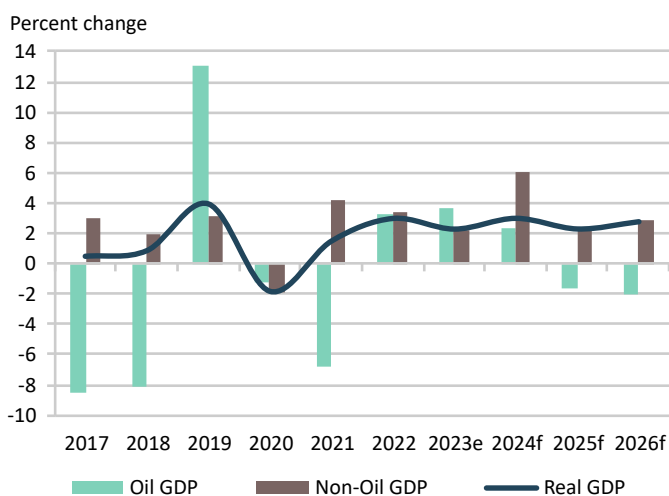
support to the most vulnerable would also be crucial for higher and inclusive growth. A new development plan with these goals is being prepared. It brings forward an ambitious program targeting key areas such as roads, energy, health, and education. However, investments will need to be prioritized to ensure its feasibility and fiscal sustainability. A more detailed focus on jobs is key for inclusive growth and lower wage bill pressures. A successful implementation will also rely on strong coordination and improved public investment management.

Recent developments

Gabon's economy grew by an estimated 2.3 percent in 2023, down from 3.0 percent in 2022. The lower growth was caused by weaker wood and manganese production, amid high fuel costs and railway disruptions caused by landslides. Oil production grew by 3.7 percent, fueled by new oil-fields, low OPEC+ restrictions and global demand. Demand-side growth was driven by public investments, oil and agricultural exports, and oil investments.

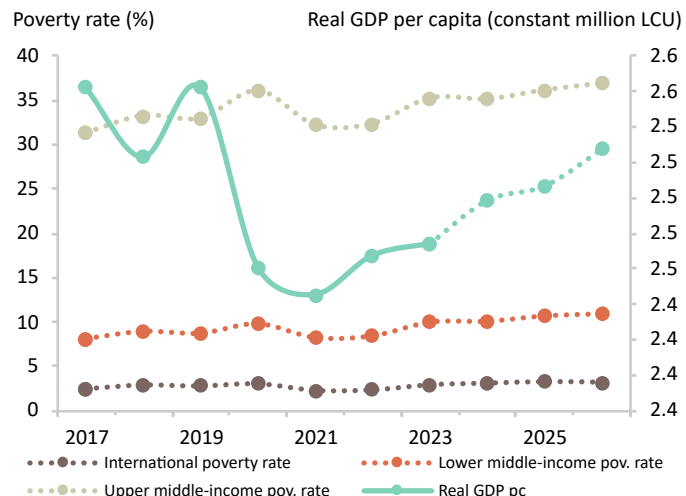
Gabon's investments in optimizing oil-fields and expanding mines and wood production led to large trade surpluses, offsetting its strong reliance on food imports. In 2023, although oil, palm oil, and rubber export volumes increased, lower oil prices, appreciated USD and lower wood and mining production decreased exports. Imports remained stable, and the current account surplus remained

FIGURE 1 Gabon / Growth of real GDP, Real oil GDP and real non-oil GDP



Sources: Official government data and World Bank calculations.

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



Source: World Bank. Notes: see Table 2.

high but decreased to estimated 28.7 percent of GDP in 2023.

The fiscal deficit increased slightly in 2023 to an estimated 1.0 percent of GDP. Government revenues benefited from higher non-oil receipts and tax expenditure cuts. Public spending increased due to elections, public works, and the settlement of domestic arrears in late 2023. Lower oil prices and the removal of fuel subsidies for industrial consumers mitigated the fiscal cost of fuel subsidies. While efforts are ongoing to avoid the accumulation of arrears, external arrears at end-2023 were estimated at CFAF 123 billion (1.0 percent of GDP). Public debt stood at 70.5 percent of GDP (57.4 percent of domestic and external debt, plus arrears and T-bills).

The Bank of Central African States maintained a tight monetary policy, with policy rate kept at 5.0 percent after a 175-basis point increase between late 2021 and March 2023. Yet, credit to the private sector increased by 14.2 percent in September 2023 (y-o-y), driven by oil and public works. Inflation decreased from 5.2 percent (y-o-y) in January 2023 to 2.7 percent in October, but food inflation was at 4.7 percent. While exemptions and price controls on essential food items were expanded to alleviate living costs,

households remain affected. Combined with static per capita growth, this increased poverty to 35.2 percent in 2023.

Outlook

Gabon's recovery should continue, with higher risks due to recent political developments. An average 2.7 percent growth is projected in 2024-2026, mainly coming from non-oil sectors, including new iron and manganese deposits, timber production, and new oil palm, biodiesel, and gas industries. Maturing oilfields would gradually reduce oil output from 2025, but exploration projects could reverse this scenario.

Higher imports in real terms are expected, driven by infrastructure projects and private investments. With oil exports declining from 2025, the authorities are promoting investments to boost exports of other commodities, notably manganese, iron, and timber. Current account surpluses would remain high, supported by high commodity exports.

Diminishing oil production and prices would impact fiscal revenues. Also, higher wage bills, large infrastructure projects, and social support measures

would exacerbate spending pressures, resulting in fiscal deficits (averaging 4.9 percent of GDP in 2024-26, with non-oil primary deficits of 12.0 percent of non-oil GDP). Primary balances would turn negative, increasing debt. Without significant fiscal adjustment, these pressures could make the fiscal and debt situation unsustainable.

Inflation would remain below the 3.0 percent regional convergence criteria. However, the poverty rate should increase to 36.9 percent by 2026. Most jobs are in services, which is expected to have insufficient growth. Also, growth is largely driven by capital-intensive extractive industries, which do not create sufficient jobs and equitable income distribution.

Downside risks include commodity price shocks, competition from Russian oil in Asian markets, tighter financing conditions, and impacts of intensifying war in Ukraine or conflict in the Middle East. Uncontrolled spending from higher social pressures or SOE acquisitions could lead to spiraling deficits and debt. While EC-CAS' sanctions were lifted, a delayed transition could trigger sanctions, hitting access to regional markets. The political agenda could limit reforms needed for better governance, higher, job-based growth, and poverty reduction.

TABLE 2 Gabon / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	1.5	3.0	2.3	3.0	2.3	2.8
Private consumption	-1.4	-0.3	3.2	5.6	2.3	4.7
Government consumption	3.2	3.8	-1.5	-4.9	1.8	-4.8
Gross fixed capital investment	9.2	8.3	-0.5	2.4	3.8	2.4
Exports, goods and services	-2.0	6.9	1.4	5.5	5.3	4.2
Imports, goods and services	3.5	8.3	-0.9	4.1	5.7	3.2
Real GDP growth, at constant factor prices	2.9	3.3	2.3	3.0	2.3	2.8
Agriculture	11.2	9.4	2.1	3.6	5.5	6.6
Industry	3.2	3.2	3.5	2.2	0.0	4.2
Services	1.4	2.4	1.5	3.3	3.1	1.1
Inflation (consumer price index)	1.1	4.3	3.7	2.4	2.3	2.2
Current account balance (% of GDP)	30.1	35.2	28.7	29.2	28.8	28.4
Net foreign direct investment inflow (% of GDP)	2.1	4.6	5.5	5.4	5.0	5.4
Fiscal balance (% of GDP)	-1.8	-0.8	-1.0	-3.8	-5.9	-5.0
Revenues (% of GDP)	14.7	20.4	22.9	20.0	18.8	18.1
Debt (% of GDP)	65.8	55.3	70.5	73.7	79.1	81.8
Primary balance (% of GDP)	0.9	1.7	1.9	-0.7	-2.8	-1.7
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	2.3	2.4	2.9	3.1	3.2	3.2
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	8.2	8.5	10.0	10.1	10.7	10.9
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	32.1	32.3	35.2	35.1	36.1	36.9
GHG emissions growth (mtCO₂e)	4.5	2.5	-0.7	-0.2	0.1	0.8
Energy related GHG emissions (% of total)	15.9	16.0	14.9	13.8	12.8	12.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2017-EGEP. Actual data: 2017. Nowcast: 2018-2023. Forecasts are from 2024 to 2026.

b/ Projections using microsimulation methodology.

THE GAMBIA

Table 1 **2023**

Population, million	2.8
GDP, current US\$ billion	2.3
GDP per capita, current US\$	845.8
International poverty rate (\$2.15) ^a	17.2
Lower middle-income poverty rate (\$3.65) ^a	47.0
Upper middle-income poverty rate (\$6.85) ^a	80.6
Gini index ^a	38.8
School enrollment, primary (% gross) ^b	92.3
Life expectancy at birth, years ^b	62.1
Total GHG emissions (mtCO2e)	3.3

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2020), 2017 PPPs.
 b/ WDI for School enrollment (2022); Life expectancy (2021).

Economic growth accelerated to 5.3 percent in 2023 as favorable rainfall led to a good harvest while investment supported growth in the industry sector. Inflation averaged 16.9 percent, eroding the purchasing power of households and increasing poverty. The fiscal deficit halved to 2.6 percent of GDP, driven by strong tax collection and higher grants. High inflation, debt vulnerabilities, foreign exchange pressures, and regional and global geopolitical tensions cloud the outlook.

Key conditions and challenges

The Gambia is consolidating its democratic transition and implementing reforms to transform the economy. However, structural factors continue to hamper growth, including low productivity growth, lack of structural change, constrained fiscal space for infrastructure investments, a constraining business environment for private sector development, limited economic diversification, and human capital challenges. This has resulted in limited job creation and economic opportunities, limited access to essential public services, and high poverty.

Real GDP growth averaged 3.1 percent in 1990–2022—less than 0.5 percent in per capita terms. The labor market faces a low labor force participation rate (43.6 percent), significant underutilization (41.5 percent), predominance of informal (62.8 percent) and unwaged employment (72 percent), and more significant gender gaps. Poverty rates are higher, with an estimated 17.2 percent of the population living in poverty in 2020, using the international poverty line of \$2.15 (in 2017 PPPs). Social disparities prevail in access to essential services, and most of the country still needs better connections to roads, schools, and health facilities. These weaknesses are coupled with downside risks such as reemerging foreign exchange pressures, high dependence on imports of essential goods and

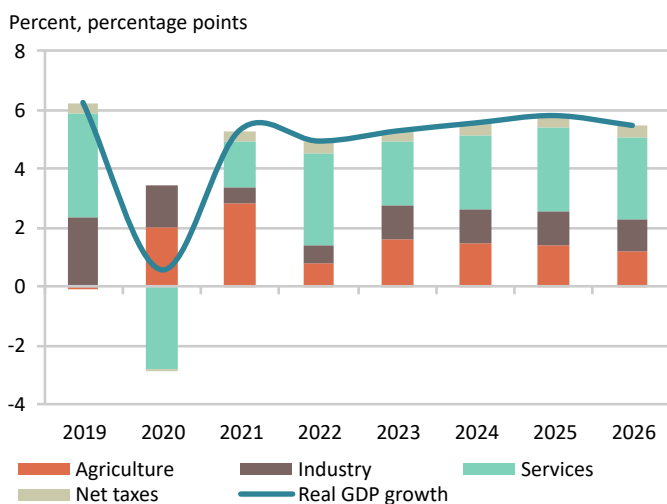
services, putting persistent pressure on the balance of payments and forex market and exacerbating the vulnerability to global shocks in commodity markets. Fiscal risks remain substantial given State-Owned Enterprises (SOEs) contingent liabilities and the high dependence on external grant financing due to low tax collection. High domestic debt also crowds out private credit.

Against this backdrop, the Government is implementing the National Development Plan (NDP) 2023–2027 to consolidate democratic governance, accelerate growth, and build resilience to shocks. Implementing this agenda poses significant financing needs, with US\$0.7 billion of available funding as of December 2023 out of total cost estimated at US\$3.5 billion.

Recent developments

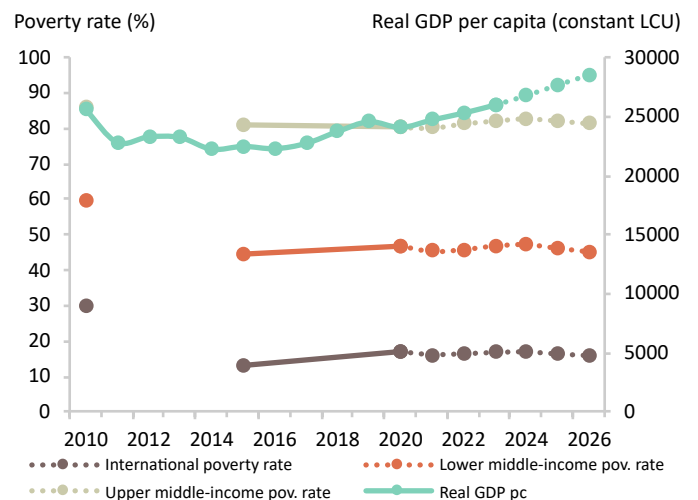
Economic growth accelerated to 5.3 percent in 2023 (2.7 percent per capita), mainly driven by agriculture and industry. Agriculture benefited from favorable rainfall and increased fertilizer subsidies. Despite increased tourism activity, services decelerated as many subsectors contracted (information and communication, entertainment, etc.). Private investment, supported by remittances and public investment, drove growth on the demand side. Inflation averaged 16.9 percent in 2023 – the highest level in decades – caused by imported food inflation, utility tariffs increases, and currency depreciation, dragging down private consumption.

FIGURE 1 The Gambia / Real GDP growth and sectoral contributions to real GDP growth



Sources: The Gambian authorities and World Bank estimates.

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



Source: World Bank. Notes: see Table 2.

Rising food prices are expected to have increased poverty to 16.9 percent in 2023, from 16.4 percent in 2022 - an increase of over 25,000 people, using the international poverty line of \$2.15 (in 2017 PPPs). The increase in poverty is mainly due to food price inflation which rose to 22 percent in 2023, eroding the purchasing power of households.

The fiscal deficit halved to 2.6 percent of GDP in 2023, driven by increased tax revenues and grants. Public expenditure remained high owing to increased spending on road infrastructure. With lower net domestic borrowing, public debt declined to 75.8 percent of GDP in 2023. Nevertheless, the Gambia remains at high risk of debt distress. The current account deficit (CAD) is estimated at 4.5 percent of GDP in 2023, almost comparable to the 4.2 percent in 2022, on the back of a recovery in tourism and increased imports related to ongoing infrastructure projects. The monetary stance was further tightened, with the policy rate increasing to 17 percent in August 2023 from 10 percent in April 2022. However, the effect of monetary tightening seems limited, as inflation is essentially imported. Due to import pressures, international reserves

declined to 4.2 months of imports in 2023 from 5.1 months in 2022, alongside a depreciation of the nominal exchange rate of 4.6 percent.

Outlook

Growth is projected to average 5.6 percent in 2024-26 (3.1 percent per capita), driven by increased activity in all sectors. Agriculture and services are expected to sustain growth, assuming favorable rainfall and continued recovery in tourism. Robust remittances, which represented 32.1 percent of GDP in 2023, will support the recovery in private sector demand, which, together with infrastructure programs, are expected to drive growth. Inflationary pressures are predicted to persist in 2024 and gradually ease, with CPI inflation reaching 6.5 percent in 2026, close to the Central Bank's 5 percent target, reflecting the restrictive monetary policy and easing global supply conditions.

Agriculture growth, recovery of the tourism sector, and robust remittances are expected to positively affect household

well-being. However, sustained increases in food prices will continue to undermine such gains in 2024, given poor households spend 65 percent on food. Consequently, the international extreme poverty rate is expected to increase to 17.2 percent in 2024 before declining in 2025 and 2026.

The CAD is expected to remain contained, averaging 3.8 percent in 2024-26, reflecting robust remittances, a decrease in investment-related imports, and strong export growth. The monetary policy is set to remain tight as inflation persists. The fiscal deficit is projected to narrow to 1.5 percent of GDP over 2024-26, supported by the completion of major infrastructure projects and domestic revenue mobilization efforts, including the digitization of tax administration and customs, the implementation of digital excise stamps for excisable products, the introduction of fuel marking, and reforms to broaden the tax base. Public debt is projected to decrease to 68.9 percent of GDP in 2024, supported by the fiscal path. Nevertheless, The Gambia is expected to remain at high risk of debt distress, and the end of the debt-service deferrals in 2024 could weigh on debt sustainability and economic growth.

TABLE 2 The Gambia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	5.3	4.9	5.3	5.5	5.8	5.4
Private consumption	7.2	3.4	3.3	3.7	4.1	4.1
Government consumption	-7.9	2.3	2.4	2.5	2.6	2.7
Gross fixed capital investment	-8.7	15.1	13.7	14.1	11.8	9.1
Exports, goods and services	-27.2	8.5	18.9	18.0	20.1	22.0
Imports, goods and services	-15.2	16.2	11.0	12.0	11.0	10.0
Real GDP growth, at constant factor prices	5.3	4.9	5.3	5.5	5.8	5.4
Agriculture	13.7	3.6	7.2	6.6	6.2	5.1
Industry	2.9	3.1	6.5	6.4	6.1	6.1
Services	2.8	6.0	4.1	4.8	5.6	5.4
Inflation (consumer price index)	7.4	11.5	16.9	15.9	10.5	6.5
Current account balance (% of GDP)	-4.3	-4.2	-4.5	-5.1	-3.2	-2.3
Fiscal balance (% of GDP)	-4.8	-5.0	-2.6	-2.1	-1.3	-1.0
Revenues (% of GDP)	16.8	17.7	20.6	21.8	20.4	20.2
Debt (% of GDP)	83.9	83.4	75.8	68.9	64.6	59.5
Primary balance (% of GDP)	-1.8	-2.9	-0.4	1.0	1.4	1.5
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	16.1	16.4	16.9	17.2	16.5	15.9
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	45.4	45.9	47.0	47.6	46.7	45.8
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	80.3	81.5	82.3	83.2	82.9	81.8
GHG emissions growth (mtCO₂e)	4.2	3.4	2.9	2.5	2.5	2.5
Energy related GHG emissions (% of total)	20.7	21.0	21.4	21.7	22.0	22.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2020-IHS. Actual data: 2020. Nowcast: 2021-2023. Forecasts are from 2024 to 2026.

b/ Projections using microsimulation methodology.

GHANA

Table 1 **2023**

Population, million	34.1
GDP, current US\$ billion	76.2
GDP per capita, current US\$	2234.2
International poverty rate (\$2.15) ^a	25.2
Lower middle-income poverty rate (\$3.65) ^a	48.8
Upper middle-income poverty rate (\$6.85) ^a	78.5
Gini index ^a	43.5
School enrollment, primary (% gross) ^b	97.9
Life expectancy at birth, years ^b	63.8
Total GHG emissions (mtCO2e)	18.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2016), 2017 PPPs.
b/ Most recent WDI value (2021).

Ghana's economic conditions improved in 2023 but challenges remain, notably elevated inflation, subdued growth, and substantial pressure on public finances and debt sustainability. These lingering challenges will continue to subdue growth in 2024 at 2.9 percent but, in the medium term, growth will rebound to its long-term potential as prevailing conditions stabilize. Accordingly, lower growth projections coupled with recent bouts of high inflation mean that poverty in 2024 will be at its highest level in over a decade.

Key conditions and challenges

Ghana is in debt distress and public debt is unsustainable. In response, the Government has embarked on a comprehensive debt restructuring, a significant fiscal consolidation program, and the implementation of reforms to foster economic stability and resilience. The authorities' stabilization efforts are being supported by an Extended Credit Facility (ECF) program of the International Monetary Fund (IMF) for approximately US\$3 billion. The program aims to attain a moderate risk of debt distress over the medium term and replenish the foreign exchange reserves of the Bank of Ghana (BoG) to cover three months' worth of imports by the conclusion of the program.

The crisis has taken a toll on the pace of economic growth – which decelerated to an estimated 2.9 percent in 2023 and is projected to remain weak in 2024. Returning growth to its potential rate of 5 percent will require macroeconomic stability. Over the longer term, structural reforms aimed at promoting private sector development and increasing FDI attractiveness are necessary to raise the country's growth potential. Critical reforms include strengthening the insolvency regime, access to finance, the energy sector, and the legal and regulatory environment faced by foreign direct investors. Accelerating digitalization and harnessing the opportunities offered by the Africa Continental Free Trade Agreement (ACFTA) through

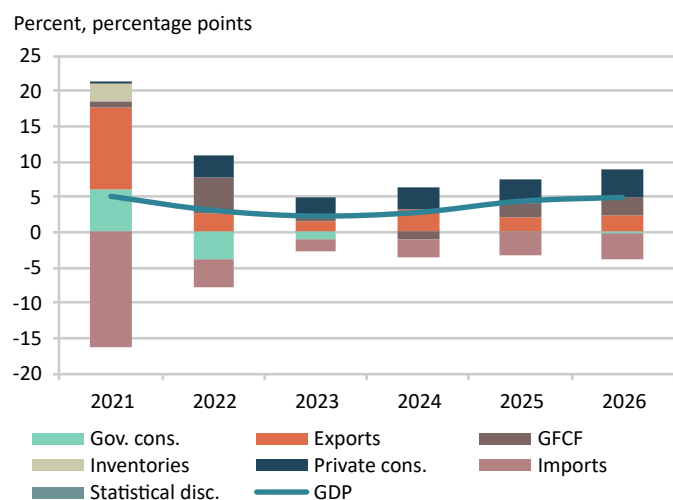
integration with global value chains will also be important in this regard. These will need to be complemented with measures to expand well-targeted social protection programs to mitigate the impact of the crisis and fiscal consolidation on the poor and most vulnerable.

Recent developments

In 2023, economic growth slowed down to an estimated 2.9 percent, albeit surpassing initial projections for the year. This growth was primarily driven by robust expansions in the agriculture and services sectors while industrial production fell by 1.2 percent due to contractions oil, electricity, and construction sub-sectors; and subdued growth in gold and manufacturing.

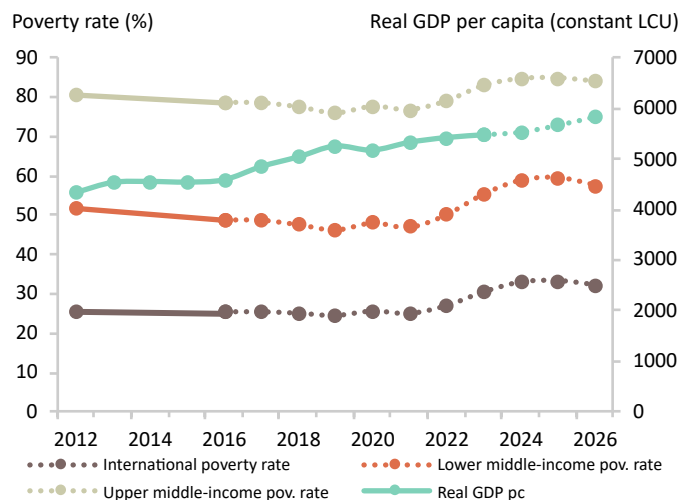
Fiscal consolidation is broadly on track with estimated deficit of 4.7 percent of GDP, significantly lower than the 11 percent deficit in 2022. At 15.7 percent of GDP in 2023, revenues and grants reached the same level as 2022 despite lower oil revenues. The government implemented measures to contain wage bill increase, reduced Capex and spending on goods and services leading to a reduction in expenditures from 26.6 percent of GDP in 2022 to an estimated 20.4 percent in 2023. Decreased interest payments also helped contain expenditures. The key financial soundness indicators demonstrate overall stability but credit to the private sector has contracted reflecting increased risk aversion among banks, as non-performing loans ratio increased above 20 percent.

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



Sources: Statistical service and World Bank.

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



Source: World Bank. Notes: see Table 2.

Inflation has declined significantly but remains well above the Bank of Ghana (BoG) target range of 8±2 percent. Year-on-year inflation fell from 53.4 percent in January 2023 to 23.2 percent in December 2023, reflecting more stable exchange rates and the effects of monetary policy tightening in 2022-23. Over the first months of 2024, the deceleration of inflation has stalled due to pass-through of the depreciation on prices of imported goods, on non-food inflation while food inflation marginally fell.

In 2023, the (pre-external debt restructuring) current account balance improved to an estimated deficit of 1.7 percent of GDP, from the 2022 deficit of 2.3 percent, as a decline in oil exports was more-than-offset by import compression, strong remittances, and lower income repatriation by mining and oil companies. The capital account continues to be in deficit due to weak FDI inflows and continued net outflows of portfolio investments. Thus, BOP remained in high deficit, at 3.2 percent of GDP. Gross international reserves was equivalent to 1.1 months of imports at the end of 2023, an increase from 0.7 months of imports in December 2022.

The immediate implications of the macroeconomic crises and debt distress in the country are the worsening in poverty and living standards of the population. The “international poverty” rate is estimated at 30.3 percent in 2023, a worsening of 3.5 percentage points since 2022.

Outlook

Growth is expected to remain weak in 2024 at 2.9 percent as the ongoing fiscal consolidation, high inflation rates, elevated interest rates, and lingering macroeconomic uncertainties are all projected to dampen private consumption and investment, limiting non-extractive sector growth. However, growth will gradually rebound to its long-term potential of approximately 5 percent by 2026 as prevailing conditions stabilize. The external sector is forecast to significantly improve over the medium term due to enhanced net capital inflows and continued trade surpluses.

In 2024, fiscal consolidation is expected to be on track due to continued revenue and expenditure reforms; and the external debt

restructuring. By 2026, the authorities expect to generate a primary surplus of 1.4 percent of GDP, a fiscal adjustment almost 4 percentage points of GDP between 2023 to 2026.

Ghana’s outlook is subject to significant downside risks as baseline projections depend on the completion of the authorities’ comprehensive debt restructuring and successful reform implementation, including meeting projected revenue mobilization targets. Further, there is significant risks to financial sector stability, due to the DDE while exchange rate, credit, and liquidity risks further add to the vulnerabilities. Possible policy slippages due to the approaching end-2024 general elections represent additional domestic vulnerabilities. Overall, the combination of economic challenges, fiscal consolidation measures, and downside risks suggests a challenging environment for poverty reduction efforts in Ghana. Adjustments to the country’s main cash transfer program, Livelihoods Empowerment Against Poverty, are expected to help the poorest of the poor yet more is needed. Poverty is expected to change little between 2024 and 2025 and is expected to come down slowly by 2026.

TABLE 2 Ghana / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	5.1	3.8	2.9	2.9	4.4	4.9
Private consumption	0.8	4.8	4.6	4.9	5.0	5.7
Government consumption	82.1	-31.7	-8.0	1.9	-0.6	-2.2
Gross fixed capital investment	4.5	28.6	3.9	-2.7	9.3	9.9
Exports, goods and services	69.1	9.6	5.8	10.3	6.4	7.2
Imports, goods and services	113.8	13.8	6.3	8.3	9.2	10.1
Real GDP growth, at constant factor prices	5.4	3.7	2.9	2.9	4.4	4.9
Agriculture	8.5	4.2	4.5	3.2	5.4	3.9
Industry	-0.5	0.6	-1.2	3.8	4.1	5.8
Services	9.4	6.2	5.5	2.0	4.1	4.8
Inflation (consumer price index)	10.0	31.5	40.3	23.2	11.5	8.0
Current account balance (% of GDP)	-3.7	-2.3	-1.7	-1.9	-2.2	-2.4
Net foreign direct investment inflow (% of GDP)	2.0	2.0	1.5	2.7	3.3	3.4
Fiscal balance (% of GDP)^a	-11.4	-11.0	-4.7	-5.0	-4.0	-3.5
Revenues (% of GDP)	15.3	15.6	15.7	16.7	17.3	18.2
Debt (% of GDP)^{a,b}	76.7	88.7	86.1	83.6	80.9	77.9
Primary balance (% of GDP)^a	-4.1	-3.6	-0.5	0.6	1.6	1.4
International poverty rate (\$2.15 in 2017 PPP)^{c,d}	24.8	26.8	30.3	32.9	33.2	32.2
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{c,d}	47.0	50.2	55.3	58.7	59.4	57.5
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{c,d}	76.7	78.9	82.8	84.6	84.8	83.9
GHG emissions growth (mtCO₂e)	6.0	11.8	7.3	4.8	5.9	7.1
Energy related GHG emissions (% of total)	129.8	121.2	117.0	114.3	110.9	106.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Fiscal and debt forecasts do not factor in the impact of the ongoing Debt Restructuring (DR) as the process is yet to conclude.

b/ 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.

c/ Calculations based on 2016-GLSS-VII. Actual data: 2016. Nowcast: 2017-2023. Forecasts are from 2024 to 2026.

d/ Projections using microsimulation methodology.

GUINEA

Key conditions and challenges

Table 1 **2023**

Population, million	14.2
GDP, current US\$ billion	23.0
GDP per capita, current US\$	1617.5
International poverty rate (\$2.15) ^a	13.8
Lower middle-income poverty rate (\$3.65) ^a	46.6
Upper middle-income poverty rate (\$6.85) ^a	86.8
Gini index ^a	29.6
School enrollment, primary (% gross) ^b	98.0
Life expectancy at birth, years ^b	58.9
Total GHG emissions (mtCO ₂ e)	45.9

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2018), 2017 PPPs.
 b/ Most recent WDI value (2021).

Mining investment will boost growth to 7.1 percent in 2023, poverty will decline slightly, and the fiscal deficit widen to 1.6 percent as capital spending rises. Growth in 2024 will slow primarily due to a dip in mining and slight impacts of the December 2023 fuel depot explosion. Extreme poverty is projected to fall in 2024 as food prices ease. Risks include delays to the political transition and reforms.

Growth was robust over 2019-23, averaging 5.4 percent (2.9 percent per capita terms) driven by the mining sector and agriculture productivity growth, supporting low fiscal deficits to GDP (averaging 1.7 percent). However, weak mining linkages to non-mining sectors, headwinds from Dutch-disease (DD) dynamics, and recent external shocks from the COVID-19 pandemic and Russia's invasion of Ukraine limited job creation and poverty reduction. The \$2.15 international poverty rate was 10.6 percent on average over the same period, only marginally affected by the mining-driven growth. The Simandou mining operation, expected to almost triple Guinea's GDP in the medium term, holds potential to transform Guinea's economy and create jobs if reforms are implemented that counter DD.

However, the ongoing mining boom, and associated real appreciation of the local currency, adversely affects competitiveness of non-mining sectors and hampers efforts to diversify the economy to create more and better jobs. Structural challenges include low human capital levels, large infrastructure gaps, an underdeveloped financial sector, weak institutional capacity, and large gender gaps in education, earnings, agriculture productivity, and political representation. Weak fiscal revenue mobilization constrains public investment. Recent increases in digital

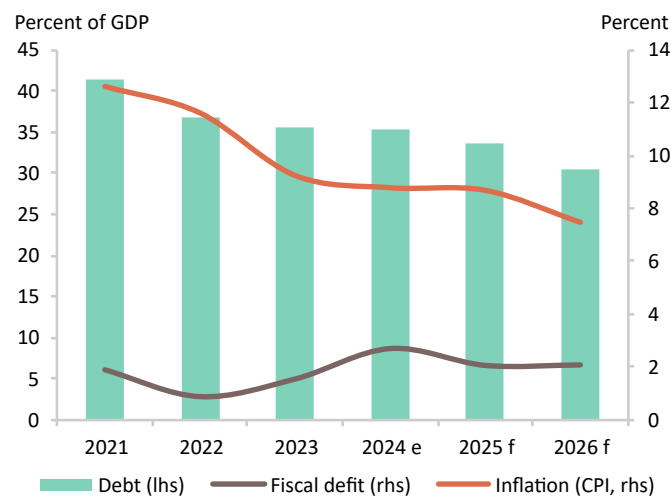
access and e-government transactions have helped bolster economic activity and streamlined tax collection; yet further digitalization and structural reforms are needed to spur diversification and inclusive growth.

Recent developments

Growth accelerated to 7.1 percent in 2023 (4.6 percent per capita terms) bolstered by strong mining sector performance. Bauxite production surged by 22 percent, and gold exports by 10 percent attributable to both artisanal operators and new formal sector companies. On the demand side, an investment surge (private and public) fueled growth. The fiscal deficit widened to 1.6 percent of GDP in 2023 from 0.9 percent in 2022, due to a 1.3 percentage point of GDP increase in capital expenditure.

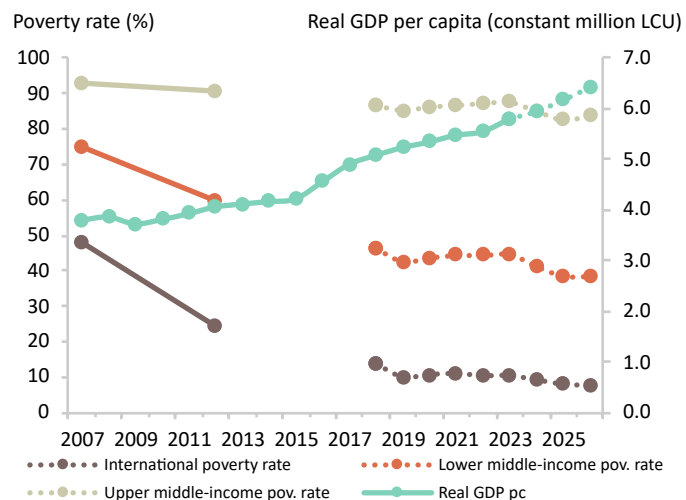
Inflation decelerated but remained high, at 9.3 percent in 2023, down from 11.6 percent in 2022, aided by stable transport costs and prudent fiscal and monetary policy (reserve money increased only by 3 percent and broad money by 1.5 percent). However, food price inflation is estimated to have increased from 13.9 percent in 2022 to 16.2 percent in 2023. Consequently, the US\$2.15 international poverty rate is expected to remain at 10.5 percent in 2023, same as in 2022. With inflation easing, and to encourage credit to the private sector, the central bank reduced its key rate by 50 basis points to 11 percent, and the reserve requirement ratio from 15 percent to 13 percent in September 2023.

FIGURE 1 Guinea / Debt, fiscal deficit, and inflation



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

The current account balance (CAB) widened to -12.9 percent in 2023, due to a significant decrease of trade surplus, linked to FDI-related imports and a fall in exports price. Mining-related FDI, the main source of external financing, increased to 15 percent of GDP in 2023, while the real effective exchange rate is likely to continue to appreciate.

Outlook

Mining will continue to drive growth while the non-mining sectors, impacted by the fuel depot explosion in mid-December 2023, recover. Growth will slow to around 4.9 percent in 2024 (2.4 percent per capita) and accelerate to 6.3 percent on average in 2025–2026 (excluding Simandou mine exports anticipated by end-2026), though below the potential of 9.3 percent. Despite deceleration in agriculture and services,

the \$2.15 international poverty rate is projected to decline to 9.3 percent in 2024 and 8.1 percent in 2025 due to easing food price inflation. Given the limited poverty gains from mining-driven growth, redistribution mechanisms to vulnerable populations and productivity gains in non-mining sectors will be required for inclusive growth.

Inflation would decelerate to 8.8 percent in 2024 and 8.1 percent on average in 2025–26, due to easing supply constraints and improving road-network conditions, facilitating food distribution, as well as to prudent monetary policy including minimal fiscal financing.

The fiscal deficit (including grants) would widen to 2.7 percent of GDP due to increased capital expenditures but decrease to 2.1 percent in 2025–2026 consistent with prudent fiscal policies. Tax revenues are to increase slightly in 2024 to 12.7 percent of GDP, buoyed by tax administration reforms and additional mining revenues from implementing the bauxite-reference-

price mechanism as of July 2022. Electricity subsidies are to decrease by 38 percent, per the 2024 budget law, as utility company reforms bear fruit, particularly the continued rollout of prepaid meters and intensified billing recovery efforts. Debt-to-GDP would decrease slightly to 35.3 percent in 2024 and to average 32.0 percent in 2025–2026, due to reduced domestic debt.

The CAB is forecast to remain high at -12.7 percent of GDP in 2024 as the FDI-induced trade deficit persists yet would improve slightly during 2025–26 to an average -10.1 percent. Mining-related FDI, the main source of external financing, is expected to rise to 17 percent of GDP in 2024, while the real effective exchange rate would likely continue to appreciate. Risks are tilted to the downside as political transition uncertainties leading up to the 2025 elections could slow implementation of reforms, potentially reducing private investment. On the upside, mining related FDI inflows could increase, reflecting planned new projects.

TABLE 2 Guinea / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	5.0	3.7	7.1	4.9	6.2	6.5
Private consumption	0.6	7.6	4.8	3.3	4.7	4.7
Government consumption	16.8	-22.4	3.4	24.8	4.6	5.6
Gross fixed capital investment	8.3	6.2	39.8	48.4	41.8	3.9
Exports, goods and services	0.8	5.8	11.3	6.8	6.0	5.9
Imports, goods and services	-6.2	6.7	18.2	25.3	20.3	3.3
Real GDP growth, at constant factor prices	5.1	4.6	7.1	4.9	6.2	6.5
Agriculture	8.3	5.4	5.1	3.0	4.4	5.1
Industry	3.1	2.0	10.8	6.7	7.8	8.9
Services	5.2	6.5	5.1	4.4	5.7	5.0
Inflation (consumer price index)	12.6	11.6	9.3	8.8	8.7	7.5
Current account balance (% of GDP)	0.6	-0.3	-12.9	-12.7	-12.3	-7.8
Net foreign direct investment inflow (% of GDP)	11.1	12.1	15.0	17.4	16.9	9.6
Fiscal balance (% of GDP)	-1.9	-0.9	-1.6	-2.7	-2.1	-2.1
Revenues (% of GDP)	15.2	13.2	13.8	13.9	14.2	15.3
Debt (% of GDP)	41.5	36.7	35.5	35.3	33.7	30.3
Primary balance (% of GDP)	-0.8	0.0	-0.4	-1.6	-1.2	-1.3
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	11.1	10.5	10.5	9.3	8.1	7.8
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	44.5	44.5	44.7	41.2	38.5	38.4
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	86.7	87.3	87.6	85.0	82.6	83.8
GHG emissions growth (mtCO₂e)	3.2	3.1	3.1	3.2	3.1	3.1
Energy related GHG emissions (% of total)	10.8	10.7	10.7	10.6	10.5	10.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2018-EHCVM. Actual data: 2018. Nowcast: 2019–2023. Forecasts are from 2024 to 2026.

b/ Projections using microsimulation methodology.

GUINEA-BISSAU

Key conditions and challenges

Table 1 2023

Population, million	2.2
GDP, current US\$ billion	2.0
GDP per capita, current US\$	918.1
International poverty rate (\$2.15) ^a	26.0
Lower middle-income poverty rate (\$3.65) ^a	60.2
Upper middle-income poverty rate (\$6.85) ^a	89.1
Gini index ^a	33.4
School enrollment, primary (% gross) ^b	113.3
Life expectancy at birth, years ^b	59.7
Total GHG emissions (mtCO2e)	4.4

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2021), 2017 PPPs.
 b/ WDI for School enrollment (2010); Life expectancy (2021).

Weak cashew export performance and high inflation kept growth at 4.2 percent in 2023, undermining poverty reduction. Budget slippages and lower revenues derailed fiscal consolidation efforts while infrastructure investment, rice subsidies, and energy arrears increased debt. Growth should improve as energy and transport infrastructure come online, but its sustainability depends on institutional reforms. The outlook is subject to downside risks from political instability, shocks to the cashew sector, and climatic shocks.

Exports of raw cashew nuts, approximately 90 percent of merchandise exports, determine economic performance. Cashew production is dispersed among smallholder farmers, whose income supports overall economic activity. Poverty remains widespread – particularly in rural areas. Human development indicators are among the lowest in the world, and low access to basic services contribute to exclusion and marginalization. Political instability is chronic in Guinea-Bissau, the world’s most coup prone country, and recent regional and international geopolitical uncertainty only threaten to stoke domestic tensions further.

Access to credit is limited and the enabling environment for private sector-led growth is weak due to poor infrastructure, low levels of human capital, and limited public services. Recently, there have been investments to improve infrastructure, though mostly donor financed as fiscal space is limited by low domestic revenue mobilization and the relatively high wage bill. Transparency and governance of state-owned enterprises is limited, especially the national utility company, EAGB, which accrues substantial public debt in the energy sector through government guaranteed letters of credit that only partially cover mounting arrears. Identifying contingent fiscal liabilities is difficult, increasing fiscal risks and amplifying the high risk of debt

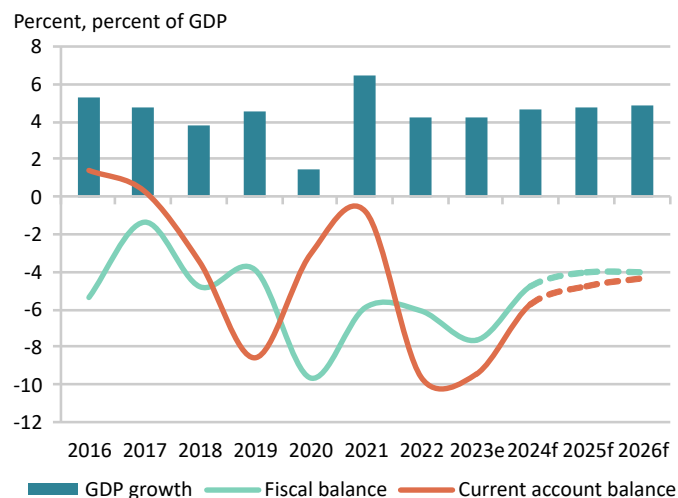
distress and limiting capacity to absorb shocks. Non-performing loans continue to make the banking sector another possible source of contingent liabilities.

Recent developments

Economic activity grew by 4.2 percent in 2023 (2.1 percent in per capita terms), unchanged from 2022. On the supply side, growth was driven by agriculture and government infrastructure investment stimulating the construction sector. On the demand side, inflationary pressures caused private consumption to fall. Inflation remained high at 8 percent (y/y) in 2023, from 7.9 percent in 2022, driven by food and energy inflation. This followed an average of 1 percent between 2015 and 2020.

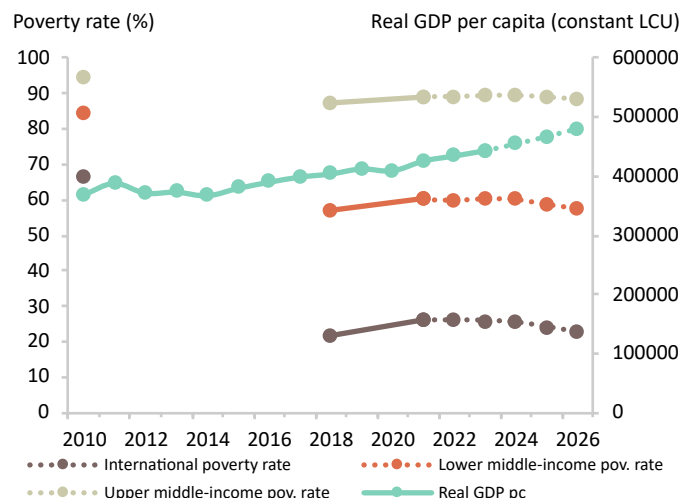
A cashew campaign marred by problems, including shipping container shortages, smuggling, disruptions from legislative elections, and low international demand, put exports at just 168,000tn in 2023 despite production of 260,000tn. This, along with high import costs, kept the current account deficit (CAD) high at 9.4 percent. Fiscal consolidation efforts were derailed as higher-than-planned discretionary spending and lower customs receipts widened the fiscal deficit to 7.6 percent in 2023, from 6.1 percent in 2022. Legislative elections, energy sector arrears accumulation, rice subsidies costing 0.2 percent of GDP, and urban road infrastructure investments kept debt above the convergence criterion at 77.8 percent of GDP.

FIGURE 1 Guinea-Bissau / Evolution of main macroeconomic indicators



Sources: Ministry of Finance and World Bank.

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



Source: World Bank. Notes: see Table 2.

To counter inflation across WAEMU countries, the Central Bank of West African States (BCEAO) raised policy interest rates by a cumulative 150 basis points since mid-2022 to 3.5 percent for liquidity calls and 5.5 percent for the marginal lending facility. However, inflation in the region (3.7 percent in 2023) was still above the 1-3 percent target range and foreign exchange reserves have been on a downward trend, estimated at 3.5 months of imports at end-2023, down from 4.3 months at end-2022.

The combination of agricultural growth and high food prices is expected to have left poverty unchanged between 2022 and 2023 at about 26 percent, with population growth implying over 10,000 additional poor people.

Outlook

Economic activity is likely to expand by 4.7 percent in 2024 (2.2 percent per capita) following a strong cashew campaign. Agriculture will drive growth with cheaper energy from regional energy project OMVG

stimulating the real sector. Easing of inflationary pressures and a strong cashew season will encourage private consumption. Favorable weather conditions and dividends from government investments into agricultural inputs over the last few years should support strong cashew production. Exports should markedly improve as nine overland border routes are authorized for exports, curtailing smuggling. Historically, only cashew exports via the port of Bissau were authorized. This opening could contribute to higher demand from possible processing activity in neighboring countries. Additionally, Chinese firms should enter the market for processing in Asia, competing with India and Vietnam. Consequently, the CAD is projected to narrow to 5.7 percent of GDP, mostly financed by concessional loans and grants. Higher revenue collection and greater spending discipline could lower the fiscal deficit to 4.8 percent of GDP in 2024, or 5.6 percent including planned arrears clearance, with public debt falling to 75.6 percent of GDP. The pace of the fiscal adjustment is highly dependent on greater revenue mobilization, strengthened expenditure controls, and increased grant financing, and thus

subject to considerable uncertainty given the country's ongoing political volatility. The BCEAO may need to continue monetary tightening in 2024 to bring inflation under control and in the context of rising uncertainties over the withdrawal of Niger, Mali, and Burkina Faso from ECOWAS and potential spillovers to WAEMU. These uncertainties are likely to increase investors' risk perceptions leading to tighter financing conditions and putting additional strain on already low foreign exchange reserves.

A rebound in the agriculture sector will partly drive the poverty rate to decline to 25.4 percent in 2024. Further progress is expected to be supported by lower food prices reducing poverty to 24.1 percent in 2025, lifting over 15,000 out of poverty, and reaching 22.6 percent by 2026. Household purchasing power will improve with higher cashew prices and lower food prices, benefiting the poorest who spend a higher share of their income on food.

The outlook is subject to substantial downside risks stemming from political instability, climate and agricultural shocks, uncertainty of EAGB operations, and financial sector non-performing loans.

TABLE 2 Guinea-Bissau / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	6.4	4.2	4.2	4.7	4.8	4.9
Private consumption	16.0	3.0	-1.2	5.1	4.4	4.2
Government consumption	16.0	7.0	5.5	-8.5	-5.6	3.9
Gross fixed capital investment	-5.0	15.7	23.0	5.6	7.6	2.6
Exports, goods and services	15.0	-6.5	-3.1	12.2	9.6	7.6
Imports, goods and services	4.0	2.5	0.8	3.0	4.0	3.0
Real GDP growth, at constant factor prices	6.3	4.7	4.2	4.7	4.8	4.9
Agriculture	5.4	6.1	7.5	5.1	5.1	5.1
Industry	5.6	4.8	4.0	4.4	4.5	4.6
Services	7.3	3.7	1.8	4.4	4.7	4.8
Inflation (consumer price index)	3.3	7.9	8.0	4.5	2.0	2.0
Current account balance (% of GDP)	-0.8	-9.6	-9.4	-5.7	-4.7	-4.4
Fiscal balance (% of GDP)	-5.9	-6.1	-7.6	-4.8	-4.0	-4.0
Revenues (% of GDP)	19.1	15.2	13.9	16.0	15.3	15.2
Debt (% of GDP)	78.8	80.4	77.8	75.6	72.8	70.4
Primary balance (% of GDP)	-4.3	-4.7	-5.0	-2.2	-1.6	-1.6
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	26.0	26.0	25.9	25.4	24.1	22.6
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	60.2	59.9	60.4	60.2	58.8	57.7
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	89.1	89.2	89.5	89.6	89.0	88.3
GHG emissions growth (mtCO₂e)	1.4	1.4	1.4	1.5	1.5	1.6
Energy related GHG emissions (% of total)	8.0	8.2	8.3	8.6	8.8	9.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2021-EHCVM. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.

b/ Projections using microsimulation methodology.

KENYA

Key conditions and challenges

Table 1 **2023**

Population, million	55.1
GDP, current US\$ billion	107.5
GDP per capita, current US\$	1950.1
International poverty rate (\$2.15) ^a	36.1
Lower middle-income poverty rate (\$3.65) ^a	70.1
Upper middle-income poverty rate (\$6.85) ^a	91.3
Gini index ^a	38.7
School enrollment, primary (% gross) ^b	97.2
Life expectancy at birth, years ^b	61.4
Total GHG emissions (mtCO2e)	82.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

Kenya's growth rebounded after two consecutive years of droughts, as the poverty rate continued its declining trend. The Government of Kenya is taking bold measures to strengthen its macroeconomic policy framework. Fiscal consolidation remains a top priority, which in combination with a tighter monetary policy and improved global credit outlook made the country regain access to international financial markets. The outlook remains positive in the medium term, although the failure to achieve fiscal consolidation targets could exacerbate Kenya's debt vulnerabilities.

Kenya's GDP growth accelerated in 2023 after two consecutive years of droughts. Notwithstanding the cyclical rebound, long-term development challenges remain. Years of public-sector led growth and debt accumulation brought macroeconomic imbalances and did not create enough quality jobs that can sustain higher wages and accelerate poverty reduction. Compounded with high trade costs, these imbalances have generated a sluggish tradable sector in the economy. During 2023, uncertainty over future external financing were added to regular low exports and FDI, creating pressures on the foreign currency market. Climate shocks are increasing in frequency and intensity, threatening the livelihoods of many Kenyans, especially in dry and arid regions.

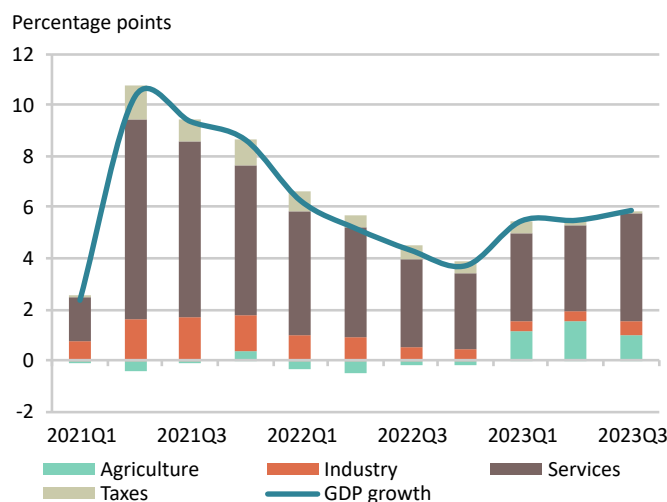
Kenya's economic growth has not been sufficiently inclusive, with the connection between growth and poverty reduction weakening. The poor have fewer household members working and are more likely to be engaged in subsistence agriculture and low-productivity services sub-sectors for employment. Strategies to enhance inclusive growth should focus on promoting productive employment and strengthening resilience to adverse weather shocks. The government has taken steps to reinforce its macroeconomic policy framework. A tighter monetary policy continued fiscal consolidation, and the return

to global capital markets through the issuance of a Eurobond in February 2024 helped to improve market confidence and foreign currency reserves. But there is scope to do more. Despite strengthened tax administrative measures, tax collection is characterized by low compliance levels, while expenditure inefficiencies and fiscal slippages are common. FDI is still restricted by complex entry and licensing procedures which limit international integration, and the economy is losing competitiveness in major exporting markets. Recent measures to strengthen market regulations and reduce the footprint of the State in the economy are positive, although there is space to enable a greater expansion of the private sector to raise productivity and create better jobs.

Recent developments

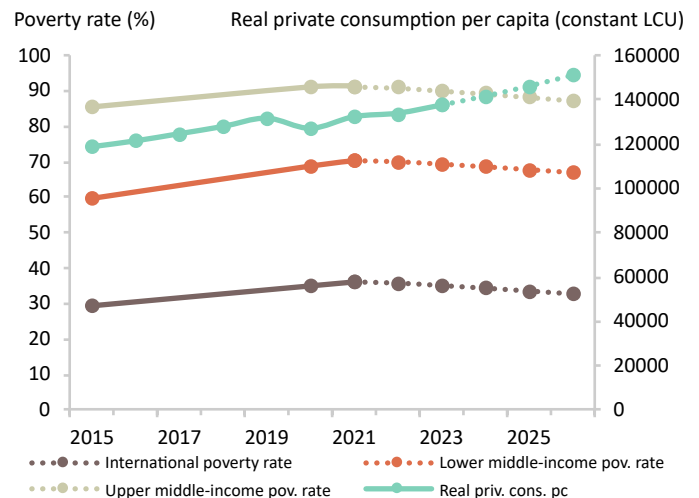
Kenya's real GDP expanded by 5.4 percent in 2023. The agricultural sector experienced a stronger than expected rebound after two years of drought. The onset of the rains led to improved crop yields and livestock health, which supported poverty rates to resume their downward trajectory. The \$2.15 international poverty rate is projected to have declined from 35.8 percent in 2022 to 35.1 percent in 2023. Moreover, industry and services continued to show resilience despite surging production costs, increased cost of credit, and a depreciating shilling. The depreciated currency depressed imported oil products, machinery, and transport

FIGURE 1 Kenya / Annualized quarterly real GDP growth and contributions to annualized real quarterly GDP growth



Sources: World Bank and Kenya National Bureau of Statistics.

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



Source: World Bank. Notes: see Table 2.

equipment but did not result in higher exports. As imports fell faster than exports and remittance flows held up, the current account deficit narrowed to 3.9 percent of GDP in 2023. FX reserves stood at US\$ 7.1 billion or 3.7 months of import by January 2024, improving from December 2023 but still below the Central Bank of Kenya's (CBK) statutory minimum of 4.0 months of import cover.

Inflation fell to 6.9 percent by January 2024, within the CBK's target range of 5±2.5 percent, as falling commodity prices and tight monetary policy offset exchange-rate passthrough. During 2023, the CBK increased its policy rate by a total of 375 basis points, including a 200-basis-point hike in December, with another increase of 50bps, to 13 percent, in February 2024.

Fiscal consolidation continues as the government is expanding the tax base and rationalizing non-priority spending. However, revenue collection is lagging. Tax policy and tax administration measures were submitted to parliament by mid-December 2023 to ensure meeting end-of-year targets. As a share of GDP, public debt rose to 73.2 percent in 2023 from 70.6 percent in 2022.

Outlook

Kenya's outlook remains positive in the medium term, with real GDP projected to grow by 5.2 percent on average in 2024-2026. Persistent structural challenges notwithstanding, a stronger macroeconomic framework and the regaining of access to international financial markets will spur investor confidence and private investment, supporting capital inflows, and freeing more credit to the private sector through reduced domestic government borrowing. As reforms materialize, exports are projected to increase as Kenya implements trade agreements signed under the EU-EPA, AfCFTA, and potential other trade agreements. FDI, tourism, and remittance inflows will support external financing; the current account deficit is expected to remain within 3.9 and 4.1 percent of GDP. A more stable currency, moderating global and local inflation pressures, and, eventually, a more accommodative monetary policy will accelerate credit growth.

Ongoing fiscal consolidation is expected to reduce the fiscal deficit, which is projected to decline to -4.1 percent of GDP in 2024, targeting a primary surplus of 1.2 percent.

Real per capita incomes are expected to grow, and the poverty incidence is expected to resume its pre-pandemic downward trend, declining by nearly a percentage point each year toward pre-pandemic levels. The US\$2.15 poverty rate is expected to fall from 35.1 percent in 2023 to 34.4 percent in 2024.

The outlook is subject to elevated uncertainty. The failure to achieve fiscal consolidation targets could exacerbate Kenya's debt vulnerabilities, especially due to still high-debt service repayments. Climate hazards could resume inflationary pressures and food insecurity, affecting growth. Lower than anticipated growth of international partners could undercut ongoing recovery in tourism, exports, and remittances. Elevated commodity prices would further tighten financial condition, weaken external balances, and impact inflation. The upside risks are linked to faster than expected normalization in global financing conditions and lower international fuel and food prices.

TABLE 2 Kenya / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	7.6	4.8	5.4	5.0	5.3	5.3
Private consumption	6.2	3.1	5.0	4.9	5.3	5.4
Government consumption	6.0	7.4	5.7	1.6	0.8	1.1
Gross fixed capital investment	10.8	-1.1	0.1	5.3	7.8	7.8
Exports, goods and services	15.3	10.7	-6.8	8.7	9.6	9.9
Imports, goods and services	22.2	4.5	-7.8	3.0	5.5	6.4
Real GDP growth, at constant factor prices	7.1	4.5	5.4	5.0	5.3	5.3
Agriculture	-0.4	-1.6	6.1	4.1	4.4	4.5
Industry	7.5	3.9	2.2	4.0	4.1	4.3
Services	9.6	6.7	6.2	5.6	5.9	5.9
Inflation (consumer price index)	6.1	7.6	7.7	7.0	5.0	5.0
Current account balance (% of GDP)	-5.2	-5.1	-3.9	-3.9	-4.0	-4.1
Net foreign direct investment inflow (% of GDP)	0.0	0.3	0.4	0.6	0.7	0.8
Fiscal balance (% of GDP)	-7.3	-5.9	-5.2	-4.1	-3.3	-3.2
Revenues (% of GDP)	16.8	17.1	17.8	19.1	19.3	19.4
Debt (% of GDP)	68.1	70.6	73.2	71.8	69.0	66.6
Primary balance (% of GDP)	-2.5	-0.8	0.0	1.2	1.7	1.7
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	36.1	35.8	35.1	34.4	33.6	32.7
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	70.1	69.8	69.2	68.5	67.8	67.0
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	91.3	90.9	90.1	89.2	88.2	87.2
GHG emissions growth (mtCO₂e)	3.5	4.6	5.0	5.9	6.5	6.4
Energy related GHG emissions (% of total)	26.5	26.6	26.4	26.1	25.8	26.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2013-, 2018-, and 2021-KCHS. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.

b/ Projection using point to point elasticity at regional level with pass-through = 1 based on private consumption per capita in constant LCU.

LESOTHO

Table 1 **2023**

Population, million	2.3
GDP, current US\$ billion	2.3
GDP per capita, current US\$	972.0
International poverty rate (\$2.15) ^a	32.4
Lower middle-income poverty rate (\$3.65) ^a	54.6
Upper middle-income poverty rate (\$6.85) ^a	81.0
Gini index ^a	44.9
School enrollment, primary (% gross) ^b	110.0
Life expectancy at birth, years ^b	53.1
Total GHG emissions (mtCO2e)	4.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2017), 2017 PPPs.
b/ Most recent WDI value (2021).

Growth increased to 2 percent in 2023 and will remain at around this rate over 2024-26. The outlook is subject to downside risks from delays in the Lesotho Highlands Water Project (LHWP), and the implementation of reforms to control public spending, raise efficiency, as well as public investment effectiveness. Further delays in implementing reforms to bolster private sector development and human capital will also stall growth. Weaker global and regional growth, rising geopolitical tensions, and climate shocks could adversely affect the growth trajectory.

Key conditions and challenges

Growth rate has averaged only 1.2 percent since 2010, indicating that the consumption-driven growth model anchored on a large public sector has not been sustainable. Weaknesses in fiscal policy and management has undermined public spending inefficiencies. The large public sector has also crowded out the private sector, curtailing business investment and the development of new private sector activities. Domestic entrepreneurs face difficulties in accessing credit. Gaps in the regulatory competition and investment frameworks, including for foreign direct investment, raise uncertainty and costs of doing business. Large infrastructure gaps, including in information and communications technology, dampen private investment and the country's integration in global value chains.

Fiscal imbalances have been persistent overtime, as spending was not compensated by higher revenue, leading to higher public debt. Volatile Southern African Customs Union (SACU) receipts, poor cash management, and deficiencies in public procurement processes have led to the accumulation of arrears, which threaten macroeconomic stability.

Weak regional and global demand are undermining exports, which remain heavily concentrated to apparel and textile, and natural resources. Policy measures are needed to unlock private investment

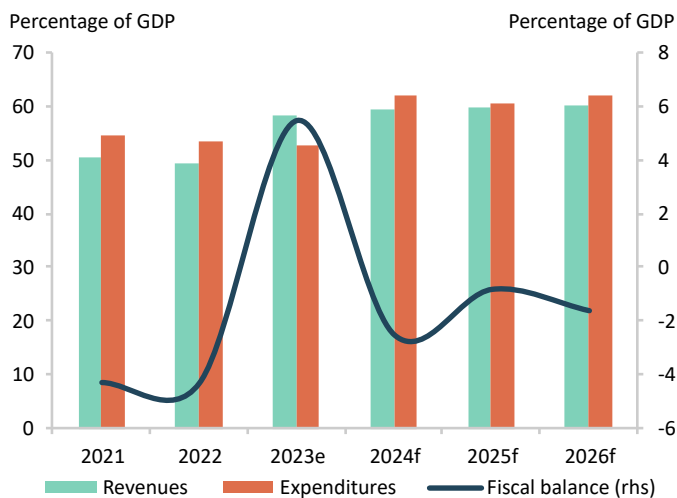
and diversify the economy. The future of the textile sector hinges on the renewal of the United States' African Growth and Opportunities Act (AGOA) beyond 2025 and measures to relaunch the competitiveness of the sector. South Africa's weak economy affects growth prospects through trade and lower remittances.

Limited private sector activity and skills mismatches contribute to high unemployment, estimated at 22.5 percent in 2019 (reaching 38.3 percent when discouraged job seekers are included), and high poverty rates. Over one-third of the population was estimated to live on less than US\$2.15 per day (2017 PPP) in 2022. Lesotho is in the top quintile of countries with the most unequal income distribution.

Recent developments

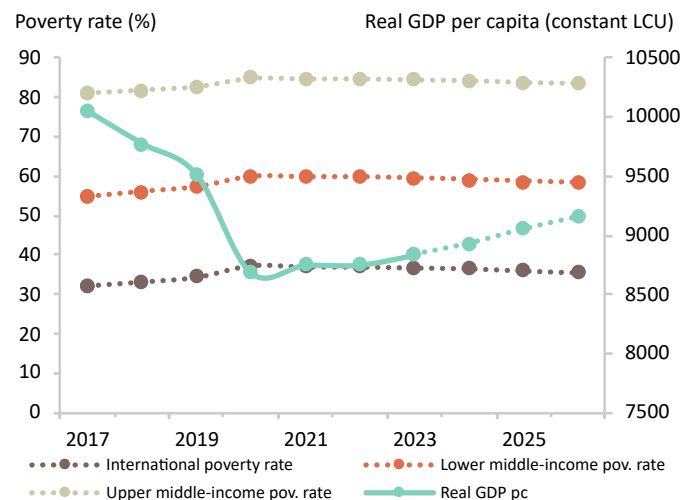
The economy expanded by an estimated 2 percent in 2023, mainly driven by the public sector, especially the LHWP-II megaproject and its spillover effects on transportation, logistics, and financial services. The project experienced some delays in early 2024 owing to strikes, but activity has since resumed. On the downside, weaknesses in public investment management and efforts to control spending are delaying the implementation of capital projects. On the supply side, the industrial sector grew by about 5 percent, while the expansion of the agricultural sector, while still positive, decelerated significantly.

FIGURE 1 Lesotho / Fiscal dynamics



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

Headline inflation decreased from its peak of 9.8 percent in July 2022 to 7.2 percent in December 2023, owing primarily to the moderation in fuel and food prices, but pressures are emerging again. The central bank revised upwards the net international reserves target floor to US\$750 million in January 2024 and increased the policy rate to 7.75 percent in July 2023, which stands below the South African policy rate.

The fiscal balance improved dramatically, from a deficit of 4.3 percent of GDP in 2022 to a surplus of 5.5 percent of GDP in 2023, owing to the more than doubling of SACU revenue. The government has spent more than half of SACU windfall in FY 2023/24, to increase public investment and recurrent spending by 2 percentage points of GDP each. Recurrent spending increases were driven by transfers to other public sector bodies, social benefits, and subsidies. The public sector wage bill growth kept constant as a share of GDP, even though it increased above inflation. Limited progress has been made on arrears' clearance, which have emerged owing to recurrent fiscal deficits in the past, and weaknesses in public financial management and in public procurement.

Outlook

Growth is projected to remain subdued, at around 2-2.5 percent over the next three years. This rate will be insufficient to return the economy to its pre-pandemic level by 2026 and significantly reduce poverty and inequality rates. The implementation of the LHWP-II project should continue to drive growth, but private activities are expected to expand modestly as longstanding structural constraints remain unaddressed. Consequently, the US\$2.15 per day poverty rate is projected to fall only slightly from 37.0 percent in 2022 to 36.1 percent in 2025.

Inflation is expected to gradually moderate to 5.0 percent in line with declining energy and food prices, but to remain relatively high owing to the rand depreciation. The current account deficit is projected to widen due to higher imports associated with the LHWP-II, and weaker demand for exports, driven by uncertainties surrounding the renewal of AGOA, and a deceleration in the US economy.

After the large fiscal surplus registered in 2023, the government's accounts are expected to return to deficits, even though

SACU transfers are projected to remain elevated, risking undermining macroeconomic stability. Although the projected deficits will be driven by public investment, and there are substantial gaps in productive, social, and resilient infrastructure, public investment prioritization and management have been weak, raising concerns about the country's absorptive capacity and resource misallocation. Using the SACU windfall to implement reforms that stimulate private sector investment and bring down recurrent spending would strengthen growth.

Domestic and external risks are tilted to the downside. Weaker global and regional growth, and the intensification of geopolitical conflicts, would impact negatively on diamond exports and remittances. This and failure to renew AGOA would widen the current account deficit, while further delays in the LHWP-II would lower growth. On the positive side, devising a plan to clear arrears and delivering on it would strengthen the macroeconomic policy framework and public spending. Climate shocks could weaken the outlook and endanger gains in poverty alleviation, underscoring the need to strengthen climate risk management and resilience.

TABLE 2 Lesotho / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	1.9	1.1	2.0	2.2	2.5	2.3
Private consumption	-6.7	9.1	3.6	3.5	3.2	3.2
Government consumption	-5.3	2.4	2.2	17.9	11.5	12.3
Gross fixed capital investment	6.5	10.8	54.7	9.3	26.7	18.3
Exports, goods and services	5.1	36.7	2.2	2.2	2.2	2.0
Imports, goods and services	-0.4	22.5	10.3	10.8	11.3	10.5
Real GDP growth, at constant factor prices	1.9	1.1	2.0	2.2	2.5	2.3
Agriculture	-16.0	12.5	2.4	2.4	2.4	2.4
Industry	4.7	5.0	5.0	5.3	5.0	5.0
Services	2.3	-0.8	1.0	1.1	1.6	1.3
Inflation (consumer price index)	6.0	8.3	6.4	5.3	5.0	5.0
Current account balance (% of GDP)	-4.1	-6.2	-5.5	-6.2	-6.6	-6.4
Net foreign direct investment inflow (% of GDP)	1.2	1.2	1.4	1.9	1.4	1.2
Fiscal balance (% of GDP)	-4.3	-4.3	5.5	-2.5	-0.8	-1.5
Revenues (% of GDP)	50.2	49.1	57.6	58.9	59.1	59.6
Debt (% of GDP)	60.4	60.6	57.5	54.9	51.2	47.7
Primary balance (% of GDP)	-3.3	-3.4	6.4	-1.6	0.0	-0.8
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	37.0	37.0	36.8	36.6	36.1	35.6
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	59.7	59.7	59.4	59.0	58.6	58.3
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	84.8	84.8	84.5	84.3	83.8	83.6
GHG emissions growth (mtCO₂e)	1.3	2.3	2.6	2.8	2.9	2.1
Energy related GHG emissions (% of total)	57.9	58.1	58.2	58.4	58.6	58.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2017-CMSHBS. Actual data: 2017. Nowcast: 2018-2023. Forecasts are from 2024 to 2026.

b/ Projection using neutral distribution (2017) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

LIBERIA

Table 1

	2023
Population, million	5.4
GDP, current US\$ billion	4.3
GDP per capita, current US\$	799.5
International poverty rate (\$2.15) ^a	27.6
Lower middle-income poverty rate (\$3.65) ^a	60.6
Upper middle-income poverty rate (\$6.85) ^a	88.9
Gini index ^a	35.3
School enrollment, primary (% gross) ^b	72.9
Life expectancy at birth, years ^b	60.7
Total GHG emissions (mtCO2e)	17.2

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2016), 2017 PPPs.
 b/ Most recent WDI value (2021).

Liberia's economy expanded by an estimated 4.7 percent in 2023. Inflationary pressures increased due to rising food and transportation costs. Medium-term growth prospects are promising but require maintaining macroeconomic stability, prudent fiscal consolidation, and implementation of ongoing structural reforms in key enabling sectors. However, risks to the outlook are tilted to the downside as inflationary pressures, fiscal slippages, and fluctuations in commodity prices could undermine macroeconomic stability and growth.

Key conditions and challenges

Since 2021, Liberia has seen steady economic progress, but not at a rate fast enough to accelerate the country's efforts to reduce poverty. The medium-term outlook for the country is promising; however, to accelerate growth, macroeconomic stability and fiscal sustainability must be upheld in the near term, and infrastructure and private investment enhanced in the medium term. Macroeconomic stability must be complemented by institutional reforms, enhancements in the business environment, and significant upgrades to basic services and infrastructure to unlock the country's growth potential. In addition, investing in human capital and building climate resilience are essential for long-term growth and breaking the cycle of entrenched poverty. Liberia has limited access to health care, education, and basic utilities by regional and global standards, and despite being among the nations with the lowest greenhouse gas emissions, the country faces significant challenges in adapting to consequences of climate change.

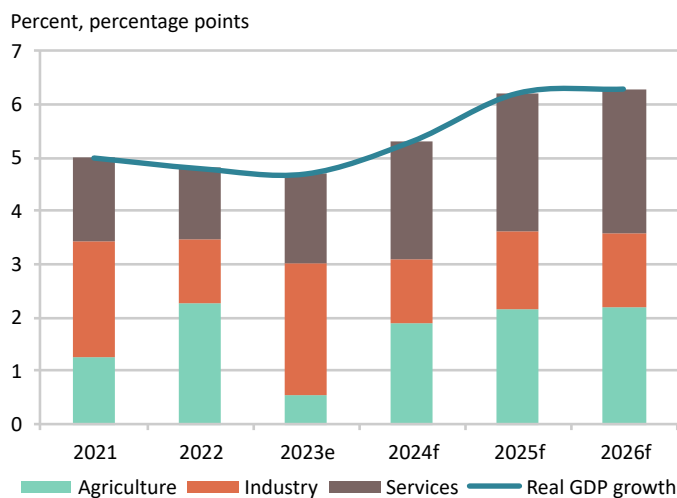
Recent developments

Liberia's economy expanded by an estimated 4.7 percent in 2023, driven mainly by mining, specifically gold production.

Growth in the primary sector was sluggish -1.4 percent, as the outputs of key agricultural products such as rubber and crude palm oil declined by 2.0 percent and 10.7 percent, year-on-year (y/y), respectively. The secondary sector expanded by 13.9 percent, led by mining. Gold production increased by 16.4 percent (y/y) in response to higher international demand, while iron ore output grew by 1.0 percent (y/y). In manufacturing, cement production expanded by 5.6 percent, driven by increased construction activity. The services sector expanded by 3.8 percent.

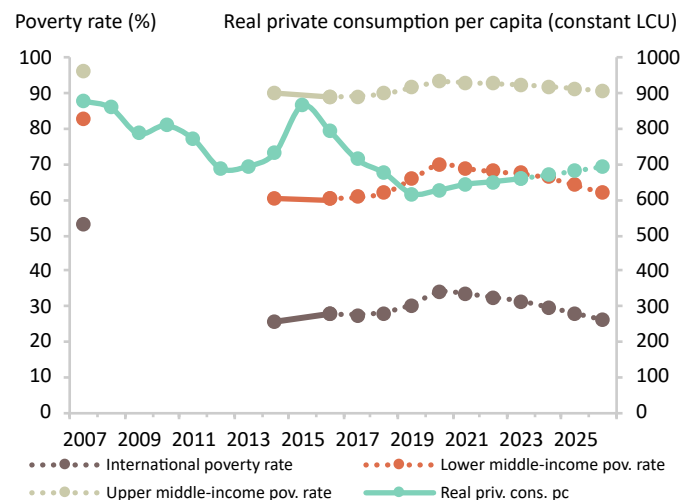
Headline inflation rose to 10.1 percent in 2023, from 7.6 percent in 2022, driven by increases in transport and food prices, and a weaker Liberian dollar. As of December 2023, the Liberian dollar to US dollar exchange rate had increased by 22.0 percent (y/y) but was broadly stable during the last half of the year, trading at L\$186.6 per US dollar. Nonfood inflation averaged 10.3 percent in 2023, down slightly from 10.6 percent in 2022, while food inflation averaged 12.3 percent, from a disinflation of 1.6 percent during the same period. Food prices will remain a major driver of inflation and will continue to have a disproportionate impact on the poor, who are net consumers of food and are at risk of food insecurity and falling into deeper poverty. The rice sector remains vulnerable to externalities, as trends in rice supply, demand, and prices shape food insecurity and poverty in Liberia. Although rice accounts for more than 20 percent of total food consumption, its price remains volatile in the market. This has recently compelled the government to intervene, halting all price

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



Sources: Liberian authorities and World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

increases and looking at ways to offer alternative varieties of rice. The extreme international poverty rate (US\$2.15 per person per day) is estimated to have declined by 1.1 percentage points to 31.3 percent in 2023, from 32.4 percent in 2022.

In 2023, the Central Bank of Liberia (CBL) raised the policy rate twice in May and July by 500 basis points cumulatively to 20.0 percent to rein in inflation. The CBL also removed the ceiling on the offered amount of CBL bills to help accommodate the growing oversubscription, absorb the excess liquidity in the banking system, and strengthen its monetary policy operations. The financial sector remained adequately capitalized with minimum capital adequacy ratio at 21.2 percent, well above the floor of 10 percent. Non-performing loans as share of total loans also declined to from 16.4 percent to 11.2 percent, slightly above the tolerable levels of 10 percent.

Liberia's fiscal deficit remained high, at around 5.5 percent of GDP due to declines in revenue and grants and increase in consumption spending. The fiscal deficit was mainly financed by concessional resources - (i.e., budget support loans and IMF Special Drawing Rights). In March 2024, the new Government submitted a revised 2024 budget to the legislature for approval.

The current account deficit is estimated to have risen to 24.4 percent of GDP in 2023, up from 17.7 percent in 2022. The increase in current account deficit was driven by trade dynamics. The trade deficit worsened to 18.4 percent of GDP, from 11.8 percent in 2022, as growth in imports driven by minerals, machinery, and petroleum outpaced the growth in exports. The current-account deficit was financed by net IMF credit, loans, and drawdowns of gross official reserves. By December 2023, the gross external reserves fell to US\$496 million (about 2.3 months of imports), from US\$644 million (3.0 months of imports) in December 2022.

Outlook

Liberia's medium-term growth prospects are positive on balance. The economy is expected to expand by 5.4 percent in 2024 and average of 5.9 percent in 2024–26. Medium-term growth prospects require maintaining macroeconomic stability, prudent fiscal consolidation, and implementation of ongoing structural reforms in key enabling sectors.

Tightening monetary policy will ease inflationary pressures and bring inflation

down to 5.4 percent by 2026. The fiscal deficit is projected to moderate to an average of 3.3 percent of GDP in the medium term as the government strengthens domestic resource mobilization and expenditure controls. The current-account deficit is expected to remain elevated in the medium term due to a surge in aggregate demand driven by foreign direct investment (FDI) related imports. The deficit will be financed by FDI in mining, private financing flows, and disbursements of project grants and loans.

Real income per capita is expected to grow and poverty incidence is expected to decline by 3.6 percentage points, from 29.6 percent in 2024 to 26.0 percent in 2026 as the government addresses supply side constraints, stimulates growth and job creation, and takes measures to combat food insecurity and climate vulnerabilities by mitigating rising food prices and tightening macroeconomic policy to reduce inflationary pressures.

However, the outlook is not without significant risks. Inflationary pressures resulting from elevated import prices (especially food and fuel), combined with potential decrease in export prices (such as rubber, iron ore, and gold), and fiscal slippages could undermine macroeconomic stability and hamper the recovery in growth.

TABLE 2 Liberia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	5.0	4.8	4.7	5.3	6.2	6.3
Private consumption	4.7	3.3	3.5	3.7	3.8	3.9
Government consumption	0.2	-5.7	0.0	-6.0	-2.3	6.2
Gross fixed capital investment	-7.9	9.4	12.9	11.8	12.6	9.0
Exports, goods and services	14.7	7.7	8.5	13.1	13.6	13.6
Imports, goods and services	1.8	3.1	7.0	7.3	7.5	7.5
Real GDP growth, at constant factor prices	4.8	4.8	4.7	5.3	6.2	6.3
Agriculture	3.3	5.9	1.4	5.0	5.7	5.9
Industry	13.3	6.7	13.9	6.3	7.5	7.0
Services	3.0	2.8	3.8	5.1	6.0	6.3
Inflation (consumer price index)	7.8	7.6	10.1	7.7	5.6	5.4
Current account balance (% of GDP)	-17.8	-17.7	-24.4	-21.7	-21.9	-21.6
Fiscal balance (% of GDP)	-2.4	-5.6	-5.5	-3.2	-3.7	-3.1
Revenues (% of GDP)	27.2	21.5	20.8	22.9	22.4	20.7
Debt (% of GDP)	53.2	53.4	54.5	55.4	55.6	53.7
Primary balance (% of GDP)	-1.6	-4.6	-4.5	-2.3	-2.9	-2.3
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	33.4	32.4	31.3	29.6	27.8	26.0
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	69.0	68.1	67.5	66.3	64.3	62.1
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	93.1	92.8	92.5	91.9	91.4	90.6
GHG emissions growth (mtCO₂e)	3.2	3.2	3.1	3.1	3.2	3.2
Energy related GHG emissions (% of total)	6.4	6.3	6.2	6.1	5.9	5.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2016-HIES. Actual data: 2016. Nowcast: 2017-2023. Forecasts are from 2024 to 2026.

b/ Projections using microsimulation methodology.

MADAGASCAR

Key conditions and challenges

Table 1 2023

Population, million	30.3
GDP, current US\$ billion	16.5
GDP per capita, current US\$	545.5
International poverty rate (\$2.15) ^a	80.7
Lower middle-income poverty rate (\$3.65) ^a	92.4
Upper middle-income poverty rate (\$6.85) ^a	98.2
Gini index ^a	42.6
School enrollment, primary (% gross) ^b	138.2
Life expectancy at birth, years ^b	64.5
Total GHG emissions (mtCO2e)	41.8

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2012), 2017 PPPs.
b/ Most recent WDI value (2021).

Economic growth is estimated to have remained unchanged at 3.8 percent in 2023 due to sluggish export performance linked to the global economic slowdown and unfavorable export price management. It is projected to pick up to 4.6 percent over 2024-26, driven by the recovery of international trade and tourism and increased investments in the telecommunications and mining sectors. The elevated poverty rate is projected to abate slightly. Risks remain substantial, including fiscal pressures stemming from state-owned enterprises.

Persistently low economic growth and rapid population growth have resulted in declining income per capita and a high poverty rate. Madagascar's 2023 real GDP per capita represents only about 56 percent of its level in 1960. The international poverty rate (US\$2.15 per person per day at 2017 PPP) has stagnated at around 80 percent over the past decade, positioning the country among the most impoverished globally. Weak governance, distortionary policies, and low investment in physical and human capital have led to low productivity growth and slow structural transformation. Most of the workforce remains engaged in low-productivity activities, and 80 percent of the population still relies on agriculture as their primary source of income.

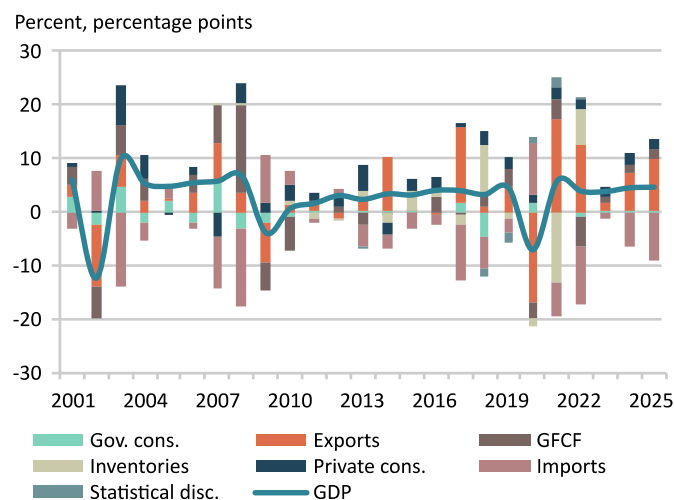
Furthermore, Madagascar's vulnerability to climate and natural shocks, including cyclones and droughts, contributes to higher growth volatility and weighs on potential growth. On average, four cyclones hit Madagascar each year, damaging infrastructure and agricultural fields, while the south is increasingly exposed to drought. To reduce poverty, Madagascar needs robust and sustained growth, along with improved resilience to shocks. Sustained reforms are vital to ensure dependable and affordable access to infrastructure, develop human capital, and enhance governance. Recent reforms introduced in the mining code, telecommunications sector

licensing, and the investment law could improve investors' confidence, paving the way for higher investment and productivity gains. Deepening these reforms and ensuring adequate governance and financial sustainability of state-owned enterprises should be prioritized.

Recent developments

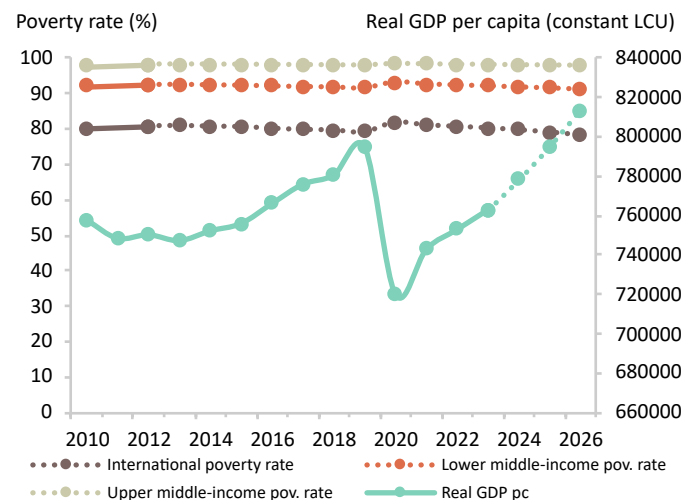
Economic growth remained unchanged at 3.8 percent in 2023, driven by tourism, with arrivals nearly doubling from 2022 and high demand for telecommunications and the food industry. Hence, domestic expenditure has driven growth, while the contribution to growth from net exports has been marginal. Although mineral export volumes (nickel, cobalt) have been moderately strong and gold export has resumed after suspension in 2020, lower demand and prices for key Malagasy exports such as textiles, vanilla, and spices have dampened overall export performance. Inflation has been declining since Q2 2023 due to high base effects related to the fuel price hike in July 2022 and a tighter monetary policy stance. The central bank increased its deposit and marginal lending facility rates twice since early 2023 for a cumulative increase of 90 basis points. Concurrently, headline inflation decreased from a peak of 12.4 percent (yoy) in March 2023 to 7.5 percent in December 2023. Core inflation, which excludes food and energy price hikes, declined from 7.9 percent in December 2022 to 6.3 percent in December 2023. Despite an estimated rise of 8 percent

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



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

in domestic rice production in 2023, rice prices remained high due to market distortions. Lower international energy prices have not impacted local prices owing to the government's price controls.

The fiscal deficit is estimated to have declined from 6.4 percent of GDP in 2022 to 4.9 percent in 2023. The tax-to-GDP ratio is estimated to have increased from 9.5 percent in 2022 to 12.6 percent in 2023, mainly due to the one-off impact related to the recovery of petroleum tax arrears accumulated in 2022 (equivalent to 1.8 percent of GDP). Nonetheless, the tax-to-GDP ratio remains below the 12.9 percent budget target. Government expenditure increased from 17.2 percent of GDP in 2022 to 19.6 percent in 2023 and included a large transfer to the public water and electricity utility, JIRAMA. The budget deficit was mainly financed by concessional external financing. External and overall public debt distress risks remain moderate.

The current account deficit narrowed from 5.4 percent of GDP in 2022 to an estimated 4.5 percent in 2023, with goods imports declining faster than exports. Despite this improvement, the ariary depreciated by 8.2 percent on average against the US dollar and 11 percent against the euro in 2023.

This depreciation was influenced by high inflation and heightened investor risk aversion, partly due to uncertainties related to the presidential elections.

Outlook

Growth is expected to accelerate to an average of 4.6 percent over 2024-26, driven by favorable base effects, enhanced trade and tourism opportunities, and a new impetus for private investment following impactful structural reforms in pivotal sectors such as mining, digital technology, and the investment climate. The potential extension of the United States' African Growth and Opportunity Act could positively impact economic activities, particularly investment in the textile industry. Nevertheless, the poverty rate is projected to stay at about 79.7 percent in 2024, as job creation is expected to remain limited compared to population growth. Hence, about 24.8 million people are projected to remain poor, a number larger than the total population of Burundi and South Sudan altogether, where the poverty rates also are very high.

The current account deficit is projected to remain stable at around 4.7 percent of GDP over 2024-26, mainly reflecting a narrowing goods and services trade deficit, in line with rising exports from mining and tourism and decreasing crude oil prices. The current account deficit is expected to be financed mainly by foreign direct investments and external financing for the public sector.

The fiscal deficit is projected to narrow to an average of 3.1 percent of GDP over 2024-26, driven by increased revenue collection, notably from the mineral sector, as mining projects ramp up production after the enactment of the new mining code. The public debt-to-GDP ratio is expected to remain high but sustainable, averaging 57 percent of GDP over 2024-26.

Risks to the outlook include recurring natural hazards, ongoing international conflicts, and a global economic slowdown. Domestic downside risks include the financial stress of state-owned enterprises, particularly JIRAMA and Madagascar Airlines, and delay in implementing key structural reforms. The enactment of a new mining code and the resumption of major investment projects represent upside risks that could significantly boost economic growth.

TABLE 2 Madagascar / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	5.7	3.8	3.8	4.5	4.6	4.7
Private consumption	3.0	2.5	2.6	2.9	3.0	3.1
Government consumption	0.2	-8.0	2.3	3.0	3.6	4.0
Gross fixed capital investment	12.7	-19.1	6.2	7.1	7.5	8.0
Exports, goods and services	55.0	27.5	2.4	12.6	15.8	16.3
Imports, goods and services	12.7	19.8	1.7	10.7	14.1	15.1
Real GDP growth, at constant factor prices	6.5	3.7	3.8	4.5	4.6	4.7
Agriculture	-1.6	0.9	2.2	2.3	2.3	2.3
Industry	19.7	10.9	7.6	10.2	10.3	10.4
Services	7.3	3.1	3.4	3.7	3.8	3.9
Inflation (consumer price index)	5.8	8.2	9.9	7.8	7.3	6.9
Current account balance (% of GDP)	-5.0	-5.4	-4.5	-4.8	-4.7	-4.7
Net foreign direct investment inflow (% of GDP)	1.7	2.1	1.6	2.3	2.4	2.5
Fiscal balance (% of GDP)	-2.8	-6.4	-4.9	-3.8	-3.2	-2.4
Revenues (% of GDP)	11.1	10.8	14.7	13.3	13.5	14.1
Debt (% of GDP)	52.3	56.9	57.6	57.1	56.4	57.4
Primary balance (% of GDP)	-2.2	-5.8	-4.0	-2.9	-2.2	-1.6
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	81.0	80.6	80.2	79.7	79.1	78.4
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	92.6	92.4	92.2	91.9	91.7	91.4
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	98.2	98.1	98.1	98.0	97.9	97.8
GHG emissions growth (mtCO₂e)	1.2	1.3	1.3	2.4	2.8	2.9
Energy related GHG emissions (% of total)	11.9	12.3	12.1	12.3	12.5	12.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2012-ENSOMD. Actual data: 2012. Nowcast: 2013-2023. Forecasts are from 2024 to 2026.

b/ Projection using neutral distribution (2012) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

MALAWI

Table 1 **2023**

Population, million	20.9
GDP, current US\$ billion	14.1
GDP per capita, current US\$	672.9
International poverty rate (\$2.15) ^a	70.1
Lower middle-income poverty rate (\$3.65) ^a	89.1
Upper middle-income poverty rate (\$6.85) ^a	97.3
Gini index ^a	38.5
School enrollment, primary (% gross) ^b	126.4
Life expectancy at birth, years ^b	62.9
Total GHG emissions (mtCO2e)	21.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2019), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

Economic growth rose slightly to 1.5 percent in 2023 from 0.9 percent in 2022. This was supported by the resumption of electricity production at the Kapichira hydro-electric plant, but the unavailability of production inputs and the impact of Tropical Cyclone Freddy constrained the recovery. Growth is estimated at 2.0 percent in 2024. This has been impacted by a prolonged dry spell and the continued scarcity of foreign exchange. High inflation and food shortages will impact household welfare, increasing the poverty rate to 72 percent in 2024.

Key conditions and challenges

Vulnerabilities in the Malawian economy continue to be exacerbated by weather- and climate-related shocks paired with scarcity of foreign exchange that constrains the importation of raw materials. Recurring floods and prolonged dry spells compounded by limited availability of agricultural inputs and weak domestic and regional market integration keep agricultural output below its potential. Persistent liquidity challenges and distortions in foreign exchange markets continue to constrain the importation of raw materials for the production process, further undermining growth.

A lack of trade dynamism and low levels of investment persist. Lower agricultural output and slow implementation of policies to support crop diversification and economic transformation constrain exports, as does the widespread presence of non-tariff barriers, strict capital controls, and high trade costs. These in turn affect the accumulation of foreign exchange reserves. With continued high import demands, the current account deficit remains elevated, placing additional pressure on reserves.

Fiscal imbalances have been a central challenge to reducing inflation, following years of an expansionary fiscal policy. Slow implementation of public financial management reforms, paired with growing statutory expenditure requirements continue to exert upward pressure on government

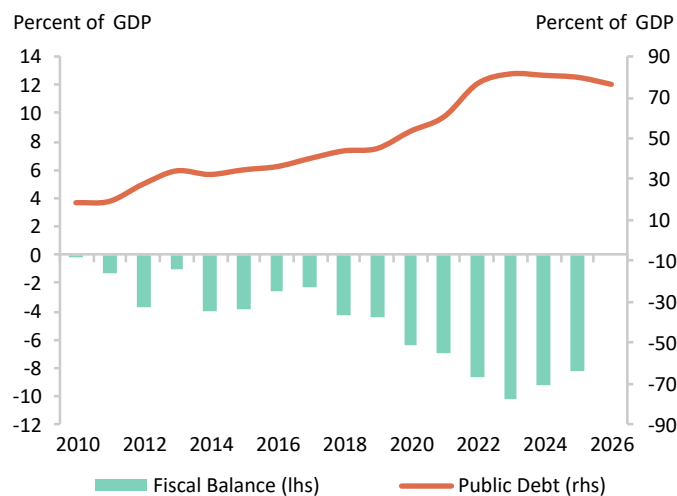
expenditure. With limited availability of external financing and high levels of domestic borrowing, public debt continues to rise, resulting in debt servicing requirements in excess of 35 percent of revenues. The prevalence of poverty remains high, with rates exceeding 70 percent - one of the highest in the world. The continued high rate of poverty is exacerbated by a sluggish economic recovery and persistent food shortages following a series of weather shocks, high susceptibility to fluctuations in food prices, and ongoing rapid population growth.

Recent developments

The impact of Tropical Cyclone Freddy and the limited availability of agriculture inputs weighed on agricultural production in 2023. While low liquidity and persistent unavailability of foreign exchange constrained importation of raw materials for production, the early resumption of electricity production at Kapichira supported improved economic activity in industry and services, contributing to an estimated economic growth rate of 1.5 percent in 2023.

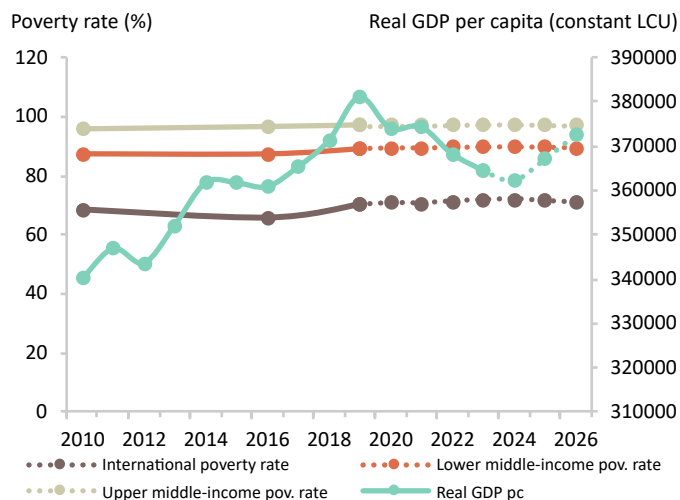
Weak export recovery amidst high imports and low foreign investment has resulted in a current account deficit of 16.1 percent of GDP. Gross official reserves remained below 1 month of import cover throughout 2023. To help restore foreign exchange reserves in late 2023, the Reserve Bank of Malawi (RBM) announced the 44 percent adjustment of kwacha-US dollar exchange rate, together with several measures to increase the

FIGURE 1 Malawi / Fiscal balance and public debt as percent of GDP



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

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



Source: World Bank. Notes: see Table 2.

kwacha flexibility. The exchange rate premium significantly narrowed at the end of 2023, from 60 to around 10 percent.

Inflation remains high. Despite the RBM's efforts to tackle mounting inflation by tightening monetary policy, persistently high food prices owing to shortages on the domestic market, coupled with the delayed depreciation of the Malawi kwacha, resulted in substantial inflationary pressures. With money supply growth increasing, driven mainly by the revaluation benefits on foreign currency denominated deposits, inflation has remained at around 33.5 percent since February 2024.

Supported by exchange rate gains on trade taxes, disbursements of grants, and remittance of dividends, revenue collection increased to 17.2 percent of GDP in fiscal year (FY) 2023/24. However, higher-than-planned expenditures, reaching 29.0 percent of GDP in FY 2023/24, will partially offset improved revenue performance, pushing the fiscal deficit to 11.7 percent of GDP. This has predominantly been financed by the incurrence of domestic liabilities, mostly from the banking sector, in turn crowding out credit to the private sector.

The continuous rise in prices, especially for food and transportation, has adversely affected household consumption. Coupled

with food shortages, this has exacerbated food insecurity and pushed many into poverty in 2023. The proportion of people living on less than \$2.15 per day increased to 71.7 percent in 2023.

Outlook

Malawi's economy is projected to grow by 2.0 percent in 2024 – a contraction in per capita terms given 2.6 percent population growth. Limited availability of agricultural inputs and the impact of prolonged dry spells during the growing season will result in reduced agricultural output. Continued liquidity challenges in foreign exchange markets are expected to continue affecting the importation of raw materials and production inputs, constraining economic activity in industry and services.

Headline inflation is expected to remain high and average 27.4 percent in 2024. The disinflationary impact of tightening monetary policy will be offset by lower agricultural output and resultant pressures on food prices. The adjustment of energy and other utility prices necessitated by the adjustment of the kwacha and planned for 2024 will add to inflationary pressures.

Revenue is projected at 21.5 percent of GDP in FY2024/25. This outcome assumes the achievement of ambitious tax revenue targets as well as increased disbursements of grants which are expected to reach 5.4 percent of GDP, the highest in the last decade. Expenditure is expected to slightly moderate to 28.4 percent of GDP, thus translating to a projected fiscal deficit of 6.6 percent of GDP in FY2024/25. Failure to attain ambitious revenue targets and overspending would widen the deficit further, which will add to an already high and unsustainable public debt burden.

Imports are expected to continue rising, driven in particular by the need for increased food imports to address domestic shortages. While exports are also projected to recover, the impact of prolonged dry spells on agricultural production may constrain export growth. The current account deficit is projected to remain high at 20 percent of GDP.

With heightened food insecurity, both from high food prices and shortages owing to anticipated lower agriculture output, poverty is expected to worsen in 2024. The proportion of people living below the poverty line of \$2.15 a day will increase slightly to 72 percent in 2024.

TABLE 2 Malawi / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	2.8	0.9	1.5	2.0	3.9	4.1
Private consumption	2.6	0.6	3.8	4.0	4.8	5.1
Government consumption	-1.1	-5.8	14.8	6.9	-2.3	6.9
Gross fixed capital investment	6.5	12.4	-15.0	-2.5	6.3	-9.4
Exports, goods and services	2.5	3.1	3.5	8.8	6.7	6.0
Imports, goods and services	2.5	3.9	3.9	9.6	6.3	3.9
Real GDP growth, at constant factor prices	2.8	0.9	1.5	2.0	3.9	4.1
Agriculture	5.2	-1.0	0.6	-1.2	3.7	3.0
Industry	1.9	0.9	1.6	2.2	3.3	3.1
Services	2.0	1.8	1.9	3.2	4.2	4.8
Inflation (consumer price index)	9.3	20.9	28.7	27.4	20.8	16.7
Current account balance (% of GDP)	-15.2	-17.3	-16.1	-20.0	-19.6	-17.9
Net foreign direct investment inflow (% of GDP)	0.8	1.6	1.5	2.1	2.3	2.5
Fiscal balance (% of GDP)	-6.9	-8.9	-10.3	-11.8	-7.3	-7.3
Revenues (% of GDP)	14.7	15.0	15.3	17.2	21.1	17.7
Debt (% of GDP)	60.6	76.7	81.4	80.7	79.8	76.4
Primary balance (% of GDP)	-3.1	-3.6	-3.9	-7.1	-1.1	-2.3
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	70.6	71.3	71.7	72.0	71.4	70.9
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	89.4	89.5	89.7	89.8	89.6	89.4
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	97.4	97.5	97.5	97.5	97.5	97.4
GHG emissions growth (mtCO₂e)	1.5	1.4	1.4	1.4	1.3	1.4
Energy related GHG emissions (% of total)	7.6	7.6	7.7	7.7	7.7	7.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2019-IHS-V. Actual data: 2019. Nowcast: 2020-2023. Forecasts are from 2024 to 2026.

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

MALI

Key conditions and challenges

Recent developments

Table 1 2023

Population, million	23.3
GDP, current US\$ billion	21.8
GDP per capita, current US\$	936.3
International poverty rate (\$2.15) ^a	20.8
Lower middle-income poverty rate (\$3.65) ^a	56.1
Upper middle-income poverty rate (\$6.85) ^a	85.9
Gini index ^a	35.7
School enrollment, primary (% gross) ^b	72.6
Life expectancy at birth, years ^b	58.9
Total GHG emissions (mtCO2e)	48.0

Source: WDI, Macro Poverty Outlook, and official data.

a/ Most recent value (2021), 2017 PPPs.

b/ Most recent WDI value (2021).

GDP growth stabilized at 3.5 percent (0.6 percent per capita) in 2023, below expectations, due to lower agricultural output and an electricity crisis, resulting in limited poverty reduction with an extreme poverty rate of 20.2 percent in 2023. Growth is projected to weaken slightly in 2024. The outlook is subject to downside risks from rising insecurity, increasing financing costs, impacts of the announced ECOWAS withdrawal, and climate-related shocks.

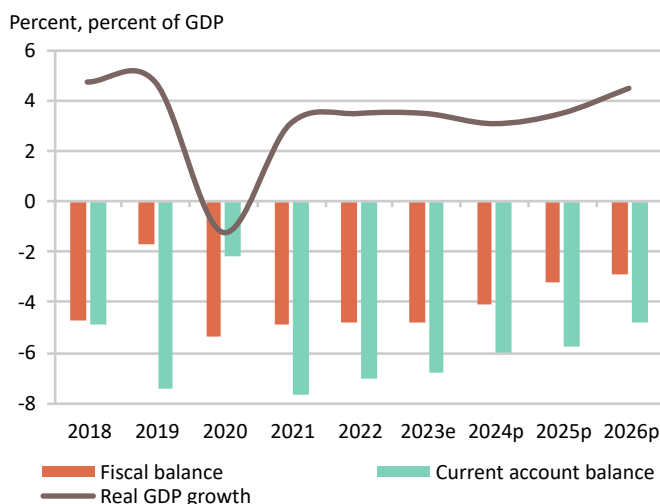
Mali's economy has experienced little structural change over the last three decades. Agriculture and low-productivity services dominate the economy; manufacturing remains limited and concentrated in agro-industries and cotton ginning. Exports are dominated by gold and cotton and vulnerable to commodity-price and climatic shocks. GDP growth per capita stagnated during the last decade limiting poverty reduction, while human development indicators show mixed results.

Insecurity, a weakened social contract, and the absence of the State in remote areas, and limited investment are key bottlenecks for inclusive growth. Political instability following the two coup d'états in 2020 and 2021 has also become a significant growth constraint. In September 2023, Burkina Faso, Mali, and Niger formed the Alliance of Sahel States (AES), a security and military pact with political and economic aims. On January 28, 2024, in a joint communiqué, the three countries announced their 'immediate' withdrawal from ECOWAS. According to the revised ECOWAS Treaty, a notification period of one year is required to leave ECOWAS. These developments have increased political and policy uncertainty, including the timetable for elections in Mali.

GDP growth stabilized at 3.5 percent in 2023, less than initial projections, due to lower food agricultural production, which was impacted by insecurity and unfavorable weather conditions. The second major contributor was the electricity crisis starting in August 2023 with shortages due to a large accumulation of arrears to suppliers disrupting manufacturing. Industrial output was also dampened by the effects of the 2022 unsuccessful cotton season on ginning industries. The service sector remained resilient, supported by telecommunications and public services. On the demand side, growth was supported by public and private consumption, in contrast to public investment and net exports, which underperformed. The terms of trade improved in 2023 as commodity prices of energy and food imports eased. This was offset by lower exports as cotton exports declined 13.5 percent on the back of lower production in 2022, and the recovery of import demand after the lifting of the 2022 ECOWAS sanctions. As a result, the current account deficit remained high at 6.8 percent of GDP.

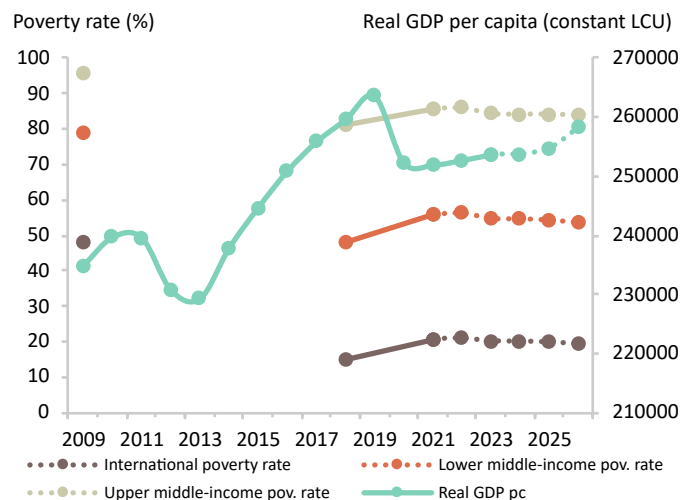
After surging to a record high of 9.7 percent in 2022, inflation declined to 2.1 percent in 2023, due to strong 2022 agricultural production and the easing of international commodity prices. As a result, the extreme poverty rate has decreased by 0.8 percentage point to 20.2 percent in 2023. However, the humanitarian situation remains serious, with over 350,000 internally

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



Sources: Malian government and World Bank.

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



Source: World Bank. Notes: see Table 2.

displaced persons due to insecurity, in addition to an estimated 715,000 people facing severe food insecurity as of December 2023.

To counter inflation across WAEMU countries, the Central Bank of West African States (BCEAO) raised policy interest rates by a cumulative 150 basis points since mid-2022 to 3.5 percent for liquidity calls and 5.5 percent for the marginal lending facility. However, inflation in the region (3.7 percent in 2023) was still above the 1-3 percent target range and foreign exchange reserves have been on a downward trend, estimated at 3.5 months of imports at end-2023, down from 4.3 months at end-2022.

The fiscal deficit stabilized at 4.8 percent of GDP in 2023, while public debt slightly increased to 52.1 percent of GDP. Though the risk of debt distress remains moderate, there are increasing fiscal risks from the electricity sector with contingent liabilities (arrears) of 4.6 percent of GDP. Tax revenues recovered in 2023, supported by digitalization reforms, and higher indirect collections, boosted by the recovery of trade flows. Public wages (8.8 percent of GDP) and security spending (6.4 percent of GDP)

continued to increase and crowd out public investment (4.2 percent of GDP). The fiscal deficit was financed predominantly by the increasingly expensive regional bond market, where Mali's average yields on 12-month treasuries reached 9.4 percent in February 2024.

Outlook

Growth is projected to weaken slightly to 3.1 percent in 2024 and average 4 percent over 2025-26 – below the long-term potential rate for the economy of 5 percent – reflecting the combined effects of the electricity crisis and the expected impacts of an orderly ECOWAS withdrawal: lower trade with non-WAEMU ECOWAS states, higher investors' risk premia, and increased regional financing costs.

The fiscal deficit is expected to decline to 4.1 percent of GDP in 2024, before gradually converging towards the WAEMU ceiling of 3 percent by 2026, as the government consolidates in the face of high financing costs. The current account deficit is expected to

gradually decline over 2025-26 with the coming onstream of lithium production.

Due to the weak growth in GDP per capita, particularly in agriculture and service sectors, the extreme poverty rate is expected to decline only slightly - by 0.9 ppt over 2023-2026 - and will result in nearly 76,500 additional extreme poor per year.

The outlook remains subject to significant downside risks, including rising insecurity from the exit of the 13,000 MINUSMA peacekeeping force in 2023 and the end of the Algiers peace accord, a persistent electricity crisis, climatic shocks, and the withdrawal from ECOWAS. An unnegotiated ECOWAS withdrawal with disruptions to transport, transit and free movement of goods, services, capital, and labor could exacerbate negative impacts due to spillovers onto WAEMU trade. The BCEAO may need to continue monetary tightening in 2024 to bring inflation under control and in the context of increased risks from the withdrawal of Niger, Mali, and Burkina Faso from ECOWAS. A further increase in the cost of financing could lead to Mali further cutting investment expenditure to reduce its borrowing needs.

TABLE 2 Mali / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	3.1	3.5	3.5	3.1	3.5	4.5
Private consumption	3.0	4.0	3.9	3.8	3.9	4.1
Government consumption	5.8	7.6	16.7	-0.2	0.8	-1.0
Gross fixed capital investment	4.8	1.0	-3.6	4.7	4.5	9.2
Exports, goods and services	-1.0	18.1	-3.9	2.8	4.3	5.1
Imports, goods and services	14.1	0.7	2.3	3.9	4.3	4.3
Real GDP growth, at constant factor prices	3.0	4.3	3.4	3.1	3.5	4.5
Agriculture	1.4	2.4	2.3	3.6	4.5	4.5
Industry	1.0	3.7	2.0	3.0	3.5	3.5
Services	5.1	5.8	4.9	2.8	2.8	4.9
Inflation (consumer price index)	4.0	9.7	2.1	2.5	2.3	2.0
Current account balance (% of GDP)	-7.7	-7.0	-6.8	-6.0	-5.8	-4.8
Net foreign direct investment inflow (% of GDP)	3.0	2.6	2.4	3.0	2.9	2.7
Fiscal balance (% of GDP)	-4.9	-4.8	-4.8	-4.1	-3.2	-2.9
Revenues (% of GDP)	22.0	19.8	20.8	20.8	21.9	20.5
Debt (% of GDP)	50.4	51.8	52.1	52.6	52.8	53.4
Primary balance (% of GDP)	-3.5	-3.4	-3.1	-2.2	-1.4	-1.2
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	20.8	21.0	20.2	20.1	19.9	19.3
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	56.1	56.4	54.7	54.6	54.2	53.5
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	85.9	86.1	84.3	84.1	84.1	83.8
GHG emissions growth (mtCO2e)	4.0	3.3	2.7	3.6	4.0	4.2
Energy related GHG emissions (% of total)	8.5	9.0	8.6	8.4	8.3	8.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2021-EHCVM. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.

b/ Projections using microsimulation methodology.

MAURITANIA

Table 1 **2023**

Population, million	4.9
GDP, current US\$ billion	10.6
GDP per capita, current US\$	2170.6
International poverty rate (\$2.15) ^a	5.4
Lower middle-income poverty rate (\$3.65) ^a	25.8
Upper middle-income poverty rate (\$6.85) ^a	68.0
Gini index ^a	32.0
School enrollment, primary (% gross) ^b	86.7
Life expectancy at birth, years ^b	64.4
Total GHG emissions (mtCO2e)	14.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2019), 2017 PPPs.
b/ WDI for School enrollment (2020); Life expectancy (2021).

Real GDP growth slowed in 2023 to 3.4 percent from 6.4 percent in 2022. Monetary policy tightening and lower international food and energy prices eased inflation and improved the current account balance. The fiscal deficit narrowed due to under-executed capital spending. The poverty rate (US\$3.65-a-day) is expected to slightly increase from 27.7 percent in 2022 to 27.9 percent in 2023. The medium-term outlook remains favorable albeit subject to downside risks.

Key conditions and challenges

Owing to its wealth of natural resources, consisting of iron ore, gold, crude oil, and copper, per capita GDP tripled over the last two decades to stand at USD 2,170.6 placing Mauritania among the World's Lower Middle-Income Countries. Nevertheless, the economy confronts structural challenges as underscored by the slow post-pandemic recovery. The heavy dependence on extractives, low capacity to implement public investment projects, a challenging business environment, and high vulnerability to climate shocks weigh on Mauritania's growth and development prospects. The poorest are exposed to high risk of food insecurity due to climate shocks on local food production which contributes 20 percent of food consumption. Overcoming these challenges will require greater reliance on the private sector to stimulate productivity growth, increase job creation, and raise the income of the poor. Maintaining strong macroeconomic fundamentals will be key to creating and preserving the fiscal space needed for growth and climate-friendly investments. Strengthening the resilience to climate shocks remains a priority that will involve policies and investment in adaptation and mitigation.

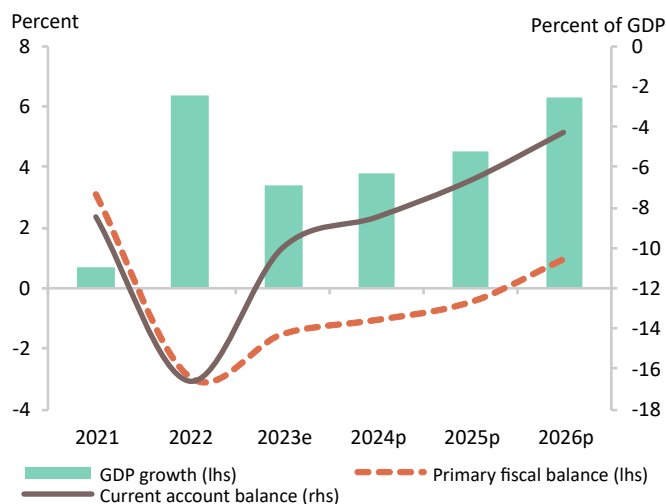
Recent developments

Economic growth is estimated at 3.4 percent in 2023 (0.7 percent in per capita terms) down from 6.4 percent in 2022 (3.7 percent in per capita terms) reflecting a significant contraction in fish production on the supply side and lower public investment and fish exports on the demand side. Inflation decreased driven by lower food and oil prices, reaching 1.6 percent (y/y) in December 2023, compared with 11 percent (y/y) in December 2022.

The US\$3.65-a-day poverty rate is expected to slightly increase from 27.7 percent in 2022 to 27.9 percent in 2023 due to a decline in per capita agriculture growth (-2.7 percentage points (pp)) counterbalanced by a decline in inflation (-4.6 pp). The number of poor is also expected to increase by 44,000 people.

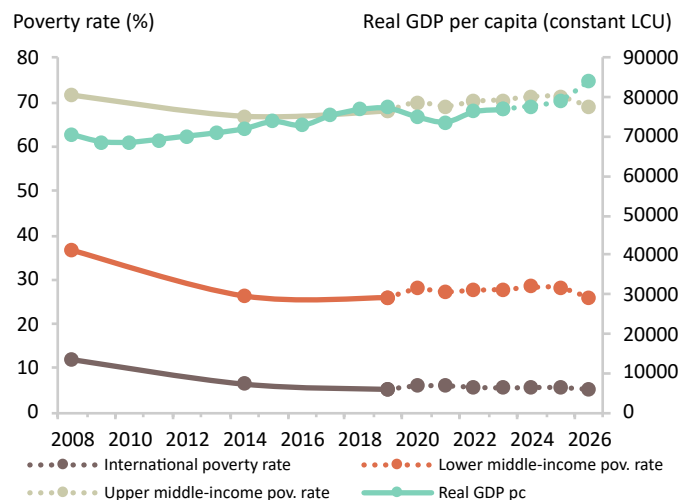
The fiscal balance recorded a deficit of 2.5 percent of GDP in 2023, compared with 3.7 percent of GDP in 2022. This improvement was driven by a fall in capital expenditure to 6.7 percent of GDP in 2023 from 11.3 percent of GDP in 2022, offsetting the decline in commodity revenues and higher wages and compensation resulting from the public sector salary increase in January 2023. The debt-to-GDP ratio rose by 1.3 pp to 48.6 percent of GDP in 2023, due to lower nominal growth and the depreciation of the exchange rate at the end of 2023. The December 2023 WB/IMF Debt Sustainability Analysis suggests that external debt remains sustainable, and the risk of debt distress moderate.

FIGURE 1 Mauritania / Evolution of main macroeconomic indicators



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

The current account deficit (CAD) improved to 10 percent of GDP in 2023, reflecting an improved trade balance due to lower imports of capital goods, oil and food in turn driven by a 17 percent and 9 percent decrease in international prices of oil and food, respectively. The Mauritania Central Bank's foreign exchange reserves rose from 4.5 months of goods imports in 2022, to 6 months in 2023.

The central bank of Mauritania pursued a restrictive monetary policy to contain inflation in 2023. After raising the key interest rate to 8 percent in December 2022, it increased the reserve requirement ratio from 6 to 8 percent in July 2023. It also conducted open market operations to dry up excess liquidity and limit its impact on prices.

Outlook

The medium-term outlook is positive with growth projected at 3.8 percent in 2024 (1.1 percent in per capita terms) and to hover

around 5.4 percent in 2025-2026. The launch of gas production in the second half of 2025 will boost growth while providing sufficient fiscal margin to finance development projects and support social protection reforms. Higher private investments, an improved net external position, and sustained private demand will also support growth. Average inflation will fall further and reach 2.5 percent in 2024, as external pressures ease, and stabilize around 2 percent in 2025 and 2026.

The US\$3.65-a-day poverty rate is expected to remain largely unchanged at 28.3 percent in 2024-2025 and to decline to 25.9 percent in 2026 largely due to low growth in agriculture and declining food inflation. Low inflation and strong agriculture performance in 2026 are expected to lead to a decline in the number of poor by 125,000 people from 2025 to 2026.

The CAD should improve, reaching 8.5 percent of GDP in 2024 and average 5.5 percent of GDP in 2025-2026, driven by gas exports, lower imports in the extractive industry, and lower import prices. FDI linked to the extractive industry, and

donors, are expected to remain the main sources of external financing.

The fiscal deficit should decrease to 2 percent of GDP in 2024, supported by lower current transfers, and higher tax revenues. In 2026, the fiscal balance is projected to turn into a surplus of 0.1 percent of GDP with gas revenue bringing about 0.5 percent of GDP of yearly additional fiscal revenue. Debt should gradually decline to 46.3 percent of GDP in 2026.

Risks to the outlook remain elevated. A slowdown in Foreign Direct Investment inflows due to a delay in the second and third phases of the gas extraction project and the tightening of global financing conditions would weigh on medium-term growth, fiscal and external prospects. Mauritania is exposed to various climatic shocks such as drought and floods, which adversely affect human capital, household incomes, and agricultural production. Regional insecurity in the Sahel remains a risk. Presidential elections scheduled for June 2024 could exacerbate spending pressures, leading to a deterioration in the fiscal situation.

TABLE 2 Mauritania / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	0.7	6.4	3.4	3.8	4.5	6.3
Private consumption	3.4	2.7	2.5	2.6	2.7	2.8
Government consumption	26.8	22.3	8.3	7.3	6.0	4.7
Gross fixed capital investment	12.1	-7.3	-4.6	5.9	3.1	3.3
Exports, goods and services	-12.9	39.9	3.0	3.6	6.7	10.1
Imports, goods and services	-3.3	15.8	-0.5	4.0	3.9	3.6
Real GDP growth, at constant factor prices	0.0	8.0	3.4	3.8	4.5	6.3
Agriculture	-2.9	12.7	1.2	2.8	2.0	5.5
Industry	-11.5	12.0	6.1	6.3	7.7	8.9
Services	11.0	3.1	2.6	2.5	3.3	4.6
Inflation (consumer price index)	3.6	9.6	5.0	2.5	2.0	2.0
Current account balance (% of GDP)	-8.5	-16.6	-10.0	-8.5	-6.7	-4.3
Net foreign direct investment inflow (% of GDP)	11.5	14.3	7.4	5.0	2.7	2.5
Fiscal balance (% of GDP)	2.3	-3.7	-2.5	-2.0	-1.4	0.1
Revenues (% of GDP)	23.0	24.1	22.1	22.6	23.0	23.5
Debt (% of GDP)	52.4	47.3	48.6	47.7	47.5	46.3
Primary balance (% of GDP)	3.1	-2.9	-1.5	-1.0	-0.5	1.0
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	6.3	5.9	5.7	5.8	5.8	5.3
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	27.3	27.7	27.9	28.4	28.3	25.9
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	69.0	70.1	70.5	71.1	71.1	69.0
GHG emissions growth (mtCO₂e)	2.8	2.9	3.2	3.2	3.4	0.0
Energy related GHG emissions (% of total)	31.3	31.6	32.2	32.8	33.7	33.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2019-EPCV. Actual data: 2019. Nowcast: 2020-2023. Forecasts are from 2024 to 2026.

b/ Projections using microsimulation methodology.

MAURITIUS

Key conditions and challenges

Table 1	2023
Population, million	1.3
GDP, current US\$ billion	14.8
GDP per capita, current US\$	11665.2
Lower middle-income poverty rate (\$3.65) ^a	1.8
Upper middle-income poverty rate (\$6.85) ^a	13.5
Gini index ^a	36.8
School enrollment, primary (% gross) ^b	102.9
Life expectancy at birth, years ^b	73.7
Total GHG emissions (mtCO2e)	7.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2017), 2017 PPPs.
b/ Most recent WDI value (2021).

Mauritius sustained strong growth of nearly 6 percent in 2023, supported by tourism and aggregated demand, particularly household consumption and investment. Medium-term growth is expected to be supported by public infrastructure, social spending, and residential investments. The poverty rate is projected to decline from ten percent in 2023 to seven percent by 2026. However, the outlook faces substantial downside risks, including fiscal pressures related to elections, weather shocks, and a weaker global economic outlook.

Mauritius has experienced a remarkable growth trajectory. The economy transitioned from a low-income monocrop producer of sugar cane to an upper-middle-income investment and tourism hub. Per capita GDP surged from US\$260 in 1968 to US\$9,063 in 2021. After it briefly reached high-income status in 2020, the severe 14.5 percent contraction in real GDP caused by the COVID-19 pandemic pushed the country back into the upper-middle-income category. Yet, Mauritius has demonstrated resilience, recovering strongly after the pandemic and weathering external shocks well, and is on track to return to high-income status.

However, addressing structural challenges and macroeconomic vulnerabilities is needed for Mauritius to achieve and sustain high-income status. Labor and skills shortages have contributed to declines in manufacturing export competitiveness and constrained private sector growth and diversification. Reliance on imported fossil fuels, as well as high exposure to climate shocks, are key sources of vulnerability. An aging population and social spending commitments limit fiscal space to support growth and implement countercyclical policies. Poverty (upper-middle-income country threshold of US\$6.85 a day, 2017 PPP) fell from 19 percent to 11 percent between 2012 and 2019. However, given the dramatic contraction of GDP in 2020,

poverty is projected to have increased by over 5 percentage points (reaching 16 percent) and to have retreated to around nine percent by 2024.

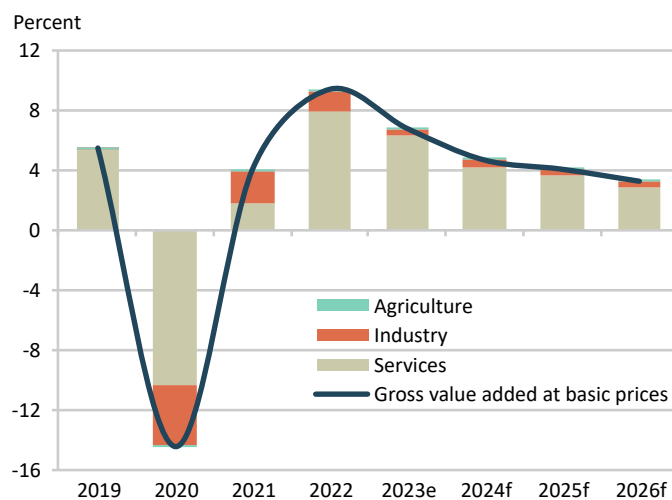
Increasing productivity requires prioritizing skills availability and development, improving labor market institutions, and fostering women's participation. Safeguarding the integrity and trust of the country's financial services is crucial for continuing to attract foreign investments. Additional efforts are needed to further bolster macroeconomic resilience, including rebuilding fiscal buffers, increasing revenue, improving efficiency in social spending, and improving quality in education and innovation. Policies to strengthen resilience against natural hazards and climate change are fundamental to supporting sustained growth.

Recent developments

Real GDP grew by an estimated 6.8 percent in 2023, supported by a strong rebound in tourism, construction activities, and financial services. Gross fixed capital formation increased by 23 percent in 2023Q3 (yoy), supported by social housing and infrastructure programs. Meanwhile, consumption spending grew modestly by 2.2 percent due to a lower government wage bill.

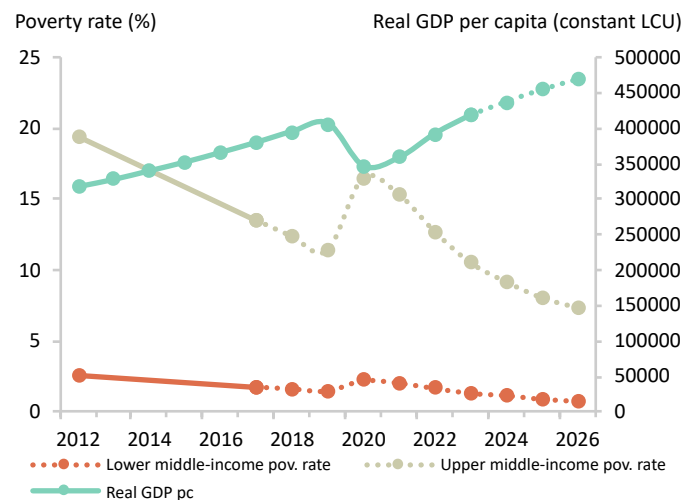
The labor market has recovered significantly, with the unemployment rate declining to 6.3 percent in Q3, below the pre-pandemic level. To meet the high demand for labor and skilled professionals,

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



Source: World Bank estimates.

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



Source: World Bank. Notes: see Table 2.

the government has relaxed rules for hiring foreign workers.

Lower commodity prices, higher agriculture and fisheries exports, a higher net surplus in the service, and net income flow from abroad improved the external position. Along with the net direct investment flow, these developments helped maintain adequate levels of gross official international reserves, with an import coverage of 11 months as of December 2023.

Headline inflation fell from 11.8 percent in January 2023 to 5.2 percent in January 2024, primarily because of lower imported prices. The import price index declined by 5.5 percent in 2023Q3 compared with the same period in 2022 and the Bank of Mauritius (BOM) intervened in the FX market to contain the rupee's depreciation. However, the monetary policy stance is generally accommodative and underpinned by a policy rate that has been unchanged since December 2022 and added by domestic investments of the Mauritius Investment Corporation (MIC), a sovereign wealth fund of the BOM.

Current government expenditures increased by 12.6 percent in the first half of FY23/24 (H1), driven by higher interest payments, subsidies, and social spending. Revenue increased by 11 percent, driven by corporate income tax and

VAT revenues. As a result, the gross operating deficit in H1 widened to 3.6 percent of GDP from 3.2 percent during the same period in 2022. Financing needs were covered by domestic and external borrowing as the new BOM Act prohibits direct transfers to the budget. Public debt decreased from 91 percent of GDP in 2020-21 to an estimated 80 percent in 2023, driven by strong GDP growth and the transfer of Air Mauritius debt to the MIC.

Outlook

Real GDP growth is expected to moderate to 4.7 percent in 2024, reflecting the end of the post-pandemic recovery and leveling off in international travels. Public investments in infrastructure, residential constructions, and tourism are expected to drive growth this year. Average inflation is projected between 4.7 and 5.2 percent in the medium term, driven by stable commodity prices and a cooling economy. Poverty is projected to fall to about seven percent in 2026.

Lower commodity prices, steady tourist arrivals, and earnings repatriation are likely to keep the current account deficit below 6 percent of GDP until 2025, lower than

the 11 percent recorded between 2020 and 2022. High foreign exchange demand for imports could put additional pressure on international reserves, which are projected to decline to eight months of import coverage over the medium term as the BOM is expected to continue to intervene in the foreign exchange market.

Higher universal pension spending and spending to mitigate the impact of Cyclone Belal and the dengue outbreak are expected to contribute to a widening in the primary deficit to 3.3 percent of GDP in FY23/24 (from 2 percent in FY22/23) and further to 3.6 percent in FY24/25. Tax revenue collection is expected to increase moderately over the medium term along with moderating GDP growth. Public debt is expected to remain at about 80 percent of GDP over the medium term, but a gradual fiscal consolidation, including a pension reform, is needed to stabilize it.

Risks to the outlook are mostly to the downside. Higher global freight costs and weather shocks from an intense cyclone season pose a risk for inflation. The softening of global economic growth also represents a downside risk for merchandise exports and tourist arrivals. On the upside, higher social spending and sustained direct investment flows may further support growth.

TABLE 2 Mauritius / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices^a	3.4	8.9	6.8	4.7	4.0	3.3
Private consumption	3.0	3.3	2.0	2.6	2.5	1.7
Government consumption	-2.2	6.4	-1.1	1.2	-0.4	1.8
Gross fixed capital investment	14.0	7.8	9.9	14.4	10.3	8.1
Exports, goods and services	11.5	40.2	1.7	1.6	1.6	1.5
Imports, goods and services	7.3	10.2	7.6	1.2	0.7	0.7
Real GDP growth, at constant factor prices	4.1	9.4	6.8	4.7	4.0	3.4
Agriculture	7.3	5.5	0.8	1.5	1.5	1.5
Industry	10.9	6.8	2.6	2.1	2.1	2.1
Services	2.3	10.3	8.2	5.4	4.5	3.7
Inflation (consumer price index)	4.0	10.8	7.1	5.2	4.7	4.2
Current account balance (% of GDP)	-11.9	-8.6	-4.8	-3.8	-4.4	-4.9
Net foreign direct investment inflow (% of GDP)	21.1	-8.2	-3.2	-4.6	-2.2	-2.9
Fiscal balance (% of GDP)^b	-10.6	-5.1	-5.8	-6.5	-5.4	-5.2
Revenues (% of GDP)	23.3	25.0	22.8	24.5	24.8	25.1
Debt (% of GDP)^b	91.9	85.9	80.9	80.6	81.6	81.5
Primary balance (% of GDP)^b	-6.9	-2.5	-2.9	-3.2	-1.9	-1.8
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{c,d}	2.1	1.7	1.3	1.1	0.9	0.7
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{c,d}	15.3	12.7	10.5	9.2	8.1	7.4
GHG emissions growth (mtCO₂e)	7.4	6.9	3.3	2.5	2.3	2.3
Energy related GHG emissions (% of total)	60.7	62.2	62.3	62.2	62.1	62.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Historical demand-side data is being revised due to a consistency problem.

b/ Fiscal balances are reported in fiscal years (July 1st - June30th).

c/ Calculations based on 2017-HBS. Actual data: 2017. Nowcast: 2018-2023. Forecasts are from 2024 to 2026.

d/ Projection using neutral distribution (2017) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

MOZAMBIQUE

Key conditions and challenges

Table 1 2023

Population, million	33.9
GDP, current US\$ billion	21.4
GDP per capita, current US\$	632.5
International poverty rate (\$2.15) ^a	74.5
Lower middle-income poverty rate (\$3.65) ^a	88.6
Upper middle-income poverty rate (\$6.85) ^a	96.1
Gini index ^a	50.5
School enrollment, primary (% gross) ^b	121.2
Life expectancy at birth, years ^b	59.3
Total GHG emissions (mtCO2e)	106.1

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2019), 2017 PPPs.
 b/ Most recent WDI value (2021).

Economic recovery gained momentum in 2023, with real GDP growth reaching 5 percent, largely driven by liquefied natural gas (LNG) production. The country is grappling with substantial fiscal pressures arising from the high public sector wage bill and increasing debt service cost. Growth is projected to remain at 5 percent over the medium term, while poverty is projected to decline from 73.4 percent in 2023 to 70.9 percent in 2026. Downside risks include volatility in global markets, natural disasters, and the conflict in northern Mozambique.

Mozambique faces substantial development challenges, including limited structural transformation and widespread poverty, which affected roughly 74.4 percent of the population in 2019 [when measured by the US\$2.15 per day poverty line (2017 PPP)]. Most of the labor force is employed in low-productivity agriculture and services sectors. The main drivers of growth are capital-intensive megaprojects, with limited spillovers to the rest of the economy.

Fiscal space is significantly constrained. With over 90 percent of tax revenues in 2021-22 absorbed by the wage bill and debt-service costs, the country allocates only limited resources to public investment and social spending. Additional constraints to financing Mozambique's large development needs include lack of access to international financial markets, high risk of sovereign debt distress, a shallow domestic financial market, and lending rates that are among the highest in Sub-Saharan Africa. These challenges are compounded by fragility and conflict and high vulnerability to climate shocks.

Mozambique has the opportunity to implement reforms to broaden its economic base and job creation sources, with a focus on sustainable growth. The private sector's growth could be fostered by improving access to capital, and adequate infrastructure, and by addressing regulatory challenges. Strengthening fiscal management and governance

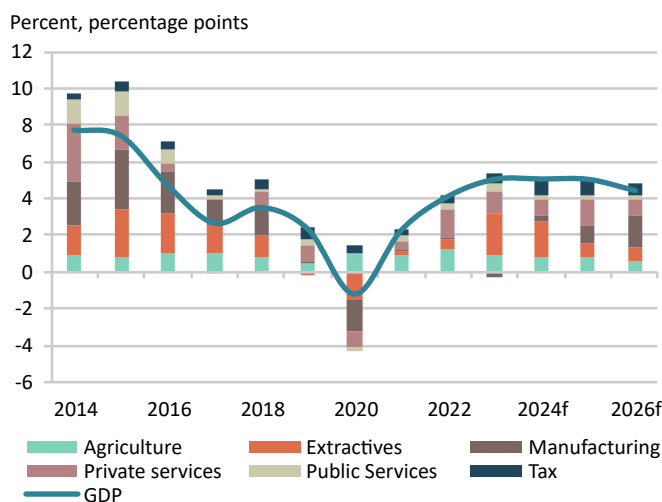
and facilitating greater private sector participation in labor-intensive sectors such as agriculture and services are crucial. Considering the fiscal constraints, it is critical to enhance spending efficiency and debt management practices to improve fiscal discipline and establish credibility within financial markets. The benefits from future LNG revenues can be maximized through a robust fiscal framework, including the sound use of the recently established Sovereign Wealth Fund, to ensure effective resource management and promote long-term economic resilience.

Recent developments

The economy grew by 5 percent in 2023, primarily driven by the start of LNG production at the Coral South offshore facility. Strong growth in agriculture and services, particularly transport, also contributed to the expansion of the economy, offsetting the impact of lower manufacturing and construction activity. Inflation, which had reached a five-year high of 9.8 percent in 2022, moderated to 7.1 percent in 2023. This moderation supported a 3-percentage-point drop in poverty to 73.4 percent in 2023. Despite the 100-basis-point cut in the monetary policy rate to 16.3 percent in January 2024, the overall monetary policy stance remains tight, with high statutory reserves (39 percent).

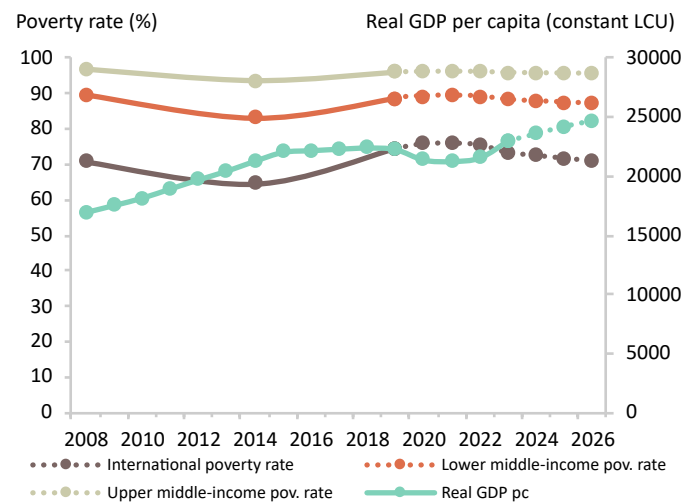
Fiscal pressures remain elevated, as measures to reduce the wage bill only had a limited impact in 2023. The primary deficit improved from 2 percent of GDP in 2022 to

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



Source: World Bank estimates.

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



Source: World Bank. Notes: see Table 2.

an estimated 0.2 percent in 2023. Total expenditures in 2023Q3 surged by 14 percent due to pressures from the wage bill, interest payments, and election-related spending. Total revenue growth was low at 6 percent in the first three quarters of 2023 because of lower value-added tax (VAT) collection after the VAT rate was cut to 16 percent from 17 percent previously. Public debt declined from 95 percent of GDP in 2022 to an estimated 91 percent in 2023, even though domestic debt stood at 27 percent of GDP in 2023, up from 22 percent in 2020, indicating rising financing needs amid limited access to international capital markets.

The current account deficit narrowed from US\$5.8 billion in the first three quarters of 2022 to US\$1.1 billion over the same period in 2023 due to a combination of lower imports for megaprojects, lower fuel prices, and an increase in LNG exports. The deficit was primarily financed through trade credits and foreign direct investments in the extractive sector, which totaled US\$1.5 billion by September 2023. As a result, gross international reserves increased from US\$2.8 billion in December 2022 to US\$3.2 billion in November 2023,

covering four months of imports if megaprojects imports are excluded.

Outlook

GDP growth is projected to average 5 percent over 2024-26, supported by increasing offshore LNG production, the resumption of the Total-led LNG project, and dynamism in agriculture and services. The stabilization of global commodity prices could help contain inflation, enabling further easing of monetary policy. Growth is expected to support a decline in the national poverty rate, from 73.4 percent in 2023 to 70.9 percent by 2026. However, the absolute number of Mozambicans living in poverty is projected to increase by 1 million people during the same period, given the fast population growth.

The fiscal balance is projected to decline from 3.4 percent of GDP in 2023 to an average of 1.6 percent over 2024-26, partly driven by higher revenues linked to LNG revenue. Expenditure is projected to decrease from 31.3 percent of GDP in 2023 to 26.5 percent in 2026 due to consolidation

measures to reduce the wage bill. These include limiting hiring in non-priority sectors, reducing the 13th-month salary bonus, and auditing the public sector workforce. Public debt is projected to stabilize at about 92 percent of GDP in the medium term, but Mozambique is expected to remain at high risk of debt distress in the short term.

The current account deficit is projected to widen sharply, averaging 44.1 percent of GDP over 2024-26, mainly driven by LNG-related imports. Financing is projected to come from trade credits and foreign direct investment. Gross reserves are expected to remain at adequate levels of about US\$3.5 billion, which is equivalent to nearly four months of imports when excluding megaprojects.

The outlook is subject to substantial downside risks from extreme climate events, waning commitment to fiscal reforms in the run-up to elections, and uncertainty around the security situation in the north. On the fiscal side, the high public sector wage bill and increasing debt service will continue to limit the fiscal space, increasing the risks of refinancing and debt rollover.

TABLE 2 Mozambique / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	2.3	4.2	5.0	5.0	5.0	4.4
Private consumption	17.3	3.0	3.1	9.8	7.5	6.1
Government consumption	-7.8	17.2	-25.4	-3.5	-8.1	-8.1
Gross fixed capital investment	32.5	-6.4	10.1	4.9	8.4	8.6
Exports, goods and services	23.8	10.2	19.5	3.0	2.0	2.0
Imports, goods and services	37.2	1.9	3.3	6.0	5.0	5.0
Real GDP growth, at constant factor prices	2.2	4.2	5.0	5.0	5.0	4.4
Agriculture	3.7	4.4	6.0	4.0	4.0	4.0
Industry	1.6	3.8	7.6	8.2	8.1	8.1
Services	1.6	4.3	3.4	4.2	4.2	3.0
Inflation (consumer price index)	6.4	10.3	7.1	5.7	5.6	5.3
Current account balance (% of GDP)	-22.3	-32.9	-16.0	-38.4	-42.0	-44.1
Net foreign direct investment inflow (% of GDP)	31.6	10.3	4.4	13.6	14.5	12.7
Fiscal balance (% of GDP)^a	-4.6	-4.9	-3.4	-2.3	-1.6	-0.8
Revenues (% of GDP)	27.4	27.4	27.9	26.4	25.8	25.7
Debt (% of GDP)	105.0	95.2	91.9	94.4	92.0	81.6
Primary balance (% of GDP)^a	-1.9	-2.0	-0.2	0.6	1.1	1.5
International poverty rate (\$2.15 in 2017 PPP)^{b,c}	76.1	75.6	73.3	72.5	71.6	70.9
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{b,c}	89.3	89.1	88.1	87.7	87.3	87.0
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{b,c}	96.5	96.4	95.9	95.7	95.6	95.4
GHG emissions growth (mtCO₂e)	0.8	0.7	0.7	0.9	1.0	0.9
Energy related GHG emissions (% of total)	8.1	8.4	8.5	9.0	9.5	9.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Figure includes once-off capital gains revenues in 2017, estimated at 2.7 percent of GDP.

b/ Calculations based on 2019-IOF. Actual data: 2019. Nowcast: 2020-2023. Forecasts are from 2024 to 2026.

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

NAMIBIA

Table 1

	2023
Population, million ^a	2.6
GDP, current US\$ billion	12.4
GDP per capita, current US\$	4740.3
International poverty rate (\$2.15) ^b	15.6
Lower middle-income poverty rate (\$3.65) ^b	33.3
Upper middle-income poverty rate (\$6.85) ^b	57.3
Gini index ^b	59.1
School enrollment, primary (% gross) ^c	133.0
Life expectancy at birth, years ^c	59.3
Total GHG emissions (mtCO2e)	25.0

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Latest official estimates. Preliminary results from the 2023 census suggest a population of 3.0 million vs the 2.6 million used here.
 b/ Most recent value (2015), 2017 PPPs.
 c/ WDI for School enrollment (2022); Life expectancy (2021).

Namibia's economy grew by 4.2 percent in 2023. GDP growth is expected to remain above 3 percent over the medium term, subject to high uncertainty around the possible implementation of large-scale energy projects. Fiscal policy over the medium term is expected to be centered around maintaining primary budget surpluses to support the stabilization of the public debt ratio. Poverty (at the \$2.15 line) is expected to improve but remain high at 17.2 percent in 2024.

Key conditions and challenges

Since 1990, Namibia has made significant progress on economic and social indicators. Over the two decades to 2015, GDP growth averaged 4.5 percent, supported by sound macroeconomic policies and the commodity super cycle, which spurred mining investment. The country attained middle-income status in 2009, and the poverty rate declined. Natural resource revenues allowed for an increase in public spending, including on social programs to support households, and on increased access to public services, including education and health. Despite this progress, many social indicators continue to lag peers, and there are significant spatial and gender disparities. Although demand for services has markedly increased, job creation outside the extractive sectors has been insufficient. Consequently, unemployment has remained stubbornly high, exacerbated by skills shortages. Most of the working population is engaged in low-skilled work in the informal sector. The country remains among the most unequal in the world (Gini index at 59.1 in 2015). The immediate years leading up to the COVID-19 pandemic in 2020 were marked by a recession, driven by the end of the commodity cycle, the completion of major investment projects, a severe drought, and fiscal consolidation. This underscored the need for a structural shift from the current

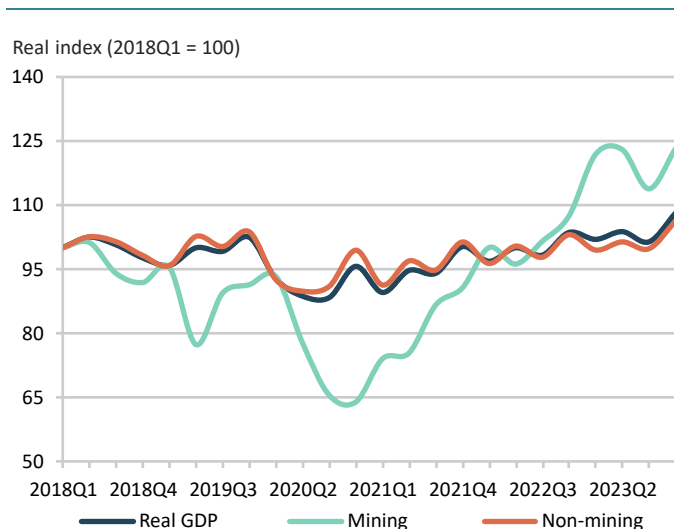
growth model based on extractives and a large state presence in the economy, which limits competition, export diversification, and creates inefficiencies.

While the public sector continues to face fiscal constraints, given high public debt levels, there are opportunities to improve spending efficiency. Recent developments in the mineral and energy sector provide Namibia with opportunities to develop new drivers of growth and employment through economic diversification and value chain development. The realization of these opportunities hinges on structural reforms that reduce the costs of doing business and promote international trade and investment.

Recent developments

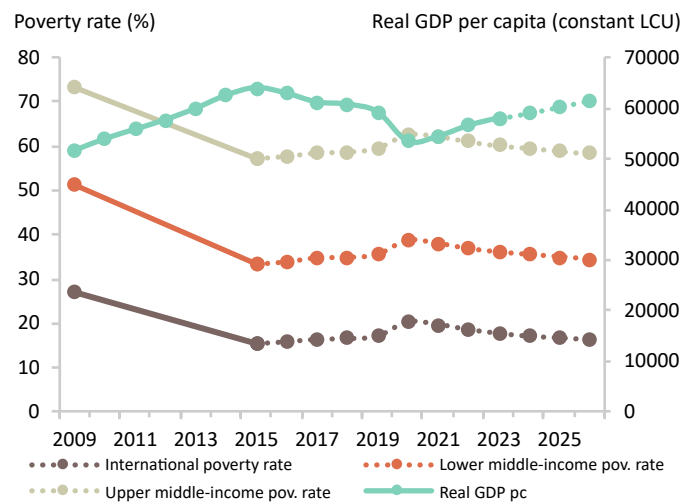
Namibia's recent economic performance was stronger than expected. The economy grew by 4.2 percent in 2023, driven by the mining sector, including investments in oil exploration. The expansion was also generated by sustained growth in private consumption. The economy has recovered its pre-pandemic level, but many key sectors, including job-rich construction and financial services, continue to lag. Due to stronger GDP growth in both 2022 and 2023, poverty is estimated to have improved but remains high at 17.8 percent based on the US\$2.15 per day international poverty line (IPL; 2017 PPP). Investments in the extractive industries has shaped not only Namibia's recent growth trajectory but also the balance of

FIGURE 1 Namibia / Mining activity and real GDP growth



Sources: National Statistics Agency and World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

payments. Despite strong export growth, the current account deficit remained large in 2023 as services imports rose sharply. The wide current account deficit was sufficiently financed by rising foreign direct investment inflows. To facilitate the development of a large-scale green hydrogen industry, the government is developing a roadmap for the sector that aims to allow the domestic economy to benefit from the development of related value chains.

The overall fiscal deficit balance improved from 5.2 percent to 3.7 percent of GDP between 2022 and 2023 due to the GDP recovery and the significant rebound in SACU revenues, which increased by 72 percent. These additional revenues were largely absorbed into higher expenditure commitments, including higher interest payments, drought relief, and one-off costs related to the population census.

Monetary policy remained restrictive, broadly in line with the stance of the South African Reserve Bank. Credit growth remains subdued, and the current stance helped to curb headline inflation, which decreased to 5.3 percent in December 2023.

Outlook

Namibia's economic growth is projected to moderate to about 3-3.8 percent per year over 2024-26. This projection is subject to high uncertainty as the economy could be impacted by the speed of implementation of several large-scale projects in the energy and mining sectors. If these projects move into the construction phase during this period, the growth rate of the economy could substantially accelerate through a combination of foreign direct investment inflows and spillovers to the local economy. Growth in the non-mineral economy is expected to gain traction, especially in sectors that have been severely set back by the pandemic, including tourism. Household consumption growth is expected to strengthen, benefiting from improved income growth and lower inflation, which is projected to reduce to 5.0 percent in 2024. The poverty rate under the IPL is projected to decrease to 17.2 percent in 2024.

After the stimulus, driven by the increase in SACU revenue in FY2023/24, budget expenditure growth is expected to slow

in the medium term. However, fiscal consolidation is expected to be slower than budgeted for in the medium term, impacted by increased expenditure commitments and lower SACU revenues from 2025. The large public sector wage bill is expected to continue to constrain fiscal space. Given high debt levels and high-interest payment costs, fiscal policy should remain prudent to ensure a sustained decline in the debt-to-GDP ratio over the medium term. The budget plan to retire two-thirds of the US\$750 million Eurobond maturity in October 2025, using accumulated savings from the sinking fund, should support a faster reduction in the debt-to-GDP ratio.

Namibia's economic outlook is favorable, but there are significant downside risks on the horizon. Dependent on the attainment of final investment decisions, Namibia's economy could experience a sizable investment boost in the mining and energy sectors over the coming years, which would redefine its growth trajectory. However, the recovery faces major downside risks from global geopolitical tensions, which could undermine global economic activity, and climate shocks.

TABLE 2 Namibia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	3.6	5.3	4.2	3.4	3.6	3.8
Private consumption	14.6	9.5	4.7	4.8	5.2	5.3
Government consumption	1.3	0.6	1.0	1.3	0.7	0.6
Gross fixed capital investment	18.0	10.0	69.3	8.3	9.6	9.6
Exports, goods and services	-2.1	22.9	14.1	4.1	4.4	4.7
Imports, goods and services	20.2	23.0	22.7	6.1	6.8	6.8
Real GDP growth, at constant factor prices	1.5	4.6	4.0	3.4	3.6	3.8
Agriculture	1.6	1.7	-3.4	0.5	2.0	2.0
Industry	0.5	11.3	9.2	6.6	6.7	6.9
Services	1.9	2.2	2.7	2.2	2.2	2.3
Inflation (consumer price index)	3.6	6.1	5.9	5.0	4.7	4.6
Current account balance (% of GDP)	-11.2	-12.9	-11.1	-10.4	-10.2	-9.9
Net foreign direct investment inflow (% of GDP)	6.7	8.4	17.9	9.4	9.4	9.4
Fiscal balance (% of GDP)	-8.5	-5.2	-3.7	-3.9	-4.6	-4.3
Revenues (% of GDP)	29.9	30.9	33.2	32.4	29.1	28.4
Debt (% of GDP)^a	73.1	72.8	70.2	67.9	66.7	64.9
Primary balance (% of GDP)	-4.2	-0.7	1.4	1.0	0.1	0.4
International poverty rate (\$2.15 in 2017 PPP)^{b,c}	19.7	18.3	17.3	17.0	16.5	16.1
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{b,c}	38.0	36.6	35.6	35.1	34.7	33.9
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{b,c}	62.3	60.8	59.7	59.2	58.6	58.0
GHG emissions growth (mtCO₂e)	0.5	2.1	1.1	2.4	3.2	3.4
Energy related GHG emissions (% of total)	14.9	15.1	15.8	15.9	16.2	16.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Refers to Public and Publicly Guaranteed debt.

b/ Calculations based on 2015-NHIES. Actual data: 2015. Nowcast: 2016-2023. Forecasts are from 2024 to 2026.

c/ Projection using neutral distribution (2015) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

NIGER

Table 1 **2023**

Population, million	27.2
GDP, current US\$ billion	16.6
GDP per capita, current US\$	611.3
International poverty rate (\$2.15) ^a	50.6
Lower middle-income poverty rate (\$3.65) ^a	83.1
Upper middle-income poverty rate (\$6.85) ^a	96.3
Gini index ^a	32.9
School enrollment, primary (% gross) ^b	64.8
Life expectancy at birth, years ^b	61.6
Total GHG emissions (mtCO2e)	52.5

Source: WDI, Macro Poverty Outlook, and official data.

a/ Most recent value (2021), 2017 PPPs.

b/ Most recent WDI value (2021).

The political crisis: the coup d'état, followed by sanctions and a severe reduction in financing, together with weak agriculture production, is estimated to have lowered GDP growth in 2023 to 1.2 percent (-2.7 percent per capita) and increased the extreme poverty rate to 52 percent. With sanctions lifted, growth could rebound to 6.9 percent, boosted by large-scale oil exports. Significant downside risks are the announced ECOWAS withdrawal, financing conditions and climatic shocks.

Key conditions and challenges

Niger's economy is agriculture dependent and highly vulnerable to climate shocks, leading to volatile growth. With limited improvements in productivity and high population growth, over half the population lives in extreme poverty, aggravated by gender disparities, with some of the weakest human capital development indicators globally. With the completion of the Niger-Benin pipeline, oil production is expected to rise from 20,000 to 110,000 barrels per day by 2025, increasing the importance of the oil sector in exports, revenues, and GDP.

Since 2011, Niger had been a source of political stability in the Sahel, benefiting from a significant increase in international development assistance and investment in recent years. This changed with the military coup on July 26, 2023, which led to heavy ECOWAS and WAEMU commercial and financial sanctions and border closures lasting nearly 7 months, and a pause in development assistance. In September 2023, Burkina Faso, Mali, and Niger formed the "Alliance of Sahel States" (AES) - a security and military pact with political and economic aims. On January 28, 2024, in a joint communiqué, the three countries announced their 'immediate' withdrawal from ECOWAS. According to the revised ECOWAS Treaty, a notification period of one year is required to leave ECOWAS. These developments have further increased political and policy uncertainty.

Recent developments

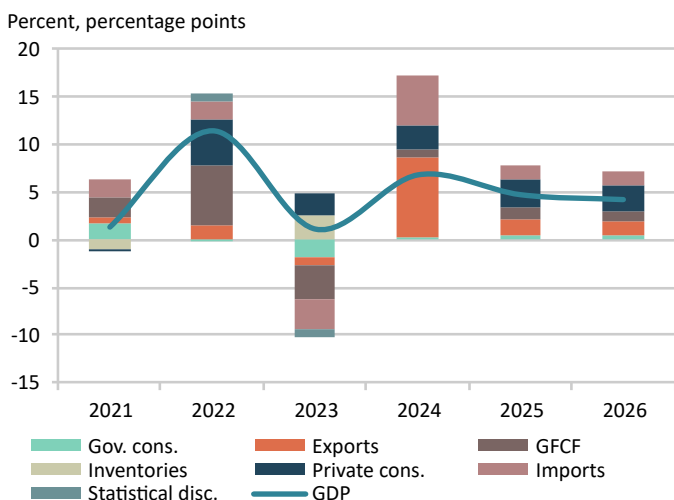
Prior to the crisis, GDP growth had been projected at 6.9 percent in 2023 and to rise to 12 percent in 2024, on the back of large-scale oil exports through the pipeline starting by end 2023. However, the sanctions and border closures delayed this start. Government spending fell due to the freezing of government assets, the loss of access to the WAEMU regional bond market, and a significant reduction in external financing. Private investment also fell sharply due to the uncertainty and a liquidity crisis in the banking sector, brought on by the financial sanctions. Formal trade volumes fell - exports by 8.1 percent and imports by 12 percent.

On the supply side, manufacturing, construction, and trade-related services were heavily impacted and total agricultural production fell due to inadequate rainfall, pests, and insecurity. That GDP growth remained positive demonstrates resilience, for example, the continuation of public-sector salary payments and the ramping up of local electricity production in response to the cut-off of electricity imports from Nigeria.

The annual average inflation remained stable at 3.7 percent in 2023, after being subdued in H1-2023 (average 1.2 percent), then rising sharply in H2-2023 (average 6.3 percent) due to food inflation caused by import disruptions.

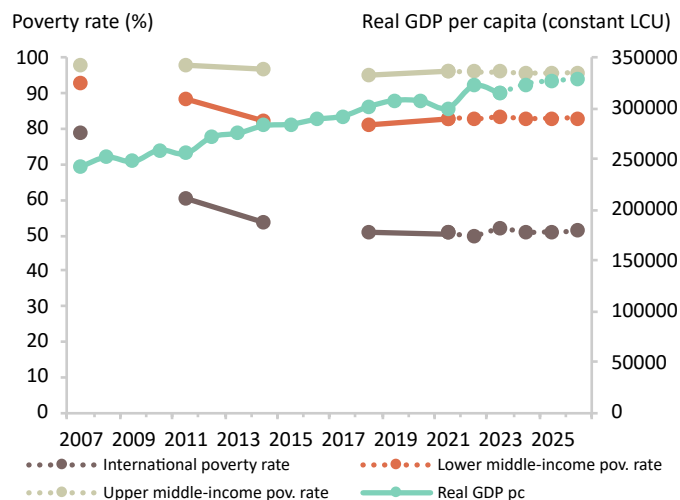
The 2023 budget was revised, cutting capital expenditures, and reducing the deficit to 3.9 percent of GDP (compared

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



Source: World Bank estimates.

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



Source: World Bank. Notes: see Table 2.

to 6.8 percent in 2022). Due to the financial sanctions, Niger missed several debt repayments to government bond holders and international financial institutions. According to UEMOA-Titres, CFAF 314 billion (USD\$512 million or 3.1 percent of GDP) is owed to bondholders as of February 19, 2024. Moody's has downgraded Niger's credit rating from B3 to Caa3. Public debt is expected to reach 54.5 percent of GDP, including arrears.

The decline in overall and agriculture GDP per capita and rise in food prices is expected to increase the poverty rate by 2 percentage points to 52.0 percent in 2023. 2.3 million (8.9 percent of the population) were estimated to be food insecure in Q4-2023, 13 percent higher than Q4 2022, due to food inflation and pockets of food deficits. There are also estimated around 300,000 internally displaced persons due to insecurity and an equal number of refugees from Nigeria, Mali, and Burkina Faso. The crisis and border closures have led to severe disruptions in the delivery of humanitarian aid.

Outlook

With sanctions lifted in February 2024, growth could rebound to 6.9 percent (2.9 percent per capita) in 2024 and average 4.5 percent over 2025-26, boosted by large-scale oil exports, while the non-oil industry and service sectors face a challenging recovery. Growth prospects are weakened by the expected impacts of an orderly ECOWAS withdrawal: lower non-WAEMU ECOWAS trade, namely with Nigeria, higher investors' risk premia, and increased regional financing costs. The fiscal sector will remain constrained by financing, as its resumption depends on the clearance of arrears and re-establishing engagements. Inflation is expected to stay above 3 percent 2024-26 as the resumption of large-scale imports from the region is counterbalanced by higher import costs from exiting the ECOWAS free trade area. With the onset of oil exports, the current account deficit is projected to narrow to 8.4 percent of GDP.

The extreme poverty rate is projected to slightly decrease by 0.8 ppt to 51.2 percent by 2026 assuming solid growth in service and agriculture sectors and policies that uses oil revenues for the population. The number of absolute poor is projected to reach nearly 15.6 million people by 2026.

The outlook remains subject to significant downside risks, including a deterioration in the security situation, terms of trade shocks, climatic shocks, difficult financing conditions, and the withdrawal from ECOWAS. An unnegotiated ECOWAS withdrawal with disruptions to transport, transit and free movement of goods, services, capital, and labor could exacerbate negative impacts due to spillovers onto WAEMU trade. The BCEAO may need to continue monetary tightening in 2024 to bring inflation under control and in the context of increased risks from the withdrawal of Niger, Mali, and Burkina Faso from ECOWAS. A further increase in the cost of financing on the regional market could lead to Niger cutting investment expenditure to reduce its borrowing needs.

TABLE 2 Niger / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	1.4	11.5	1.2	6.9	4.8	4.3
Private consumption	-0.2	7.0	3.5	3.8	4.4	4.1
Government consumption	9.8	-1.2	-11.1	2.2	4.1	3.3
Gross fixed capital investment	7.7	21.1	-10.9	3.1	4.0	3.7
Exports, goods and services	6.7	14.4	-8.1	82.5	9.8	8.7
Imports, goods and services	6.9	6.5	-12.0	22.5	5.5	5.5
Real GDP growth, at constant factor prices	1.0	11.6	1.2	6.9	4.7	4.3
Agriculture	-5.1	27.0	-1.2	6.5	5.5	5.5
Industry	4.1	-0.9	3.9	14.9	5.6	3.4
Services	5.4	4.9	2.5	2.8	3.3	3.4
Inflation (consumer price index)	2.9	3.9	3.7	3.5	3.7	3.5
Current account balance (% of GDP)	-7.8	-9.8	-9.4	-8.4	-6.3	-4.5
Net foreign direct investment inflow (% of GDP)	2.1	3.9	3.2	1.7	2.0	-2.1
Fiscal balance (% of GDP)	-3.4	-6.8	-3.9	-2.4	-2.6	-2.7
Revenues (% of GDP)	18.2	14.9	10.0	11.0	11.8	12.0
Debt (% of GDP)	51.3	51.7	54.5	52.6	50.9	49.3
Primary balance (% of GDP)	-2.2	-5.6	-2.9	-1.8	-2.1	-2.3
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	50.6	49.9	52.0	50.9	51.1	51.2
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	83.1	82.6	83.1	82.7	82.8	82.9
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	96.3	96.0	96.0	95.7	95.7	95.8
GHG emissions growth (mtCO₂e)	4.7	4.8	3.9	4.7	4.8	4.6
Energy related GHG emissions (% of total)	7.1	7.5	7.3	7.7	8.0	8.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2021-EHCVM. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.

b/ Projections using microsimulation methodology.

NIGERIA

Key conditions and challenges

Table 1	2023
Population, million	223.8
GDP, current US\$ billion	362.8
GDP per capita, current US\$	1621.1
International poverty rate (\$2.15) ^a	30.9
Lower middle-income poverty rate (\$3.65) ^a	63.5
Upper middle-income poverty rate (\$6.85) ^a	90.8
Gini index ^a	35.1
School enrollment, primary (% gross) ^b	86.7
Life expectancy at birth, years ^b	52.7
Total GHG emissions (mtCO2e)	401.0

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2018), 2017 PPPs.
 b/ Most recent WDI value (2021).

Nigeria has initiated bold reforms to restore macroeconomic stability, but further efforts are needed. The Government has moved forward on normalization of monetary policy, revenue-driven fiscal consolidation, and liberalization of the foreign exchange (FX) market. Translating oil proceeds into fiscal revenues and FX inflows, and taming inflation are still major challenges. Nominal earnings have not kept up with inflation, pushing 10 million additional Nigerians into poverty in 2023. Risks to the outlook include weaker reform momentum and popular discontent.

Nigeria's economic growth has been insufficient to raise living standards, weighed down by weak macroeconomic fundamentals and several structural constraints. Over-reliance on the oil sector for fiscal revenues, exports, and FX inflows led macro stability to erode with the sector's deteriorating performance in recent years. Low revenues—including due to a costly petrol subsidy, low tax rates, and weak tax administration—have limited state capacity and public service delivery. Inflation has remained high and escalating on the back of a relatively loose monetary policy and exchange rate depreciation. Structural factors holding back the country's growth potential include lack of adequate energy and transport infrastructure, high domestic trade costs and foreign trade protectionism, widespread insecurity, weak institutions, and low levels of human capital development.

The new administration has initiated bold reforms to reestablish the macroeconomic conditions for stability and growth. The petrol fiscal subsidy was eliminated, more than trebling petrol prices. FX reforms have been undertaken, leading to the unification of FX markets and to a market-reflective exchange rate. To alleviate the inflationary effects of these reforms on the most vulnerable, the government has been implementing temporary cash transfers to reach 15 million households. Efforts are also being made to tighten monetary

policy and refocus the Central Bank of Nigeria (CBN) on its core mandate of maintaining price stability.

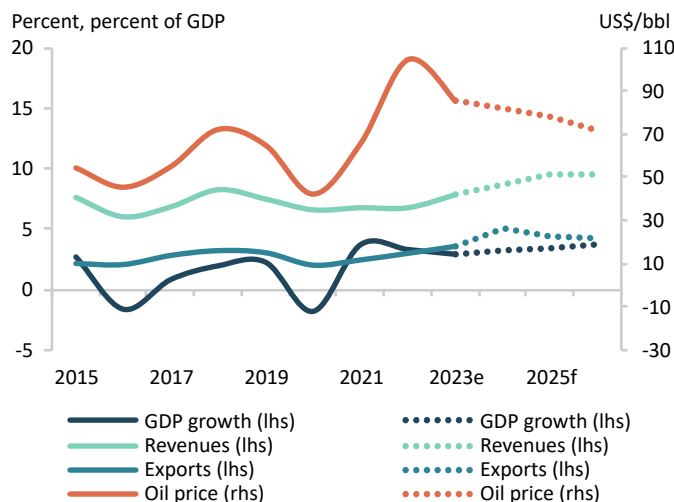
Recent developments

Real GDP growth slowed from 3.3 percent in 2022 to 2.9 percent in 2023. Agricultural output decreased due to higher input costs, sustained impact of floods, and insecurity. Services continued to hold up non-oil sector growth, especially in finance and information and communication. The oil sector contracted for the fourth consecutive year, albeit at a lower rate.

Nigeria's chronically high inflation reached an all-time high of 29.9 percent year-on-year in January 2024, driven by rising food and energy prices, loose monetary policy, and naira depreciation. Nominal earnings have not kept up with inflation, pushing another 10 million Nigerians into poverty in 2023. CBN has started tightening monetary policy by raising the monetary policy rate (MPR) by 400 basis points to 22.75 percent in February 2024 and by unclogging some of its transmission channels. CBN has restarted open market operations (OMOs) at yields closer to the MPR, halted new development finance schemes, committed to stop monetization of fiscal deficits, removed the Standing Deposit Facility cap, raised the cash reserve ratio to 45 percent, and improved communication.

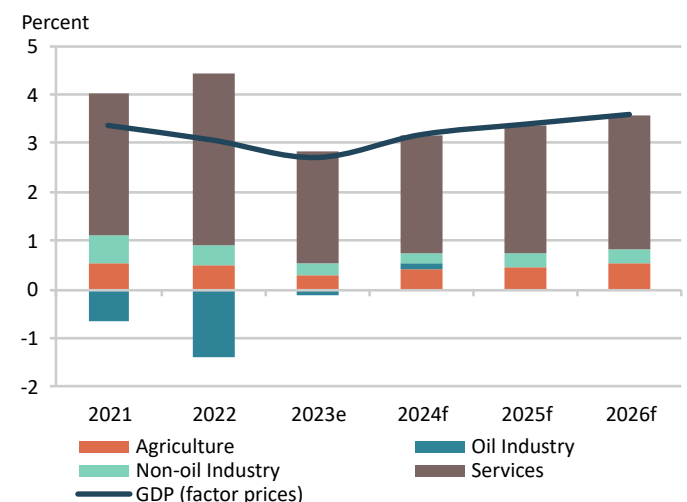
Fiscal pressures remained high despite the removal of fuel subsidy in the budget and naira devaluation. General government

FIGURE 1 Nigeria / Oil price, exports, government revenues, and real GDP growth



Sources: Nigerian National Bureau of Statistics, WDI, and World Bank.

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



Sources: Nigerian National Bureau of Statistics and World Bank.

fiscal deficit in 2023 is estimated at 5.3 percent of GDP, 0.4 percentage points (pp) higher than in 2022. While oil revenues improved on the back of the naira unification, gains from the removal of subsidy did not materialize as expected due to low remittances from the Nigerian National Petroleum Corporation (NNPC) to the federation and the emergence of an implicit FX petrol subsidy. Non-oil revenues increased by 0.7 percentage points to 5.6 percent of GDP in 2023, but expenditures picked up too, especially on capital goods and interest payments. The current account balance (CAB) is estimated to have recorded a surplus of 0.7 percent of GDP in 2023, driven by lower interest payments and imports. Gross reserves dropped by 11 percent to US\$ 33bn in 2023 and net errors and omissions remained high.

Outlook

The continuation of an ambitious reform program centered around macroeconomic stabilization is essential for

Nigeria to reap the reforms' benefits. The economy is projected to grow by 3.5 percent on average between 2024 and 2026, 0.9 pp higher than the population growth. The dissipation of the reforms' initial shock and the stabilization of macroeconomic conditions will instill a sustained but still slow growth in the non-oil economy, while the oil sector is expected to stabilize with some recovery in production and slightly lower prices. Higher growth rates will require structural reforms. Inflation will remain elevated at 24.8 percent on average in 2024 but is expected to progressively moderate to 15.1 percent by 2026 on the back of monetary policy tightening and exchange rate stabilization. As a result, poverty rates are expected to increase in 2024 and 2025 before stabilizing in 2026.

Exchange rate liberalization is expected to contribute to both fiscal and external balances. Fiscal pressure is expected to moderate over the outlook due to higher dollar-denominated revenues and improved non-oil revenues.

The fiscal deficit is expected to drop to 4.3 percent of GDP on average between 2024-2026, and debt servicing to fall from 97 percent of revenues in 2024 to 61 percent of revenue in 2026. Exchange rate depreciation will also reduce imports, including gasoline, leading to a CAB of 1.2 percent of GDP on average between 2024-2026. Foreign investments will follow macroeconomic stabilization.

Risks to Nigeria's outlook are substantial, especially if reforms lose momentum or are reversed. Relatively weak monetary policy tightening would be insufficient to rein in inflation and attract foreign capital inflows, raising the risks of an inflation-exchange rate depreciation spiral. Failure to address imbalances in petrol pricing and to raise non-oil revenues would jeopardize the reforms' revenue gains, which, in turn, would lead to continued high fiscal deficit and risks of its monetization. Rising insecurity, adverse climate shocks, and popular discontent with inflation would dent economic recovery.

TABLE 2 Nigeria / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	3.6	3.3	2.9	3.3	3.5	3.7
Real GDP growth, at constant factor prices	3.4	3.1	2.7	3.2	3.4	3.6
Agriculture	2.1	1.9	1.1	1.7	1.9	2.2
Industry	-0.5	-4.6	0.7	1.8	1.6	1.7
Services	5.6	6.7	4.2	4.4	4.7	4.9
Inflation (consumer price index)	17.0	18.8	24.7	24.8	18.5	15.1
Current account balance (% of GDP)	-0.7	0.2	0.7	2.2	0.9	0.5
Net foreign direct investment inflow (% of GDP)	-0.3	0.0	-0.1	-0.4	-0.5	-0.5
Fiscal balance (% of GDP)	-6.6	-4.9	-5.4	-4.6	-3.7	-3.8
Revenues (% of GDP)	6.7	6.7	7.8	8.7	9.6	9.6
Debt (% of GDP)	39.0	40.0	48.9	50.9	46.6	45.1
Primary balance (% of GDP)	-3.9	-1.5	-1.9	-1.0	-0.1	-0.1
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	34.6	35.3	38.9	40.7	42.3	42.5
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	66.2	67.1	69.8	70.9	71.7	71.4
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	90.6	91.3	91.9	91.9	91.8	91.2
GHG emissions growth (mtCO₂e)	2.3	3.0	3.1	3.4	3.2	3.5
Energy related GHG emissions (% of total)	35.1	35.4	35.6	36.1	36.5	37.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2018-LSS. Actual data: 2018. Nowcast: 2019-2023. Forecasts are from 2024 to 2026.

b/ Projections using microsimulation methodology.

RWANDA

Key conditions and challenges

Table 1 **2023**

Population, million	14.1
GDP, current US\$ billion	13.7
GDP per capita, current US\$	974.4
International poverty rate (\$2.15) ^a	52.0
Lower middle-income poverty rate (\$3.65) ^a	78.0
Upper middle-income poverty rate (\$6.85) ^a	92.2
Gini index ^a	43.7
School enrollment, primary (% gross) ^b	134.9
Life expectancy at birth, years ^b	66.1
Total GHG emissions (mtCO2e)	8.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2016), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

Rwanda's strong economic momentum continued in 2023, with 8.2 percent growth in 2023—led by services, manufacturing, and construction. Inflationary pressures have eased due to improvements in domestic food production, lower commodity prices, and the tight monetary policy stance by the central bank. Real GDP growth is projected at 7.6 percent on average in 2024–2025.

In the decade up to 2019, Rwanda's GDP per capita increased steadily at a rate of 4.5 percent per year, surpassed only by Ethiopia among SSA economies. Rwanda has also achieved substantial gains in poverty reduction, educational attainment, health services delivery, and access to basic services. However, the economy faces severe constraints. The heavy emphasis on public investment has neither generated sufficient jobs nor resulted in rapid gains in productivity. The Human Capital Index places Rwanda at 160th out of 174 countries. High public debt levels, vulnerability to climate change, and the accelerating degradation of natural assets will hinder the achievement of Rwanda's targets of becoming an upper middle-income country by 2035 and a high-income country by 2050. The highest food inflation in 15 years (63 percent in March 2023) triggered by insufficient rainfall, highlighted the importance of increasing the persistently low productivity in agriculture to increase incomes of rural households and to improve food security and availability. Overcoming these challenges will require greater reliance on private sector investment to enhance productivity growth, raise incomes, and provide the necessary financing needed to address infrastructure shortfalls. Critical areas, which would need to progress faster and drive rapid private sector investment growth in Rwanda, include

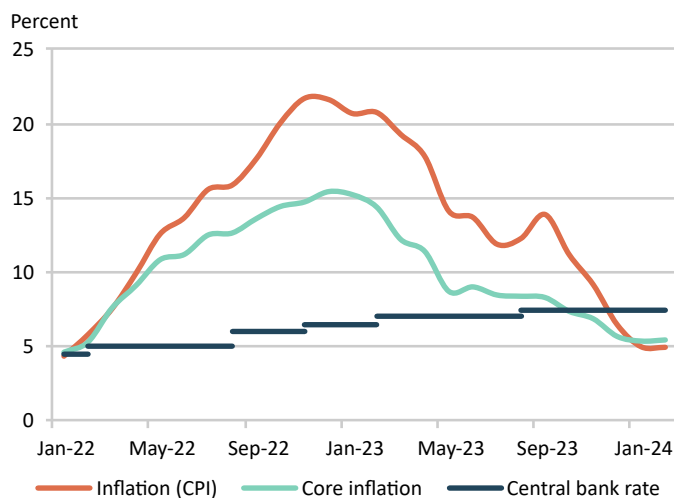
enhancing competition, building firms' capabilities, increasing access to finance, fostering development and diffusion of information and communication technologies, and innovation.

Recent developments

Rwanda's economy achieved significant growth in 2023, estimated at 8.2 percent, despite lower global prices for its main exports and flooding that disrupted crop production. This performance was supported by stronger services sector and robust domestic demand, fueled by sizable investment projects. The information and communications industry made the largest contribution to GDP growth, benefiting from increased internet and mobile subscriptions, followed by manufacturing, transport services, and construction.

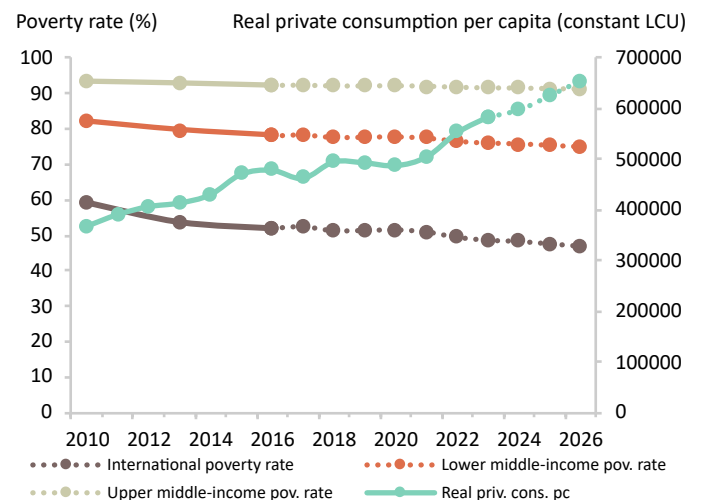
The National Bank of Rwanda's tighter monetary stance, along with improvements in domestic food production and lower commodity prices, have contained inflationary pressures. NBR hiked the policy rate by an additional 50 basis points in August 2023 to 7.5 percent (Figure 1). Inflation fell gradually to 4.9 percent in February 2024 from the peak of 22.7 percent in November 2022. After experiencing 18 months of the highest monthly food inflation in the last 15 years starting in May 2022, much lower food inflation at 6.3 percent in February 2024 eased the pressure on household budgets, especially for poor households. To counteract the effect of a sharp depreciation of the franc against the

FIGURE 1 Rwanda / Headline and core inflation and central bank rate



Source: World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

U.S. dollar—about 18. percent in 2023—on inflation, the NBR has doubled its dollar sales to commercial banks to US\$10 million per week from US\$5 million.

The FY24 budget envisages a temporary fiscal expansion to cushion the effects of recent floods. Total reconstruction spending is estimated at around 3 percent of GDP over the next five years, of which two-thirds will be disbursed in FY24–FY25. The resulting creation of jobs in construction is expected to benefit lower-income households. Despite this, the government remains committed to fiscal prudence through improved domestic revenue mobilization, spending rationalization, and increased transparency and efficiency. Relying largely on concessional loans to finance the deficit, Rwanda's public debt is sustainable despite increases in the stock, which is estimated at 71.6 percent of GDP in 2023.

Outlook

Rwanda's GDP is projected to grow at 7.6 percent on average in 2024–26. After weak performance in the last two years,

agriculture is expected to rebound due to favorable weather. Growth will also be supported by continued growth in global tourism demand, construction, and manufacturing activities supported by the Manufacture and Build to Recover Program. Driven by growth in private consumption of 4.5 percent a year in 2024–2026, poverty is projected to decline from 48.4 percent in 2024 to 47 percent in 2026. The current account deficit is projected to remain wider in 2024 due to increased imports required for the post-flood reconstruction and the large airport construction project. Sustained strong FDI inflows and concessional financing will cover external financing needs. Inflation is expected to gradually return within NBR's target of 5±3 percent. The government is committed to prudent fiscal management. In the FY24–FY26 budget framework, the government projects spending cuts largely through streamlining and gradually reducing subsidies particularly those related to energy and fuel. It is critical to reduce energy subsidies in a way that keeps electricity affordable for low-income households. The authorities are also planning to strengthen the oversight, governance, and risk management of

state-owned enterprises while safeguarding fiscal space for human capital spending. The government also intends to improve revenue administration and cut tax rates while broadening the tax base through measures in the Medium-Term Revenue Strategy. Under this baseline, public debt would peak at 78 percent of GDP in 2024 before gradually improving over the medium term.

The outlook is subject to substantial downside risks. Even though Rwanda has limited direct trade and financial links to the Middle East, an intensification of the conflict in the region could lead to further disruptions to the global trade and economy, thus affecting Rwanda mainly through a reduced global demand for its main export products. Limited access to concessional resources and lower external demand fueled by monetary tightening in advanced economies pose further downside risks. The main risk on the domestic front is linked to the increasing frequency of weather and climate shocks, which could disrupt agricultural output again negatively affecting incomes and food security for rural households, and reigniting inflationary pressures on food.

TABLE 2 Rwanda / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	10.9	8.2	8.2	7.6	7.8	7.5
Private consumption	6.0	12.1	8.0	4.5	6.8	6.8
Government consumption	13.7	10.6	3.1	14.6	10.1	8.1
Gross fixed capital investment	9.6	-12.6	4.5	15.0	10.7	7.2
Exports, goods and services	2.4	29.4	25.8	13.1	11.2	11.2
Imports, goods and services	2.7	17.9	14.4	12.6	10.9	8.9
Real GDP growth, at constant factor prices	10.6	7.8	8.6	7.6	7.8	7.5
Agriculture	6.4	1.6	1.7	6.6	5.5	5.4
Industry	13.3	5.0	10.2	9.5	9.3	9.0
Services	11.9	12.2	11.2	7.3	8.3	7.9
Inflation (consumer price index)	1.1	12.1	15.4	6.8	5.0	5.0
Current account balance (% of GDP)	-11.1	-9.7	-11.9	-11.3	-10.1	-10.2
Net foreign direct investment inflow (% of GDP)	2.1	2.4	3.3	3.9	4.4	4.5
Fiscal balance (% of GDP)	-9.8	-9.2	-8.5	-6.8	-5.6	-5.9
Revenues (% of GDP)	24.8	23.5	22.9	23.1	23.3	23.2
Debt (% of GDP)	74.4	69.9	73.0	78.0	77.6	75.2
Primary balance (% of GDP)	-8.0	-7.3	-6.3	-4.9	-4.0	-4.6
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	51.1	49.6	48.7	48.4	47.7	47.0
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	77.5	76.5	76.0	75.8	75.3	74.9
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	92.0	91.7	91.6	91.5	91.4	91.2
GHG emissions growth (mtCO₂e)	6.4	2.5	1.4	2.4	2.9	3.2
Energy related GHG emissions (% of total)	31.1	30.7	29.8	30.0	30.2	30.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2010-EICV-III and 2016-EICV-V. Actual data: 2016. Nowcast: 2017–2023. Forecasts are from 2024 to 2026.

b/ Projection using average elasticity (2010–2016) with pass-through = 0.25 based on private consumption per capita in constant LCU.

SÃO TOMÉ AND PRÍNCIPE

Key conditions and challenges

São Tomé and Príncipe (STP) is a remote and small island nation with untapped natural wealth. STP is home to pristine rainforests, a rich and unique biodiversity, and a humid tropical climate with abundant rainfall. Given its vast natural wealth, agriculture, fisheries, and tourism have significant potential to accelerate growth in STP. However, STP's economic and social development has been constrained by its small productive base, weak private sector, institutional fragility, and high vulnerability to climate shocks, coupled with underdeveloped infrastructure, such as an unreliable power sector and limited connectivity.

In the past, growth in STP was supported by large inflows of external concessional financing and grants, which have fueled a public investment-led growth model. However, this growth model has become unsustainable due to the structural decline and volatility of grants. As a result, growth has slowed in recent years, further undermined by recurrent energy crises, climate shocks, and surging commodity prices due to escalating global geopolitical tensions.

Consequently, slow growth has hindered progress in poverty reduction by restricting job opportunities and exacerbating the vulnerability of the poorest. Moreover, excessive reliance on external concessional financing, low domestic revenue

mobilization, and high expenditure rigidity limited spending on human capital. Thus, with limited access to basic services and social protection, the poorest bear the brunt of economic and climate shocks, facing increased difficulty in meeting their daily needs given the rising living costs.

Nonetheless, the new government has committed to implementing the needed structural reforms to restore macroeconomic stability and promote growth, particularly energy reforms. Fiscal reforms have been initiated, including the introduction of the value-added tax (VAT). The reform agenda is expected to be backed by a forthcoming IMF program, which should also help mobilize further concessional financing.

Recent developments

Real GDP is estimated to have contracted by 0.5 percent in 2023 due to the aggravated energy crisis and fuel shortage that halted economic activity for two weeks, and delays in external financing disbursements, partly explained by the longer-than-expected discussions on the upcoming IMF program. However, the recession was mitigated by a strong recovery in tourism: tourist arrivals peaked at 35,817 in 2023, above pre-pandemic levels.

The current account deficit is estimated to have remained around 15.4 percent of GDP in 2023, due to a due to higher imports bill and wider trade deficit.

Inflationary pressures eased despite the introduction of VAT, as the Central Bank

Table 1 2023

Population, million	0.2
GDP, current US\$ billion	0.6
GDP per capita, current US\$	2651.6
International poverty rate (\$2.15) ^a	15.7
Lower middle-income poverty rate (\$3.65) ^a	45.0
Upper middle-income poverty rate (\$6.85) ^a	79.7
Gini index ^a	40.7
School enrollment, primary (% gross) ^b	109.6
Life expectancy at birth, years ^b	67.6
Total GHG emissions (mtCO2e)	0.4

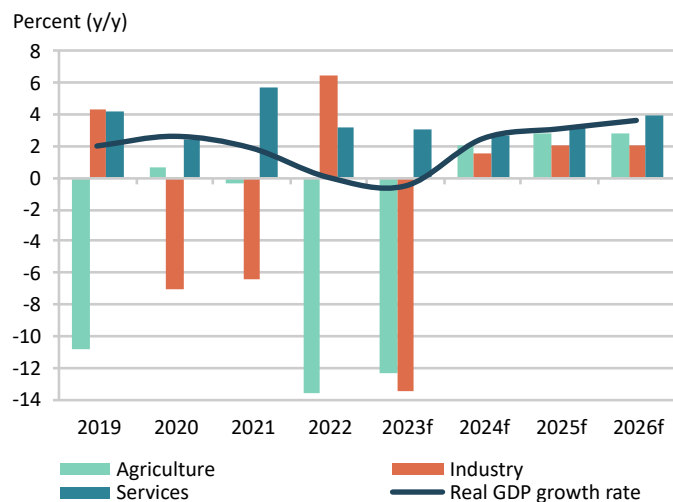
Source: WDI, Macro Poverty Outlook, and official data.

a/ Most recent value (2017), 2017 PPPs.

b/ Most recent WDI value (2021).

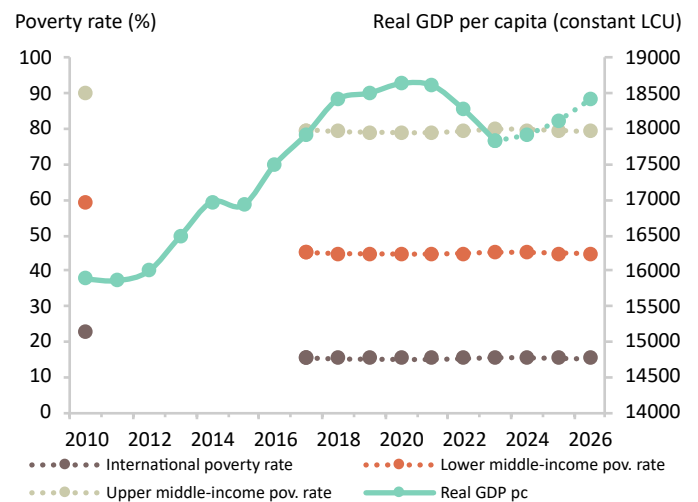
Crisis in the electricity sector and uncertainty in external concessional financing pushed the economy into recession. GDP is estimated to have contracted by 0.5 percent. Poverty rate is estimated at 15.8 percent. GDP growth is projected to recover in the medium term, supported by tourism, agriculture, infrastructure, and renewed external financing. Risks result from delays in concluding IMF program discussions, slow energy reforms, weather-related shocks, and global geopolitical tensions.

FIGURE 1 São Tomé and Príncipe / Real GDP growth and contributions to real GDP growth



Sources: São Tomé and Príncipe authorities' data, IMF and World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

of STP (BCSTP) tightened liquidity conditions and issued certificates of deposit in May 2023, coupled with higher interest rates on T-bills, and subdued domestic demand. Inflation declined from 25.2 percent in 2022 to 21.2 percent in 2023, and the monetary base (M0) contracted by 11.6 percent. However, delays in external financing disbursements and high fuel-related import demand depleted net international reserves, threatening the currency's peg to the euro. The BCSTP responded by entering into a non-concessional foreign exchange swap agreement for about US\$30 million with Afreximbank to boost reserves, of which US\$12 million was disbursed. Although further disbursement of grants supported net international reserves, the latter remain below one month of imports. The fiscal balance remained in deficit, estimated at -3.6 percent of GDP in 2023 primarily due to reduced grant disbursements, despite the introduction of the VAT in June 2023 to support revenue mobilization.

As a result of these adverse macro-fiscal conditions, the livelihoods of the poorest deteriorated. The share of people that were living on less than US\$2.15 per day

(in 2017 PPP terms) is estimated to have slightly increased to 15.8 percent in 2023, from 15.6 percent in the previous year.

Outlook

Real GDP growth is expected to recover to 2.5 percent in 2024 and then 3.6 percent in 2026. Growth over the medium term is supported by a stronger agricultural sector, including palm oil and cocoa exports, continued tourism rebound, foreign investments, including for increased electricity capacity and renewable energy projects, and resumption of externally funded infrastructure projects, such as the rehabilitation of the Marginal Road.

The current account deficit is projected to improve from 15.4 percent in 2023 to 12.6 percent in 2024 and 10.8 percent in 2026 as the trade deficit narrows with the drop in the cost of commodities (fuel and food), tourism continues to recover, and fiscal consolidation weighs on the twin deficit of fiscal and external balances.

A tight monetary policy stance and lower global commodity prices are expected to reduce inflation to 12.1 percent in 2024. The resumption of externally financing disbursements, an expected IMF-supported fiscal consolidation, and the full impact of VAT implementation would improve STP's fiscal position in 2024. These measures are projected to contribute to an improvement in the domestic primary balance deficit from -2.7 percent in 2023 to 1.4 percent of GDP in 2024 and 1.6 percent of GDP in 2026.

Risks to the outlook come from delays in the new IMF program discussion, and relatedly delayed external financing disbursements, slow implementation of energy reforms, and weather-related events. Adverse developments in global commodity prices due to geopolitical tensions are also a risk factor. In addition, the outlook for poverty alleviation in STP remains uncertain and the share of people living in extreme poverty is projected to stagnate in the short term, with a slight decline in the medium-term. While economic recovery is projected in 2024, the benefits may not reach the most vulnerable without concerted efforts.

TABLE 2 São Tomé and Príncipe / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	1.9	0.1	-0.5	2.5	3.1	3.6
Real GDP growth, at constant factor prices	3.1	2.5	-0.5	2.5	3.1	3.6
Agriculture	-0.3	-13.6	-12.4	2.0	2.8	2.8
Industry	-6.4	6.4	-13.5	1.5	2.0	2.0
Services	5.6	3.1	3.1	2.7	3.3	3.9
Inflation (consumer price index)	9.5	25.2	21.2	12.1	7.4	7.0
Current account balance (% of GDP)	-19.2	-14.6	-14.1	-10.9	-9.6	-8.5
Net foreign direct investment inflow (% of GDP)	3.5	23.3	3.5	5.0	5.7	7.0
Fiscal balance (% of GDP)	-3.9	-4.5	-3.3	-0.1	0.2	0.6
Revenues (% of GDP)	19.8	25.4	23.5	21.6	21.6	21.3
Debt (% of GDP)	77.8	68.5	57.5	52.7	47.7	41.3
Primary balance (% of GDP)	-3.7	-4.0	-2.4	1.3	1.0	1.2
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	15.4	15.6	15.8	15.7	15.6	15.5
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	44.6	44.8	45.1	45.0	44.9	44.7
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	79.0	79.3	79.8	79.7	79.5	79.2
GHG emissions growth (mtCO₂e)	1.2	0.6	0.4	0.9	1.4	1.7
Energy related GHG emissions (% of total)	35.7	35.6	35.8	36.3	36.9	37.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Projection using point to point elasticity at regional level with pass-through = 0.7 based on GDP per capita in constant LCU.

b/ Actual data: 2017. Nowcast: 2018-2023. Forecasts are from 2024 to 2026.

SENEGAL

Table 1 **2023**

Population, million	17.8
GDP, current US\$ billion	31.1
GDP per capita, current US\$	1753.3
International poverty rate (\$2.15) ^a	9.9
Lower middle-income poverty rate (\$3.65) ^a	36.3
Upper middle-income poverty rate (\$6.85) ^a	75.6
Gini index ^a	36.2
School enrollment, primary (% gross) ^b	83.3
Life expectancy at birth, years ^b	67.1
Total GHG emissions (mtCO2e)	36.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

Economic growth slowed slightly to 3.7 percent in 2023 due to social unrest and delayed hydrocarbon production. The fiscal deficit and debt remained high, fueled by energy subsidies and frontloaded financing. Inflation averaged 6.1 percent, eroding household purchasing power, but poverty remains unchanged. Economic activity is set to rebound in the medium term, supported by hydrocarbon production. Political uncertainty, hydrocarbon production delays, and geopolitical tensions threaten the outlook.

Key conditions and challenges

Senegal's socioeconomic development challenges are heightened by rising uncertainty. Declining yet high inflation and unfavorable global and domestic financial conditions combined with high debt levels undermine macro-fiscal stability. Structural vulnerabilities, such as low productivity, limited human capital, high informality, and youth emigration, persist and are exacerbated by external shocks, as seen during the COVID-19 pandemic and Russia's invasion of Ukraine. Despite the emphasis on industrialization in the action plan PAP3 of the government's Plan Senegal Emergent, the transition to a more diversified economy with a larger industrial base remains limited, with the economy remaining heavily reliant on agriculture and services. The onset of hydrocarbon production offers an opportunity to accelerate equitable investment in human capital, provided that related resources are managed within a strong governance framework.

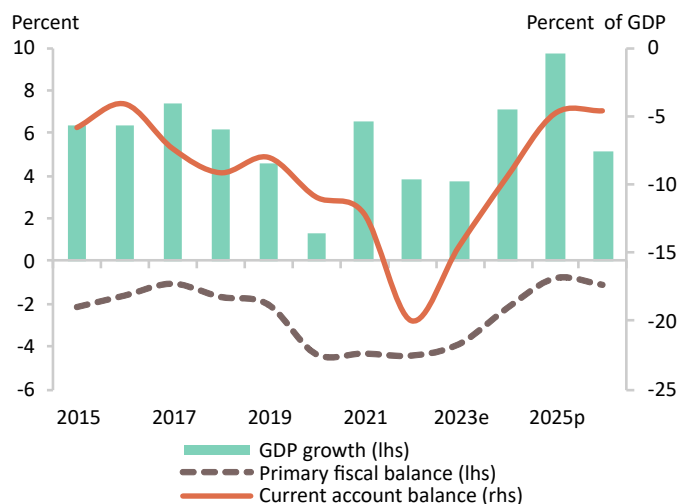
Recent developments

Economic growth remained broadly stable around 3.7 percent in 2023 (1.1 percent per capita) as political tensions and social unrest disrupted consumer spending and delayed investment in key

sectors, including ICT, trade, and transport. As a result, the services sector decelerated from 5.1 percent in 2022 to 3.3 percent in 2023. Gold production declined by 15.5 percent (year-on-year) due to lower demand, reserve depletion, and labor strikes. Challenges in the extractive industry led to a slower-than-expected performance in the industry sector despite strong cement sales. Headline inflation averaged 6.1 percent in 2023 as food and energy prices continued their downward trends – although remaining well above the regional Central Bank's target band of 1-3 percent. Poverty incidence (using the \$3.65 per capita per day in 2017 PPP international poverty line) remained stable at 36.4 percent in 2023, from 36.5 percent in 2022. While rising prices eroded the purchasing power of households this was mitigated by growth in the agriculture sector, which employs most of the poor. The national poverty trend is the result of a slight increase in urban areas, while the poverty rate slightly decreased in rural areas.

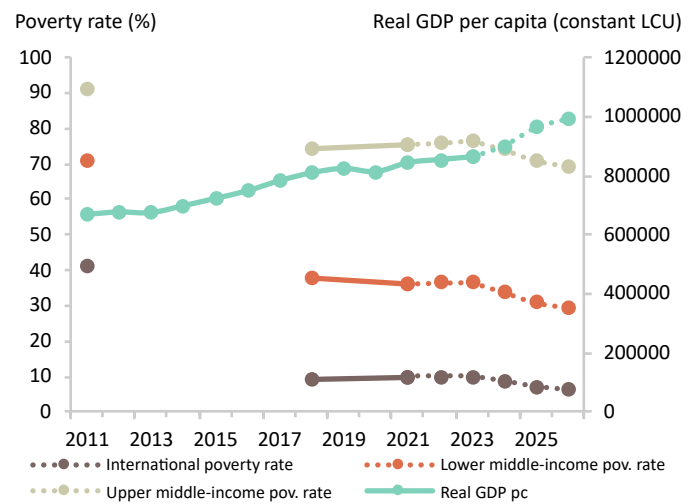
The fiscal deficit is expected to remain at 6.6 – above the 4.9 percent of GDP objective set in the 2023 Budget Law – driven by lower tax collection and persistently high energy subsidies. The former declined to 17.3 percent of GDP – about 1 percentage point below its 2022 level – owed to lower revenue collection on international trade. Public expenditure declined to 25.7 percent of GDP from 26.6 percent, thanks to a decline in current spending. Fiscal measures to support purchasing power (0.6 percent of GDP)

FIGURE 1 Senegal / Evolution of main macroeconomic indicators



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

and energy sector subsidies encompassing outstanding arrears (4.2 percent of GDP end-September 2023) continue to hinder fiscal consolidation efforts. Public debt remains at moderate risk of debt distress, with limited margins to absorb future shocks. The current account deficit is estimated at 14.5 percent in 2023 from 20 percent in 2022, driven by lower service imports related to hydrocarbon services, increased export prices, and the resumption of trade with Mali. It was financed by foreign direct investments, portfolio investments, remittances, and external credits.

To counter inflation across WAEMU countries, the Central Bank of West African States (BCEAO) raised policy interest rates by a cumulative 150 basis points since mid-2022 to 3.5 percent for liquidity calls and 5.5 percent for the marginal lending facility. However, inflation in the region (3.7 percent in 2023) was still above the 1-3 percent target and foreign exchange reserves have been on a downward trend, estimated at 3.5 months of imports at end-2023, down from 4.3 months at the end of 2022.

Outlook

Economic growth is projected to average 7.5 percent in 2024-2026 (4.8 percent per capita) and be broad based, driven by hydrocarbon production from mid-2024, and a rebound in the mining sector spurred by the discovery of new gold and phosphate mines as well as agriculture and services. Aggregate demand will be supported by private consumption. The baseline assumes favorable rainfall and fading political uncertainty. Inflation is forecasted to decelerate to 2 percent by 2025 as food and energy prices maintain downward trends. The BCEAO may need to continue monetary tightening in 2024 to bring inflation under control and in the context of rising uncertainties over the withdrawal of Niger, Mali, and Burkina Faso from ECOWAS and potential spillovers to WAEMU. These uncertainties are likely to increase investors' risk perceptions leading to tighter financing conditions and putting additional strain on already low foreign exchange reserves.

Projected growth, including in agriculture, the expansion of cash transfers, and declining food prices are expected to affect household well-being positively. Consequently, poverty is expected to resume a downward trend in 2024.

Fiscal consolidation efforts, including reduced energy subsidies and increased tax revenues, should enable the fiscal deficit to decline toward the WAEMU convergence criteria of 3 percent of GDP by 2025. Under a benign base case, public debt is expected to decline gradually to 67.2 percent in 2026. However, extreme weather shocks or increases in security spending could delay the necessary fiscal adjustment and exacerbate debt sustainability risks. The CAD is projected to narrow significantly from 9.5 percent of GDP in 2024 to an average 4.7 percent in 2025-6 as hydrocarbon exports begin, although a potential risk remains as the Alliance of Sahel States withdrawal from ECOWAS will impact exports to Mali. Regional uncertainties could lead to further tightening of financing conditions and put additional strain on already low foreign exchange reserves.

TABLE 2 Senegal / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	6.5	3.8	3.7	7.1	9.7	5.7
Private consumption	3.4	3.5	2.3	3.1	3.6	3.7
Government consumption	14.4	1.5	-7.1	14.7	7.7	4.5
Gross fixed capital investment	15.8	11.0	12.5	6.0	8.8	8.6
Exports, goods and services	22.5	3.5	6.7	14.3	20.1	3.4
Imports, goods and services	16.0	12.4	6.0	5.4	4.9	3.1
Real GDP growth, at constant factor prices	6.3	3.6	3.7	7.1	9.7	5.7
Agriculture	0.8	0.3	6.2	6.3	6.4	6.5
Industry	7.1	2.6	2.9	16.8	23.4	3.9
Services	7.7	5.1	3.3	3.2	4.0	6.5
Inflation (consumer price index)	2.2	9.7	6.1	3.0	2.0	2.0
Current account balance (% of GDP)	-12.1	-20.0	-14.5	-9.5	-4.8	-4.6
Fiscal balance (% of GDP)	-6.3	-6.6	-6.6	-4.8	-3.0	-3.0
Revenues (% of GDP)	19.5	20.0	19.2	20.8	21.8	22.3
Debt (% of GDP)	73.4	76.1	79.5	72.4	67.5	67.2
Primary balance (% of GDP)	-4.3	-4.4	-3.9	-2.2	-0.8	-1.1
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	9.9	10.0	9.8	8.7	7.2	6.4
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	36.3	36.5	36.4	33.9	30.9	29.5
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	75.6	75.9	76.3	74.1	71.1	69.5
GHG emissions growth (mtCO₂e)	3.1	1.1	0.5	3.8	5.5	5.1
Energy related GHG emissions (% of total)	24.2	24.5	24.0	24.2	24.5	23.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2021-EHCVM. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.

b/ Projections using microsimulation methodology.

SEYCHELLES

Key conditions and challenges

Table 1 **2023**

Population, million	0.1
GDP, current US\$ billion	2.1
GDP per capita, current US\$	20446.9
International poverty rate (\$2.15) ^a	0.5
Lower middle-income poverty rate (\$3.65) ^a	1.2
Upper middle-income poverty rate (\$6.85) ^a	6.7
Gini index ^a	32.1
School enrollment, primary (% gross) ^b	97.6
Life expectancy at birth, years ^b	73.4
Total GHG emissions (mtCO2e)	1.0

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ Most recent WDI value (2021).

Economic growth is expected to reach 3.5 percent in 2024, supported by tourism and the rebuilding of infrastructure damaged by extreme weather and the blast at an explosives depot in 2023. Despite these shocks, average earnings have increased by 4.8 percent and the poverty rate remained stable at 5.9 percent in 2023. The government has prioritized support for vulnerable groups and investments to enhance climate resilience while maintaining its commitment to fiscal prudence.

The Seychelles is a high-income country with the highest GDP per capita in Sub-Saharan Africa but is highly vulnerable to external shocks. Tourism accounts for 31 percent of GDP and 41 percent of exports. Over 90 percent of production inputs are imported, making the country highly vulnerable to global commodity shocks and pandemics. In 2020, during the COVID-19 pandemic, the economy shrunk by 8.5 percent, and the fiscal deficit widened to 16.4 percent of GDP, while poverty rates based on the upper-middle-income line of US\$6.85 per person per day rose to 8.0 percent. Moreover, the Seychelles is vulnerable to climate shocks. The heavy rains and the explosion that occurred in December 2023 highlight the country's vulnerability to climate change.

Prudent macroeconomic management has helped the Seychelles manage shocks and sustain growth. Measures implemented to mitigate the pandemic supported a quick recovery and were subsequently phased out. The government has implemented fiscal consolidation since 2021 and has taken measures to improve the resilience of the economy while also addressing the effect of external shocks. Adaptation investments to strengthen climate resilience use mostly concessional financing, complemented by private sector efforts. Fiscal measures such as the 2023 tourism environmental sustainability levy help raise resources for climate initiatives, with more

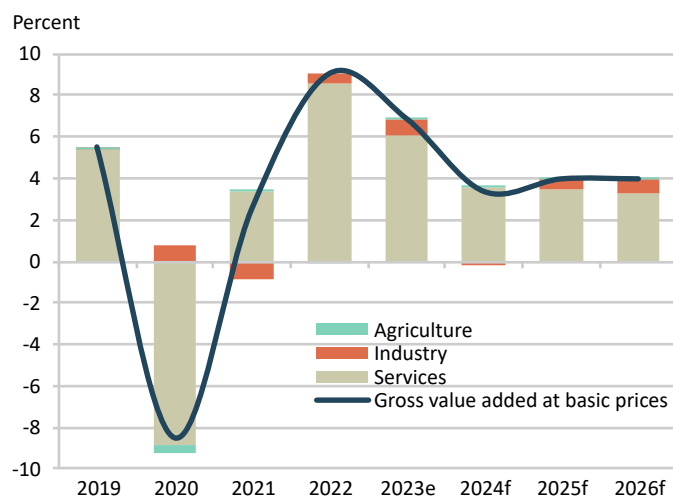
than 4 percent of the Seychelles' budget allocated to climate resilience.

Further improvements to the business environment and a renewed focus on employment are needed to maintain inclusive growth. Labor earnings have been central to reducing poverty, yet labor and skills shortages and a growing rate of drug and alcohol addiction constrain further advances. Labor shortages were partly addressed through migration, with migrants representing 22 percent of the working-age population. The 2023 Enterprise Survey indicates that firms identified a low supply of skilled labor (20 percent of firms) and limited land (25 percent of firms) as major obstacles in doing business.

Recent developments

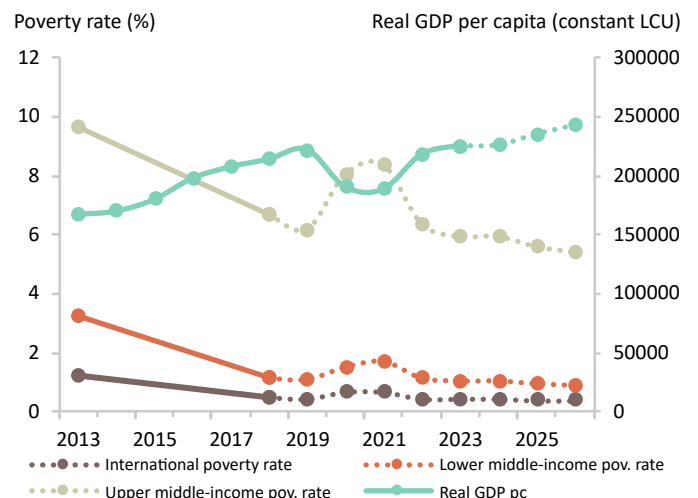
Growth was an estimated 3.3 percent in 2023 compared to 8.9 percent in 2022, driven by modest increases in tourism, particularly from key markets in Europe impacted by tight monetary conditions and the war in Ukraine. Furthermore, geopolitical issues in Israel affected tourist arrivals from Asia. In 2023Q3, employment decreased by 0.2 percent, while average earnings saw a 4.8 percent increase compared with the same quarter in 2022 due to an upward revision to public sector wages. Heavy rainfall, landslides, and floods in the north of Mahé island, coupled with a massive explosion in a key industrial zone, damaged commercial buildings, houses, and public infrastructure at the end of 2023. This incident has impacted growth and increased household

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



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

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



Source: World Bank. Notes: see Table 2.

vulnerability. Consequently, the government has provided support to households and businesses to rebuild and re-occupy their premises.

Inflation remained low, prompting the Central Bank of Seychelles to maintain the monetary policy rate at 2 percent. In 2023, appreciation of the rupee and moderation in global commodity prices contributed to declining domestic prices, with year-end inflation of -2.71 percent. The primary fiscal balance was 1.4 percent of GDP, as revenue increased, led by strong business and property tax collections, despite higher government expenditure due to higher public sector wages and the establishment of the Home Care Agency. Although the budget allocated to capital expenditure was higher than in 2022, project under-execution of 32 percent resulted in budget savings. Public debt declined to 60.1 percent of GDP due to repayments of external debt. The current account deficit narrowed to an estimated 5.6 percent of GDP. The deficit is financed by foreign direct investments, equivalent to 13.8 percent of GDP, primarily from investments in hotels and resorts. Foreign exchange reserves increased to US\$681 million in 2023, covering 3.8 months of imports.

Outlook

The economy is expected to grow by 3.5 percent in 2024, supported by tourism and increases in flight seat capacity to the islands. Additionally, with 450 new hotel rooms expected to become available during the year, tourism receipts are projected to increase. However, weak trade and commerce within the Providence industrial zone due to the gradual recovery from last year's explosion are expected to weigh on growth. Fiscal measures and reconstruction efforts to restore businesses' operationality by end-2024 are expected to support the economic recovery beyond 2024.

Following the December incidents, the government's priorities are to support vulnerable groups whose homes were damaged and to invest in strengthening resilience to climate events, including building and maintaining structures like bridges, watersheds, canals, retaining walls, and coastal blockades. Additional spending beyond already planned investments is needed to rebuild better.

This is expected to contribute to an increase in public debt to 62 percent of GDP. However, the government remains committed to containing public debt in the medium term and developing the government securities market by issuing bonds to reduce refinancing risk. In the context of low inflation expectations, the monetary authority is expected to maintain the monetary policy rate at 2 percent in 2024. More robust tourism earnings are expected to contribute to a stable rupee, even though the current account deficit is projected to widen as imports increase for consumption and reconstruction efforts.

The country's reliance on the European tourist market is a risk, and delays in the opening of new and renovated hotels could also result in a lower-than-expected yield from tourism in 2024. Additionally, attacks on commercial vessels in the Red Sea could increase inflation through higher import prices, which may disproportionately affect the poor. Lastly, climate shocks pose a significant risk, underscoring the importance of sustainable growth and poverty reduction strategies.

TABLE 2 Seychelles / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	2.5	8.9	3.3	3.5	3.4	3.4
Private consumption	1.3	6.6	6.4	1.4	6.5	3.7
Government consumption	4.3	2.5	6.0	5.5	5.2	5.0
Gross fixed capital investment	0.4	2.7	34.3	8.6	-1.2	2.1
Exports, goods and services	6.2	9.1	5.7	8.7	6.2	6.0
Imports, goods and services	4.7	3.1	15.0	9.4	5.4	5.5
Real GDP growth, at constant factor prices	2.5	9.0	3.3	3.5	3.4	3.4
Agriculture	0.8	-1.0	4.2	2.1	2.1	2.1
Industry	-4.9	3.3	5.1	-1.5	3.5	4.5
Services	4.2	10.5	2.9	4.5	3.4	3.2
Inflation (consumer price index)	7.9	2.5	-2.7	3.4	2.8	2.3
Current account balance (% of GDP)	-8.9	-7.1	-6.9	-7.4	-7.2	-6.4
Net foreign direct investment inflow (% of GDP)	9.3	11.3	13.6	11.2	10.2	9.9
Fiscal balance (% of GDP)	-5.8	-1.5	-1.3	-1.4	-0.9	0.1
Revenues (% of GDP)	33.0	31.2	32.6	35.1	35.7	35.2
Debt (% of GDP)	73.1	63.6	60.1	62.0	60.1	57.2
Primary balance (% of GDP)	-2.9	0.7	1.7	1.0	1.1	1.6
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	0.7	0.5	0.5	0.5	0.4	0.4
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	1.7	1.2	1.1	1.1	1.0	0.9
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	8.4	6.4	5.9	5.9	5.6	5.4
GHG emissions growth (mtCO₂e)	6.9	10.0	11.5	11.9	12.1	11.9
Energy related GHG emissions (% of total)	78.4	79.6	81.0	82.3	83.4	84.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2018-HBS. Actual data: 2018. Nowcast: 2019-2023. Forecasts are from 2024 to 2026.

b/ Projection using neutral distribution (2018) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

SIERRA LEONE

Key conditions and challenges

Table 1 **2023**

Population, million	8.8
GDP, current US\$ billion	3.5
GDP per capita, current US\$	394.1
International poverty rate (\$2.15) ^a	26.1
Lower middle-income poverty rate (\$3.65) ^a	64.3
Upper middle-income poverty rate (\$6.85) ^a	89.9
Gini index ^a	35.7
School enrollment, primary (% gross) ^b	151.7
Life expectancy at birth, years ^b	60.1
Total GHG emissions (mtCO2e)	9.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ Most recent WDI value (2021).

The economy continues to face significant challenges as policy missteps have aggravated the impact of external shocks, resulting in high and stubborn inflation, pressures on the currency, high risk of debt distress and inadequate growth to support poverty reduction. Despite some efforts in 2023, further corrective fiscal and monetary measures are urgently needed to address high inflationary pressure and the worsened food insecurity situation.

Economic development has been constrained by the country's susceptibility to external shocks, often been compounded by weak macroeconomic management. During the last decade, growth has averaged 4 percent (8 percent in the previous decade) with high volatility marked by episodes of boom and bust. The country's concentrated economic structure— heavy reliance on low-value-added agriculture, mining, a sizable informal services sector – lends itself to volatility. Policy slippages with regard to macroeconomic management have aggravated the impact of external shocks. In addition to low growth, this has caused debt levels to rise markedly, ranking among the highest in the region, and headline inflation to increase to a two-decade high in 2023. Economic growth has been held back by structural factors such as low private sector participation and investments, inadequate human capital, poor infrastructure, and weak institutions.

Recent developments

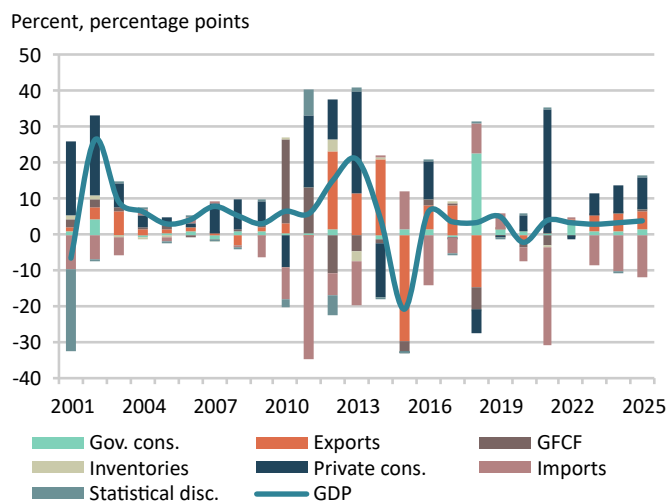
Economic activity slowed due to subdued aggregate demand and socio-political instability. GDP growth is estimated at 3.1 percent in 2023, marking the second consecutive year of a slowdown. High and persistent inflation, compounded by a recent

coup attempt, has eroded households' purchasing power and constrained private consumption and investment. However, amidst these challenges, the mining sector performed well, buoyed by strong iron ore production and exports, and promising agricultural output.

Inflationary pressures intensified, with some tentative signs of moderation in the last quarter of 2023. Headline inflation averaged 47.6 percent during 2023 – the second highest in Africa after Sudan – driven by a combination of supply side factors (high food and fuel inflation), a depreciated currency, and continued fiscal dominance. Food inflation averaged 57 percent. In response, the central bank raised rates by a cumulative 525 basis points in 2023 to 22.25 percent by year-end. However, the efficacy of monetary policy is limited by shallow financial markets, and fiscal dominance. Inflation showed some signs of moderating after peaking at 54.6 percent (y-o-y) in October, down to 47 percent by January 2024.

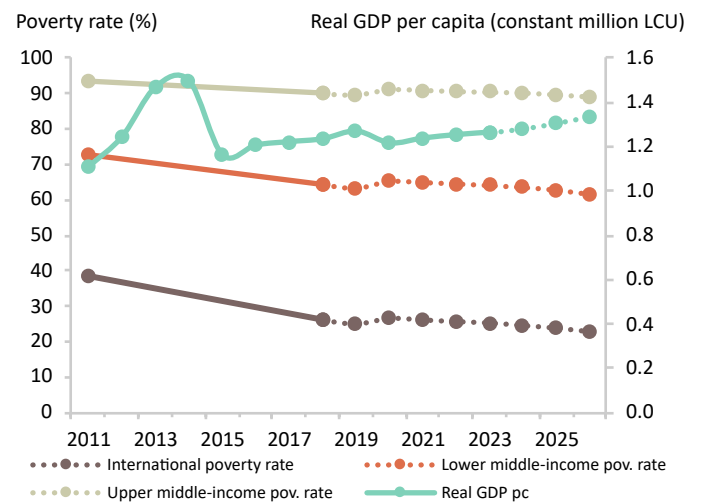
The fiscal position improved marginally in 2023 but fell short of the year's targets. The fiscal deficit narrowed to 8 percent – 1.3 percentage points lower than in 2022 but 2.2pp higher than the budgeted target. Expenditures were 2.6pp lower than in 2022, with cuts in wages and salaries (1pp), subsidies (1pp) and capex (0.6pp). Domestic revenue performance, although 1pp below target, improved by 0.4pp due to partial implementation of policy measures introduced in 2023, and improvements in tax compliance. Public debt declined to 87 percent of GDP from 93 percent in 2022, but liquidity and solvency

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



Sources: Statistics Sierra Leone and World Bank.

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



Source: World Bank. Notes: see Table 2.

risks to debt sustainability remain elevated. External debt, mainly owed to multilateral organizations, constitutes two-thirds of the total, while the remaining is short-term domestic debt.

The trade and current account balances improved slightly due to stronger iron ore exports and subdued import demand. Capital inflows improved largely on account of higher project grants. However, official reserves declined nonetheless to barely three months of import cover due to external debt service, currency interventions, and foreign currency payments to diplomatic missions overseas. The currency depreciated by 18 percent (40 percent in 2022).

Decline in poverty slowed down in 2023. Extreme poverty rate is (PPP\$ 2.15/day) estimated at 25.3 percent in 2023, compared to 25.7 in the previous year. Rising food price increases will continue to have a disproportionate impact on the poor. WFP estimates high prevalence of insufficient food consumption, affecting 55 percent of the population.

Outlook

Growth is projected to recover slowly to 3.5 percent in 2024 against a backdrop of high inflation and continued fiscal consolidation, before converging to its long-term average of 4-4.5 percent in the medium-term. The projected recovery will be supported by (i) continued growth in iron mining with planned expansion at major mines, (ii) resilience in agricultural production as it trends closer to its long-term average of 3.2 percent growth, and (iii) gradual service sector improvements. Inflation will be influenced by global commodity prices and monetary tightening and is expected to moderate to 15 percent by 2026. Elevated prices will continue to impact consumption and investment appetite, while fiscal consolidation will affect aggregate demand.

Upholding fiscal and monetary policy tightening is pivotal for macroeconomic stability. Fiscal outlook relies on revenue

measures identified in the Medium-Term Revenue Strategy and near-term expenditure consolidation, especially on wages and subsidies. Monetary policy tightening should be complemented with reduced central bank interventions and developing the money market.

Pace of poverty reduction is expected to pick-up as inflation subsides in the medium term. The international poverty rate (PPP\$2.15 /day) is expected to decline to 22.7 percent by 2026, supported by recovering growth and moderating inflation.

This outlook is subject to several downside risks. Deviating from fiscal consolidation may jeopardize stability, as debt sustainability risks remain elevated. Adverse global developments (including slowing growth in China) can impact commodity prices and exports. Climate vulnerabilities and inflation could increase food insecurity and aggravate social tensions. The risk of political instability remains high, following a disputed general election and an attempted coup, that affected policy momentum.

TABLE 2 Sierra Leone / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	4.1	3.5	3.1	3.5	4.0	4.3
Private consumption	36.7	-0.7	5.1	6.4	7.4	8.0
Government consumption	0.6	10.2	2.4	2.3	3.8	5.3
Gross fixed capital investment	-30.0	-2.8	2.7	3.1	4.9	5.6
Exports, goods and services	1.9	5.0	20.0	19.5	18.0	15.0
Imports, goods and services	46.6	-0.3	10.5	12.0	13.0	13.0
Real GDP growth, at constant factor prices	4.0	3.6	3.1	3.5	3.9	4.3
Agriculture	2.5	3.0	2.7	3.2	3.3	3.3
Industry	17.4	8.2	5.0	6.0	6.6	6.6
Services	2.8	3.2	3.0	3.1	4.1	5.0
Inflation (consumer price index)	11.9	27.0	46.7	30.5	20.0	14.6
Current account balance (% of GDP)	-8.7	-9.3	-7.8	-5.1	-4.6	-3.6
Net foreign direct investment inflow (% of GDP)	8.5	8.2	5.8	8.8	9.8	12.6
Fiscal balance (% of GDP)	-7.6	-9.3	-8.0	-5.0	-3.1	-2.6
Revenues (% of GDP)	21.1	18.9	18.1	20.1	20.1	20.5
Debt (% of GDP)	84.7	93.0	87.0	76.6	65.4	60.9
Primary balance (% of GDP)	-4.2	-6.0	-3.9	-0.5	1.0	1.0
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	26.2	25.7	25.3	24.5	23.7	22.7
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	65.0	64.6	64.1	63.5	62.7	61.4
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	90.8	90.5	90.4	90.2	89.7	89.2
GHG emissions growth (mtCO₂e)	1.6	2.4	0.4	0.3	0.3	0.3
Energy related GHG emissions (% of total)	11.3	11.0	10.9	10.9	10.9	10.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2018-SLIHS. Actual data: 2018. Nowcast: 2019-2023. Forecasts are from 2024 to 2026.

b/ Projections using microsimulation methodology.

SOMALIA

Table 1 **2023**

Population, million ^a	16.1
GDP, current US\$ billion ^b	11.7
GDP per capita, current US\$	727.7
Gini index ^c	37.0
School enrollment, primary (% net) ^c	25.0
Life expectancy at birth, years ^d	55.3
Total GHG emissions (mtCO2e)	43.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Estimates based on 2013 population estimates by UNFPA and assume an average annual population growth of 2.8%.
b/ Somalia released new GDP series (2017-22) in June 2023, rebasing the old series.
c/ Somalia Integrated Household Budget Survey 2022 (SNBS, 2023).
d/ Most recent WDI value (2021).

The economy continues its recovery as improved weather conditions boost agriculture production, private consumption, and exports. GDP is estimated to have grown at 3.1 percent in 2023, up from 2.4 percent in 2022. Supported by favorable rains and declining global prices, inflation eased in 2023 but remained sticky. Nevertheless, recurrent shocks such as the ongoing floods are increasing the susceptibility of more people falling into poverty.

Key conditions and challenges

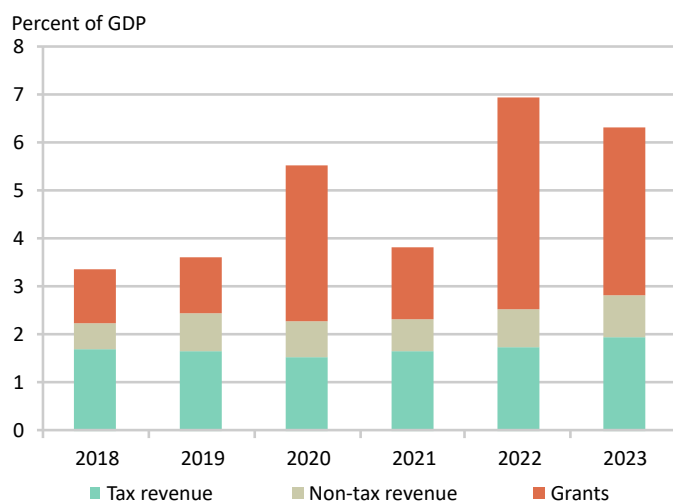
Somalia continues to contend with frequent shocks in the context of widespread fragility, conflict, and violence. Recurrent climate-related shocks such as cycles of droughts, floods, locusts' infestation, volatile international commodity prices, as well as increased insecurity and conflict have interrupted the country's growth trajectory and slowed the transition from fragility. Growth has been modest and does not generate the jobs needed to reduce poverty. It averaged only 2 percent annually in 2019–23 with an average negative real GDP per capita growth of 0.8 percent. Labor force participation rates are exceptionally low with large gender gaps. Only one-third of men and 12 percent of women participate in the labor market. Poverty is high and widespread, with recurrent shocks increasing the risk of more people falling into poverty. Somalia achieved a historic HIPC Completion Point (CP) milestone on December 13, 2023. Following the CP, Somalia received full and irrevocable debt relief for the country of US\$4.5 billion. As a result, Somalia's external debt is estimated at less than 6 percent of GDP in 2023, from 64 percent in 2018. The country achieved this milestone under a very challenging and fragile environment—the key structural reforms were implemented at a time when the country was plagued by multiple shocks and challenges including the global

COVID-19 pandemic, protracted 15-month electoral impasse, prolonged and severe drought, floods, locusts' infestation, higher international commodity prices, and increased insecurity and conflict. As the government's fiscal space remains limited for development priorities and to respond to recurrent shocks, this debt relief is expected to facilitate access to critical additional financial resources needed to strengthen the economy, reduce poverty, and promote job creation.

Recent developments

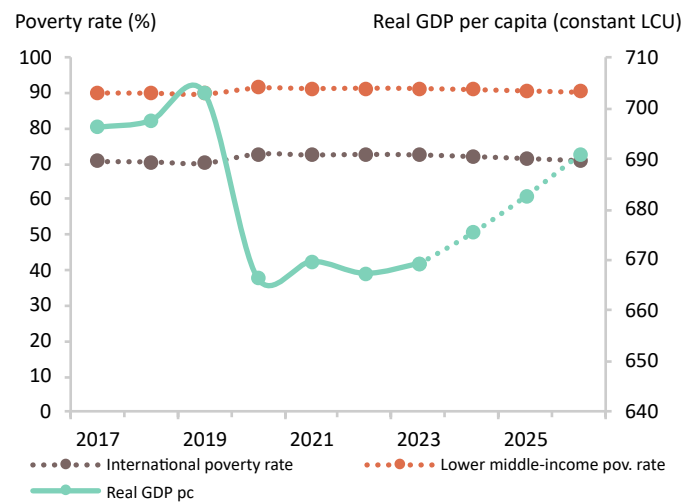
The economy is rebounding gradually with improved weather conditions contributing to the continued reversal of the impacts of the prolonged 2020/23 severe drought. Favorable rains in 2023 led to improved agricultural production, reduced food insecurity, and supported private consumption. Exports recovery was faster than that of imports, as exports of livestock rebounded. Nevertheless, net exports continue to be a drag on growth as the economy is heavily reliant on imports. Private sector credit growth contributed to strengthening of construction, real estate, and investment as growth in remittances remained muted. Real GDP is estimated to have grown at 3.1 percent in 2023, at par with population growth, up from 2.4 percent in 2022. Inflationary pressures eased in 2023, supported by better agriculture performance and declining commodity prices. Overall inflation, however, remained

FIGURE 1 Somalia / Federal government revenue



Sources: Somalia authorities and World Bank estimates.

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



Source: World Bank. Notes: see Table 2.

sticky, averaging 6.1 percent in 2023 compared to 6.8 percent in 2022. Favorable rains in 2023 boosted agricultural production, easing local staple food prices. Food inflation averaged 0.7 percent in 2023, compared to 13.9 percent in 2022. The easing of global commodity prices has led to lower fuel and energy prices locally, though still high compared to pre-2022 levels, contributing to the stickier overall inflation.

The Federal Government of Somalia (FGS) ran a small surplus in 2023 but the fiscal situation remains challenging due to low domestic resource mobilization (Figure 1). Domestic revenue mobilization improved in 2023 to 2.8 percent of GDP, from 2.5 percent in 2022 but remained well below the development needs of the country. Public expenditures are dominated by personnel costs, while investments in human capital are largely financed by grants and investments in infrastructure are negligible. To improve fiscal sustainability and maintain prudent fiscal policy, the government will need to fast-track the numerous efforts underway to increase domestic revenue as well as constrain its wage bill and its reliance on external donor funds.

Poverty remains high. Projections based on GDP per capita growth suggest poverty has increased from 71 percent in 2017 to 73 percent in 2023, based on the 2017 poverty line. According to the 2022 Integrated Household Budget Survey, while poverty rates are highest among the nomadic population, due to Somali's high urbanization, the largest share of the poor are in urban areas. While the international community has provided support in the form of food assistance, an expansion of social safety net programs, and support to informal settlers in urban areas, people remain vulnerable to falling below the poverty line. Somalia remains vulnerable to shocks, particularly climatic ones, underscoring the importance of strengthening resilience through advancing reforms to support growth, food security, and the provision of basic services.

Outlook

Medium-term recovery is projected to be modest as risks remain significant.

Real GDP growth is projected to expand from 3.7 percent in 2024 to 4 percent in 2026. Economic reforms and increased public investment with HIPC CP dividends will boost investor confidence and attract foreign direct investment (FDI) encouraging increased broad-based private sector activity. Moreover, the recovery of agricultural production and exports is expected to continue with improving weather conditions. This, coupled with further easing of the global commodity prices, is expected to keep inflation low. Nonetheless, the outlook is subject to significant risks including climatic shocks, security threats, and global economic shocks.

The poverty rate is projected to decrease between 2024 and 2026, reaching 71 percent in 2026, although still very high. Accelerating the pace of poverty reduction will require policy interventions and public investments that raise productivity, strengthen resilience, create jobs, and expand pro-poor programs that focus on women and youth.

TABLE 2 Somalia / Macro poverty outlook indicators

(percent of GDP unless indicated otherwise)^a

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	3.3	2.4	3.1	3.7	3.9	4.0
CPI inflation, annual percentage change	4.6	6.8	6.1	3.9	3.7	3.5
Current account balance	-7.3	-8.0	-9.6	-8.6	-8.8	-10.4
Trade balance	-50.9	-61.2	-58.8	-58.5	-57.7	-56.9
Private remittances	21.5	20.6	20.3	20.4	20.6	21.0
Official grants	23.0	33.0	29.3	29.8	28.6	25.9
Fiscal balance^b	-0.8	-0.1	0.2	-0.4	-1.2	-1.8
Domestic revenue	2.3	2.5	2.8	2.8	3.0	3.3
External grants	1.5	4.4	3.5	4.3	3.0	1.5
Total expenditure	4.7	7.0	6.2	7.5	7.1	6.6
Compensation of employees	2.5	2.5	2.5	2.6	2.5	2.5
External debt	39.9	36.7	5.4	5.0	5.7	7.2
International poverty rate (\$2.15 in 2017 PPP)^{c,d}	72.6	72.8	72.7	72.1	71.6	71.0
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{c,d}	91.3	91.4	91.3	91.0	90.7	90.4
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{c,d}	99.8	99.9	99.8	99.5	99.1	98.8
GHG emissions growth (mtCO₂e)	0.0	0.0	0.2	0.3	0.3	0.2
Energy related GHG emissions (% of total)	1.5	1.5	1.5	1.5	1.5	1.5

Source: World Bank, IMF, and FGS. Emissions data sourced from CAIT and OECD.

Notes: e = estimate; f = forecast.

a/ GDP baseline estimates 2021-22 are by Somalia National Bureau of Statistics (SNBS, June 2023).

b/ Federal Government of Somalia (FGS).

c/ Calculations based on Takamatsu et al. (2022) "Rapid Consumption Method and Poverty and Inequality Estimation in Somalia Revisited." Actual data: 2017. Nowcast: 2021-23. Forecasts: 2024-26.

d/ Projection using neutral distribution (2017) with pass-through = 1 (High) based on GDP per capita in constant LCU.

SOUTH AFRICA

Key conditions and challenges

Table 1	2023
Population, million	60.5
GDP, current US\$ billion	378.0
GDP per capita, current US\$	6248.5
International poverty rate (\$2.15) ^a	20.5
Lower middle-income poverty rate (\$3.65) ^a	40.0
Upper middle-income poverty rate (\$6.85) ^a	61.6
Gini index ^a	63.0
School enrollment, primary (% gross) ^b	98.1
Life expectancy at birth, years ^b	62.3
Total GHG emissions (mtCO2e)	580.1

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2014), 2017 PPPs.
 b/ Most recent WDI value (2021).

South Africa's economic growth slowed to 0.6 percent in 2023, undermined by constraints on products and input markets and a broad-based decline in public service delivery (electricity supply, transport and logistics, public safety). As this weak growth trailed population growth, per capita income contracted by 0.4 percent. The unemployment rate remains above 30 percent amid limited labor demand. Ahead of general elections in May, the 2024 Budget further extended social support introduced during the pandemic while maintaining plans to stabilize debt.

South Africa's economy remains crippled by multiple structural constraints, including electricity shortages, transport bottlenecks (ports and freight rail), and a high crime rate. Reforms to address them continue to advance at a slow pace due to declining state implementation capacity and a lack of political consensus. Social indicators remain dismal. Poverty is high – estimated at 62.7 percent in 2023 when using the upper-middle-income poverty line – and inequality remains among the highest in the world. Progress on extending access to basic services (such as water, electricity, and refuse collection) is stalling. Vulnerability to hunger has increased since the COVID-19 pandemic. An estimated 12.9 percent of the population was at risk of hunger in 2022, despite the expansion of social grants. In the absence of structural reforms, the impact of fiscal policy on output (the fiscal multiplier) has been low and declining, reflecting inefficiencies in the allocation of resources and deteriorating state capacity. Social spending has mitigated hardship, but weak job creation has hampered progress in reducing poverty. Higher public sector wages and transfers to poorly performing state-owned enterprises have crowded out public investment, contributing to the erosion of the country's public capital stock. Monetary policy is sound, credible, and consistent

with the South African Reserve Bank's price stability mandate.

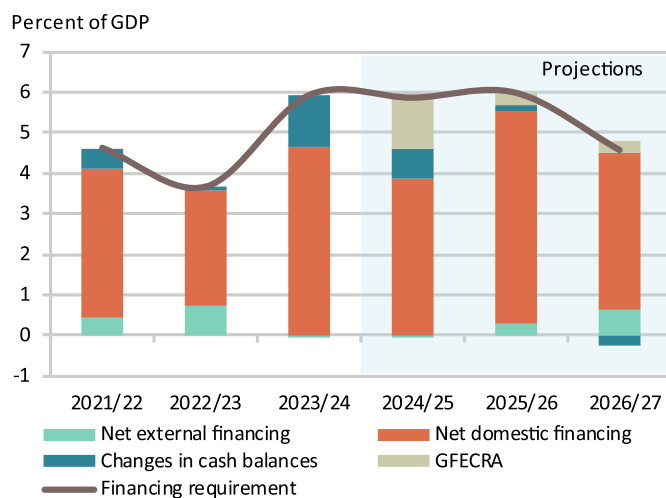
The political economy is complex. Amid growing discontent with economic prospects and dismal public service delivery, the African National Congress (ANC) is set to face highly contested general elections this year. Hence, there is uncertainty around the economic policies the new government will prioritize.

Recent developments

Real GDP growth slowed from 1.9 percent in 2022 to 0.6 percent in 2023. On the spending side, private investment in alternative energy supported growth, but a drawdown on inventories and weak net export performance had a negative impact on growth. Domestic consumption remained constrained by poor labor market outcomes and fiscal expenditure restraint. On the sectoral side, mining and manufacturing were affected by power outages and transport bottlenecks. The services sectors performed better. Extreme weather events, including floods, severe storms, and droughts in several provinces negatively affected agricultural output and had significant human and social costs.

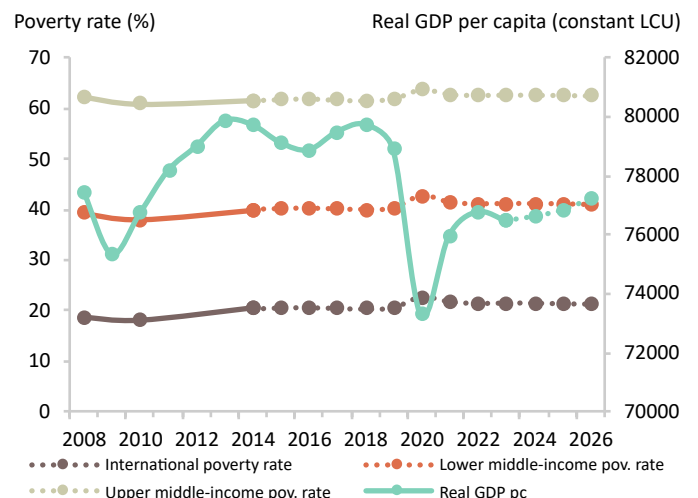
The unemployment rate averaged 32.4 percent in 2023, with the rate for those aged 15-34 at 44.9 percent. Even though more jobs were created in 2023 – about 790,000 jobs – the pace of job creation is not keeping up with the growing labor

FIGURE 1 South Africa / Government financing



Sources: National Treasury and World Bank.

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



Source: World Bank. Notes: see Table 2.

force, resulting in rising numbers of unemployed people.

Consumer inflation, supported by sound monetary policy and lower global commodity prices, declined from 6.9 percent in 2022 to 6.0 percent in 2023. The South African Reserve Bank left the key interest rate unchanged at 8.25 percent since May 2023. Yet, high food and fuel prices disproportionately affected the most vulnerable people: the poorest 20 percent of households faced an inflation rate of 9.3 percent.

The current account deficit widened from 0.5 percent of GDP in 2022 to 1.6 percent of GDP in 2023, due to deteriorating terms of trade (-4.8 percent in 2023), and logistics constraints on exports. Lower global commodity prices for South Africa's key exports contributed to weaker fiscal revenue and, together with rising debt-service payments and persistent spending pressures, negatively impacted fiscal outcomes. The fiscal deficit reached an estimated 6 percent of GDP in 2023/24, and public debt reached an estimated 73.9 percent of GDP over the same period.

Outlook

Persistent structural constraints limit South Africa's economic potential. Real GDP growth is projected to average 1.3 percent over 2024-26, as energy sector reforms are expected to improve electricity supply gradually. To accelerate the growth trajectory, broad-based reforms and faster implementation are urgently needed.

Inflation is expected to continue to decline, easing the cost-of-living pressures on households. The labor market is expected to remain weak, driven by subdued private sector activity, skills mismatches, and cumbersome labor regulations. This will translate into unemployment rates in the order of 32 percent over 2024-26. The weak labor market will continue to weigh on households' consumption and progress on social outcomes. The upper-middle-income poverty rate is projected to remain high, at 62.5 percent in 2026.

Less favorable terms of trade and persistent transport bottlenecks are expected to weigh on external balances. The current

account deficit is expected to widen to 2.8 percent of GDP in 2024 and to 3 percent of GDP by 2026. Nonetheless, it is projected to remain financed by foreign capital inflows.

The fiscal trajectory is projected to improve gradually over the medium term. However, spending allocations remain tilted toward current expenditure. Public capital spending is projected below 3 percent of GDP over 2024-26 due to limited fiscal space. The government is planning to draw down about US\$8 billion from the Gold and Foreign Exchange Contingency Reserve Account (GFECRA) – an account at the central bank recording foreign exchange valuation changes in rand-over the next three years to reduce its borrowing requirements, which is expected to translate into slower debt accumulation. Public debt is projected to reach about 78 percent of GDP in 2026. However, pressures on public wages and state-owned enterprises, the extension of the COVID-19 social relief of distress grant, persistently high interest rates, and high risks to growth and revenue could put fiscal consolidation at risk.

TABLE 2 South Africa / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	4.7	1.9	0.6	1.2	1.3	1.5
Private consumption	5.8	2.5	0.7	1.4	1.4	1.4
Government consumption	0.5	1.0	2.1	-0.8	-0.3	-0.4
Gross fixed capital investment	0.6	4.8	4.2	4.2	4.0	4.0
Exports, goods and services	9.1	7.4	3.5	2.2	2.5	3.0
Imports, goods and services	9.6	14.9	4.1	3.8	3.0	3.0
Real GDP growth, at constant factor prices	4.4	1.9	0.6	1.2	1.3	1.5
Agriculture	7.4	0.9	-12.2	12.7	2.0	2.0
Industry	6.2	-2.5	-0.1	0.3	1.1	1.6
Services	3.8	3.4	1.3	1.1	1.3	1.4
Inflation (consumer price index)	4.5	6.9	6.0	4.9	4.5	4.5
Current account balance (% of GDP)	3.7	-0.5	-1.6	-2.8	-3.0	-3.0
Net foreign direct investment inflow (% of GDP)	9.7	1.6	2.0	1.5	1.5	1.5
Fiscal balance (% of GDP)^a	-4.6	-3.6	-6.0	-5.9	-6.0	-4.5
Revenues (% of GDP)	27.8	28.2	27.3	27.3	27.3	27.4
Debt (% of GDP)	67.8	70.9	73.9	74.5	76.9	78.0
Primary balance (% of GDP)	-0.4	0.9	-1.0	-0.6	-0.6	1.1
International poverty rate (\$2.15 in 2017 PPP)^{b,c}	21.7	21.5	21.5	21.5	21.4	21.4
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{b,c}	41.4	41.1	41.1	41.1	41.1	40.9
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{b,c}	62.8	62.6	62.7	62.6	62.6	62.5
GHG emissions growth (mtCO₂e)	3.2	3.7	-1.1	0.7	1.0	1.4
Energy related GHG emissions (% of total)	78.3	78.8	78.4	78.4	78.4	78.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ The Eskom debt-relief arrangement is reported above the line, in expenditures.

b/ Calculations based on 2014-LCS. Actual data: 2014. Nowcast: 2015-2023. Forecasts are from 2024 to 2026.

c/ Projection using neutral distribution (2014) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

SOUTH SUDAN

Key conditions and challenges

Table 1 2023

Population, million	11.1
GDP, current US\$ billion	4.4
GDP per capita, current US\$	392.8
International poverty rate (\$2.15) ^a	67.3
Lower middle-income poverty rate (\$3.65) ^a	86.5
Upper middle-income poverty rate (\$6.85) ^a	96.6
Gini index ^a	44.1
School enrollment, primary (% gross) ^b	81.9
Life expectancy at birth, years ^b	55.0
Total GHG emissions (mtCO ₂ e)	73.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2016), 2017 PPPs.
b/ Most recent WDI value (2021).

Better harvests and a partial recovery in oil production following flooding-related disruptions are lifting overall growth. However, food insecurity and extreme poverty remain high because of climate and external shocks, declining official development assistance, structurally weak governance, inadequate service delivery, and localized conflict. The conflict in Sudan presents acute risks to macroeconomic stability amid growing fiscal pressures and pressing humanitarian needs; a loss of momentum in the political transition could amplify these risks.

A decade after independence, South Sudan's development prospects remain constrained by fragility amid localized/intercommunal conflict. The 2018 peace agreement ended five years of civil war; however, the transition period needed for its full implementation has been extended to 2025. Oil accounts for nearly all exports and about 90 percent of government revenues. Historic floods and the COVID-19 pandemic upended a modest economic recovery in 2019.

International Monetary Fund (IMF)-supported reforms initiated since 2021 have helped improve macroeconomic and price stability and supported a recovery in the non-oil private sector. Higher oil prices following the war in Ukraine have lifted fiscal revenues, although expenditures have also increased. Poverty remains dire, with 7 in 10 people living in extreme poverty. Some 8.9 million people, 78 percent of the population, face severe food insecurity, made worse by higher global food prices and domestic floods. In addition, 2 million people are internally displaced (55 percent of whom are women and girls), and 2.1 million remain refugees in neighboring countries. Since the start of the conflict in Sudan, over half a million Sudanese refugees and returnees from South Sudan have registered in the country, compounding already severe domestic humanitarian needs.

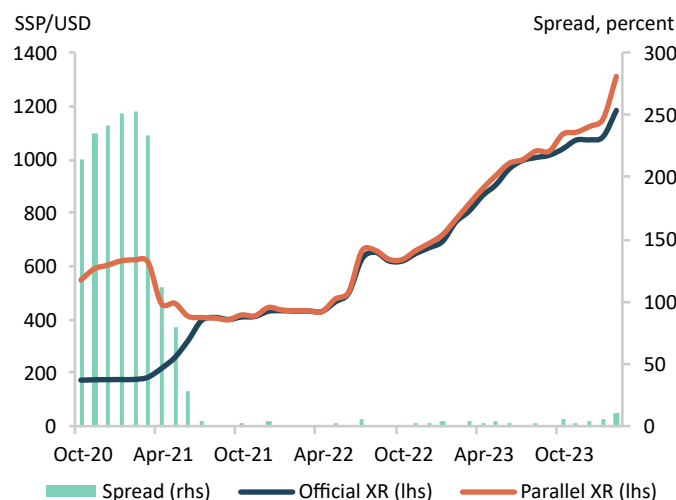
South Sudan's economy faces vulnerabilities, including its dependence on non-concessional financing and limited fiscal space to respond to adverse global oil and food price developments. The conflict in Sudan presents acute macroeconomic risks if oil pipeline routes through the country are disrupted.

Implementing the 2018 peace deal and holding credible elections in December 2024 is essential for domestic peace and continued growth. Urgent implementation of macroeconomic, governance, and transparency reforms is necessary to ensure scarce resources are spent on development needs and to facilitate a sustainable and inclusive economic recovery. Reforms and investments are especially critical in agriculture, which supports livelihoods for 80 percent of the population; these will help to support diversification away from the oil sector, create jobs, and build resilience to climate change.

Recent developments

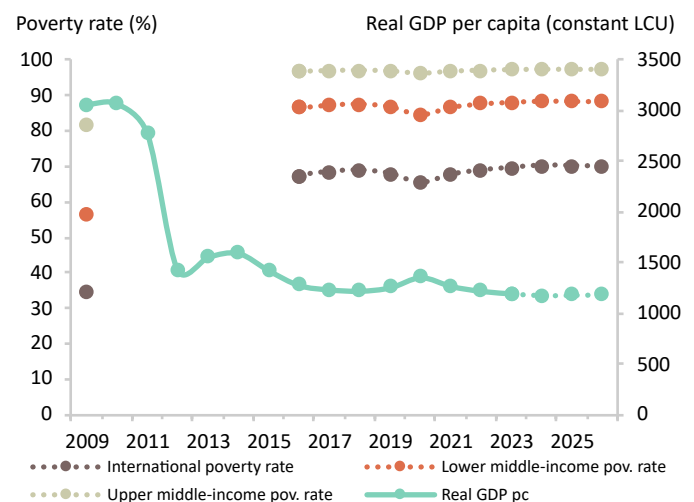
GDP growth contracted by an estimated 1.3 percent FY2022/23 due to a fourth consecutive year of flooding that dragged on oil production and higher food inflation due to the war in Ukraine and the lingering impacts of the COVID-19 pandemic. Nevertheless, a sustained recovery in private sector activity is evident, supported by improvements in macroeconomic stability due to reforms anchored by IMF programs, higher government spending enabled by a recovery in

FIGURE 1 South Sudan / Exchange rate developments



Sources: Bank of South Sudan and World Bank.

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



Source: World Bank. Notes: see Table 2.

oil prices, an increased flow of credit to firms, and a steady expansion in harvested areas as localized improvements in peace and high crop prices encouraged farmers to expand planting. Inflation has increased significantly in recent months, rising from 13.3 percent in 2023H1 to 31.9 percent in January 2024 due to the weakening currency. The onset of the conflict in Sudan and the recent Red Sea crisis have impacted the oil revenue flows, causing foreign exchange reserves to drop from 0.5 months of import coverage in June 2023 to 0.2 months in December 2023. Amid increasing recourse to deficit monetization, the official exchange rate has depreciated by 42 percent since the start of 2024, and the premium in parallel markets has widened to 13.7 percent. Fiscal pressures proved more significant than anticipated in FY2022/23. Higher oil prices and non-oil revenue administration reforms increased overall revenues by 42 percent. Expenses exceeded planned outlays by 29 percent, with overall spending increasing by 41.9 percent, mainly due to higher operational and capital expenditures. The FY2023/24 budget further raised capital expenditures, increased public sector salaries by 130 percent to protect against the impacts of inflation, and raised transfers to regions.

However, the government has accumulated salary arrears since the start of the fiscal year and reverted to deficit monetization. Data for FY24Q2 show continued overdrafts at the central bank and the use of oil advances to finance the budget. Public financial management reforms to strengthen expenditure controls and cash management have been initiated. However, there is limited transparency on oil revenues, including servicing of non-concessional external debt. South Sudan remains at a high risk of both external and domestic debt distress. Despite a good trade deficit, the overall current account deficit has gradually narrowed and shifted into a small surplus due to large net transfers, mainly remittances, reflecting increased confidence in the economy following the exchange rate reforms.

Outlook

Growth is expected to rebound to 2 percent in FY2023/24, supported by a sustained recovery in the non-oil sector and expanding crop planting. The recovery in oil production from the impacts of flooding of oil fields has been partially offset by a temporary decline in production and

exports in recent months. Over the medium term, growth should remain close to 4 percent as oil output levels recover and non-oil activity improves, supported by moderating inflation and higher government outlays on critical public investments, health, and education. This outlook is predicated on prudent monetary and fiscal policies that anchor macroeconomic stability, progress on governance, transparency, and structural reforms, and credible elections in 2024 that help to sustain peace. The pressure on the current account is expected to increase due to higher debt-service obligations, a decline in oil prices, and a decline in international aid. Extreme poverty is expected to remain stagnant at around 70 percent in the medium term as real growth prospects are limited. Addressing this reinforces the urgency of fiscal and public financial management reforms that generate budgetary resources to increase social expenditures. While efforts to modernize tax administration using digital solutions and to expand the tax base could help, fiscal pressures are expected to remain substantial given sizable debt-service obligations, a reduction in legacy arrears, and increasing social and humanitarian expenditures. It is thus also vital to strengthen the management and transparency of oil revenues.

TABLE 2 South Sudan / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	-5.1	-2.3	-1.3	2.0	3.8	4.0
Real GDP growth, at constant factor prices	-5.1	-2.3	-1.3	2.0	3.8	4.0
Agriculture	-4.0	-1.8	-1.7	1.7	2.8	3.0
Industry	-2.3	-4.8	-4.3	0.5	3.3	3.0
Services	-9.7	1.7	3.6	4.1	4.7	5.6
Inflation (consumer price index)	43.1	22.0	18.0	35.0	22.0	12.4
Current account balance (% of GDP)	-5.5	-1.6	5.0	4.2	5.7	6.4
Net foreign direct investment inflow (% of GDP)	0.9	1.0	0.8	0.7	0.6	0.6
Fiscal balance (% of GDP)	-6.8	-6.1	1.9	2.0	2.0	1.9
Revenues (% of GDP)	30.9	30.1	30.6	32.0	31.8	31.5
Debt (% of GDP)	57.6	59.5	42.9	36.9	32.4	27.5
Primary balance (% of GDP)	-4.4	-4.0	3.0	2.7	2.8	2.6
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	67.5	68.8	69.5	70.1	70.0	69.9
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	86.6	87.6	88.0	88.3	88.2	88.2
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	96.7	97.1	97.2	97.3	97.3	97.3
GHG emissions growth (mtCO₂e)	2.1	0.8	0.9	1.3	1.4	1.5
Energy related GHG emissions (% of total)	2.7	2.7	2.7	2.7	2.9	3.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2016-HFS-W3. Actual data: 2016. Nowcast: 2017-2023. Forecasts are from 2024 to 2026.

b/ Projection using neutral distribution (2016) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

SUDAN

Table 1 2023

Population, million	48.1
GDP, current US\$ billion	109.3
GDP per capita, current US\$	2272.5
International poverty rate (\$2.15) ^a	15.3
Lower middle-income poverty rate (\$3.65) ^a	49.7
Upper middle-income poverty rate (\$6.85) ^a	86.2
Gini index ^a	34.2
School enrollment, primary (% gross) ^b	77.8
Life expectancy at birth, years ^b	65.3
Total GHG emissions (mtCO2e)	126.6

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2014), 2017 PPPs.
 b/ WDI for School enrollment (2018); Life expectancy (2021).

Real GDP is expected to contract further by 3.5 percent in 2024, after a 12 percent contraction in 2023, driven by widespread destruction of productive capacity due to the domestic conflict, and weak private consumption and exports. Inflation averaged 230 percent in 2023, and the currency has depreciated by 125 percent. The collapse of government institutions has disrupted public spending and the exodus of people has reduced the tax base. Poverty remains widespread, and food insecurity is extremely high.

Key conditions and challenges

The armed conflict that erupted in April 2023 has caused severe and long-lasting damage to the economy, the industrial base, education, and health facilities. It has also led to a collapse in domestic demand and economic activity (including commerce, financial, and information and communications technology services) and is eroding state capacity. Fighting has spread across the country and reignited hostilities in traditionally restive regions, such as Darfur and Kordofan. This in turn is impacting agriculture and trade, and exacerbating food insecurity and displacement.

Decreased local crop production seriously threatens food availability. Direct fighting, displacement of civilians, and looting are affecting farming and harvesting activities. The conflict is also exacerbating challenges linked to shortages of agricultural machinery, extremely high fuel prices, and scarcity of labor. Sudan faces extreme levels of food insecurity, with 17.7 million people (37 percent of the population) experiencing acute food insecurity.

The currency has declined sharply against the US dollar, depreciating to unprecedented levels given the high demand for foreign currency in response to both the crisis and related damage to the banking and payment systems. In particular, the electronic banking system stopped functioning for a time in October 2023. Since then reports are that banking applications have operated on a

limited basis. As of end-March 2024, the exchange rate stood at SDG 1150 in official banks and SDG 1350 in the parallel market, a stark contrast to the pre-war rates of SDG 580. Exports now take alternative routes to established channels due to decreased production. Smuggling has become common in evading high duties, resulting in export revenues remaining outside Sudan's official banking system.

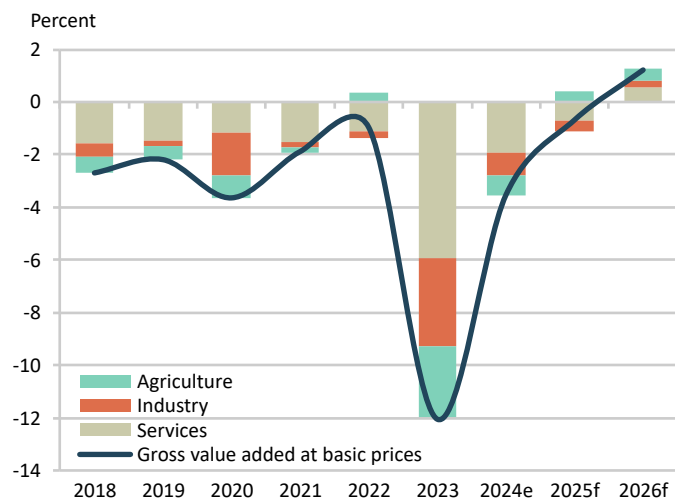
Recent developments

Amid the ongoing conflict, productive capacity has suffered drastically, and both private and government consumption have plummeted. Export volumes shrank and major external financial support and investment has been cut off. As a result, the economy is expected to contract for a seventh consecutive year in 2024, by 3.5 percent, after an estimated contraction of 12 percent in 2023.

Inflation has become more difficult to monitor. Indications are that rents have soared in safer areas, fuel costs have soared across the country, and food prices have risen sharply in areas of scarcity but plummeted in pockets of oversupply as people have fled and sold off their produce. Inflation is estimated to have risen to about 230 percent in 2023. In 2024, Sudan topped the International Rescue Committee watchlist of countries most likely to experience a deteriorating humanitarian crisis.

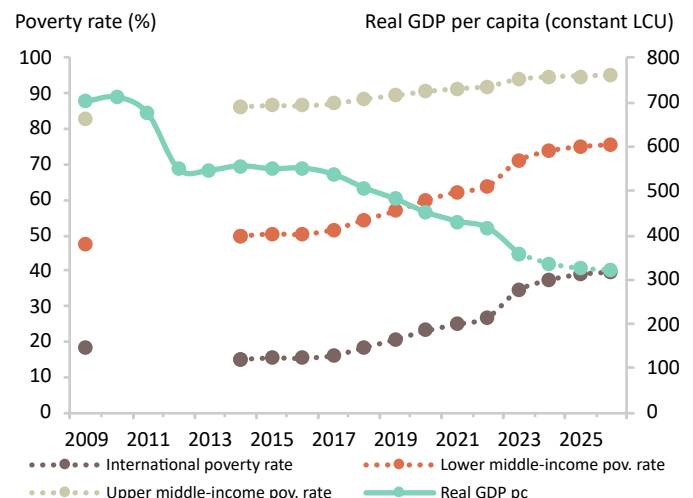
The currency has significantly depreciated by 94 percent in the official and 125 percent in parallel markets since April 2023, and the

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



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

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



Source: World Bank. Notes: see Table 2.

premium between the parallel and official rate has widened significantly, standing at 17.4 percent as of March 2024, compared to 1.7 percent in March 2023. This reflects a relative increase in demand for US dollars amid an increasingly unregulated exchange market as well as foreign currency shortages.

The shock to the economy and public institutions, coupled with the disruption of budget execution has caused a contraction in spending and revenue. Despite the heavy costs of the conflict, spending declined, as the conflict caused a marked drop in subsidies and wages. The large exodus of Sudanese and foreign nationals involved in commerce and business shrank the tax base. Consequently, the fiscal deficit is estimated at 3.5 percent of GDP in 2024.

The current account deficit is expected to widen to 6.9 percent of GDP in 2024 as agricultural and mining exports were hit by the fighting and both sides look to control productive assets. Sudan's external position is undermined by considerable capital flight and disinvestment due to the highly uncertain political outlook.

Outlook

The outlook remains highly uncertain. It is based on a gradual cessation of conflict over the coming year; however, it remains subject to large downside risks from prolonged conflict and tensions. Given the conflict-related economic losses and destruction of infrastructure, the economy is projected to contract by 3.5 percent in 2024 and 0.7 percent in 2025. Inflation is forecast to decline to 180 percent in 2024, reflecting an adjustment of the base effect.

Modest economic growth is expected from 2026, assuming the inflows of international funding resumes. The economic recovery is expected to be driven by the reconstruction of public infrastructure initially, assuming that the political upheaval begins to ease and other macroeconomic fundamentals improve from 2026. The conflict is predicted to lead to a drastic reduction in economic output across all major productive sectors, including mining, agriculture,

and oil. Gold mining and agriculture are expected to be the main drivers of growth after the conflict de-escalates.

With a gradual stabilization in the political and economic situation, inflation is projected to decrease further to 80 percent in 2025 and 45 percent in 2026. Sudan's foreign currency shortages and currency depreciation are expected to persist throughout 2024-26, as investment and other sources of foreign exchange, such as aid flows, slowly resume.

The fiscal deficit is expected to narrow as revenue increases (in line with a modest recovery, assuming the conflict subsides) from 2025 onwards, backed by reconstruction efforts. The current account deficit is expected to widen throughout 2024-26, driven by an increase in the trade deficit, given high import requirements (first, due to the war and later to meet reconstruction efforts). This should be accompanied by a gradual recovery in domestic demand and a partial recovery in exports.

TABLE 2 Sudan / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	-1.9	-1.0	-12.0	-3.5	-0.7	1.2
Private consumption	-0.9	-0.8	-10.6	-3.1	-0.9	1.4
Government consumption	-9.6	1.9	-36.5	-14.0	-4.9	3.0
Gross fixed capital investment	-2.1	1.2	-20.0	-20.0	-1.5	1.8
Exports, goods and services	8.0	12.0	-32.0	-20.0	-9.0	5.0
Imports, goods and services	-0.5	8.7	-36.0	-18.0	-14.0	8.0
Real GDP growth, at constant factor prices	-1.9	-1.0	-12.0	-3.5	-0.7	1.2
Agriculture	-0.6	1.0	-7.9	-2.0	1.1	1.1
Industry	-0.7	-0.7	-11.6	-3.0	-1.5	1.0
Services	-3.9	-3.0	-16.0	-5.5	-2.0	1.6
Inflation (consumer price index)	359.7	164.2	230.0	180.0	95.0	60.0
Current account balance (% of GDP)	-7.3	-6.0	-0.6	-6.9	-7.2	-7.5
Net foreign direct investment inflow (% of GDP)	-1.6	-1.3	-0.7	-0.9	-0.7	-0.5
Fiscal balance (% of GDP)	-0.3	-1.7	-3.8	-3.5	-3.2	-2.8
Revenues (% of GDP)	10.5	10.0	4.8	5.5	6.2	6.5
Debt (% of GDP)^a	215.6	183.6	167.3	158.5	149.5	139.3
Primary balance (% of GDP)	-0.3	-1.4	-3.7	-3.5	-3.2	-2.8
International poverty rate (\$2.15 in 2017 PPP)^{b,c}	25.0	26.9	34.5	37.4	39.0	39.6
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{b,c}	62.2	63.8	71.0	73.7	75.0	75.5
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{b,c}	91.2	91.8	93.8	94.4	94.7	94.9
GHG emissions growth (mtCO₂e)	1.1	-0.4	-1.9	0.0	1.7	2.5
Energy related GHG emissions (% of total)	17.6	17.3	15.5	16.6	18.0	19.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Debt projections do not include any restructuring achieved during the HIPC process.

b/ Calculations based on 2014-NBHS. Actual data: 2014. Nowcast: 2015-2023. Forecasts are from 2024 to 2026.

c/ Projection using neutral distribution (2014) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

TANZANIA

Table 1 **2023**

Population, million	67.6
GDP, current US\$ billion	79.2
GDP per capita, current US\$	1170.8
International poverty rate (\$2.15) ^a	44.9
Lower middle-income poverty rate (\$3.65) ^a	74.3
Upper middle-income poverty rate (\$6.85) ^a	92.3
Gini index ^a	40.5
School enrollment, primary (% gross) ^b	95.5
Life expectancy at birth, years ^b	66.2
Total GHG emissions (mtCO2e)	162.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

Tanzania's real GDP growth momentum remained strong at 5.2 percent in 2023, with low and stable inflation. While both fiscal and current account deficit narrowed, the foreign exchange challenge persists. Over the medium term, the economy is set to grow at around 6 percent, supported by increased private investments resulting from strengthening business environment. Major risks to the outlook are incomplete implementation of reforms, climate change, and deterioration of global economy.

Key conditions and challenges

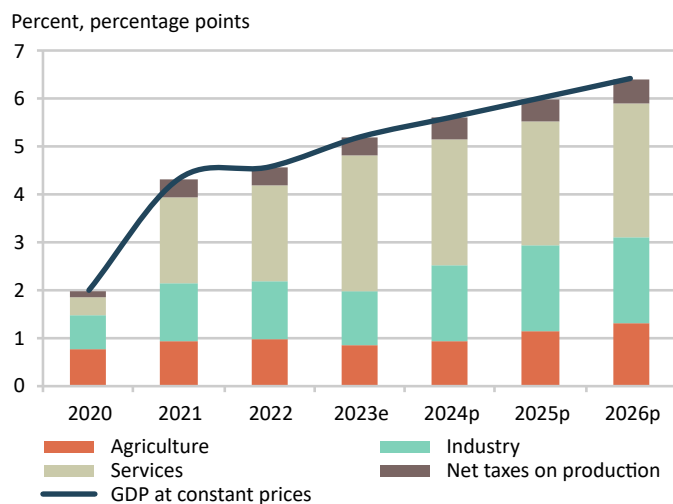
Tanzania's economy has remained resilient amid multiple shocks, but the current growth pattern is not inclusive enough. The impact of economic growth on poverty reduction is near-zero. Increasing reliance on public infrastructure investments and a slowing structural transformation since 2014 led recent growth to be concentrated in modern sectors that employ few workers from poor households. Policies designed to improve productivity and build resilience in Tanzania's agricultural sector—which produces just one-quarter of the country's GDP and has employed three quarters of the poor—could help facilitate structural transformation and reduce high and persistent poverty rates. Diminishing role of Tanzania's exports is another key challenge. Tanzania's export to GDP ratio fell from 20.9 percent in 2012 to 14.3 percent in 2022. Main drivers behind the deteriorating export competitiveness are low productivity growth, high trade costs, as well as other tariff and non-tariff barriers. As a shrinking export volume will likely constrain growth in Tanzania and yield fewer foreign exchange earnings, the government should implement steadfast reforms to crowd in private investment (including FDI) and reduce trade costs to strengthen the country's export competitiveness. Priority policies include active engagements in the regional free trade area, improving business climate

for private sector and productive jobs creation, as well as enhanced social protection, human capital, and skills.

Recent developments

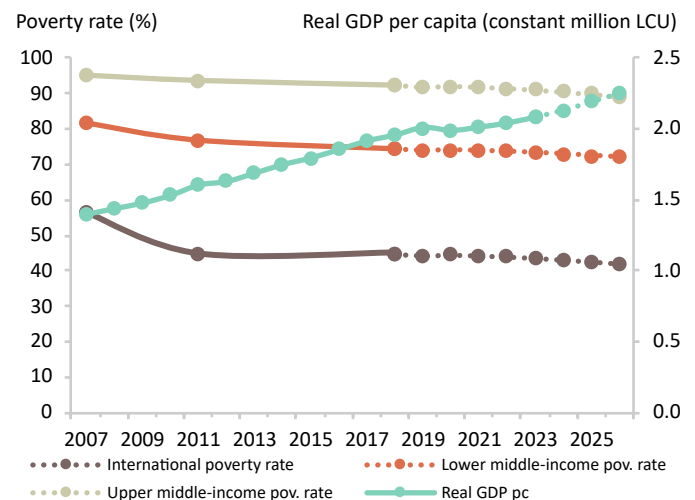
Despite the spillovers from the climate change, Tanzania's economic growth accelerated to 5.2 percent in 2023, from 4.6 percent in 2022. The agriculture sector posted low growth at 3.4 percent, due largely to frequent droughts and floods, while the low growth in industry of 3.9 percent was due to underperformance of construction and water subsectors. Supported by buoyant economic activities in financial and insurance, transport and storage, and trade and repair subsectors, the services sector remained the main driver of the economy and expanded faster by 7.3 percent in 2023. Tanzania's inflation continues to remain low and stable at 3.0 percent in February 2024, thanks to eased global commodity prices, reasonably rapid fiscal subsidies, and tightening monetary policies. Both external and fiscal balances have moderately improved. Bolstered by reduced domestic demand on imported consumer goods, shrinking cost of oil imports, and an uptick in tourism receipts, Tanzania's current account deficit has narrowed from 5.6 percent of GDP in 2022 to 3.8 percent in 2023. The improved current-account position, combined with a relatively fast depreciation of Tanzania shilling against US dollars during the second half of 2023, partly alleviated pressure on the BoT's foreign-exchange reserves.

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



Source: World Bank staff estimates and projections.

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



Source: World Bank. Notes: see Table 2.

However, the forex supply-demand imbalances persist, including a parallel foreign exchange market though the premium remains small. Between June and December 2023, Tanzania shilling depreciated by 7.8 percent against US dollars while gross reserves rose from US\$5.2 billion (4.8 months of imports) to US\$5.5 billion (4.5 months of imports). Fiscal deficit has narrowed to 3.8 percent of GDP in 2023 from 3.9 percent in 2022 due to a combination of increased domestic revenue mobilization and controlled expenditures. Meanwhile, the risk of external debt distress remains moderate. Despite the shortages in US dollars, sugar, and electricity, the country is poised to sustain a downward trend in poverty. Poverty measured at the international poverty line of \$2.15 per day (2017 PPP) is estimated to have dropped slightly from 44 percent in 2022 to 43.5 percent in 2023. The reduction in extreme poverty is accompanied by improvements in other non-monetary poverty measures, as evidenced by data from the 2022 Demographics and Health Survey, where progress has been observed in several SDG indicators, such as the reduction in child stunting. Despite this progress,

challenges still loom; heavy rains experienced at the close of 2023, which hampered sugar cane harvesting, alongside recent floods in Hanang district, underscore the country's vulnerability to climate-related shocks. Climate shocks strain an already fragile agricultural system, contributing to the escalation of food prices. Data from the National Bureau of Statistics, for instance, indicates a 12 percent surge in food and non-alcoholic beverages prices since January 2022, disproportionately impacting urban areas where poverty is on the rise, particularly in Dar-es-Salaam.

Outlook

Real GDP is projected to grow at 5.6 percent in 2024 and its long-run potential of about 6 percent in the medium term, supported by improving business environment and the steadfast implementation of structural reforms. The current account deficit is set to narrow further to 3.3 percent in 2024 because of the improved trade balance, supported by

rapid growth of gold, services, and manufactured exports. Increasing FDI inflows and concessional external borrowing will continue to fund the current account deficit and help keep official gross reserves at an adequate level. The fiscal deficit is projected to decline to 3.6 percent in 2024 and near 3 percent in the medium term. This is on account of expected higher tax revenue collections as business climate improves and stabilized total expenditures. The financing sources of the narrowing fiscal deficit are both foreign and domestic loans.

The main risks to the macro-economic outlook include incomplete implementation of structural reforms particularly those related to boosting private sector, the intensifying impacts of climate change on food security and tourism sectors, and ongoing geopolitical tensions.

Projections suggest a continued decrease in the poverty rate, anticipated to decline from 42.4 percent in 2025 to 41.7 percent in 2026. This downward trajectory is supported by a promising macroeconomic outlook and an agriculture budget aimed at unlocking productivity through promoting the intensification of agriculture.

TABLE 2 Tanzania / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	4.3	4.6	5.2	5.6	6.0	6.4
Private consumption	2.3	4.6	2.2	2.9	3.5	3.1
Government consumption	9.0	8.4	3.1	7.7	10.3	5.2
Gross fixed capital investment	7.8	9.6	3.8	6.2	6.9	9.4
Exports, goods and services	5.2	10.2	17.4	9.3	6.3	9.1
Imports, goods and services	9.6	23.7	2.3	4.2	4.1	6.5
Real GDP growth, at constant factor prices	4.3	4.6	5.2	5.6	6.0	6.4
Agriculture	3.7	3.8	3.4	3.8	4.8	5.5
Industry	4.1	4.3	3.9	5.6	6.2	6.3
Services	4.8	5.3	7.3	6.7	6.5	7.1
Inflation (consumer price index)	3.7	4.3	3.8	3.4	3.2	3.0
Current account balance (% of GDP)	-3.2	-5.6	-3.8	-3.3	-3.2	-3.0
Net foreign direct investment inflow (% of GDP)	1.6	1.7	1.8	2.3	2.6	2.8
Fiscal balance (% of GDP)	-3.8	-3.9	-3.8	-3.6	-3.4	-3.1
Revenues (% of GDP)	14.5	15.3	15.8	16.2	16.5	16.7
Debt (% of GDP)	42.0	43.6	42.2	41.0	39.7	37.3
Primary balance (% of GDP)	-2.1	-2.1	-1.6	-1.5	-1.5	-1.3
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	44.3	44.0	43.5	43.0	42.4	41.7
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	73.9	73.6	73.3	72.8	72.4	71.9
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	91.7	91.4	90.9	90.4	89.8	89.2
GHG emissions growth (mtCO₂e)	1.3	0.6	0.8	1.1	1.2	1.2
Energy related GHG emissions (% of total)	11.1	10.9	10.9	11.0	11.0	11.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2013- and 2018-HBS. Actual data: 2018. Nowcast: 2019-2023. Forecasts are from 2024 to 2026.

b/ Projection using point to point elasticity at regional level with pass-through = 0.7 based on GDP per capita in constant LCU.

TOGO

Table 1

	2023
Population, million	9.1
GDP, current US\$ billion	9.1
GDP per capita, current US\$	1008.3
International poverty rate (\$2.15) ^a	26.6
Lower middle-income poverty rate (\$3.65) ^a	58.8
Upper middle-income poverty rate (\$6.85) ^a	86.8
Gini index ^a	37.9
School enrollment, primary (% gross) ^b	122.5
Life expectancy at birth, years ^b	61.6
Total GHG emissions (mtCO2e)	10.2

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2021), 2017 PPPs.
 b/ WDI for School enrollment (2022); Life expectancy (2021).

Growth is projected to moderate in 2024 before picking up again in 2025-26, albeit at a slower-than-expected pace reflecting a deteriorated external environment including ECOWAS uncertainties, and ongoing fiscal consolidation efforts. As growth strengthens, the extreme poverty rate should decline to 21.5 in 2026, down from an estimated 25.8 in 2023. Risks of regional instability, financial turbulence, and climate pressures call for resilience-enhancing reforms combined with prudent fiscal policies.

Key conditions and challenges

Growth has been resilient to a sequence of shocks since the COVID-19 pandemic, but vulnerable populations have been adversely impacted by elevated inflation, while significant rural-urban disparities in economic opportunities and access to basic services continued to hamper progress in reducing poverty and inequality. A strong fiscal response explains a significant part of the economic resilience in recent years but contributed to bringing public debt to record high levels, averaging 63.0 percent of GDP in 2020-22. Amid tighter financing conditions, rising debt service costs, and growing regional uncertainty, developing a well calibrated fiscal consolidation strategy that preserves priority investments and critical social spending, and privileging external concessional financing over more expensive regional borrowing have become increasingly urgent. Mobilizing private investment, including for infrastructure development and in agriculture, could help boost growth and the welfare of most vulnerable and poorer populations while fiscal space is being restored.

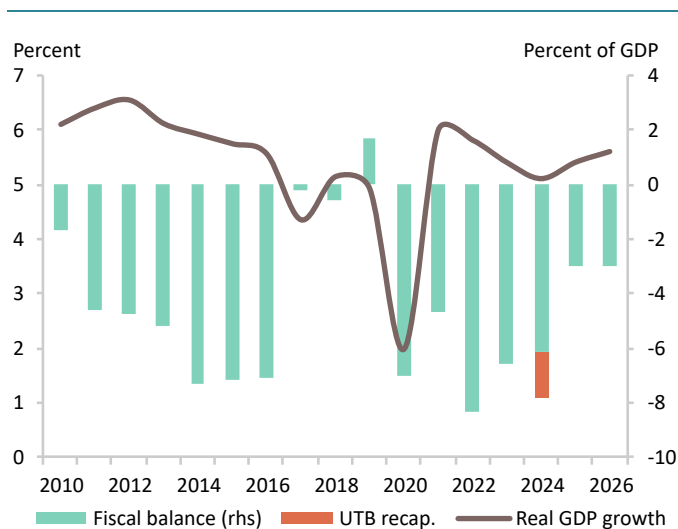
Recent developments

Despite a series of unprecedented shocks, Togo maintained a robust 4.8 percent average growth rate over 2020-23, equivalent

to real income per capita gains of 2.4 percent per annum. Growth is estimated to have moderated to 5.4 percent in 2023, reflecting weakness among key trading partners and a retrenchment in public spending as part of initial consolidation efforts. While the extreme poverty rate (at \$2.15 2017 PPP) dropped to 26.6 percent in 2021, from 28.4 percent in 2018, the actual number of extreme poor increased. Moreover, the rural-urban gap in welfare remained persistently high, with 41.3 percent of the rural population facing extreme poverty in 2021, compared to an urban rate of just 7.1 percent. Since 2021, rising inflation impacted households' purchasing power, and despite sustained economic growth and higher agricultural incomes, extreme poverty remained nearly constant at 26.7 percent in 2022, dropping slightly to 25.6 percent in 2023. This slow poverty reduction coupled with faster population growth led to about 40,000 additional extreme poor between 2021 and 2023.

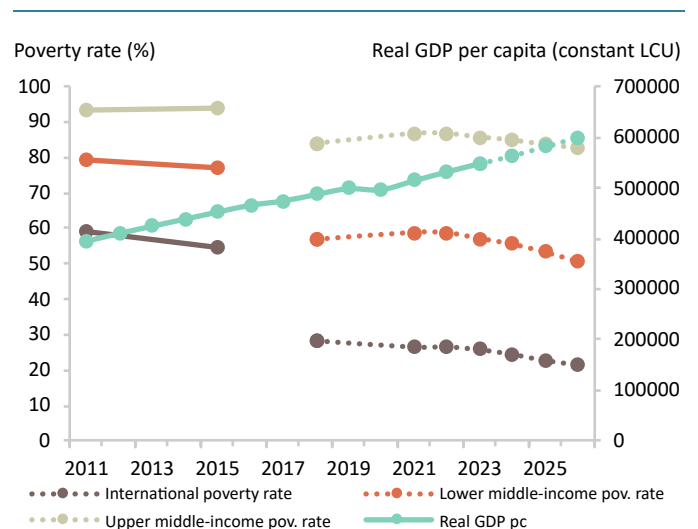
The fiscal deficit remained elevated at 6.6 percent of GDP in 2023 but narrowed from a three-decade high of 8.3 percent in 2022. The improvement resulted from lower transfers and subsidies, restrained goods and services expenditure, and increased revenues. However, elevated security spending and new economic and social infrastructure investments prevented faster consolidation, causing the debt-to-GDP ratio to further increase to 67.2 percent of GDP. Regarding monetary policy, the Central Bank of West African States (BCEAO) raised policy interest rates by a cumulative 150 basis points since mid-2022 (to 3.5 percent for liquidity calls and 5.5 percent for

FIGURE 1 Togo / Real GDP growth and fiscal balance



Source: World Bank.
 Note: World Bank projections start in 2023.

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



Source: World Bank. Notes: see Table 2.

the marginal lending facility) but inflation in the region remained above the 1-3 percent target range and foreign exchange reserves dropped further to 3.5 months of imports in 2023.

Outlook

With global demand remaining subdued in 2024 and fiscal consolidation measures intensifying, growth in Togo is projected to slow to 5.1 percent in 2024 (2.8 percent per capita terms), before gradually strengthening to 5.4 percent in 2025 and 5.6 percent in 2026. While slower than initially expected due to faster fiscal consolidation and regional uncertainties, growth will be supported by domestic demand with ongoing and planned private investment projects and a recovery in consumer spending as inflationary pressures taper. Exports will provide an additional boost from 2025 as the global economy regains some strength while public investment should

regain momentum from 2026 as fiscal consolidation ends. Ongoing reforms should help support agriculture productivity and boost private investment. The announced exit of Mali, Niger, and Burkina Faso from ECOWAS is expected to lead to relatively modest trade disruptions in the short term but is heightening regional uncertainty, which could weigh on investment sentiment, notably around the development of the Lome-Ouagadougou-Niamey economic corridor. The BCEAO may need to continue tightening monetary policy in 2024 to bring inflation under control and prevent further declines in foreign reserves. Poverty is projected to moderate gradually in 2024 and 2025, and more substantially in 2026, to reach 21.2 percent.

In line with the fiscal framework agreed in the context of the new IMF program and WEAMU commitments, the fiscal deficit is expected to decline to 4.5 percent of GDP in 2024 (excluding the one-off effect of the recapitalization of the state-owned bank UTB amounting to 1.6 percent of GDP) and 3.0 percent in 2025 driven by a drop in capital

spending and transfers on the expenditure side, and by tax and customs reforms and the rationalization of tax exemptions on the revenue side. The government faces difficult tradeoffs in its fiscal consolidation strategy to minimize disruptions to priority investments and public services.

The growth outlook is subject to multiple downside risks. Longer lasting disruptions to global trade, commodity, and financial markets following a sequence of unprecedented shocks in recent years could have a significant knock-on effect on a small, open, and relatively indebted economy like Togo. A disorderly exit of Mali, Niger, and Burkina Faso from ECOWAS, and possibly from WAEMU, could lead to financial market instability in the short term and trade dislocations over the medium term. Additional downside risks stem from rising insecurity in the North that could weigh on investment, trade, and public finances, as well as climate shocks that negatively impact agricultural productivity. Finally, reforms could stall and hamper confidence in Togo's development trajectory.

TABLE 2 Togo / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	6.0	5.8	5.4	5.1	5.4	5.6
Private consumption	9.9	1.3	4.8	6.0	5.9	5.8
Government consumption	0.2	8.8	5.6	3.1	6.1	5.9
Gross fixed capital investment	-0.2	26.4	7.2	4.4	3.7	4.8
Exports, goods and services	5.3	-1.1	4.2	4.9	6.4	6.8
Imports, goods and services	6.9	5.1	3.8	4.3	5.0	5.4
Real GDP growth, at constant factor prices	5.3	6.2	5.3	5.0	5.4	5.6
Agriculture	3.4	5.0	5.1	4.1	4.5	4.2
Industry	5.7	7.3	7.1	6.4	6.8	6.9
Services	5.9	6.2	4.6	4.8	5.1	5.5
Inflation (consumer price index)	4.5	7.5	5.3	3.5	3.0	2.7
Current account balance (% of GDP)	-0.9	-3.0	-3.3	-3.4	-3.0	-3.0
Net foreign direct investment inflow (% of GDP)	0.3	0.3	0.4	0.4	0.5	0.4
Fiscal balance (% of GDP)	-4.7	-8.3	-6.6	-6.2	-3.0	-3.0
Revenues (% of GDP)	17.1	17.6	17.8	18.1	17.9	18.0
Debt (% of GDP)	63.0	65.8	67.1	68.8	67.0	65.0
Primary balance (% of GDP)	-2.5	-5.9	-4.5	-3.8	-0.5	-0.7
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	26.6	26.7	25.8	24.5	22.7	21.5
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	58.8	58.7	57.2	55.6	53.5	50.9
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	86.8	86.8	85.8	84.9	83.7	82.7
GHG emissions growth (mtCO₂e)	6.4	5.4	2.9	4.0	4.4	1.2
Energy related GHG emissions (% of total)	25.7	26.9	26.4	26.4	26.4	20.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2018-EHCVM. Actual data: 2018. Nowcast: 2019-2023. Forecasts are from 2024 to 2026.

b/ Projections using microsimulation methodology.

UGANDA

Table 1 **2023**

Population, million	48.6
GDP, current US\$ billion	42.0
GDP per capita, current US\$	864.3
International poverty rate (\$2.15) ^a	42.1
Lower middle-income poverty rate (\$3.65) ^a	71.8
Upper middle-income poverty rate (\$6.85) ^a	91.1
Gini index ^a	42.7
School enrollment, primary (% gross) ^b	105.5
Life expectancy at birth, years ^b	62.7
Total GHG emissions (mtCO2e)	58.9

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2019), 2017 PPPs.
 b/ WDI for School enrollment (2017); Life expectancy (2021).

Continued investment momentum, lower inflation, and improved global supply conditions have supported a modest acceleration of GDP growth expected at 6.0 percent in FY24. A sustained fiscal consolidation will yield a primary fiscal surplus of 0.2 percent of GDP in FY26 and ease pressure on debt. GDP growth will accelerate beyond 6 percent in FY25–FY26, if not derailed by a global slowdown, disruptions to oil production, and weather shocks. Poverty will fall as incomes recover.

Key conditions and challenges

Increased shocks and less momentum behind policy reform create challenges for sustaining economic growth and reducing poverty in Uganda. Rapid population growth has kept a large share of the population below the poverty line, while human capital and infrastructure deficits have limited the country's growth potential and social welfare improvement. The challenge of creating productive jobs for the almost one million working age Ugandans entering the labor market every year is enormous. Although services constitute a large share of GDP, it has created a few jobs, mainly informal and low-skilled. Most of the jobs are in the agriculture sector which is prone to natural disasters that climate change is making more frequent and severe—and adapting to which is hampered by low adaptive capacity.

To promote economic growth and reduce poverty over the medium term, the Ugandan economy needs to structurally transform and shift labor into a more productive employment, ahead of oil revenue flows. The first required reform is to shift investments towards the private sector by reducing the cost of doing business and fostering access to finance. Second, the government must invest more strongly in human capital by shifting spending into social sectors, alongside measures to reduce inequality and strengthen resilience, and promoting uptake of digital and other

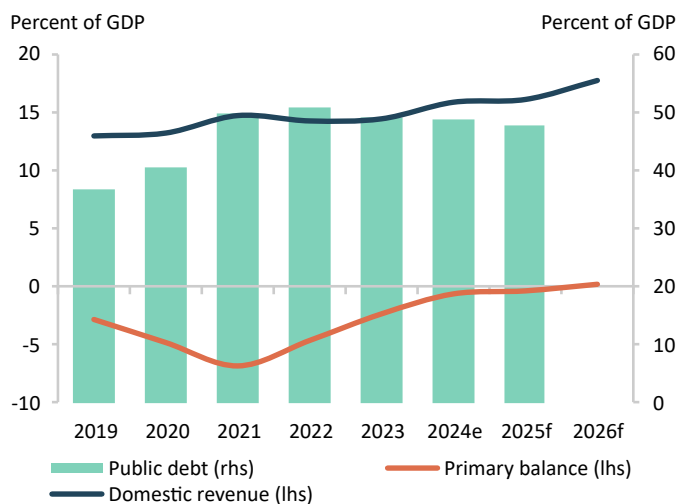
innovative technologies. Finally, is to maintain prudent macroeconomic management alongside structural policies to avoid the 'Dutch' disease and to build resilience to climate shocks.

Recent developments

Economic growth accelerated slightly to an estimated 6.0 percent in FY24 despite external shocks. The Uganda Bureau of Statistics estimates that GDP grew by 5.3 percent during the first quarter of FY24. The industrial sector grew by 11.9 percent during this period, thanks to an oil-related construction boom as FDI grew over 56 percent. Agriculture, too, accelerated despite volatile weather conditions. An uptick in private investments and employment growth reinforced domestic demand deeper into the year - despite a slight reduction in February 2024 to 51.7, Uganda's Purchasing Managers' Index has for the sixteenth consecutive month signaled a strengthening of private sector activity, with sustained increases in output, new orders, and employment. While Uganda's exports surged with increased volumes of production and improvement in terms of trade, resumption of gold trade, and recovery of tourism, imports grew stronger, supported by demand from oil investments.

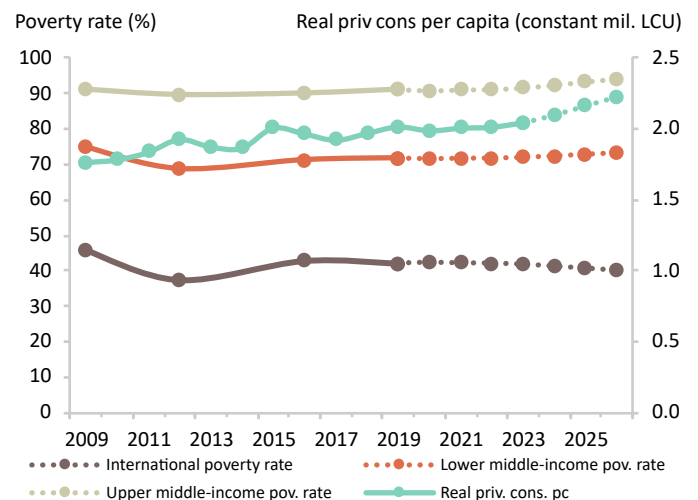
The Bank of Uganda (BoU) tightened monetary policy in March 2024 to curb possible passthrough of a fast-depreciating shilling. Low inflation, averaging 2.9 percent during the first half of FY24 benefited both investments and the poor households. During the second half of

FIGURE 1 Uganda / Fiscal adjustment



Source: Ministry of Finance, Planning and Economic Development.

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



Source: World Bank. Notes: see Table 2.

FY24, inflation increased – gradually to 3.4 percent in February 2024, but forecast to accelerate towards the target of 5 percent as the Ugandan currency depreciated due to intensified portfolio outflows. Hence, on March 6, 2024, BoU raised its policy rate to 10 percent, from the 9.5 percent maintained since August 2023.

The fiscal consolidation has steadily reduced the primary fiscal deficit, estimated at 0.6 percent of GDP in FY24. While challenged by persistent shortfalls, estimated at about 12 percent below plans during the seven months to January, government revenues share in GDP continued to increase. The shortfall has been partially offset by under-spending due to cuts and delays in the development projects, which may have implications to growth. The fiscal deficit was mainly financed through external borrowing.

Consistent with accelerated economic growth and low inflation, household perceptions on current and future economic wellbeing are positive. According to the October/November 2023 phone survey, respondents also experienced improved access to essential products. Nevertheless, about 41 percent of households continued to be moderately food insecure and four percent were severe food insecure. About 40 percent respondents were certain to

experience extreme weather events during next 12 months with higher negative expectations among respondents from the poorest Northern and Eastern regions.

Outlook

Real GDP growth is expected to accelerate to 6.6 percent by FY26, mainly driven by investments in the oil sector. With the progressed preparation of the Tilenga and Kingfisher drilling project areas, supportive infrastructure (including Kabaale airport), and the pipeline construction, oil exports are expected to commence by end of 2025. However, timing may slip if the 60 percent of the pipeline financing, anticipated from external creditors, delays. The investments and exports of oil will support government's other promotion efforts for tourism, export diversification, and agro-industrialization. Lower inflation will enable BOU to ease its stance, which combined with reduced fiscal pressures under a fiscal consolidation, augurs well for both foreign and domestic investment. Nonetheless, the slowdown of global growth and disruptions in global financial conditions remain major downward risks.

The primary fiscal balance is expected to evolve into a surplus of 0.2 percent of GDP by FY26, through more efficient spending and implementation of the Domestic Revenue Mobilization Strategy. This fiscal consolidation aims to continue reducing non-priority capital expenditures while maintaining the share of social spending, crucial especially to poor households. Rationalization of exemptions and revenue administration modernization to improve compliance are expected to yield revenues of approximately 0.5 percent of GDP in FY25. The reduction in the fiscal deficit will modestly reduce debt below 50 percent of GDP through 2026, keep debt service manageable, and reduce crowding out of private sector investment.

Accelerated growth may reduce poverty (measured at the \$2.15/day international poverty line) from 41.3 percent in 2024 to 40.1 percent by 2026. But given that households have limited adaptive capacity, the pace of poverty reduction will ultimately depend on how food access and affordability evolve, and on the incidence of weather and any environmental shocks. The trickle-down effect of oil for the poor will depend on adopting the right set of policies and strengthening existing and setting up new institutions.

TABLE 2 Uganda / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	3.4	4.7	5.2	6.0	6.2	6.6
Private consumption	4.2	3.4	4.4	5.4	5.8	5.6
Government consumption	6.1	-17.4	18.3	2.0	-3.7	5.3
Gross fixed capital investment	5.1	20.1	1.8	9.5	10.6	9.9
Exports, goods and services	2.6	-18.6	7.0	7.7	8.3	8.4
Imports, goods and services	8.6	-8.9	3.2	8.6	8.7	8.8
Real GDP growth, at constant factor prices	3.4	4.7	5.2	6.0	6.2	6.6
Agriculture	3.8	4.4	4.8	4.9	5.0	5.1
Industry	3.4	5.4	3.8	6.2	6.5	6.5
Services	3.3	4.4	6.2	6.4	6.6	7.4
Inflation (consumer price index)	2.5	3.7	8.8	3.1	4.5	5.0
Current account balance (% of GDP)	-10.2	-7.9	-8.2	-8.1	-7.4	-6.9
Net foreign direct investment inflow (% of GDP)	2.1	3.1	5.9	8.7	10.9	9.9
Fiscal balance (% of GDP)	-9.5	-7.4	-5.5	-3.9	-3.7	-3.1
Revenues (% of GDP)	14.7	14.2	14.4	15.8	16.1	17.7
Debt (% of GDP)	49.6	50.7	49.1	48.5	47.8	41.9
Primary balance (% of GDP)	-6.8	-4.6	-2.3	-0.6	-0.3	0.2
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	42.2	42.1	41.8	41.3	40.7	40.1
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	71.7	71.8	72.0	72.4	72.8	73.2
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	90.9	91.0	91.5	92.3	93.2	94.1
GHG emissions growth (mtCO₂e)	3.2	3.1	3.2	3.4	3.4	3.6
Energy related GHG emissions (% of total)	15.5	16.2	17.2	18.1	18.9	19.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2016-UNHS and 2019-UNHS. Actual data: 2019. Nowcast: 2020-2023. Forecasts are from 2024 to 2026.

b/ Projection using point-to-point elasticity (2016-2019) with pass-through = 0.7 based on private consumption per capita in constant LCU.

ZAMBIA

Key conditions and challenges

Table 1 **2023**

Population, million	20.6
GDP, current US\$ billion	26.4
GDP per capita, current US\$	1283.5
International poverty rate (\$2.15) ^a	64.3
Lower middle-income poverty rate (\$3.65) ^a	81.0
Upper middle-income poverty rate (\$6.85) ^a	93.2
Gini index ^a	51.5
School enrollment, primary (% gross) ^b	94.8
Life expectancy at birth, years ^b	61.2
Total GHG emissions (mtCO2e)	93.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2021).

Despite a protracted debt restructuring process and subdued copper production, Zambia's economy has been recovering since the COVID-19 recession, primarily driven by firmer services. In Q3:2023, real GDP grew by 5.0 percent year-to-date and 5.1 percent y/y. In 2024, a severe drought affecting agriculture, electricity, and water supply will significantly dampen growth; however, an anticipated upturn in mining may offset some of the agricultural losses. Still, Zambia needs to finalize debt treatments to strengthen the response to drought and other shocks.

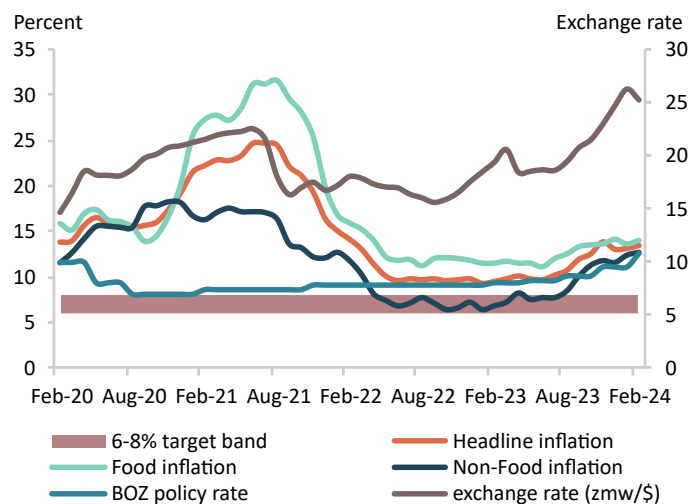
Zambia is a country with vast natural resources seeking to exploit economic opportunities to improve livelihoods by reducing poverty and inequality, which are high. The vast mineral resources (mainly copper) have been exploited with little value addition and employment creation, making growth and revenues volatile and contributing little to inclusive growth. The mainstay agriculture sector, which employs most of the workforce, remains undiversified and has low and declining productivity, exacerbating socio-economic development challenges. The 2023/24 rainy season's drought, worsened by climate change, has led to massive crop failure and damage, affecting food security and livelihoods of 6.6 million people in 84 out of 116 districts. The diminished water supply constraining hydroelectricity generation—the dominant power source—is expected to result in up to a 1000 megawatts annual deficit, disrupting business, especially among most small and medium enterprises, as blackouts intensify. Meanwhile, the current administration continues to pursue bold fiscal and structural reforms to restore macroeconomic stability, reinvigorate growth, and increase pro-poor spending since 2022. These reforms followed a decade of unbalanced fiscal expansion and unsustainable debt accumulation that worsened distortions and growth potential. Despite challenging

domestic and external environments, they have supported economic recovery from the multiple and compounding crises which started in 20220. Still, maintaining macroeconomic stability remains challenging due to uncertainty caused by protracted debt restructuring and declining mining performance over the past three years. The recent contraction in the mining sector starting in 2021 has triggered a deterioration in the external sector balances and softened fiscal revenues, leading to large currency depreciation, high inflation, and a sharp increase in the cost of living. With the government's capacity to finance development significantly constrained, completing debt treatment would give breathing space for Zambia to restore macroeconomic stability and debt sustainability and support the administration's ambitious reform program.

Recent developments

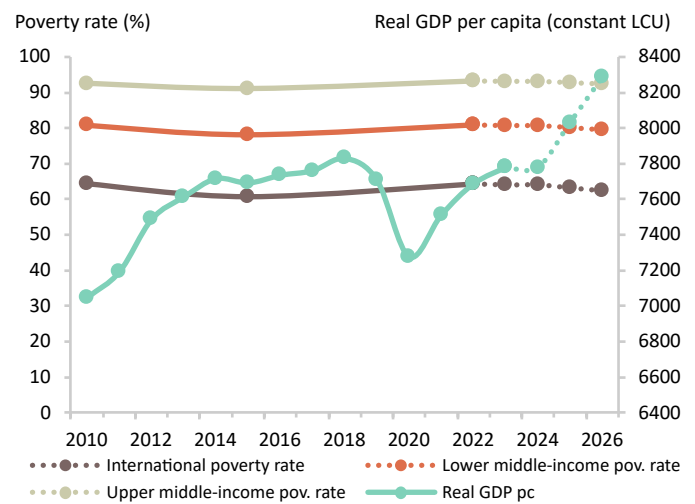
Real GDP grew by 5.0 percent year-to-date and 5.1 percent y/y in Q3:2023, driven by firmer services in transport, information and communications, and hospitality. Copper production remained below potential, declining by 8.0 percent (y/y) due to legacy operational difficulties at Mopani Copper mines and Konkola Copper Mine (KCM). This negatively impacted exports, with export earnings declining amid heightened uncertainty arising from protracted debt restructuring, severely weakening Zambia's external balances. The current account slipped into deficit in 2023—the first time in

FIGURE 1 Zambia / Selected macroeconomic indicators



Source: World Bank estimates.

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



Source: World Bank. Notes: see Table 2.

four years. The exchange rate depreciated by 41.8 percent against the US\$ in 2023, save for short-lived appreciations in March and June around the news of expected breakthroughs in debt restructuring.

The sustained exchange rate depreciation and a food price shock (due to a grain deficit in the region) placed pressure on domestic prices. Both food and non-food inflation picked up, leading to a broad-based increase in headline inflation from 9.9 percent (y/y) in December 2022 to 13.5 percent in February 2024, against the 6–8 percent target range. Bank of Zambia (BoZ) raised the policy rate by 200 basis points (cumulatively) in 2023, with half of the increase in November amid intensifying inflationary pressures and currency depreciation. On February 14, 2024, the BoZ hiked the policy rate by an additional 150 basis points to 12.5 percent. It also raised the statutory reserve ratio from 9.0 percent in January 2023 to 26.0 in February 2024 to moderate FX demand and auctioned more than US\$50 million in the interbank market, triggering a temporary exchange rate appreciation of 13.8 percent.

The government continued the fiscal consolidation launched in 2022, achieving a primary fiscal surplus estimated at 0.2 percent of GDP in 2023, despite underperforming

revenues due to mining contraction. Higher non-tax revenues, better collection from non-mining, and higher grants from the development partners boosted overall revenue.

Outlook

A severe drought in the current rainy season and cholera epidemic (with 20,577 cases and 699 deaths by end-February), which delayed the opening of schools, will significantly dampen growth to 2.7 percent in 2024. The government declared the drought a national disaster on February 29, 2024, and called for an emergency response. Although crop failure estimates are still preliminary, they suggest more than half of the planted area is damaged, directly affecting private consumption. Despite the rationing of electricity to cushion real sector activity, especially in the mines and critical life support services, the power deficit is slowing down aggregate industry and services production. However, the mining sector is expected to recover in 2024 and stimulate growth in industry, exports, and services activities that support

mining. This anticipated production improvement stems from a less wet rainy season for open pit mining and the resolution of legacy operation challenges leading to the potential realization of significant pledged foreign direct investment (FDI). Still, tight monetary policy and elevated net domestic financing to the government will likely constrain credit availability to the private sector due to higher borrowing costs.

There is substantial uncertainty surrounding the forecast. Firmer-than-expected copper prices would boost external sector performance and potentially reverse currency depreciation. Finalizing a debt restructuring deal would boost portfolio flows. Still, downside risks are considerable. Copper revenues may undershoot because of lower ore grades, delayed investments in the sector, and weakening copper prices. The effects of climate change pose a risk in terms of food security and hydropower generation. There could be additional inflationary pressures from exchange rate pass-through effects and climate-induced events such as food shortages. Subdued global growth due to the contraction of China's economy, the primary market for Zambia's copper exports, could dampen growth at home.

TABLE 2 Zambia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	6.2	5.2	4.0	2.7	6.1	5.9
Private consumption	8.0	6.0	4.6	0.5	6.7	5.7
Government consumption	5.6	2.8	9.1	12.3	8.0	9.5
Gross fixed capital investment	4.7	5.0	6.0	6.0	7.0	6.6
Exports, goods and services	4.6	5.0	2.2	2.6	3.5	4.0
Imports, goods and services	2.5	4.0	4.5	3.5	4.0	4.0
Real GDP growth, at constant factor prices	6.4	5.5	3.9	2.7	6.1	5.9
Agriculture	6.9	-11.0	10.0	-20.0	2.0	2.0
Industry	7.1	-2.2	-1.7	1.8	3.8	5.0
Services	6.0	12.1	6.1	5.7	7.4	6.6
Inflation (consumer price index)	22.1	11.1	11.0	14.3	10.1	7.0
Current account balance (% of GDP)	9.7	3.7	-0.4	0.2	0.4	0.6
Net foreign direct investment inflow (% of GDP)	3.7	1.5	1.5	3.0	3.8	3.4
Revenues (% of GDP)	22.4	20.4	21.1	21.6	20.6	20.9
Primary balance (% of GDP)	-2.0	-1.5	0.6	0.2	1.6	0.8
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	..	64.3	64.0	64.0	63.2	62.4
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	..	81.0	80.8	80.8	80.2	79.6
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	..	93.2	93.1	93.1	92.8	92.5
GHG emissions growth (mtCO₂e)	0.5	0.8	1.2	1.4	1.4	1.4
Energy related GHG emissions (% of total)	9.9	10.3	11.0	11.9	12.9	13.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2022-LCMS-VIII. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.

b/ Projection using neutral distribution (2022) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

ZIMBABWE

Key conditions and challenges

Table 1 **2023**

Population, million	16.7
GDP, current US\$ billion	33.5
GDP per capita, current US\$	2012.0
International poverty rate (\$2.15) ^a	39.8
Lower middle-income poverty rate (\$3.65) ^a	64.5
Upper middle-income poverty rate (\$6.85) ^a	85.0
Gini index ^a	50.3
School enrollment, primary (% gross) ^b	96.0
Life expectancy at birth, years ^b	59.3
Total GHG emissions (mtCO2e)	115.8

Source: WDI, Macro Poverty Outlook, and official data.

a/ Most recent value (2019), 2017 PPPs.

b/ Most recent WDI value (2021).

GDP growth is projected to slow to 3.3 percent in 2024 after a solid post-pandemic recovery in 2022-23. While a slowdown was expected, the growth is further affected by persistent macroeconomic instability with high inflation and exchange rate distortions, an El Niño-related drought, and projected lower export prices. The fiscal deficit is expected to increase due to the transfer of RBZ's external liabilities to the treasury. Drought conditions will affect agricultural output and increase food insecurity and, potentially, poverty.

Zimbabwe's economic performance is hampered by continued macroeconomic instability and power shortages. High inflation, exchange rate distortions, and a difficult business environment raise the cost of doing business, which in turn are leading to underinvestment, a rise in informal activity, and erosion of the fiscal revenue base. Jointly, this significantly undermines the economy's long-term growth prospects. The investment climate is further hampered by inadequate electricity supply with power shortages estimated to cost Zimbabwe 6.1 percent of GDP per annum.

Zimbabwe's external debt has rapidly increased in recent years, driven by external arrears and legacy debt. External debt has risen from US\$9.5 billion in 2018 to US\$17.5 billion in 2023 (an estimated increase from 26 to 95 percent of GDP). The increase is driven partly by debt arrears as the GoZ stopped servicing external debt in 2000, and Zimbabwe's external arrears accumulated to US\$6.9 billion in 2023 mostly to IFIs. The government is implementing arrears clearance and debt resolution strategy that is critical for debt resolution and access to financial support. As part of this, Zimbabwe also resumed token payments to multilateral creditors in 2021.

Poverty has been elevated, on account of continued macroeconomic instability, poor job creation in the productive sectors,

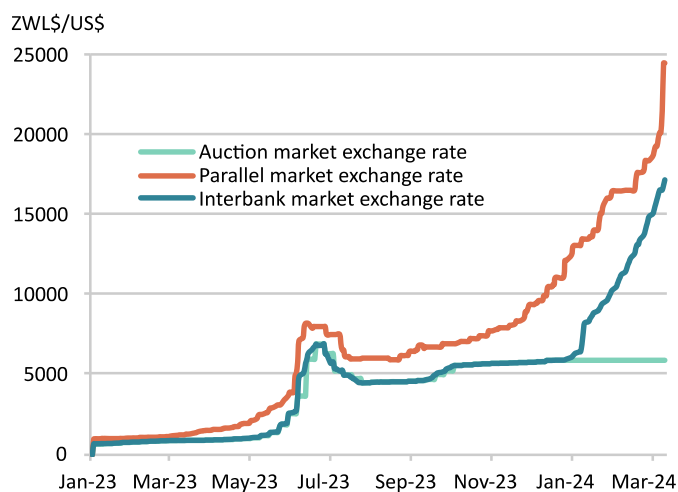
weather and global health shocks, and a weak social protection system. The national extreme poverty rate has declined from its 2020 post-pandemic peak of 49 percent to 43 percent in 2022. Yet, poverty and vulnerability remain high, against a background of cyclical agricultural production, climate shocks, and elevated food prices.

Recent developments

Driven by post-pandemic recovery, Zimbabwe was one of the fastest-growing SADC economies in 2022 and 2023. Real GDP is estimated to have grown by 5.5 in 2023, after a 6.5 percent growth in 2022, on the back of an expansion in agriculture, mining, and remittances-induced services growth. Nevertheless, macroeconomic volatility fuelled by monetary instability and substantial exchange rate distortions continues to keep Zimbabwe's economic activity below its potential.

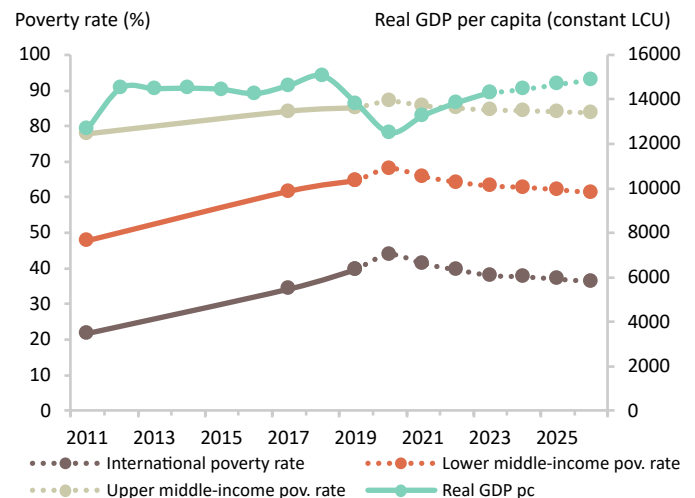
Inflationary pressures remain high in 2024 as local currency depreciation intensified. Annually inflation increased for the fourth consecutive month in February 2024, reflecting sharp depreciation of the local currency at both official and parallel foreign exchange market. Annual inflation increased from 26.5 percent in December 2023 to 47.6 percent in February 2024. The official exchange rate has depreciated by 788 percent in 2023 with the parallel market premium estimated at 30 percent as of February 2024. Meanwhile, the Minister of Finance announced a possible move to a currency board, but details are lacking.

FIGURE 1 Zimbabwe / Exchange rates



Sources: Zimstat and World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

Fiscal pressures increased in 2023 ahead of national elections and the transfer of RBZ's external liabilities to the treasury. The government increased civil servants' salaries sharply, both in foreign and local currency. The Treasury took over the servicing of debt of US\$1.8 billion in external liabilities from RBZ. Meanwhile, some of the revenue proposals in the 2024 budget has been reversed, casting doubt on the credibility of the budget. Nevertheless, the implemented taxes like sugar tax have led to an increase in prices.

The current account surplus narrowed in 2023, as remittances from non-governmental organization contracted. Nevertheless, the trade deficit was slightly lower in 2023 compared to 2022. Exports increased by 9.7 percent year-on-year, driven by tobacco and diamond. Imports increased by 6.4 percent driven by fuel and maize imports.

Outlook

Real GDP growth is projected to slow further to 3.3 percent in 2024, partly reflecting

the impact of structural bottlenecks, macroeconomic instability (high inflation and severe exchange rate volatility), an El Niño-related drought, and lower commodity prices. El-Niño induced drought will affect most rain fed crops and may intensify electricity supply shortages. Nevertheless, continued increase in remittances will help to stimulate growth in services (wholesale and retail trade), and construction. Risks are tilted to the downside and include geopolitical tension, a weak global environment for growth, and high inflation. Inflationary pressures will intensify in 2024, given drought conditions and increase in domestic taxes.

The fiscal deficit will increase in 2024, driven by high interest payments on external debt, drought mitigation related spending, wage pressures, and reversal of several budget revenue measures. Interest payments from servicing RBZ's external liabilities are projected to significantly increase, posing liquidity risks, amid limited access to concessional financing. Fiscal deficit is projected to reach 2.3 percent of GDP in 2024, before slowing to under 2.0 percent in the medium term.

The current account surplus is expected to shrink further, reflecting an increase in imports in the face of drought conditions and lower commodity prices. Exports are therefore expected to decline. Remittances remain the main driver of current account surplus.

Poverty is expected to increase in 2024 due to drought and is projected to remain high in the medium term. The elasticity of poverty reduction to growth has proven to be very low in Zimbabwe, undermining the outlook for poverty reduction amid projected deceleration of growth in 2024. This is further exacerbated by El-Niño induced drought. In the medium term, vulnerability to poverty is expected to increase with changes in temperature and rainfall patterns linked to climate change. Key structural priorities to reduce poverty and break the dependence on weather cycles include boosting agricultural productivity, facilitating structural transformation through investment climate and monetary and exchange rate reforms, and instituting a robust social protection system.

TABLE 2 Zimbabwe / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	8.5	6.5	5.5	3.3	3.6	3.5
Private consumption	1.5	4.9	3.0	4.0	3.6	3.5
Government consumption	142.1	31.3	30.6	3.6	1.8	2.0
Gross fixed capital investment	12.8	22.3	-18.0	-6.1	5.6	4.6
Exports, goods and services	47.0	43.9	3.0	1.5	3.4	3.4
Imports, goods and services	61.5	54.6	2.0	1.1	2.5	2.5
Real GDP growth, at constant factor prices	8.4	6.4	5.6	3.3	3.6	3.5
Agriculture	17.5	6.2	11.1	-5.9	6.0	4.9
Industry	6.4	5.5	2.8	4.0	3.0	3.1
Services	7.7	7.0	6.0	5.1	3.4	3.4
Inflation (consumer price index)	98.5	193.4	305.0	45.1	15.9	72.3
Current account balance (% of GDP)	1.0	1.0	0.8	0.1	-0.2	0.7
Net foreign direct investment inflow (% of GDP)	0.7	1.0	0.3	0.0	0.0	0.0
Fiscal balance (% of GDP)	-2.0	0.1	-1.2	-2.3	-1.3	-1.2
Revenues (% of GDP)	15.3	16.4	17.2	18.4	18.6	18.4
Debt (% of GDP)	58.4	99.6	97.0	102.6	98.7	91.3
Primary balance (% of GDP)	-1.9	0.2	-0.3	-1.4	-0.4	-0.5
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	41.4	39.6	38.2	37.7	37.1	36.4
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	65.8	64.2	63.1	62.7	62.0	61.2
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	85.6	85.0	84.5	84.3	84.0	83.7
GHG emissions growth (mtCO₂e)	0.4	1.2	0.7	-0.6	-0.4	-0.2
Energy related GHG emissions (% of total)	9.9	10.4	10.8	10.1	9.7	9.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2019-PICES. Actual data: 2019. Nowcast: 2020-2023. Forecasts are from 2024 to 2026.

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

Macro Poverty Outlook

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2024



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