

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

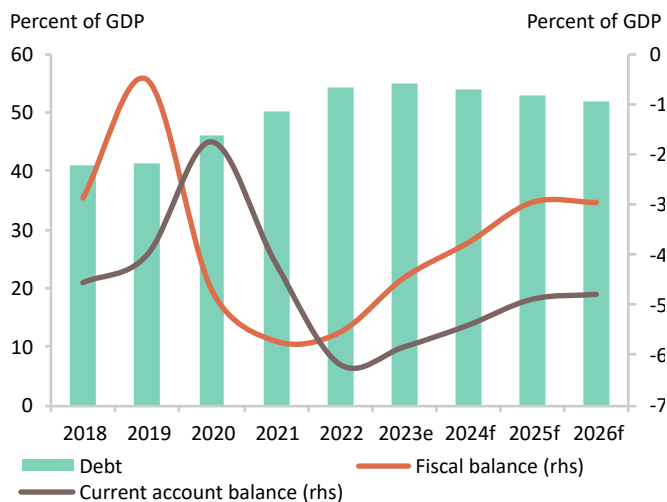
in 2015-22) led to rising debt levels, from 30.9 percent of GDP in 2015 to 54.2 percent in 2022. Accordingly, boosting revenues is critical to sustainably finance increasing development needs. As fiscal space is limited, private sector mobilization is central for infrastructure investment.

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.

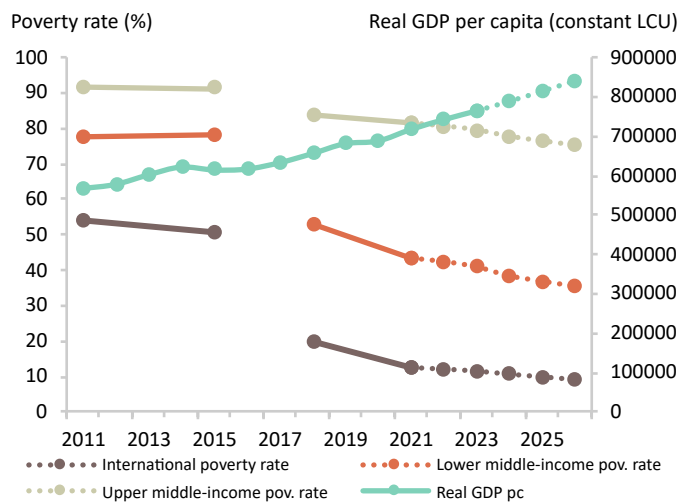
Headline inflation doubled to 2.8 percent in 2023 with the end of the gasoline subsidy in Nigeria, resulting in a 60 percent increase in the price of smuggled gasoline, used by 80 percent of the population. To counter inflation across WAE-MU countries, the Central Bank of West African States (BCEAO) 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.