

LIBERIA

Table 1 **2022**

Population, million	5.3
GDP, current US\$ billion	4.0
GDP per capita, current US\$	754.5
International poverty rate (\$2.15) ^a	27.6
Lower middle-income poverty rate (\$3.65) ^a	60.6
Upper middle-income poverty rate (\$6.85) ^a	88.9
Gini index ^a	35.3
School enrollment, primary (% gross) ^b	77.5
Life expectancy at birth, years ^b	60.9
Total GHG emissions (mtCO ₂ e)	17.0

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

a/ Most recent value (2016), 2017 PPPs.

b/ Most recent WDI value (2020).

Liberia's economy grew by 4.8 percent in 2022, following a strong rebound in 2021. Growth is expected to slow to 4.3 percent in 2023, reflecting global slowdown and uncertainties surrounding Russia's invasion of Ukraine and the 2023 elections. The medium-term macroeconomic outlook nonetheless remains positive. The poverty rate is expected to decline moderately reaching 33.8 percent by 2025.

Key conditions and challenges

Liberia is highly vulnerable to both domestic and external shocks. Given its reliance on commodity exports (mainly iron ore, gold, and rubber), the economy is exposed to fluctuations in global commodities prices. Most Liberians rely on subsistence agriculture, forestry, and artisanal fisheries for livelihood in rural areas, and on low-productivity services (mainly commerce and transport) in urban areas. In recent years, the country has made notable progress on economic management, maintaining macroeconomic stability through prudent monetary and fiscal policies. Growth has rebounded since 2021 after two consecutive years of contraction and inflation has been brought down to single digits from 27 percent in 2019 despite elevated external price pressures.

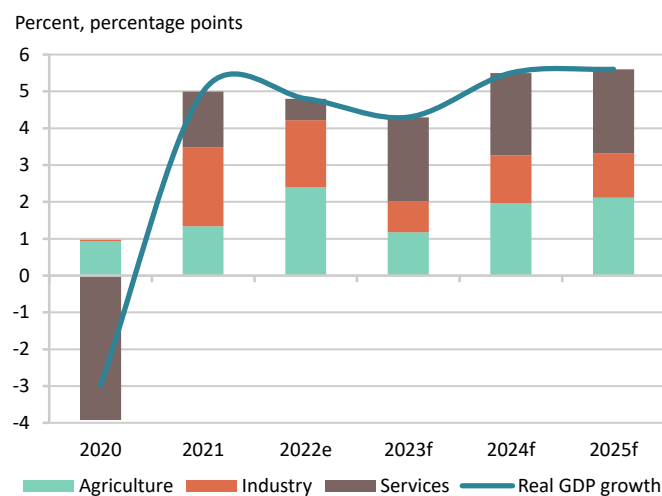
Low levels of human and physical capital and overall productivity continue to impede development. For instance, Liberia has a human capital index of only 0.32, only 7 percent of the country's overall road network is paved, and just about 30 percent of the population has access to electricity. Investments in human and physical capital have been prioritized under the government's medium-term development strategy for 2018-2023, the Pro-Poor Agenda for Prosperity and Development, but fiscal space to address these fundamental development constraints is limited by low domestic revenue mobilization

and declining external grants. Boosting domestic resource mobilization to make space for investment and fostering an enabling business environment for private investment are among the main policy challenges that must be addressed.

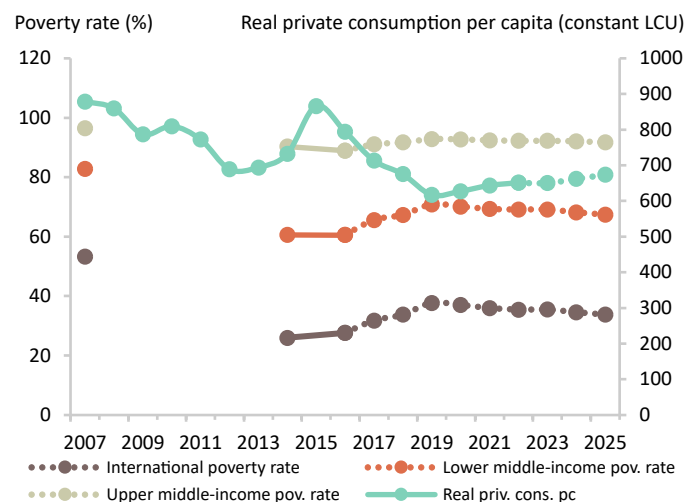
Recent developments

Liberia's economy expanded by 4.8 percent in 2022 despite global headwinds (from the war in Ukraine, high global inflation, and depressed demand in advanced economies). The expansion was driven by mining (specifically gold) and a relatively good agricultural harvest. Growth in the agricultural sector accelerated to 5.9 percent, from 3.3 percent in 2021, on the back of increased rice and cassava production. Thanks to increased gold production, industrial output grew by 10.4 percent in 2022: while iron ore production remained stable, gold output surged by 49.1 percent, year-on-year. From 3.0 percent in 2021, services growth slowed to 2.8 percent, reflecting a slowdown in construction services and hospitality.

Average inflation slowed to 7.6 percent in 2022, down from 7.8 percent in 2021, even as headline inflation increased from 5.5 percent in December 2021 to 9.2 percent in December 2022. Food prices declined by 1.6 percent thanks to relatively good agriculture harvests, whereas non-food inflation reached 10.6 percent, primarily due to energy prices. The Central Bank of Liberia kept reserve requirements unchanged in 2022 while maintaining a relatively restrictive

FIGURE 1 Liberia / Real GDP growth and sectoral contributions to real GDP growth


Sources: Liberian authorities, IMF, and World Bank staff.

FIGURE 2 Liberia / Actual and projected poverty rates and real private consumption per capita


Source: World Bank. Notes: see Table 2.

monetary policy stance. The policy rate was held at 20 percent from January to July before being cut to 15 percent in August as inflation remained in single digits. Robust GDP growth and moderate inflation have boosted private consumption per capita. Liberia's international poverty rate (US\$2.15 person/day PPP) decreased by 0.5 percentage points to 35.5 percent in 2022.

The fiscal position worsened in 2022. The deficit rose to 5.2 percent of GDP in 2022, up from 2.4 percent in 2021. This was partly due to the decline in grants (by 2.9 percentage points of GDP) and lower-than-expected royalties from iron ore due to delayed expansion of the Arcelor Mittal mining project. On the expenditure side, grants and subsidies increased by 0.9 percentage points of GDP to 3.0 percent. With a debt-to-GDP ratio of 53.4 Liberia is assessed to be at moderate risk of external debt distress and high risk of overall debt distress.

Liberia's current account balance improved in 2022, thanks to booming gold exports. The current account deficit narrowed to 15.5 percent of GDP, down from 17.8 percent in 2021. Despite robust foreign direct investment (7.4 percent of GDP in 2022), the financing of the current account deficit was challenging as project grant disbursements declined (from 5.9 percent of

GDP in 2021 to 4.6 percent of GDP) while the net disbursement of loans decreased from 13.9 percent of GDP in 2021 to 2.4 percent of GDP in 2022. Thus, the overall balance of payment showed a deficit of 1.1 percent of GDP, covered by drawing from the international reserves which declined to US\$644 million (3.5 months of import cover) in 2022, from \$700 million (4.0 months of import cover) in 2021. The drawdown of reserves also enabled the Liberian dollar to appreciate by 8.0 percent against the dollar between 2021 and 2022. Commercial banks were typically in compliance with prudential capital and liquidity requirements in 2022. By December 2022, the share of non-performing loans (NPL) fell from 22.9 percent to 16.4 percent of all loans.

Outlook

Growth is expected to taper off to 4.3 percent in 2023 before reaching an average of 5.6 percent over 2024-25 as the country benefits from tailwinds for mining and structural reforms in key enabling sectors such as energy, trade, transportation, and financial services. Inflation is projected to

increase to 7.8 percent in 2023 and moderate gradually to 5.5 percent by 2025 in line with global projection of energy and food prices.

The fiscal deficit is projected to narrow to 4.6 percent of GDP in 2022 and further to under 4.0 percent in the medium term as the authorities strengthen expenditure controls. The 2023 draft budget targets a decline in the fiscal deficit to 2.6 percent of GDP. The current account deficit is expected to hover around 18 percent in the medium term, as import growth remains high, driven by robust aggregate demand and persistent high global food and fuel prices. The poverty rate is expected to stagnate in 2023 and decline moderately in the medium term as economic growth takes off and inflation moderates.

Besides the fluctuations in commodity prices, the main risks to the outlook are uncertainties associated with the 2023 elections. The outlook may be hampered by fluctuations in prices of major imports and exports, but election-related spending pressures could undermine the viability of the current fiscal framework. In anticipation of the 2023 elections, businesses might delay investment decisions, and this could further slow the pace of economic recovery.

TABLE 2 Liberia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
Real GDP growth, at constant market prices	-3.0	5.0	4.8	4.3	5.5	5.6
Private Consumption	3.8	4.7	3.3	2.1	4.0	4.0
Government Consumption	0.8	0.2	-5.7	-10.7	7.4	9.5
Gross Fixed Capital Investment	-5.5	-7.9	9.4	9.8	2.0	-1.0
Exports, Goods and Services	-1.4	14.7	7.7	9.8	13.6	13.6
Imports, Goods and Services	11.7	1.8	3.1	2.3	5.5	4.7
Real GDP growth, at constant factor prices	-2.9	4.8	5.4	4.3	5.5	5.5
Agriculture	2.4	3.3	5.9	2.9	4.9	5.3
Industry	0.2	13.3	10.4	4.6	7.1	6.5
Services	-8.6	3.0	2.8	5.7	5.2	5.3
Inflation (Consumer Price Index)	17.0	7.8	7.6	7.8	5.8	5.5
Current Account Balance (% of GDP)	-15.6	-17.8	-15.5	-17.2	-18.1	-18.6
Fiscal Balance (% of GDP)	-3.7	-2.4	-5.2	-4.6	-3.3	-3.5
Revenues (% of GDP)	29.9	27.2	23.5	23.0	22.9	22.6
Debt (% of GDP)	55.8	53.2	53.4	55.4	54.5	53.0
Primary Balance (% of GDP)	-2.4	-1.6	-4.3	-3.6	-2.5	-2.7
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	37.0	36.0	35.4	35.5	34.6	33.8
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	70.1	69.3	69.1	69.1	68.2	67.4
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	92.8	92.5	92.3	92.3	92.1	91.8
GHG emissions growth (mtCO₂e)	0.6	3.2	3.1	3.1	3.1	3.1
Energy related GHG emissions (% of total)	6.8	6.6	6.4	6.1	5.9	5.7

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 2016-HIES. Actual data: 2016. Nowcast: 2017-2022. Forecasts are from 2023 to 2025.

b/ Projection using neutral distribution (2016) with pass-through = 0.7 (Low (0.7)) based on private consumption per capita in constant LCU.