BENIN

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

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

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

Key conditions and challenges

The COVID-19 crisis significantly reduced Benin's real growth rate even though a swift economic response, combined with the continuation of large public infrastructure projects, supported growth throughout 2020 and paved the way for a strong rebound in 2021 at 7.2 percent. The Government Action Plan (PAG), which initially covered the period 2016-2021, was extended to 2026 following the reelection of President Talon in April 2021, and the PAG2 maintains its focus on macroeconomic stability, strengthening governance, and ambitious infrastructure investments (transport, logistics, agriculture, and tourism). Strengthening the recovery over time will require continued structural reforms to alleviate key constraints. First, productivity growth in services and industry has been slow due to low quality education and skills mismatches. Second, the COVID-19 crisis highlighted the difficulty of targeting support towards the most vulnerable as social safety net mechanisms are still being built. Finally, even though fiscal consolidation efforts since 2016 enabled counter-cyclical fiscal policy in response to the 2020-2022 crisis, domestic revenue mobilization remains structurally weak, limiting fiscal space for productive spending.

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

Recent developments

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

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

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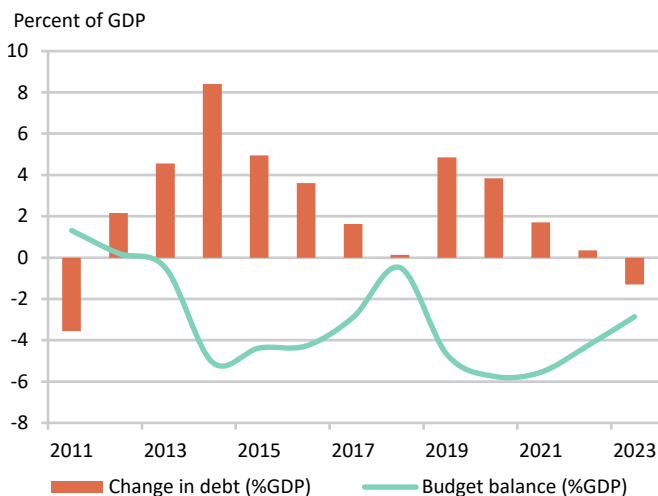
Percent of GDP

Source: World Bank.

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

Poverty rate (%) Real GDP per capita (constant LCU)
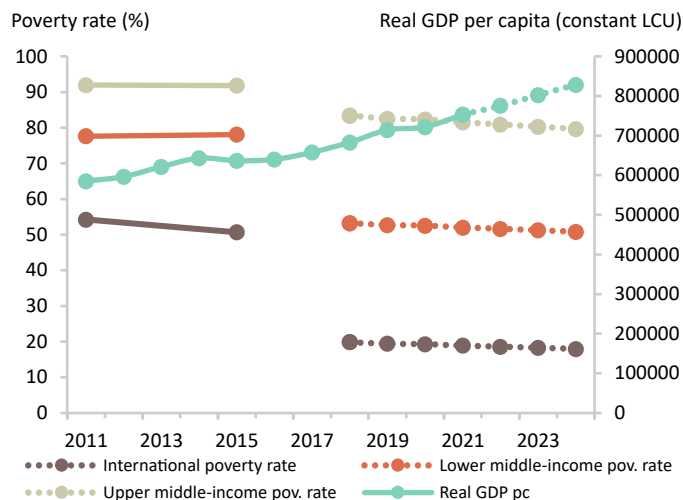
Source: World Bank. Notes: see Table 2.

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

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

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

Outlook

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

ongoing reforms to improve competitiveness and export diversification.

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

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

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

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

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

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