CENTRAL AFRICAN REP.

Table 1	2021
Population, million	4.9
GDP, current US$ billion	2.6
GDP per capita, current US$	525.0
International poverty rate ($2.15)[a]	61.9
Lower middle-income poverty rate ($3.65)[a]	80.8
Upper middle-income poverty rate ($6.85)[a]	92.8
Gini index[a]	56.2
School enrollment, primary (% gross)[b]	102.0
Life expectancy at birth, years[b]	53.7
Total GHG emissions (mtCO2e)	78.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2008), 2017 PPPs.
b/ WDI for School enrollment (2016); Life expectancy (2020).

Economic activity stagnated in 2021 due to renewed insecurity amid election disputes. The overall fiscal deficit widened in 2021, mainly driven by a decline in government revenues. With growth averaging 2.7 percent over the medium-term, per capita income is projected to return to its pre-covid-19 pandemic level by 2024. The absence of donor budget support, compounded by persistent fuel shortages and the reversal in security gains are the main risks to the outlook.

Key conditions and challenges

Notwithstanding its natural resource endowment, the Central African Republic (CAR) remains one of the most fragile and poorest countries in the world. Economic activity is skewed towards the production of goods with limited value added. The agricultural sector remains one of the key drivers of economic growth and accounts for more than 75 percent of total employment.

Beyond considerable human losses, repeated periods of civil conflicts have fueled a poverty trap by shrinking the potential for diversification towards more productive activities (e.g., manufacturing sector). Poverty remains elevated with more than 7 out of 10 people living below the international poverty line (i.e US$ 2.15 per day, 2017 PPP).

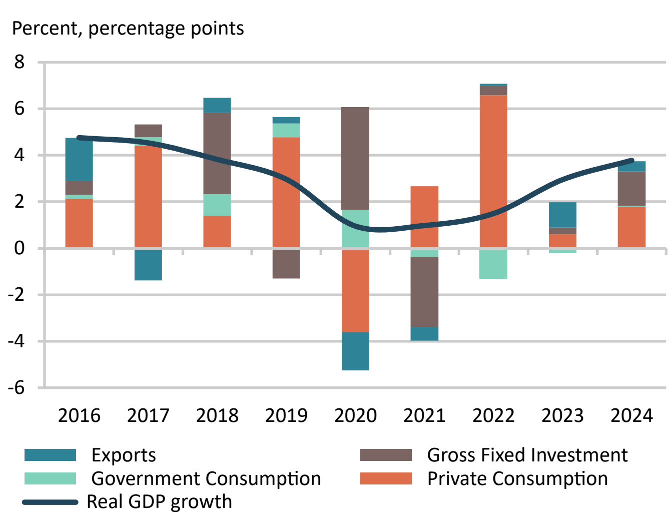
Limited revenue mobilization, a weak social protection system, and poor access to education and health are the major structural challenges. The private sector remains constrained by limited access to financing, although the financial sector is well capitalized. The humanitarian situation remains concerning, as the country has one of the highest proportions (45 percent of the population) of critically food-insecure people in the world. The total number of internally displaced people is estimated at 610,265 individuals, with another 737,000 people counted as refugees in neighboring countries.

Recent developments

CAR's economic activity stagnated in 2021, mainly due to the protracted effects of COVID-19 and renewed violence and insecurity amid election disputes. Trade and agricultural production suffered from the forced displacement of labor to safety zones, particularly in the first quarter of 2021, when conflict broke out between the government and armed groups. As trade resumed on the country's main road, Douala-Bangui, due to improved security throughout the country, economic activity performed better in the 2021H2. Timber and mining production (mainly gold) also accelerated in H2 primarily owing to improved security around production and mining sites. Private consumption grew by 2.9 percent in 2021 as the gradual return of the population to certain localities led to an increase in domestic demand. However, public investment fell from 11.3 percent of GDP in 2020 to 7.4 percent of GDP in 2021, as uncertainties about donor budget support prompted the government to freeze non-priority spending and unwind its COVID-19 fiscal stimulus package. Despite a rebound in 2022H1 driven by extractive activities, persistent fuel shortages slowed economic activity in early 2022H2 and contributed to price pressures.

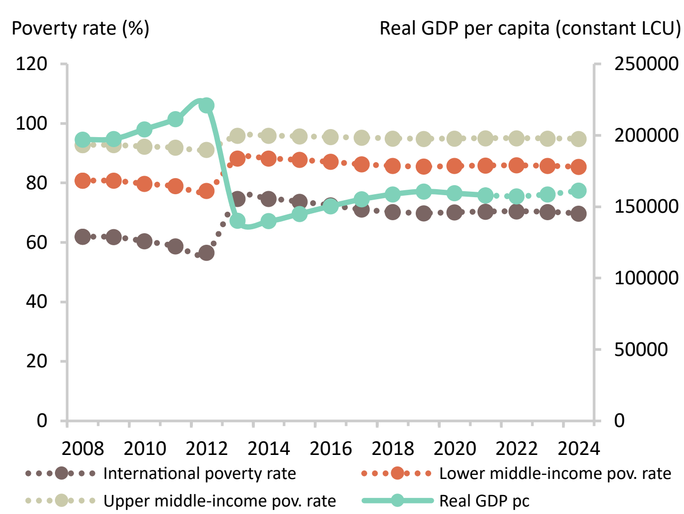
Rising inflation is expected to erode households' purchasing power and worsen their living conditions. As a result, poverty is projected to remain high, with 70.5 percent of the population living in extreme poverty in 2022 (i.e US$ 2.15 per day, 2017 PPP).

FIGURE 1 Central African Republic / Real GDP growth and contributions to real GDP growth



Source: Word Bank.

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



Source: World Bank. Notes: see Table 2.

CAR's monetary policy is managed by the Bank of Central African States (BEAC). Monetary conditions have continued to be tightened to contain inflationary pressures and support the external viability of the exchange rate arrangement. Following a 25 basis points increase in November 2021, the BEAC further increased the policy rate by 50 basis points to 4 percent on March 28, 2022. The BEAC also decreased its weekly liquidity injections from CFAF 250 billion to CFAF 160 billion in April 2022 and has also committed to continue working towards the effective implementation of the new foreign exchange regulation.

The overall fiscal deficit widened in 2021, as donor appetite for budget support waned due to geopolitical tensions and the lack of transparency of the country's security expenditures, while domestic revenues declined from 7.5 percent of GDP in 2020 to 7.1 percent of GDP in 2021. Despite cuts in non-priority spending, pressures from the expenditures side were high throughout 2021, forcing the government to rely on bridge financing on the domestic market. In 2022, cash flow pressures have remained high notwithstanding fiscal consolidations efforts, as uncertainty about budget support disbursement remains elevated. To finance the deficit in 2022, the government has relied on the use of its second and last SDRs tranches (CFAF 50.5 billion, an equivalent US$ 76.8 million and 3.2 percent of GDP) but is also considering borrowing on the domestic market.

Despite a marginal improvement in the trade balance, delays in the disbursement of official transfers contributed to a widening of the current account deficit in 2021. In 2022, the non-disbursement of budget support has continued to weigh on the current account deficit, which is projected to widen further.

Outlook

Per capita income is projected to return to its pre-covid-19 pandemic level by 2024, provided that security gains continue to boost private sector incentives for long-term investment and the protracted effects of the war in Ukraine are contained. Under this assumption, real GDP growth is projected to reach 3.4 percent on average over the period 2023-24, supported by strong exports and gross fixed investment (public and private) from the demand side, and better dynamics of the agricultural and service sectors from the supply side.

Inflation is projected to remain above the regional convergence criteria of 3 percent and worsen living conditions. With limited fiscal space to support safety net programs, extreme poverty is projected to remain high at around 70 percent in 2023 and 2024.

Uncertainties about budget support will continue to weigh on the overall fiscal balance, but the implementation of fiscal reforms, including the digitization and migration towards the use of SIMBA and Automated System for Customs Data (ASYCDUCA) word will help streamline public expenditures and leverage domestic resources. Public debt is expected to remain sustainable as the country continues to implement reforms under the Sustainable Development Finance Policy (SDFP). The current account balance is projected to improve but remain in deficit, thanks to rising exports and a marginal increase in net transfers.

Risks to the outlook remain elevated and skewed to the downside. The absence of donor budget support, persistent fuel shortages and the reversal in security gains are the main risks. Shortfalls in budget support could lead to a "fiscal cliff" with an accumulation of external arrears and the possible non-payment of public wages. Persistent fuel shortages, compounded by the reversal in security gains could undermine trade and economic activity with adverse effects on public finance and prices. Domestic price pressures may cause thousands of vulnerable households to slip into extreme poverty and worsen an already alarming food security situation.

TABLE 2 Central African Republic / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2019	2020	2021	2022f	2023f	2024f
Real GDP growth, at constant market prices	3.0	1.0	1.0	1.5	3.0	3.8
Private Consumption	5.1	-3.8	2.9	7.1	0.6	1.9
Government Consumption	7.9	20.6	-3.8	-14.2	-2.8	0.5
Gross Fixed Capital Investment	-8.0	30.0	-15.9	2.6	1.8	9.4
Exports, Goods and Services	1.7	-10.5	-4.3	0.7	8.3	3.2
Imports, Goods and Services	4.1	-0.5	-6.8	14.0	-3.6	-0.1
Real GDP growth, at constant factor prices	3.0	1.0	1.0	1.5	3.0	3.8
Agriculture	3.0	4.6	3.2	2.4	2.9	3.1
Industry	2.0	0.1	-0.2	-0.4	0.2	0.7
Services	3.4	-0.8	0.0	1.7	4.2	5.4
Inflation (Consumer Price Index)	2.8	0.9	4.3	6.5	6.3	2.7
Current Account Balance (% of GDP)	-4.9	-8.5	-10.6	-13.8	-7.8	-7.3
Fiscal Balance (% of GDP)	1.4	-3.4	-6.0	-4.4	-0.2	-0.9
Debt (% of GDP)	47.2	43.4	47.6	47.9	44.7	42.6
Primary Balance (% of GDP)	1.8	-3.1	-5.7	-4.0	0.3	-0.3
International poverty rate ($2.15 in 2017 PPP)[a,b]	69.8	70.2	70.4	70.5	70.3	69.7
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	85.5	85.7	85.9	85.9	85.8	85.4
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	94.8	94.9	95.0	95.0	95.0	94.8
GHG emissions growth (mtCO2e)	-2.2	2.2	1.2	1.3	1.4	1.3
Energy related GHG emissions (% of total)	39.3	39.7	39.9	40.0	40.1	40.2

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 2008-ECASEB. Actual data: 2008. Nowcast: 2009-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2008) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.