

THE GAMBIA

Table 1	2021
Population, million	2.5
GDP, current US\$ billion	2.0
GDP per capita, current US\$	805.7
International poverty rate (\$2.15) ^a	13.4
Lower middle-income poverty rate (\$3.65) ^a	44.6
Upper middle-income poverty rate (\$6.85) ^a	81.2
Gini index ^a	35.9
School enrollment, primary (% gross) ^b	103.5
Life expectancy at birth, years ^b	62.4
Total GHG emissions (mtCO2e)	3.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2015), 2017 PPPs.
b/ Most recent WDI value (2020).

Real GDP is estimated to decelerate to 3.5 percent in 2022, from 4.3 percent in 2021, owing to the spillover effects of the war in Ukraine. Downside risks stem from a protracted war, including recession in advanced economies, disruption in the supply chains, fiscal slippages and fall in remittances inflows. The pace of poverty reduction is expected to remain slow, reflecting weak per capita GDP growth and higher food prices.

Key conditions and challenges

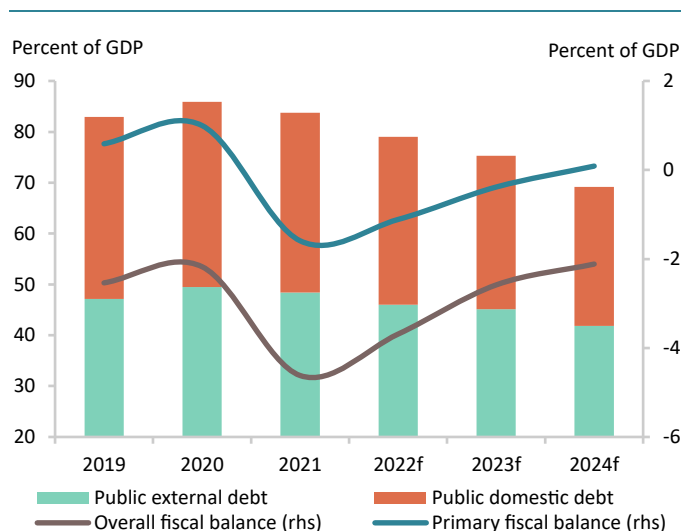
The Gambia faces a multidimensional fragility trap, as low economic diversification, over-reliance on low-productivity agriculture and tourism – which reflects a limited job-creating private sector – compound limited economic opportunities for women, environmental degradation, and vulnerability to climate change. Private sector development remains hindered by an unconducive business climate, persistent governance weaknesses, dominance of SOEs, and low and volatile public and private investments. These factors lead to low capital accumulation, weak productivity, and limited structural transformation of the economy and contribute to higher poverty rates and curtail human capital development. High population growth, low access to services, and food insecurity compound human development challenges. The country has made progress in macroeconomic stabilization, but more progress is needed to achieve deeper reforms. A 2019 debt restructuring helped exit debt distress in early 2020, but The Gambia remains at high risk of debt distress and the expiration of the debt deferral will increase debt service costs from 2025. These weaknesses have been exacerbated by the COVID-19 outbreak and war in Ukraine, which have increased economic vulnerabilities, mainly via higher food and energy commodity prices, with lower

economic growth and larger fiscal and external deficits. Inflation reached double-digits in 2022 for the first time in two decades, driven by food and energy prices, while The Gambia has limited fiscal and monetary policy buffers to mitigate the impact on the poor. Data from the 2020 household survey showed that poor households spent 65 percent of their income on food – over 10 percentage points higher than non-poor households – and the food price spike in April 2022, reaching 15.5 percent, thus exposing the poor to the risk of sliding deeper into poverty.

Recent developments

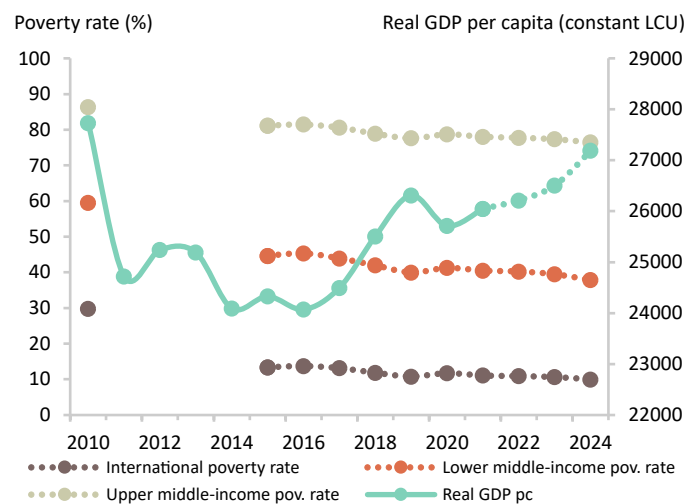
Growth is projected at 3.5 percent (0.6 percent per capita) in 2022, from 4.3 percent (1.3 percent per capita) in 2021, as higher commodity prices and supply disruptions weigh on the economy. The deceleration is driven by agriculture and industry, due to high commodity and fertilizer prices, supply disruptions, flooding, and weak remittances. Services are expected to accelerate, driven by banking, albeit with a slow recovery in tourism due to the rising cost of living in partner countries. Driven by food and transportation, inflation accelerated to 12.3 percent in July 2022. Higher import prices were met with increased subsidies for fuel, fertilizer, and grains, resulting in larger fiscal and external deficits. Without subsidies, prices would have been at least two times higher for oil and fertilizers.

FIGURE 1 The Gambia / Fiscal balance and public debt



Sources: The Gambian authorities and World Bank estimates.

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



Source: World Bank. Notes: see Table 2.

Revenues were lower than expected due to lower tax on international trade and grants, leading to a downward revision of public expenditures. With increased grants, the fiscal deficit is projected to decline, although remaining high at 3.7 percent of GDP in 2022 (from 4.6 percent in 2021.) Public debt (both domestic and external) is expected to decline to 79 percent of GDP in 2022 from 83.8 percent in 2021. Nevertheless, the Gambia remains at high risk of debt distress.

With rising import prices and falling transfers, the current account deficit is expected to widen to 11.8 percent of GDP in 2022, from 8.8 percent in 2021. Monetary policy was tightened by raising the policy rate by 1 percentage point in May and September 2022 respectively, to 12 percent, to curb inflation.

Using the international poverty line of \$2.15 (in 2017 PPPs), poverty is expected to marginally decline from 11.07 percent in 2021 to 10.90 percent in 2022. The slower pace of poverty reduction is partly due to the fallout from the war in Ukraine.

Outlook

As the effects of the conflict in Ukraine fade away, growth is projected to average 4.7 percent (1.8 percent per capita) in 2023-24, supported by increased activity in all sectors. Services and agriculture are expected to continue to grow, assuming respectively higher tourist inflows, as advanced economies recover, and favorable rainfalls. Public infrastructure programs and stronger remittances to support private investment in construction will sustain growth in industry. Inflation is projected to gradually slowdown and average 7.8 percent in 2023-24, as global food prices start to ease. Private and public consumption, and investment are projected to remain high in the medium term, given economic recovery and public infrastructure programs. The fiscal deficit is projected to narrow and average 2.4 percent of GDP in 2023-24, supported by decreasing current spending and subsidies, improved expenditure monitoring and

revenue administration, as part of planned fiscal consolidation efforts. Public debt is projected to remain on a downward trend at around 72 percent of GDP in the medium term, supported by fiscal consolidation. The CAD is projected to decline while remaining high, averaging 10 percent of GDP in 2023-24, as the expected recovery in exports will be outpaced by import growth, driven by economic recovery and strong domestic demand.

Rising food prices will limit the ability of vulnerable households to increase their already weak incomes. Ongoing reforms such as the expansion of cash transfer programs are expected to cushion the negative distributional effects of inflation, although these effects are intensified by low per capita growth. Extreme poverty incidence is expected to continue declining, falling to 10 percent by 2024, as the effect of external shocks fades. However, the recent floods of July and August 2022 are likely to undermine the pace of poverty reduction – and highlight the vulnerability of the poor to such climatic shocks.

TABLE 2 The Gambia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	6.2	0.6	4.3	3.5	4.0	5.5
Private Consumption	4.0	-1.2	3.5	3.3	4.0	4.1
Government Consumption	14.6	31.3	-7.9	2.8	3.9	3.7
Gross Fixed Capital Investment	13.0	61.0	27.1	22.8	26.3	11.9
Exports, Goods and Services	-6.3	-49.9	4.4	10.0	12.7	12.0
Imports, Goods and Services	-0.2	12.2	19.7	22.0	26.1	10.8
Real GDP growth, at constant factor prices	6.2	0.6	4.3	3.5	4.0	5.5
Agriculture	-0.5	11.0	4.7	2.0	2.8	3.2
Industry	14.8	8.2	10.4	7.0	6.8	7.0
Services	6.2	-5.0	2.0	2.9	3.3	5.8
Inflation (Consumer Price Index)	7.1	5.9	7.4	11.6	9.0	6.5
Current Account Balance (% of GDP)	-6.1	-3.8	-8.8	-11.8	-10.3	-9.8
Fiscal Balance (% of GDP)	-2.5	-2.2	-4.6	-3.7	-2.6	-2.1
Debt (% of GDP)	83.0	85.9	83.8	79.4	75.8	70.2
Primary Balance (% of GDP)	0.6	1.0	-1.6	-1.1	-0.4	0.1
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	10.8	11.7	11.1	10.9	10.6	10.0
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	40.0	41.2	40.5	40.2	39.5	37.9
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	77.6	78.7	78.1	77.8	77.4	76.5
GHG emissions growth (mtCO₂e)	7.7	6.0	4.0	3.2	3.1	3.0
Energy related GHG emissions (% of total)	20.2	20.1	20.4	21.0	21.7	22.3

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.

a/ Calculations based on 2015-IHS. Actual data: 2015. Nowcast: 2016-2021. Forecasts are from 2022 to 2024.

b/ Projection using neutral distribution (2015) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.