

# COMOROS

**Table 1** **2021**

Population, million	0.9
GDP, current US\$ billion	1.3
GDP per capita, current US\$	1444.7
International poverty rate (\$2.15) <sup>a</sup>	18.6
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	39.5
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	68.6
Gini index <sup>a</sup>	45.3
School enrollment, primary (% gross) <sup>b</sup>	99.5
Life expectancy at birth, years <sup>b</sup>	64.5
Total GHG emissions (mtCO2e)	0.7

Source: WDI, Macro Poverty Outlook, and official data.  
 a/ Most recent value (2014), 2017 PPPs.  
 b/ WDI for School enrollment (2018); Life expectancy (2020).

*The economy of Comoros has been hard hit by multiple shocks in recent years, including Cyclone Kenneth, the COVID-19 pandemic, and spillovers from the Ukraine war. With increasing inflationary pressures, sluggish growth is projected in 2022, and Comoros' low-income households will be significantly affected despite subsidies to contain prices. Fiscal consolidation over the medium-term is required to ensure macroeconomic stability as twin fiscal and external deficits are projected to increase.*

## Key conditions and challenges

A small, remote and fragile island, Comoros' growth remains hindered by significant structural challenges. Feeble GDP growth, averaging 2.7 percent between 2001 and 2020, has been mainly driven by private consumption, fueled by remittances from the sizeable Comorian diaspora. Exports are low and concentrated in a few agricultural commodities, while imports are the source of 70 percent of the food consumed domestically. Weak government institutions, poor infrastructure, and low human capital are among the factors impeding growth. Comoros' economic model presents vulnerabilities because the current account deficit is mainly financed by remittances that support private consumption, and twin fiscal and external deficits have been growing.

Public finances are unbalanced and dependent on external grants, especially for public investments. Tax revenues are low at around 8 percent of GDP and cannot support the public expenditures of around 20 percent of GDP. Moreover, the composition of spending is concentrated on the wage bill, which absorbs 53 percent of the domestic revenues, providing limited space for social spending. With a deteriorating profile, debt nearly doubled from 2014 to 2020, to 22 percent of GDP. A recent large non-concessional loan with a short maturity has raised the risk of debt distress in Comoros to high levels.

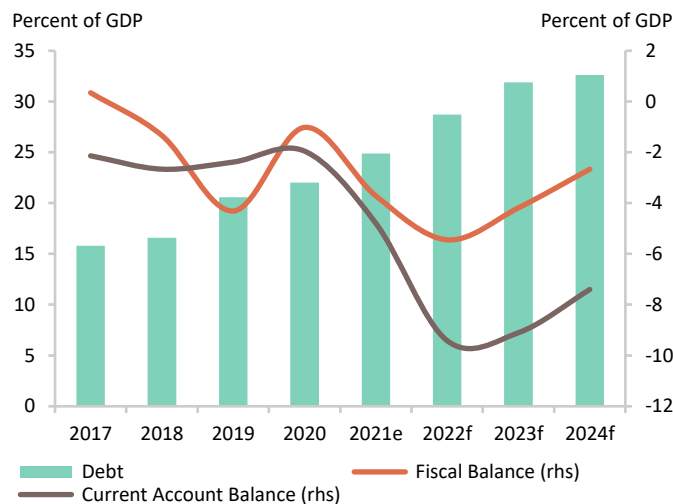
Against this backdrop, the risks on the outlook for Comoros are tilted to the downside, despite much-awaited recovery from Cyclone Kenneth in 2019. Moreover, Comoros faces headwinds related to the global rise of food and energy prices and the normalization of monetary policy worldwide. Domestically, there is a need to increase the implementation of structural reforms that would unleash productivity and investment-driven growth. Besides natural disasters that could affect Comoros, the high risk of debt distress limits fiscal space and requires prudent debt management that could be challenging because of increased spending pressures.

## Recent developments

The Comorian economy is estimated to have grown by 2.2 percent in 2021, on the back of weaker-than-expected private consumption growth. As a result, the poverty rate in 2021 remained stagnant at 39.7 percent when measured against the new poverty line for lower-middle-income countries of USD 3.65 a day per capita in PPP terms. The war in Ukraine's effect on the ongoing rise in agricultural and energy prices and the pandemic-driven supply chain disruptions have negatively affected private consumption.

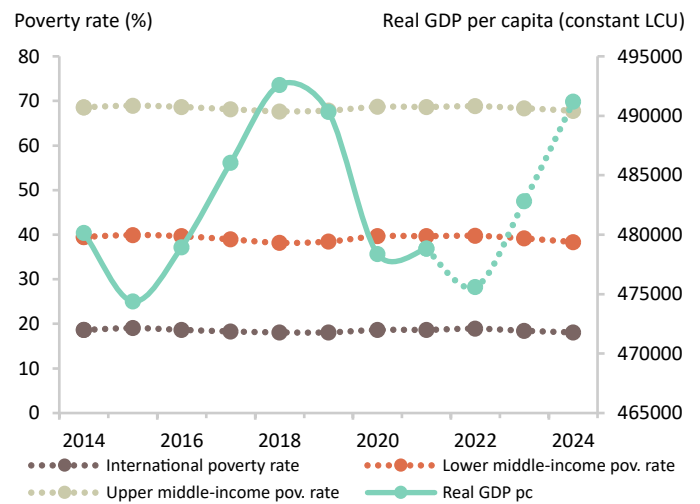
Inflation, typically low given the currency peg to the Euro, has surged since 2021, reaching at least 7.3 percent in 2022H1, because of the war in Ukraine. The policy response has been mixed. On the one hand, the government has passed on the higher

**FIGURE 1 Comoros / Selected macroeconomic balances**



Source: National authorities and World Bank staff estimates and forecasts.

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



Source: World Bank. Notes: see Table 2.

import costs to domestic fuel and electricity prices, which increased by 44 percent in June 2022. But on the other hand increased subsidies to the monopolist rice importer ONICOR (Office National d'Importation de Commercialisation du Riz) and launched a subsidy for bakeries to avoid hikes in the prices of rice and flour-based products. A recent moderation of price pressures on selected commodities is expected to have partly counterbalanced the effects of a stronger dollar on the import bill.

The twin deficits have widened since 2021. A higher import bill coupled with lower remittances and exports brought the current account deficit to 4.8 percent of GDP in 2021. Similarly, the fiscal deficit increased to 3.7 percent in 2021 due to higher spending, lower tax revenues, and SOE dividends. These forces have carried over to the first half of the 2022, despite higher seasonal remittances from the diaspora. Credit to the economy increased by 13.1 percent in 2022H1, while non-performing loans decreased to 16.7 percent.

## Outlook

The Comorian economy is projected to grow slightly by 1.4 percent in 2022 and gather pace in 2023 and 2024, expanding by 3.3 and 3.8 percent, respectively. Higher prices caused by the war in Ukraine and a decrease in remittances are expected to continue weighing on private consumption, which is projected to grow by only 0.5 percentage points in 2022. Government consumption is expected to increase to 6.1 percent in 2022, from 2.3 percent in 2021, while public investments are sustained at 9 percent of GDP, given investment needs and political cycles. Higher imports will increase the current account deficit to 9.4 percent of GDP in 2022; a slight decrease in the current account is foreseen in 2023-2024.

Strong inflationary pressures are expected to trigger increased government subsidies to State owned enterprises, and widen the fiscal deficit to 5.4 percent in 2022, from 3.7 percent in 2021.

The government is not likely to meet its revenue targets in 2022 as tax revenues are expected to increase at a slower pace due to lower consumption growth and SOE dividends and failure to implement planned tax reforms. Thus, the fiscal gap is projected to reach 1.9 percent of GDP in 2022, against a projection of 0.9 percent in March 2022. By 2024, the fiscal deficit is projected to decline to 2.7 percent of GDP, public debt to increase to 32.6 percent of GDP and the risk of debt distress could remain high.

Finally, the poverty rate is expected to stagnate around 39.8 percent in 2022 and continue along its timid downward trend to recover its pre-pandemic level of 38.4 percent in 2024. Poverty developments will depend on the evolution of inflation. If non-food prices grow twice as fast as food, poverty is expected to return to pre-war levels in 2024. In addition, food insecurity and substitution towards cheaper alternatives will deepen food intake imbalances, especially among poor urban households.

**TABLE 2 Comoros / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
<b>Real GDP growth, at constant market prices</b>	1.8	-0.3	2.2	1.4	3.3	3.8
Private Consumption	3.8	3.8	3.1	0.5	2.3	2.9
Government Consumption	3.5	4.1	2.3	6.1	-6.2	-7.4
Gross Fixed Capital Investment	-8.4	-14.4	2.5	15.5	1.8	-0.3
Exports, Goods and Services	6.8	-46.3	30.7	7.1	19.4	14.7
Imports, Goods and Services	5.7	-9.3	7.6	9.4	1.7	-0.3
<b>Real GDP growth, at constant factor prices</b>	1.9	-0.8	2.2	1.4	3.4	3.8
Agriculture	0.9	4.3	1.6	0.9	1.8	2.6
Industry	4.0	-5.6	2.1	0.9	1.3	1.1
Services	1.9	-2.2	2.6	1.7	4.5	4.9
<b>Inflation (Consumer Price Index)</b>	3.7	0.8	0.0	13.0	8.7	5.6
<b>Current Account Balance (% of GDP)</b>	-2.4	-2.0	-4.8	-9.4	-9.1	-7.4
<b>Fiscal Balance (% of GDP)</b>	-4.3	-1.0	-3.7	-5.4	-4.2	-2.7
<b>Debt (% of GDP)</b>	20.6	22.0	24.9	28.7	31.9	32.6
<b>Primary Balance (% of GDP)</b>	-4.1	-0.8	-3.4	-5.0	-3.6	-1.8
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	18.1	18.7	18.7	18.9	18.5	18.1
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	38.5	39.7	39.7	39.8	39.2	38.4
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	67.9	68.7	68.7	68.9	68.4	67.8
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	3.7	1.6	2.1	0.5	1.6	2.8
<b>Energy related GHG emissions (% of total)</b>	45.6	45.2	44.7	43.6	43.7	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. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See [pip.worldbank.org](http://pip.worldbank.org).

a/ Calculations based on 2014-EESIC. Actual data: 2014. Nowcast: 2015-2021. Forecasts are from 2022 to 2024.

b/ Projection using neutral distribution (2014) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.