

COMOROS

Table 1 **2023**

Population, million	0.9
GDP, current US\$ billion	1.3
GDP per capita, current US\$	1520.5
International poverty rate (\$2.15) ^a	18.6
Lower middle-income poverty rate (\$3.65) ^a	39.5
Upper middle-income poverty rate (\$6.85) ^a	68.6
Gini index ^a	45.3
School enrollment, primary (% gross) ^b	106.2
Life expectancy at birth, years ^b	63.4
Total GHG emissions (mtCO2e)	0.7

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

a/ Most recent value (2014), 2017 PPPs.

b/ Most recent WDI value (2021).

The Comoros' economy continues to recover following the resumption of private consumption and investments in tourism and transport infrastructure. Growth is expected to average 3.9 percent over 2024-26, compared to 2.8 percent in 2022-23. The poverty rate has remained high at 38.2 percent (using the lower middle-income poverty threshold). Policy priorities include fiscal consolidation and reforms to improve financial intermediation, and enhance the business climate and access to basic services.

Key conditions and challenges

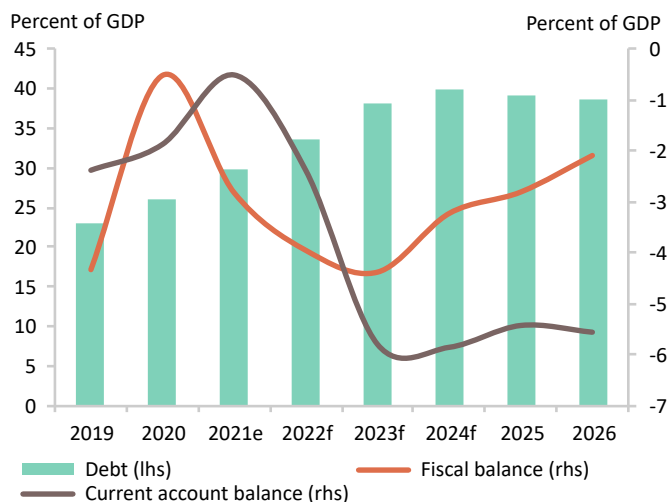
Economic growth slowed to 1.9 percent over 2019-23, below already anemic long-term growth, which averaged 2.7 percent over the previous two decades. This recent poor growth performance is mainly due to multiple natural and external shocks, including Cyclone Kenneth in 2019, the COVID-19 pandemic, and the 2022 global commodity price shock. As a result, poverty remains high at 38.2 percent in 2023 (using the lower middle-income poverty rate threshold). The Comoros' growth is driven by private consumption fueled by remittances as they support "grands mariages." Low and declining productivity, limited investment and fiscal space, and underperforming state-owned enterprises (SOEs) also weigh on growth. Even though public debt is assessed as sustainable, the Comoros is at high risk of public debt distress, largely reflecting the issuance of non-concessional loans.

Due to red tape, the dominance of state-owned enterprises, and limited market competition and challenges in accessing finance, private sector development is weak, constraining job creation. Low levels of human and physical capital and misallocation of resources have hindered growth in the tourism and fisheries sectors, which hold high potential for job creation. Labor force participation is also constrained by weak labor

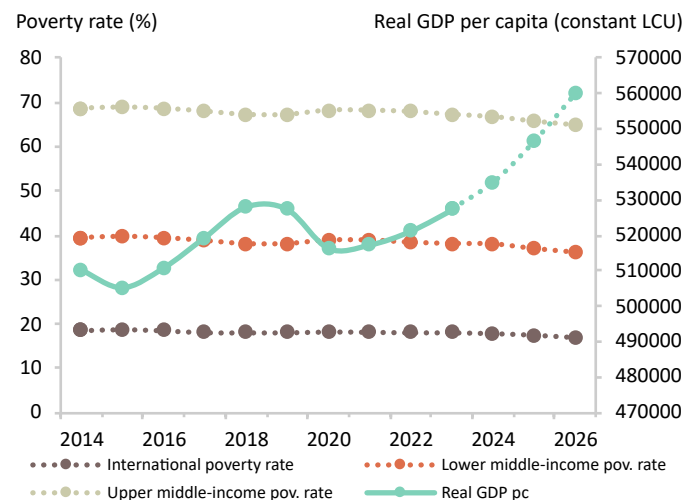
market institutions and persistent forms of wage discrimination against women. A low employment intensity of growth and weak economic growth contribute to the high poverty level, which is a source of fragility for the Comoros. Furthermore, recent shocks have highlighted the Comoros' vulnerabilities and the need to implement reforms that increase productivity and private investment to promote growth. These include reforms to improve the business environment and increase financial intermediation. Higher public investment, including in infrastructure, is also needed to attract larger private investments, including foreign direct investment.

Recent developments

The economy expanded by an estimated 3 percent in 2023 as domestic activities were supported by the resumption of "grands mariages" and the associated increase in diaspora community arrivals, primarily from France. Public servant salary hikes in January 2023 aimed at preserving purchasing power, a high level of remittances, and higher public investment supported domestic demand. On the supply side, the construction sector benefited from increased public spending, while the primary sector benefited from higher agricultural prices and favorable climate conditions. As inflationary pressures from imported food and energy products moderated, inflation declined from 12.4 percent in 2022 to 9.2 percent in 2023. An increase of 50 basis points in the key monetary policy rate

FIGURE 1 Comoros / Public debt, fiscal and current account balances


Sources: National authorities and World Bank estimates and forecasts.

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


Source: World Bank. Notes: see Table 2.

in July 2023 and lower credit growth in response to liquidity management operations also helped decrease inflation. Stronger domestic demand translated into high import demand and contributed to the widening of the current account to 5.8 percent of GDP in 2023 (from 0.5 percent in 2022). However, international reserves remained at adequate levels as the Comoros received exceptional financing from international financial institutions.

The fiscal deficit continued to widen in 2023 to an estimated 4.4 percent of GDP, despite improved domestic revenue mobilization. The deterioration of the fiscal position by 0.4 percentage points of GDP in 2023 was mainly driven by a large increase in public spending of 3.5 percentage points of GDP, particularly higher public capital expenditures. Public debt stock reached 38.2 percent of GDP at end-2023, compared with 34.0 percent of GDP at end-2022. Compliance with quantitative fiscal targets under the four-year International Monetary Fund Extended Credit Facility program approved in June 2023 is expected to help improve fiscal outturns and contain the increase in public debt.

The January 2024 presidential election was followed by post-electoral demonstrations,

which weighed on economic activities and slowed progress on the implementation of public projects and policy.

Outlook

The economic recovery from the COVID-related slowdown is expected to continue, with growth reaching 3.3 percent in 2024 and 4.2 percent over 2025-26, driven primarily by private consumption and public investment. The construction of the El Maarouf hospital and the Galawa hotel, as well as the construction or restoration of roads and ports, should support the economic recovery. In the medium term, productivity growth is expected to benefit from the 2023 energy law, which promotes the production of electricity from renewable sources. The creation of a credit registry and a partial credit guarantee scheme, as well as the operationalization of the leasing law in 2024-25, are also expected to support the recovery in 2025-26. The poverty rate is expected to decrease slowly to 36.2 percent in 2026 as the economy continues to expand more rapidly.

Lower imported inflation would contribute to lower headline inflation of 2.2 percent in 2024. Lower global commodity prices and improvements in the monetary policy framework would also help reduce inflation. The current account deficit is expected to average 5.5 percent of GDP over 2024-26, as major public investments contribute to the widening of the trade deficit to an average of 20 percent of GDP. Public debt is projected to reach 38.2 percent of GDP by 2026. Fiscal consolidation, enhanced SOE performance monitoring, and increased expenditure efficiency are expected to reduce the fiscal deficit to 2.2 percent of GDP by 2026.

The outlook faces significant downside risks related to the impact of the 2024 elections on the pace of execution of investment projects and delays in the implementation of key fiscal and governance reforms during the first half of the year. Concomitantly, contingent liabilities threaten debt sustainability. Other downside risks include the cholera outbreak in February 2024, prolonged global geopolitical tensions, and the occurrence of natural disasters.

TABLE 2 Comoros / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	2.1	2.6	3.0	3.3	4.0	4.3
Private consumption	1.0	0.2	1.9	3.2	3.6	3.6
Government consumption	5.0	5.4	11.6	0.7	4.5	5.4
Gross fixed capital investment	9.6	2.0	8.0	4.8	6.8	2.9
Exports, goods and services	48.2	22.6	-4.2	5.1	6.5	6.5
Imports, goods and services	7.7	4.2	3.0	3.7	5.6	3.2
Real GDP growth, at constant factor prices	2.0	2.4	3.0	3.3	4.0	4.2
Agriculture	3.4	3.3	4.7	4.3	4.6	5.0
Industry	-0.2	0.4	2.3	1.0	1.5	3.0
Services	1.8	2.4	2.4	3.2	4.2	4.1
Inflation (consumer price index)	0.0	12.4	9.2	2.2	2.3	2.2
Current account balance (% of GDP)	-0.5	-0.7	-5.8	-5.8	-5.4	-5.6
Fiscal balance (% of GDP)	-2.8	-3.9	-4.4	-3.2	-2.5	-2.2
Revenues (% of GDP)	17.0	14.2	17.4	17.2	15.7	15.7
Debt (% of GDP)	29.8	33.7	38.2	39.9	39.1	38.7
Primary balance (% of GDP)	-2.5	-3.7	-4.0	-2.9	-2.2	-1.9
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	18.2	18.1	18.1	17.9	17.4	16.8
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	39.0	38.5	38.2	38.1	37.0	36.2
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	68.2	67.9	67.2	66.7	65.7	64.8
GHG emissions growth (mtCO₂e)	2.1	2.1	2.1	2.2	2.3	2.1
Energy related GHG emissions (% of total)	48.7	48.8	49.0	49.1	49.3	49.3

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 2015-EESIC. Actual data: 2014. Nowcast: 2015-2023. Forecasts are from 2024 to 2026.

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