

GABON

Table 1 **2022**

Population, million	2.4
GDP, current US\$ billion	22.0
GDP per capita, current US\$	9214.6
International poverty rate (\$2.15) ^a	2.5
Lower middle-income poverty rate (\$3.65) ^a	8.1
Upper middle-income poverty rate (\$6.85) ^a	31.2
Gini index ^a	38.0
School enrollment, primary (% gross) ^b	107.9
Life expectancy at birth, years ^b	66.5
Total GHG emissions (mtCO2e)	22.0

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2017), 2017 PPPs.
 b/ WDI for School enrollment (2019); Life expectancy (2020).

Gabon's economy rebounded in 2022, supported by good performances in sectors such as oil, manganese, and wood. High commodity prices contributed to fiscal and current account surpluses, and to a declining public debt-to-GDP ratio. Nevertheless, persistent poverty rates and increased vulnerability caused by rising food prices pose strong risks, especially if structural reforms promoting green, diversified, and inclusive growth fail to materialize.

Key conditions and challenges

Gabon has traditionally registered weak oil-based long-term growth, that left per capita income stagnant over the past two decades. Modest productivity growth, especially in agriculture, has hindered poverty reduction. Incentivized by the government's strategy to diversify the economy, launched in 2010, significant new investments are underway, such as in iron extraction (Belinga agreement signed in August 2022, with about CFAF 20 billion of initial investments expected) and liquified gas (an important initiative to reduce oil-related emissions, it is expected to add to the country's strong record of carbon-absorption efforts). Green and blue growth policies promoting sustainable fisheries and timber industries are also being implemented. As Gabon moves to sell credits for 90 million tons of carbon emissions, ensuring transparency and accountability will be key for society at large to benefit from forest conservation. While efforts are being made to improve resource revenue management, with Gabon rejoining EITI in 2021 (first report due by April 2023), these need to be stepped up to reduce fiscal vulnerabilities.

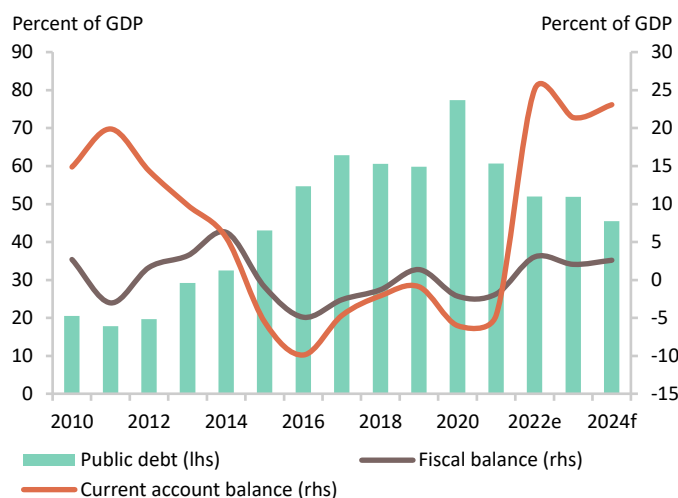
Yet, Gabon faces severe development challenges that stand in the way of accelerating poverty reduction. Governance inefficiencies hamper the state's ability to channel resource-derived revenues into much-needed investments in its young and fast-growing population, which suffers from

poor employability. To transform its natural endowments into faster and more inclusive growth, stronger efforts are needed to build human capital and reduce obstacles to trade, access to finance, and entrepreneurship. Structural reforms to improve tax collection, governance, and public investment management would help secure the funds needed to tackle deficiencies in human development, particularly in education, social protection, and healthcare. Equally important are investments to improve infrastructure. Landslides in December 2022 blocked the country's only railway for weeks, disrupting manganese and wood shipments and showcasing the urgent need of investments in transportation.

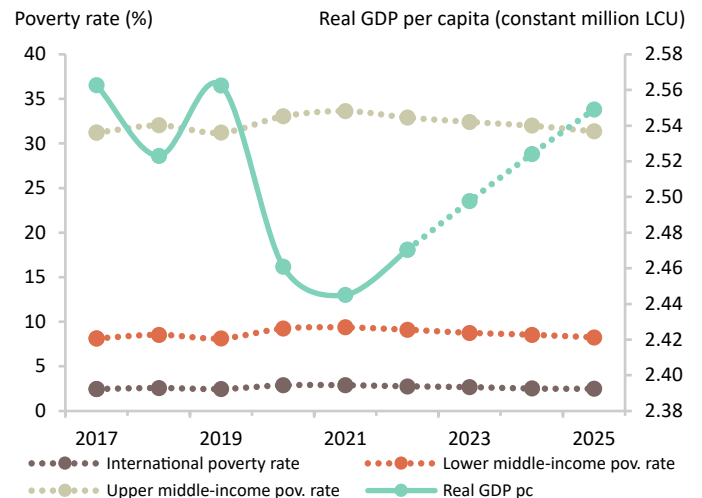
Recent developments

Gabon's economy grew by an estimated 3.1 percent in 2022, up from 1.5 percent in 2021, driven by oil, manganese, wood, and services sectors, with pandemic-related restrictions lifted in early 2022. On the demand side, growth was mainly driven by commodity exports and private investment.

Higher oil prices resulting from Russia's invasion of Ukraine, combined with increased production amid less strictive OPEC+ quotas, benefited Gabon's fiscal and external balances. Oil revenues and improved tax collection, notably thanks to tax expenditure rationalization measures, resulted in a fiscal surplus (3.0 percent of GDP in 2022). However, the cost of fuel

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


Sources: Official government data and World Bank calculations.

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


Sources: World Bank. Notes: see Table 2.

subsidies increased, despite the removal of subsidies for industrial consumers in June 2022. Meanwhile, booming exports and lower imports resulted in a current account surplus (25.1 percent of GDP in 2022).

Public debt continued to decline in 2022. While debt remains sustainable, the continuous accumulation of arrears highlights the need to improve public financial management. In February 2023 Fitch Ratings classified Gabon as B- with a positive outlook, thanks to expected IMF-supported reforms.

Thanks to the recovery, poverty decreased slightly in 2022, but inflationary pressures continued to impact the poor and the middle class; food inflation reached 8.8 percent in December 2022 (y-o-y). Vulnerability increased; almost 37 percent of households reported experiencing high food prices in July 2022. Despite having tax exemptions and price controls, Gabon closed 2022 with a 4.3 percent inflation rate, above the CEMAC target rate. To contain inflation and support the exchange rate peg, the Bank of Central African States (BEAC) increased the policy rate to 4.5 percent in September 2022 and decreased weekly liquidity

injections to CFAF 50 billion in December 2022. Credit to the private sector grew by 25.9 percent by end-September 2022, pushed by private investments and more prudent debt policy.

Outlook

Improved growth prospects in China are expected to benefit Gabonese exports, especially oil, manganese, and wood. Growth is projected to average 3.0 percent in 2023-2025, driven by extractives but also agriculture (especially rubber and oil palm), services, and public works, pushed by higher public spending in view of the upcoming elections.

The fiscal balance is expected to remain positive, supported by revenue mobilization and elevated commodity prices, along with stable public debt. Nevertheless, reliance on a few commodities highlights risks brought by the exposure of Gabon's trade and fiscal balances to volatile global prices. In the case of oil, lower prices, changes in OPEC+ quotas, and the natural decline in the oil wells' capacity could

compromise fiscal revenues, as well as future exports. Weakening fiscal consolidation efforts could exacerbate fiscal fragility, due to the removal of the public sector hiring freeze in 2022 and the increase in capital expenditures needed to carry out investments announced in the government's strategic plan, due for 2025. Gradually declining oil prices are indeed expected to translate into a reduced current account surplus over the years.

Growth prospects and economic diversification will depend on the implementation of a strong reform agenda, which could be stalled in the near term by high oil prices and the upcoming elections. A weakening reform momentum, especially if it hinders actions to tackle the accumulation of arrears, could compromise access to external financing. Furthermore, risks to debt sustainability could be exacerbated under global tightening conditions. In addition, poverty and unemployment remain sources of tension. While the share of Gabonese living on less than US\$6.85 per day is expected to remain stable at around 32.4 percent in 2023, it would remain higher than the pre-pandemic poverty rate (31.2 percent).

TABLE 2 Gabon / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
Real GDP growth, at constant market prices	-1.8	1.5	3.1	3.1	3.0	3.0
Private Consumption	-2.0	-1.4	-0.2	1.0	2.5	0.1
Government Consumption	5.5	3.2	1.8	0.4	-0.8	2.2
Gross Fixed Capital Investment	-16.7	9.2	11.1	1.9	0.2	3.2
Exports, Goods and Services	10.1	-1.0	7.3	8.3	5.9	2.9
Imports, Goods and Services	-16.7	31.9	10.4	4.0	1.7	1.5
Real GDP growth, at constant factor prices	-1.9	2.9	3.1	3.1	3.0	3.0
Agriculture	5.9	10.2	6.4	6.7	6.8	7.1
Industry	-2.2	3.1	4.8	4.0	3.3	2.6
Services	-2.8	1.6	1.5	1.9	2.1	2.4
Inflation (Consumer Price Index)	1.6	1.1	4.3	3.2	2.5	2.2
Current Account Balance (% of GDP)	-6.0	-4.7	25.1	21.4	23.1	21.7
Net Foreign Direct Investment Inflow (% of GDP)	9.6	7.5	5.5	5.6	5.2	5.2
Fiscal Balance (% of GDP)	-2.1	-1.9	3.0	2.1	2.6	2.4
Revenues (% of GDP)	17.6	15.8	18.6	19.2	18.6	18.6
Debt (% of GDP)	77.4	60.7	52.0	51.9	45.5	39.5
Primary Balance (% of GDP)	1.2	0.9	5.4	4.9	5.1	4.5
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	2.9	2.9	2.8	2.7	2.5	2.5
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	9.3	9.4	9.1	8.8	8.6	8.3
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	33.1	33.6	32.9	32.4	32.0	31.4
GHG emissions growth (mtCO₂e)	3.8	4.0	3.7	-0.7	0.4	0.7
Energy related GHG emissions (% of total)	15.5	16.1	16.8	15.9	15.3	14.6

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 2017-EGEP. Actual data: 2017. Nowcast: 2018-2022. Forecasts are from 2023 to 2025.

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