CENTRAL AFRICAN REP.

Table 1	2021
Population, million	4.9
GDP, current US$ billion	2.4
GDP per capita, current US$	484.6
Gini index[a]	56.2
School enrollment, primary (% gross)[b]	102.0
Life expectancy at birth, years[b]	53.3
Total GHG Emissions (mtCO2e)	88.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2008), 2011 PPPs.
b/ WDI for School enrollment (2016); Life expectancy (2019).

Renewed insecurity prevented the Central African Republic's (CAR) economy from rebounding in 2021. The outlook is subject to downside risks arising from a reversal in security gains and the impact of the Ukraine-Russia war on commodity and food prices, which could adversely affect public finances and growth and result in significant social hardship and humanitarian costs. The ability of traditional partners to provide support in a geopolitically more complex environment weighs heavily on the outlook, which is vulnerable to headwinds.

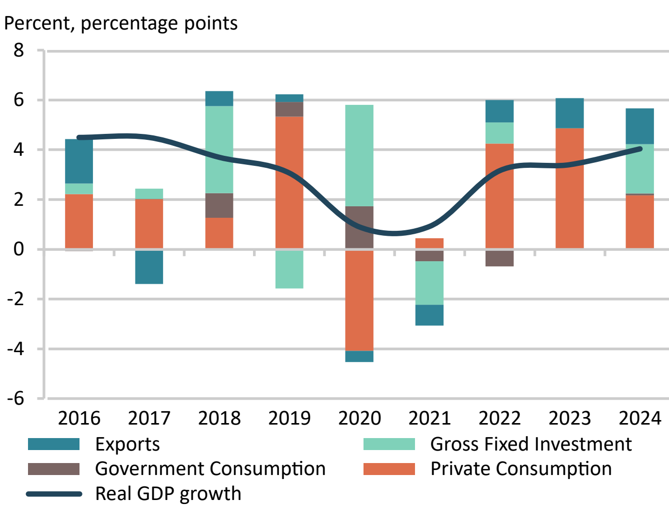
Key conditions and challenges

Repeated instability and violence have exacerbated CAR's socioeconomic indicators and kept the country at the bottom of most development rankings. While endowed with ample natural resources, the country's economy is poorly diversified, with agriculture and forestry constituting the backbone of economic activities. The agriculture sector accounts for more than 75 percent of total employment, and timber, cotton, coffee, diamond, and gold represented more than 85 percent of total exports in 2019. Poverty is high, with more than 7 in 10 Central Africans living below the international poverty line (measured using US$1.90 per day, 2011 PPP). Inadequate social protection systems and limited access to education and healthcare facilities are major bottlenecks for human capital accumulation. The formal private sector is small and constrained by several structural challenges, including limited access to finance, a weak regulatory framework, poor infrastructure (e.g., energy and transportation), lack of skilled labor, and a fragile security and political environment. The humanitarian situation remains precarious, with 43 percent of the population facing acute food insecurity. As of January 2022, there were 734,000 refugees outside the country—the highest level since December 2013—and 652,000 internally displaced persons.

Recent developments

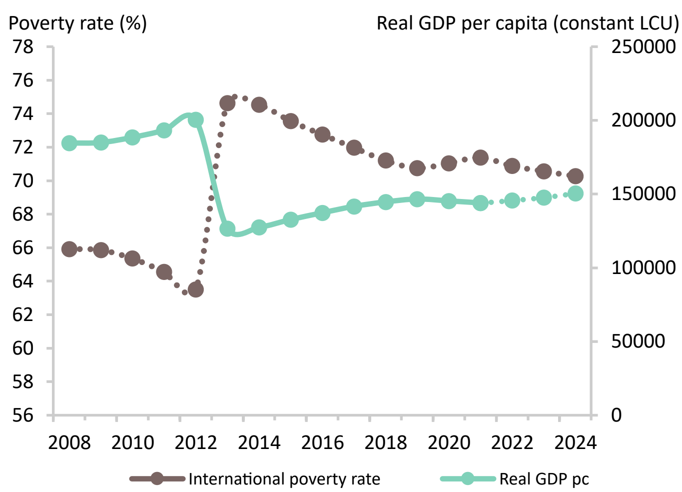
CAR's economic growth stagnated in 2021 due to renewed insecurity, coupled with the protracted effects of COVID-19 on the global economy. Economic activity suffered particularly in 2021Q1 as renewed insecurity amid election disputes disrupted production and trade. Boosted by the resumption of commerce along the Douala-Bangui corridor and security gains, economic activity picked up in the second half of the year. Mining and agricultural production accelerated, owing to improved security around production sites and favorable rainfall. Public investment declined from 11.4 percent of GDP in 2020 to 7.5 percent of GDP in 2021 as the government unwound its COVID-19 fiscal stimulus package. Economic growth is projected to increase by 3.2 percent in 2022, supported by the prospect of improved security and the ceasefire agreed in the Luanda roadmap (i.e., the regional initiative to restore peace). Conflict and COVID-19 have hampered progress in reducing extreme poverty, with 71.4 percent of the population living in extreme poverty in 2021, up slightly from 71.0 percent in 2020. Renewed conflict in late 2020/early 2021 contributed to significant inflationary pressures in the first half of 2021, which decelerated markedly as traffic along the country's lifeline resumed. As a result, inflation reached an average of 3.8 percent in 2021—above the 3 percent regional ceiling. High inflation is projected to linger in 2022 on the back of rising

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.

commodity prices and persistent disruptions in food supply chains. The Bank of Central African States tightened its monetary policy in late 2021 over concerns about the evolution of foreign exchange reserves, which, despite higher oil prices and the International Monetary Fund 2021 Special Drawing Rights (SDR) allocation, represented just above 3 months' worth of regional imports of goods and services by end-December 2021—roughly the same as at end-December 2020.

The overall fiscal deficit widened from 3.3 percent of GDP in 2020 to 6.1 percent of GDP in 2021, reflecting a decline in domestic revenue and the cancelation and postponement of budget support from donors due to geopolitical tensions and the lack of transparency of the country's security expenditures. Pressures on public finances were high throughout 2021 despite cuts in public spending, forcing the government to rely on bridge financing on the domestic market. Cashflow pressures are expected to remain high in 2022, with a risk of a potential liquidity shortage if budget support from donors does not materialize. The government has already revised downward its public expenditure plan and is considering new borrowing on the domestic market to prevent any liquidity shortages.

The current account deficit widened from 8.8 percent of GDP in 2020 to an estimated 10.8 percent of GDP in 2021, owing mainly to delays in the disbursement of official transfers. The SDR allocation (equivalent to 5.8 percent of GDP) did, however, provide additional liquidity to meet some of the country's financing needs. The trade balance improved as the rebound in exports during the second half of 2021 exceeded the uptick in imports. Persistent global uncertainty related to COVID-19 and renewed conflicts translated to a lower-than-expected recovery of foreign direct investment. The current account balance is projected to improve in 2022 as exports recover and official transfers resume.

Outlook

Provided that security gains are not reversed, and the impact of the Ukraine-Russia war on the global economic recovery is contained, economic growth is expected to average 3.5 percent in the medium term, supported by solid agricultural and industrial output on the supply side and high private consumption on the demand side. Under these assumptions, per capita income is expected to return to its pre-COVID-19 level by 2023. Extreme poverty is projected to remain high, with a slow decline between 2022 and 2024.

Inflation is expected to remain below the regional convergence criteria in the medium term, contingent on stable and improved security on the Douala-Bangui corridor and a slowdown in inflationary pressures at the global level. The fiscal balance is projected to remain in deficit in the medium term, as donor financing gradually declines without being offset by domestic revenues. Public debt is projected to remain sustainable. The current account balance is expected to improve in the medium term, reflecting an improvement in the trade balance, but it should remain structurally in deficit.

Risks to the outlook remain high and tilted to the downside. The absence of donor budget support could lead to the accumulation of external arrears and possible nonpayment of public wages, resulting in significant socioeconomic hardship. A reversal in security gains could undermine economic activity and traffic on the main trade corridor. The possible lingering effect of the pandemic, coupled with the impact of the Ukraine-Russia war at the global level, could lead to persistent disruptions in global supply chains and higher commodity prices, resulting in higher fuel and grain prices, with adverse effects on public finances and private consumption, as well as on poverty due to the effects of higher food prices.

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

	2019	2020	2021e	2022f	2023f	2024f
Real GDP growth, at constant market prices	3.1	0.9	0.9	3.2	3.4	4.0
Private Consumption	5.7	-4.2	0.5	4.7	5.3	2.3
Government Consumption	7.7	21.5	-4.9	-10.3	2.9	1.0
Gross Fixed Capital Investment	-9.6	28.3	-9.6	6.7	-1.4	12.3
Exports, Goods and Services	1.9	-2.8	-5.5	6.3	8.2	9.3
Imports, Goods and Services	4.9	1.0	-10.3	7.1	8.4	4.9
Real GDP growth, at constant factor prices	2.6	0.9	1.2	3.1	3.4	3.9
Agriculture	3.1	4.5	3.2	3.8	4.2	4.0
Industry	2.1	0.0	-0.2	0.6	1.0	1.3
Services	2.3	-1.2	0.4	3.5	3.6	4.6
Inflation (Consumer Price Index)	2.8	2.3	3.8	3.6	2.7	2.5
Current Account Balance (% of GDP)	-4.8	-8.8	-10.8	-6.8	-7.9	-6.6
Fiscal Balance (% of GDP)	1.7	-3.3	-6.1	-2.3	-2.0	-1.8
Debt (% of GDP)	47.9	44.0	48.4	44.9	43.4	41.9
Primary Balance (% of GDP)	2.0	-3.0	-5.8	-1.8	-1.4	-1.3
International poverty rate ($1.9 in 2011 PPP)[a,b]	70.8	71.0	71.4	70.9	70.6	70.3
GHG emissions growth (mtCO2e)	0.9	0.6	0.6	1.9	2.2	2.4
Energy related GHG emissions (% of total)	39.8	39.8	39.7	40.3	40.8	41.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
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 based on GDP per capita in constant LCU.