

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.

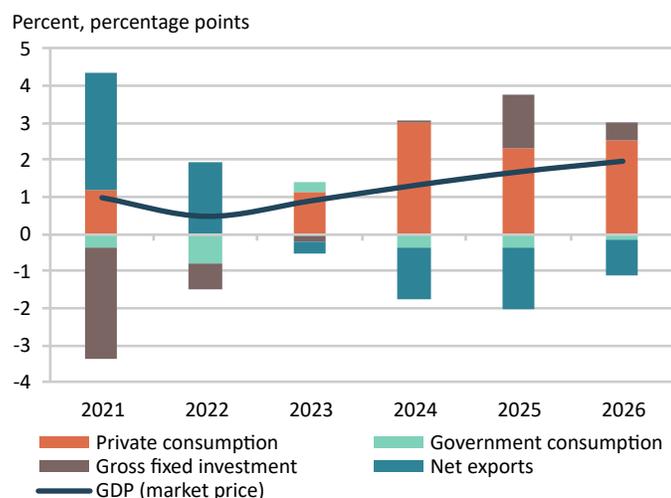
The private sector continues to be hampered by unattractive business conditions and high borrowing costs. Employment opportunities remain extremely limited while the workforce is growing. Continued efforts by country authorities to promote more inclusive and resilient growth will be critical. This includes 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.

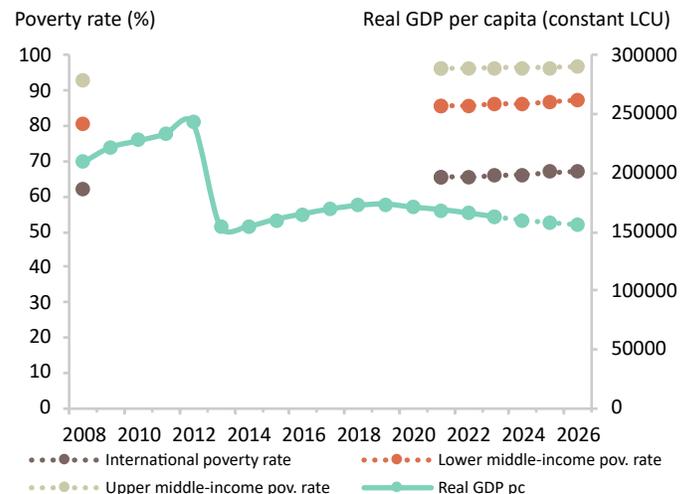
Tight budget constraints due to lack of growth and elevated transportation prices reduced households' purchasing power, worsened food insecurity, and slowed poverty reduction efforts. Poverty remains elevated, with an estimated 65.9 percent of the population living in extreme poverty in 2023 (i.e., below 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.