

SOMALIA

Table 1

	2023
Population, million ^a	16.1
GDP, current US\$ billion ^b	11.7
GDP per capita, current US\$	727.7
Gini index ^c	37.0
School enrollment, primary (% net) ^c	25.0
Life expectancy at birth, years ^d	55.3
Total GHG emissions (mtCO2e)	43.7

Source: WDI, Macro Poverty Outlook, and official data.

a/ Estimates based on 2013 population estimates by UNFPA and assume an average annual population growth of 2.8%.

b/ Somalia released new GDP series (2017–22) in June 2023, rebasing the old series.

c/ Somalia Integrated Household Budget Survey 2022 (SNBS, 2023).

d/ Most recent WDI value (2021).

Key conditions and challenges

Somalia continues to contend with frequent shocks in the context of widespread fragility, conflict, and violence. Recurrent climate-related shocks such as cycles of droughts, floods, locusts' infestation, volatile international commodity prices, as well as increased insecurity and conflict have interrupted the country's growth trajectory and slowed the transition from fragility. Growth has been modest and does not generate the jobs needed to reduce poverty. It averaged only 2 percent annually in 2019–23 with an average negative real GDP per capita growth of 0.8 percent. Labor force participation rates are exceptionally low with large gender gaps. Only one-third of men and 12 percent of women participate in the labor market. Poverty is high and widespread, with recurrent shocks increasing the risk of more people falling into poverty.

Somalia achieved a historic HIPC Completion Point (CP) milestone on December 13, 2023. Following the CP, Somalia received full and irrevocable debt relief for the country of US\$4.5 billion. As a result, Somalia's external debt is estimated at less than 6 percent of GDP in 2023, from 64 percent in 2018. The country achieved this milestone under a very challenging and fragile environment—the key structural reforms were implemented at a time when the country was plagued by multiple shocks and challenges including the global

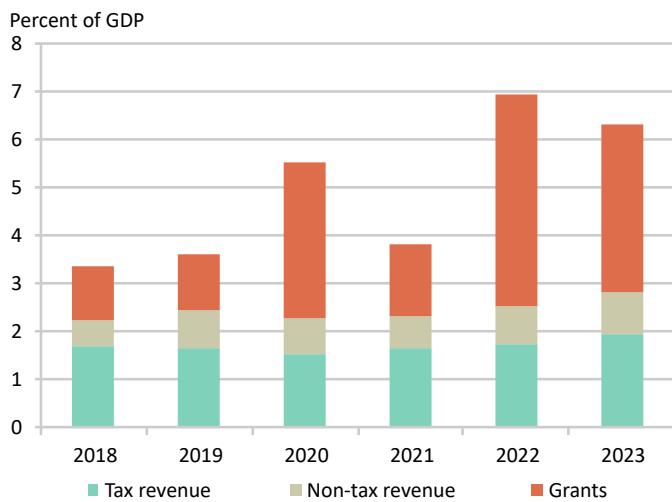
COVID-19 pandemic, protracted 15-month electoral impasse, prolonged and severe drought, floods, locusts' infestation, higher international commodity prices, and increased insecurity and conflict. As the government's fiscal space remains limited for development priorities and to respond to recurrent shocks, this debt relief is expected to facilitate access to critical additional financial resources needed to strengthen the economy, reduce poverty, and promote job creation.

Recent developments

The economy is rebounding gradually with improved weather conditions contributing to the continued reversal of the impacts of the prolonged 2020/23 severe drought. Favorable rains in 2023 led to improved agricultural production, reduced food insecurity, and supported private consumption. Exports recovery was faster than that of imports, as exports of livestock rebounded. Nevertheless, net exports continue to be a drag on growth as the economy is heavily reliant on imports. Private sector credit growth contributed to strengthening of construction, real estate, and investment as growth in remittances remained muted. Real GDP is estimated to have grown at 3.1 percent in 2023, at par with population growth, up from 2.4 percent in 2022. Inflationary pressures eased in 2023, supported by better agriculture performance and declining commodity prices. Overall inflation, however, remained

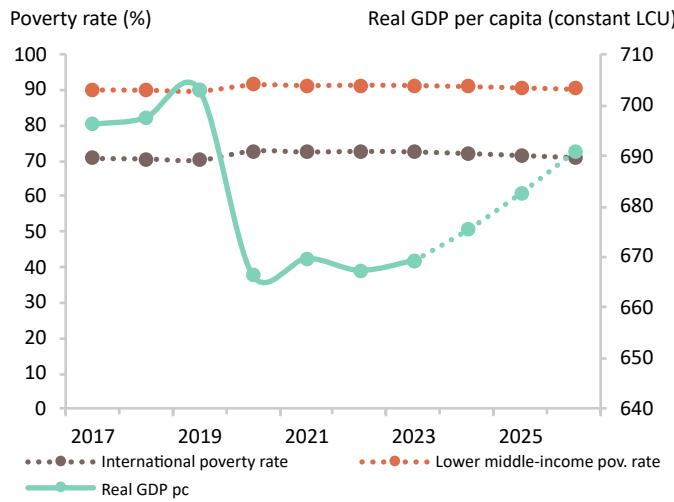
The economy continues its recovery as improved weather conditions boost agriculture production, private consumption, and exports. GDP is estimated to have grown at 3.1 percent in 2023, up from 2.4 percent in 2022. Supported by favorable rains and declining global prices, inflation eased in 2023 but remained sticky. Nevertheless, recurrent shocks such as the ongoing floods are increasing the susceptibility of more people falling into poverty.

FIGURE 1 Somalia / Federal government revenue



Sources: Somalia authorities and World Bank estimates.

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



Source: World Bank. Notes: see Table 2.

sticky, averaging 6.1 percent in 2023 compared to 6.8 percent in 2022. Favorable rains in 2023 boosted agricultural production, easing local staple food prices. Food inflation averaged 0.7 percent in 2023, compared to 13.9 percent in 2022. The easing of global commodity prices has led to lower fuel and energy prices locally, though still high compared to pre-2022 levels, contributing to the stickier overall inflation.

The Federal Government of Somalia (FGS) ran a small surplus in 2023 but the fiscal situation remains challenging due to low domestic resource mobilization (Figure 1). Domestic revenue mobilization improved in 2023 to 2.8 percent of GDP, from 2.5 percent in 2022 but remained well below the development needs of the country. Public expenditures are dominated by personnel costs, while investments in human capital are largely financed by grants and investments in infrastructure are negligible. To improve fiscal sustainability and maintain prudent fiscal policy, the government will need to fast-track the numerous efforts underway to increase domestic revenue as well as constrain its wage bill and its reliance on external donor funds.

Poverty remains high. Projections based on GDP per capita growth suggest poverty has increased from 71 percent in 2017 to 73 percent in 2023, based on the 2017 poverty line. According to the 2022 Integrated Household Budget Survey, while poverty rates are highest among the nomadic population, due to Somalia's high urbanization, the largest share of the poor are in urban areas. While the international community has provided support in the form of food assistance, an expansion of social safety net programs, and support to informal settlers in urban areas, people remain vulnerable to falling below the poverty line. Somalia remains vulnerable to shocks, particularly climatic ones, underscoring the importance of strengthening resilience through advancing reforms to support growth, food security, and the provision of basic services.

Real GDP growth is projected to expand from 3.7 percent in 2024 to 4 percent in 2026. Economic reforms and increased public investment with HIPC CP dividends will boost investor confidence and attract foreign direct investment (FDI) encouraging increased broad-based private sector activity. Moreover, the recovery of agricultural production and exports is expected to continue with improving weather conditions. This, coupled with further easing of the global commodity prices, is expected to keep inflation low. Nonetheless, the outlook is subject to significant risks including climatic shocks, security threats, and global economic shocks.

The poverty rate is projected to decrease between 2024 and 2026, reaching 71 percent in 2026, although still very high. Accelerating the pace of poverty reduction will require policy interventions and public investments that raise productivity, strengthen resilience, create jobs, and expand pro-poor programs that focus on women and youth.

Outlook

Medium-term recovery is projected to be modest as risks remain significant.

TABLE 2 Somalia / Macro poverty outlook indicators

(percent of GDP unless indicated otherwise)^a

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	3.3	2.4	3.1	3.7	3.9	4.0
CPI inflation, annual percentage change	4.6	6.8	6.1	3.9	3.7	3.5
Current account balance	-7.3	-8.0	-9.6	-8.6	-8.8	-10.4
Trade balance	-50.9	-61.2	-58.8	-58.5	-57.7	-56.9
Private remittances	21.5	20.6	20.3	20.4	20.6	21.0
Official grants	23.0	33.0	29.3	29.8	28.6	25.9
Fiscal balance^b	-0.8	-0.1	0.2	-0.4	-1.2	-1.8
Domestic revenue	2.3	2.5	2.8	2.8	3.0	3.3
External grants	1.5	4.4	3.5	4.3	3.0	1.5
Total expenditure	4.7	7.0	6.2	7.5	7.1	6.6
Compensation of employees	2.5	2.5	2.5	2.6	2.5	2.5
External debt	39.9	36.7	5.4	5.0	5.7	7.2
International poverty rate (\$2.15 in 2017 PPP)^{c,d}	72.6	72.8	72.7	72.1	71.6	71.0
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{c,d}	91.3	91.4	91.3	91.0	90.7	90.4
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{c,d}	99.8	99.9	99.8	99.5	99.1	98.8
GHG emissions growth (mtCO2e)	0.0	0.0	0.2	0.3	0.3	0.2
Energy related GHG emissions (% of total)	1.5	1.5	1.5	1.5	1.5	1.5

Source: World Bank, IMF, and FGS. Emissions data sourced from CAIT and OECD.

Notes: e = estimate; f = forecast.

a/ GDP baseline estimates 2021–22 are by Somalia National Bureau of Statistics (SNBS, June 2023).

b/ Federal Government of Somalia (FGS).

c/ Calculations based on Takamatsu et al. (2022) "Rapid Consumption Method and Poverty and Inequality Estimation in Somalia Revisited." Actual data: 2017. Nowcast: 2021–23. Forecasts: 2024–26.

d/ Projection using neutral distribution (2017) with pass-through = 1 (High) based on GDP per capita in constant LCU.