Macro Poverty Outlook

Country-by-country Analysis and Projections for the Developing World

Annual Meetings 2024

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MACRO POVERTY

Annual Meetings 2024

OUTLOOK

*The **Macro Poverty Outlook** is jointly produced by the Poverty and Equity and the Macroeconomics, Trade and Investment Global Practices of the World Bank.*

The cutoff date for information for most countries was October 2, 2024.

East Asia and the Pacific

Annual Meetings 2024

Cambodia
Central Pacific Islands
China
Fiji
Indonesia
Lao PDR
Malaysia
Mongolia
Myanmar
North Pacific Islands
Papua New Guinea
Philippines
Solomon Islands
South Pacific Islands
Thailand
Timor-Leste
Viet Nam

CAMBODIA

Table 1	2023
Population, million	16.9
GDP, current US$ billion	42.8
GDP per capita, current US$	2524.6
School enrollment, primary (% gross)[a]	110.0
Life expectancy at birth, years[a]	69.9
Total GHG emissions (mtCO2e)	76.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2022).

Cambodia's real GDP growth is projected to reach 5.3 percent in 2024, compared to 5.0 percent in 2023, driven mainly by services and goods exports. Amid the economic expansion, household income growth is expected to improve, partially reversing the pandemic-related increase in poverty. Downside risks include weaker-than-expected global growth, especially in China. Domestically, a faster-than-expected increase in non-performing loans could affect macro-financial stability as the housing market correction continues.

Key conditions and challenges

Economic activity continued to expand during the first half of 2024, largely driven by a revival of services and goods exports. Meanwhile, rising remittances and tourism receipts helped to offset a sizable merchandise trade deficit with the current account balance projected to remain positive this year. This helped ease pressures on the exchange rate. Gross international reserves rose to US$20.0 billion, an 8.5 percent year-on-year (y/y) increase from June 2023, covering about 7 months of prospective imports. High global interest rates and decelerating credit growth continue to affect Cambodia's financial sector. Nonperforming loan ratios rose to 6.8 percent and 8.3 percent for the banking and microfinance sectors, respectively by mid-2024, indicating a further deterioration of asset quality amid the ongoing downturn in the property sector. The economic expansion is expected to support the recovery of household incomes, partially reversing the pandemic-related increase in poverty. Over the medium term, reforms to improve the investment climate and the skill levels of its labor force would boost Cambodia's potential growth.

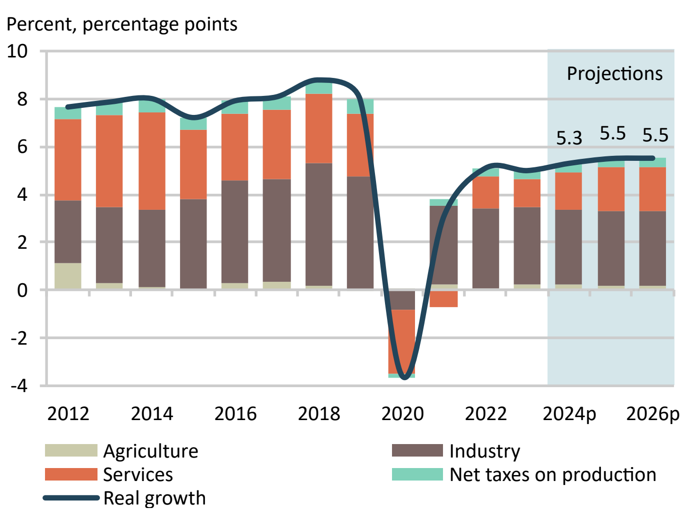
Recent developments

Cambodia has benefited from a rebound in external demand and trade. During the first half of 2024, goods exports expanded by 8.4 percent y/y, driven largely by garment, travel goods, and footwear products. Meanwhile, international tourist arrivals also continued to rise, expanding at 22.7 percent y/y, reaching 3.6 million tourists. Tourist spending also continued to recover, indicated by Angkor Temple revenue collection growing at 33.7 percent y/y. Despite the recovery, both arrivals and especially tourist spending remain below pre-pandemic levels, standing at 94.8 percent and 43.4 percent of the 2019 level, respectively.

While remaining subdued, caused mainly by the marked slowdown in domestic credit growth, private consumption has partly recovered. During the first seven months of 2024, top ticket items of imported nondurable consumer goods, which include diesel, electronic equipment, gasoline, foodstuff, garments, and soft drinks initially expanded by 16.8 percent, 30.3 percent, 25.1 percent, 13.5 percent, 20.1 percent, and 15.3 percent, respectively, while imports of all kinds of motor vehicles combined, representing a key durable consumer goods item grew at 14.6 percent year-over-year.

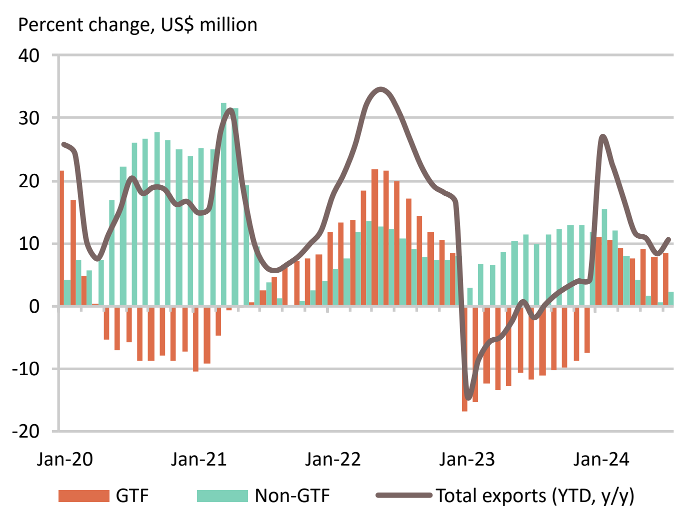
Although privately financed real estate and property construction activities remain subdued, private and public investments in large physical infrastructure projects such as roads, bridges, and ports including a US$1.7 billion canal have boosted construction services. During the first seven months of 2024, imports of construction equipment and steel grew at 17.0 percent and 63.4 percent, respectively. Meanwhile, imports of cement contracted by 11.7 percent likely due to rising domestic production.

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



Sources: Cambodian authorities and World Bank staff projections.
Notes: e = estimate; p = projection.

FIGURE 2 Cambodia / Merchandise exports, levels and growth rate



Source: Cambodian authorities.
Notes: GTF = garment, travel goods, and footwear (and other textile products); YTD = year-to-date; y/y = year-on-year.

Since 2023, domestic credit growth has experienced a significant slowdown. First, owing to stalled property construction activity, the demand for domestic credit by the real estate and property construction sector has plummeted. Second, higher interest rates and lower real disposable income have contributed to the sluggish credit demand by households and firms. As a result, credit sharply decelerated to 3.8 percent y/y, a 15-year low in June 2024. During the first six months of 2024, domestic fiscal revenue collection stagnated, growing at 0.8 percent y/y, while government expenditure expanded at 3.7 percent. Government deposits (fiscal reserves) remained relatively healthy at 10.8 percent of GDP in June 2024 and public debt remained low, estimated at 27.5 percent of GDP by end-2023.

The export recovery has led to improved labor market conditions, in turn partly reversing pandemic-related increases in poverty. In June 2024, jobs in the formal manufacturing sector which accounted for 19.0 percent of nonfarm employment grew at 7.0 percent y/y, marginally supporting household consumption. The pandemic hit households hard – consumption per capita declined by almost 20 percent in 2021 from the level recorded in 2019/20 when the poverty rate was 17.8 percent. A comprehensive social protection program, the Family Package, was launched in April 2024 to support poor and vulnerable households. The program has benefited nearly 2.2 million people or 559,000 households. Of which 269,000, 33,400, 10,400, and 1,400 are elderly aged over 60, pregnant women and children under 2 years old, people with disabilities, and people living with HIV/AIDS, respectively. As of July 2024, the Family Package program had disbursed US$20.1 million since its launch on April 30, 2024.

Outlook

Using the newly rebased national accounts data, this year's economic growth is projected to reach 5.3 percent, compared to 5.0 percent in 2023, driven mainly by services and goods exports. Economic growth should translate into a decline in poverty, reversing part of the projected increase in poverty caused by the pandemic.

Cambodia's real GDP growth is projected to marginally improve, reaching 5.5 percent in 2025 and 2026. The country's economic growth remains slower than during the pre-COVID-19 period, owing to continued external headwinds, emerging structural bottlenecks, and lasting scars of the COVID-19 pandemic. While foreign direct investment inflows are expected to pick up with newly ratified free trade agreements and a substantial increase in private and public investment in key physical infrastructure, daunting challenges facing the business environment, investment climate, energy, logistics, trade facilitation, skilled labor force, and learning outcomes remain. Downside risks include weaker-than-expected global growth, especially in China which is Cambodia's main source of foreign direct investment and tourism receipts, could dampen growth prospects. Given the country's relatively high level of private debt, a faster-than-expected increase in non-performing loans could affect macro-financial stability while weighing on private investment and growth.

TABLE 2 Cambodia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	3.1	5.1	5.0	5.3	5.5	5.5
Private consumption	-2.4	5.2	-0.2	0.7	3.3	3.4
Government consumption	12.3	-1.2	35.1	5.3	7.5	8.5
Gross fixed capital investment	4.7	5.4	-26.7	12.3	-3.4	-0.2
Exports, goods and services	6.1	21.3	6.9	8.8	10.4	8.7
Imports, goods and services	1.9	18.6	-12.4	7.3	4.9	5.1
Real GDP growth, at constant factor prices	3.0	5.1	5.0	5.3	5.5	5.5
Agriculture	1.5	0.6	1.6	1.6	1.4	1.5
Industry	8.4	8.2	7.6	7.2	7.1	6.9
Services	-1.8	3.6	3.4	4.5	5.2	5.4
Inflation (consumer price index)	2.8	5.5	2.1	2.2	2.2	2.2
Current account balance (% of GDP)	-29.1	-18.8	1.3	1.7	0.6	-0.7
Net foreign direct investment inflow (% of GDP)	9.2	8.7	8.5	8.8	8.7	8.6
Fiscal balance (% of GDP)	-5.1	-3.2	-5.1	-3.0	-3.3	-3.2
Revenues (% of GDP)	16.2	17.2	15.9	15.4	15.4	15.3
Debt (% of GDP)	26.5	27.0	27.5	26.9	27.4	27.4
Primary balance (% of GDP)	-4.8	-2.9	-4.8	-2.6	-2.9	-2.8
GHG emissions growth (mtCO2e)	0.5	-0.6	-0.1	-1.4	-0.7	-1.9
Energy related GHG emissions (% of total)	18.4	17.4	16.6	14.7	13.4	11.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

CENTRAL PACIFIC ISLANDS

Table 1	KIR	NRU	TUV
Population, million	0.13	0.01	0.01
GDP, current US$ billion	0.22	0.15	0.06
GDP per capita, current US$	1702	11914	4908
LMIC poverty rate ($3.65)	19.5[a]	20.9[b]	19.6[c]
Gini index	27.8[a]	32.4[b]	39.1[c]

Source: WDI, World Bank, and official data.
Notes: The actual year for the table data is 2022.
Abbreviations: LMIC = Lower middle-income;
KIR = Kiribati; NRU = Nauru; TUV = Tuvalu.
a/ Most recent value (2019), 2017 PPPs.
b/ Most recent value (2012), 2017 PPPs.
c/ Most recent value (2010), 2017 PPPs.

In Kiribati a large pre-election increase in public sector wages will support growth. In Tuvalu, development priorities are being shaped by the 2024 Falepili Union Treaty, which allows Tuvaluans to emigrate to Australia. In Nauru, the Regional Processing Centre renewal will delay a fiscal cliff. In the longer term, each country will need to address a narrow economic base and climate vulnerability to promote growth and reduce poverty.

Key conditions and challenges

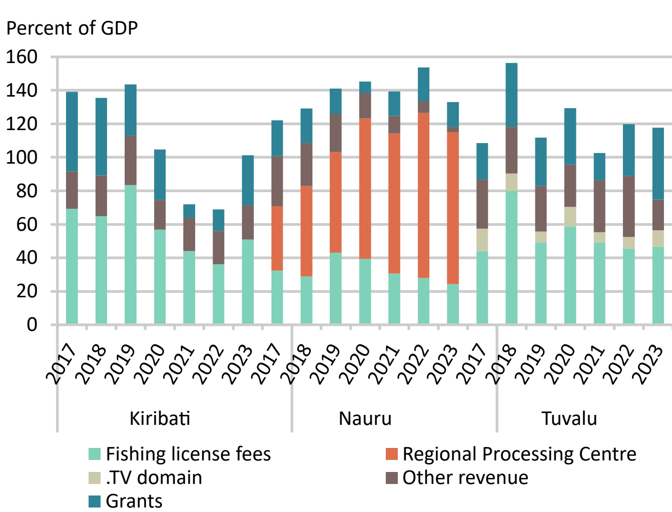
The Central Pacific faces major exogenous challenges like climate change, small size, and remoteness; and endogenous challenges like concentrated, import-reliant, and volatile economies. All three countries have sizeable trust funds to stabilize volatile fiscal revenues and provide long-term development financing. However, they all must diversify their fiscal revenues to reduce volatility and effectively fund high recurrent spending.

Kiribati has a highly centralized economy, with public expenditure at 102 percent of GDP in 2023. Recurrent spending has recently expanded on public wages, social protection, and the copra subsidy. This spending has benefited the country's poor but is distorting goods and labor markets, and creating fiscal vulnerabilities as volatile fishing revenues account for over two-thirds of revenues. The most recent IMF-World Bank LIC-DSA report from April 2024 ranks Kiribati's external debt, which stands at 12 percent of GDP, as sustainable but at high risk of debt distress. To address these challenges, Kiribati must curtail recurrent spending, foster private enterprise, and stabilize fiscal revenues using their sovereign wealth fund.

Nauru's economy has historically relied on phosphate mining, fishing, and operating Australia's Regional Processing Centre (RPC) for refugees. However, phosphate deposits are heavily depleted and fishing revenues are volatile. The RPC was to be placed on standby in 2023, but was renewed in 2024 and now has approximately 100 refugees. In FY24, income from the RPC and associated activities constituted 67 percent of fiscal revenues and 90 percent of GDP. With RPC earnings uncertain, Nauru must find sustainable sources of growth. The latest assessment from the IMF's DSA in September 2023 found Nauru's public debt, accounting for 20.2 percent of GDP, to be sustainable. In recent years there have been significant reductions in domestic and external liabilities. Nauru grapples with environmental challenges from climate change and the legacy of phosphate mining. Rehabilitating extensive former mine sites at the center of the island remains a priority.

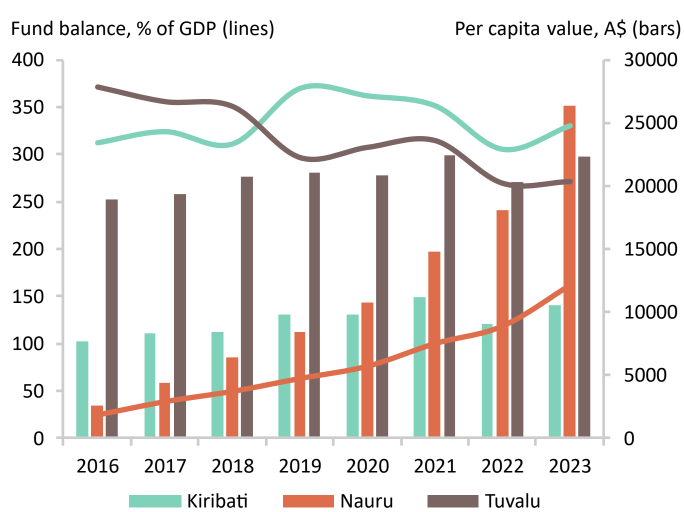
Tuvalu is one of the smallest and most climate-exposed countries in the world. The public sector dominates the economy and private sector development is limited by inadequate infrastructure and small economies of scale. The size of the economy, extreme remoteness, high import dependence, and vulnerability to external shocks pose significant challenges to development poverty reduction. Recent data on poverty is unavailable, but in 2010 an estimated 26 percent of the population lived below the national poverty line. Structural reforms are essential to promote resilience, sustain growth, and encourage diversification. The 2023 IMF-World Bank DSA assesses Tuvalu at high risk of debt distress, but debt is deemed sustainable.

FIGURE 1 Central Pacific Islands / Selected fiscal revenues, 2017-2023



Sources: Country authorities; World Bank and IMF staff estimates and projections.
Notes: Nauru data are June years; Kiribati and Tuvalu are calendar years.

FIGURE 2 Central Pacific Islands / Sovereign wealth funds, 2016-2023



Sources: Country authorities; World Bank and IMF staff estimates and projections.
Notes: Nauru data are June years; Kiribati and Tuvalu are calendar years. The Nauru Trust Fund was established in 2016.

Recent developments

In **Kiribati**, strong fishing revenues from favorable weather conditions and the Phoenix Islands Protected Area reopening lifted growth to 4.2 percent in 2023. However, El Niño conditions are likely to reduce fishing revenues by at least 10 percent below the US$160 million projected for FY24. Average inflation in 2023 was 9.3 percent, due to higher food, beverage, and transportation prices in the first half of the year. We estimate growth reduced poverty to 13.9 percent in 2023 (US$3.65 lower-middle-income line), below 19.5 percent in 2019. Domestic demand continues to be supported by high recurrent spending, which led to a fiscal deficit of 1 percent of GDP after budget support in 2023. The RERF was worth 340 percent of GDP in June 2024, down from 370 percent in 2019 due to volatile investment returns and GDP growth.

Nauru's economy is estimated to have grown by 1.8 percent in FY24 (ending June 2024). Inflation was 4.7 percent, lifted by global factors. Budget support increased from 3.7 percent of GDP in FY23 to 22 percent in FY24, including new support from the People's Republic of China. This led to a surplus worth 17 percent of GDP in FY24. The Government also made prepayments into the Intergenerational Trust Fund which was 152 percent of GDP in March 2024, up from 111 percent in June 2022.

In **Tuvalu**, the economy rebounded by 3.9 percent in 2023 due to gains realized from the border reopening in December 2022, the full resumption in infrastructure projects, increased government consumption, and support from development partners. Annual inflation has slowed in 2023 but remained elevated at 7.2 percent from a peak of 12.1 percent in 2022. A current account surplus of 11.1 percent of GDP and fiscal surplus of 6 percent of GDP in 2023 were due to high grants and sustained fishing revenue. Public debt continued to decline in 2023 to 5.4 percent of GDP. The sovereign wealth funds decreased from 314 percent of GDP in 2021 to 271 percent at end-2023.

Outlook

In **Kiribati**, growth is expected to increase to 5.8 percent in 2024 due to a 38 percent increase in public sector wages before the election. This is forecast to increase the budget deficit to 22 percent in 2024 and make Kiribati a regional outlier in the share of GDP spent on public employment. It will be funded by loosening the RERF withdrawal policy, which has compromised the fund's institutional integrity and will deplete its balance over time. A rule that withdraws up to 3 percent of the fund each year would allow annual withdrawals, make budgeting easier, and grow the real value of the fund over time. The RERF could also be used to smooth volatile fishing revenues. To boost shared prosperity and remove barriers to private sector growth, Kiribati should rationalize public wages and redirect copra subsidies to targeted social protection and human capital investment. Any further increases in recurrent spending could jeopardize the Government's fiscal responsibility rules.

In FY25, **Nauru**'s GDP growth is projected to recover to 2.0 percent due to government spending financed by budget support and RPC revenues. The FY25 budget forecasts a deficit worth 16 percent of GDP, funded from reserves accumulated in FY24. This means weakening one of Nauru's three fiscal responsibility rules from requiring a surplus every year to requiring a surplus across a 3-year rolling average. Spending is being directed to healthcare, education, and a broad ex-gratia payment. Nauru's only banking service is scheduled to depart in mid-2025. Negotiations for a replacement are ongoing. They may be jeopardized by a new plan to sell citizenship from FY25 which could increase money-laundering risks. The installation of the East Micronesian Internet Cable in 2026 could allow Nauru to provide online services that exploit its favorable time zone between Asia and the Americas, the English language, and widespread literacy. A new port will provide opportunities for transshipment and local value-addition to fishing products.

Tuvalu's economic growth is projected to gradually subside to 2.5 percent by 2026 and is expected to be driven by construction, hotels, finance, and public administration. The 2023 Australia-Tuvalu Falepili Union Treaty is anticipated to impact migration, remittances, and development over the medium term. Inflation is projected to moderate to 3.2 percent by 2026 as global inflation pressures dissipate. Current account deficits and fiscal deficits are expected over the medium term as major revenue streams gradually decline. Public debt is sustainable, but the risk of debt distress is high. The sovereign wealth funds to GDP are projected to decline over the medium term.

Risks to the Central Pacific outlook are substantial and include high global inflation and slowing global growth; faster than expected outwards migration; volatile revenues, including grants from development partners; and the ever-present threat of climate-related natural disasters.

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

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices						
Kiribati	8.5	3.9	4.2	5.8	4.1	3.3
Nauru	7.2	2.8	0.6	1.8	2.0	1.9
Tuvalu	1.8	0.7	3.9	3.5	3.0	2.5
Poverty rates of Kiribati						
International poverty rate ($2.15 in 2017 PPP)[a,b]	1.3	1.2	1.1	0.9	0.8	0.8
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	16.6	15.5	13.9	12.5	11.6	10.6
Upper-middle income poverty rate ($6.85 in 2017 PPP)[a,b]	66.6	65.3	63.2	59.3	58.3	56.9

Sources: Country authorities, World Bank and IMF staff estimates.
Notes: e = estimate; f = forecast. Nauru data are based on the fiscal year ended June. Kiribati and Tuvalu are calendar years.
a/ Calculations based on EAPPOV harmonization, using 2019-HIES.
b/ Projection using neutral distribution (2019) with pass-through = 1 (High) based on GDP per capita in constant LCU.

CHINA

Table 1	2023
Population, million	1409.7
GDP, current US$ billion	17767.5
GDP per capita, current US$	12604.0
International poverty rate ($2.15)[a]	0.0
Lower middle-income poverty rate ($3.65)[a]	0.0
Upper middle-income poverty rate ($6.85)[a]	17.0
Gini index[a]	35.7
School enrollment, primary (% gross)[b]	100.2
Life expectancy at birth, years[b]	78.6
Total GHG emissions (mtCO2e)	13387.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ Most recent WDI value (2022).

China's economy had a strong start to the year, but a deeper contraction of the property sector and weaker consumption weighed on growth in the second quarter. Growth is projected at 4.8 percent in 2024, with policy support and robust exports offsetting the weakness in private domestic demand. The pace of poverty reduction, measured by the World Bank poverty line for upper-middle income countries, is expected to slow in line with more moderate growth.

Key conditions and challenges

Despite a severe downturn in the property sector, China's economy grew at a robust rate of 5.0 percent in the first half of 2024. However, economic growth remains uneven and below its pre-pandemic rate, reflecting both cyclical fluctuations and structural challenges. Growth has been supported by strong consumer spending on services and by exports, as well as investment in manufacturing and public infrastructure. While resilient, manufacturing investment in some sectors faces headwinds from lower profit margins, weak consumer demand at home, and increasing export restrictions abroad. The property sector, now in its fourth year of a downturn, has yet to show signs of stabilization despite additional stimulus measures. Inflation remains subdued as supply continues to outpace demand.

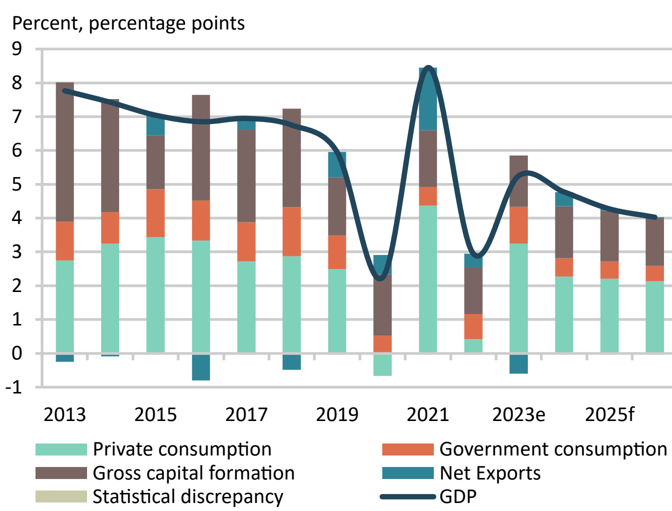
Over the medium term, China is expected to experience a structural deceleration due to slowing productivity growth, an aging population, high debt levels, and diminishing returns to capital. A challenging external environment, characterized by geoeconomic fragmentation could pose substantial headwinds to exports growth. While rebalancing away from investment and exports is part of the necessary adjustment of China's economy, a key challenge is to accelerate consumption growth to support aggregate demand. Meanwhile, China also has some scope to rebalance investment toward green investments to progress toward its dual carbon goals—achieving peak carbon emissions before 2030 and carbon neutrality by 2060—while boosting domestic demand for green technology products.

Recent developments

The economy's growth momentum has slowed after a strong start to the year. In seasonally-adjusted terms, GDP growth decelerated to 0.7 percent quarter on quarter in Q2 from 1.5 percent in Q1. The property sector remains the largest drag on investment. The contraction in real estate investment was only partially offset by resilient manufacturing and infrastructure investments, both bolstered by policy support. However, the proportion of loss-making industrial firms has risen as profit margins remain compressed. Meanwhile, consumption has weakened due to slower household income growth, the negative wealth effect of declining property prices, and subdued consumer confidence with final consumption only contributing 3.0 percentage points to growth during H1 2024, compared to 4.3 percentage points last year.

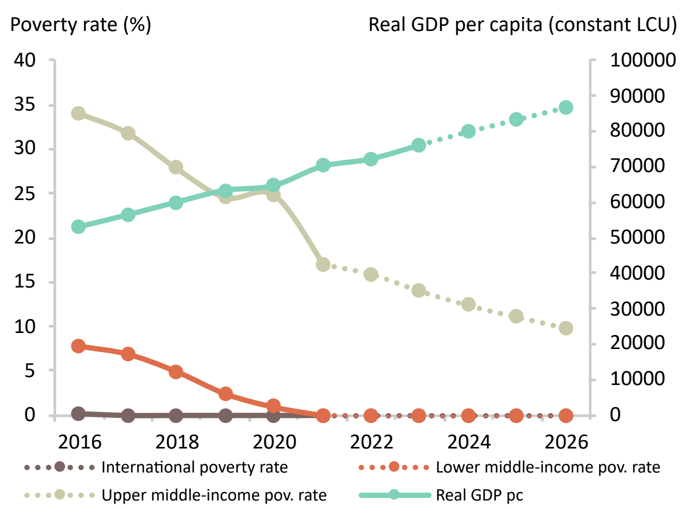
In response to the growth slowdown, the authorities have signaled further policy easing, with additional stimulus measures announced in September. Lower policy rates and reserve requirement ratios will ease financial conditions, but the impact of these measures is limited by weak credit demand. Credit growth slowed from 9.5 percent in the first seven months of 2023 to 8.6 percent

FIGURE 1 China / Real GDP growth and contributions to real GDP growth



Sources: China National Bureau of Statistics and World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

in the same period this year. Lower minimum downpayment ratios and mortgage interest rates, and measures to reduce housing inventories and provide liquidity to developers are also expected to provide some boost to the property sector. Similarly, additional fiscal support, especially if financed by the central government, could help ease local government budget constraints caused by the contraction in fiscal revenues, increasing public spending in the short term. But a sustained improvement in consumer sentiment and domestic demand requires structural measures such as reforms of the social safety net.

Poverty reduction has continued to keep pace with aggregate growth. In 2023, around 27 million people are estimated to have climbed above the consumption threshold of US$6.85/day, a standard benchmark often used as a reference by the World Bank to compare progress on poverty reduction across middle-income countries. Though this is higher than the estimated 16 million people who crossed the same threshold in 2022, the overall pace of poverty reduction at this higher line is still slower than in the pre-pandemic years when GDP growth was stronger. Continued macroeconomic uncertainty is reflected in observed volatility of income growth, which likely represents an important drag on household consumption growth. The volatility of income growth (as measured by its coefficient-of-variation) over the 2022-2023 period increased 3.7 times for business income and 4.6 times for wage income in comparison to the two years preceding the pandemic.

Outlook

Growth is projected at 4.8 percent in 2024, down from 5.2 percent in 2023. Weaker household income growth and a softening labor market are likely to constrain consumption. Investment will be tempered by the persistent contraction in the property sector and reduced profitability in some manufacturing sectors. Exports will likely hold up, supported by a rebound in global goods demand as inventory restocking resumes in the US and Euro area. Consumer price inflation is expected to rise slightly in 2024 as the drag from falling food prices fades, but it will likely remain very low amid weak consumer demand for goods. Economic growth is projected to slow further, averaging 4.2 percent in the medium term, reflecting slower productivity growth, a declining population, and high debt.

With the announcement of additional policy stimulus, the risks to the outlook have become broadly balanced. Downside risks stem from a more persistent downturn in the property sector, under-execution of fiscal policies, further softening of labor market conditions due to lower enterprise profitability and reduced hiring, and the possibility of worsening trade tensions. On the upside, larger and more effective policy support to the property sector and to households could boost confidence and lift growth above the baseline expectations.

Lower growth rates in the outer years will also weigh on the pace of poverty reduction which is expected to slow in 2024 and 2025. The poverty rate at the higher poverty line of $6.85/day is projected to continue to fall to 12.5 percent and 11.1 percent, respectively, in 2024 and 2025.

TABLE 2 China / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	8.4	3.0	5.2	4.8	4.3	4.0
Private consumption	11.7	1.1	8.6	5.8	5.6	5.4
Government consumption	3.3	4.6	6.7	3.3	3.2	2.9
Gross fixed capital investment	3.1	3.2	4.9	3.7	3.8	3.6
Exports, goods and services	18.4	-2.5	1.6	4.2	2.2	2.0
Imports, goods and services	10.3	-5.6	6.1	2.5	2.5	2.4
Real GDP growth, at constant factor prices	8.4	3.0	5.2	4.8	4.3	4.0
Agriculture	7.1	4.2	4.0	3.0	3.0	3.0
Industry	8.7	2.6	4.7	4.9	3.9	3.2
Services	8.5	3.0	5.8	5.1	4.8	4.7
Inflation (consumer price index)	0.9	2.0	0.2	0.4	1.0	1.5
Current account balance (% of GDP)	2.0	2.5	1.4	1.0	0.5	0.2
Net foreign direct investment inflow (% of GDP)	0.9	-0.1	-0.8	-0.6	-0.3	0.1
Fiscal balance (% of GDP)[a]	-4.0	-6.3	-5.8	-6.2	-5.7	-5.3
Revenues (% of GDP)	35.5	32.5	32.5	32.9	32.2	32.1
Debt (% of GDP)	46.9	50.6	54.1	57.9	60.7	58.6
Primary balance (% of GDP)	-3.0	-5.2	-4.8	-5.2	-4.7	-4.3
Upper middle-income poverty rate ($6.85 in 2017 PPP)[b,c]	17.0	15.9	14.1	12.5	11.1	9.9
GHG emissions growth (mtCO2e)	5.5	1.9	2.7	2.1	2.2	2.3
Energy related GHG emissions (% of total)	84.1	84.4	84.4	84.4	84.5	84.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ The adjusted fiscal balance adds up the public finance budget, the government fund budget, the state capital management fund budget and the social security fund budget.
b/ Last grouped data available to calculate poverty is for 2021 provided by NBS. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.
c/ Projection using neutral distribution (2021) with pass-through = 0.85 based on GDP per capita in constant LCU.

FIJI

Table 1	2023
Population, million	0.9
GDP, current US$ billion	5.6
GDP per capita, current US$	5964.0
International poverty rate ($2.15)[a]	1.3
Lower middle-income poverty rate ($3.65)[a]	12.4
Upper middle-income poverty rate ($6.85)[a]	52.6
Gini index[a]	30.7
School enrollment, primary (% gross)[b]	108.0
Life expectancy at birth, years[b]	68.3
Total GHG emissions (mtCO2e)	2.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2019), 2017 PPPs.
b/ Most recent WDI value (2022).

Growth is expected to normalize in 2024 and revert to its long-term average of 3.3 percent over the medium term, anchored on continued tourist arrivals. Fiscal consolidation is expected to continue over the medium term and will support debt reduction. Risks to the outlook include tropical cyclones, outmigration, and commodity price shocks. Structural reforms boosting investment and raising productivity are crucial for higher growth and sustained poverty reduction.

Key conditions and challenges

Fiji's past policies enabled its transition to an upper middle-income country (UMIC) in 2014. Although current growth rates are improving incomes, they are not bringing the country up to the living standards of upper middle-income countries fast enough. Tourism is the engine for growth and key source of foreign exchange, representing 80 percent of total output. Development is constrained by the small scale of the economy, remoteness from markets, dependence on imports, and high vulnerability to climate change. An average of one tropical cyclone passes through the Fijian waters annually. Reforms boosting investment and raising productivity are essential to elevating Fiji to a high-income status over the next two decades. These could include enabling business, unleashing competition, promoting foreign direct investment, skilling healthy workers, and facilitating women into jobs along with maintaining macroeconomic stability.

While the economy has fully recovered in 2023 from the pandemic-induced contraction, the legacies of the pandemic (e.g., high debt and rising inflation) continue to limit the macroeconomic policy space to respond to shocks. Although strong tourist inflows continue to support growth, Fiji's growth outlook is likely to slow down primarily due to hotel capacity constraints, labor shortages, and red tape.

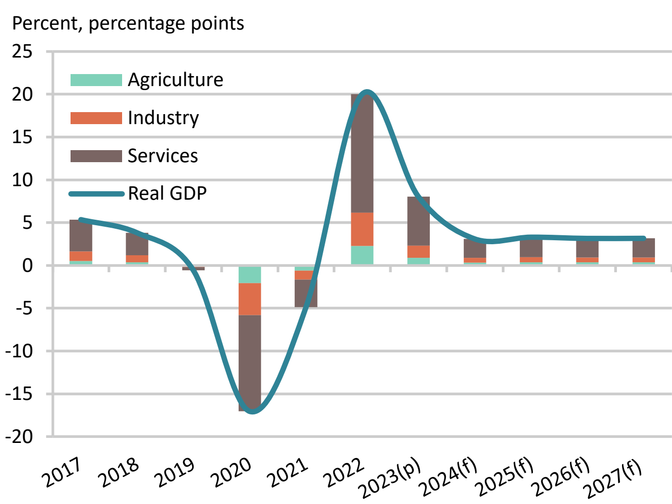
The 2019-20 Household Income and Expenditure Survey (HIES) estimated the incidence of extreme poverty at 1.3 percent, which is in line with other UMICs. However, the upper middle-income poverty rate was 52.6 percent in 2019, nearly double the UMICs' average of 23.5 percent.

Recent developments

The economy is estimated to have grown by 8 percent in 2023 largely due to a continued uptick in tourist arrivals that was 4 percent above pre-pandemic levels. Main drivers of growth include tourism-related sectors such as accommodation, transport, financial, and wholesale and retail sectors. This quick recovery is estimated to have reduced poverty by UMIC standards (US$6.85 in 2017 PPP) from 67.2 percent in 2021 to 52.1 percent in 2023. Inflation in 2023 was 5.1 percent (y/y), the highest in the last decade. This was due to merging the 9 percent VAT with the 15 percent band in August 2023, coupled with higher import prices and tariff rates. Monetary policy remains accommodative with the overnight policy rate maintained at 0.25 percent since 2020.

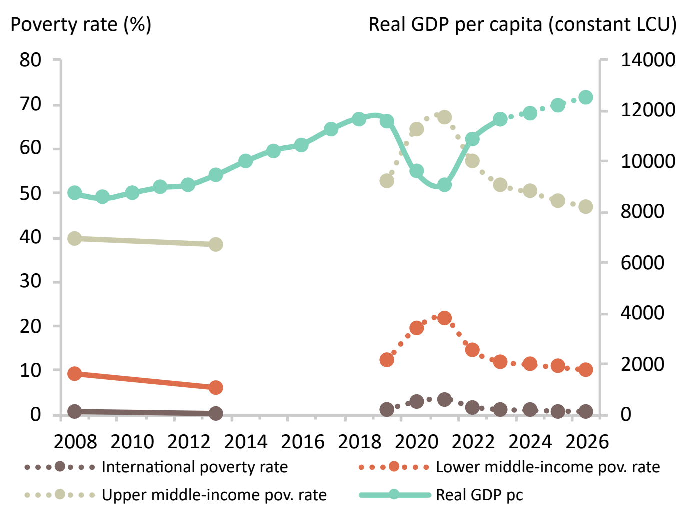
The current account deficit decreased to 7.6 percent of GDP in 2023 as tourism receipts and inflow of remittances rise, partially from Fijians in various labor mobility schemes in Australia/New Zealand. Foreign reserves remained at a comfortable level of 5.7 months of retained imports as of end-2023.

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



Sources: Ministry of Finance, IMF, and World Bank staff estimates.
Note: 2023(p) - p stands for provisional.

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



Source: World Bank. Notes: see Table 2.

The fiscal deficit declined to 4.5 percent of GDP in 2023 from an average of 11.6 percent in 2020-22 due to high tax buoyancy and lower capital transfers. Revenue gains from measures introduced in 2023 were over 3 percent of GDP but were partly offset by higher spending. The deficit was financed through external concessional and domestic borrowing. Public debt fell to 80.6 percent of GDP in 2023 owing to lower primary balance and high growth.

Outlook

The economy is expected to normalize in 2024 and will grow by 3.1 percent. Tourist arrivals are already about 10 percent above pre-pandemic levels in the first half of 2024. However, outmigration and labor mobility continue to rise resulting in labor shortages. Growth is expected to return to around pre-pandemic average in 2025-26, supported by manufacturing, wholesale and retail trade, and finance sectors. The growth outlook is expected to reduce poverty by UMIC standards to 49.9 percent in 2024 and 47.1 percent by 2026. Headline inflation is projected to decrease to 4.1 percent in 2024 but will remain above 3 percent over the medium term due to increase in national minimum wage rate.

The current account deficit is expected to narrow to 3.2 percent of GDP by 2026 due to a lower trade deficit and steady tourism receipts and remittances. Remittances are expected to be more than a tenth of GDP. The current account deficit will be largely financed by official borrowing. Foreign reserves are projected to remain adequate over the medium term at above 4 months of imports.

The fiscal deficit is expected to narrow to below 3.7 percent by 2026 due to ongoing and planned revenue-generating reforms and expenditure consolidation measures. These include improving compliance, streamlining tax exemptions, and countering tax evasion and avoidance on the revenue front. The Government also plans to adopt a zero-based budgeting approach, reassess funding for extra budgetary units, and focus on high-impact capital projects over the medium term to ensure effective expenditure management. Public debt is projected to decline to around 77.7 percent of GDP by 2026. The World Bank Debt Sustainability Analysis 2024 assesses public debt as sustainable but subject to considerable risks.

Risks to the outlook are tilted on the downside. These include continued outmigration and skilled labor shortages, international price shocks, and natural disasters. Structural reforms and fiscal consolidation are critical to bolster resilience and growth, maintain macroeconomic stability, and support poverty reduction.

TABLE 2 Fiji / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	-4.9	20.0	8.0	3.1	3.3	3.2
Real GDP growth, at constant factor prices	-3.4	15.7	8.5	3.1	3.3	3.2
Agriculture	0.8	4.1	4.6	3.3	3.2	3.3
Industry	-6.7	5.7	-0.4	3.7	4.9	4.3
Services	-3.1	21.1	11.6	2.9	2.9	2.8
Inflation (consumer price index)	3.0	3.1	5.1	4.1	3.4	3.2
Current account balance (% of GDP)	-15.9	-17.3	-7.6	-4.2	-3.2	-3.2
Net foreign direct investment inflow (% of GDP)	8.7	1.8	1.1	4.2	4.7	5.0
Fiscal balance (% of GDP)	-11.7	-10.3	-4.5	-4.3	-5.0	-4.4
Revenues (% of GDP)	25.6	21.6	25.0	28.0	28.3	28.0
Debt (% of GDP)	86.0	84.0	78.8	79.4	78.7	77.7
Primary balance (% of GDP)	-7.7	-6.6	-0.5	-0.3	-0.4	0.2
International poverty rate ($2.15 in 2017 PPP)[a,b]	3.7	1.8	1.2	1.1	0.9	0.8
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	21.9	14.6	12.2	11.5	10.9	10.4
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	67.2	57.1	52.1	50.3	48.5	47.1
GHG emissions growth (mtCO2e)	-4.9	20.0	8.0	3.1	3.3	3.2
Energy related GHG emissions (% of total)	91.5	91.5	91.5	91.5	91.5	91.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
a/ Calculations based on EAPPOV harmonization, using 2019-HIES. Actual data: 2019. Nowcast: 2020-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2019) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

INDONESIA

Table 1	2023
Population, million	282.1
GDP, current US$ billion	1371.2
GDP per capita, current US$	4859.8
International poverty rate ($2.15)[a]	1.8
Lower middle-income poverty rate ($3.65)[a]	17.5
Upper middle-income poverty rate ($6.85)[a]	61.8
Gini index[a]	36.1
School enrollment, primary (% gross)[b]	100.6
Life expectancy at birth, years[b]	68.2
Total GHG emissions (mtCO2e)	1588.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2023), 2017 PPPs.
b/ Most recent WDI value (2022).

Indonesia is growing at 5 percent amid stable macro conditions. Poverty fell from 17.5 in 2023 to 15.8 percent in 2024, but quality job creation has lagged due to COVID scarring. External financing and currency pressures moderated mid-year with an acceleration in portfolio inflows. Growth is projected to average 5.1 percent through 2026. Faster growth requires structural reforms that further open the economy to new investment. The upcoming administration aims to implement new social programs whilst maintaining fiscal prudence.

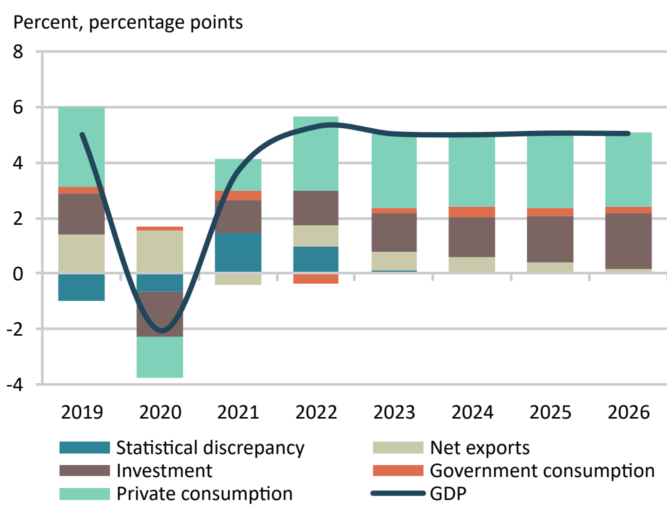
Key conditions and challenges

Indonesia has a strong record of economic growth (5.4 percent per year in the decade preceding 2020, and 4.7 percent per year since 2021). Long-term growth has been stable and inclusive. Extreme poverty (share of population on less than US$ 1.90 2011 PPP per day) has effectively been eliminated, falling from 19 to 1.5 percent between 2002-24. Indonesia became an Upper Middle-Income country in 2023 with ambitions of reaching High-Income status by 2045.
Simultaneously, the economy has followed commodity cycles that have concentrated resources in low-productivity industries and services. Though this has driven growth and job creation, it has also led to falling productivity growth over the past 15 years, aggravated by the scarring effects of COVID. Most jobs are low-skilled and informal, resulting in over 30 percent of the population being economically insecure (vulnerable to poverty in case of shocks). Since 2019, yearly real consumption among the bottom 40 has risen by 2-3 percent. Consumption among the richest 10 percent grew by 3.5 percent annually. But the middle has not kept pace, with the 40th-90th percentile only managing 1 percent growth per year. Inequality measured by the Gini index has also climbed from 35.4 in 2019 to 36.1 in 2023.
Indonesia has a record of prudent macroeconomic management and has pursued structural reforms, but more is needed to reverse declining productivity growth. Prudent macro policies have helped effectively manage inflation, contain debt, and absorb global shocks. On structural reforms, Indonesia has taken recent steps to improving the investment climate, modernizing the financial sector, and strengthening the fiscal framework. However, it maintains policies that protect big parts of the economy (e.g., service sector policies to protect local professionals, and trade policies to protect local industries). A new wave of reforms may be needed to tackle these micro-constraints to productivity growth.

Recent developments

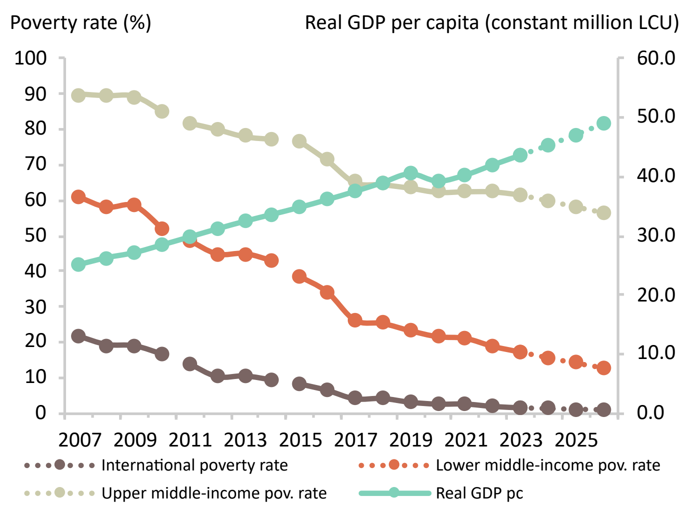
GDP growth rose to 5.1 percent in the first half of 2024 (H1-2024), from 5.0 percent in H2-2023, following improved consumer confidence and strong performance in the services and mining sectors. Election-related surge in public consumption has offset weaker contribution to growth from net exports amid normalizing commodity prices. Inflation accelerated early in 2024 driven as El Niño affected domestic harvest last year. This prompted the government to address supply-chain constraints and introduce food, cash, and fertilizer assistance programs. Coupled with a rebound in agriculture production, this led to a gradual disinflation in food prices, bringing inflation down to 2.1 percent by August. However, these interventions came at a fiscal cost. Core inflation picked up, suggesting a closing of the output gap.

FIGURE 1 Indonesia / Real GDP growth and contributions to real GDP growth



Sources: National Statistics Agency and World Bank.

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



Source: World Bank. Notes: see Table 2.

Growth in private consumption and moderating inflation have brought the poverty rate from 17.5 in 2023 to 15.8 percent in 2024 using the international lower-middle-income countries (LMIC) line. Unemployment also dropped below pre-pandemic levels to 4.8 percent in February 2024. There are signs though of limited quality job creation as the recovery came mostly from informal and part-time employment.

Services imports and profit repatriations have widened the current account deficit (CAD) to 0.9 percent of GDP in H1-2024. Responding to capital outflows and currency pressures, due to a bearish Fed, Bank Indonesia (BI) raised its policy rate in April to 6.25 percent, a peak since 2016. BI's measures, including the introduction of high-yield securities, reversed outflows, shored up foreign exchange reserves to cover 6.5 months of imports, and strengthened the Rupiah. Such outcome enabled a subsequent 25-bps easing in September. BI also used macroprudential incentives for targeted sectors, spurring a 6.0 percent rise in private credit year-to-August.

The fiscal stance slightly expanded. Expenditures rose by 11.3 percent in H1-2024 due to rising spending on various assistance programs, energy subsidies, elections, and interest payments. Meanwhile, tax compliance constraints and subsiding commodity windfalls led revenues down by 6.2 percent. Hence, the 0.7 percent of GDP fiscal surplus in H1-2023 turned into a 0.3 percent of GDP deficit in H1-2024. Public debt rose to 39.1 percent of GDP, mostly held in local currency (71 percent).

Outlook

Growth is projected to average 5.1 percent in 2024-26, supported by a pick-up in public consumption and investment as the incoming administration programs take effect. Demand will also benefit from private sector credit growth following expected easing in global monetary policy. Inflation will remain stable, averaging 2.7 percent, firmly within BI's target band (2.5±1 percent), but will face pressure from volatile food and energy prices.

The external position will remain challenging due to a sluggish recovery in global trade and continued financing pressures. The CAD is projected to gradually widen and reach 1.6 percent of GDP by 2026. Robust domestic demand will boost imports while moderating terms of trade hamper exports growth.

The fiscal deficit is expected to adhere to its legal limit (3 percent of GDP) and average 2.6 percent of GDP over the medium term despite the introduction of new development programs. But, government debt amortization and interest payment will peak in 2025. Elevated debt service requires accelerating revenue mobilization reforms to avoid a narrowing fiscal space and crowding out growth-oriented expenditures.

The poverty rate, measured at the LMIC line, is projected to drop to 12.7 percent by 2026, driven by robust growth and low inflation. Extending social protection coverage for part-time and informal workers will substantially advance poverty reduction and provide greater security for vulnerable households. Improving social assistance targeting through database updates remains crucial to improve its effectiveness and efficiency.

The outlook is subject to downside risks. Elevated interest rates could weigh on borrowing costs, tighten access to financing, and expand public debt service costs. Geopolitical shocks might precipitate a steeper decline in terms of trade, causing inflation and potentially constricting fiscal space due to lower revenues. Domestically, the pace of fiscal and structural reform will influence macroeconomic stability and growth prospects.

TABLE 2 Indonesia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	3.7	5.3	5.0	5.0	5.1	5.1
Private consumption	2.0	5.0	4.9	4.9	5.0	4.9
Government consumption	4.3	-4.5	2.9	5.3	4.2	3.9
Gross fixed capital investment	3.8	3.9	4.4	4.5	5.4	6.3
Exports, goods and services	18.0	16.2	1.3	4.1	3.9	3.4
Imports, goods and services	24.9	15.0	-1.6	2.1	2.9	3.5
Real GDP growth, at constant factor prices	3.3	4.9	5.1	5.0	5.1	5.1
Agriculture	1.9	2.3	1.3	3.7	3.0	3.0
Industry	3.4	4.1	5.0	4.1	4.1	4.1
Services	3.5	6.5	6.1	6.1	6.4	6.3
Inflation (consumer price index)	1.6	4.1	3.7	2.5	2.7	2.7
Current account balance (% of GDP)	0.3	1.0	-0.2	-0.9	-1.4	-1.6
Net foreign direct investment inflow (% of GDP)	1.5	1.4	1.1	1.3	1.4	1.5
Fiscal balance (% of GDP)	-4.6	-2.4	-1.6	-2.7	-2.5	-2.5
Revenues (% of GDP)	11.8	13.5	13.3	12.6	12.5	12.7
Debt (% of GDP)	40.7	39.5	39.0	39.3	39.6	39.5
Primary balance (% of GDP)	-2.5	-0.4	0.5	-0.5	-0.3	-0.3
International poverty rate ($2.15 in 2017 PPP)[a,b]	2.9	2.2	1.8	1.5	1.2	1.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	21.3	19.1	17.5	15.8	14.2	12.7
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	62.7	62.6	61.8	60.0	58.3	56.6
GHG emissions growth (mtCO2e)	0.2	4.4	2.5	0.3	-0.9	0.3
Energy related GHG emissions (% of total)	38.3	40.1	41.1	41.1	40.6	40.6

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 EAPPOV harmonization, using 2011-SUSENAS and 2023-SUSENAS. Actual data: 2023. Forecasts are from 2024 to 2026.
b/ Projection using annualized elasticity (2011-2023) with pass-through = 1 based on GDP per capita in constant LCU.

LAO PDR

Table 1	2023
Population, million	7.6
GDP, current US$ billion	14.9
GDP per capita, current US$	1956.0
International poverty rate ($2.15)[a]	7.1
Lower middle-income poverty rate ($3.65)[a]	32.5
Upper middle-income poverty rate ($6.85)[a]	70.5
Gini index[a]	38.8
School enrollment, primary (% gross)[b]	97.2
Life expectancy at birth, years[b]	69.0
Total GHG emissions (mtCO2e)	49.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ Most recent WDI value (2022).

Economic growth continues to be undermined by persistent macroeconomic instability. Despite tighter monetary and fiscal policies, the kip depreciated by 20 percent on average since the beginning of the year, in turn fueling inflation which averaged 25 percent in the first eight months of the year. Real GDP is expected to grow by 4.1 percent in 2024, but rising living costs and slow wage increases will continue to undermine efforts to reduce poverty.

Key conditions and challenges

Laos continues to face acute macroeconomic instability. The kip depreciated by 20 percent year-on-year against major currencies on average since January. This in turn fueled inflation which accelerated to 25 percent during this period. Limited foreign exchange liquidity and the weaker kip have also increased pressure on external public debt servicing, constraining fiscal space and exacerbating vulnerabilities in the financial sector. Significant debt service deferrals from 2020 to 2023 provided temporary relief, but the prospects for deferrals in 2024 are unclear. Public and publicly guaranteed debt (PPG) exceeded 110 percent of GDP in 2023 when accounting for a currency swap and expenditure arrears. Accumulated external debt service deferrals amounted to 16 percent of GDP at the end of 2023, and the average annual external debt repayment obligations remain at $1.3 billion in the medium term.

Macroeconomic instability has affected the labor market, eroded household living standards, and hindered human capital development. High inflation, coupled with currency depreciation and slow wage growth, has shifted employment away from service and wage jobs to agriculture and self-employment. Outmigration has increased, driven by the weak kip and widening wage gap with neighboring countries. The widespread and prolonged impact of inflation has caused more than one-third of households to reduce food consumption and human capital spending.

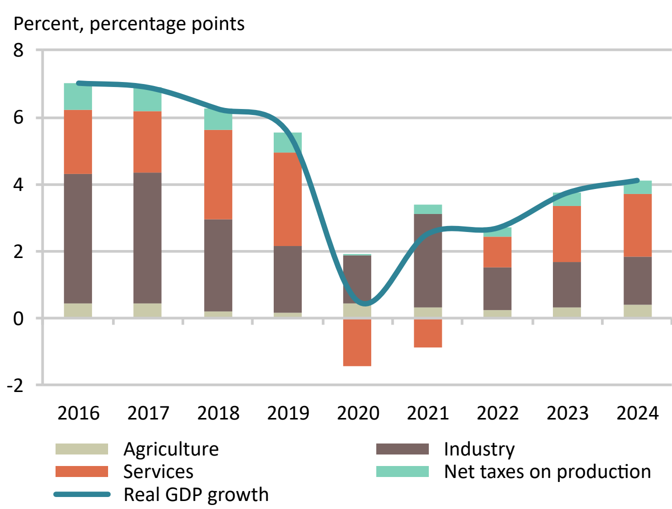
Recent developments

Economic activity in the first half of 2024 benefited from continued growth in tourism, transport, logistics, mining, agriculture, and some electronics manufacturing. Additionally, electricity generation experienced a slight recovery from the previous year, while foreign investment, primarily in the resource sector, expanded.

Despite a modest growth recovery, external pressures persisted. The kip depreciated by 20 percent year-on-year during January to August 2024, with the parallel market premium reaching 10 percent in August. In response, the central bank tightened monetary policy, enforced repatriation and conversion of some export receipts, and promoted formal foreign currency trade on the banking system and the use of the Lao kip. Given high import dependence and high pass-through, inflation remained high at 24 percent in August 2024.

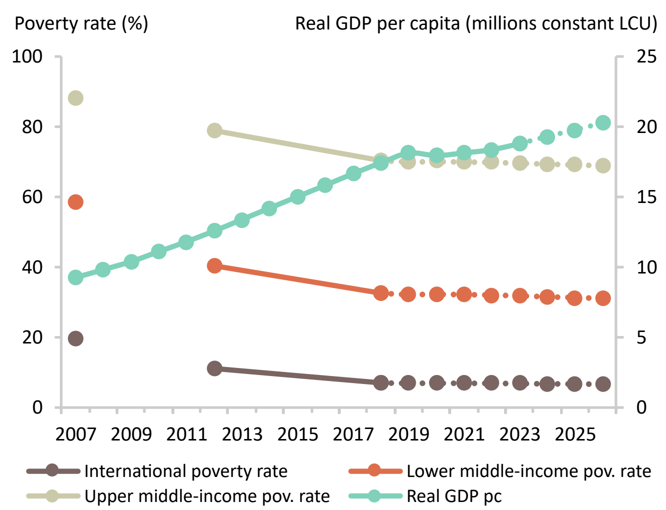
The fiscal balance improved in the first quarter of 2024 due to stronger revenue collection, which offset increased expenditures. Improved domestic revenue was largely driven by higher profit and VAT contributions—supported by tax base expansion as well as price and exchange rate effects. The

FIGURE 1 Lao PDR / Real GDP growth and contributions to real GDP growth



Sources: Lao Statistics Bureau and World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

Ministry of Finance restored the VAT rate to 10 percent in May. On the other hand, public spending rose significantly, driven by increased interest payments (resulting from higher payments and exchange rate effects) and public investments.

The current account surplus declined in Q1 2024 due to a lower trade surplus despite robust service exports. Foreign investment notably increased, bolstered by investment in the resource sectors. However, actual settlements indicated lower net foreign exchange inflows compared to an official record. Gross foreign reserves were reported at $1.8 billion in June 2024, and net reserves, excluding a $900 million swap arrangement, cover less than two months of imports.

Employment remained robust in the first half of 2024 but the shift from non-tradable service sectors to agriculture and manufacturing continued. The number of registered migrants in Thailand reached 313,000 in June 2024, surpassing the pre-COVID-19 level. Nominal wages and household income grew at a modest pace of 8 percent and 14 percent, respectively and these increases were more than offset by mounting inflation. Progress in poverty reduction is expected to have stalled, with the poverty rate (calculated at the lower-middle-income poverty line of $3.65 per day in 2017 PPP) estimated to stagnate at around 31 percent in 2024.

Outlook

Real GDP is projected to grow by 4.1 percent in 2024. This outlook assumes the continued suspension of debt service due from 2020-2023 and a partial suspension in 2024. Inflation is expected to remain above 20 percent, reflecting ongoing depreciation pressures as a result of high external debt service and import needs.

Despite recent improvements in revenue collection and debt repayment deferrals, high debt service levels will continue to constrain fiscal space. Revenue is expected to benefit from improvements in tax policy and administration, but if high interest obligations are fully paid, they could crowd out other expenditures. The outlook anticipates a primary surplus in the coming years. However, the overall fiscal deficit is expected to increase, assuming full interest payments for 2025 onward. External debt service obligations will average $1.3 billion annually from 2024 to 2028, keeping total public financing needs elevated. Uncertainty regarding access to international capital markets and non-debt financing sources may continue to pressure domestic financing sources.

Ongoing macroeconomic instability is expected to weigh negatively on the poverty outlook. High inflation will continue to pressure real household incomes and human capital spending. Extreme weather events, such as floods during the 2024 cropping season, could exacerbate food price increases while reducing farm income. Despite growth recovery, the poverty rate is projected to remain steady in 2024 and 2025. In the medium term, a contraction in human capital spending could undermine prospects for poverty reduction.

This outlook is subject to significant domestic and external uncertainties. Domestic risks include tight foreign exchange liquidity to meet external debt obligations with high debt service needs against limited access to international capital market (which could be exacerbated in the absence of deferrals), slow progress with structural reforms, and deteriorating balance sheets in major banks. Outmigration and labor shortages could threaten labor-intensive sector growth. Subdued global and regional economic growth could weaken external demand. On an upside, a weakening US dollar might contribute to a slower the kip depreciation.

Addressing macroeconomic instability necessitates five critical reforms: (i) fully implement the restored VAT rate of 10 percent, curbing tax exemptions and reforming health taxes; (ii) improve governance of public and public-private investments; (iii) finalize debt negotiations; (iv) strengthen financial sector stability; and (v) enhance the business environment.

TABLE 2 Lao PDR / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	2.5	2.7	3.7	4.1	3.7	3.7
Real GDP growth, at constant factor prices	2.5	2.7	3.7	4.1	3.7	3.7
Agriculture	2.3	1.6	2.4	3.0	3.0	3.0
Industry	7.6	3.3	2.6	3.7	3.1	3.1
Services	-2.2	2.5	5.5	5.0	4.5	4.5
Inflation (consumer price index)	3.8	22.7	31.2	24.2	15.7	9.0
Current account balance (% of GDP)	-2.9	-1.7	-1.6	-3.0	-3.6	-3.9
Fiscal balance (% of GDP)	-1.3	-0.2	0.7	-0.9	-1.1	-1.3
Revenues (% of GDP)	14.9	14.7	16.5	16.6	16.7	16.7
Debt (% of GDP)	91.9	130.9	115.9	108.3	118.3	122.7
Primary balance (% of GDP)	0.0	1.5	2.8	2.2	2.0	1.8
International poverty rate ($2.15 in 2017 PPP)[a,b]	7.0	6.9	6.8	6.7	6.6	6.5
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	32.0	31.9	31.7	31.4	31.2	30.9
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	70.0	69.9	69.6	69.3	69.1	68.8
GHG emissions growth (mtCO2e)	2.3	4.2	5.2	5.4	5.7	5.9
Energy related GHG emissions (% of total)	41.3	42.4	43.2	43.7	44.1	44.4

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 EAPPOV harmonization, using 2012-LECS and 2018-LECS. Actual data: 2018. Nowcast: 2019-2023. Forecasts are from 2024 to 2026.
b/ Projection using annualized elasticity (2012-2018) with pass-through = 0.5 based on GDP per capita in constant LCU.

MALAYSIA

Table 1	2023
Population, million	34.3
GDP, current US$ billion	399.7
GDP per capita, current US$	11650.3
Upper middle-income poverty rate ($6.85)[a]	2.3
Gini index[a]	40.7
School enrollment, primary (% gross)[b]	97.8
Life expectancy at birth, years[b]	76.3
Total GHG emissions (mtCO2e)	376.8

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ Most recent WDI value (2022).

Following weaker-than-expected growth in 2023, Malaysia is projected to grow at a higher rate of 4.9 percent in 2024. Stronger private consumption, investment, and exports will continue to support growth. The narrowing fiscal space remains a key challenge. Poverty is expected to decline further. The government could enhance the fiscal system to be more pro-poor with reforms that do not necessarily increase spending, but by reallocating subsidies into targeted transfers.

Key conditions and challenges

Malaysia's economy experienced a strong rebound beginning 2024 following weaker-than-expected growth last year. Growth was driven by stronger expansion in private consumption and investment and improving exports.

However, the narrowing fiscal space remains a key challenge for Malaysia. While Malaysia is on the consolidation path, outstanding federal government debt rose to 64.3 percent in 2023 from 60.2 percent in 2022, as deficits continue to add to debt stock. Rigid spending, including salaries, pensions, and debt service charges, has been growing as a share of total operating expenditures. The government has implemented diesel subsidy rationalization which is estimated to generate 0.2 percent of GDP in annual savings. While optimizing public spending can free up budgetary resources, enhancing revenue mobilization remains vital to restore fiscal space and meet future fiscal needs.

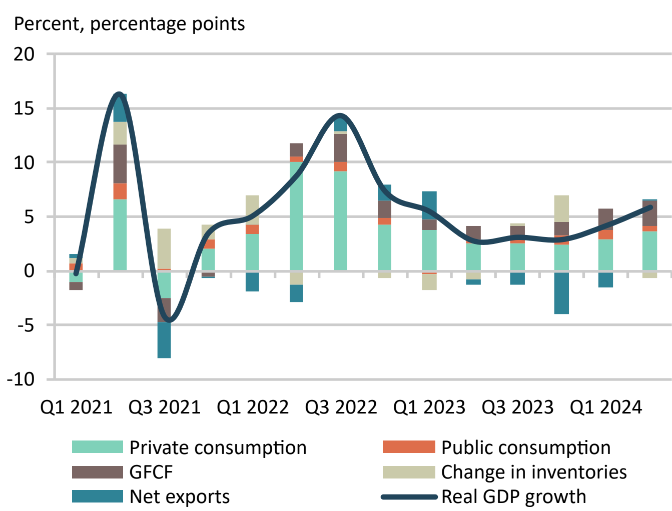
Moreover, despite the moderating inflation, there are concerns about rising living costs, particularly among low-income households. Higher housing and utilities inflation has disproportionately impacted this group due to a higher share of their expenditure in this category.

Recent developments

Malaysia experienced a stronger year-on-year growth of 5.9 percent in 2Q 2024 from 4.2 percent in 1Q 2024, driven by better-than-expected private consumption, investment, and export performance. Private consumption grew by 6.0 percent in 2Q 2024 from 4.7 percent in 1Q 2024, supported by further improvement in labor market conditions and continued policy support. Gross fixed capital formation (GFCF) growth accelerated to 11.5 percent and 9.6 percent in the first two quarters of 2024, driven by higher private capital spending in the manufacturing and services sector and increased public spending on fixed assets. On the supply side, the construction and agriculture sector recorded the highest growth, expanding at 17.3 percent and 7.2 percent respectively in 2Q 2024, from 11.9 percent and 1.7 percent in the previous quarter.

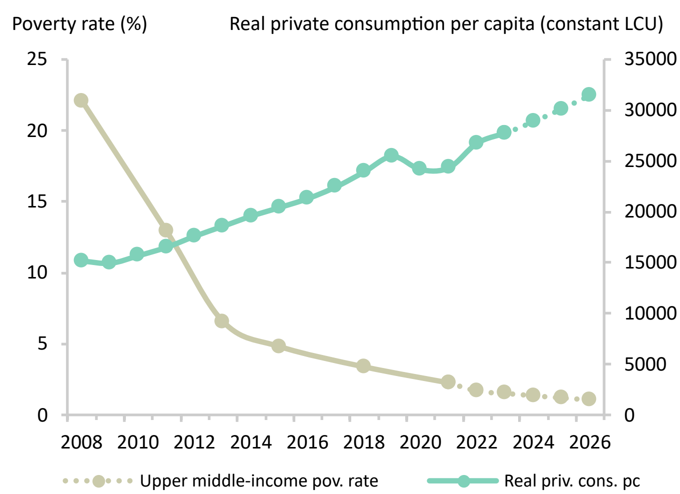
Exports recovered strongly in the first half of the year, growing by 5.2 percent and 8.4 in 1Q and 2Q 2024, respectively, on the back of the technology upcycle which lifted exports of E&E products, stronger external demand for non-E&E exports, and a turnaround in commodity exports supported by improving commodity prices. Imports also experienced strong growth of 12.5 percent and 15.0 percent in the first two quarters of 2024, reflecting higher intermediate imports and robust domestic demand for capital and consumption goods.

FIGURE 1 Malaysia / Real GDP growth and contributions to real GDP growth



Sources: Bank Negara Malaysia and World Bank staff calculations.

FIGURE 2 Malaysia / Actual and projected poverty rate and real private consumption per capita



Source: World Bank. Notes: see Table 2.

Headline inflation edged higher in 1Q and 2Q of 2024 at 1.7 percent and 1.9 percent respectively from 1.6 percent in 4Q 2023 due to policy adjustments. Meanwhile, core inflation moderated to 1.8 percent in 1Q 2024 from 2.0 percent in 4Q 2023 with easing food and beverages prices, before edging higher to 1.9 percent in 2Q 2024 due to inflation in the food-away-from-home segment. On the labour market front, the national unemployment rate remained similar to pre-pandemic levels at 3.3 percent in 2Q 2024, while nominal wage growth increased slightly to 2.7 percent in 2Q 2024 from 2.6 percent in the last quarter.

Despite progress, Malaysia still faces challenges in reducing poverty and inequality. The latest official estimates show that the absolute poverty rate of 6.2 percent in 2022 remained higher than the pre-pandemic level of 5.6 percent in 2019. However, using the international poverty line, at the upper-middle income line of $6.85 2017 PPP dollars a day, poverty fell to 2.3 percent in 2021, from 3.4 percent in 2018. The continued growth in private consumption, combined with the moderation of inflation to mid-2024 has reduced the poverty rate forecast to 1.4 percent in 2024 from 1.5 percent in 2023. Meanwhile, income inequality, measured by the Gini index based on household per capita net income stood at 40.7 in 2021, compared to 41.2 in 2018.

Outlook

Following weaker-than-expected growth in 2023, Malaysia's economy is forecast to expand to 4.9 percent in 2024 from 3.7 percent in 2023, an increase of 0.6 percentage points compared to the previous forecast in April 2024. This reassessment reflects stronger-than-expected household consumption as well as improved investment and trade performance in 1H 2024. Recent data also point to continued strength in domestic demand and export activities in 2H 2024. Private consumption is projected to expand to 5.5 percent in 2024 from 4.7 in 2023, supported by further improvement in labor market conditions and wage growth, as well as continued government household income support. GFCF is expected to grow faster at 7.4 percent in 2024 from 5.5 percent in 2023, with private investment being supported by ongoing multi-year projects and the realization of recently approved investments in the manufacturing and services sectors. Meanwhile, exports are expected to recover to 5.9 percent growth in 2024 from -8.1 percent in 2023, driven by improved global trade, increased demand for E&E exports, and continued rise in tourist arrivals driving services exports. Inflation is projected to moderate to around 2.1 percent in 2024 from 2.6 percent in 2023, reflecting softer global commodity prices and weaker-than-anticipated passthrough effects of recent policy changes on inflation. Growth is expected to expand at a more moderate rate of 4.5 percent in 2025, with more modest growth in trade and investment.

Weaker-than-expected activity in advanced economies, escalating geopolitical tensions, and potential underperformance of China's growth could pose risks to Malaysia's growth outlook. On the domestic front, slower growth in real disposable income and the lingering effects of post-pandemic monetary policy normalization may pose downside risks to private consumption. Supply-side disruptions in commodity production, potentially due to unfavorable weather conditions, could also impede growth.

Poverty is expected to decline further. The government could strengthen its pro-poor fiscal system through reforms without necessarily increasing additional spending, for instance, through the reallocation of subsidy funds towards a targeted social assistance for vulnerable households.

TABLE 2 **Malaysia** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	3.3	8.9	3.6	4.9	4.5	4.3
Private consumption	1.8	11.3	4.7	5.5	5.4	5.4
Government consumption	5.8	5.1	3.3	3.9	4.4	4.5
Gross fixed capital investment	-0.7	6.8	5.5	7.4	4.1	3.2
Exports, goods and services	18.5	14.5	-8.1	5.9	4.5	4.3
Imports, goods and services	21.2	16.0	-7.4	6.7	5.1	4.8
Real GDP growth, at constant factor prices	3.3	8.9	3.5	4.9	4.5	4.3
Agriculture	-0.3	1.3	0.7	3.2	2.0	1.8
Industry	5.7	6.7	1.3	4.3	3.6	3.4
Services	2.2	11.4	5.2	5.4	5.4	5.2
Inflation (consumer price index)	2.5	3.4	2.5	2.1	2.8	2.5
Current account balance (% of GDP)	3.9	3.2	1.5	1.8	1.6	0.6
Net foreign direct investment inflow (% of GDP)	2.0	0.7	0.0	1.6	1.5	1.5
Fiscal balance (% of GDP)	-6.4	-5.5	-5.0	-4.2	-3.7	-3.3
Revenues (% of GDP)	15.1	16.4	17.3	16.6	16.6	16.6
Debt (% of GDP)	63.3	60.2	64.3	64.5	64.8	64.6
Primary balance (% of GDP)	-3.9	-3.2	-2.5	-1.8	-1.0	-0.6
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	2.3	1.7	1.5	1.4	1.2	1.1
GHG emissions growth (mtCO2e)	0.5	3.6	-0.7	1.1	1.3	1.3
Energy related GHG emissions (% of total)	62.2	63.1	62.7	62.9	63.2	63.3

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 EAPPOV harmonization, using 2014-HIS and 2022-HIS. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.
b/ Projection using annualized elasticity (2013-2021) with pass-through = 0.7 based on private consumption per capita in constant LCU.

MONGOLIA

Table 1	2023
Population, million	3.4
GDP, current US$ billion	20.5
GDP per capita, current US$	5956.9
Lower middle-income poverty rate ($3.65)[a]	2.4
Upper middle-income poverty rate ($6.85)[a]	22.1
Gini index[a]	31.4
School enrollment, primary (% gross)[b]	95.6
Life expectancy at birth, years[b]	72.7
Total GHG emissions (mtCO2e)	83.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2022).

Mongolia's GDP growth is forecasted to remain robust at 5.3 percent in 2024, despite adverse weather affecting the agricultural sector. With rising real wages, the poverty rate, measured at the upper-middle-income poverty line, is projected to decrease to 20.1 percent by the end of 2024 from 20.9 percent in 2023. Significant risks and challenges persist, including the potential for renewed fiscal and balance of payment pressures.

Key conditions and challenges

The ongoing mineral export boom in Mongolia is delivering positive macro-fiscal outcomes for the second consecutive year. However, it also underscores Mongolia's increasing dependence on the volatile mining sector and the pressing need for economic diversification. The focus on coal-driven growth exacerbates both climate and development challenges, emphasizing the critical need for structural reforms.

Robust economic growth post-COVID has elevated Mongolia to upper-middle-income status in 2024. Using the World Bank poverty rate for upper-middle-income countries, the poverty rate is projected to fall to 20.1 percent in 2024 from 20.9 in 2023. While strong wage growth and declining inflation have led to increased real household incomes and consumption since 2023, income growth has been unevenly distributed between Ulaanbaatar (7.4 percent) and other areas (-3.5 percent in the countryside).

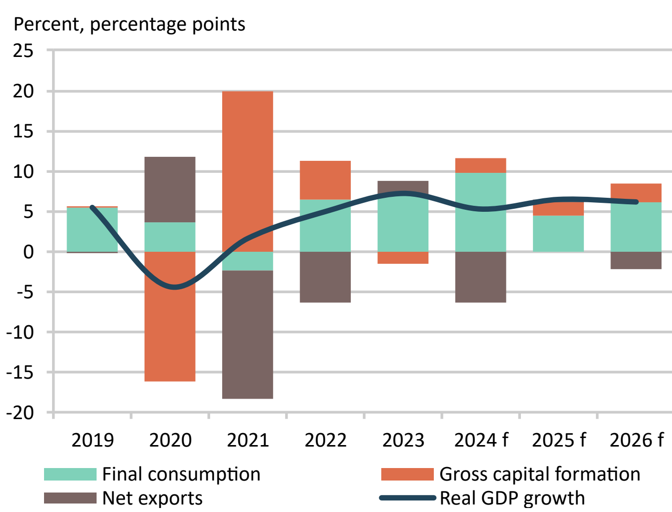
To boost growth, the newly formed coalition government seeks to accelerate major projects under its four-year action plan. While the plan to leverage public-private partnerships and the newly established development fund—drawing resources from the intergenerational savings fund—intends to ensure fiscal affordability, a rapid scale up of investment and fiscal expansion poses significant risks, including renewed inflationary pressures, increased import demand, fiscal inefficiencies, and the reemergence of fiscal and external imbalances.

Recent developments

Economic growth slightly declined to 5.7 percent in the first half of 2024 (down from 7.2 percent in 2023) mainly due to a 26.7 percent contraction in agriculture production amid harsh weather conditions (dzud phenomenon), stymying rural household income growth. Meanwhile, more than half of the growth was explained by mining and transportation services—reflecting greater coal exports and rising imports, driven by the recovery of domestic demand. On the demand side, robust growth in public and private consumption were the main drivers of economic growth. Despite a robust momentum in coal exports, growth was dampened by increased demand for imported goods including both consumer durable goods and investment inputs.

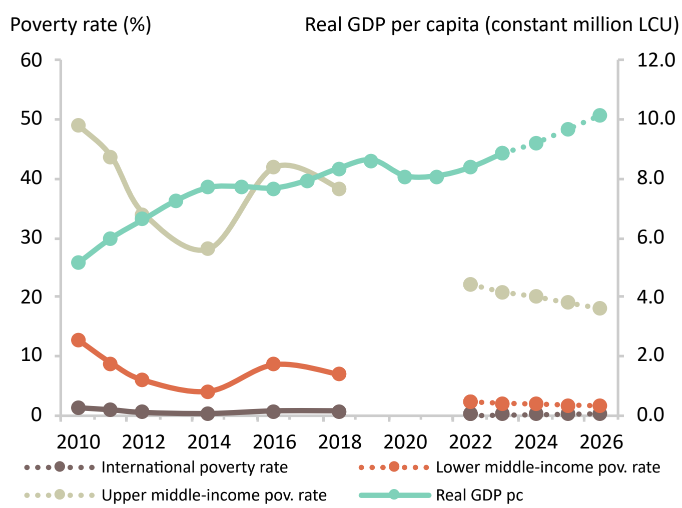
Consumer price pressures eased in the first half of 2024, staying within the central bank's target range of 6±2 percent. Inflation for both domestic food and imported goods continued to decline throughout H1 2024, accentuated by nominal exchange rate appreciation. By July 2024, headline inflation had decreased to 5.5 percent, down from 7.9 percent at the end of 2023, and coupled with wage increases, supported real household income and consumption growth. Declining inflation enabled the central bank to reduce the policy rate

FIGURE 1 Mongolia / Real GDP growth and contributions to real GDP growth



Sources: National Statistics Office and World Bank.

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



Source: World Bank. Notes: see Table 2.

by 200 basis points in H1 2024, bringing it to 11 percent.

Despite continued high spending levels, the government maintained a budget surplus of 2.6 percent of GDP as of June 2024, contributing to a further reduction in the public debt-to-GDP ratio. This positive fiscal outcome was driven by robust revenues from mineral exports and increased economic activities, particularly from taxes on imports of goods and services. Public debt, including obligations from the Development Bank of Mongolia, was estimated at 38.2 percent of GDP by the end of H1 2024, with no major external repayments to commercial lenders due until Q2 2026.

Despite strong export revenues, the current account balance shifted to a deficit of US$309 million (1.4 percent of GDP) by the end of H1 2024. This shift was primarily due to elevated import demand and declining mineral prices. However, increased foreign direct investment helped sustain the accumulation of gross international reserves, enabling the central bank to repay US$830 million—nearly half of its currency swap line with the People's Bank of China—thereby reducing pressures on external debt.

Outlook

In 2024, economic growth is expected to remain robust but moderate to 5.3 percent, largely due to a significant downturn in the agriculture sector caused by the dzud weather phenomenon. While the services and mining sectors are projected to continue growing, the pace is anticipated to slow from the peak levels seen in 2023, particularly in mining. On the demand side, growth is expected to be driven by strong private consumption and fiscal expansion, including increases in real public wages and investments. Additionally, improvements in business lending, spurred by declining interest rates, are anticipated to support private investment.

Fiscal expansion, as outlined in the recent budget amendment, along with rising household incomes, is expected to revive inflationary pressures in H2 2024, leading to a slight uptick in headline inflation. Despite the strong momentum in coal exports, fiscal and current account deficits are anticipated to reemerge in 2024, driven by declining export commodity prices, sustained high levels of government spending, and increasing demand for imports.

In the medium term, growth is expected to reach an average of 6.3 percent over 2025-2026, driven by a substantial increase in mineral production of the Oyu Tolgoi mine. Poverty is also projected to decline further over this time period, but the lingering impacts of the recent dzud may mean heightened vulnerabilities among rural households.

A greater-than-expected fiscal expansion and borrowing, linked to a relaxation of fiscal rules and the advancement of major projects under the government's proposed action plan, could bolster economic growth but also lead to larger fiscal and current account deficits while exacerbating inflationary pressures. Externally, Mongolia could face significant negative spillovers from slower-than-expected growth in China, with weaker external demand and prices of key commodities. An escalation of geopolitical tensions and supply issues with fuel imports from Russia could drive up fuel prices. Protracted delays in railway transportation of imported merchandise through the Chinese Tianjin seaport could lead to increased transportation costs and delays.

TABLE 2 Mongolia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	1.6	5.0	7.2	5.3	6.5	6.1
Private consumption	-5.9	8.1	9.7	8.4	5.0	6.8
Government consumption	9.2	6.9	3.2	22.0	4.6	6.8
Gross fixed capital investment	17.7	13.2	5.3	18.0	7.9	6.2
Exports, goods and services	-14.6	32.3	33.2	5.1	23.9	2.4
Imports, goods and services	13.6	29.1	18.9	10.2	15.9	3.9
Real GDP growth, at constant factor prices	0.4	4.2	7.5	5.3	6.5	6.1
Agriculture	-5.5	12.0	-8.9	-23.0	5.0	6.5
Industry	-2.2	-4.5	12.9	8.3	11.5	6.1
Services	3.9	6.9	9.9	11.0	4.1	6.1
Inflation (consumer price index)	7.3	15.2	10.4	7.0	8.0	8.5
Current account balance (% of GDP)	-13.4	-13.2	0.6	-7.8	-6.2	-7.1
Net foreign direct investment inflow (% of GDP)	13.1	13.9	7.3	8.7	6.7	6.2
Fiscal balance (% of GDP)	-3.0	0.7	2.6	-0.9	-0.7	-1.0
Revenues (% of GDP)	32.0	33.8	34.1	35.7	35.8	35.1
Debt (% of GDP)[a]	64.5	62.1	44.4	43.3	42.2	42.0
Primary balance (% of GDP)	-1.1	2.1	4.2	0.6	0.8	0.6
International poverty rate ($2.15 in 2017 PPP)[b,c]	..	0.2	0.2	0.2	0.2	0.2
Lower middle-income poverty rate ($3.65 in 2017 PPP)[b,c]	..	2.4	2.1	1.9	1.7	1.5
Upper middle-income poverty rate ($6.85 in 2017 PPP)[b,c]	..	22.1	20.9	20.1	19.0	18.1
GHG emissions growth (mtCO2e)	3.3	4.4	1.3	0.9	3.4	4.1
Energy related GHG emissions (% of total)	29.1	30.0	31.9	34.1	35.7	37.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Debt excludes the BoM's liability under the PBOC swap line (3.5% of GDP as of mid-2024).
b/ Calculations based on EAPPOV harmonization, using 2016-HSES, 2018-HSES, and 2022-HSES. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.
c/ Projection using annualized elasticity (2016-2018) with pass-through = 1 based on GDP per capita in constant LCU.

MYANMAR

Table 1	2023
Population, million	54.6
GDP, current US$ billion	62.3
GDP per capita, current US$	1140.6
International poverty rate ($2.15)[a]	2.0
Lower middle-income poverty rate ($3.65)[a]	19.6
Upper middle-income poverty rate ($6.85)[a]	68.2
School enrollment, primary (% gross)[b]	118.9
Life expectancy at birth, years[b]	67.3
Total GHG emissions (mtCO2e)	246.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Last official estimate based on 2017 Myanmar Living Conditions Survey, 2017 PPPs.
b/ WDI for School enrollment (2018); Life expectancy (2022).

The economy continues to face challenges from increased conflict and economic instability. Rapid kyat depreciation and high inflation have reduced household consumption. In 2023/24, 32 percent of the population is estimated to live in poverty. Trade, foreign exchange restrictions, and price controls on food and fuel distorted markets, leading to shortages. The outlook remains bleak, with little to no growth projected in 2024/25.

Key conditions and challenges

Myanmar's economic situation has become more challenging over the past six months due to heightened conflict around the country and recent severe flooding. More than half of the country's 330 townships were embroiled in active conflict as of mid-August, disrupting livelihoods, trade, and major public investment projects. The UN estimates that around 1.4 million people have been displaced between October 2023 and early September 2024, increasing the total number of internally displaced people to 3.4 million (about 6 percent of the population). Conflict has disrupted the transport of goods within Myanmar and created obstacles to land border trade with Thailand, China, and India. In September, heavy rains associated with Typhoon Yagi triggered major flooding in large parts of the country, with devastating impacts on lives and livelihoods.

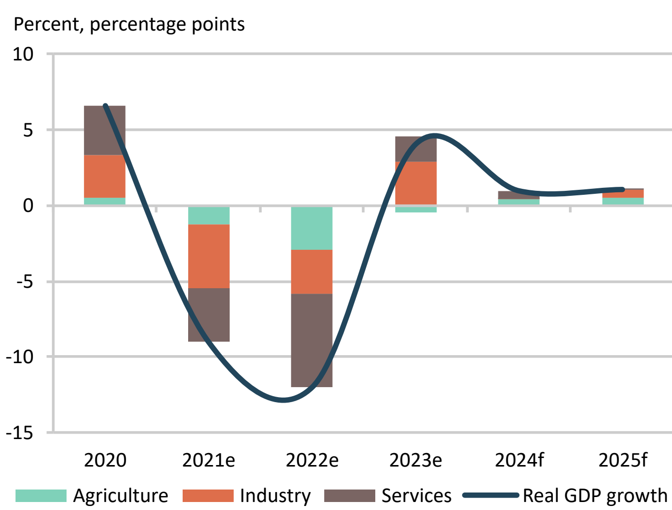
The kyat has depreciated rapidly, fueling inflation and straining real household incomes and consumption. The kyat lost 40 percent of its value against the US dollar on parallel markets over the first eight months of 2024. While the latest official data show that consumer prices rose by 30.2 percent over the year to September 2023, food and fuel prices have continued to increase rapidly in more recent months driven by pass-through from exchange rate depreciation and domestic supply disruptions. The authorities have responded to price pressures by enforcing price ceilings on essential commodities such as rice, edible oil, and petroleum products and maintaining strict controls over foreign exchange transactions. However, these measures have been largely counterproductive, triggering further shortages and exacerbating market distortions.

The combined effects of subdued economic activity, high inflation, and weak labor markets have led to a significant increase in poverty. The 2023-24 Myanmar Subnational Phone Survey (MSPS) estimated poverty to be 32.1 percent in 2023-24, a reversion to levels last seen in 2015. Internally displaced populations (IDPs) are particularly vulnerable, with estimated poverty rates as high as 48 percent. Rural poverty increased to an estimated 35.7 percent from 30.2 percent in 2017, while urban poverty rose faster, more than doubling from 11 percent in 2017 to an estimated 23 percent. This was due mainly to a significant decline in job quality, with the share of wage earners in overall employment falling by 9.3 percentage points since 2017.

Recent developments

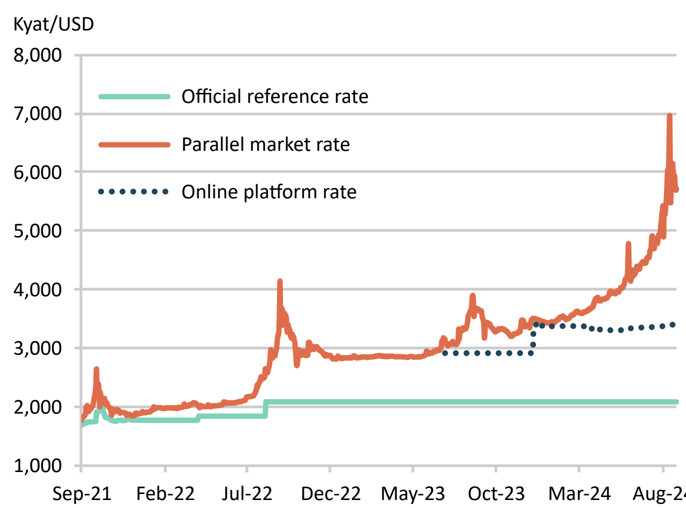
Economic activity has remained subdued, with GDP estimated to have risen by just 1 percent in the fiscal year ended March 2024, remaining around 10 percent below pre-pandemic levels. In the April 2024 round of the World Bank

FIGURE 1 Myanmar / Real GDP growth and contributions to real GDP growth by sector



Sources: Ministry of Planning and Finance and World Bank staff estimates.

FIGURE 2 Myanmar / Exchange rates



Sources: Central Bank and foreign exchange market sources.

Firm Survey, firms reported operating at 65 percent of their capacity on average, a pick up from September 2023 but still 10 percentage points below levels a year earlier. The services sector, particularly retail and tourism, has been adversely affected by high inflation and diminished consumer purchasing power, as well as significant stock shortages due to import restrictions and the enforcement of price controls. After showing signs of recovery earlier in the year, the manufacturing purchasing managers' index (PMI) returned to contractionary territory in July and August, with firms reporting declines in output and new orders amid weaker domestic demand, material shortages, and higher input prices. In contrast, agriculture has shown resilience reflecting favorable international prices for rice, beans, and pulses.

External trade has declined due mainly to disruptions at major land borders. In the five months to May 2024, the US dollar value of imports fell by 12 percent (compared with a year earlier) while the value of exports increased by 2 percent, resulting in a narrowing of the trade deficit to about US$440 million (0.6 percent of GDP). In the same period, exports (excluding natural gas) and imports through land borders fell by 27 and 61 percent, respectively. Manufacturing export values declined by 12 percent due mainly to weak external demand and domestic constraints, including conflict and power outages, while agricultural export values increased by 31 percent reflecting higher prices for key crops.

Inflationary pressures have remained acute, due to increases in both food and non-food prices. The WFP food price index rose by 27 percent between April and July 2024, driven by conflict-related supply disruptions and exchange rate pressures. Fuel prices increased by 12 percent between April and August, driven by shortages and exchange rate depreciation.

The budget deficit increased to 6.1 percent of GDP in the year to March 2024, up from 3.3 percent of GDP in the previous year, driven mainly by a substantial drop in revenues. Total revenue fell to 19.8 percent of GDP from 23 percent in the previous year as both tax and non-tax revenues declined, with a large drop in receipts from State-owned Economic Enterprises (SEEs), especially those in the oil and gas sector. Public debt has risen to 66 percent of GDP.

Outlook

The economic outlook is bleak with GDP growth projected to remain very weak in the year ended March 2025. Economic activity will remain constrained by conflict, trade and logistics disruptions, exchange rate volatility, and power outages. Ongoing regulatory uncertainty and the imposition of trade and foreign exchange restrictions and price controls will continue to adversely affect businesses across all sectors. High inflation will exert downward pressure on household consumption, with particularly large impacts on services industries such as retail trade. Weakness in employment and real incomes is likely to persist, potentially pushing more households into poverty.

The risks to this already weak baseline outlook are predominantly to the downside, with the potential for further escalation in conflict and additional damaging volatility in the exchange rate and other key prices. At the same time, shifts in employment patterns and reductions in human capital threaten Myanmar's longer-term development and poverty reduction efforts.

TABLE 2 Myanmar / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2020	2021e	2022e	2023e	2024e	2025f
Real GDP growth, at constant factor prices	6.6	-9.0	-12.0	4.0	1.0	1.0
Agriculture	2.2	-5.7	-12.8	-2.2	2.0	2.4
Industry	8.0	-11.8	-8.2	8.0	0.0	1.4
Services	7.8	-8.4	-14.7	3.9	1.4	-0.1
Inflation (consumer price index)	9.1	2.3	9.6	27.2	26.5	23.0
Current account balance (% of GDP)	-1.8	-0.4	-2.4	-3.1	-3.9	-3.9
Fiscal balance (% of GDP)	-6.2	-7.9	-1.5	-3.3	-6.1	-6.7
Revenues (% of GDP)	20.6	14.8	10.9	23.0	19.8	16.8
Public sector debt (% of GDP)	42.3	53.9	59.8	60.1	66.2	69.1
Primary balance (% of GDP)	-4.5	-5.6	0.0	-1.0	-3.7	-3.6
GHG emissions growth (mtCO2e)	1.5	-2.4	1.8	0.4	-4.4	0.3
Energy related GHG emissions (% of total)	17.0	15.1	15.6	15.3	11.5	10.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
Estimates and projections are for years ended March.

NORTH PACIFIC ISLANDS

Table 1	FSM	MHL	PLW
Population, million	0.11	0.04	0.02
GDP, current US$ billion	0.42	0.23	0.22
GDP per capita, current US$	3835	5663	11022
LMIC poverty rate ($3.65)	40.8[a]	6.1[b]	
Gini index	40.1[a]	35.5[b]	

Source: WDI, World Bank, and official data.
Notes: The actual year for the table data is 2023.
Abbreviations: LMIC = Lower middle-income;
FSM = Federated States of Micronesia; PLW = Palau;
MHL = Republic of the Marshall Islands; Estimates for poverty rates and Gini index do not exist for Palau.
a/ Most recent value (2013), 2017 PPPs.
b/ Most recent value (2019), 2017 PPPs.

Despite a rebound in activity in FY23 in the North Pacific, output remained below pre-pandemic levels. Inflation subsided in FY23 in RMI but remained high in FSM and Palau. Poverty rates are expected to decline in the coming years, contingent on continued growth. The newly approved Compact of Free Association (COFA) agreement with the United States will deliver US$6.5 billion in assistance to the region over the next 20 years. Structural reforms are needed to boost long-term growth and achieve fiscal sustainability.

Key conditions and challenges

Following contraction in FY22, economic activity gained momentum in the North Pacific in FY23 with a pick-up in capital projects, fisheries output, and tourism. However, output levels for the region remained below pre-pandemic levels at the end of FY23. Economic activity is expected to further expand in FY24 but downside risks to the outlook remain pronounced. In the short term, the key challenges include (1) slower than expected recovery of tourist arrivals (particularly in Palau); and (2) higher than expected global food and fuel prices due to an escalation of geopolitical tensions and conflict.

The Compact of Free Association (COFA) agreements approved by the United States on March 9, 2024, will deliver a total of US$6.5 billion in assistance to the three North Pacific countries over the next 20 years starting in FY24. FSM will receive US$3.3 billion, RMI US$2.3 billion, and Palau $889 million. The renewed agreements mark a significant increase in financial assistance for FY24, to normalize over the medium term as share of GDP.

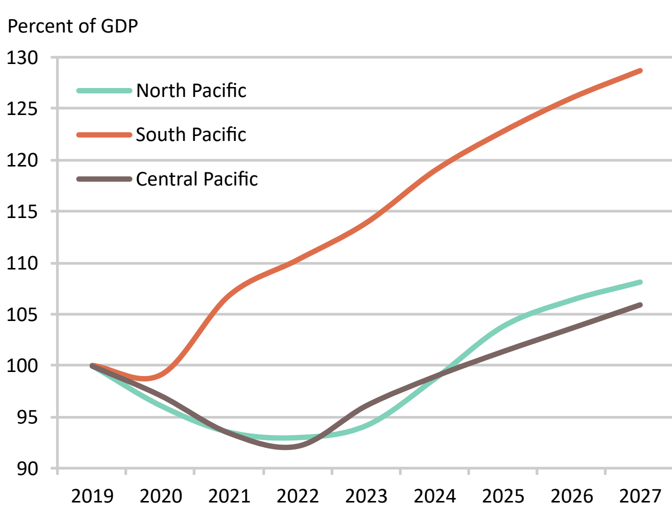
Even with the approval of the new Compact, implementing reform-based fiscal adjustments, such as domestic revenue mobilization and expenditure rationalization, remain crucial to enhancing fiscal sustainability. Natural disasters and climate change continue to pose a threat to economic activity and livelihoods. Structural reforms are needed to ensure a sustainable economic recovery that supports the livelihood of households and poverty reduction. Based on the lower middle-income class poverty line of $3.65 (2017 PPP USD per person per day), FSM has a poverty rate of 40.8 percent (2013 data) and RMI has a poverty rate of 6.1 percent (2019 data). The lack of recent household data for Palau and FSM presents a challenge in monitoring development progress. In Palau, the 2023-2024 household income expenditure survey is currently concluding fieldwork and could be used for poverty measurement.

Recent developments

After a period of volatility, growth in the **Federated States of Micronesia (FSM)** rebounded to 0.4 percent in FY23, supported by the resumption of infrastructure projects and an increase in national government wages. Inflation reached a decade high of 6 percent reflecting the lagged effects of elevated global commodity prices and domestic supply constraints. FSM registered fiscal surpluses of 1.6 percent of GDP in FY23. Government debt declined to 12.4 percent in FSM in FY23 and the risk rating of overall debt distress improved from high to moderate.

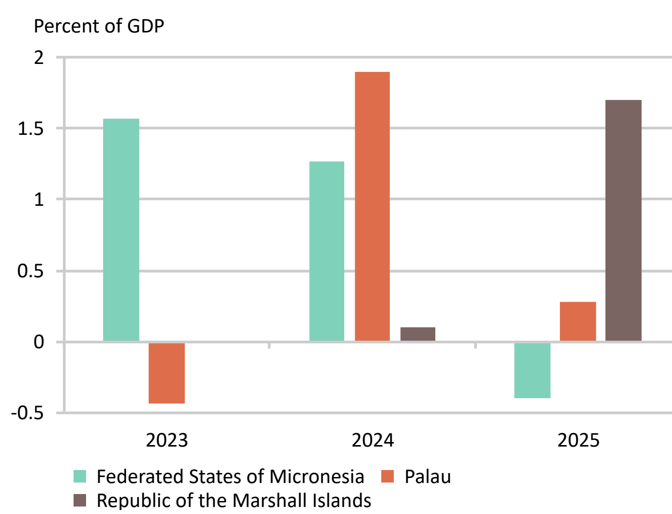
In the **Republic of the Marshall Islands (RMI)**, output expanded by 3 percent due to a revival in fisheries activity as well as strong demand for services. Inflation moderated to 3 percent from 5 percent in FY22 as supply chain disruptions eased

FIGURE 1 North Pacific Islands / Real GDP, relative to 2019 GDP



Sources: National sources, IMF WEO, and World Bank projections.
Notes: 2019 GDP level is 100. South Pacific includes Tonga, Samoa, and Vanuatu. Central Pacific includes Kiribati, Nauru, and Tuvalu.

FIGURE 2 North Pacific Islands / Fiscal balance



Sources: National sources, EconMap, IMF WEO, and World Bank projections.

leading to a reduction in food and fuel prices. A balanced budget was achieved as COVID-19 related grants were withdrawn. At 21.6 percent of GDP debt remains sustainable, but the overall risk of debt distress is high.

In **Palau**, economic growth recorded 0.3 percent in FY23, as tourism activity picked up due to arrivals from Macau. While inflation reduced from a peak of 13.2 percent in FY22, it remained high at 10.8 percent in FY23 due to high food and fuel import prices. A modest fiscal surplus of 0.3 percent of GDP was driven by increased consumption tax collections. Debt remains sustainable but debt levels are high, at 75.7 percent of GDP at the end of FY23.

Poverty in FSM and Palau is expected to have risen between 2020-2022 relative to pre-crisis levels. However, in RMI, poverty is estimated to have fallen marginally from 31 percent in 2020 (measured using the upper middle-income poverty rate ($6.85 in 2017 PP)) to 30 percent in 2022 due to a fall in population driven by out-migration.

Outlook

In **FSM**, the economy is projected to accelerate to 1.1 percent in FY24, supported by the continued pick-up in public investment and the increase in public sector wages. Inflation is expected to stabilize at 2.9 percent over the 2024-27 period. Despite increased Compact funds, in the absence of structural reforms, the fiscal balance is projected to turn into a deficit in FY25 and deteriorate thereafter. Further, the new revenue-sharing agreement, with an increased share of fishing revenues and Compact funds allocated to States, is expected to put pressure on the National Government's budget going forward. The projected low growth trajectory reflects low efficiency of public investment and increasing outmigration.

In **RMI**, output is expected to grow by 3.4 percent in FY24 mainly driven by continued expansion of the fishery sector and strong construction activity financed by Compact transfers. Economic activity is expected to reach pre-pandemic levels in FY24. In line with easing global food and energy prices, inflation in FY24 is expected to subside to 2.5 percent before further declining to 2 percent from FY25 onwards. A fiscal surplus of 1.7 percent of GDP is projected for FY24 in RMI, with modest surpluses expected from FY25 onwards due to new Compact funding.

In **Palau**, the recovery in tourism is projected to lead to a double-digit expansion of 12 percent in FY24. GDP is projected to remain on a lower trajectory until tourist arrivals reach pre-pandemic levels in FY26. Inflation in Palau is expected to decrease to 3.1 percent in FY24 and decline further from FY25 onwards. A large fiscal surplus of 1.9 percent of GDP is projected for FY24, as tourism activity leads to an increase in revenues. Modest fiscal surpluses are expected from FY25 onwards due to continued increases in tourism receipts and full implementation of the tax reform bill.

Poverty is projected to decline in RMI and Palau from FY23 onwards as these economies recover. A decline in poverty is also expected in FSM from FY23, though the real incomes of the poor have been subject to inflationary pressures.

The outlook is subject to significant downside risks. High interest rates globally, albeit declining, may create adverse spillover effects. If growth in advanced economies is slower than anticipated, the projected recovery in tourism may fail to materialize and weaken growth prospects in Palau. Higher than expected global food and fuel prices could reignite inflationary pressures. The region's vulnerability to natural disasters and climate change remains an important underlying adverse risk to economic growth.

TABLE 2 North Pacific Islands / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2022	2023e	2024f	2025f	2026f	2027f
Real GDP growth, at constant market prices						
Federated States of Micronesia	-1.4	0.4	1.1	1.7	1.1	0.8
Republic of the Marshall Islands	-0.6	3.0	3.4	4.0	3.2	2.4
Palau	0.0	0.2	12.0	11.0	3.5	2.0
Poverty rates of the Republic of the Marshall Islands						
International poverty rate ($2.15 in 2017 PPP)[a,b,c]	0.8	0.8	0.8	0.6	0.5	0.4
Lower-middle income poverty rate ($3.65 in 2017 PPP)[a,b,c]	5.6	4.9	4.6	3.8	3.6	3.5
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b,c]	30.0	27.7	25.5	23.0	21.0	19.8

Sources: ECONMAP, IMF, and World Bank.
Note: e = estimate; f = forecast. Values for each country correspond to their fiscal years ending September 30.
a/ Calculations based on EAPPOV harmonization, using 2019-HIES.
b/ Projection using neutral distribution (2019) with pass-through = 1 (High) based on GDP per capita in constant LCU.
c/ For 2022-2025 projections, no change in population is assumed due to a lack of updated population projections.

PAPUA NEW GUINEA

Table 1	2023
Population, million	10.3
GDP, current US$ billion	30.4
GDP per capita, current US$	2942.7
International poverty rate ($2.15)[a]	39.7
Lower middle-income poverty rate ($3.65)[a]	67.7
Upper middle-income poverty rate ($6.85)[a]	90.2
Gini index[a]	41.9
School enrollment, primary (% gross)[b]	109.5
Life expectancy at birth, years[b]	66.0
Total GHG emissions (mtCO2e)	53.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2009), 2017 PPPs.
b/ WDI for School enrollment (2018); Life expectancy (2022).

The growth momentum increased in 2024 with the reopening of a major gold mine (Porgera). The government has continued implementing its fiscal consolidation plan to safeguard macroeconomic stability. Inflation bottomed, while the Bank of PNG moved to greater exchange rate flexibility. To make the growth model more inclusive and reduce persistent high poverty, prudent macroeconomic management, better services, enabling business environment, and stronger resilience are needed.

Key conditions and challenges

Since gaining independence in 1975, the economy has more than tripled. However, real GDP per capita has only seen an annual increase of 0.9 percent—a sluggish rate compared to other lower middle-income resource-exporting nations. The growth trajectory has been marked by pronounced fluctuations, reflecting high susceptibility to shifts in international commodity prices. The inclusiveness of growth has been limited by the heavy reliance on capital in the resource sector and the underperformance of the non-resource sector.

Weak human development outcomes present missed opportunities for faster and more inclusive economic growth. Papua New Guinea (PNG) has one of the highest stunting rates in the world, affecting almost half of all children under the age of five. Furthermore, 26 percent of youth (10 to 29 year-olds) find themselves outside of training, education, and employment. Weak governance compounds the difficulties in effectively addressing these challenges, with external shocks exacerbating fragility-related risks.

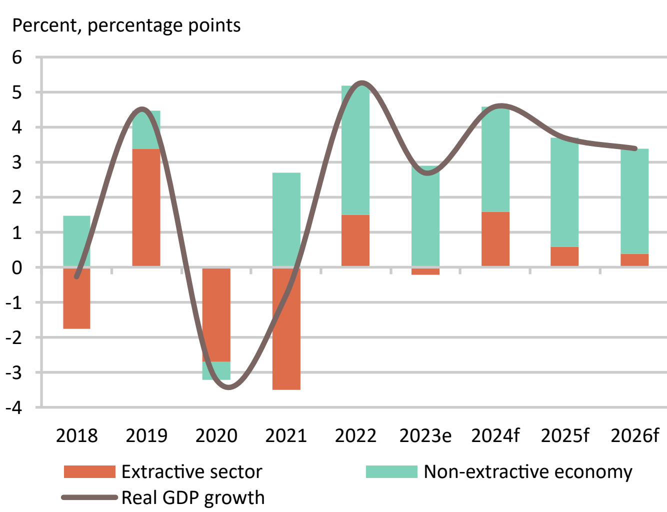
Large segments of the population continue to lag in socio-economic development. The most recent Household Income and Expenditure Survey, from 2009, revealed that around 40 percent of the population lived below the poverty line of US$2.15 per day (2017 PPP terms), and a staggering 74.2 percent are considered to be multidimensionally poor. Access to basic services remains limited, with only 19 percent of the population having access to safe drinking water, and a mere 15 percent of households having access to electricity, according to the 2022 Socio-Demographic and Economic Survey.

Recent developments

The post-COVID recovery was driven by significant improvement in international prices of key export commodities, although the shutdown of the Porgera gold mine limited the rebound of the extractive sector. The economy has recovered to pre-COVID output level but remains below the pre-COVID growth trajectory. Growth is estimated to have slowed to 2.7 percent in 2023, primarily due to maintenance in some extractive facilities. Meanwhile, the non-extractive activity growth is estimated to have exceeded 4 percent. The reopening of the Porgera gold mine in 2024 contributes to the above-average growth in 2024.

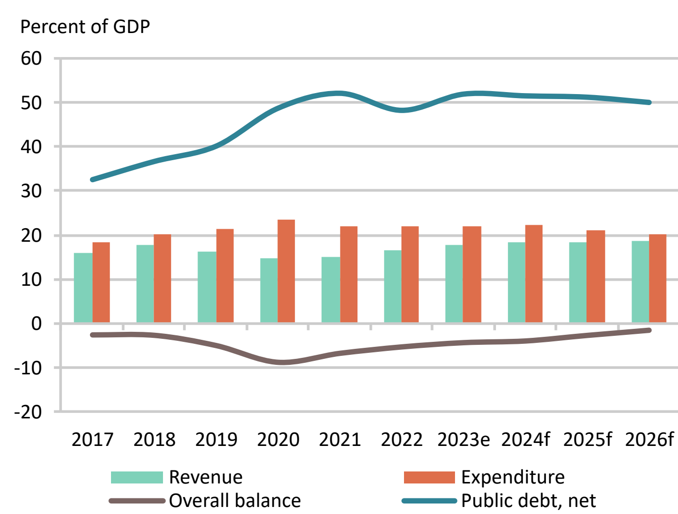
The pandemic exacerbated underlying fiscal weaknesses, and the government has embarked on a gradual fiscal consolidation to safeguard debt sustainability. As the economy recovered to pre-pandemic level, the government reduced the fiscal deficit from 8.8 percent of GDP in 2020 to 4.3 percent of GDP in 2023. Most of the improvement came from resource revenue. In 2023, total revenue increased by 1.4 percentage points of GDP relative to 2022, mostly driven by tax revenue and partly offset by

FIGURE 1 Papua New Guinea / Real GDP growth and contributions to real GDP growth



Source: World Bank staff estimates and forecast.

FIGURE 2 Papua New Guinea / Key fiscal and debt indicators



Source: World Bank staff estimates and forecast.

lower-than-expected dividend payments from state-owned enterprises and entities (foremost by Kumul Petroleum Holding). Meanwhile, the non-resource primary balance(a better measure of the underlying fiscal position unaffected by the volatile resource revenue) did not improve between 2021 and 2023.

Headline inflation decelerated from 6.3 percent in 2022Q3 to 0.1 percent in 2024Q2, year-on-year, mostly driven by lower prices for locally produced food item (betelnut). Meanwhile, core inflation stayed at 4 percent at end-2023, below the historic average. Supported by an IMF-funded program, the Bank of Papua New Guinea (BPNG) allowed, since May 2023, gradual and moderate depreciation of kina to USD. From January 2024, BPNG implemented a crawl-like exchange rate arrangement. To ensure consistency with the new arrangement and keep inflation expectations in check, the BPNG has started to tighten its monetary policy. Since February 2024, BPNG increased the policy rate by a cumulative 100 basis points, to 3 percent.

Monetary poverty likely increased during the initial phases of the COVID-19 pandemic before rebounding to pre-pandemic levels by 2022. High-frequency mobile phone surveys conducted at the beginning of the pandemic found that food insecurity was higher than measured during the 2016-2018 Demographic and Health Survey (DHS). By 2022, food insecurity and employment had both rebounded in these surveys, and food insecurity rates were indistinguishable from estimates in the 2016-2018 DHS. Nevertheless, phone surveys conducted in 2023-2024, confirm that high levels of food insecurity remain a widespread issue.

Outlook

Growth is projected to accelerate in 2024-2025, mostly due to the reopening of the Porgera gold mine. The mine restarted operations in early 2024 and reached normal levels of production by mid-year, so it is expected to boost growth dynamics for both years. Brief violence and looting in January 2024 are likely to have had only a limited and temporary impact on the economy. Medium-term growth is expected to settle at 3 percent. This projection does not account for potential new resource mega-projects, like Papua LNG. Thus, the final investment decision and the initiation of construction present an upside risk to the outlook. Meanwhile, slower-than-expected economic growth could materialize through lower export demand, a more pronounced decline in commodity prices, an impact on business confidence from political instability, and the impact of droughts and other climate-related events.

The growth model has not been sufficiently inclusive and needs an adjustment. There is evidence that the poverty rate at the International Poverty Line of $2.15 (2017 PPP) hasn't declined, imputed to be 39.3 percent based on the 2016-2018 DHS, and is about four times higher than in countries with a similar per capita GDP. To change the situation, the country needs to focus on (1) ensuring prudent macroeconomic policy management, (2) deepening and widening access to quality services to build human capital; (3) enabling private sector development for job creation and inclusive growth; and (4) promoting resilience and environmental sustainability.

TABLE 2 Papua New Guinea / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	-0.8	5.2	2.7	4.6	3.7	3.4
Real GDP growth, at constant factor prices	-1.0	5.8	2.7	4.6	3.7	3.4
Agriculture	1.1	3.1	4.2	3.8	3.5	3.4
Industry	-7.8	5.6	-1.5	5.6	4.3	2.8
Services	4.4	7.1	5.5	4.2	3.3	3.9
Inflation (consumer price index)	4.5	5.3	2.3	4.1	4.8	4.8
Current account balance (% of GDP)	22.2	33.0	23.0	23.5	22.9	22.0
Net foreign direct investment inflow (% of GDP)	-1.5	-1.2	-1.1	-1.3	-1.3	-1.3
Fiscal balance (% of GDP)	-6.9	-5.3	-4.3	-3.7	-2.5	-1.3
Revenues (% of GDP)	15.2	16.7	17.7	18.3	18.5	18.8
Debt (% of GDP)	52.8	48.4	52.4	52.3	51.9	50.2
Primary balance (% of GDP)	-4.4	-3.0	-1.8	-0.8	0.5	1.5
GHG emissions growth (mtCO2e)	-1.0	0.1	0.1	0.1	0.0	0.0
Energy related GHG emissions (% of total)	13.0	12.9	12.8	12.6	12.4	12.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

PHILIPPINES

Table 1	2023
Population, million	117.3
GDP, current US$ billion	437.1
GDP per capita, current US$	3725.6
International poverty rate ($2.15)[a]	3.0
Lower middle-income poverty rate ($3.65)[a]	17.8
Upper middle-income poverty rate ($6.85)[a]	55.3
Gini index[a]	40.7
School enrollment, primary (% gross)[b]	91.9
Life expectancy at birth, years[b]	72.2
Total GHG emissions (mtCO2e)	260.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ Most recent WDI value (2022).

The growth momentum was sustained in the first half of 2024 despite moderating household consumption. Domestic demand was buoyed by higher public consumption and investment. Medium-term growth is expected to average 6.0 percent per year in 2024-2026, driven by robust domestic demand, benefitting from accommodative monetary policy and an improving external environment. Poverty incidence decreased in 2023 and is projected to fall to 11.3 percent by 2026.

Key conditions and challenges

Macroeconomic policies have become more supportive of growth amid moderating household consumption and increasing external uncertainty. Higher public consumption and investment spending have buoyed domestic demand as the government expedited programs and projects. The return of inflation to the target range has allowed the central bank to reduce the policy rate. Managing price pressures will remain crucial to the shift toward a more accommodative monetary policy. Facilitating commodity imports plays an important role in containing food inflation as extreme weather events continue to pose downside risks to domestic supply. External trade has recovered but remains weak given slowing growth in major economies along with increased macroeconomic and geopolitical uncertainty. Monetary policy easing in major economies, including the US, could help stabilize global growth and provide more space for monetary policy normalization domestically.

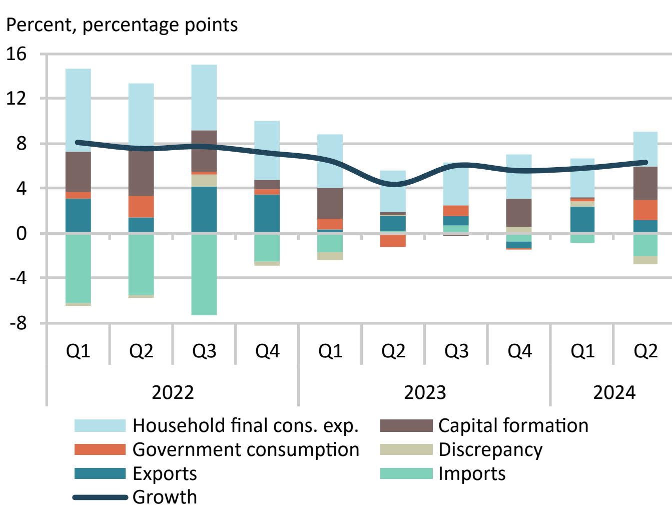
In the longer term, strengthening disaster management and preparedness efforts will be key to increasing agricultural productivity and resilience to climate-related risks. Mitigating vulnerability to supply shocks will help keep inflation and interest rates low, supporting consumption and investment spending. To maximize the impact of public spending, efficient budget execution will be crucial as the pace of public spending slows in line with the medium-term fiscal consolidation program. Sustained infrastructure and social spending will hinge on the government's ability to raise new revenues. Further structural reforms, particularly in the competition and regulatory space, will also be necessary to increase private investment and productivity.

Recent developments

The economy expanded by 6.0 percent year-on-year in the first half of 2024 as a robust labor market and steady remittance inflows underpinned household consumption growth despite the higher cost of living. Private investment growth slowed, impacted by global uncertainty and elevated interest rates, which dampened lending for production activities. Services remained the primary growth driver, led by wholesale and retail trade and financial activities. Growth was buoyed further by the industry sector, supported by public construction, a modest recovery in manufacturing, and an increase in goods exports.

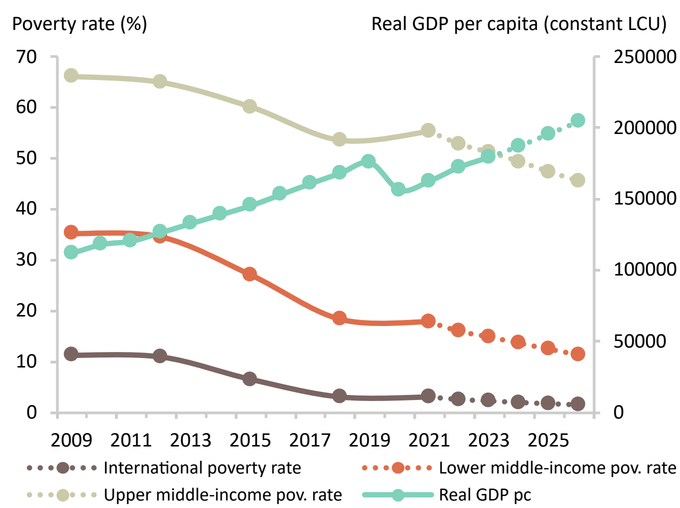
Headline inflation declined to 3.6 percent in the first eight months of 2024 (6.6 percent in the same period in 2023) due to slower increases in the prices of energy, housing, and most food items. However, rice price inflation remains elevated, prompting the government to augment domestic supply by lowering tariffs on rice imports. Underlying price pressures

FIGURE 1 Philippines / Real GDP growth and contributions to real GDP growth



Source: Philippines Statistics Authority.

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



Source: World Bank. Notes: see Table 2.

continued to ease as core inflation declined to 3.2 percent in January-August 2024 (7.4 percent in the same period in 2023). The BSP cut its key policy rate by 25 bps in August, as inflation has remained on a target-consistent path and well-anchored inflation expectations.

The fiscal deficit stood at 4.9 percent of GDP in H1 2024, below the target of 5.3 percent. The narrower deficit was driven by higher non-tax revenues from dividend remittances by government-owned and controlled corporations and steady tax revenue growth. As a result, the national government debt remained largely the same compared to the same period last year.

Poverty incidence declined from 18.1 percent in 2021 to 15.5 percent in 2023. Despite the overall decline, there were provinces with rising poverty, most of which were affected by extreme weather events like El Nino and typhoons. The labor market is consistently improving, suggesting that household incomes may continue to rise and poverty levels to decrease. Robust domestic activity led to the creation of 1.4 million jobs in June 2024 compared to June 2023, primarily driven by increased employment in the construction, hospitality, and transportation sectors. The unemployment rate decreased from 4.5 percent in June 2023 to 3.1 percent in June 2024. However, underemployment has remained steady at 12.1 percent in June 2024.

Outlook

The medium-term outlook remains favorable, averaging 6.0 percent in 2024-26. Strong growth will be driven by robust domestic demand, benefitting from more accommodative monetary policy, and sustained public investment. Private consumption will remain as the main growth engine, supported by steady remittance inflows, a healthy labor market, and lower inflation. Improving investment activity will also support growth, as public investment will remain above 5.0 percent of GDP despite fiscal consolidation. Declining real interest rates will benefit both private investment and household consumption. Meanwhile, external demand will continue to firm up over the forecast horizon, as global growth gradually improves over the forecast horizon.

The fiscal deficit is projected to fall to 4.6 percent of GDP by 2026. The lower deficit will be driven by a reduction in public spending through improvements in spending efficiency and cuts to current spending. Meanwhile, the passage of several priority tax laws, improvements in tax administration, and an increase in dividend remittances by government-owned and controlled corporations is expected to strengthen revenue collection.

The continuous improvement in the labor market and the easing of inflation will likely boost growth in household incomes. Poverty is expected to continue to decline but extreme climatic events pose risks. Poverty incidence is projected to decrease from 17.8 percent in 2021 to 13.6 percent in 2024 and further decrease to 11.3 percent in 2026, using the World Bank's poverty line for lower-middle-income countries of $3.65/day, 2017 PPP.

Risks to the outlook remain tilted to the downside. On the external front, a slowdown in the global economy could weigh on growth through softer external demand. Weaker-than-expected growth in China would dampen growth, given significant trade linkages. On the domestic front, food security may be challenged given persistent weakness in agriculture output, especially in the presence of a stronger-than-expected episode of La Niña. Future commodity price shocks caused by geopolitical conflicts, an increase in trade restrictions, and climate-related disasters remain the main downside risks.

TABLE 2 Philippines / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	5.7	7.6	5.5	6.0	6.1	6.0
Private consumption	4.2	8.3	5.6	5.0	5.8	5.6
Government consumption	7.2	5.1	0.6	8.9	7.8	7.6
Gross fixed capital investment	9.8	9.8	8.2	7.8	8.1	8.7
Exports, goods and services	8.0	11.0	1.4	5.7	6.1	6.2
Imports, goods and services	12.8	14.0	1.0	5.6	7.5	7.7
Real GDP growth, at constant factor prices	5.7	7.6	5.5	6.0	6.1	6.0
Agriculture	-0.3	0.5	1.2	0.5	1.0	1.1
Industry	8.5	6.5	3.6	4.2	4.4	4.5
Services	5.4	9.2	7.1	7.5	7.5	7.3
Inflation (consumer price index)	3.9	5.8	6.0	3.6	3.2	3.0
Current account balance (% of GDP)	-1.5	-4.5	-2.6	-1.8	-1.4	-1.2
Net foreign direct investment inflow (% of GDP)	3.0	2.3	2.0	2.0	1.8	1.8
Fiscal balance (% of GDP)	-8.6	-7.3	-6.2	-5.6	-5.2	-4.6
Revenues (% of GDP)	15.5	16.1	15.7	16.0	16.0	16.2
National Government Debt (% of GDP)	60.4	60.9	60.1	59.5	59.2	58.7
Primary balance (% of GDP)	-6.4	-5.0	-3.6	-3.1	-2.2	-1.7
International poverty rate ($2.15 in 2017 PPP)[a,b]	3.0	2.5	2.2	1.9	1.7	1.4
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	17.8	16.0	14.9	13.6	12.5	11.3
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	55.3	52.8	51.1	49.3	47.3	45.4
GHG emissions growth (mtCO2e)	4.9	5.4	4.0	5.8	5.0	6.3
Energy related GHG emissions (% of total)	57.1	57.7	57.7	58.6	59.1	60.1

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 EAPPOV harmonization, using 2021-FIES. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2021) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

SOLOMON ISLANDS

Table 1	2023
Population, million	0.7
GDP, current US$ billion	1.8
GDP per capita, current US$	2368.1
International poverty rate ($2.15)[a]	26.6
Lower middle-income poverty rate ($3.65)[a]	61.0
Upper middle-income poverty rate ($6.85)[a]	88.5
Gini index[a]	37.1
School enrollment, primary (% gross)[b]	104.3
Life expectancy at birth, years[b]	70.7
Total GHG emissions (mtCO2e)	46.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2012), 2017 PPPs.
b/ WDI for School enrollment (2019); Life expectancy (2022).

The economy is expected to grow by 2.5 percent in 2024, driven by national election related spending and public infrastructure investments in the energy and transportation sectors. In the medium term, growth is projected to average 2.8 percent of GDP, which is expected to reduce poverty, while the fiscal deficit is expected to average 2.9 percent of GDP. State fragility, climate change, and subdued global economic conditions pose downside risks.

Key conditions and challenges

Solomon Islands is a small, remote archipelago with 721,000 people scattered across 90 inhabited islands. Geographic dispersion, remoteness from global markets, and vulnerability to natural calamities all provide substantial obstacles to development. Limited state capacity and political economic dynamics frequently impede the design and implementation of sound public policies. Poor infrastructure, widespread underemployment, and a limited private sector pose significant growth challenges. The Solomon Islands are particularly vulnerable to natural calamities such as earthquakes, cyclones, and tsunamis, which may cause significant economic harm.

The logging sector has historically been a significant driver of growth in the Solomon Islands, however, due to unsustainable extraction the logging sector is in rapid decline, pointing to the need for new sources of growth. World Bank phone survey data collected in the first half of 2024 indicates that food insecurity remains elevated, with about half the population being worried that they did not have enough food to eat in the past 30 days and having to skip a meal in the past 30 days. According to the 2012/13 Household Income and Expenditure Survey (HIES), 61 percent of the population was considered poor based on the lower-middle-income poverty line ($3.65 per day in 2017 PPP).

Recent developments

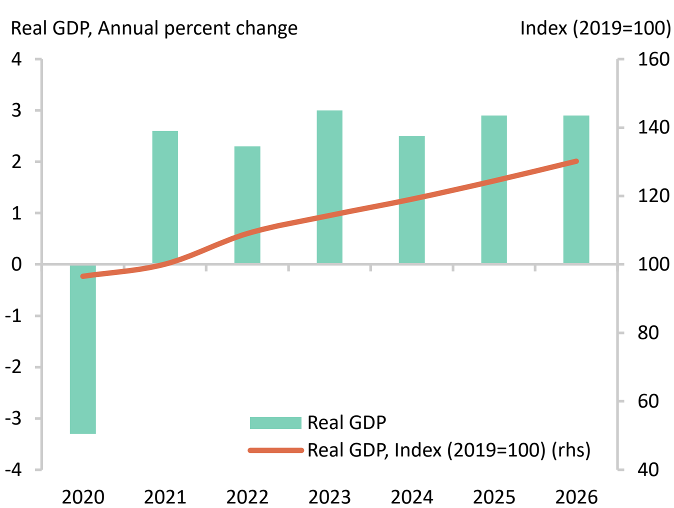
The economy returned to 3 percent growth in 2023, driven by the 2023 Pacific Games, election-related public spending, and a large number of construction projects. Increased international visitor arrivals had a positive impact on the accommodation, restaurant, and transportation sectors. In 2024, growth is expected to reach 2.5 percent, driven by public investment. Data from high-frequency phone surveys indicate that employment has largely remained unchanged in the first months of 2024.

Inflation reached 4.7 percent in 2023 and dropped further to 3.6 percent in June 2024. In March 2024, the Central Bank of Solomon Islands (CBSI) maintained a tight monetary policy stance, holding the cash reserve ratio at 6 percent. The financial sector remains relatively stable, with well-capitalized banks and adequate liquidity levels.

The current account deficit reached 12.9 percent of GDP in 2023, due to a decline in logging and agricultural exports. Foreign reserves fell from 9.5 months of imports in 2022 to 8.4 months of imports by the end of 2023, still above the reserve adequacy range of four to seven months of imports. The current account deficit was financed through external concessional borrowing and foreign direct investment inflows.

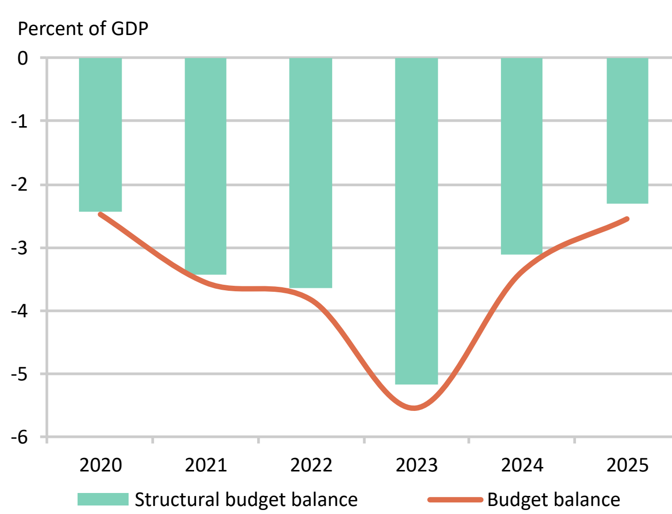
The fiscal deficit in 2023 is estimated at 5.5 percent of GDP. Total revenues expanded slightly to reach 28.4 percent of GDP. The government managed to contain expenditure growth, despite facing substantial spending demands, including

FIGURE 1 Solomon Islands / Real GDP



Sources: IMF and World Bank calculations.

FIGURE 2 Solomon Islands / Fiscal balance



Sources: IMF and World Bank calculations.

expenditures related to the Pacific Games and election preparations. Expenditures increased slightly to 33.8 percent in 2023, explained largely by an increase in development spending. Public debt increased to 18.8 percent of GDP in 2023, up from 15.7 percent of GDP in 2022, due to a rising primary fiscal deficit.

Outlook

The economy is expected to grow by 2.8 percent in the medium term 2024–26. A large infrastructure pipeline and increased mining activity are expected to offset a projected decline in logging. The labor mobility program is expected to contribute to economic activity through the remittance channel. Inflation is projected to average 3.4 percent during 2024-2026 amid cooling energy and food prices. Poverty is expected to decline with projected economic growth and increasing remittances. The new HIES, which is to be collected in 2024/25, will help update the poverty measure.

The current account deficit is projected to remain substantial, averaging 6.9 percent of GDP over the period of 2024-26. This is primarily due to increased import needs from infrastructure projects and an expected decline in logging exports. International reserves are expected to decline to 7 months of imports while remaining adequate.

After reaching 3.4 percent of GDP in 2024, the fiscal deficit is projected to decline over the medium term, reaching 2.8 percent of GDP in 2026. This partly reflects declining recurrent expenditure and the normalization of development grants after the pandemic and election preparations. Public debt is considered sustainable, and the external and overall risk of debt distress is moderate.

Subdued global economic conditions, climate shocks, low levels of cash buffers, and social instability pose downside risks. An expansion of the tourism industry and increasing participation in regional labor mobility programs may provide economic benefits, while second order impacts of infrastructure investment may drive a stronger recovery. Subdued global economic conditions may lower demand for commodity exports, particularly logs, with negative consequences for growth, the current account balance, and government finances.

TABLE 2 **Solomon Islands** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	2.6	2.3	3.0	2.5	2.9	2.9
Real GDP growth, at constant factor prices	2.6	2.3	3.0	2.5	2.9	2.9
Agriculture	3.4	3.3	1.8	1.2	2.0	1.8
Industry	1.5	1.0	5.0	6.5	4.5	4.5
Services	2.4	2.0	3.2	2.2	2.9	3.1
Inflation (consumer price index)	-0.1	5.5	4.7	3.7	3.3	3.3
Current account balance (% of GDP)	-6.0	-15.5	-12.9	-8.3	-7.1	-5.2
Net foreign direct investment inflow (% of GDP)	1.5	2.3	1.7	1.5	1.3	1.2
Fiscal balance (% of GDP)	-3.6	-3.8	-5.5	-3.4	-2.6	-2.8
Revenues (% of GDP)	27.6	27.3	28.4	24.6	26.1	26.3
Debt (% of GDP)	15.1	15.7	18.8	21.7	24.5	27.1
Primary balance (% of GDP)	-3.3	-3.6	-5.1	-2.9	-2.1	-2.3
GHG emissions growth (mtCO2e)	0.1	0.0	0.0	0.0	0.0	0.0
Energy related GHG emissions (% of total)	0.7	0.7	0.7	0.7	0.7	0.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

SOUTH PACIFIC ISLANDS

Table 1	WSM	TON	VUT
Population, million	0.23	0.11	0.33
GDP, current US$ billion	0.93	0.52	1.10
GDP per capita, current US$	4114	4886	3323
LMIC poverty rate ($3.65)	10.5[a]	1.6[b]	34.9[c]
Gini index	38.7[a]	27.1[b]	32.3[c]

Source: WDI, World Bank, and official data.
Notes: The actual year for the table data is 2023.
Abbreviations: LMIC = Lower middle-income;
WSM = Samoa; TON = Tonga; VUT = Vanuatu.
a/ Most recent value (2013), 2017 PPPs.
b/ Most recent value (2021), 2017 PPPs.
c/ Most recent value (2019), 2017 PPPs.

The economies of Samoa, Tonga, and Vanuatu expanded in FY23, largely driven by a resurgence in travel and reconstruction activities while benefitting from remittances. Although economies are projected to recover to pre-pandemic levels in 2024-25, uncertainties in the global environment pose risks to the outlook to increase potential growth, governments must embark on structural reforms that can boost investment, and adapt fiscal policy to promote resilience to mitigate future shocks.

Key conditions and challenges

Due to their high exposure to tourism and travel, the countries are susceptible to external shocks such as those caused by COVID-19. Combined with the natural disasters, shocks have resulted in significant setback in economic growth and fiscal sustainability. Supply bottlenecks, particularly in the aftermath of disasters, amid heightened demand, including for reconstruction, continue to exert pressures on price and threaten livelihoods. Fiscal policy should aim to support more adaptive and targeted social protection systems while continuing to build fiscal space to mitigate vulnerability to external shocks. Finally, boosting potential growth through increased investment will require implementing structural reforms that foster a conducive environment for business and the private sector. In the near term, this includes ramping up reconstruction efforts in Tonga and Vanuatu following recent natural disasters.

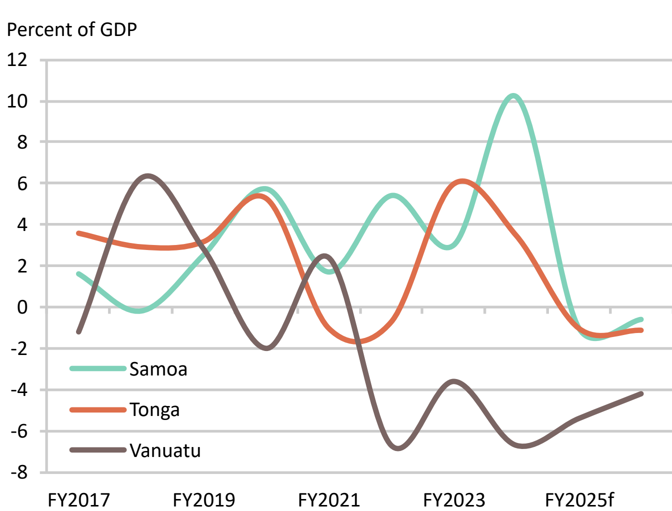
Recent developments

In **Samoa**, growth rebounded strongly by 8 percent in FY23, following three consecutive years of economic contraction, fueled by a strong pick up in tourism post border reopening and robust remittance inflows. Inflation surged to 12.0 percent in FY23 but has been easing. The current account deficit narrowed significantly to 4 percent of GDP in FY23 compared to 11.3 percent of GDP in FY22, primarily on account of strong tourism earnings and remittances. The government recorded another year of fiscal surplus of around 3 percent of GDP in FY23, supported by buoyant revenue collections and lower recurrent expenses. Unemployment has dropped from 14.5 percent to 5.0 percent between 2017-2021, with youth unemployment (ages 15-24) dropping from 31.9 percent to 13.4 percent, and informality dropping from 37.3 percent to 25.3 percent in the same period.

In **Tonga**, the economy grew by an estimated 2.0 percent in FY23, up from near-zero growth in FY22, driven by household consumption supported by remittances, tourism recovery, and public sector investment. Inflation reached 10 percent in FY23 due to domestic supply disruptions, while the current account deficit remained at 6.7 percent as imports supported reconstruction. A fiscal surplus of 6 percent of GDP was recorded, mainly due to high grant inflows and slower reconstruction spending. Poverty rates in 2021 were 1.6 percent based on the lower-middle-income line and 21.5 percent using the upper-middle-income line. About half of households answering the World Bank phone surveys in early 2024 expressed concerns about their financial status in the coming month.

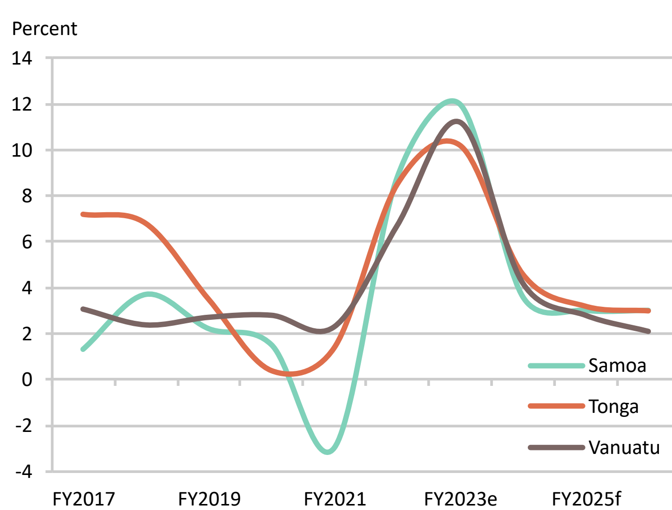
In **Vanuatu**, despite the impact of twin cyclones earlier in the year and growth initially being downgraded, growth reached 2.2 percent in FY23. Economic activity was mainly attributed to the industry and services sectors, especially as tourist arrivals

FIGURE 1 South Pacific Islands / Overall fiscal balance



Sources: National sources and World Bank projections.

FIGURE 2 South Pacific Islands / Inflation (annual average)



Sources: National sources and World Bank projections.

improved, reaching 65 percent of pre-covid levels. In the agriculture sector, the contraction from cyclone damage was less severe than anticipated. Inflation is estimated to have averaged 11.2 percent, mainly owing to domestic supply chain disruptions caused by the cyclone impacts, minimum wage factors, and high food prices, which could disproportionately affect poorer households. A current account deficit of 2.2 percent of GDP is estimated, as pick up in remittances and tourism increased demand for imports. A fiscal deficit of 3.6 percent of GDP was recorded, an improvement from 2022, bolstered by strong Value Added Tax (VAT) revenue amid delayed project spending.

Outlook

In **Samoa**, the economy is projected to grow by a further 10.5 percent in FY24, followed by an average growth of 4.5 percent in FY25 and FY26, driven by a tourism rebound and service sector growth. Inflation subsided in FY24 to 3.6 percent and is expected to ease over the medium term. The current account balance is set to narrow to a surplus of 2.3 percent of GDP, supported by tourism and remittances, amid a dip in imports. A fiscal surplus of 10.2 percent of GDP is estimated for FY24 due to strong tax revenue and modest capital expenditure. However, a fiscal deficit of 1.0 percent of GDP is projected for FY25 due to an increase in spending for the Commonwealth Heads of Government Meeting in October 2024. Poverty rates are likely to return to pre-pandemic levels in line with regional peers.

In **Tonga**, growth is projected at 1.8 percent in FY24, due to a slowdown of agricultural production. Growth is expected to accelerate to 2.4 percent in FY25 due to strong domestic demand, public investments, and a rebound in agriculture as El Niño effects fade. Headline inflation is anticipated to reach below the 5 percent reference rate in FY24, driven by a steady decline in core prices, and continue to subside. The current account deficit is forecast to widen to 7.4 percent of GDP in FY24, driven by construction-related imports. The fiscal balance is projected to remain in surplus at 3.5 percent of GDP in FY24 due to high grant inflows and strong tax collection but may swing to a deficit in FY25 as grants normalize and public spending stays elevated. With the projected steady economic growth, the poverty rate measured with the upper-middle-income poverty line is likely to decline to 16.0 percent in 2026.

In **Vanuatu**, the economy faced a major shock in 2024 with the liquidation of Air Vanuatu, significantly impacting tourism and related sectors, as well as overall economic activity. Growth is projected at only 0.9 percent in 2024, with a gradual recovery expected by 2025. Inflation is set to moderate to 4.2 percent as supply bottlenecks ease. The current account deficit is projected at 7.4 percent of GDP due to lower tourism receipts. The fiscal deficit is forecasted at 6.7 percent of GDP due to reduced non-tax revenues and increased liquidation-related expenditures. Poverty is expected to rise to 48.5 percent by 2026 as income growth remains weak.

TABLE 2 South Pacific Islands / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices						
Samoa	-7.1	-5.3	8.0	10.5	5.5	3.5
Tonga	-1.3	0.1	2.0	1.8	2.4	2.0
Vanuatu	-1.6	1.9	2.2	0.9	1.5	2.1
Poverty rate[a,b]						
Tonga (Upper middle-income poverty rate, $6.85 in 2017 PPP)	21.5	21.3	19.4	18.1	16.9	16.0
Vanuatu (Lower middle-income poverty rate, $3.65 in 2017 PPP)	42.4	43.8	44.4	46.1	47.5	48.5

Sources: World Bank and IMF.
Notes: e = estimate; f = forecast. Financial years for Samoa and Tonga are July-June, for Vanuatu it is January-December. Samoa improved the methodology for GDP calculation and revised the historical data in March 2022 GDP release.
a/ Calculations based on EAPPOV harmonization, using 2021-HIES for Tonga and 2019-NSDP for Vanuatu.
b/ Projection using neutral distribution with pass-through = 1 (High) based on GDP per capita in constant LCU.

THAILAND

Table 1	2023
Population, million	71.8
GDP, current US$ billion	515.0
GDP per capita, current US$	7172.1
Upper middle-income poverty rate ($6.85)[a]	12.2
Gini index[a]	34.9
School enrollment, primary (% gross)[b]	99.7
Life expectancy at birth, years[b]	79.7
Total GHG emissions (mtCO2e)	480.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ WDI for School enrollment (2023); Life expectancy (2022).

While lagging ASEAN peers, Thailand's real GDP growth is projected to accelerate to 2.4 percent in 2024, driven by the recovery of private consumption and tourism. Inflation remains subdued amid still sluggish domestic demand. Poverty is projected to decline to 8.2 percent in 2024, supported by accelerating growth, easing inflation. While consumption stimulus may boost short-term growth, structural reforms are needed to elevate long-term growth.

Key conditions and challenges

Stronger goods export growth, expansion in private consumption, and tourism recovery contributed to a modest pickup in growth. Fiscal spending accelerated after a seven-month delay. The severe flood in northern Thailand damaged agricultural, fishery, and livestock areas, potentially putting pressure on food prices. The upside risk to growth has risen with the increasing likelihood of the digital wallet program, a large-scale cash handout scheme targeting more than 45 million citizens, being implemented. If well targeted at vulnerable households, they could boost domestic consumption in the short term but will add pressure to the public debt.

The goods exports recovery lagged most major Asian exporters. The goods trade surplus remained below pre-pandemic level, driven by persistently high oil import bills and a rising trade deficit with China. Weak Chinese demand and increasing imports, induced by trade diversion due to the US-China tensions, were the drivers.

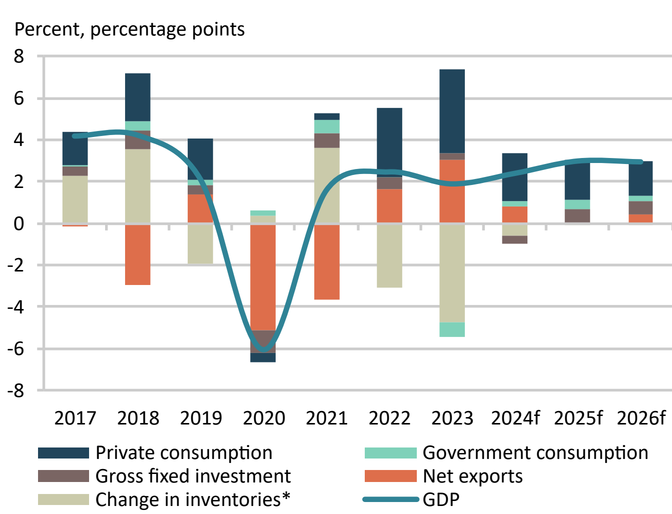
In the medium term, potential growth is facing headwinds from structural challenges such as aging and slowing productivity growth. Poverty has declined, but the pace is slowing due to sluggish growth in household incomes and difficulties in reaching the remaining poor. While consumption-stimulus measures targeted at low-income households can support poverty reduction in the short term, structural challenges and risks remain. Financial stress associated with high levels of household debt persist and the escalating impact of climate events on low-income households remain significant obstacles to poverty reduction.

Recent developments

In Q2 2024, the economy expanded 2.3 percent (year-on-year), slightly higher than 1.6 percent in the previous quarter. On a quarterly basis, GDP increased by 0.8 percent (seasonally adjusted). Growth was boosted by sustained expansion in private consumption, and tourism recovery. Manufacturing output turned slightly positive for the first time in seven quarters. In contrast, private and public investment contracted sharply. There was a significant rundown of inventory amidst both external and domestic uncertainties. Goods exports recovery remained slow. Thailand's recovery continued to lag ASEAN peers and post-covid growth averaged 2.1 percent, well below the pre-pandemic average of 3.4 percent (2015-2019).

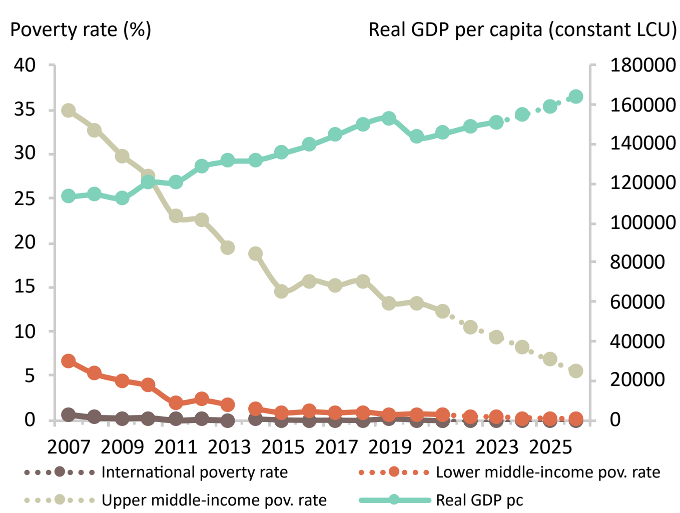
In July, headline inflation reached 0.8 percent, marking the second lowest rate among emerging markets, trailing only behind China. Energy prices increased due to the gradual reduction of subsidies, despite falling global oil prices. Food inflation remained elevated. Core inflation remained subdued at 0.5 percent, below the pre-pandemic average of 0.7 percent from 2016-2019, reflective of the lingering

FIGURE 1 Thailand / Real GDP growth and contributions to real GDP growth



Sources: World Bank staff calculations and NESDC.
Note: *Includes statistical discrepancy.

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



Source: World Bank. Notes: see Table 2.

output gap. The Bank of Thailand kept the policy rate unchanged at 2.5 percent in anticipation of inflation returning to its target range (1-3 percent) by end-2024 amid continued economic recovery. Public debt reached 63.5 percent of GDP. In August, the Thai baht appreciated due to expectations of the Fed's easing cycle and a current account surplus.

Unemployment remained low at 1.1 percent in Q2 2024, unchanged from the previous year. Non-farm employment picked up over the past year, with the economy adding 180,000 manufacturing jobs and 230,000 service jobs. Despite the robust labor market, household income grew at a modest rate of 3 percent per year during 2021-2023. Household debt levels declined in 2023 but remained high at nearly seven times the average household income. Sluggish income growth, high inflation, and financial stress put pressure on real household consumption, which on average grew by a mere 1 percent per year during 2021-2023. Consumption of low-income households grew slightly faster, and the poverty headcount rate (based on the upper middle-income poverty line of 6.85 dollars a day, 2017 PPP) was estimated to have declined from 12.2 percent to 9.4 percent during 2021-2023.

Outlook

Growth to accelerate from 1.9 percent in 2023 to 2.4 percent in 2024. Growth in the second half of the year is expected to improve further with support from the acceleration of budget execution and goods exports. Tourism and private consumption will remain the key drivers this year, but the pace is slowing. Tourism is projected to return to pre-pandemic levels in mid-2025. Goods exports are expected to grow 2.4 percent this year in value of USD term, due to favorable global trade despite the slowing Chinese economy. In 2025, growth is projected to accelerate to 3.0 percent boosted by private consumption and an investment rebound.

Headline inflation will slow to a regional low of 0.7 percent in 2024, below the central bank's target range, due to the moderation in food and energy prices and a negative output gap. The fiscal deficit is projected to narrow in FY24 due to the budget delay, before widening in FY25 to 3.3 percent of GDP as budget execution normalizes, in line with the government's medium-term fiscal framework. The flagship Digital Wallet, which is not yet included in the baseline, could potentially boost near-term growth further by 0.5-1.0 percentage points at a substantial fiscal cost of THB 450 billion (2.4 percent of GDP).

Poverty is projected to decline to 8.2 percent in 2024, supported by accelerating growth and easing inflation. The one-time cash transfer to 14.6 million state welfare cardholders, if implemented in 2024, is expected to further enhance poverty reduction efforts. However, ongoing flood damage may offset some of these gains. In the medium term, sustainable progress in poverty reduction will depend on addressing structural challenges to improve labor income and maintain support for vulnerable populations.

TABLE 2 **Thailand** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	1.6	2.5	1.9	2.4	3.0	2.9
Private consumption	0.6	6.2	7.1	3.9	3.2	2.8
Government consumption	3.7	0.1	-4.6	1.6	3.1	1.8
Gross fixed capital investment	3.1	2.3	1.2	-1.5	2.8	2.8
Exports, goods and services	11.1	6.1	2.1	4.3	3.9	3.0
Imports, goods and services	17.8	3.6	-2.3	3.2	4.1	2.5
Real GDP growth, at constant factor prices	1.9	3.2	1.9	2.4	3.0	2.9
Agriculture	2.5	1.4	2.0	1.5	2.0	2.4
Industry	6.0	3.6	-2.3	1.2	2.7	3.6
Services	-0.3	3.1	4.3	3.1	3.2	2.6
Inflation (consumer price index)	1.2	6.1	1.2	0.6	1.3	1.2
Current account balance (% of GDP)	-2.0	-3.2	1.9	2.5	3.6	4.0
Net foreign direct investment inflow (% of GDP)	-0.8	0.7	-1.4	-1.1	-1.2	-1.1
Fiscal balance (% of GDP)	-6.7	-4.4	-2.0	-1.3	-3.3	-3.1
Revenues (% of GDP)	19.8	19.8	20.8	20.9	21.1	21.5
Debt (% of GDP)	57.7	59.7	62.1	63.1	64.9	66.6
Primary balance (% of GDP)	-5.4	-3.1	-0.8	-0.1	-2.1	-1.9
International poverty rate ($2.15 in 2017 PPP)[a,b]	0.0	0.0	0.0	0.0	0.0	0.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	0.6	0.4	0.3	0.2	0.1	0.1
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	12.2	10.5	9.4	8.2	6.8	5.7
GHG emissions growth (mtCO2e)	2.7	1.6	1.9	1.1	2.7	3.0
Energy related GHG emissions (% of total)	53.7	53.0	52.5	51.3	50.4	49.4

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 EAPPOV harmonization, using 2016-SES and 2021-SES. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.
b/ Projection using annualized elasticity (2016-2021) with pass-through = 1 based on GDP per capita in constant LCU.

TIMOR-LESTE

Table 1	2023
Population, million	1.4
GDP, current US$ billion	1.7
GDP per capita, current US$	1275.9
International poverty rate ($2.15)[a]	24.4
Lower middle-income poverty rate ($3.65)[a]	69.2
Gini index[a]	28.7
School enrollment, primary (% gross)[b]	110.7
Life expectancy at birth, years[b]	69.1
Total GHG emissions (mtCO2e)	6.0

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2014), 2017 PPPs.
b/ WDI for School enrollment (2020); Life expectancy (2022).

Growth slowed in 2023 due to low budget execution during the government transition. Inflation fell to 3.4 percent in early 2024, driven by non-food prices, though food prices remain high. Labor market challenges persist with declining participation, productivity, and wages. Growth is expected to average 3.5 percent from 2024-2026, led by government spending. Key risks include adverse weather, geopolitical tensions, and limited government absorptive capacity. Structural reforms and fiscal consolidation are essential for sustainable growth.

Key conditions and challenges

Timor-Leste's economy remains heavily dependent on public expenditure, with limited private sector development. This lack of economic dynamism has contributed to low growth, a stagnant labor market, and significant external imbalances. From 2013 to 2022, Timor-Leste's economic growth averaged just 1.1 percent, a steep decline from the 4.9 percent growth observed in the decade following independence (2003-2012). Additionally, other contributing factors include political instability and global disruptions caused by the COVID-19 pandemic and Cyclone Seroja, which collectively undermined earlier progress.

The Petroleum Fund, the primary source of funding for the state budget, is projected to be fully depleted within the next decade due to the cessation of production at the Bayu-Undan field in 2023 and withdrawals exceeding sustainable levels. This situation poses a significant sustainability risk for the country, requiring urgent alternative funding sources; otherwise, significant spending cuts will be unavoidable which could lead to sharp decline in public service delivery.

The impact of recent developments on poverty remains uncertain due to a lack of updated data, but there are worrying signs. Stagnant labor force participation and decreased productivity persist, with 77 percent of employment being informal as of 2021, leaving many workers vulnerable to economic shocks. Public sector jobs have become increasingly dominant due to low job creation in the private sector.

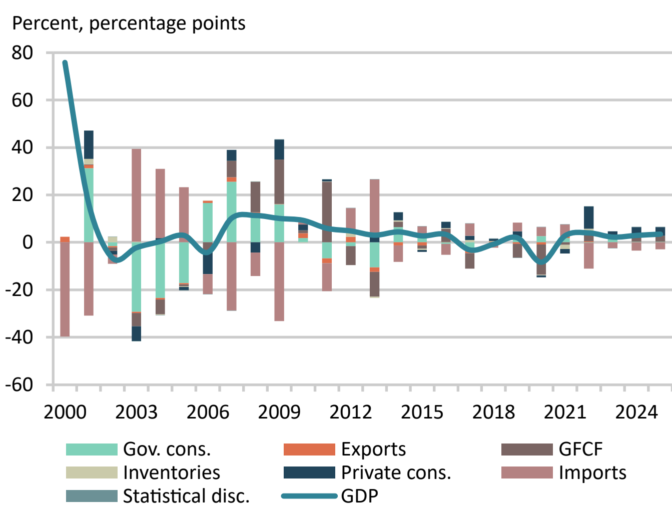
Recent developments

Preliminary government estimates suggest slower economic growth in 2023, at 2.3 percent, down from 2.9 percent in 2021. This slowdown is largely attributed to subdued budget execution during the government transition period between May and October. Budget revisions and extensive government restructuring have likely disrupted public spending. However, increased private consumption, supported by remittance inflows, helped sustain economic activity. The trade deficit remained large but grew more slowly, bolstered by gains in the services sector from increased foreign visits during and after the election period. Nonetheless, limited domestic production continues to drive up imports to meet demand for both consumption and investment.

Headline inflation decreased to 3.4 percent yoy in the first half of 2023, down from 9 percent during the same period in 2022. While non-food prices fell, food and non-alcoholic beverage prices rose by an average of 7 percent, impacting overall inflation given that food constitutes over half of the CPI consumption basket. The appreciation of the US dollar (legal tender) also helped ease inflationary pressures.

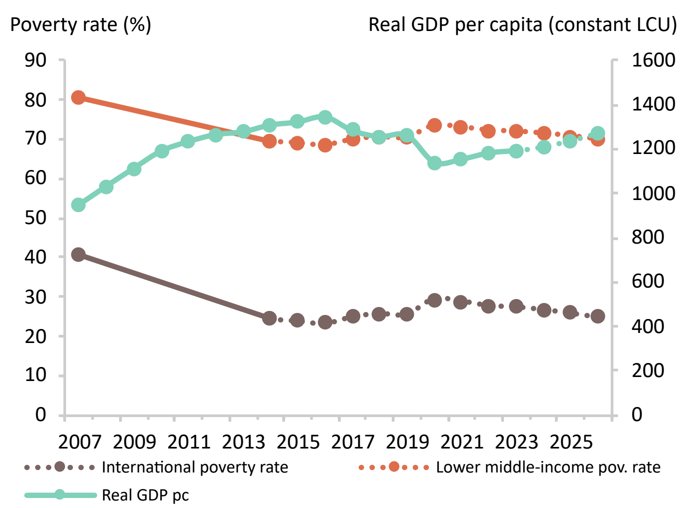
Despite steady growth in tourism-related service exports declines in oil, gas, and

FIGURE 1 Timor-Leste / Real GDP growth and contributions to real GDP growth



Sources: Timor-Leste's Statistics Office (INETL) and World Bank staff calculations.

FIGURE 2 Timor-Leste / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

coffee production have narrowed the export base even further, exacerbating external imbalances. Imports remain high due to limited domestic production, with the trade deficit widening from 34 percent in 2022 to 43 percent in 2023. The same trend continued into the first half of 2024. Timor-Leste's recent accession to the WTO offers potential to enhance international market access and foster partnerships that could accelerate development.

Outlook

The economy is projected to continue its recovery, with growth of around 3 percent expected in 2024, accelerating to an average of 3.8 percent during 2025-2026. Government expenditure will remain the main driver of this growth. Higher budget execution, above historical averages, will be necessary to achieve these targets. At the same time, more efficient public investments are crucial to addressing infrastructure deficiencies and lowering costs for the private sector. Without significant fiscal reforms, the fiscal deficit is projected to remain at around 47.9 percent of GDP over the medium term, with additional withdrawals from the Petroleum Fund continuing to be the primary financing source.

The current account balance is anticipated to remain in deficit. On the upside, increases in tourism and remittance inflows, spurred by Timor-Leste's ASEAN accession and other high-profile events, are projected to support economic growth. However, growth in non-oil and gas exports will likely remain constrained due to the limited export base, still dominated by coffee. The ongoing challenges of limited domestic production will continue to drive demand for imports, worsening external imbalances.

Inflation is expected to decrease to 3.3 percent in 2024, driven by lower global commodity prices, particularly food, and the strengthening US dollar. This trend is expected to continue through 2025 and 2026. Despite the overall decline, the cumulative impact of high inflation over the past two years has been significant, particularly for the poor and vulnerable populations. However, the effect of recent developments on poverty remains uncertain, pending the results of a new Living Standards Survey scheduled for 2024.

The outlook is subject to several downside risks, including adverse weather events and rising food and energy prices due to geopolitical tensions. Low government absorptive capacity and inefficient investments pose a downside risk to the projected economic growth.

Timor-Leste should implement long-overdue reforms. The current government, with its strong mandate and a period of relative stability, could seize this moment to set the country on a path toward sustainable and diversified growth. Achieving a 5 percent growth target will depend on policies that support a more resilient economy. Structural reforms and fiscal consolidation are paramount and must be addressed concurrently to ensure long-term sustainability and development.

TABLE 2 Timor-Leste / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	2.9	4.0	2.3	3.0	3.5	4.0
Private consumption	-2.7	14.0	3.0	4.8	4.9	5.0
Government consumption	2.9	-0.2	3.1	0.5	0.5	1.4
Gross fixed capital investment	-6.1	29.4	2.8	13.9	12.3	10.8
Exports, goods and services	79.3	30.3	4.5	4.0	2.5	2.5
Imports, goods and services	-9.0	22.8	4.3	6.0	5.0	5.0
Real GDP growth, at constant factor prices	3.9	3.8	2.4	3.0	3.5	4.0
Agriculture	5.5	5.4	1.6	2.9	2.9	2.9
Industry	-14.0	38.2	-10.4	2.4	2.4	2.4
Services	4.0	2.6	3.0	3.0	3.7	4.3
Inflation (consumer price index)	3.8	7.0	8.4	3.3	2.8	2.5
Current account balance (% of GDP)	9.7	16.3	-21.4	-46.7	-51.4	-55.4
Net foreign direct investment inflow (% of GDP)	4.4	1.7	1.7	1.7	1.7	1.6
Fiscal balance (% of GDP)[a]	-47.0	-60.7	-44.0	-47.1	-46.5	-49.8
Revenues (% of GDP)	45.5	43.4	42.3	39.6	38.3	35.6
Debt (% of GDP)	15.2	15.2	15.3	14.9	14.3	14.0
Primary balance (% of GDP)	-46.8	-60.5	-43.7	-46.9	-46.3	-49.7
International poverty rate ($2.15 in 2017 PPP)[b,c]	28.8	27.8	27.4	26.8	25.9	24.9
Lower middle-income poverty rate ($3.65 in 2017 PPP)[b,c]	72.9	72.1	71.9	71.3	70.7	69.9
GHG emissions growth (mtCO2e)	0.5	-0.9	-1.9	-2.3	-2.2	-1.9
Energy related GHG emissions (% of total)	10.1	10.6	11.4	12.3	13.3	14.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ The ESI is part of total revenue, while excess withdrawals from the PF is a financing item.
b/ Calculations based on EAPPOV harmonization, using 2007-TLSLS and 2014-TLSLS. Actual data: 2014. Nowcast: 2015-2023. Forecasts are from 2024 to 2026.
c/ Projection using annualized elasticity (2007-2014) with pass-through = 1 based on GDP per capita in constant LCU.

VIET NAM

Table 1	2023
Population, million	98.9
GDP, current US$ billion	429.7
GDP per capita, current US$	4346.8
International poverty rate ($2.15)[a]	1.0
Lower middle-income poverty rate ($3.65)[a]	4.2
Upper middle-income poverty rate ($6.85)[a]	19.7
Gini index[a]	36.1
School enrollment, primary (% gross)[b]	123.1
Life expectancy at birth, years[b]	74.6
Total GHG emissions (mtCO2e)	505.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2022).

Viet Nam's real GDP is expected to grow by 6.1 percent in 2024, driven by a rebound in manufacturing and services exports. Domestic demand is growing more gradually, reflecting an ongoing recovery in consumer and investor confidence. Poverty is expected to decline from 3.9 percent in 2023 to 3.6 percent in 2024. Risks to the outlook are broadly balanced.

Key conditions and challenges

While Viet Nam is expected to revert to higher growth after several years of global economic turbulence thanks to a rebound in global trade, bank asset quality remains a concern amid increasing non-performing loans (NPLs) as provisioning for loan losses appears uneven among banks.

Viet Nam remains highly vulnerable to external shocks given its dependence on exports and foreign direct investments. In the medium to long term, the country faces structural challenges that could limit its growth potential including infrastructure gaps, environmental deterioration, low productivity in the domestic economy, and aging population.

Recent developments

Real GDP grew by 6.4 percent y/y in H1-2024, reflecting a rebound in exports and higher domestic demand. Merchandise exports increased by 16.9 percent y/y in H1-2024, fueled by stronger US demand, supporting manufacturing and export-oriented services. Meanwhile, consumer spending and private investments are recovering at a slower pace, with growth below pre-pandemic rates, affected by low consumer and investor confidence.

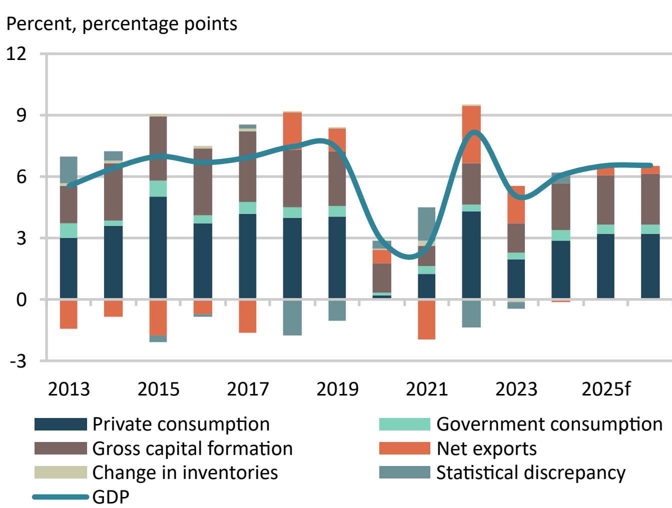
Headline inflation increased to 4.3 percent y/y by June 2024 due to elevated food prices as outbreaks of African swine fever affected pork prices, a main food item. Core inflation continued to decline, falling to 2.6 percent y/y in June 2024 from 4.3 percent y/y in June 2023.

Credit growth improved after a sluggish start to 2024, reaching 13.5 percent y/y by end-June, below the 15 percent target of the State Bank of Viet Nam (SBV)—driven by demand from manufacturing, trade, and real estate. At the same time, NPLs have grown from 1.9 percent in 2022 to 4.6 percent of total loans in 2023—largely due to the recognition of bad debts held by Saigon Joint Stock Commercial Bank—and could rise further with the end of the forbearance measures in December 2024.

Viet Nam's external position deteriorated due to increased unrecorded capital outflows. Continued interest rate differentials and the strengthening of the US dollar in H1-2024 exacerbated capital outflow. Seeking another investment instrument, domestic demand for gold sharply increased which, combined with supply controls, led to a substantial price premium that fueled informal gold imports and capital outflow.

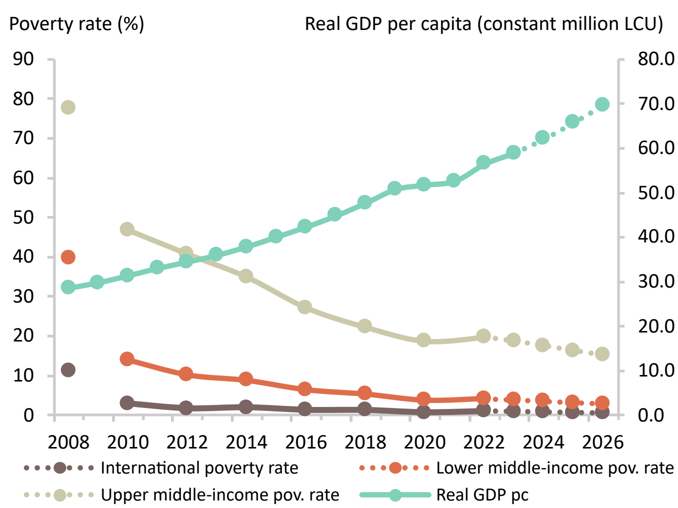
The SBV responded to emerging exchange rate pressures through a combination of gradual devaluation, FX interventions, and tighter liquidity. The SBV depreciated the central rate by 1.2 percent between January and June 2024, allowing the market rate to depreciate further by 3.6 percent in the same period. It used foreign exchange interventions, with reserves estimated to have fallen to around 2.7 months of imports. Tighter liquidity starting in March 2024 led to average

FIGURE 1 Viet Nam / Real GDP growth and contributions to real GDP growth



Sources: Viet Nam's General Statistics Office and World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

overnight interest rates rising from 0.9 percent in March to 2.8 percent in June.
Fiscal balances registered a large surplus of 4.2 percent in H1-2024, from 1.5 percent in H1-2023, due to higher public revenues and reduced public spending. Public revenues climbed to 19.5 percent of GDP in H1-2024 (+1pp compared to H1-2023) with CIT, VAT, and land sales revenue increasing. Public expenditures lowered to 15.4 percent of GDP (-1.5pp) due to lower capital expenditures. Only 29 percent of the approved budgeted expenditure for 2024 was implemented by end-June, driven by slow disbursement of investments due to delays in land clearance, scarce raw materials, and regulatory constraints.
Poverty rates using the lower middle-income country (LMIC) line of $3.65 PPP (and the upper middle-income country line of $6.85 PPP) are expected to continue their decline and are now below pre-pandemic levels. Despite stabilized unemployment and underemployment rates, rising food prices pose a risk to household purchasing power, particularly for lower-income households. Real income has been muted since 2022, inching up 2.7 percent annually on average, below pre-pandemic growth rates of 8.4 percent.

Outlook

Growth is forecast at 6.1 percent in 2024, rising to 6.5 percent in 2025 and 2026, reflecting expected continued export growth and improvements in investor and consumer sentiment. Headline inflation is forecast to reach 4.5 percent in 2024 following continued food price increases, before decelerating to 3.5 (Table 2) percent by 2026. Poverty is expected to continue declining and reach 2.9 percent by 2026 at the LMIC line. The current account balance is projected to register a small surplus during 2025-2026, driven by the continued growth of goods exports with contributions from tourism and transport services. The government is expected to maintain a tight fiscal policy especially as the economy returns to a higher-growth path.
The risks to the outlook are balanced. Among downside risks, the main uncertainties stem from slower-than-expected global growth, including from the United States, European Union, and China, and a slower recovery of the real estate sector. If banking sector asset quality were to weaken further, bank lending capacity could be undermined weighing on investment growth. Viet Nam also remains vulnerable to intensifying climate-related natural disasters. On the upside, stronger-than-expected global growth could spur further Vietnamese exports. A more accommodative monetary policy in major advanced economies could contribute to an easing of global financing costs, with positive spillovers into the banking and financial sector in Viet Nam.
In the short term, should downside risks to growth materialize and given limited room for additional monetary support, accelerating disbursement of public investment would support aggregate demand. To mitigate financial sector risks and vulnerabilities, the authorities could encourage banks to improve capital adequacy ratios and strengthen the institutional framework for prudential supervision and early interventions. Structural reforms—including in education and business environment to enhance productivity and competitiveness of the domestic economy, and vertical upgrading into high-value activities for trade—will be critical to long-term growth.

TABLE 2 Viet Nam / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	2.6	8.1	5.0	6.1	6.5	6.5
Private consumption	2.2	7.7	3.5	5.3	5.9	5.9
Government consumption	4.5	3.6	3.8	5.5	5.4	5.4
Gross fixed capital investment	2.8	5.6	4.1	6.8	7.0	7.2
Exports, goods and services	13.9	6.2	-2.5	11.4	7.4	8.0
Imports, goods and services	15.8	3.3	-4.3	11.7	7.0	7.7
Real GDP growth, at constant factor prices	2.6	8.4	5.2	6.1	6.5	6.5
Agriculture	3.7	3.5	3.8	3.0	3.0	3.0
Industry	3.2	7.9	3.7	8.3	8.0	7.9
Services	1.7	10.1	6.8	5.1	6.0	6.2
Inflation (consumer price index)	1.8	3.1	3.2	4.5	4.0	3.5
Current account balance (% of GDP)	-2.2	0.3	5.8	0.9	1.0	1.0
Net foreign direct investment inflow (% of GDP)	4.2	3.7	4.7	4.4	4.4	4.4
Fiscal balance (% of GDP)	-1.4	0.7	-1.4	-0.8	-0.4	-0.2
Revenues (% of GDP)	18.8	19.1	17.2	17.2	16.8	16.4
Debt (% of GDP)	38.7	34.0	37.0	36.2	34.2	32.3
Primary balance (% of GDP)	-0.2	1.7	-0.6	0.1	0.4	0.6
International poverty rate ($2.15 in 2017 PPP)[a,b]	..	1.0	0.9	0.8	0.7	0.6
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	..	4.2	3.9	3.6	3.2	2.9
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	..	19.7	18.7	17.5	16.3	15.1
GHG emissions growth (mtCO2e)	-1.7	6.1	4.2	5.2	5.9	5.6
Energy related GHG emissions (% of total)	63.1	63.9	63.9	64.1	64.2	64.1

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 EAPPOV harmonization, using 2016-VHLSS, 2020-VHLSS, and 2022-VHLSS. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.
b/ Projection using annualized elasticity (2016-2020) with pass-through = 0.7 based on GDP per capita in constant LCU.

Europe and Central Asia

Annual Meetings 2024

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Armenia
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North Macedonia
Poland
Romania
Russian Federation
Serbia
Tajikistan
Turkey
Ukraine
Uzbekistan

ALBANIA

Table 1	2023
Population, million	2.8
GDP, current US$ billion	23.0
GDP per capita, current US$	8300.4
International poverty rate ($2.15)[a]	3.9
Lower middle-income poverty rate ($3.65)[a]	11.3
Upper middle-income poverty rate ($6.85)[a]	34.2
Gini index[a]	36.0
School enrollment, primary (% gross)[b]	95.6
Life expectancy at birth, years[b]	76.8
Total GHG emissions (mtCO2e)	7.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ Most recent WDI value (2022).

Growth in 2024 is expected to remain robust at 3.3 percent, on the back of private consumption, tourism, and construction. Price pressures have continued to ease. Poverty is expected to continue to decline as labor income increases. Medium-term prospects hinge on the recovery of the global economy and on the pace of structural reforms. The European Union (EU) accession aspirations provide an anchor to speed up convergence.

Key conditions and challenges

The Albanian economy has shown considerable resilience as prudent macroeconomic policies supported a strong economic rebound, with real GDP growth averaging 4.2 percent in 2022 and 2023. A key factor in Albania's resilience has been the proximity to the EU, a key source of investment and remittances, and a main destination for exports. Tourism remains a key growth driver, helping to improve external imbalances and partially contributing to a steady appreciation of the LEK in recent years. The availability of hydropower, which meets 85 percent of domestic energy demand in years with average precipitation, has contributed to containing the country's greenhouse gas emissions.

Albania's key development challenges are its declining population, partially due to outmigration; the poor quality of the labor force and the low quality of jobs created; the moderate pace of structural reforms, especially in the areas of private sector environment and governance; and rising fiscal pressures, due to climate risks, contingent liabilities and debt refinancing at a time of the high cost of external financing.

To create the needed fiscal space and address these challenges, Albania will need to implement a Medium-Term Revenue Strategy to strengthen domestic revenues. Unlocking further growth is conditional on the swift implementation of the government's program, anchored in the EU accession aspiration, and built on reforms tackling productivity, including improving the business environment, and expanding Albania's integration into foreign markets.

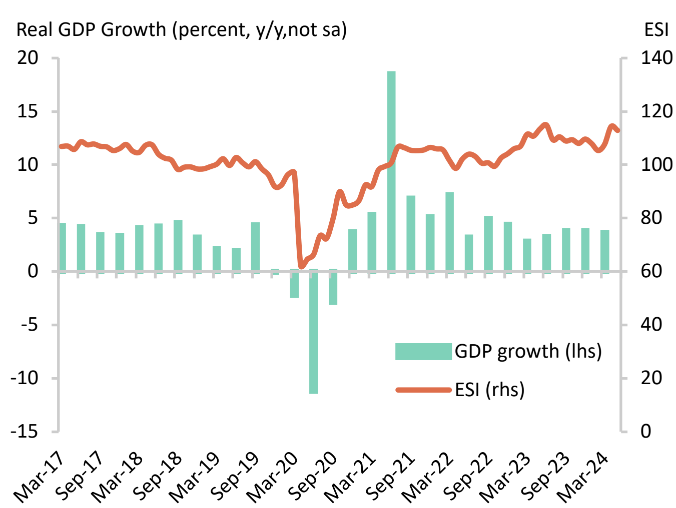
Recent developments

Following a 3.4 percent real growth rate in 2023, Albania's economy grew at a higher pace of 3.6 percent in Q1 of 2024. On the supply side, growth was primarily driven by services and construction. Private consumption and investment were the main drivers on the demand side. In the coming quarters, investment and services exports are expected to strengthen. Economic sentiment remains positive (Figure 1), though showing signs of moderation.

At the end-2023, the employment rate reached 66.7 percent with variation across demographics, with a 0.7 percentage point increase for men and 0.3 percentage point decrease for women. Overall, poverty declined by 1.9 percentage points to reach 21.7 percent. Based on administrative data for Q1 2024, employment grew by 1.1 percent y-o-y, driven by the private sector. The average private sector wage increased by 12.7 percent, reflecting growth across all economic activities.

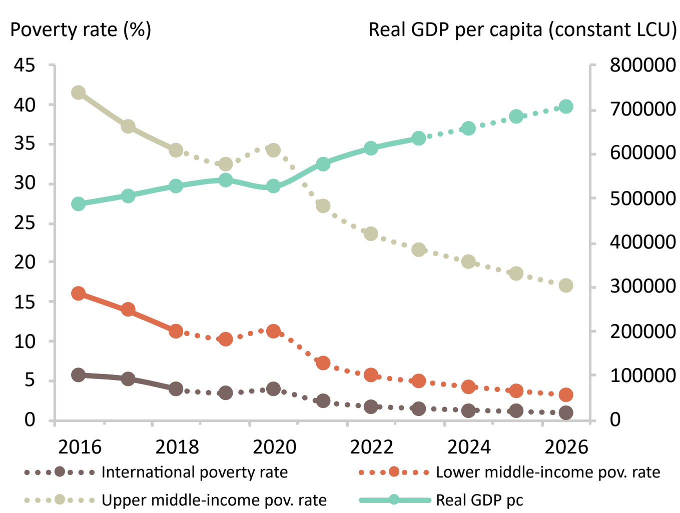
Annual inflation rate continued its declining trend, averaging around 2.7 percent in Q1 of 2024, as a result of downward pressures from lower import prices, domestic currency appreciation, and monetary policy normalization. In the subsequent months up to July 2024, inflation

FIGURE 1 Albania / Economic sentiment index (ESI) and GDP growth



Sources: Instat and Bank of Albania.

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



Source: World Bank. Notes: see Table 2.

has remained stable at around 2.1 percent, mainly driven by wage increases in the private sector, while food and non-alcoholic beverages, which constitute close to 35 percent of the consumption basket, had a deflationary trend.

As of July 2024, the government reported a fiscal surplus, on account of robust revenue collection and sluggish execution of capital investment. Budget revenues increased by over 8 percent y-o-y as of July 2024, with growth observed in all categories, except grants and profits, which were mostly affected by the base effect (as they had picked up in the previous year).

Overall credit increased by 13 percent y-o-y through July 2024. Both private businesses and household loans registered double digit growth, at approximately 12.0 percent and 14.5 percent. Gross non-performing loans reached the level of 4.7 percent in July 2024.

The current account deficit (CAD) widened in H1, primarily driven by the rapid growth of imports and the decrease in exports of goods. Net foreign direct investment (FDI) continued to perform strongly, increasing by 8.5 percent. Foreign currency reserves reached the level of 5.7 billion Euros as of July 2024.

Outlook

Growth is expected to remain robust at 3.3 percent in 2024, with increased tourism and construction expected to drive exports, and consumption and investment growth at rates similar as in the pre-pandemic period. The inflation rate is projected to remain below the 3 percent target in the medium term, despite the increase in wages, which has partially been offset by the appreciation of the LEK. The current account deficit is expected to hover at 3.8 percent of GDP in the medium term. With higher growth expected, poverty is also projected to decrease. A tighter labor market could further boost wages.

Albania's primary balance is projected to improve and reach zero percent of GDP from 2024 onwards. Government plans to continue improving tax administration, as envisioned in the Medium-Term Revenue Strategy. Public debt is expected to decline further in the medium term.

Leading indicators are pointing upwards: there is strong tourism data and increased construction activity, rising credit growth, positive business and consumer sentiment indicators, and strong tax revenues. Given Albania's growing reliance on external financing, risks related to the exchange rate, interest rate, and refinancing remain elevated.

As a small, open economy, Albania is highly exposed to external shocks, such as a recession in the EU or further tightening of financing conditions in international capital markets. Risks to growth emanate from natural disasters and unfavorable global conditions (including geopolitical developments). Fiscal risks emanate from public-private partnerships and state-owned enterprises (SOEs), in addition to the country's hydropower-based energy sector, due to variations in hydrology.

TABLE 2 Albania / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	8.9	4.9	3.4	3.3	3.4	3.4
Private consumption	4.3	7.4	3.1	3.1	3.1	3.0
Government consumption	7.8	-4.7	9.2	10.4	-0.5	0.9
Gross fixed capital investment	19.2	6.5	6.4	9.7	3.4	3.1
Exports, goods and services	52.0	7.5	10.1	0.5	6.5	6.5
Imports, goods and services	31.5	13.1	1.3	5.8	4.3	4.4
Real GDP growth, at constant factor prices	8.2	5.3	3.8	3.0	3.5	3.3
Agriculture	1.8	0.1	-0.7	-0.5	0.2	0.2
Industry[a]	13.6	7.7	4.0	1.0	2.0	2.0
Services	8.1	5.9	5.2	5.2	5.2	4.8
Inflation (consumer price index)	2.0	6.7	4.8	2.2	2.7	2.9
Current account balance (% of GDP)	-7.7	-5.9	-0.9	-3.9	-3.8	-3.7
Net foreign direct investment inflow (% of GDP)	6.5	6.6	5.9	5.3	5.3	5.4
Fiscal balance (% of GDP)	-4.6	-3.7	-1.3	-2.3	-2.3	-1.8
Revenues (% of GDP)	27.5	26.8	27.8	29.2	28.4	28.5
Debt (% of GDP)	75.4	65.3	59.8	58.3	57.6	56.3
Primary balance (% of GDP)	-2.7	-1.8	0.7	0.0	0.0	0.5
International poverty rate ($2.15 in 2017 PPP)[b,c]	2.4	1.8	1.5	1.3	1.1	1.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[b,c]	7.3	5.7	4.9	4.3	3.7	3.2
Upper middle-income poverty rate ($6.85 in 2017 PPP)[b,c]	27.1	23.6	21.7	20.1	18.5	17.1
GHG emissions growth (mtCO2e)	2.4	-4.2	-4.6	-1.5	-0.7	-0.2
Energy related GHG emissions (% of total)	46.7	46.5	46.0	47.4	49.1	50.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Includes construction.
b/ Calculations based on ECAPOV harmonization, using 2014- and 2019-SILC-C. Actual data: 2018. Nowcast: 2019-2023. Forecasts are from 2024 to 2026.
c/ Projection using point-to-point elasticity (2013-2018) with pass-through = 1 based on GDP per capita in constant LCU.

ARMENIA

Table 1	2023
Population, million	3.0
GDP, current US$ billion	24.1
GDP per capita, current US$	8053.0
International poverty rate ($2.15)[a]	0.8
Lower middle-income poverty rate ($3.65)[a]	10.0
Upper middle-income poverty rate ($6.85)[a]	51.3
Gini index[a]	27.9
School enrollment, primary (% gross)[b]	92.9
Life expectancy at birth, years[b]	73.4
Total GHG emissions (mtCO2e)	13.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2022).

Armenia's economy expanded by 6.5 percent in H1 2024, driven by private consumption and investment. During January-July, an average 0.3 percent deflation was recorded, largely due to falling food and non-alcoholic beverage prices. Meanwhile, unemployment rose in Q1. Growth is expected to moderate at around 4.5 percent in the medium term, with exports and money transfer inflows easing.

Key conditions and challenges

Armenia has weathered multiple shocks since 2020, including the refugee crisis at the end of 2023. This has been possible due to targeted government interventions and effective macroeconomic management. Following Russia's invasion of Ukraine in 2022, the Armenian economy benefited from significant inflows of funds, migrants, and re-routed exports. This led to an impressive 10.5 percent average annual growth rate in 2022–2023. Recently this growth momentum has begun to slow down due to a gradual outflow of funds and migrants, and a reduction in net exports.

Although notable progress has been made in recent years in reducing corruption and improving the business environment—particularly through more effective tax and customs administration—other key structural challenges persist. There continues to be low private sector investment and constraints such as low labor force participation rates and a shortage of skilled workers. To address these challenges, the government is pursuing an ambitious plan to boost human capital through reforms in the education and health sectors.

Positive progress on resolving Armenia's peace negotiations and reopening of borders with neighbors would expand Armenia's economic potential and potentially boost growth.

Recent developments

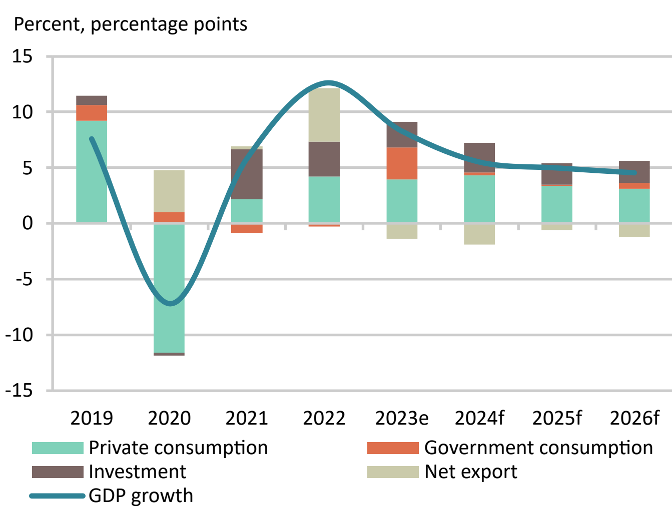
In H1 2024, real GDP growth reached 6.5 percent (yoy), down from 10.4 percent in H1 2023. Private consumption and investment grew 7.6 and 13.1 percent, respectively. On the supply side, trade, financial, and real estate services grew 22 percent (yoy), 15 percent (yoy), and 13 percent (yoy), respectively. In the industrial sector, construction and manufacturing were positive contributors, whereas mining contracted 11 percent (yoy), due to lower ore extraction (following the closure of the Sotk mine at the border with Azerbaijan). Meanwhile, agriculture showed signs of recovery, expanding 5 percent (yoy) in the same period.

Armenia's unemployment rate rose to 15.5 percent in Q1 2024, up from 13.7 percent in Q1 2023. The rise can be partly attributed to the inflow of refugees not yet integrated into the labor market, and to a decline in employment levels, particularly female workers in urban areas.

Average inflation fell from 2 percent in 2023 to 0.3 percent deflation during January-July 2024, largely due to a 3.7 percent fall in food and non-alcoholic beverage prices. This is influenced by a high base effect in 2023, which is expected to weaken in H2 2024. In response, the Central Bank reduced the policy rate cumulatively through September by 175 bsp, to 7.5 percent.

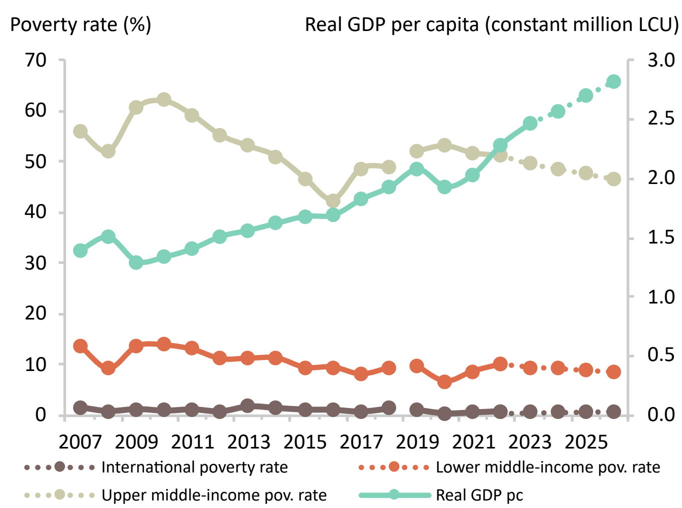
In H1 2024, the budget posted a surplus of 0.1 percent of projected GDP, driven by an 11 percent under-execution of current expenditure. Although tax revenues increased 7.6 percent in nominal terms,

FIGURE 1 Armenia / Real GDP growth and contributions to real GDP growth



Sources: Statistical Committee of Armenia, Central Bank of Armenia (CBA), and World Bank staff projections.

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



Source: World Bank. Notes: see Table 2.

they were still 9 percent below the planned budget. Capital expenditure was in line with the budget, and at end-July government debt was at 44.6 percent of the annual GDP forecast.

Armenia's trade turnover doubled in H1 2024, driven by a 134 percent leap in exports and an 87 percent rise in imports (both in nominal terms), primarily due to the re-export of precious stones and metals (70 percent of total exports). The number of tourists declined 6.1 percent, largely due to a 24 percent fall in Russian visitors. Meanwhile, net non-commercial money transfers were 48 percent lower than in H1 2023, mainly due to reduced inflows from Russia. By mid-August, the AMD had appreciated 4 percent against the USD, compared with the end of 2023.

Armenia's financial stability indicators remained robust as of June 2024, with a 20.2 percent Capital Adequacy Ratio and a low Non-Performing Loans ratio at 1.2 percent. Banking sector profitability improved, and credit and deposits by commercial banks increased 8 percent and 4 percent, respectively, through July 2024. This growth was primarily driven by AMD-denominated funds, which helped lower the credit dollarization ratio to 33.2 percent by end-July 2024.

The national absolute poverty rate continued to fall, reaching 23.7 percent in 2023, although the decline was slower than in previous years and less than proportionate to economic growth.

Outlook

Supported by domestic demand, growth in 2024 is expected to slow to 5.5 percent before gradually converging to a potential growth rate of 4.5 percent in the medium term. Average inflation is expected to rise gradually toward 4 percent target in the medium term.

The fiscal deficit is projected to rise to 4.7 percent of GDP in 2024, driven by continued support for refugees, elevated domestic interest payments, and substantial capital expenditure plans. Further deterioration is likely in 2025, to be followed by a period of fiscal consolidation. As a result, the public debt stock is expected to increase over the next two years.

The current account deficit (CAD) is expected to widen to 3.3 percent of GDP in 2024, and potentially deteriorate further in the medium term, mainly due to the positive impact of re-exports phasing out. The CAD is expected to remain below 4.5 percent of GDP in the medium term.

Poverty, as measured by the upper middle-income poverty line of USD 6.85, is expected to remain about 49 percent in 2024. Rising unemployment and slower GDP growth may suppress real wages, affecting the trend in poverty reduction.

Downside risks to this outlook include geopolitical instability, challenges in refugee integration, and potential slowdowns in the economies of key trading partners.

TABLE 2 Armenia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	5.8	12.6	8.3	5.5	5.0	4.6
Private consumption	2.8	5.6	5.6	6.3	4.9	4.5
Government consumption	-6.2	-2.2	28.3	2.1	1.0	4.6
Gross fixed capital investment	23.6	14.0	10.1	11.6	8.0	8.1
Exports, goods and services	18.6	59.9	30.7	29.2	-15.3	1.6
Imports, goods and services	12.9	35.0	30.2	29.3	-13.1	3.2
Real GDP growth, at constant factor prices	5.6	13.1	8.0	5.5	5.0	4.6
Agriculture	-0.8	-2.8	2.9	4.1	3.5	3.0
Industry	2.6	9.8	2.7	6.5	5.8	4.5
Services	8.7	18.1	11.4	5.3	4.9	4.8
Inflation (consumer price index)	7.2	8.6	2.0	0.6	3.2	4.0
Current account balance (% of GDP)	-3.5	0.3	-2.3	-3.3	-3.8	-4.3
Net foreign direct investment inflow (% of GDP)	2.5	4.9	2.2	2.0	2.0	2.1
Fiscal balance (% of GDP)[a]	-4.5	-2.2	-1.9	-4.7	-5.5	-4.6
Revenues (% of GDP)	24.9	25.1	26.0	26.1	26.2	26.5
Debt (% of GDP)[b]	60.2	46.7	48.4	50.3	53.8	55.4
Primary balance (% of GDP)	-2.0	0.1	0.7	-1.5	-2.1	-1.1
International poverty rate ($2.15 in 2017 PPP)[c,d]	0.5	0.8	0.8	0.8	0.9	0.9
Lower middle-income poverty rate ($3.65 in 2017 PPP)[c,d]	8.7	10.0	9.5	9.2	8.9	8.6
Upper middle-income poverty rate ($6.85 in 2017 PPP)[c,d]	51.7	51.3	49.6	48.6	47.6	46.6
GHG emissions growth (mtCO2e)	5.9	6.6	11.5	7.9	6.4	4.8
Energy related GHG emissions (% of total)	63.1	65.3	68.7	67.8	68.7	70.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ The 2023 fiscal balance registered a deficit of -4.1 percent of GDP, including realized liabilities to Karabakh.
b/ Excludes CBA debt.
c/ Calculations based on ECAPOV harmonization, using 2010-ILCS, 2018-ILCS, and 2022-ILCS. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.
d/ Projection using annualized elasticity (2010-2018) with pass-through = 0.69 based on GDP per capita in constant LCU.

AZERBAIJAN

Table 1	2023
Population, million	10.2
GDP, current US$ billion	72.7
GDP per capita, current US$	7134.4
School enrollment, primary (% gross)[a]	99.8
Life expectancy at birth, years[a]	73.5
Total GHG emissions (mtCO2e)	53.1

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2022).

Economic growth rose to 4.3 percent in H1 2024, driven by the non-hydrocarbon sector supported by public investment. Annual inflation fell to 1.1 percent as external pressures subsided. External and fiscal surpluses narrowed due to slowing energy prices. In the medium term, growth is estimated to hover around 2.5 percent as oil production continues to decline. Risks to this outlook are balanced.

Key conditions and challenges

Azerbaijan's continued reliance on hydrocarbons as a major source of export and fiscal revenue remains its main vulnerability. Declining oil production, oil price volatility, and the global transition away from fossil fuels are challenges to long-term growth prospects.

Private sector development is constrained by the economy's large state footprint, an uneven playing field for companies, shallow financial markets, and a weak human capital base.

Global mitigation efforts, resulting in declining fossil fuel demand and fuel prices, can lead to substantial reductions in Azerbaijan's resource rents. Carbon border adjustment measures could adversely impact the country's economy further. Azerbaijan's role in hosting COP29 in November 2024 may provide an opportunity to boost climate mitigation and adaptation efforts. Phasing out distortionary fossil fuel subsidies would substantially reduce carbon emissions while fostering private investment in renewable energy, contributing to boosting the economy in the long run.

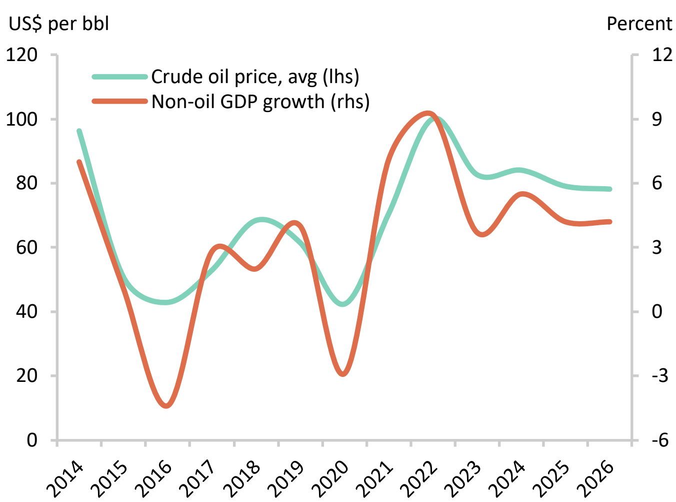
Recent developments

Growth rose to 4.3 percent in real terms in H1 2024, compared with 1.1 percent in 2023. Hydrocarbon sector growth remained lackluster at 0.4 percent in real terms as decline in crude oil production offset expansion in natural gas production. Bolstered by fast real growth in the construction sector (18.4 percent, yoy), which is fueled by public investment in reconstruction, non-hydrocarbon sector activity expanded by 6.9 percent in H1 2024. Other drivers of economic activity included real growth in transportation (15.4 percent, yoy), ICT (12.2 percent, yoy), and hospitality (10.2 percent, yoy). On the demand side, investment growth gained momentum (9.4 percent, yoy in real terms) due to greater public investment, and consumption growth remained robust. The official unemployment rate fell to 5.4 percent by end-June, from 5.6 percent in December 2023.

Annual inflation fell to 1.1 percent in June 2024 as external pressures subsided and Nominal effective exchange rate appreciated, further supporting the disinflation process. Inflation remained below the Central Bank's target range (4+/-2 percent), prompting a cut in the policy rate by 75 basis points to 7.25 percent, in three steps over six months in 2024.

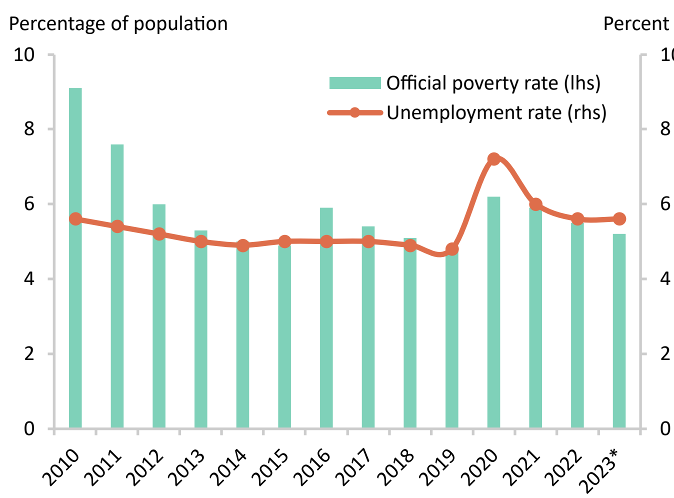
The fiscal balance recorded a surplus of 10.3 percent of GDP in H1 2024, compared with 18.1 percent in H1 2023. This is due to an increase in expenditure and a fall in hydrocarbon revenue. Revenue fell by 11.1 percent (yoy), due to lower hydrocarbon sector receipts caused by lower prices. Tax collection in the non-hydrocarbon sector grew by 8.6 percent in real terms. Expenditure increased by 13.5 percent (yoy) in real terms, propelled

FIGURE 1 Azerbaijan / Non-oil GDP growth and oil price



Sources: State Statistical Committee and World Bank.

FIGURE 2 Azerbaijan / Official poverty rate and unemployment rate



Source: State Statistical Committee.
Notes: The World Bank has not yet reviewed the official national poverty rates for 2013–2022.*Preliminary.

by a 25.7 percent increase in capital expenditure. Current expenditure rose by 8.8 percent (yoy) in real terms. The 2024 budget was amended in June, with both revenue and expenditure revised upwards. For budgeted revenue, the revision was largely due to an increase in the benchmark oil price from US$60 to US$75; additional expenditure was mostly allocated to the reconstruction program. The substantial fiscal surplus allowed State Oil Fund reserves to increase to US$58bn (equivalent to 80 percent of GDP) by end-June 2024.

Compared with H1 2023, the trade surplus narrowed to 11.5 percent of GDP in H1 2024, with exports declining by 28 percent (yoy) on the back of lower oil and gas prices and a decline in crude oil production; whereas, due to increased public investment, imports increased by 9.4 percent (yoy). Central Bank reserves edged up to USD 11.7 billion (16.2 percent of GDP) by end-June 2024, corresponding to 5.6 months of imports.

Credit to the economy expanded by 12 percent in H1 2024 (yoy) in real terms, with both consumer and business loans increasing by 10 percent. The NPL ratio edged down to 1.7 percent. Deposit dollarization fell to 40 percent.

Outlook

Supported by additional public expenditure on non-hydrocarbon sectors, the economy is projected to expand by 3.2 percent in 2024, faster than previously anticipated. The hydrocarbon sector is projected to decline in 2024–2026, due to falling crude oil production because the major oilfield is aging, whereas natural gas production is expected to stabilize. Non-hydrocarbon sector growth is expected to slow in the medium term, due to the impact of public investment in reconstruction abating; consumption growth is expected to cool further. Without structural reforms to boost private investment, growth is projected to hover around 2.5 percent in the medium term.

Inflation is projected to remain within the Central Bank's target in 2024, despite some increase in H2 2024 due to the government raising fuel prices in June 2024. In the medium term, assuming the absence of major external pressures, inflation will hover around 3.2 percent amid slowing domestic demand.

The fiscal balance is projected to remain in surplus in the medium term, although the surplus will narrow due to rising expenditure, largely on public investment. Rising expenditure is a challenge to compliance with the medium-term targets for the non-hydrocarbon primary fiscal balance.

The external balance is expected to remain in surplus in the medium term because of continuing favorable energy prices. However, a projected fall in surplus is in line with declining crude oil production and rising imports.

Risks to the outlook are balanced. On the downside, geopolitical tensions add to uncertainty, although they could also lead to higher commodity prices. With public investment as the main driver of non-hydrocarbon sector growth, there is a risk that the economy will be increasingly vulnerable to fluctuations in energy prices. This could also divert the focus away from structural reforms needed to support private sector-led growth. In July, Fitch upgraded Azerbaijan's credit rating to BBB- investment grade.

TABLE 2 Azerbaijan / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	5.6	4.6	1.1	3.2	2.7	2.4
Private consumption	7.0	4.9	4.0	4.1	3.7	3.6
Government consumption	3.8	6.3	8.1	5.1	5.0	4.8
Gross fixed capital investment	-6.0	5.7	9.6	11.4	8.2	6.0
Exports, goods and services	5.6	3.3	-2.9	0.4	0.4	0.4
Imports, goods and services	2.5	3.2	1.9	2.7	2.8	2.8
Real GDP growth, at constant factor prices	5.6	4.6	1.1	3.2	2.7	2.4
Agriculture	3.3	3.4	3.2	3.0	3.0	3.0
Industry	4.1	2.4	-0.9	0.2	0.2	0.2
Services	8.6	8.5	3.8	7.7	6.0	5.1
Inflation (consumer price index)	6.7	13.8	2.1	4.2	3.4	3.0
Current account balance (% of GDP)	15.2	29.7	11.5	8.5	7.4	6.1
Net foreign direct investment inflow (% of GDP)	-4.1	-1.4	-1.1	-1.0	-1.0	-0.9
Fiscal balance (% of GDP)	4.1	5.7	8.1	5.5	3.7	3.0
Revenues (% of GDP)	36.5	31.6	40.7	38.4	35.9	33.9
Debt (% of GDP)	18.2	11.6	21.8	21.9	22.2	23.0
Primary balance (% of GDP)	4.8	6.1	8.4	6.1	4.3	3.5
GHG emissions growth (mtCO2e)	5.2	-2.0	-0.7	1.1	1.1	1.2
Energy related GHG emissions (% of total)	62.7	60.8	60.4	61.2	61.8	62.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

BELARUS

Table 1	2023
Population, million	9.2
GDP, current US$ billion	71.8
GDP per capita, current US$	7817.0
International poverty rate ($2.15)[a]	0.0
Lower middle-income poverty rate ($3.65)[a]	0.1
Upper middle-income poverty rate ($6.85)[a]	1.3
Gini index[a]	24.4
School enrollment, primary (% gross)[b]	94.7
Life expectancy at birth, years[b]	73.1
Total GHG emissions (mtCO2e)	83.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2020), 2017 PPPs.
b/ Most recent WDI value (2022).

In 2024, Belarus's economy is projected to register strong growth, driven by Russia's recovery and reduced sanctions impact. However, the long-term growth faces obstacles from the limitations of accommodative policies and ongoing macroeconomic challenges. Tightening monetary conditions, inflation, and currency challenges are expected, while ongoing stimulus measures strain the fiscal stance. The economy's insulation from global trends limits growth and worsens competitiveness and productivity.

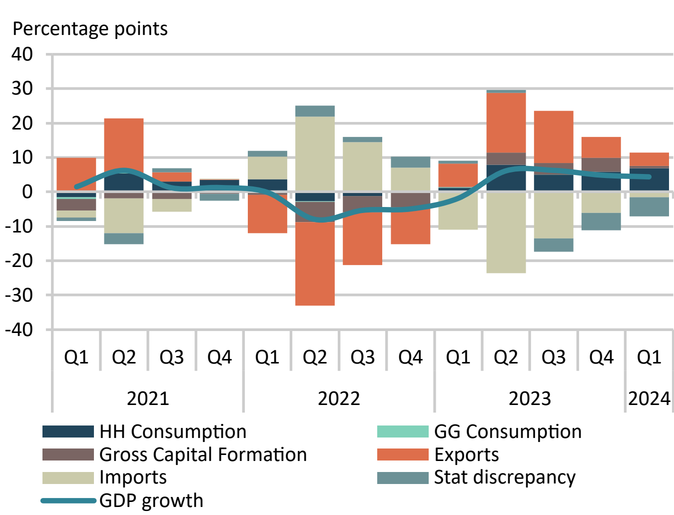
Key conditions and challenges

In 2024, Belarus experienced stronger-than-anticipated economic growth, though this success strains the limits of its economic policy effectiveness. To support domestic demand, the government has employed a range of extensive administrative measures alongside expansionary monetary and fiscal policies. Nevertheless, the country's potential GDP is constrained by the imposition of sanctions and restricted access to advanced technologies, despite efforts to stimulate investment activity. In response to sanctions, Belarus is seeking to establish new trade routes and redirect external trade through Russia, though this shift has resulted in increased logistical costs and payment delays. In the medium term, the government's focus will be on mitigating supply chain disruptions and enhancing local production through import substitution, supported by substantial investments and subsidies from Russia. These administrative adjustments are intended to bolster economic resilience, but increased dependence on the Russian market—amidst growing competition for Belarusian products—exposes the economy to significant risks. The vulnerability to weakened external demand is pronounced, particularly if Russia's economic outlook deteriorates. Addressing labor market rigidities will be crucial, as will investments aimed at stimulating potential growth. Additionally, heightened security concerns and geopolitical tensions exacerbate the economic outlook, with the potential for further sanctions or more stringent enforcement of existing ones. Maintaining accommodative policies presents challenges in balancing social benefits, wages, economic support, and overall stability. This, combined with a deteriorating current account, exchange rate volatility, price controls, and labor force constraints, increases the risk of substantial inflationary pressures. Belarus's economy, with its outdated Soviet-era framework and inefficiencies, combined with limited opportunities for diversification, requires continuous budgetary support and reforms to address its deep-seated economic challenges.

Recent developments

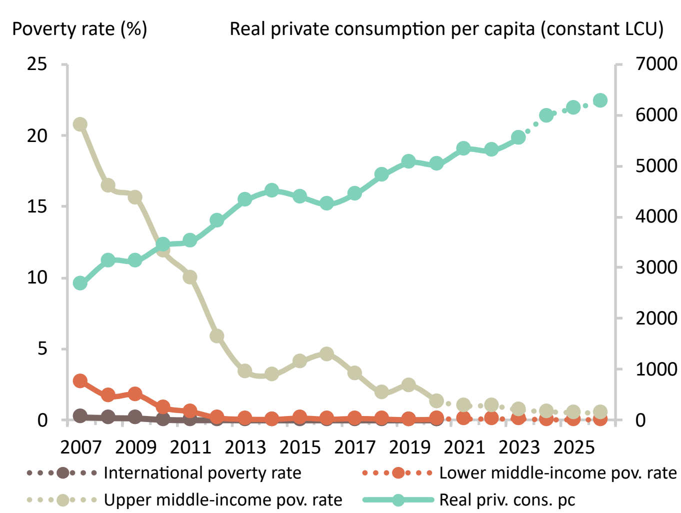
From January to August 2024, Belarus's GDP grew by 4.9 percent year-on-year, with second-quarter performance notably exceeding potential GDP due to robust consumer spending, rising investment activity, and heightened demand from Russia, particularly in the defense sector. The unemployment rate is at a record low of 3 percent amid persistent labor shortages. Domestic trade drove growth, with high industrial sector performance from reduced inventories and increased exports boosting the transport sector. Agriculture benefited from accelerated harvests and favorable weather, while construction activity surged due to investments in the Russian market and import substitution.

FIGURE 1 Belarus / Quarterly real GDP growth and contributions to real quarterly GDP growth



Source: World Bank calculations based on Belstat data.

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



Source: World Bank. Notes: see Table 2.

The IT sector showed signs of stabilization. On the demand side, buoyant household spending, supported by increased lending, moderate interest rates, rising wages, and high consumer confidence.

Inflation reached 5.7 percent in January-August, year on year, driven by non-regulated prices, while regulated prices remained stable. In response, the Central Bank raised the overnight lending rate by 0.5 percentage points to 11 percent and increased the reserve requirement for foreign currency liabilities by 2 percentage points to 20 percent. The national currency depreciated slightly due to sanctions and reduced trade inflows, tracking the Russian ruble's fluctuations. With regional budgets offsetting central spending, the general government recorded a surplus of 1.2 percent of GDP.

The financial sector reported strong profits, mainly from state-owned banks investing in state bonds, with non-performing assets stable. On the back of a mild trade surplus, the current account registered a 3.9 percent GDP deficit for Q1-Q2 2024, despite a 13 percent drop in remittances. The deficit was largely financed by foreign direct investments, with external debt slightly decreasing and foreign reserves rising to USD 8.5 billion by August 2024.

In 2023, real disposable income rose by 6.3 percent, reversing the previous year's decline. Employment fell by 1.5 percent, but real wages and pensions increased. Poverty, based on the UMIC poverty line ($6.85/day 2017PPP), is low and is expected to decrease from 0.69 percent in 2023 to 0.57 percent in 2024.

Outlook

Belarus's economy is projected to grow by 4 percent in 2024, exceeding previous forecasts, though growth is expected to slow in the latter half of the year. This expansion is driven by significant wage increases and improvements in the Russian economy. Manufacturing remains the main growth driver, bolstered by a recovery in external trade, largely fueled by Russian demand. Future growth will depend on effective expansionary policies, support for state-owned enterprises, targeted lending, domestic borrowing, and rising disposable income.

However, the economy faces challenges from mounting inflationary pressures and overall macroeconomic challenges. With a projected slowdown in the Russian economy and tighter monetary policy, the already overheated economy is expected to slow to 1.2 percent in 2025. Consumption will continue to drive growth, though at a slower pace due to a tight labor market, while investments will contribute positively but face constraints from tighter monetary conditions. Net exports may negatively impact growth due to reliance on a single market and a challenging external environment.

In the medium term, inflation, a tight labor market, and financial losses in enterprises, coupled with a shift of resources to less productive sectors, will diminish the effectiveness of economic stimulus measures. With a projected slowdown in Russia, Belarusian growth is likely to fall short of its potential, even with administrative efforts to sustain macroeconomic stability. Elevated inflationary pressures are expected, with prices predicted to rise by 6.5 percent in 2024 and remain above historical averages. Trade logistics and lower commodity prices may strain the current account, leading to currency pressures and a worsening fiscal outlook due to stimulus measures and job preservation efforts. The fiscal outlook is expected to remain challenging due to government stimulus measures, indexation, and job preservation efforts. Despite higher inflation, poverty levels are expected to remain stable through 2024 and 2025.

TABLE 2 **Belarus** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	2.4	-4.7	3.9	4.0	1.2	0.8
Private consumption	4.9	-1.2	4.1	7.3	2.0	1.9
Government consumption	-0.8	-0.1	1.4	0.9	0.1	0.5
Gross fixed capital investment	-5.5	-13.3	12.1	2.4	1.5	1.3
Exports, goods and services	10.1	-12.3	23.1	3.0	2.8	2.6
Imports, goods and services	5.7	-11.4	29.1	4.7	3.8	4.0
Real GDP growth, at constant factor prices	2.4	-4.7	3.7	3.9	1.3	0.8
Agriculture	-4.1	4.4	-0.4	3.8	1.9	1.1
Industry	3.1	-6.2	8.0	5.7	1.8	0.8
Services	3.0	-5.1	1.1	2.5	0.8	0.8
Inflation (consumer price index)	9.5	15.2	5.1	6.5	6.9	6.2
Current account balance (% of GDP)	3.1	3.6	-1.5	-5.1	-4.9	-5.6
Net foreign direct investment inflow (% of GDP)	1.9	1.9	2.7	1.9	1.9	1.9
Fiscal balance (% of GDP)	0.2	-1.5	1.2	-0.9	-1.1	-1.1
Revenues (% of GDP)	35.7	36.0	41.1	34.8	34.4	34.3
Debt (% of GDP)	35.8	38.7	37.7	37.5	37.8	37.9
Primary balance (% of GDP)	1.8	0.1	2.8	0.7	0.5	0.4
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	0.1	0.1	0.1	0.0	0.0	0.0
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	1.0	1.0	0.7	0.6	0.5	0.5
GHG emissions growth (mtCO2e)	0.1	-3.7	0.9	1.7	-0.1	-0.1
Energy related GHG emissions (% of total)	62.4	61.7	61.9	62.5	62.5	62.4

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 ECAPOV harmonization, using 2020-HHS. Actual data: 2020. Nowcast: 2021-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2020) with pass-through = 0.87 (Med (0.87)) based on private consumption per capita in constant LCU.

BOSNIA AND HERZEGOVINA

Table 1	2023
Population, million	3.2
GDP, current US$ billion	24.1
GDP per capita, current US$	7514.9
School enrollment, primary (% gross)[a]	87.9
Life expectancy at birth, years[a]	75.3
Total GHG emissions (mtCO2e)	22.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2023); Life expectancy (2022).

Real GDP growth rose 2.7 percent in Q1 2024, from 1.6 percent in 2023 due to the modest economic expansion in the European Union (EU) and a deceleration in investment growth. Upcoming municipal elections are expected to lead to a widening fiscal deficit to 1.7 percent of GDP in 2024, yet public debt remains around 36 percent of GDP. Living standards are stagnant, in part due to an anemic labor market.

Key conditions and challenges

Bosnia and Herzegovina (BiH) has been granted permission by the European Council to begin accession talks in March 2024, pending the implementation of necessary reforms. To meet the economic criteria for EU membership, BiH must tackle internal market fragmentation by bolstering nationwide regulatory and supervisory bodies, improving the transparency and efficiency of the large public sector, and reducing the footprint of state-owned enterprises.

BiH's economy has shown macroeconomic stability and resilience over the past, including during the COVID-19 pandemic. This resilience is attributed to three economic anchors: the currency board (which ties the BiH mark to the euro), the statewide collection of indirect taxes through ITA, and the prospects of EU membership. Despite macro stability and resilience, real income growth has averaged only 2 percent per annum from 2009 to 2023, leading to stagnant living standards, with real per capita consumption remaining at just 40 percent of the EU27 average. Achieving faster convergence with the EU27 remains difficult due to low investment rates and a growth model that depends on private consumption. The need for structural reforms is even more critical given the challenges of a declining population and the likely slowdown in total factor productivity over the long term. In addition, the introduction of the EU Carbon Border Adjustment Mechanism in 2026 is expected to further challenge BiH's export competitiveness by 2030.

To achieve sustained long-term growth of 3-4 percent, reforming the economy and the energy system is crucial. However, the pace of reform remains slow due to lack of consensus on country level policies that would bring BiH closer to EU membership; furthermore, frequent elections, widespread corruption, and the fragmented division of responsibilities between the two entities and cantons also contribute to the slow pace of reforms. Overcoming these obstacles is vital for BiH to move towards a more prosperous future.

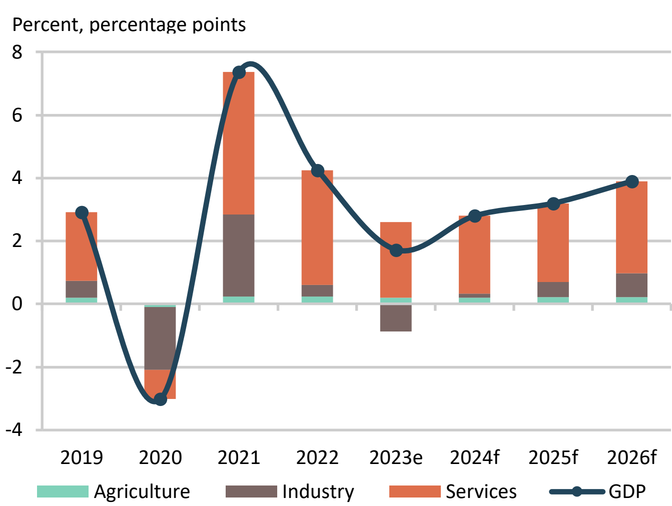
Recent developments

In Q1 2024, real GDP growth rose 2.7 percent, discontinuing the sharp slowdown in 2023. The pick-up in output growth is largely due to a recovery in private consumption fueled by an increase in minimum wages and a tightening labor market. Stronger retail sales volumes in the first half of 2024 suggest robust private consumption outcomes during this period.

Inflation reached 1.8 percent in July 2024 y/y, compared to 4.0 percent the year before, marking a drop in transport prices and a slowdown in utility prices. As a result, inflation from January to July 2024 decelerated to 1.9 percent from 12.2 percent during the same period the year before.

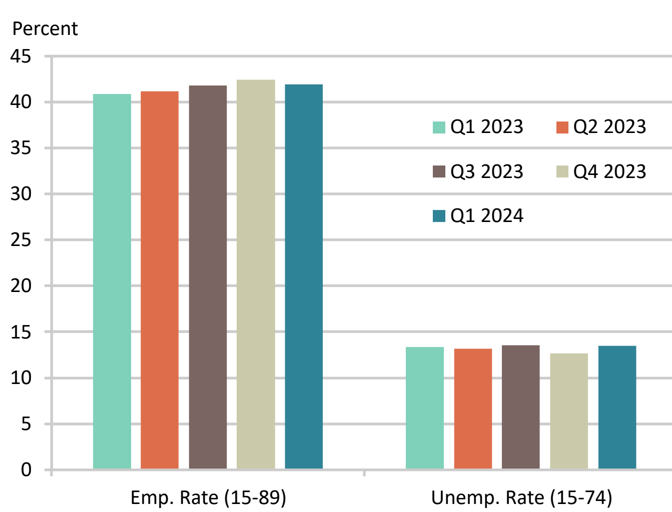
The labor market showed mixed signals. The employment rate rose to 41.9 percent in Q1 2024, up from 41.5 percent in 2023,

FIGURE 1 Bosnia and Herzegovina / Real GDP growth and contributions to real GDP growth



Sources: Agency for Statistics (BHAS) and World Bank staff calculations.

FIGURE 2 Bosnia and Herzegovina / Labor market indicators



Sources: LFS 2023 - 2024 report, and World Bank staff calculations.

whereas the unemployment rate increased to 13.5 percent, a 0.3 percentage point increase compared to the previous year. Economic vulnerability to shocks in BiH remains high—according to the 2023 Life in Transition Survey, 40 percent of the population report being unable to save, running into debt, or not being able to cover basic household expenses for longer than 1 month in case of loss of their main income source.

Higher government spending and smaller revenues (in GDP terms) contributed to a consolidated fiscal deficit of 0.9 percent of GDP in 2023, which followed a surplus of 0.5 percent of GDP the year before. The deficit in 2023 was driven by an estimated 16 percent increase in subsidies, social benefits and transfers in FBiH, and an 11 percent increase in RS. Nevertheless, public debt remains relatively low at around 36 percent of GDP.

Meanwhile, the current account deficit improved to 2.8 percent in 2023. It was almost fully financed by net foreign direct investment inflows, and other investments, mainly foreign loans.

Outlook

An improvement in the EU economic landscape, coupled with higher private consumption and investment driven by construction activities, is set to raise real GDP growth in BiH to 2.8 percent in 2024, and 3.2 percent in 2025. Inflation is expected to decelerate to half a percent by 2026 barring any further external shocks. By 2026, real output growth is projected to rise to 3.9 percent fueled by strengthened exports and private consumption stemming from improved economic conditions in the EU and tightening labor markets in BiH. The current account deficit is expected to widen to around 3.6 percent of GDP due to higher imports of consumer goods.

In the last quarter of 2024, policymakers are focused on the municipal elections leaving little space for economic reforms.

Several structural challenges hinder stronger output growth. Productivity is affected by the large footprint of state-owned enterprises, which employ a sizable portion of the educated labor force. Population aging, driven by outmigration, also dampens productivity and burdens public service delivery, particularly in health. The economic activity rate remains low at around 48 percent compared to the EU average of 75 percent, with women's participation at roughly 37 percent. Gender discrepancies in employment remain particularly stark at the lower levels of education. Thus, creating conditions to activate the female labor force would benefit economic growth. Furthermore, the sharp rise in minimum wages, in January of 2023 and 2024, may impact external competitiveness, which could also be affected by the EU's Carbon Border Adjustment Mechanism, considering that two-thirds of BiH's electricity production comes from coal-fired thermal power plants. In addition, a lack of digitalization and unified databases and registries hampers regulatory compliance and business operations. Finally, geopolitical risks pose a threat of exacerbating domestic political frictions, undermining the much-needed push for structural reforms.

TABLE 2 Bosnia and Herzegovina / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	7.3	3.8	1.6	2.8	3.2	3.9
Private consumption	4.0	3.0	2.0	2.5	2.8	3.2
Government consumption	6.1	2.7	4.1	4.6	1.5	3.7
Gross fixed capital investment	33.9	18.1	0.2	5.8	8.3	2.2
Exports, goods and services	5.0	9.9	-6.0	1.0	3.0	4.0
Imports, goods and services	8.0	12.0	-3.0	3.0	3.9	2.0
Real GDP growth, at constant factor prices	7.4	4.2	1.7	2.8	3.2	3.9
Agriculture	3.4	3.5	3.1	3.0	3.2	3.2
Industry	10.0	1.4	-3.4	0.5	2.0	3.2
Services	6.8	5.5	3.6	3.6	3.6	4.2
Inflation (consumer price index)	2.0	14.0	6.1	2.0	0.9	0.4
Current account balance (% of GDP)	-1.8	-4.3	-2.8	-3.2	-3.8	-3.6
Net foreign direct investment inflow (% of GDP)	3.3	3.0	3.2	3.2	3.1	3.1
Fiscal balance (% of GDP)	-0.3	0.5	-0.9	-1.7	-0.2	-0.4
Revenues (% of GDP)	43.2	46.0	44.8	43.9	45.4	45.2
Debt (% of GDP)	37.8	35.8	36.3	35.8	35.2	34.3
Primary balance (% of GDP)	0.3	1.2	-0.2	-1.0	0.4	0.2
GHG emissions growth (mtCO2e)	-1.4	-2.7	-2.2	0.4	1.8	2.5
Energy related GHG emissions (% of total)	88.7	88.9	88.8	88.7	88.5	88.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

BULGARIA

Table 1	2023
Population, million	6.4
GDP, current US$ billion	102.2
GDP per capita, current US$	15855.4
International poverty rate ($2.15)[a]	0.7
Lower middle-income poverty rate ($3.65)[a]	2.0
Upper middle-income poverty rate ($6.85)[a]	5.8
Gini index[a]	39.0
School enrollment, primary (% gross)[b]	87.3
Life expectancy at birth, years[b]	74.4
Total GHG emissions (mtCO2e)	50.1

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ Most recent WDI value (2022).

The Bulgarian economy has embarked on a recovery path in early 2024 aligned with the moderate pick-up of activity in the eurozone. The widening gap between real wage and productivity growth and the potential build-up of a construction-credit bubble warrant close monitoring. The country struggles with a continued political crisis that jeopardizes the reform agenda.

Key conditions and challenges

Since the start of the century, Bulgaria's authorities have adhered to macroeconomic stability, underpinned by a currency board arrangement and fiscal prudence. This has helped the country weather the recent crises relatively well while remaining on a stable income convergence path. Bulgaria's GDP per capita reached 64 percent of the European Union (EU) average (in purchasing power parity terms) in 2023, while the country joined the ranks of high-income countries effective July 1, 2024.

Despite that, the country continues to face multiple development challenges. A key horizontal constraint is deep-rooted institutional and governance weaknesses, which enable state capture by vested interests and discourage investment. This suppresses productivity and private sector growth, while also resulting in suboptimal public services. A rapid decline in the population—one of the worst globally—also limits the country's economic potential while exerting increasing pressure on public systems.

Despite some recent progress, Bulgaria continues to experience one of the highest levels of income poverty and inequality within the EU. From 2016 to 2020, economic growth led to improved living standards and significant poverty reduction. However, this trend reversed in 2021 due to the lingering effects of the pandemic, inflation, and rising unemployment among the less educated. Income inequality remains high, making the country the most unequal EU member.

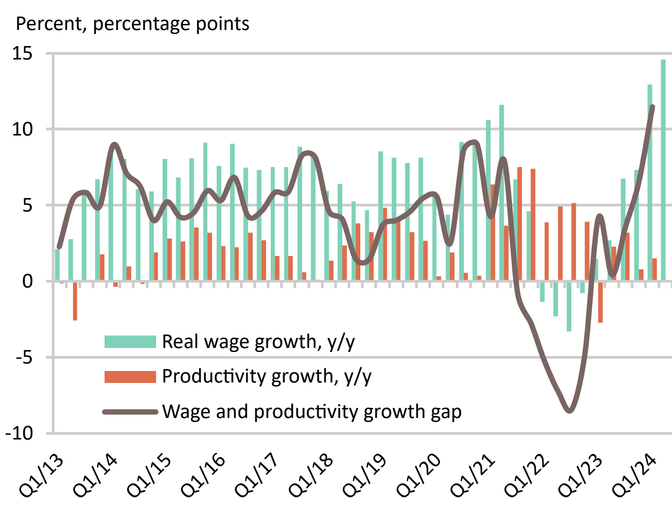
Since early 2021, Bulgaria has been marred by political instability and lost reform momentum. Thus, the country has failed to deliver on major policy goals, including some of the milestones under the National Recovery and Resilience Plan.

Despite the political turmoil, near-term eurozone entry has remained a key government priority. Should inflation meet the Maastricht criterion before end-2024, as expected, the country could join the eurozone from mid-2025 or January 2026. Full-fledged Schengen Area membership and OECD accession have been consistently pursued, too. Yet, continued political turmoil and early elections in October 2024 jeopardize the reform agenda.

Recent developments

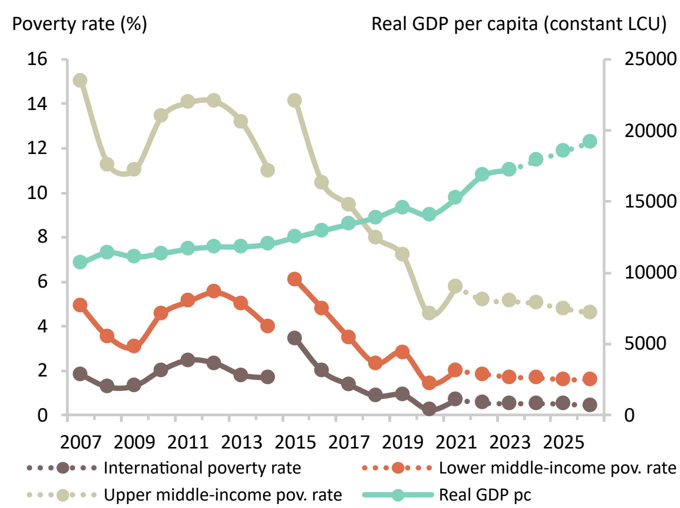
The first two quarters of 2024 saw a recovery of GDP growth to 1.9 and 2 percent y/y, respectively, in line with the firming of growth in the wider EU. Noteworthy, while growth in Q1 was driven by final consumption, Q2 saw exports embarking on a recovery path, too. Consumption was fed by unabating wage growth, which accelerated to 13 and 15 percent y/y in real terms in Q1 and Q2 2024, respectively, due to a hike of the minimum wage by 19 percent from start-2024 and long-standing labor shortages. While the gap between real wage and productivity growth has been consistently positive since 2013 (the only exception to this trend

FIGURE 1 Bulgaria / Real wage and productivity growth gap



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

was 2022, when inflation shot up markedly), it reached a 15-year high of above 10pp in Q1 2024, fueling concerns about the economy's competitiveness.

The pick-up of growth and the minimum wage increase—which affected positively the bottom of the income distribution - are expected to have supported further poverty reduction in early 2024. Despite this positive development, the employment rate among the working-age population with low education (ISCED 0-2) dropped from 39.2 percent in Q3 2023 to 33.2 percent in Q1 2024, highlighting a worrying trend amidst the broader recovery.

Consumer price inflation kept decelerating in the year to date, further improving the purchasing power of households. Annual average HICP inflation slowed to 4.3 percent in July, which narrowed the gap with the line criterion for eurozone entry to just 1.3 percentage points. Should this disinflationary trend continue, Bulgaria could meet the criterion—which is the only remaining hurdle to euro adoption—before year-end.

The fiscal position remains stable. The general government deficit on a cash basis reached 0.5 percent of the World Bank's GDP projection in the year to July 2024. The deficit for the full year, on an accrual basis, is expected to be kept below the 3 percent Maastricht ceiling, given the government's aspiration for prompt eurozone accession. As in previous years, however, this may require cutting down on planned capital spending. In late August 2024, the government successfully placed a record-high volume of EUR 4.34bn of EUR and USD-denominated bonds on international markets, which testified to continued market access at attractive terms.

Outlook

The economy's growth is projected to pick up in 2024-2025 with the expected recovery in the eurozone. This is expected to have a benign impact on domestic poverty reduction, while also keeping Bulgaria on its convergence path towards average EU incomes. Bulgaria's target to join the eurozone from mid-2025 or January 2026 is also within reach, should the disinflation trend continue in the coming months, as expected.

Credit to households remains on the radar due to its accelerating growth that reached 19 percent y/y in June 2024. The increase was propelled by long-term household mortgage loans and consumer loans (with above 5-year maturity) which grew by 25 and 15 percent y/y, respectively, in June. This trend is mirrored by an ongoing construction boom and fuels concerns about the build-up of a construction-credit bubble, which may be followed by a painful correction and increase in non-performing loans. For the time being, however, non-performing loans remain low at 3.64 percent as of June 2024, down from 3.80 percent a year ago. In an attempt to mitigate those risks, effective October 1, the central bank introduced several requirements for new mortgage loans to households including a 50 percent ceiling for the loan service-to-income ratio, an 85 percent ceiling for loan-to-mortgage value, and a maximum 30-year loan maturity.

Political risks have re-escalated in recent months following a failed attempt at formation of a regular government after the latest round of early elections in June 2024. The country is now heading towards new snap elections in October—the 7th in a row in about three years—which jeopardizes the reform agenda and provides fertile ground for populist policies. The latter could result in further expansion of current expenditure at the expense of capital spending, as evidenced in the past. Even if the headline fiscal deficit is likely to stay below the 3 percent Maastricht ceiling, public investment would remain below peers, capping the country's growth potential.

TABLE 2 Bulgaria / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	7.7	3.9	1.8	2.2	2.8	2.7
Private consumption	8.5	3.9	5.4	2.6	3.1	3.6
Government consumption	0.4	5.5	-0.4	11.3	3.6	2.8
Gross fixed capital investment	-8.3	6.5	3.3	-2.6	1.3	2.6
Exports, goods and services	11.2	11.6	-1.9	2.3	5.6	6.0
Imports, goods and services	10.7	15.0	-6.3	3.5	5.5	6.6
Real GDP growth, at constant factor prices	8.0	5.3	1.8	2.2	2.8	2.7
Agriculture	28.8	-4.4	-3.9	1.5	1.2	1.0
Industry	1.7	12.1	0.9	1.3	5.2	5.3
Services	8.8	3.9	2.6	2.5	2.1	1.9
Inflation (consumer price index)	3.3	15.3	9.5	2.6	2.2	2.0
Current account balance (% of GDP)	-1.7	-1.4	-0.3	-0.7	-0.5	-1.0
Net foreign direct investment inflow (% of GDP)	1.8	2.4	3.2	2.5	2.8	2.7
Fiscal balance (% of GDP)	-2.7	-0.8	-3.0	-3.1	-3.0	-2.9
Revenues (% of GDP)	37.7	38.6	36.3	39.0	39.5	39.8
Debt (% of GDP)	23.9	22.6	22.9	23.4	23.7	23.6
Primary balance (% of GDP)	-2.3	-0.4	-2.6	-2.7	-2.6	-2.5
International poverty rate ($2.15 in 2017 PPP)[a,b]	0.7	0.5	0.5	0.5	0.5	0.4
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	2.0	1.8	1.7	1.7	1.6	1.6
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	5.8	5.2	5.1	5.0	4.8	4.6
GHG emissions growth (mtCO2e)	6.8	6.0	-0.7	-0.6	-0.1	-0.1
Energy related GHG emissions (% of total)	78.9	76.3	74.8	74.0	73.1	72.1

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 ECAPOV harmonization, using 2022-EU-SILC. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2021) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

CROATIA

Table 1	2023
Population, million	3.9
GDP, current US$ billion	82.7
GDP per capita, current US$	21423.7
International poverty rate ($2.15)[a]	0.3
Lower middle-income poverty rate ($3.65)[a]	0.4
Upper middle-income poverty rate ($6.85)[a]	1.8
Gini index[a]	28.9
School enrollment, primary (% gross)[b]	95.9
Life expectancy at birth, years[b]	77.6
Total GHG emissions (mtCO2e)	17.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ Most recent WDI value (2022).

Croatia's economic activity continued to expand in the first half of 2024, mainly driven by strong domestic demand. The medium-term outlook is relatively favorable, as the external environment is expected to gradually improve and domestic demand to remain robust, in part supported by the inflow of European Union (EU) funds. However, rising labor costs amid subdued productivity growth pose a risk for the country's external competitiveness and export performance. Poverty in 2024 is expected to decline to 1.3 percent.

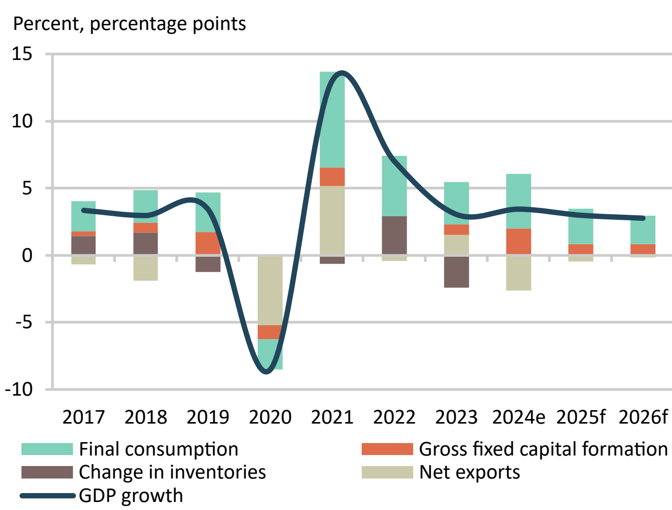
Key conditions and challenges

Croatia's growth remains robust, but despite the positive momentum several challenges loom. The country's economic activity has been consistently outpacing average growth in the EU over the last three years, and in 2023 Croatia's GDP per capita (in PPS) reached 76 percent of the EU average, up from 67 percent in 2019. The positive trends continued in the first half of 2024, but growth has become increasingly dependent on consumption and public investment, largely driven by rising wages, expansionary fiscal policy, and the inflow of EU funds. At the same time, productivity growth has been relatively subdued which, when taken together with strongly rising labor costs, may weigh on Croatia's external competitiveness and export performance, with manufacturing production already weak due to relatively subdued external demand. Moreover, the tourism sector, one of the key drivers of economic growth over the past three years, is showing signs of reaching peak capacity. Dependence on the tourism sector makes the economy vulnerable to shocks. The sector also exerts strong pressure on local infrastructure, which raises sustainability concerns, further highlighting the need for economic diversification. Against the backdrop of a tight labor market and rising unit labor costs, accelerating productivity growth will be essential for sustaining income convergence in the medium to long term. Downside risks to growth coming from the external environment remain significant. Geopolitical tensions continue to be elevated, making global economic developments as well as energy price dynamics highly uncertain. At the same time, inflation in the euro area could remain elevated given increases in labor costs, which may result in tighter than expected monetary policy. However, Croatia's overall macroeconomic imbalances remain contained, given a robust banking sector, a positive current and capital account and public debt that has fallen to close to 60 percent of GDP.

Recent developments

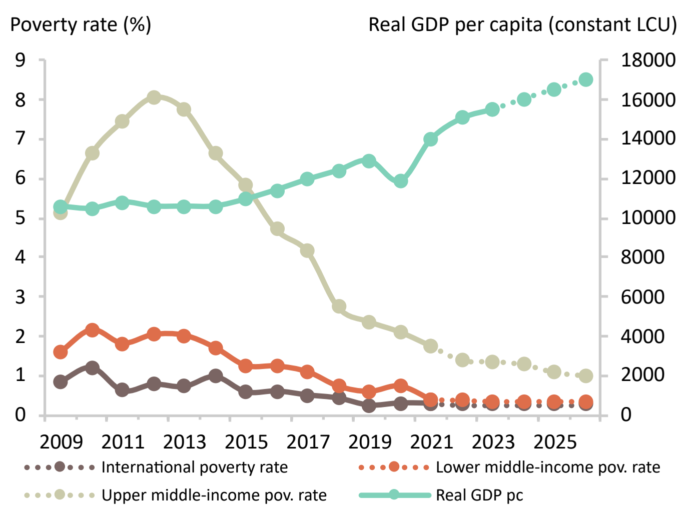
Economic activity in Croatia continued to expand in the first half of 2024, with annual real GDP growth averaging 3.6 percent, primarily driven by robust domestic demand. Personal consumption remained strong, bolstered by ongoing increases in real disposable income. Investment activity also gained momentum, with its average annual growth rate reaching double digits. This reflects the continuation of a strong rise in public investment, but after several years of sluggish developments private investments are also gaining momentum. Moreover, after a sharp decline in 2023, exports of goods began to recover, while exports of services fell, partly due to a strong rise in the same period of 2023 and relatively subdued tourism activity in Q2 2024. Employment growth was broad-based across sectors in the first half of 2024,

FIGURE 1 Croatia / Real GDP growth and contributions to real GDP growth



Sources: CROSTAT and World Bank.

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



Source: World Bank. Notes: see Table 2.

with construction, the public sector and tourism making the strongest contributions to employment growth. The tight labor market continued to exert upward pressure on private sector wages. Overall, wage growth further accelerated after a strong rise in 2023, reflecting a substantial increase in public sector wages following the reform of the public sector wage system in April 2024. This has also resulted in worsening of the general government budget balance, despite relatively strong revenue collection. At the same time, inflation is moderating and in August 2024 it stood at 3 percent, down from 5.4 percent at the end of last year. This deceleration was driven by lower inflation for industrial products and food, while there was a slight uptick in energy inflation. Meanwhile, services inflation, though easing somewhat, remained high at over 7 percent. Poverty, as measured by the share of population living below the upper-middle income poverty line at 6.85 USD in PPP terms, is estimated to have declined modestly from 1.4 percent in 2023 to 1.3 percent in 2024. However, while Croatia's income inequality is below the EU average, pockets of poverty persist, and inequality of opportunity remains high. Marginalized communities, those with low education, the elderly living alone, and the unemployed are most at risk.

Outlook

Following relatively favorable economic developments in the first half of the year, Croatia's economic growth in 2024 is expected to strengthen compared to 2023 before moderating somewhat over the subsequent two years. Real GDP growth in 2024 is projected to reach 3.5 percent, driven primarily by robust domestic demand. This is underpinned by a tight labor market, expansionary fiscal policy—partially fueled by the inflow of EU funds—and a robust growth of public and private investment in the first half of the year. A gradual recovery in external demand is expected to support goods exports, following their decline in 2023, while exports of services may be constrained by an adverse base effect early in the year and a moderation in tourist arrivals. Growth over the next two years is expected to average 2.9 percent. Inflation, after averaging 4.2 percent in 2024, is expected to gradually decline over the forecast horizon toward the European Central Bank's target of 2 percent. However, a tight labor market and still elevated wage growth could keep inflation slightly above that level. Strong wage growth in the public sector in 2024, coupled with an increase in the number of public sector employees, is expected to significantly widen the fiscal deficit to nearly 3 percent of GDP. Nevertheless, expenditures are projected to remain restrained over the next two years, which, along with continued economic expansion, should allow for gradual fiscal adjustment and a steady decline in public debt. Poverty is projected to decline marginally to 1.1 percent by 2025 and then to 1 percent in 2026.

TABLE 2 Croatia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	13.0	7.0	3.1	3.5	3.0	2.8
Private consumption	10.6	6.7	3.0	5.6	3.5	2.7
Government consumption	3.1	2.7	6.6	3.4	2.5	2.1
Gross fixed capital investment	6.6	0.1	4.2	10.8	4.0	4.2
Exports, goods and services	32.7	27.0	-2.9	0.1	2.2	2.4
Imports, goods and services	17.3	26.5	-5.3	4.8	2.9	2.5
Real GDP growth, at constant factor prices	12.2	7.9	2.3	3.5	3.0	2.8
Agriculture	9.6	-4.3	0.4	0.0	0.9	1.0
Industry	12.4	2.7	-0.5	2.0	2.2	2.3
Services	12.3	10.5	3.4	4.2	3.3	3.0
Inflation (consumer price index)	2.7	10.7	8.4	4.2	2.8	2.2
Current account balance (% of GDP)	1.0	-2.8	1.1	0.1	0.0	0.3
Net foreign direct investment inflow (% of GDP)	5.1	5.3	1.9	2.1	2.2	2.2
Fiscal balance (% of GDP)	-2.5	0.1	-0.7	-2.9	-2.4	-1.7
Revenues (% of GDP)	45.2	44.5	46.7	45.3	45.5	46.1
Debt (% of GDP)	77.5	67.8	63.0	60.0	59.1	58.1
Primary balance (% of GDP)	-1.0	1.5	1.0	-1.3	-0.7	-0.1
International poverty rate ($2.15 in 2017 PPP)[a,b]	0.3	0.3	0.3	0.3	0.3	0.3
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	0.4	0.4	0.3	0.3	0.3	0.3
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	1.8	1.4	1.4	1.3	1.1	1.0
GHG emissions growth (mtCO2e)	4.0	-1.8	-0.1	0.9	0.2	-0.1
Energy related GHG emissions (% of total)	88.5	88.6	88.1	87.8	87.6	87.3

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 ECAPOV harmonization, using 2022-EU-SILC. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2021) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

GEORGIA

Table 1	2023
Population, million	3.7
GDP, current US$ billion	30.5
GDP per capita, current US$	8218.4
International poverty rate ($2.15)[a]	4.3
Lower middle-income poverty rate ($3.65)[a]	15.0
Upper middle-income poverty rate ($6.85)[a]	47.7
Gini index[a]	33.5
School enrollment, primary (% gross)[b]	103.4
Life expectancy at birth, years[b]	71.6
Total GHG emissions (mtCO2e)	18.1

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ WDI for School enrollment (2023); Life expectancy (2022).

Growth reached 9.1 percent in H1 2024, driven by strong private consumption due to rising real wages. Unemployment decreased and poverty continued to decline. Growth is projected at 7.5 percent for 2024. Weakening exports and remittances suggest a widening of the current account deficit in 2024. The fiscal deficit is expected to reach 3 percent. Risks to the outlook remain, notably related to the October Parliamentary elections.

Key conditions and challenges

Over the past decade, Georgia has achieved considerable progress in income growth and poverty alleviation following earlier market reforms and strengthened macroeconomic management.

Nevertheless, structural challenges persist, notably weak firm-level productivity growth and limited high-quality job creation. About a third of workers remain engaged in low-productivity agriculture; Georgia also has a large share of self-employed in other sectors. Access to finance, particularly for SMEs, and skills mismatches, are among the critical obstacles, firms face.

Georgia's economic openness and reliance on tourism further increase its vulnerability to external shocks, such as geopolitical tensions, global market volatility, and pandemics. Nonetheless, the recent granting in December 2023 of EU candidate status presents Georgia with a strategic opportunity to accelerate reforms. The EU accession process could provide a platform for enhancing governance, aligning regulations, and boosting economic resilience, thereby enabling Georgia to converge with more prosperous EU member states.

Recent developments

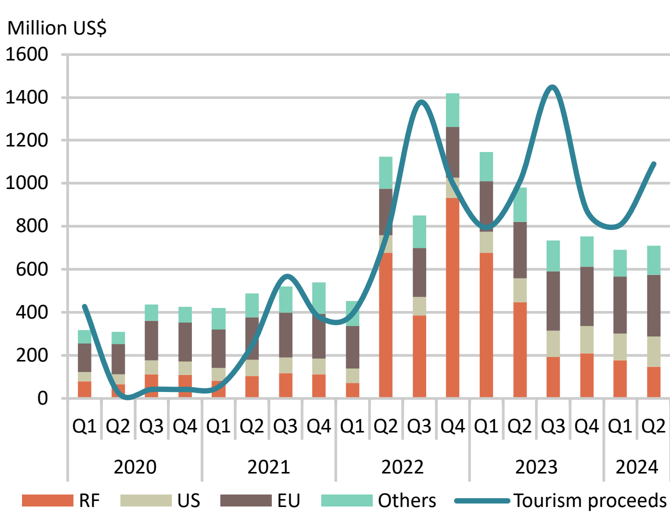
Georgia's economy expanded by 9.1 percent in H1 2024, driven by public and private consumption. Domestic demand has been bolstered by rising real wages (up 10.9 percent in H1, yoy) along with strong credit growth (up 20.4 percent in real terms in H1, yoy). On the supply side, growth was led by services, including education and transportation followed by public administration and trade.

Annual inflation moderated to 1 percent (yoy) in August, despite a 7-percent (yoy) rise in the transport and hospitality sector. Core inflation was 0.9 percent (yoy), down from 2.7 percent a year ago. The Central Bank has lowered its policy rate by a cumulative 150 basis points since the beginning of the year, reflecting easing inflationary pressures.

The banking sector remains profitable, with return on assets reaching 4.2 percent in June 2024 and return on equity reaching 24.4 percent. NPLs are low at 1.6 percent in June 2024.

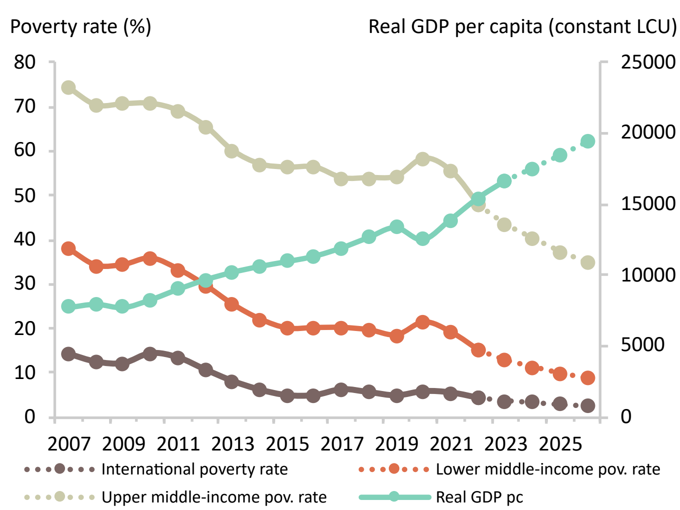
The current account deficit narrowed by 1.5 percentage points (yoy) in H1 2024, to 6.0 percent of GDP, despite a deficit rise of 16.9 percent in the trade of goods. This was offset by positive contributions from the services sector and current transfers. Exports of goods fell 7.8 percent (yoy) in H1 2024, driven by weaker domestic exports (down 11.5 percent, yoy) as commodity exports slowed, whereas imports grew 2.4 percent (yoy). Gross money transfers fell 30.3 percent (yoy) in H1, with inflows from Russia decreasing 71.4 percent (yoy). However, this decline was partly offset by increased inflows from the EU, US, and UAE. Proceeds from international visitors increased 5 percent (yoy) in H1 2024. On the financing side, lower net FDI

FIGURE 1 Georgia / Gross money transfers from abroad and tourism proceeds



Sources: Geostat, NBG, and World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

inflows, which accounted for about 3.6 percent of GDP in H1, highlighted weak external investor confidence.

The GEL depreciated by 4.1 percent against the USD in the first eight months of 2024. The GEL remains 11.8 percent stronger than its end-2021 level. Official reserves fell 14 percent (yoy) in July to USD 4.7 billion, equivalent to 3.3 months of imports.

Georgia's fiscal performance remained solid and a deficit of 0.1 percent of projected GDP was recorded in H1 2024. General government revenues increased 18.5 percent (yoy) in nominal terms, mainly due to a 21.4 percent rise in tax receipts. Current expenditures rose 16 percent (yoy), while capital expenditure surged 27 percent. Public debt stood at 40.4 percent of GDP at end-June 2024.

Georgia's economic expansion has translated into tangible benefits for its population, with the poverty headcount (USD 6.85, PPP 2017) continuing to decline, from 47.7 percent in 2022 to 43.6 percent in 2023. During H1 2024, unemployment fell 3 percentage points, to 13.7 percent as of end-June, which was accompanied by a higher labor force participation rate.

Outlook

Growth is expected to reach 7.5 percent in 2024, buoyed by private consumption driven by robust real wages and employment figures. In the medium term, growth is expected to moderate to 5 percent, returning to its potential rate. Supported by robust growth, poverty is expected to keep falling in the medium term.

Inflation is forecast to stay below the 3-percent target in 2024 and return to the target level by end-2025. Monetary policy is expected to be eased to support economic growth, while remaining prudent.

The current account deficit is forecast to widen to around 5.5 percent of GDP in 2024 and 2025, due to the slowing of exports and remittances from Russia. Nonetheless, the deficit is projected to remain below the level of 10.3 percent recorded in 2021.

On the fiscal side, tax revenues are expected to remain strong, contributing 25 percent of GDP in 2024, boosted by the tax hikes on gambling, effective from July 2024. Total expenditure is anticipated to rise to 31 percent of GDP due to election-related expenditure; the deficit is expected to remain at 3 percent of GDP, as per the fiscal rule.

Key downside risks include uncertainties surrounding the post-election landscape and Georgia's commitment to making decisive progress on EU accession. Other risks include geopolitical tensions in the region, a faster reduction in remittances, lower tourism revenues, and rising global commodity prices, all of which could impede growth and increase debt levels. Ensuring the independence of the central bank, maintaining sound monetary and fiscal policy with sufficient buffers, and ensuring exchange rate flexibility will be essential to mitigating potential shocks and safeguarding macroeconomic stability.

TABLE 2 Georgia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	10.6	11.0	7.5	7.5	5.2	5.0
Private consumption	12.3	-2.8	3.6	4.3	2.9	2.2
Government consumption	7.1	-0.8	6.2	15.9	10.1	9.6
Gross fixed capital investment	-4.8	9.9	30.8	14.3	5.2	6.5
Exports, goods and services	23.5	37.4	8.2	2.5	6.0	7.0
Imports, goods and services	8.8	16.9	8.6	3.5	4.0	5.0
Real GDP growth, at constant factor prices	12.2	9.8	7.9	7.5	5.2	5.0
Agriculture	2.3	-1.8	-2.8	2.5	2.5	3.0
Industry	1.0	15.1	5.1	5.0	5.0	5.0
Services	17.4	9.6	10.0	8.7	5.5	5.2
Inflation (consumer price index)	9.6	11.9	2.5	2.2	3.0	3.0
Current account balance (% of GDP)	-10.3	-4.5	-4.4	-5.5	-5.4	-4.9
Net foreign direct investment inflow (% of GDP)	4.9	7.1	4.3	3.4	4.0	4.4
Fiscal balance (% of GDP)	-7.0	-3.5	-2.9	-3.0	-2.8	-2.6
Revenues (% of GDP)	24.9	26.6	27.6	28.2	27.1	26.9
Debt (% of GDP)	49.0	39.1	38.1	37.7	37.2	37.2
Primary balance (% of GDP)	-5.7	-2.4	-1.4	-1.2	-0.9	-0.6
International poverty rate ($2.15 in 2017 PPP)[a,b]	5.5	4.3	3.7	3.1	2.8	2.5
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	19.1	15.0	12.9	10.9	9.5	8.5
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	55.4	47.7	43.6	39.2	36.4	33.8
GHG emissions growth (mtCO2e)	2.7	0.7	-1.2	0.3	-0.1	0.5
Energy related GHG emissions (% of total)	55.6	56.0	55.9	56.4	56.6	56.8

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 ECAPOV harmonization, using 2022-HIS. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2022) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

KAZAKHSTAN

Table 1	2023
Population, million	19.8
GDP, current US$ billion	262.6
GDP per capita, current US$	13232.8
International poverty rate ($2.15)[a]	0.0
Lower middle-income poverty rate ($3.65)[a]	0.3
Upper middle-income poverty rate ($6.85)[a]	10.6
Gini index[a]	29.2
School enrollment, primary (% gross)[b]	100.5
Life expectancy at birth, years[b]	74.4
Total GHG emissions (mtCO2e)	314.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ WDI for School enrollment (2023); Life expectancy (2022).

Growth is projected to accelerate to 4.7 percent in 2025, driven by new oil production flows, before subsiding towards its long-term potential rate, thereafter. Inflation is expected to decrease but will remain above the central bank target. Poverty rate is projected to decrease marginally to 6.1 percent by 2026. Downside risks include weakening global demand and lower prices for oil. Global decarbonization efforts pose a long-term challenge, warranting transition toward a new, sustainable growth model.

Key conditions and challenges

Kazakhstan's progress toward high income has slowed in recent years; to regain momentum, the government should focus on the effective implementation of key reforms to support growth diversification and enhance inclusion. The government's goal of achieving 6 percent growth in the medium term and doubling the size of its economy by 2030 (compared to the 2023 level) cannot be attained in the absence of significant reforms, given the moderate potential growth that is hampered by stagnant productivity and dominance of extractive industries.

To stimulate foreign and domestic investment and facilitate technology transfer, Kazakhstan must enhance competition by removing market distortions and other barriers to dynamic private sector growth. Improving state-owned enterprise efficiency and establishing a robust governance framework would further support competition. Addressing infrastructure gaps, complemented with strengthening human capital and policies to support decarbonization, also can enhance the competitiveness of firms and the quality of services.

Recent developments

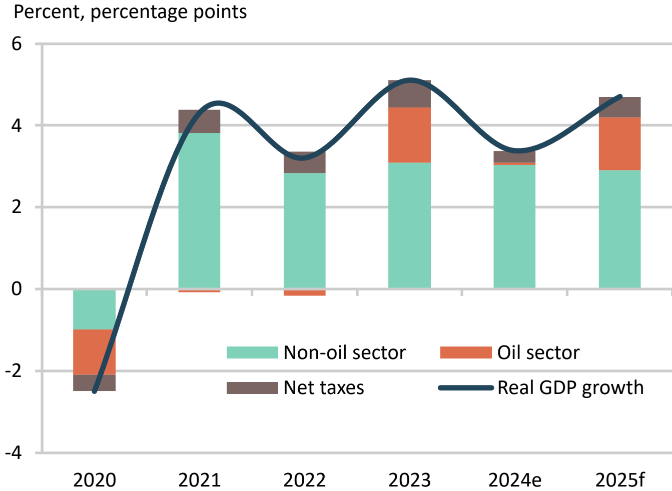
Kazakhstan's economy slowed to 3.2 percent year-on-year (y-o-y) in the first half (H1) of 2024, down from 5.3 percent a year ago. Slowing growth momentum is evident across all demand components, with investment and government spending notably weak. Investment declined by 3.5 percent y-o-y in real terms (+13.3 percent in H1 2023) and government spending was 4.5 percent lower in real terms y-o-y (+17 percent). Total sales growth, a proxy for consumer spending, slowed to 3.9 percent y-o-y in real terms (+10.4 percent in H1 2023), reflecting waning consumer demand. On the supply side, industrial production showed tepid growth of 2.7 percent y-o-y in H1 (+3.8 percent in H1 2023) due to lower oil production (-1.6 percent); construction edged to 8.6 percent (+7.7 percent); and services slowed to 3.3 percent y-o-y (+5.5 percent).

The official unemployment rate held constant at 4.7 percent in Q2. To bolster living standards, the government implemented a 21.4 percent nominal increase in minimum wage, effectively doubling the amount since 2021 (+70 percent rise in real term).

Consumer price inflation decreased from 9.7 percent in December 2023 to 8.5 percent y-o-y in August and September, which is above the target rate of 5 percent. Food and nonfood prices moderated, while service prices remain elevated due to robust sectoral wage growth. The central bank trimmed its policy rate by 25 basis points to 14.5 percent in June, maintaining a tight policy stance.

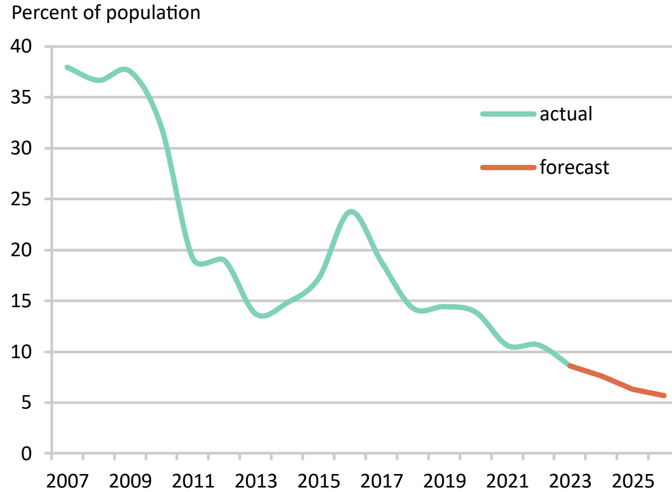
A reduction in goods imports and an increase in service exports improved the trade balance, raising it to US$11.3bn in H2 2023 (from US$9.6bn in H1 2023). This, coupled with a significant

FIGURE 1 Kazakhstan / Real GDP growth and contributions to real GDP growth



Sources: Statistical Office of Kazakhstan and World Bank staff estimates.

FIGURE 2 Kazakhstan / Poverty rate, percent of population living on less than $6.85 (PPP) per day



Source: World Bank staff estimates.

27.7 percent y-o-y decline in the primary income balance, shifted the current account to a surplus of US$0.8bn in H1 2024, compared to a deficit of US$5.0bn in H1 2023. foreign direct investment inflows, declined by 56.3 percent compared to a year earlier, reaching US$2.2bn, as a major oil production expansion project nears completion. Gross international reserves grew to US$41bn, covering approximately eight months of imports. Between January and August, the tenge depreciated by 4.5 percent against the U.S. dollar.

The fiscal deficit expanded in H1 2024 as slower economic growth hit revenues, widening the consolidated budget deficit to 1 percent of GDP from 0.4 percent in 2023. Spending dropped by 1.3 ppts of GDP to 24.2 percent due to cuts in defense and healthcare, although social welfare, housing, utility infrastructure, and interest payments rose. Revenues declined by 1.8 ppts to 23.3 percent of GDP, with oil-related and non-oil revenues falling.

The banking sector remains resilient, supported by robust capital and liquidity positions exceeding regulatory requirements. Real bank loans increased by 13.8 percent y-o-y in June, driven primarily by consumer borrowing (2/3 of total growth), helping to sustain consumer spending. Non-performing loans amounted to only 3 percent of the loan portfolio in June 2024, but this warrants close monitoring given rising household indebtedness and elevated interest rates.

Outlook

Economic growth is projected to pick up temporarily to 4.7 percent in 2025, supported by increased oil production, before gradually slowing down to its long-term potential rate of 3.0–3.5 percent in the ensuing years.

Private consumption and net exports, boosted by higher oil exports, will be the primary growth drivers. Investment activity should remain subdued, contributing modestly in 2025–2026.

Inflation will gradually decline in 2025 as energy and food prices stabilize, but persistent service sector inflation will keep it above the 5 percent target until late 2026. Ongoing tariff adjustments and potential fiscal imbalances may hinder the disinflationary trend.

The current account deficit is projected to narrow in 2025 and beyond, underpinned by higher oil exports. The fiscal deficit is projected to decrease gradually from 2.1 percent of GDP in 2024 to 1 percent in 2026, through increased revenue mobilization—primarily via tax code reforms—and more targeted and tempered budget spending. The revised tax code is likely to include higher income taxes for businesses and households, along with increased levies on luxury items. However, uncertainty around revenue gains and growing pressures for social and infrastructure spending may pose risks to meeting these fiscal goals.

Poverty is expected to fall to 7.9 percent (at US$6.85/day) in 2024, 6.7 percent in 2025, and 6.1 in 2026 as growth continues and inflation subsides.

Economic growth faces significant downside risks. A decline in global oil demand/prices would harm exports, fiscal revenues, and growth. Increased budget spending and reversal of fiscal consolidation could worsen the fiscal balance, sustain inflationary pressure, and keep borrowing costs elevated. Furthermore, the growing frequency of extreme weather events (e.g., droughts, wildfires, floods) threatens agricultural output, infrastructure, and economic stability, potentially stoking inflation and requiring further fiscal intervention.

TABLE 2 Kazakhstan / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	4.3	3.2	5.1	3.4	4.7	3.5
Private consumption	6.3	3.9	4.6	3.8	5.2	4.1
Government consumption	-2.4	4.3	10.3	-2.7	3.2	0.5
Gross fixed capital investment	2.6	3.8	20.7	2.6	4.0	3.6
Exports, goods and services	2.3	9.6	1.9	1.9	6.3	2.1
Imports, goods and services	-0.3	13.1	14.7	1.7	5.1	3.5
Real GDP growth, at constant factor prices	4.1	2.9	4.7	3.4	4.6	3.4
Agriculture	-2.2	9.1	-7.4	3.0	3.0	2.0
Industry	4.5	2.7	5.7	3.4	6.0	3.8
Services	4.4	2.5	5.2	3.4	3.8	3.2
Inflation (consumer price index)	8.5	20.3	9.8	8.4	7.1	6.0
Current account balance (% of GDP)	-1.4	3.1	-3.3	-2.7	-2.0	-1.6
Net foreign direct investment inflow (% of GDP)	-1.0	-3.6	-0.9	-0.4	-2.3	-1.7
Fiscal balance (% of GDP)	-5.1	-0.2	-1.6	-2.1	-1.6	-1.0
Revenues (% of GDP)	16.8	21.5	21.5	20.3	20.1	20.2
Debt (% of GDP)	23.7	22.5	22.0	23.6	23.9	25.1
Primary balance (% of GDP)	-3.9	1.2	0.0	-0.4	-0.1	0.5
International poverty rate ($2.15 in 2017 PPP)[a,b]	0.0	0.0	0.0	0.0	0.0	0.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	0.3	0.3	0.2	0.2	0.1	0.1
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	10.6	10.7	8.8	7.9	6.7	6.1
GHG emissions growth (mtCO2e)	6.1	-1.5	0.4	0.9	1.3	1.2
Energy related GHG emissions (% of total)	71.3	71.6	72.1	72.8	73.6	74.3

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 ECAPOV harmonization, using 2021-HBS. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2021) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

KOSOVO

Table 1	2023
Population, million	1.7
GDP, current US$ billion	10.4
GDP per capita, current US$	6142.0
Upper middle-income poverty rate ($6.85)[a]	21.4
Gini index[a]	29.0
Life expectancy at birth, years[b]	79.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Estimated number, 2017 PPPs.
b/ Most recent WDI value (2022).

Economic activity picked up during the first quarter of 2024, on the back of robust consumption growth as prices stabilized. Over the medium term, growth is projected to strengthen further, fueled by consumption, rising real incomes, credit expansion, and increased public wages and transfers. A strengthened European Union (EU) accession process, backed by the EU growth plan, has the potential to improve trade integration, attract more FDI, and bolster economic growth.

Key conditions and challenges

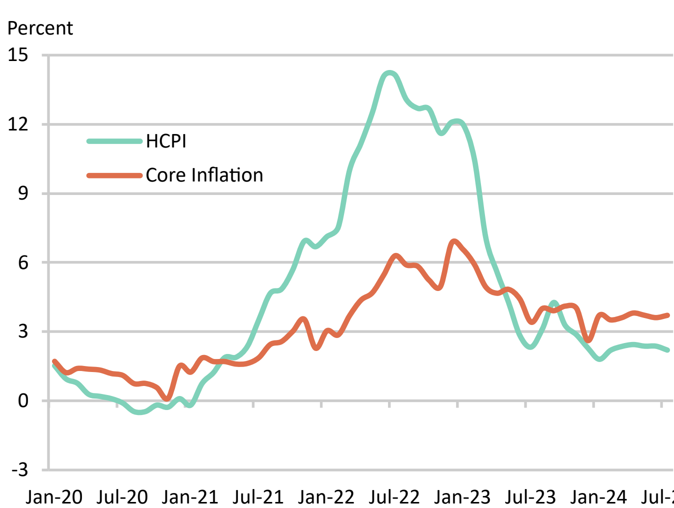
After a slowdown in 2023, Kosovo's growth accelerated in the first part of 2024, yet within the bounds of its structural constraints. The fiscal performance remained robust, with revenue growth continuing to be strong. However, the country is confronted with the need to undertake reforms that demand substantial fiscal resources. Key among these is the implementation of a new energy strategy, improvement of water security, and the acceleration of reforms aimed at bolstering human capital and connectivity. Kosovo's growth model relies mainly on consumption and construction investment, financed significantly by the country's diaspora. Recent growth trends in exports of ICT and other business services are encouraging. Foreign direct investments (FDI) in 2024 continue to increase but remain primarily focused on real estate. In 2023, labor force participation inched up to 40.7 percent. However, the working-age population has shrunk, partly due to ongoing outmigration. Visa liberalization with the EU has reduced costs and spurred an increase in international travel and higher service imports.

The country lags peers in human capital development. To transition to a growth model that favors more and better-quality jobs, Kosovo should continue to maintain macroeconomic stability and accelerate reforms that target the closing of regulatory, human capital, and vital infrastructure gaps. The positive trend in the national average for poverty reduction may obscure regional disparities. Poverty is more prevalent among people with lower education and children, so it is essential to emphasize human capital accumulation. A significant portion of Kosovo's workforce comprises the working poor, who face low wages and limited human capital. This situation is exacerbated by low labor force participation, especially among women, influenced by high reservation wages and attractive outside options, including migration.

Recent developments

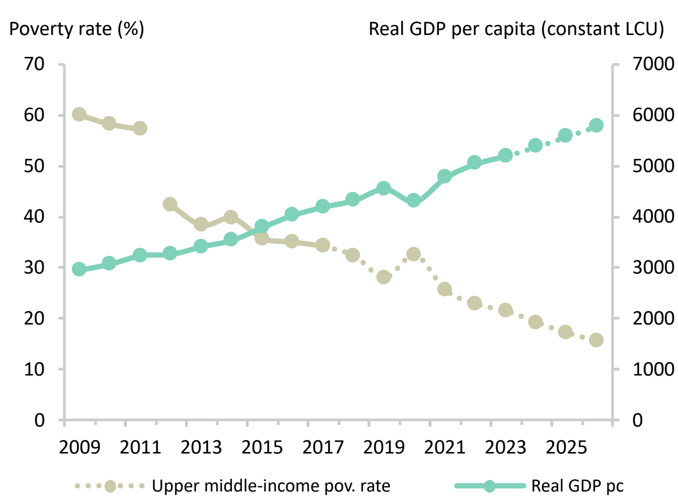
GDP growth accelerated in the first quarter of 2024, with provisional estimates indicating a 5.6 percent increase. Private consumption growth (9.7 percent y/y) provided the highest contribution. On the supply side, net taxes on products contributed most to the growth. Consumer inflation decelerated, averaging 2.1 percent between January and August 2024. Core inflation, however, remains elevated (3.6 percent by August). Labor market formalization continued in 2023, reflected in a 4.5 percent increase in formal employment. The current account deficit (CAD) for the first half of the year increased by ¼ from the same period of last year, driven by a higher deficit in the goods balance. Cumulative remittances' growth by July slowed down to 0.5 percent, compared to 11.3 percent during the same period of last year. By August 2024,

FIGURE 1 Kosovo / Consumer price inflation



Source: Kosovo Statistics Agency.

FIGURE 2 Kosovo / Actual and projected poverty rate and real GDP per capita



Source: World Bank. Notes: see Table 2.

the government ran a fiscal surplus and tax revenues grew by 11 percent, reflecting increased compliance and formalization gains. Meanwhile, expenditures increased by 14 percent, driven by increases in wage spending. In the first quarter of 2024, public and publicly guaranteed debt (PPG) fell to 15.8 percent of GDP, down from 17.5 percent in 2023. The financial sector remains robust. By July 2024, credit increased by 13.6 percent (y/y) and nonperforming loans remained stable at 2 percent. Poverty reduction is projected to continue, with a decline of 2.2 percentage points in 2024 (from 21.4 percent in 2023) due to slightly higher growth. However, growth has been skewed towards urban centers, leading to increased inequality. Another important dimension is susceptibility to shocks and its welfare consequences. In 2022, price increases reached levels not seen in decades, and energy price shocks posed concerns for the most vulnerable groups. Similarly, geopolitical tensions and subsequent supply-chain disruptions have heightened worries about their effects on those at the lower end of the economic distribution.

Outlook

GDP growth is projected to accelerate to 3.8 percent in 2024 and gradually converge towards 4 percent over the medium term. Growth is likely to be spurred by consumption, underpinned by rising incomes, credit, and public spending. Public infrastructure and private real estate investments, along with post-2025 renewable energy investments, are also expected to contribute to growth. On the production side, services and construction will provide the highest contribution. Merchandise exports will remain subdued in 2024, gradually recovering by 2026. International price stabilization is expected to slow domestic consumer price inflation to 2 percent in 2024. However, upward pressure on wages could keep core inflation higher. Outmigration and increased travel spending abroad, associated with visa liberalization, represent a drag on growth. The CAD is expected to deteriorate in 2024 but improve starting in 2025. Real estate FDI is projected to increase, but more greenfield and productive FDI is needed. Driven by higher current and capital expenditures, the fiscal deficit is expected to edge up to 1.1 percent of GDP in 2024 and remain in line with fiscal rules over the medium term. An increase in spending pressures associated with the upcoming electoral cycle represents a risk. Continued geopolitical uncertainty, including that associated with the domestic political context, also entails risk. A reinforced EU accession process could enhance growth prospects. With growth expected to accelerate, poverty is also projected to decrease. A tighter labor market is anticipated to boost wages. While outmigration has sparked concerns about human capital losses, migration can also incentivize the optimal use of domestic human capital. The declining population could be offset by increasing female labor force participation, constrained by lack of childcare services. Expanding childcare services would not only improve labor market opportunities for women but also enhance children's school readiness through better early childhood education (ECE).

TABLE 2 Kosovo / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	10.7	4.3	3.3	3.8	3.9	4.0
Private consumption	7.3	3.4	3.9	4.8	3.7	3.9
Government consumption	9.0	0.2	2.3	6.7	5.3	5.9
Gross fixed capital investment	13.0	-3.2	3.0	5.7	5.2	4.5
Exports, goods and services	76.8	18.9	6.3	6.0	4.1	4.8
Imports, goods and services	31.4	5.4	5.9	6.9	4.4	4.7
Real GDP growth, at constant factor prices	7.8	5.2	2.3	3.8	3.9	4.0
Agriculture	-2.5	4.5	3.0	3.0	2.5	1.8
Industry	7.8	4.0	1.6	1.8	4.0	4.2
Services	9.8	6.1	2.5	5.1	4.1	4.3
Inflation (consumer price index)	3.3	11.6	4.9	2.0	1.9	1.8
Current account balance (% of GDP)	-8.7	-10.3	-7.6	-8.1	-7.6	-7.5
Net foreign direct investment inflow (% of GDP)	4.0	6.3	6.8	7.1	7.0	6.9
Fiscal balance (% of GDP)	-1.3	-0.5	-0.3	-1.1	-1.7	-1.9
Revenues (% of GDP)	27.4	27.9	29.4	29.2	29.4	29.6
Debt (% of GDP)	21.1	19.7	17.2	17.2	18.1	18.9
Primary balance (% of GDP)	-0.9	-0.1	0.2	-0.7	-1.3	-1.4
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	25.5	22.8	21.4	19.2	17.1	15.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
a/ Calculations based on ECAPOV harmonization, using 2017-HBS. Actual data: 2017. Nowcast: 2018-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2017) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

KYRGYZ REPUBLIC

Table 1	2023
Population, million	7.1
GDP, current US$ billion	14.0
GDP per capita, current US$	1974.0
International poverty rate ($2.15)[a]	0.3
Lower middle-income poverty rate ($3.65)[a]	11.3
Gini index[a]	26.4
School enrollment, primary (% gross)[b]	96.2
Life expectancy at birth, years[b]	72.0
Total GHG emissions (mtCO2e)	14.0

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ WDI for School enrollment (2023); Life expectancy (2022).

Economic growth remained strong and inflation declined sharply in the first half of 2024. The fiscal balance was positive owing to strong revenue performance. GDP growth is projected at 5.8 percent in 2024, mainly driven by consumption and investment. Inflation is projected to remain at around 4 percent. The fiscal balance is projected to improve in 2024 due to lower capital spending.

Key conditions and challenges

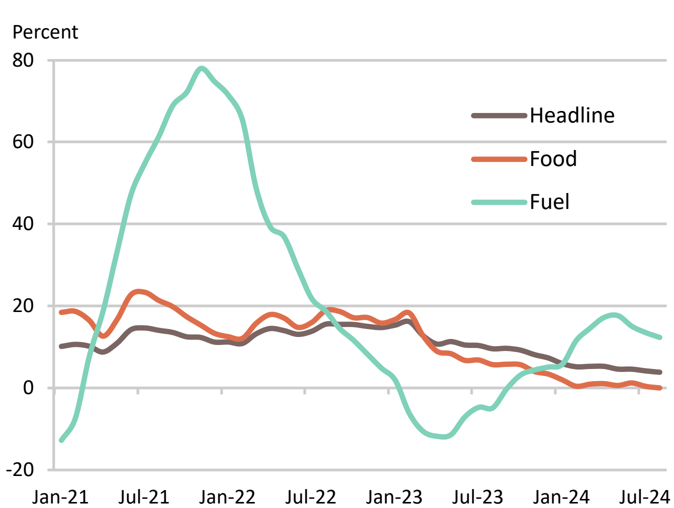
The Kyrgyz Republic remains one of the poorest countries in the region, with poverty levels remaining stubbornly high. As a small, relatively undiversified economy, the Kyrgyz Republic is subject to significant economic risks. Domestic prices are sensitive to rising global food and fuel prices, and international earnings depend on gold exports and remittances. The economy has limited gross international reserves to absorb shocks, while nondiscretionary fiscal expenditure is high, and the country is at a moderate risk of debt distress. The country has a young and growing population, abundant natural resources, and is near large markets. However, economic opportunities and job creation are limited due to a stagnant private sector, constrained by a weak competitive environment, undue advantage of poorly performing SOEs, a high level of informality, and an onerous business environment. Private sector-led growth will require ambitious reforms to ensure a level playing field, reduce the cost of regulatory compliance, remove barriers for cross-border trade, and maximize spillovers from FDI.

Recent developments

The Kyrgyz economy continued to perform strongly in the first half (H1) of 2024, supported by the transit trade of goods mainly from China to Russia and rising inflows of remittances. Real GDP expanded by 8.1 percent in H1 2024, driven by consumption, exports, and investment. On the production side, growth has been supported by construction and services which grew by 48 percent and 7.7 percent in real terms, respectively.

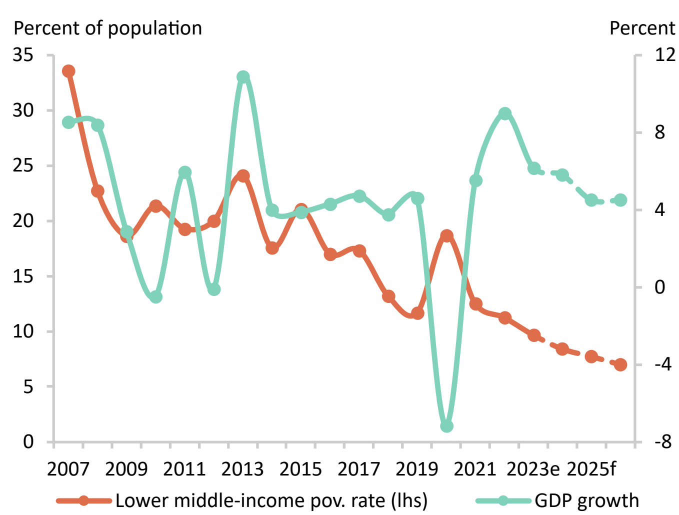
Consumer price inflation fell gradually over H1 2024, to 5.0 percent in July 2024, the lower end of the central bank's target range of 5–7 percent, enabling the central bank to cut the policy interest rate by 400 basis points to 9 percent by May 2024. The drop in inflation was driven by declining food price inflation, while fuel price inflation accelerated, and inflation of nonfood and service prices remained elevated. Credit to the economy continued to grow, year-on-year (y-o-y), at 15 percent in real terms as of June 2024. While the nonperforming loans ratio increased to 11.9 percent as of end-June 2024, from 9.2 percent at end-December 2023, the banking sector remained well capitalized, with capital adequacy and liquidity ratios at 22.3 percent and 78.8 percent, respectively, well above requirements. The current account deficit reached 80.4 percent of GDP (US$2.2bn) in the first quarter (Q1) of 2024, the largest deficit to date. This anomaly is likely driven by the under-reporting of re-exports of imported goods to Russia, mainly from China--it was almost entirely matched in the Balance of Payments by an increase in "errors and omissions" to 77 percent of GDP (US$2.1 billion). Exports of goods and services grew by 22 percent (in US$ terms) in Q1 2024, owing to increases in gold, tourism,

FIGURE 1 Kyrgyz Republic / Headline, food, and fuel inflation



Source: Kyrgyz authorities.

FIGURE 2 Kyrgyz Republic / Real GDP growth and poverty rate



Sources: Kyrgyz authorities and World Bank staff.

and trade logistics service exports. Imports of goods and services increased by 38 percent (in US$ terms), including imports destined for re-export. However, early released data for Q2 2024 suggest that exports and imports both declined. Remittances (in US$ terms) grew by 6.4 percent in H1 2024, y-o-y, although as a share of GDP, they were lower than a year ago (22.4 percent vs 25.6 percent).

The som strengthened by 3 percent against the U.S. dollar over H1 2024, although the real effective exchange rate depreciated by 0.3 percent. Gross international reserves increased to 3.3 months of imports (US$3.8bn) from 3.1 months (US$3.2bn) at end-December 2023.

The government's fiscal position remained strong in H1 2024, with an estimated surplus of 5.6 percent of GDP, supported by increases in tax and non-tax revenues compared to a year ago (by 1.3 and 2 percentage points of GDP, respectively), as well as repayments of on-lent loans to the budget by SOEs (7.9 percent of GDP). Current and capital expenditures declined by 1.2 and 3.2 percentage points of GDP compared to a year ago, respectively. Public debt decreased from 45.5 percent of GDP in December to 41.2 percent by end-June. In 2023, the poverty rate (US$3.65/day poverty line), dropped to 9.7 percent, from 11.3 percent in 2022. This decline was supported by lower inflation and robust growth. Poverty reduction is expected to continue into 2024, driven by the implementation of social protection programs, higher pensions, and increased lending to vulnerable households.

Outlook

GDP growth is projected to slow to 5.8 percent in 2024, as exports continue to be weak in H2 2024 due to an expected reduction in re-exports. Aggregate demand is expected to be supported by public and private consumption and investment. On the production side, construction and services are expected to contribute the most to growth. GDP is expected to stabilize at 4.5 percent over the medium term in the absence of structural reforms to raise productivity and potential growth.

Assuming the central bank maintains a prudent monetary stance, inflation is projected to remain below 5 percent by end-2024 and thereafter in the medium term.

The current account deficit is projected at 10.8 percent of GDP in 2024 and to narrow to 8.2 percent by 2026 as an external demand for goods and services grows and remittance inflows increase.

The fiscal balance is projected at a surplus of 2.6 percent of GDP in 2024 mainly as a result of repayments of on-lent loans by SOEs and lower capital spending. In the medium-term, the fiscal balance is expected to remain positive despite a rise in current spending while revenues remain broadly unchanged as a share of GDP.

In the medium term, the poverty level is expected to continue declining to around 8 percent, driven by the positive effects of lower inflation and expanding social protection programs.

Risks to this outlook arise mainly from the geopolitical situation and the uncertain outlook for transit trade and remittances.

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

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	5.5	9.0	6.2	5.8	4.5	4.5
Private consumption	18.8	17.0	10.4	6.2	4.3	4.4
Government consumption	0.5	4.4	0.9	0.6	0.5	0.3
Gross fixed capital investment	8.0	6.9	11.0	12.9	13.2	13.4
Exports, goods and services	16.4	59.2	-4.9	28.7	10.2	9.7
Imports, goods and services	38.8	66.7	34.1	15.0	8.7	9.0
Real GDP growth, at constant factor prices	5.5	12.1	4.7	5.8	4.5	4.5
Agriculture	-4.5	7.3	0.6	2.5	2.2	2.3
Industry	6.5	11.9	2.7	5.3	6.0	6.0
Services	14.5	16.0	8.4	8.3	5.4	5.3
Inflation (consumer price index)	11.9	13.9	10.8	4.6	4.5	4.3
Current account balance (% of GDP)	-8.0	-42.4	-48.2	-10.8	-8.6	-8.2
Net foreign direct investment inflow (% of GDP)	6.1	4.2	1.1	3.8	3.6	3.2
Fiscal balance (% of GDP)	-0.3	-1.3	1.2	2.6	2.5	1.4
Revenues (% of GDP)	31.8	34.6	37.2	36.6	37.1	37.2
Debt (% of GDP)	55.8	46.9	45.5	40.9	40.4	39.9
Primary balance (% of GDP)	1.2	0.0	2.3	3.6	3.3	2.1
International poverty rate ($2.15 in 2017 PPP)[a,b]	0.7	0.3	0.3	0.2	0.2	0.2
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	12.5	11.3	9.7	8.4	7.7	7.0
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	62.2	60.1	57.2	54.7	53.2	51.5
GHG emissions growth (mtCO2e)	9.9	-0.6	-0.4	0.0	0.3	1.0
Energy related GHG emissions (% of total)	66.2	64.5	64.0	63.2	62.2	61.4

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 ECAPOV harmonization, using 2016-KIHS, 2019-KIHS, and 2022-KIHS. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.
b/ Projection using point-to-point elasticity (2016-2019) with pass-through = 0.7 based on GDP per capita in constant LCU.

MOLDOVA

Table 1	2023
Population, million	2.4
GDP, current US$ billion	16.5
GDP per capita, current US$	6861.1
International poverty rate ($2.15)[a]	0.0
Lower middle-income poverty rate ($3.65)[a]	0.3
Upper middle-income poverty rate ($6.85)[a]	14.4
Gini index[a]	25.7
School enrollment, primary (% gross)[b]	106.5
Life expectancy at birth, years[b]	68.6
Total GHG emissions (mtCO2e)	15.1

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ Most recent WDI value (2022).

Moldova's economy is recovering despite ongoing spillovers from Russia's invasion of Ukraine. Essential structural reforms and further integration with the European Union (EU) is needed to address persistent socio-economic challenges, including poverty, low productivity, and climate vulnerabilities. While a gradual recovery is anticipated in 2024, significant risks persist, including the threat of continued conflict, potential energy disruptions, and uncertainties surrounding upcoming elections.

Key conditions and challenges

Moldova's economy is showing signs of recovery, while unprecedented challenges due to the spillover effects of Russia's invasion of Ukraine are still unfolding. A moderate economic recovery in the first half of 2024 improved household incomes and investments. Nevertheless, there are significant macroeconomic risks, including the potential intensification of the war in Ukraine, additional energy disruptions, particularly the potential discontinuation of gas transit through Ukraine, and headwinds from the upcoming elections in 2024 and 2025. Moldova's medium-term prospects hinge on structural reforms and progress toward EU accession. Despite sustained economic growth over two decades, poverty remains pervasive, particularly in rural regions, with limited access to services and viable economic opportunities. Traditional means of poverty alleviation, such as remittances and social assistance, are slowing, while low labor force participation and employment rates impede a shift to employment-based poverty reduction, underscoring the urgency for structural reforms. Nearly a quarter of young people aged 15-34 were neither employed nor in education and training (NEET).

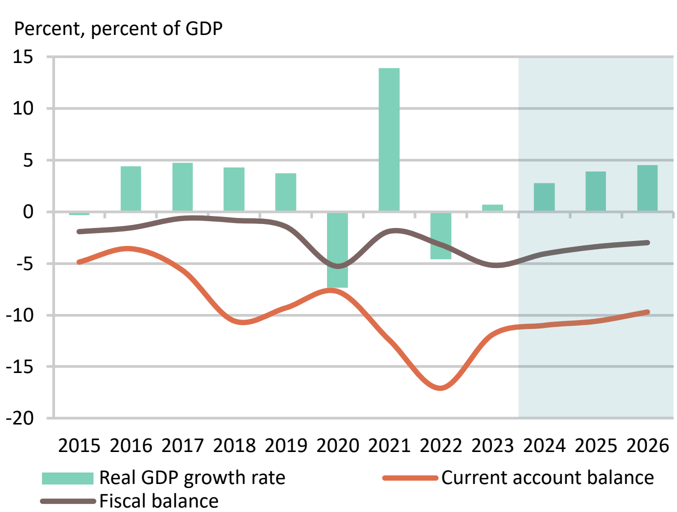
Moldova faces structural challenges including low productivity growth, governance deficiencies, a large state footprint, limited competition, an imbalanced business environment, and tax distortions. The country remains vulnerable to adverse weather events and energy shocks due to its heavy dependence on energy imports and limited diversification in energy sources. Climate change worsens these vulnerabilities, increasing the frequency and severity of droughts and other natural hazards, thereby posing substantial risks to Moldova's agricultural sector and livelihoods. With EU candidate status, strong reform momentum, and growth-enhancing, climate-resilient investments are needed to foster long-term, sustainable development and convergence toward EU income levels.

Recent developments

Despite ongoing spillovers from Russia's invasion of Ukraine, the economy is showing promising recovery signs. In the first half of 2024, the economy grew by 2.2 percent, driven by rebounds in domestic trade, manufacturing, and a substantial recovery in the energy sector, which saw double-digit growth following the 2023 energy crisis. The IT sector continued to experience robust growth, while agriculture remained resilient, though summer droughts may affect yields later. On the demand side, growth was fueled by investments and restocking, while net exports had a negative impact due to rising imports. Private consumption improved with increasing disposable incomes and lower interest rates.

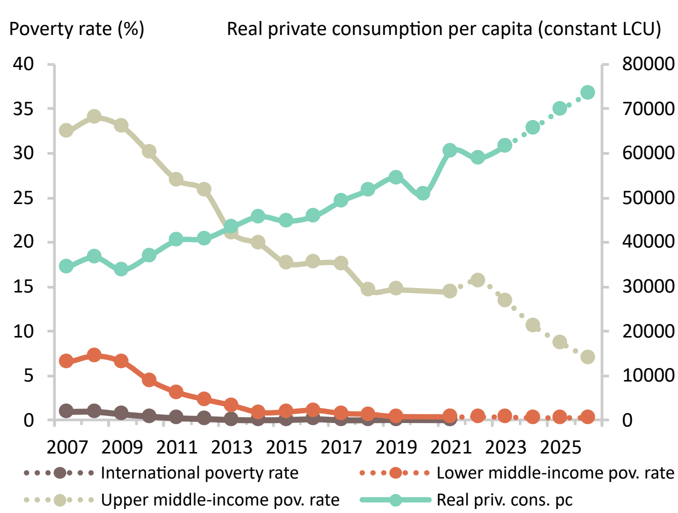
The current account deficit (CAD) improved to 11.8 percent of GDP in the first quarter of 2024, despite a 6.5 percent

FIGURE 1 Moldova / Actual and projected macroeconomic indicators



Source: World Bank, based on national statistics.

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



Source: World Bank. Notes: see Table 2.

decline in remittances. This improvement was driven by a narrower trade deficit and enhancements in the primary income account. The CAD was mainly financed through cash, deposits, and trade loans while direct investments fell. External debt decreased by 2.4 percentage points from the end of 2023, reaching 60.9 percent of GDP.

Inflation continued to decelerate in 2024, averaging 4.2 percent (y-o-y) in the first eight months, driven by weaker domestic demand and lower energy prices. In response, the Central Bank lowered the base interest rate from 4.75 percent in early 2024 to 3.6 percent in August 2024. During the same period, banks maintained high liquidity, and the ratio of nonperforming loans dropped to a five-year low of 6.1 percent.

In January-July, total revenues rose by 12.2 percent, y-o-y, driven by social contributions, VAT and excise duties on imported goods, and personal income taxes. Expenditures to support the economy remained elevated, including spending on wages, subsidies, and goods and services. The fiscal deficit registered 3 percent of GDP. Public and publicly guaranteed debt decreased to 33.8 percent of GDP in the first half of 2024.

Poverty rates, as measured by the US$6.85 2017 PPP poverty line, are expected to have remained stable, marginally dropping from 15.7 percent in 2022 to 13.3 percent in 2023.

Outlook

The economy is projected to grow by 2.8 percent in 2024, supported by rising real wages due to lower inflation, favorable interest rates, and a positive fiscal impulse. Despite a decline in real remittances, private consumption is expected to be a major growth driver, supported by gradual improvements in investments. The increase in imports and reduced external demand for exports will result in a negative contribution from net exports. On the supply side, growth will be supported by the IT sector and domestic trade. The industrial sector's contribution is anticipated to increase, although external demand remains below pre-2021 levels. Agricultural growth will be modest due to summer drought, despite strong results early in the year. Medium-term growth will be fueled by reforms focused on economic diversification and competitiveness, in line with the EU accession agenda.

Inflation is projected to stay near the lower end of the 3.5 to 6.5 percent target range in 2024, with a medium-term average of around 5 percent. However, inflation remains sensitive to supply-side factors, such as geopolitical tensions, energy prices, and climate conditions.

While the CAD is expected to narrow further in 2024, aided by improvements in the trade balance and stable remittances from the EU. However, it will likely remain above pre-pandemic levels due to high import prices, transport costs, and low foreign direct investment amid ongoing uncertainties.

The fiscal deficit is projected to remain high at 4.1 percent of GDP in 2024 due to spending on economic support, refugee assistance, and infrastructure. It is expected to decrease to 3 percent of GDP by 2026 as fiscal support declines.

As inflationary pressures ease, the poverty rate, as measured by the US$6.85 2017 PPP poverty line, is expected to decrease to 10.63 percent in 2024. With the anticipated economic recovery and normalization of inflation, poverty is projected to decline further to 8.6 percent in 2025.

TABLE 2 Moldova / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	13.9	-4.6	0.7	2.8	3.9	4.5
Private consumption	17.3	-4.8	-0.5	2.4	3.3	3.8
Government consumption	4.4	4.8	-2.2	0.8	0.7	0.2
Gross fixed capital investment	1.9	-10.5	-1.3	5.1	5.3	5.6
Exports, goods and services	17.5	29.7	5.1	0.2	4.7	5.9
Imports, goods and services	21.2	18.2	-5.1	1.1	3.8	4.3
Real GDP growth, at constant factor prices	13.4	-4.2	1.5	2.8	3.9	4.5
Agriculture	50.3	-23.5	31.9	1.9	3.3	3.8
Industry	0.5	-10.3	-10.0	4.4	4.8	5.2
Services	12.4	3.0	-0.1	2.6	3.8	4.5
Inflation (consumer price index)	5.1	28.7	13.4	4.5	5.1	4.9
Current account balance (% of GDP)	-12.4	-17.1	-11.9	-11.0	-10.5	-9.7
Net foreign direct investment inflow (% of GDP)	2.7	3.7	2.5	1.7	2.2	2.5
Fiscal balance (% of GDP)	-1.9	-3.2	-5.2	-4.1	-3.4	-2.8
Revenues (% of GDP)	32.0	33.3	34.1	33.7	33.8	33.8
Debt (% of GDP)	33.8	35.9	36.0	38.5	38.1	37.5
Primary balance (% of GDP)	-1.1	-2.2	-3.4	-2.4	-1.7	-1.4
International poverty rate ($2.15 in 2017 PPP)[a,b]	0.0	..	..	..	..	..
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	0.3	0.4	0.3	0.2	0.2	0.2
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	14.4	15.7	13.3	10.6	8.6	7.0
GHG emissions growth (mtCO2e)	6.9	0.2	7.2	8.1	8.8	9.6
Energy related GHG emissions (% of total)	64.8	63.5	65.7	69.2	72.7	75.6

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 ECAPOV harmonization, using 2021-HBS. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2021) with pass-through = 0.87 (Med (0.87)) based on private consumption per capita in constant LCU.

MONTENEGRO

Table 1	2023
Population, million	0.6
GDP, current US$ billion	7.6
GDP per capita, current US$	12252.6
International poverty rate ($2.15)[a]	2.0
Lower middle-income poverty rate ($3.65)[a]	3.7
Upper middle-income poverty rate ($6.85)[a]	12.2
Gini index[a]	34.3
School enrollment, primary (% gross)[b]	100.7
Life expectancy at birth, years[b]	76.2
Total GHG emissions (mtCO2e)	3.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ Most recent WDI value (2022).

Montenegro's economy is expected to grow by 3.4 percent in 2024. Growth is projected to moderate but remain solid at 3.5 percent in 2025, boosted by wage increases. However, fiscal challenges persist as the government reduces pension contributions, likely increasing the deficit to 4.1 percent of GDP in 2025. Public debt is expected to rise to an estimated 64.5 percent of GDP by 2026. Maintaining fiscal sustainability will require disciplined policies amid high external financing costs and geopolitical uncertainties.

Key conditions and challenges

Montenegro, characterized by its small open economy, rich biodiversity, and EU ambitions, has shown resilience despite vulnerabilities to external and domestic demand shocks. As a euroized economy, it relies heavily on fiscal policy for macroeconomic stability. Given its reliance on tourism and the challenges of environmental degradation and climate change, the country would benefit from more sustainable development strategies. After a 15.3 percent contraction in 2020, the economy rebounded swiftly in 2021-23, averaging 8.6 percent growth per annum. Growth is estimated to remain robust in 2024 at 3.4 percent, driven by private consumption, still supported by foreign residents, primarily Russian and Ukrainian citizens.

Montenegro successfully reduced its public debt from 103.5 percent of GDP in 2020 to 59.3 percent in 2023, but a lumpy debt repayment profile represents a vulnerability. While one-off revenues resulted in a fiscal surplus of 0.6 percent of GDP in 2023, a return to fiscal deficits is expected in the medium term. Tax revenues remain below 2021 levels following the 2022 reform, which removed healthcare contributions and introduced the PIT allowance (Europe Now 1). Under the government's Fiscal Strategy 2024-27 (Europe Now 2), revenues are projected to decline further with the proposed reduction in pension contributions.

After years of political instability following the 2020 elections and the first power shift in 30 years, Montenegro's government, formed in October 2023 and reshuffled in July 2024, has made EU accession its priority. By March 2024, key judiciary and prosecution appointments were made, and in June 2024, a positive Interim Benchmark Assessment Report marked a crucial step, enabling the country to begin closing chapters and move closer to EU membership.

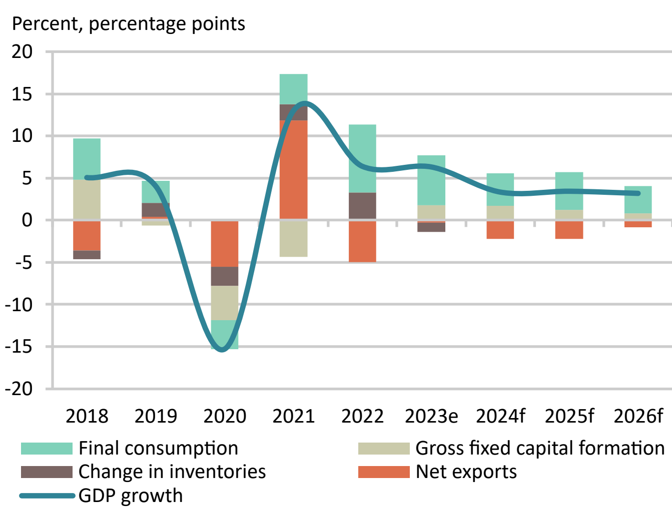
Recent developments

The solid growth from 2023 continued into 2024, although GDP growth moderated from 4.4 percent in Q1 to 2.7 percent in Q2. While increased private consumption and investment supported growth, their high import dependence led to higher imports, weighing on overall growth. By July, real retail trade had grown by 6.4 percent, and the value of construction works by 3.1 percent. However, tourist overnight stays fell by 4 percent, and industrial production by 6.5 percent.

Strong employment gains across all sectors continued into 2024. In Q2, LFS data showed employment and activity rates of 56.7 percent and 64 percent, respectively, while the unemployment rate dropped to 11.4 percent.

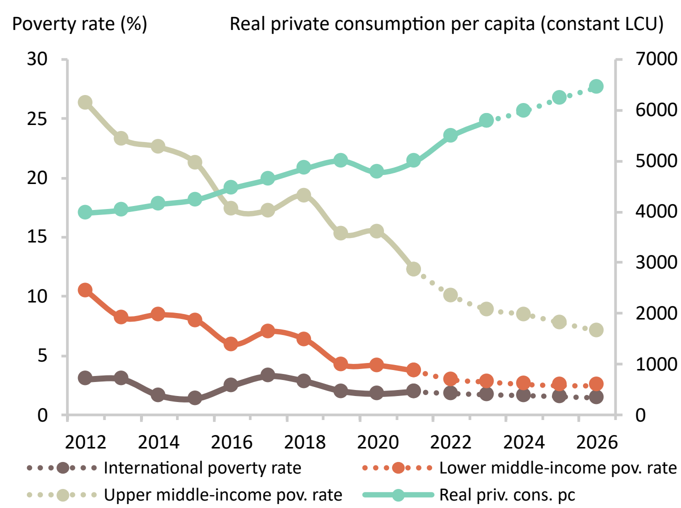
By July, annual inflation averaged 4.6 percent, and real wages increased by 1.2 percent y/y. Poverty (income below $6.85/day in 2017 PPP) is projected to have declined to 8.8 percent in 2023.

FIGURE 1 Montenegro / Real GDP growth and contributions to real GDP growth



Sources: MONSTAT and World Bank.

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



Source: World Bank. Notes: see Table 2.

The financial sector is well capitalized and liquid, and credit growth remains strong. In June, the average capital adequacy ratio was at 19.5 percent, while non-performing loans declined to 5 percent from 6.1 percent of total loans a year ago. By June 2024, banking sector lending and deposits increased by 12.5 and 2.1 percent y/y respectively.

In H1, the current account deficit (CAD) widened due to lower service exports and a decline in net income accounts, driven by higher dividend and interest payments. Net foreign direct investment (FDI) fell by 5 percent, covering a third of the CAD, with the remainder financed through new debt. External debt stays high at 130 percent.

In the first seven months of 2024, the central government achieved a fiscal surplus of 0.4 percent of GDP. Revenues rose by 8.6 percent, despite one-off revenues in 2023, supported mainly by stronger VAT and CIT collection.

Expenditures grew by 17.9 percent, mainly due to increased social transfers following the minimum pension increase to €450 in January 2024. In June, public debt stood at 60.8 percent of GDP, and in September, S&P upgraded Montenegro's credit rating from 'B' to 'B+'.

Outlook

The growth outlook is positive albeit challenged by an unfavorable global environment. Coming from a very high base, growth is expected to moderate to 3.4 percent in 2024, still led by private consumption, but also investments. Considering the anticipated increase in the minimum and net wages from October 2024 as reflected in the Fiscal Strategy, personal consumption is expected to drive growth in 2025 to 3.5 percent, despite a closure of the thermal power plant in 2025 for reconstruction that will require greater energy imports. Medium-term growth is expected to be sustained and stimulated by the progress towards EU membership. The CAD is projected to widen to 12.6 percent of GDP in 2024 and further to 13.7 percent in 2025 due to higher energy imports, with just half of it financed by net FDI, which may challenge sustainability. Inflation is expected to soften only slightly to 3.7 percent in 2025 and further to 2.7 percent in 2026. Poverty is projected to decline by 1.8 percentage points from 2023 to 7.0 percent in 2026. Most of the poor are chronically unemployed, students, or out of the labor force, often living in the northern region. Thus, reducing poverty further requires targeted government policies alongside sustained economic growth. The fiscal deficit is expected to increase in 2025 to an estimated 4.1 percent of GDP before gradually declining to 3.7 percent in 2026. The reduction in pension contributions is expected to create a revenue shortfall despite the government's planned compensatory measures. Implementing additional fiscal consolidation measures would improve fiscal performance and help ensure sustainability. Public debt is expected to rise to an estimated 64.5 percent of GDP in 2026. Maintaining debt sustainability will require strong fiscal discipline, especially amid challenging global financial conditions and significant financing needs over 2025-27. The outlook is clouded by potential downside risks. Heightened geopolitical uncertainties may weaken growth prospects for Montenegro's trading partners, while the high cost of external financing poses a risk given the country's substantial financing needs. Domestic political developments also pose a risk.

TABLE 2 Montenegro / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	13.0	6.4	6.3	3.4	3.5	3.2
Private consumption	4.0	9.7	6.5	4.0	4.8	3.5
Government consumption	0.5	1.5	3.1	2.8	2.7	1.8
Gross fixed capital investment	-12.3	0.1	6.9	6.6	4.6	3.0
Exports, goods and services	81.9	22.7	9.0	0.4	3.8	4.0
Imports, goods and services	13.7	21.3	5.9	3.1	5.3	3.5
Real GDP growth, at constant factor prices	13.2	6.3	5.7	3.4	3.4	3.2
Agriculture	-0.5	-2.9	-0.3	0.5	0.5	0.5
Industry	1.4	-5.2	5.1	-2.5	-6.8	5.0
Services	19.1	10.6	6.5	5.0	6.0	3.1
Inflation (consumer price index)	2.4	13.0	8.6	4.2	3.7	2.7
Current account balance (% of GDP)	-9.2	-12.9	-11.4	-12.6	-13.7	-13.2
Net foreign direct investment inflow (% of GDP)	11.7	13.2	6.2	7.0	7.0	7.0
Fiscal balance (% of GDP)	-2.1	-4.9	0.6	-2.8	-4.1	-3.7
Revenues (% of GDP)	44.0	38.6	42.2	41.5	39.7	39.7
Debt (% of GDP)	84.0	69.2	59.3	62.2	61.6	64.5
Primary balance (% of GDP)	0.2	-3.3	2.4	-0.8	-1.8	-1.3
International poverty rate ($2.15 in 2017 PPP)[a,b]	2.0	1.8	1.7	1.6	1.5	1.4
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	3.7	3.0	2.8	2.6	2.5	2.5
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	12.2	10.1	8.8	8.1	7.5	7.0
GHG emissions growth (mtCO2e)	3.9	2.6	2.6	-2.3	-4.4	0.6
Energy related GHG emissions (% of total)	67.8	69.2	70.3	70.0	69.1	69.9

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 ECAPOV harmonization, using 2022-SILC-C. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2021) with pass-through = 0.87 (Med (0.87)) based on private consumption per capita in constant LCU.

NORTH MACEDONIA

Table 1	**2023**
Population, million	1.8
GDP, current US$ billion	14.8
GDP per capita, current US$	8146.5
Upper middle-income poverty rate ($6.85)[a]	19.0
Gini index[a]	33.5
School enrollment, primary (% gross)[b]	91.4
Life expectancy at birth, years[b]	74.4
Total GHG emissions (mtCO2e)	9.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2019), 2017 PPPs.
b/ Most recent WDI value (2022).

Real growth remained constrained in H1 2024 amidst lingering inflationary pressures, weak external demand, and delayed highway construction. Fiscal consolidation targets are likely to be missed for 2024 following election promises. The fiscal deficit and public debt remain elevated over the medium term with higher mandatory spending and build-up of fiscal risks related to arrears, pensions, and spending pressures ahead of local elections. The growth outlook is positive, but downside risks prevail.

Key conditions and challenges

North Macedonia is struggling to recover after crises. Real GDP growth has remained muted in 2024, after mere 1 percent in 2023, reflecting delays in the take-off of highway construction works, weaker external demand, and lingering price pressures. Poverty reduction, having stalled in 2023, is estimated to have resumed in 2024 due to rising wages and employment growth vis-à-vis 2023.

Fiscal challenges remain persistent. While some reforms have been made to boost domestic revenues, spending efficiency remains low, and fiscal discipline weak. The fiscal deficit remains at around 5 percent post-pandemic, pushing the debt-to-GDP ratio close to 62 percent of GDP. Both the fiscal deficit and public debt remain above the newly introduced fiscal rules, further challenged by pre-election spending commitments related to pensions, public sector wages, and transfers to municipalities.

Monetary tightening has helped contain the surge in prices but persistent inflationary pressures risk prolonging the tightening cycle and further dampening economic activity. Rising wages and pensions risk keeping inflation higher for longer and cause a slower return to the long-term average.

Crisis-induced scars to the economy have significantly slowed potential growth and income convergence with the European Union (EU). The country's rebound after the pandemic has not kept pace with that of its peers. Ensuring sustainability, rising productivity, and undertaking necessary labor and regulatory structural reforms are essential for EU accession to progress and to enable sustainable growth.

Recent developments

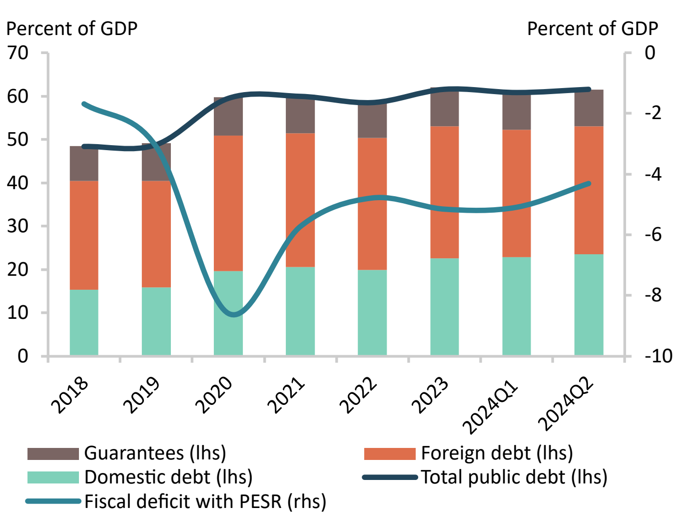
Output growth averaged 1.8 percent in H1 2024 with strong domestic demand while exports and imports dropped. Services led growth, while construction picked up and agriculture had a negative contribution.

Relative to end-2023, labor market indicators in Q2 2024 improved slightly, with the employment rate rising by a notch to 45.6 percent, while the participation rate remained almost unchanged at 52.1 percent. The unemployment rate dropped slightly to 12.5 percent, and the youth unemployment rate (15-24) remained high at 26.9 percent. Nominal net wage growth, driven by public sector and minimum wage increases, spiraled up to 14.8 percent in June 2024, outpacing inflation by close to 12 pp.

While headline inflation eased from double-digit growth in 2022 to 3 percent in July 2024, core inflation remains high—at above 5 percent, led by wage pressures and services. At the same time, the Central Bank initiated the first policy rate cut of 25 basis points to 6.05 percent in September 2024.

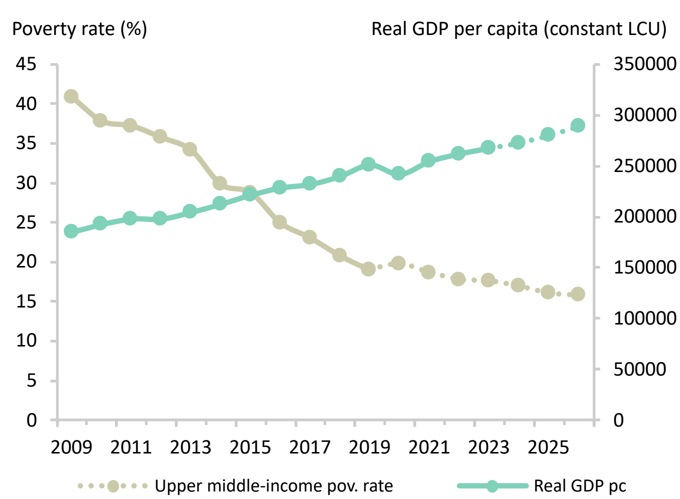
The fiscal deficit (with the state roads finances included) is projected to reach 5.1 percent of GDP in 2024 after a July budget revision that increased spending on wages, pensions and transfers,

FIGURE 1 **North Macedonia** / Fiscal performance



Sources: North Macedonia State Statistics Office, Ministry of Finance, and World Bank staff calculations.
Note: Fiscal deficit with PESR included.

FIGURE 2 **North Macedonia** / Actual and projected poverty rate and real GDP per capita



Source: World Bank. Notes: see Table 2.

and lowered capital spending. Public debt went up to 61.5 percent of GDP in Q2 2024, mostly on account of higher issuance of domestic securities. Expenditure arrears have surged to 4.7 percent of GDP in Q2 2024 on account of poor fiscal discipline of local utility companies, public health institutions, and state-owned enterprises.

Banking sector stability has been maintained in line with an increase in the capital adequacy ratio to 18.9 percent in Q1 2024, while the liquidity rate (without government securities) settled around 20 percent. At the same time, the NPL ratio went above 3 percent for the first time since 2022, but solely as a result of methodological changes.

The CAB returned to negative territory at 1.2 percent of GDP in H1 2024 owing to a worsening of the goods trade balance, while services exports held up and remittances eased. External debt slightly declined to 81.8 percent of GDP in Q1 2024, but roughly half of the total is private and mostly intercompany lending.

Outlook

The medium-term outlook remains positive, but risks are tilted strongly to the downside. Growth is expected to step up in the medium term to an average of 2.7 percent during 2025-2026. This projection assumes a rebound of public investments and a gradual recovery of consumption and exports.

Headline inflation is projected to remain above or close to 3 percent in 2024-25, but to slow thereafter to a long-term average of 2 percent. Poverty rates are projected to maintain a slow declining pathway, helped by real wage and employment growth, falling by a further 1.2 percentage points over the forecast period.

The baseline scenario is built on the assumption that the focus on the EU accession agenda remains a priority for the new administration that won the general elections in May 2024. At the same time, low productivity, inefficient capital deployment, and weak external demand, compounded by limited fiscal space and rising fiscal risks amidst high interest rates, continue to impede growth prospects and further slow the pace of income convergence with EU peers. Additional delays of decarbonization targets, along with carbon pricing, risk a loss in domestic public revenues and international competitiveness given the start of the EU Carbon Border Adjustment Mechanism. In this context, following up on the Growth Plan pledges is critical to carve out a growth-conducive economic environment.

TABLE 2 North Macedonia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	4.5	2.2	1.0	1.8	2.5	3.0
Private consumption	8.8	3.8	2.4	1.2	1.4	2.6
Government consumption	0.9	-5.0	-0.6	8.4	1.8	0.5
Gross fixed capital investment	-0.7	3.4	-4.5	5.1	5.1	5.2
Exports, goods and services	14.3	11.4	-0.1	3.0	5.2	5.6
Imports, goods and services	14.8	12.4	-5.8	3.2	4.0	4.6
Real GDP growth, at constant factor prices	4.0	2.4	1.0	1.8	2.5	3.0
Agriculture	-8.7	-5.0	-3.8	1.2	1.1	1.1
Industry	-2.0	-1.9	-2.4	1.6	1.4	1.4
Services	7.7	4.6	2.5	2.0	3.0	3.6
Inflation (consumer price index)	3.2	14.2	9.4	3.5	2.8	2.0
Current account balance (% of GDP)	-2.8	-6.1	0.7	-1.8	-2.0	-2.0
Net foreign direct investment inflow (% of GDP)	3.3	5.0	3.8	3.7	3.5	3.4
Fiscal balance (% of GDP)	-5.3	-4.5	-4.7	-4.9	-4.0	-3.7
Fiscal balance with the state roads (% of GDP)	-5.7	-4.8	-4.9	-5.1	-4.3	-3.9
Revenues (% of GDP)	32.1	32.1	34.9	37.3	37.1	37.1
Debt (% of GDP)	60.3	59.0	62.0	63.5	63.1	62.8
Primary balance (% of GDP)	-4.1	-3.4	-3.1	-2.9	-2.0	-1.3
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	18.7	17.8	17.6	16.9	16.1	15.8
GHG emissions growth (mtCO2e)	-1.1	-2.0	0.5	0.0	0.6	0.9
Energy related GHG emissions (% of total)	71.8	71.7	71.7	71.4	71.3	71.4

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 ECAPOV harmonization, using 2020-SILC-C. Actual data: 2019. Nowcast: 2020-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2019) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

POLAND

Table 1	2023
Population, million	37.6
GDP, current US$ billion	806.5
GDP per capita, current US$	21428.0
Upper middle-income poverty rate ($6.85)[a]	0.9
Gini index[a]	28.5
School enrollment, primary (% gross)[b]	100.1
Life expectancy at birth, years[b]	77.3
Total GHG emissions (mtCO2e)	324.1

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ Most recent WDI value (2022).

Poland's real 2024 GDP growth is forecasted to exceed expectations due to a stronger rebound in private and public consumption on the back of slowing inflation and high wage growth. The positive medium-term outlook depends on the new government intensifying, in 2025, reforms and investments that address structural challenges, particularly accelerating the green transition in line with the European Green Deal and adapting the labor force to technological advancements. A rise in national extreme poverty rates in 2023, expected to continue in 2024, underlines the need to strengthen the social protection system.

Key conditions and challenges

The Polish economy has weathered global and regional shocks, underpinned by a diverse economic structure, integration with regional supply chains, a commitment to macroeconomic stability, a robust financial sector, and tight labor markets that have led to notable wage increases and consumer spending. The shocks however have weakened the fiscal stance, while the energy crisis led to a sharp increase in inflation which reduced purchasing power, weighed down on growth, and increased poverty in 2023.

The new administration that took office in December 2023 marked the first political transition in 8 years. It has since unlocked frozen European Union (EU) funds and shifted course on key agendas, such as upholding the rule of law, strengthening fiscal institutions, and steering the green transition towards the EU commitment. Poland's economic strategy is at a critical turning point: it requires boosting productivity through innovation, rapidly decarbonizing the energy sector to retain economic competitiveness, and re- and upskilling the labor force in the backdrop of a rapidly aging population. Restoring fiscal buffers while supporting investments in healthcare, defense, and renewable energy will require balancing efficient spending and tax policy reforms. Promoting the efficiency of spending on social benefits and promoting adaptive social protection remains a priority for advancing inclusion.

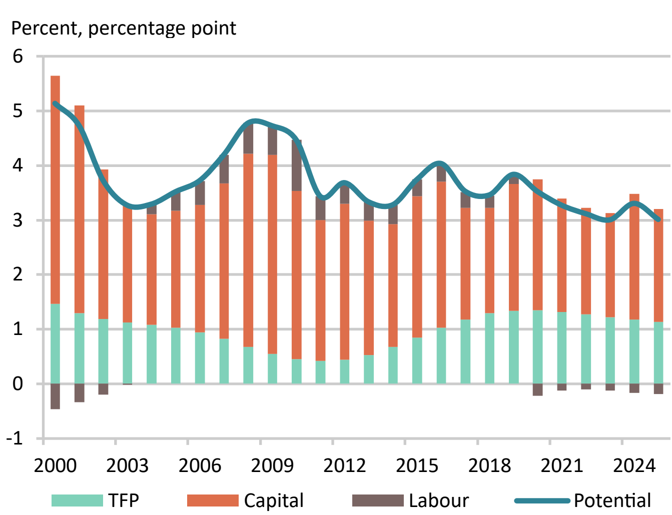
Medium-term economic prospects hinge on reaping the benefits of technological and green transitions, advancing social mobility and inclusion, and addressing labor shortages. Meeting the technological transformation and EU decarbonization objectives requires investment and planning, including ensuring a just transition that supports vulnerable groups while containing regional disparities.

Recent developments

After a sharp deceleration in 2023 (at 0.2 percent) marked by lower private consumption amidst high inflation and the unwinding of household crisis support measures, real GDP growth has accelerated in 2024. Growth surprised on the upside in Q2 (3.2 percent year-on-year (y/y)) thanks to government and private consumption picking up. A tight labor market, staggered increase in the minimum and public wages have resulted in one of the largest increases in average real monthly wage (11.5 percent y/y in Q2).

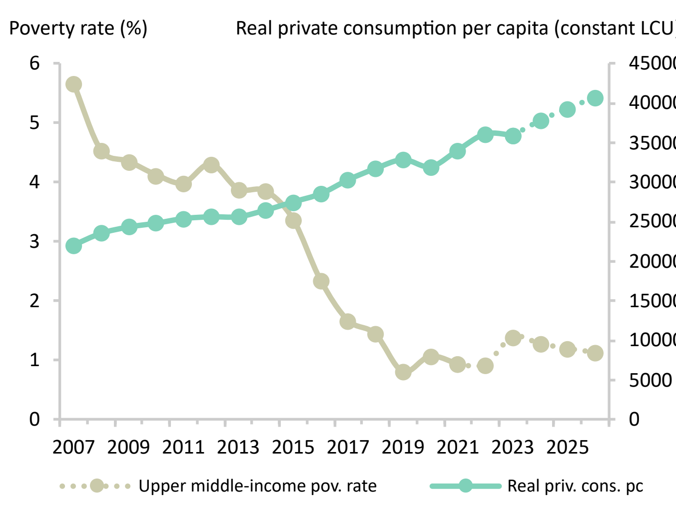
Inflation markedly slowed down reaching 2 percent y/y in March 2024—down from its peak of 18.4 percent y/y in February 2023 -, due to falling global commodity prices, a stronger zloty, and fewer supply disruptions. The zloty remains strong, thanks to improved risk perceptions and an increasing interest rate disparity vis-à-vis the Euro. Inflationary pressures are expected to pick up in H2 2024, however, primarily

FIGURE 1 Poland / Potential output growth and contributions to potential output growth



Sources: GUS and World Bank staff calculations.

FIGURE 2 Poland / Actual and projected poverty rate and real private consumption per capita



Source: World Bank. Notes: see Table 2.

due to the phasing out of energy price caps. This has prevented the National Bank of Poland from continuing its monetary easing cycle, which started in September 2023 (75 bps cut). Headline inflation rose again in August 2024 (4.3 percent y/y). The banking sector remains well capitalized and higher interest rates allowed for further improvement in capital adequacy. Continuous strengthening is required to finance growing investment needs, in the context of an accelerated green transition.

The fiscal deficit widened in 2023, reaching 5.1 percent of GDP, on the back of high debt service costs (2.1 percent of GDP), increased defense spending (around 4 percent of GDP), untargeted measures to protect households from the energy and food price shocks, and the time-lagged impact of the significant personal income tax reform in 2022. It is expected to remain at the same level in 2024.

Poverty rose in 2023 using Poland's extreme and relative concepts, as nominal wage growth was outpaced by price increases and the real value of several benefits declined due to a lack of indexation in transfers or thresholds and smallholder farmers suffering from lower prices. The rise in relative poverty—from 11.7 to 12.2 percent between 2022-23—was muted by real growth in pensions. These compensatory increases however do not extend to the poorest 6.6 percent of the population in extreme poverty in 2023, who rely heavily on means-tested benefits whose coverage deteriorated during the period. The ability of the Polish tax and benefit system to reduce income inequality, which has risen since 2017, remains comparatively low and is expected to remain at the same level in 2024.

Outlook

Economic growth is set to accelerate to 3.2 percent in 2024 and 3.7 percent in 2025. While private consumption will continue to be a major driver, investment stimulated by structural reforms and unlocked EU funds is also expected to play a significant role, especially in 2025-2026. Net exports' contribution to growth should turn negative in 2024 as domestic demand fuels imports while EU exports remain weak. A gradual improvement in exports is expected from 2025 onwards. Inflation should stabilize at around 3.5-5 percent and move closer to the NBP target of 2.5 percent (+/-1 percent band) only in the medium term.

The combination of revenue shortfalls (from the tax reforms and exemptions) alongside increased defense and election-related spending, is set to keep the general government deficit at 5 percent of GDP in 2024-2025. Entry into the EU's excessive deficit procedure (EDP) should gradually trigger a fiscal consolidation, but the pace is expected to be slow due to the high levels of defense spending in light of geopolitical tensions. Public debt is sustainable but will rise relatively fast in the forecast period, with the 2025 borrowing needs of the general government sector expected to reach record highs.

Household income is projected to grow significantly in 2024 for families, workers, and retirees due to strong labor markets, an increase in real wages and pensions, and the expansion of Poland's child benefit. Consequently, relative poverty is expected to decrease in 2024 and 2025. However, socially vulnerable households remain at risk due to reduced support from minimum-income programs. National extreme poverty rates should remain stable in 2024 and only decline in 2025 when minimum-income programs are recalibrated for inflation. Agricultural price volatility combined with damages from the 2024 floods could lead to elevated extreme poverty rates among farming households in 2024 and 2025.

TABLE 2 Poland / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	6.9	5.6	0.2	3.2	3.7	3.4
Private consumption	6.1	5.5	-1.0	4.8	3.6	3.1
Government consumption	5.0	0.5	2.8	5.0	4.0	3.5
Gross fixed capital investment	1.2	2.7	13.1	-0.5	7.8	5.9
Exports, goods and services	12.3	7.4	3.4	2.8	4.0	3.7
Imports, goods and services	16.1	6.8	-2.0	3.9	5.5	4.4
Real GDP growth, at constant factor prices	6.6	5.9	1.2	3.0	3.7	3.3
Agriculture	-11.5	1.1	-0.9	1.6	1.1	1.5
Industry	1.9	7.5	0.7	1.8	3.5	3.1
Services	9.7	5.2	1.5	3.7	3.8	3.4
Inflation (consumer price index)	5.1	14.4	12.0	3.6	4.7	2.9
Current account balance (% of GDP)	-1.2	-2.4	1.6	0.9	0.1	-0.5
Net foreign direct investment inflow (% of GDP)	3.8	3.7	2.3	2.3	2.3	2.2
Fiscal balance (% of GDP)	-1.8	-3.4	-5.1	-5.1	-5.2	-4.5
Revenues (% of GDP)	42.3	40.2	41.6	41.2	41.6	42.0
Debt (% of GDP)	53.6	49.2	49.6	51.4	54.5	57.5
Primary balance (% of GDP)	-0.7	-1.9	-3.0	-2.9	-2.9	-2.2
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	0.9	0.9	1.4	1.3	1.2	1.1
GHG emissions growth (mtCO2e)	8.0	-3.8	-3.1	1.3	1.5	0.6
Energy related GHG emissions (% of total)	88.0	87.5	87.1	87.3	87.5	87.5

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 ECAPOV harmonization, using 2012-EU-SILC and 2022-EU-SILC. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.
b/ Projection using point-to-point elasticity (2011-2021) with pass-through = 0.7 based on private consumption per capita in constant LCU.

ROMANIA

Table 1	2023
Population, million	18.7
GDP, current US$ billion	344.7
GDP per capita, current US$	18417.8
International poverty rate ($2.15)[a]	1.8
Lower middle-income poverty rate ($3.65)[a]	3.0
Upper middle-income poverty rate ($6.85)[a]	7.1
Gini index[a]	33.9
School enrollment, primary (% gross)[b]	90.8
Life expectancy at birth, years[b]	75.3
Total GHG emissions (mtCO2e)	72.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ Most recent WDI value (2022).

Romania's economy grew by 1.5 percent in the first half of 2024, driven by European Union (EU) funds-led investment and resilient private consumption amid elections. Softer growth in 2024 reflects poor performance in industry and construction and a worsening trade balance. Growth is expected to firm up over the medium term to near potential. Fiscal and current account deficits remain elevated. Poverty is projected to decline slightly to 6 percent in 2024, supported by strong wage and pension growth.

Key conditions and challenges

Romania has significantly advanced its economic development and EU convergence but needs more inclusive and sustainable economic growth, both economically and environmentally. Growth obstacles encompass regional disparities, institutional weaknesses, skilled labor shortages and declining active working-age population, and vulnerabilities to natural hazards and climate change. Pro-cyclical fiscal measures have fueled consumption, leading to consistently high twin deficits.

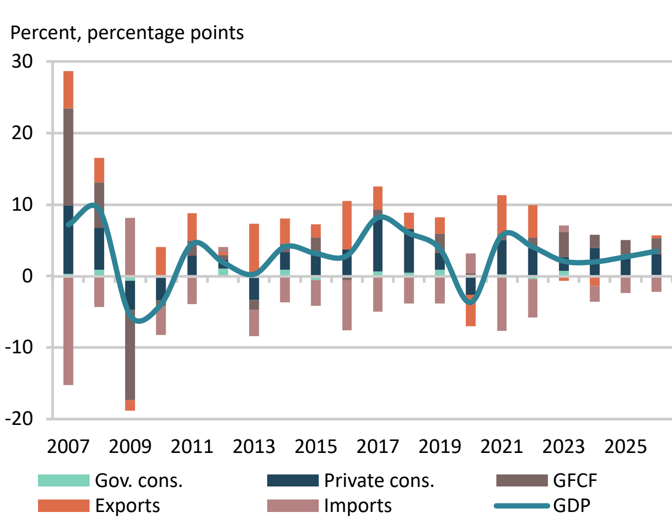
Romania has achieved considerable progress in mitigating poverty and inequality, despite facing unprecedented challenges caused by multiple crises. Despite reaching high-income status, Romania's rates of poverty and inequality are still some of the highest within the EU, with stark regional differences across the country.

A key challenge in the short term is to address fiscal pressures while simultaneously tackling persistent inclusion challenges. To achieve a sustainable recovery and support fiscal consolidation efforts, it is vital to implement the key structural reforms and investment priorities under the National Recovery and Resilience Plan (NRRP).

Recent developments

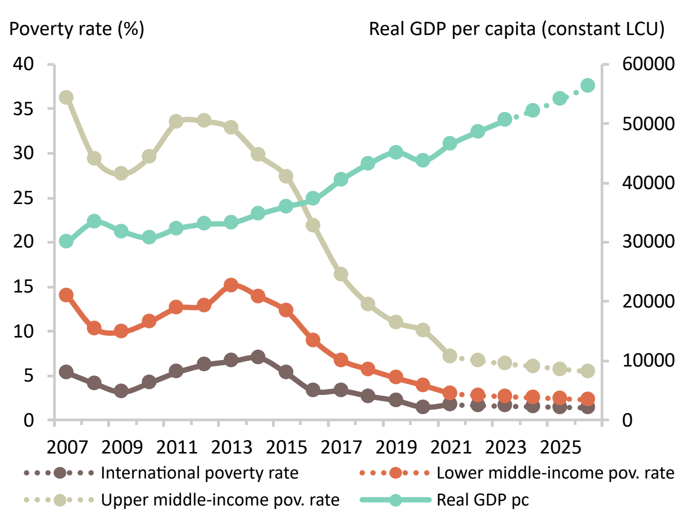
Economic growth decelerated to 1.5 percent y-o-y in the first half of 2024. Private consumption continued to be the primary engine of growth (up 5.3 percent y-o-y), supported by wage and pension increases and a pick-up in credit mainly in the second quarter. Investment momentum decelerated (up 6 percent y-o-y) from the double-digit expansion in H2 2023, largely due to a reduction in the new construction works component. The trade deficit worsened, reflecting an increased differential between export volumes (down 3.3 percent y-o-y) and imports (up 4 percent y-o-y), despite moderating import prices. On the supply side, construction growth slowed to 1 percent y-o-y, from 11 percent in 2023, as residential construction contracted by 22.2 percent, while civil engineering projects grew by 7.6 percent, driven by public investment. Industry is yet to recover (down 0.6 percent y-o-y), with the energy sector down 6.4 percent y-o-y impacted by diminished hydroelectric production and a fall in energy exports. Unemployment remains contained at 5.1 percent in June 2024, below the EU average of 6 percent. However, recent quarterly unemployment rates among low-educated workers continue to be on an upward trend. Nominal net wages grew by 12.5 percent y-o-y in June 2024, above headline inflation, driven by public sector wage increases. Annual inflation decelerated to 4.9 percent in June 2024 as a result

FIGURE 1 Romania / Real GDP growth and contributions to real GDP growth



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

of decreases in core inflation and lower energy prices. With faster than expected disinflation, the National Bank of Romania lowered the monetary policy rate from 7 percent to 6.5 percent through two 25-basis-point cuts in July and August 2024. Private sector credit growth accelerated to 6.7 percent y-o-y in June 2024, reflecting an increase in the domestic currency component (up 8.7 percent y-o-y).

The fiscal deficit increased to 3.6 percent of annual GDP in the first half of 2024, 1.3 percentage points higher than in the same period of last year. Revenues increased by 13.5 percent y-o-y, driven by direct tax revenues (up 18.9 percent y-o-y). Expenditure grew by 21.2 percent y-o-y, with personnel expenses surging 23.1 percent y-o-y following public sector wage increases. Fiscal consolidation remains a much-needed priority. The high fiscal deficit has resulted in a 13.7 percentage points increase in Romania's public debt-to-GDP ratio from 35.1 percent in 2019 to 48.8 percent at end-2023. However, the country maintains robust market access, and its debt-to-GDP ratio remains below the Stability and Growth Pact debt anchor of 60 percent.

Poverty projections for the coming period present a mixed picture, with poverty ($6.85/day PPP) declining slowly, reaching 6 percent in 2024. On the downside, economic growth has slowed, and unemployment is rising among those with lower education levels, potentially hindering poverty reduction. However, there are also positive signs. Strong real wage growth, especially in the construction sector, along with increases in pensions, are expected to improve household incomes. Additionally, the easing of inflation should enhance purchasing power, which could help counterbalance the effects of slower economic growth on poverty. Despite lower energy prices, energy poverty continues to affect most economically disadvantaged segments of the population.

Outlook

Growth is projected to level at around 2 percent in 2024, reflecting continued geopolitical and global market uncertainties affecting external demand. Economic growth is anticipated to accelerate over the medium term, driven by private consumption and EU-financed investment. Fiscal consolidation is expected to accelerate with the resumption of the Excessive Deficit Procedures (EDP) and the new economic governance framework. The European Commission and the Romanian Government are expected to reach an agreement on the medium-term fiscal adjustment path. To achieve a deficit under 3 percent of GDP in the medium term, a net fiscal adjustment exceeding 4 percent of GDP is needed. This translates to an average yearly structural adjustment of around 0.9 percent of GDP, under the assumption of a seven-year adjustment path. Measures to balance the budget are available as several taxes that contribute significantly to the budget have rates below the EU average, while tax collection is still low relative to peers. Curbing major expenditure items and reducing or eliminating inefficient investments could yield additional savings.

Giving the needed fiscal consolidation and the labor market challenges, slow poverty reduction is expected going forward. Despite recent fiscal reforms, including ongoing pension changes that make the system more pro-poor and slightly more redistributive, there is still room to improve pro-poor fiscal policies with a balanced approach to revenue and expenditure measures.

TABLE 2 Romania / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	5.7	4.1	2.1	2.0	2.7	3.5
Private consumption	7.2	5.8	2.8	5.5	4.0	4.1
Government consumption	1.8	-3.3	6.0	0.8	0.9	1.1
Gross fixed capital investment	2.9	5.9	14.4	6.8	7.1	7.3
Exports, goods and services	12.6	9.7	-1.4	-2.9	-0.3	0.9
Imports, goods and services	14.8	9.5	-1.4	3.9	3.8	3.7
Real GDP growth, at constant factor prices	5.3	3.6	2.0	2.0	2.7	3.5
Agriculture	13.7	-23.4	10.2	-5.0	1.1	1.1
Industry	0.9	-4.6	-2.3	0.2	0.9	2.0
Services	6.8	9.4	3.3	3.1	3.4	4.2
Inflation (consumer price index)	5.1	13.8	10.4	5.3	3.9	3.2
Current account balance (% of GDP)	-7.2	-9.2	-7.0	-7.2	-7.0	-6.4
Net foreign direct investment inflow (% of GDP)	3.7	3.5	2.0	2.2	2.5	2.9
Fiscal balance (% of GDP)	-7.2	-6.3	-6.6	-7.3	-6.2	-5.0
Revenues (% of GDP)	32.9	33.7	33.6	34.5	35.3	36.2
Debt (% of GDP)	48.5	47.5	48.8	51.8	54.1	54.7
Primary balance (% of GDP)	-5.7	-4.7	-5.2	-6.0	-4.8	-3.6
International poverty rate ($2.15 in 2017 PPP)[a,b]	1.8	1.7	1.6	1.5	1.4	1.4
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	3.0	2.8	2.6	2.5	2.4	2.2
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	7.1	6.6	6.3	6.0	5.7	5.4
GHG emissions growth (mtCO2e)	7.6	-6.1	-5.9	-2.5	-1.4	-0.6
Energy related GHG emissions (% of total)	87.4	87.1	86.5	86.3	86.3	86.4

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 ECAPOV harmonization, using 2014-EU-SILC and 2022-EU-SILC. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.
b/ Projection using point-to-point elasticity (2013-2021) with pass-through = 0.7 based on GDP per capita in constant LCU.

RUSSIAN FEDERATION

Table 1	2023
Population, million[a]	143.7
GDP, current US$ billion	2020.3
GNI per capita, Atlas method, current US$[a]	11610.0
Lower middle-income poverty rate ($3.65)[a]	0.4
Upper middle-income poverty rate ($6.85)[a]	2.0
Gini index[b]	35.1
School enrollment, primary (% gross)[c]	101.9
Life expectancy at birth, years[c]	72.5
Total GHG emissions (mtCO2e)	1580.9

Sources: WDI, MPO, Rosstat.
a/ Most recent value (2021).
b/ Most recent value (2020).
c/ Most recent WDI value (2019).

Economic growth is projected at 3.2 percent in 2024, with robust growth supported by strong consumption from higher wages, fiscal stimulus, and import substitution. Inflation has remained above the central bank target, as domestic production and labor market tightness pushes prices higher. Medium term growth is expected to decelerate to 1.1 percent by 2026 as tight monetary policy tempers domestic demand. Poverty is projected to decline modestly between 2024 and 2026.

Key conditions and challenges

The evolution of Russia's economy continues to be shaped by the country's invasion of Ukraine and sanctions. The policy response to sanctions includes sizable fiscal support, a drive toward significant industrial import substitution, and measures to seek alternative export markets. These responses, as well as expanded military-related economic activity, have effectively raised economic growth, although they also are generating high inflation and labor market shortages.

In the short to medium term, the main policy challenge is to gradually narrow the positive output gap and bring inflation down to the central bank's target while minimizing the slowdown in growth. In the medium to long term, the growth potential is limited due to adverse labor market dynamics, market and technological access restrictions, as well as tightening of the cross-border transactions.

Recent developments

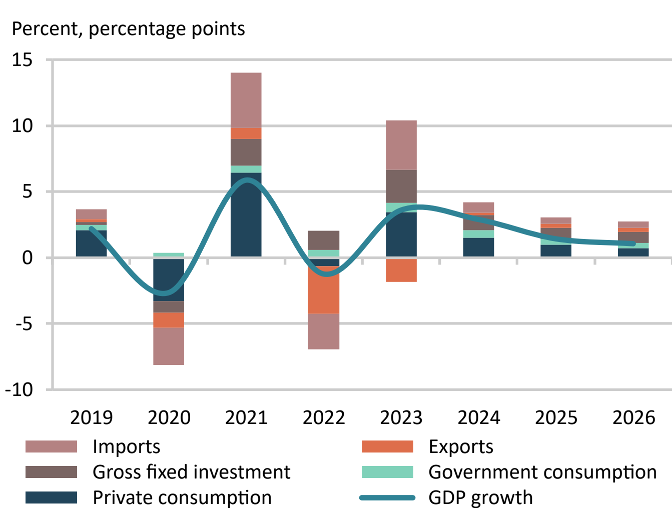
Economic growth of 5 percent in the first half (H1) of 2024 was supported by momentum built up in late 2023; however, the economy has started to show signs of slowing down in mid-2024. Growth in H1 was supported by manufacturing (+6.7 percent) due to import substitution and military-led activity, as well as by trade services (+5.3 percent) supported by strong domestic demand. Nevertheless, retail trade turnover growth continued to soften compared to Q1 2024. Mining sector output fell by 2.4 percent, largely dragged by coal and iron ore extraction, while natural gas and oil production growth rebounded. On the demand side, growth has been driven by private consumption, propelled by high wage growth stemming from tight labor market conditions and continuing fiscal stimulus. Investment growth was supported by the subsidized mortgage program and strong corporate lending.

Labor market conditions remain tight as unemployment reached a historic low of 2.5 percent by end-June, driving up real wages by 7 percent year on year (y-o-y), albeit real wage growth slowed compared to Q1 2024, when it reached 14 percent.

Inflation remained high in H1 2024, with annual inflation (core inflation) reaching 8.6 percent (8.7 percent), well above the central bank's target, prompting it to raise the policy rate to 19 percent in September 2024, from its mid-2023 low of 7.5 percent. The main factor driving inflation is strong growth in domestic demand, outstripping the capacity of the economy to supply sufficient goods and services.

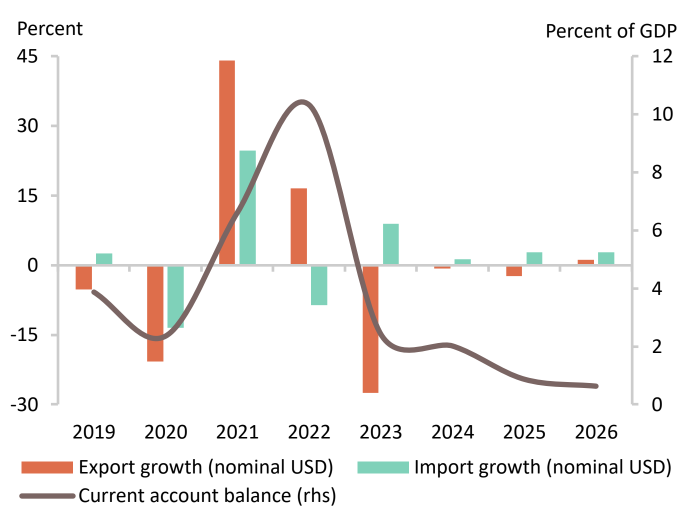
The current account balance remained in surplus in H1 2024. The foreign trade surplus widened due to a marked decline in imports, despite

FIGURE 1 Russian Federation / Real GDP growth and contributions to real GDP growth



Sources: Russian Federal State Statistics Service and World Bank.

FIGURE 2 Russian Federation / Current account balance and nominal USD growth of exports and imports



Sources: Central Bank of the Russian Federation and World Bank.

strong domestic demand—possibly related to the tightening of sanctions on import payments.

The fiscal balance recorded a small deficit of 0.5 percent of GDP in H1 2024, as the increase in spending slightly outpaced revenues. Revenues stood at 19.5 percent of GDP, bolstered by additional revenues from the mining sector, while spending accelerated to 20 percent of GDP.

Credit to the economy continued to expand at a solid pace, further supporting domestic demand. Consumer and corporate lending exhibited high growth, expanding by 14 percent and 11 percent in real terms, respectively, in H1 2024. High wages were an important factor in sustaining high consumer lending, while robust corporate lending is a result of stateled programs. Mortgage lending has been cooling, given the government's winding down of support programs.

The poverty rate (at the US$6.85-2017 PPP international line) remained relatively low, at around 2 percent from 2021 to 2023. However, a significant share of the population (around 15 percent) remains at risk of falling into poverty in the event of an economic shock.

Outlook

It is presently difficult to produce growth forecasts for Russia due to the significant changes to the economy associated with Russia's invasion of Ukraine, and the decision by Russia to limit publication of economic data, notably related to external trade, financial and monetary sectors. Available data limits our ability to assess the economic performance.

The recent deceleration in real wage growth, retail trade turnover, and fiscal spending points to a softening of economic growth and a gradual narrowing of the positive output gap. Growth is projected to slow for the rest of the year, reaching 3.2 percent for 2024. In 2025 and 2026, growth is expected to slow further toward its potential level. Private consumption growth is expected to decrease as the tight monetary stance—including more stringent macroprudential measures—and a lessening of real wage growth temper private demand. Gross fixed capital formation growth is set to ease in the medium term and average 3.4 percent during the 2024–2026 period as rising financing costs weigh on private sector investment.

Inflation is also projected to decline as tight monetary policy is expected to persist, softening domestic demand pressures. Exports are expected to rise in the medium term as major export items (notably crude oil and gas) will gradually recover following a dip in 2023. On the one hand, exports are estimated to grow, on average, by 1.2 percent during the 2024–2025 period; on the other hand, imports are projected to decelerate due to slowing domestic demand and a tightening of sanctions on import payments. The current account surplus is expected to decrease to 2.2 percent of GDP in 2024 and moderate to 0.7 percent by 2026.

Elevated expenditures are expected to keep the general government balance in a deficit of 2.1 percent of GDP in 2024, gradually declining thereafter.

Poverty is expected to continue declining, though marginally, and is expected to reach 1.6 percent in 2026. However, additional conflict-related mobilizations or stricter sanctions pose risks to poverty and vulnerability reduction prospects.

TABLE 2 Russian Federation / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	5.9	-1.2	3.6	3.2	1.6	1.1
Private consumption	11.9	-1.1	6.0	2.8	1.4	1.2
Government consumption	2.9	3.0	3.7	3.4	2.6	2.1
Gross fixed capital investment	9.3	6.7	10.5	4.9	3.0	2.3
Exports, goods and services	3.3	-13.9	-8.2	1.0	1.2	1.5
Imports, goods and services	19.1	-11.0	16.9	2.2	2.0	2.0
Real GDP growth, at constant factor prices	6.5	-0.3	3.4	3.2	1.7	1.1
Agriculture	1.3	7.0	0.5	1.2	1.2	1.2
Industry	4.3	0.4	1.5	2.0	1.4	1.4
Services	8.0	-1.1	4.5	3.9	1.8	1.0
Inflation (consumer price index)	6.7	13.7	6.0	6.9	4.4	4.2
Current account balance (% of GDP)	6.6	10.3	2.4	2.2	1.0	0.7
Net foreign direct investment inflow (% of GDP)	-1.4	-1.2	-1.3	-1.0	-0.9	-0.8
Fiscal balance (% of GDP)[a]	0.8	-1.4	-2.3	-2.1	-1.7	-1.3
Revenues (% of GDP)	35.4	34.2	34.5	35.9	35.2	34.9
Debt (% of GDP)	17.2	16.7	17.1	17.6	18.4	18.6
Primary balance (% of GDP)[a]	1.6	-0.5	-1.2	-0.7	-0.2	0.3
International poverty rate ($2.15 in 2017 PPP)[b,c]	0.2	0.2	0.2	0.2	0.2	0.2
Lower middle-income poverty rate ($3.65 in 2017 PPP)[b,c]	0.4	0.4	0.4	0.4	0.4	0.4
Upper middle-income poverty rate ($6.85 in 2017 PPP)[b,c]	2.0	2.1	1.9	1.7	1.6	1.6
GHG emissions growth (mtCO2e)	4.8	-2.3	2.9	3.3	1.9	1.5
Energy related GHG emissions (% of total)	90.9	90.5	90.3	90.0	89.7	89.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Fiscal and Primary Balance refer to general government balances.
b/ Calculations based on ECAPOV harmonization, using 2022-VNDN. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.
c/ Projection using neutral distribution (2021) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

SERBIA

Table 1	2023
Population, million	6.6
GDP, current US$ billion	75.6
GDP per capita, current US$	11447.0
International poverty rate ($2.15)[a]	1.2
Lower middle-income poverty rate ($3.65)[a]	2.5
Upper middle-income poverty rate ($6.85)[a]	7.5
Gini index[a]	33.1
School enrollment, primary (% gross)[b]	89.1
Life expectancy at birth, years[b]	75.5
Total GHG emissions (mtCO2e)	61.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ Most recent WDI value (2022).

The growth of the Serbian economy accelerated in the first half of 2024 leading to an increase in projected GDP growth for the year as a whole to 3.8 percent. The incidence of poverty declined to an estimated 6.9 percent. However, there is a possibility of revising down the projected growth considering the severe drought that hit Serbia in 2024. Poverty reduction is projected to continue at a much slower pace, as the remaining poor are often characterized by chronic unemployment and thus not benefiting from positive market trends.

Key conditions and challenges

Growth in 2024 is projected at 3.8 percent, y/y, higher than the previously projected figure of 3.5 percent thanks to a better-than-expected performance of the construction and services sectors in the first half of the year. However, a severe drought that hit Serbia this summer had a significant negative impact on agriculture, which may still cause a downward revision of 2024 GDP projections. On the expenditure side, consumption and investment were the main drivers of growth in the first half of 2024 while net exports had a negative contribution. Consumption started to recover because of the continued increase in incomes as well as a steady decline in inflation. In order to reduce the high degree of volatility associated with the agriculture (and related food industry) output, Serbia needs to introduce policy and investment measures to mitigate the negative impact of increasing climate shocks and to promote private sector participation in these measures.

Over the medium term, under the baseline scenario, the Serbian economy is expected to grow at around 4 percent. With limited space for future stimulus packages, structural reforms are needed to accelerate private sector led growth.

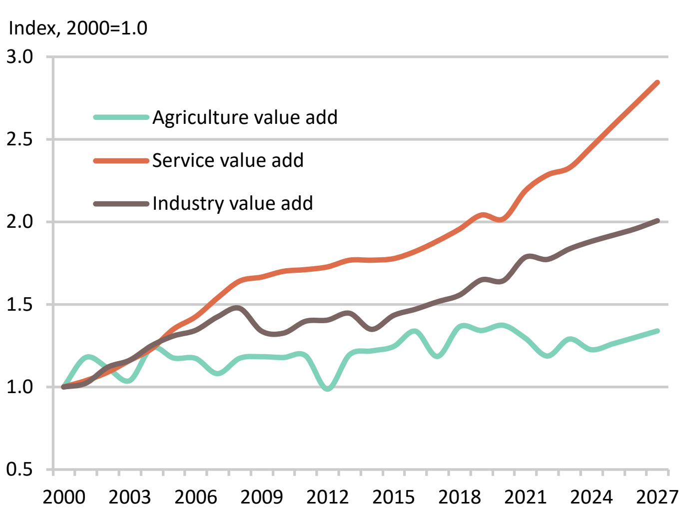
Recent developments

Strong GDP growth in Q1 and Q2 2024 (4.6 and 4 percent, y/y) was driven by a recovery of private sector consumption and investment. On the other hand, net exports made a negative contribution to growth in the first half of the year due to lower-than-expected export growth, as external demand weakened, and imports remained at a high level (in part explained by increased investment). Manufacturing remained resilient to external developments. Its output was 3.6 percent higher over the first seven months (y/y) thanks to the good performance of the food, tobacco, metals, electronics, and automotive sectors.

Labor market indicators improved slightly in the first half of 2024. The unemployment rate reached 8.2 percent in Q2 2024 (a record low since Q2 2020) and the employment rate continued to increase (to reach a record high level of 51.4 percent) even though informal employment declined marginally. Wages increased by 14.7 percent in nominal terms (9.2 percent, in real terms) in H1 2024 compared to the same period of 2023.

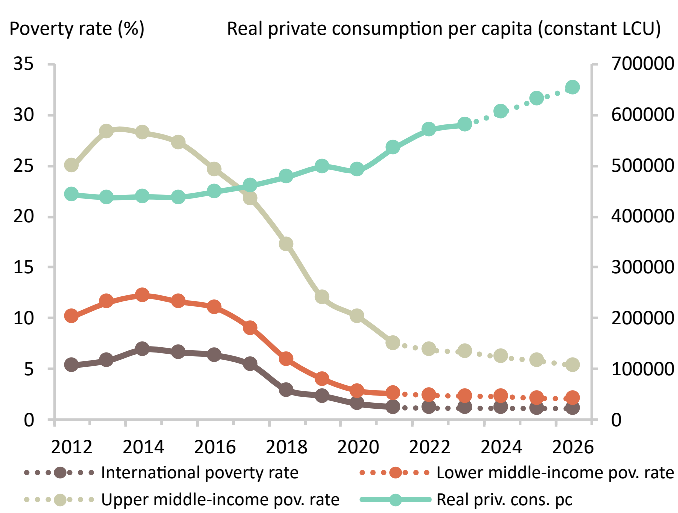
Poverty (based on the upper-middle income line of $6.85/day in 2017 PPP) is estimated to have declined from 7.5 percent in 2021 to 6.9 percent in 2022. In 2023, poverty levels are likely to have stayed the same, as private consumption growth was modest, affected by the high inflation and the phasing out of government support programs, which had fueled the strong post-COVID-19 recovery of 2021.

FIGURE 1 Serbia / Indexes of the level of sectoral GDP



Source: World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

Inflation continued to gradually decline in the first half of 2024, mainly due to a significant decline in food-related inflation. However, the headline inflation index edged up again in July, due to an increase in food prices, most likely because of the drought. The NBS kept unchanged the key policy rate at 6.5 percent from July 2023 through June 2024 when it was lowered for the first time. Currently, the key policy rate is 6 percent.

Budgetary revenues overperformed significantly in H1 2024 (up 14.1 percent in nominal terms, y/y), primarily thanks to a higher-than-planned collection of contributions for social insurance, VAT, and excises. Over the same period, expenditures increased by 15.2 percent in nominal terms. As a result, the consolidated fiscal surplus was lower than in the same period of 2023, while still reaching 0.4 percent of annual GDP. After a continued decline over 15 months (February 2023-May 2024), public debt increased significantly in June 2024 (by 2.1pp) to reach 52.6 percent of GDP.

The current account deficit is expected to increase to 4.1 percent of GDP in 2024. Over the first half of the year the CAD already more than doubled compared to the same period of 2023. The trade balance keeps widening as well as the primary income deficit. At the same time, net transfers declined marginally, although still reporting a major surplus. Net FDI has continued to perform strongly, remaining broadly unchanged in euro terms (at EUR 2 billion in H1). Foreign currency reserves increased to a record high level of EUR 27.5 billion by June. Overall credit decreased by 1.2 percent (y/y) through June 2024. However, loans to private businesses and households were up by 7.3 percent and 4.8 percent respectively. Gross nonperforming loans declined to 2.9 percent in June 2024.

Outlook

The Serbian economy is expected to grow at around 4 percent over the medium-term, driven primarily by consumption and to some extent by investment. There are both up and downside risks. Downside risks relate to the impact of climate change on agriculture and infrastructure. On a positive side, there could be a more significant impact of exports on growth, including but not limited to the recent private sector investment in the automotive sector. Inflation is expected to decline gradually and to stay within the NBS target band. The fiscal deficit is now projected at a higher level than before since the government decided to de facto suspend fiscal rules until 2029, in the context of large-scale infrastructure public spending plans.

Continued economic growth will keep bringing more Serbians out of poverty. However, the remaining poor are increasingly concentrated among pensioners, the long-term unemployed, or those completely out of the labor force. Thus, targeted social assistance or other direct channels will become essential to continue poverty reduction.

TABLE 2 Serbia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	7.7	2.5	2.5	3.8	4.2	4.0
Private consumption	7.9	4.0	0.8	4.0	4.2	4.0
Government consumption	4.3	0.4	0.1	8.4	4.3	3.1
Gross fixed capital investment	15.7	1.9	3.9	6.1	6.9	5.9
Exports, goods and services	20.5	16.6	2.4	6.2	6.8	5.7
Imports, goods and services	18.3	16.1	-1.1	8.6	7.1	6.0
Real GDP growth, at constant factor prices	7.7	2.2	2.6	3.8	4.2	4.0
Agriculture	-5.5	-8.3	4.8	-3.0	3.4	3.4
Industry	8.9	0.1	-0.8	3.0	4.5	4.5
Services	8.8	4.5	4.1	4.9	4.1	3.8
Inflation (consumer price index)	4.0	11.9	12.1	4.5	3.1	3.0
Current account balance (% of GDP)	-4.3	-6.9	-2.6	-4.1	-4.7	-5.0
Net foreign direct investment inflow (% of GDP)	6.9	7.2	5.5	5.5	5.5	5.5
Fiscal balance (% of GDP)	-4.1	-3.0	-2.2	-2.2	-2.5	-2.3
Revenues (% of GDP)	43.2	43.4	42.6	43.3	43.4	43.2
Debt (% of GDP)	57.1	55.6	52.6	52.0	50.4	48.4
Primary balance (% of GDP)	-2.4	-1.5	-0.4	-0.2	-0.5	-0.5
International poverty rate ($2.15 in 2017 PPP)[a,b]	1.2	1.2	1.2	1.2	1.2	1.1
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	2.5	2.4	2.3	2.2	2.1	2.1
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	7.5	6.9	6.7	6.2	5.8	5.4
GHG emissions growth (mtCO2e)	-3.2	0.8	0.2	2.0	1.7	1.5
Energy related GHG emissions (% of total)	74.2	75.0	74.9	75.2	75.5	75.7

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 ECAPOV harmonization, using 2022-EU-SILC. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2021) with pass-through = 0.87 (Med (0.87)) based on private consumption per capita in constant LCU.

TAJIKISTAN

Table 1	2023
Population, million	10.1
GDP, current US$ billion	12.1
GDP per capita, current US$	1189.0
International poverty rate ($2.15)[a]	6.1
Lower middle-income poverty rate ($3.65)[a]	25.7
Upper middle-income poverty rate ($6.85)[a]	66.4
Gini index[a]	34.0
School enrollment, primary (% gross)[b]	95.9
Life expectancy at birth, years[b]	71.3
Total GHG emissions (mtCO2e)	18.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2015), 2017 PPPs.
b/ WDI for School enrollment (2017); Life expectancy (2022).

In the first half of 2024, Tajikistan's GDP grew by 8.2 percent due to strong remittance inflows and investments. Growth is projected to exceed 7 percent in 2024 and to slow over the medium term. To sustain robust economic growth, ambitious policy reforms are needed to facilitate the transition to a dynamic private sector-led development model.

Key conditions and challenges

Tajikistan is the poorest country in the ECA region, with a GNI per capita of US$1,440 (Atlas method) and a poverty rate of 10.7 percent (based on the LMIC poverty line) in 2023. The country is struggling to overcome structural bottlenecks, such as poor human capital, insufficient physical infrastructure, and weak institutions, hampering productive job creation and making the economy susceptible to external shocks.

Tajikistan heavily depends on remittances (38 percent of GDP in 2023), particularly from Russia, and has a narrow export base comprised mainly of primary commodities. This lack of diversity makes it vulnerable to external economic shocks, such as fluctuations in the Russian economy, shifts in migration policies, and global commodity market changes.

Two of Tajikistan's most pressing issues are persistent high unemployment rates and weak private sector dynamism. Most of the population has limited access to basic services, such as quality education and healthcare, and clean water. Deterrence in foreign investment and local private sector development is due to an uneven playing field for private enterprises, uncompetitive state-owned enterprise (SOE) practices, and weak governance and rule of law.

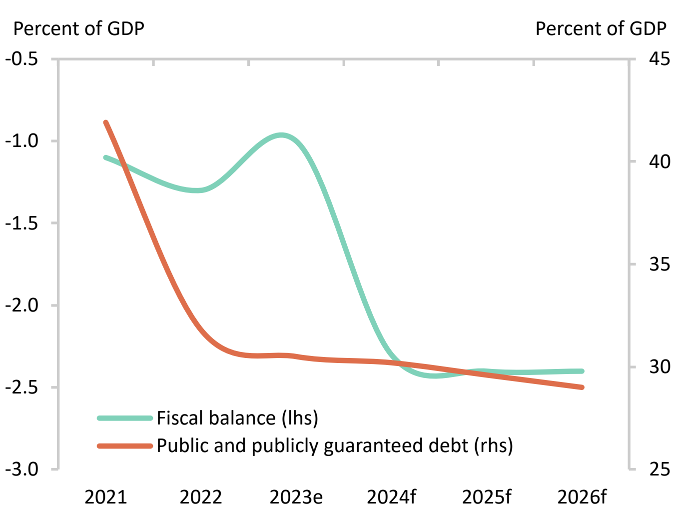
Reform priorities for Tajikistan should focus on opening the economy to fair competition and improving governance in the public sector, including SOEs. Resolving structural issues in the energy system, improving regulation and competition in the telecom and aviation sectors, and removing inefficient tax exemptions are crucial for unlocking the country's economic potential. Strengthening the education, healthcare, and social protection systems is vital for human capital development and equipping the workforce with the necessary skills. Given Tajikistan's high exposure to climate change and natural disaster risks, the country should also expand on measures to build better environmental resilience.

Recent developments

According to official preliminary estimates, Tajikistan's economy grew 8.2 percent year-on-year (yoy) in the first half (H1) of 2024. Growth was driven by strong household consumption and investments, while net exports declined. Increased remittance inflows fueled domestic demand as labor migrants benefited from a tight Russian labor market and robust real wage growth. The economy saw broad-based output expansion across all sectors, with services and agriculture leading the way.

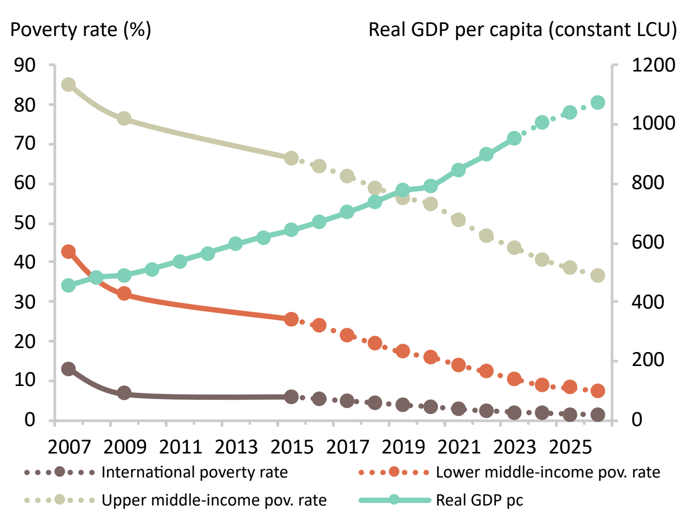
In H1 2024, Tajikistan's current account improved, with a 2.6 percent GDP surplus compared to a 1.9 percent deficit in the same period of 2023. Despite a widening trade deficit, remittance inflows grew by 50 percent yoy to US$3bn, more than offsetting the trade deficit increase. Foreign direct investment (FDI) has remained low

FIGURE 1 Tajikistan / Fiscal balance and public debt



Sources: Ministry of Finance and World Bank staff estimates and projections.

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



Source: World Bank. Notes: see Table 2.

at 0.5 percent of GDP due to challenges in the business environment. The central bank accumulated international reserves of US$4.2 billion by June 2024, equivalent to about seven months of imports.

Prudent monetary policy and exchange rate stability reduced headline inflation to 3.5 percent yoy in June 2024. In August, the central bank cut the policy rate to 9 percent (from 10 percent at end-2023), marking a third cut in 2024 as the inflation outlook became more favorable.

The government maintained a conservative fiscal stance, with a budget deficit of 0.7 percent of GDP in H1 2024 (compared to 0.2 percent in H1 2023). Revenue collection declined to 31 percent of GDP in H1 2024 from 33.5 percent the previous year. Despite strong economic growth, tax revenues were adversely affected by a reduction in the VAT rate, from 15 percent to 14 percent. This reduction, coupled with a decrease in grant disbursements following a significant increase last year, resulted in an overall revenue decline. Concurrently, budget expenditures were cut to 31.7 percent of GDP in H1 2024 from 33.7 percent the previous year. The government curtailed spending on goods and services. The budget deficit was primarily financed through external borrowing.

The financial sector's earnings have improved due to strong foreign exchange inflows. Return on Assets (Equity) increased from 3.7 (19.2) percent at end-2023 to 4.7 (25.2) percent. The banking sector has a capital adequacy ratio of 21.4 percent, well above the 12 percent minimum threshold, but it faces risks from poor asset quality. Nonperforming loans accounted for 12.2 percent as of mid-2024.

According to the Listening-to-Tajikistan survey, 3 percent of the population aged 15+ reported to have lost a job or business, and about 2.4 percent reported to be looking for a job during H1 2024. A higher share of households (approximately 25 percent) received remittances during H1 2024 compared to 17 percent in H1 2023.

Outlook

Tajikistan's economy is projected to grow by 7.2 percent in 2024, supported by remittance-induced household consumption and investments. Inflation is projected at 3.5 percent for 2024 and remains below the central bank's inflation target range of 6 percent (+/-2).

Strong remittance inflows and elevated prices for Tajikistan's major export commodities are expected to maintain a surplus in the current account, while FDI inflows are expected to remain subdued due to the weak business environment.

To ensure the stability of public finances, authorities intend to maintain the medium-term fiscal deficit below 2.5 percent of GDP and restrict non-concessional borrowing solely to finance the construction of the Rogun hydro power project (HPP).

External and domestic risks weigh on economic prospects. A potential escalation in Russia's invasion of Ukraine, as well as Russia's stricter migration policies and a new risk of military mobilization, could negatively impact labor outmigration and remittance flows. On the domestic front, slow progress in implementing structural reforms to support private sector-led growth and efficient public services could hamper growth prospects. There is also pressure on public finances due to loss-making SOEs, the upcoming repayment of a US$500 million Eurobond, and the construction of the Rogun HPP. Climate change and natural disasters could further impede economic development and stability.

Poverty, at US$3.65/day, is projected to further decline to 9 percent in 2024.

TABLE 2 Tajikistan / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	9.4	8.0	8.3	7.2	5.5	5.0
Private consumption	4.4	15.1	4.9	14.6	3.2	3.0
Government consumption	4.6	-0.7	13.4	11.0	5.0	5.5
Gross fixed capital investment	12.0	11.9	22.5	13.4	5.1	2.6
Exports, goods and services	55.4	-24.0	24.8	-2.9	2.7	3.2
Imports, goods and services	20.0	4.0	29.3	12.8	5.8	3.1
Real GDP growth, at constant factor prices	9.9	9.0	9.3	7.2	5.5	5.0
Agriculture	-0.3	-4.5	5.0	5.0	4.5	4.5
Industry	13.2	9.1	8.0	7.5	6.6	6.0
Services	12.8	16.9	12.9	7.9	4.7	4.0
Inflation (consumer price index)	9.0	6.6	3.7	3.5	5.2	5.4
Current account balance (% of GDP)	8.2	15.3	4.8	9.8	8.3	6.8
Net foreign direct investment inflow (% of GDP)	0.4	1.5	0.8	1.1	1.3	1.4
Fiscal balance (% of GDP)	-1.1	-1.3	-1.0	-2.3	-2.4	-2.4
Revenues (% of GDP)	26.7	27.2	30.1	28.4	27.8	27.7
Debt (% of GDP)	41.9	31.8	30.5	30.2	29.6	29.0
Primary balance (% of GDP)	-0.3	-0.6	-0.2	-1.6	-1.7	-1.7
International poverty rate ($2.15 in 2017 PPP)[a,b]	2.8	2.3	2.1	1.7	1.5	1.3
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	14.2	12.4	10.7	9.0	8.3	7.7
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	50.6	46.8	43.8	40.8	38.6	36.8
GHG emissions growth (mtCO2e)	0.0	1.9	2.3	2.3	2.0	2.3
Energy related GHG emissions (% of total)	42.4	42.8	43.3	44.1	44.7	45.4

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 ECAPOV harmonization, using 2015-HSITAFIEN. Actual data: 2015. Nowcast: 2016-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2015) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

TÜRKIYE

Table 1	2023
Population, million	85.4
GDP, current US$ billion	1119.6
GDP per capita, current US$	13106.3
International poverty rate ($2.15)[a]	0.4
Lower middle-income poverty rate ($3.65)[a]	1.4
Upper middle-income poverty rate ($6.85)[a]	7.6
Gini index[a]	44.4
School enrollment, primary (% gross)[b]	102.6
Life expectancy at birth, years[b]	78.5
Total GHG emissions (mtCO2e)	482.8

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ WDI for School enrollment (2021); Life expectancy (2022).

Macroeconomic normalization is delivering results: disinflation has begun; growth is rebalancing; current account dynamics have improved; FX reserves are rebuilding; financial markets have stabilized; and risk premia have declined. Yet, monetary efforts need to be complemented with appropriate fiscal policies. Economic growth is projected to slow to 3.2 percent in 2024 and 2.6 percent in 2025 as the economy adjusts, calling for social policies that protect the vulnerable and reduce poverty and inequality.

Key conditions and challenges

Türkiye's normalization of macroeconomic policies after the May 2023 elections has started to deliver results. Exchange rate stability supported by capital inflows together with strong monetary policy tightening that brought the policy rate from 8.5 percent in May 2023 to 50 percent in March 2024 helped stabilize domestic markets and increase confidence in TRY assets.

The outlook calls for careful calibration of monetary and fiscal policies to rein in inflation without a hard landing; social policies to protect the vulnerable; and action to tackle structural barriers to faster economic performance, including low productivity growth, low labor force participation and employment, and weakening FDI.

Recent developments

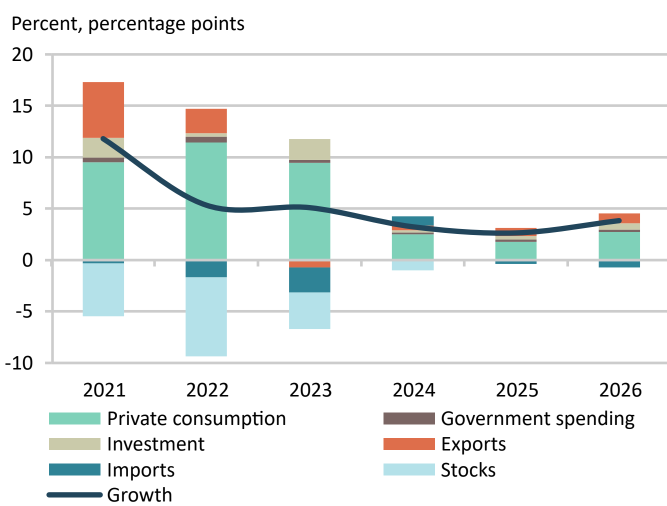
Despite substantial tightening of monetary policy, the economy expanded 5.1 percent in 2023 and 3.8 percent (yoy) in H1 2024. Private consumption continued to be the main driver of growth, and the contribution of net exports turned positive in Q1 for the first time since Q3 2022. However, growth momentum has slowed in both production and demand. The PMI, which had increased to above the 50-threshold indicating expansion in Q1, fell to 47.8 by August 2024. Automobile sales declined by approximately 16 percent (yoy) in July.

The labor market continues to be strong. The seasonally adjusted unemployment rate fell to 8.5 percent in May, before rising to 8.8 percent in July. Labor force participation rates increased, reaching 73 percent for men and 37 percent for women—the highest level for women since January 2005. The gross wages and salaries index was 115.4 percent (44 percent in real terms) higher in Q2 2024 than in 2023, due in part to large minimum wage increases in July 2023 and January 2024.

The current account deficit, down to USD 45.0 billion in 2023, continues to improve, with the 12-month cumulative deficit narrowing to USD 19.1 billion by July 2024. Risk premia continue to fall with the CDS premia at approximately 250 in mid-July compared to 500 in July 2023 and nearly 900 in July 2022. The Government's commitment to the economic program generated a surge in portfolio inflows, and the resulting real appreciation of the TRY incentivized firms and households to switch from FX to TRY assets. This helped the CBRT to significantly improve its reserves. By end-May, net reserves, excluding swaps, turned positive for the first time since early-2020. By mid-September, net reserves had reached USD 48.8 billion (USD 26.5 billion, excluding swaps). However, real TRY appreciation is negatively affecting exports in recent months, especially lower-value products, while imports of final consumption goods remain strong.

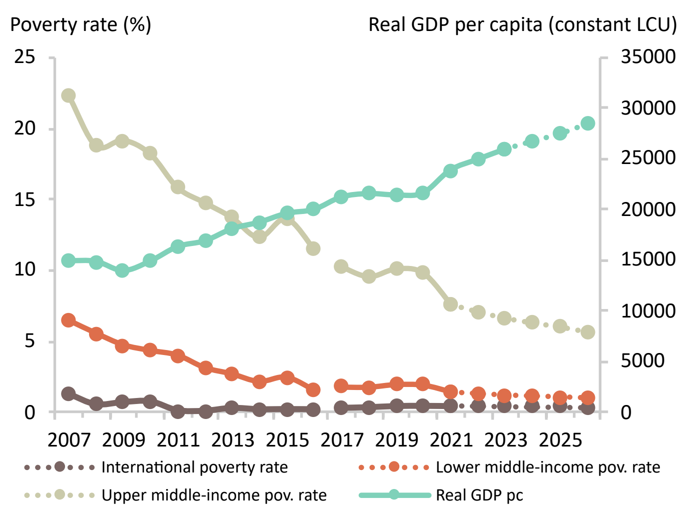
Inflation peaked at 75.5 percent in May before easing to 52.0 percent in August,

FIGURE 1 **Türkiye** / Real GDP growth and contributions to real GDP growth



Sources: Turkstat and World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

thanks to monetary policy tightening, exchange rate dynamics, and base effects. Inflation is particularly high in some of the categories making up a larger consumption share of poor households. For example, rental inflation reached over 120 percent in August. Expectations for inflation continue to improve; in September, market participants' expectations for the next 12 months stood at 27.5 percent.

Monetary policy normalization and gradual unwinding of macroprudential regulations have helped improve bank profitability and capital adequacy. Banks have eased commercial lending, but high policy rates that have driven up deposit and credit interest rates are constraining loan growth. The banking sector's net FX position has improved, and the risk premium for external borrowing has declined, although external debt costs have increased due to global conditions. Regulatory forbearance is being phased out, which may impact the capital ratio of some banks; however, capital buffers remain high. Tighter credit conditions have begun to take a toll on household credit and MSMEs, with increasing credit card defaults and a gradual rise in insolvency and concordat filings, although levels remain moderate.

The annualized budget deficit eased to 4.7 percent of GDP in Q2 2024, after reaching 5.2 percent of GDP in 2023. The Government has issued a new tax package to generate further revenue for the budget, including regulations to combat the informal economy. Meanwhile, general public debt to GDP remains manageable, at 28.5 percent as of Q1 2024.

Outlook

Economic growth is projected to slow in the short term, to 3.2 percent in 2024 and 2.6 percent in 2025, on the back of tighter policy and subdued global growth, before picking up at 3.8 percent in 2026. Disinflation started in June and is forecast to continue gradually, given the tight monetary policy. The current account balance is forecast to improve further in H2 2024 and remain low in 2025, due to the rebalance in growth composition, which will rely less on domestic consumption and have greater contribution from investment and net exports. General government deficit is forecast to remain high in 2024, given the economic slowdown and earthquake recovery needs, and despite fiscal consolidation efforts.

Poverty is projected to decline more slowly in the short term, to 6.3 percent in 2024, despite the economic slowdown. Strong labor market performance and minimum wage hikes exceeding CPI increases are the main drivers of continued poverty reduction. However, minimum wage hikes are less likely to reach informal workers or those out of the labor force, such as the elderly or parents with no access to childcare. Moreover, relying on the minimum wage to protect the poor has other economic consequences, notably the fueling of inflation. Well-implemented and flexible social protection programs can mitigate the economic slowdown's impact on poverty. Revamping the social protection system to improve targeting and coverage is warranted: in 2021, the share of public transfers to the bottom three deciles was lower than to the top three deciles.

Risks to the outlook continue downside. Inadequate growth rebalancing would challenge macroeconomic stabilization. Domestic private consumption is still robust, and there is a risk that the domestic adjustment will create external imbalances whereby recent real TRY appreciation could further hamper exports and boost non-oil imports. Mounting geopolitical tensions would also hinder exports. The lack of significant fiscal consolidation, primarily on the expenditure side, could slow the disinflation process.

TABLE 2 Türkiye / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	11.4	5.5	5.1	3.2	2.6	3.8
Private consumption	15.4	18.9	13.6	3.3	2.3	3.6
Government consumption	3.0	4.2	2.4	1.6	1.8	1.9
Gross fixed capital investment	7.2	1.3	8.4	0.8	1.5	2.6
Exports, goods and services	25.1	9.9	-2.8	1.9	3.4	4.1
Imports, goods and services	1.7	8.6	11.8	-4.1	1.9	3.5
Real GDP growth, at constant factor prices	12.7	6.2	4.2	3.2	2.6	3.8
Agriculture	-3.0	1.3	0.2	0.6	1.2	1.5
Industry	13.0	-0.6	2.7	2.4	3.1	3.9
Services	13.2	10.1	5.8	2.7	2.6	4.0
Inflation (consumer price index)	19.6	72.3	53.9	57.9	29.2	15.9
Current account balance (% of GDP)	-0.8	-5.0	-4.0	-1.7	-2.1	-2.4
Net foreign direct investment inflow (% of GDP)	0.8	1.0	0.4	0.9	1.1	1.4
Fiscal balance (% of GDP)	-2.6	-0.8	-6.2	-5.0	-3.4	-3.2
Revenues (% of GDP)	30.9	27.8	29.0	32.4	33.8	34.0
Debt (% of GDP)	41.5	30.3	28.4	28.5	29.6	30.8
Primary balance (% of GDP)	0.0	1.4	-3.7	-1.3	0.3	0.6
International poverty rate ($2.15 in 2017 PPP)[a,b]	0.4	0.4	0.4	0.4	0.4	0.4
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	1.4	1.3	1.2	1.1	1.1	1.0
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	7.6	7.1	6.6	6.3	6.0	5.7
GHG emissions growth (mtCO2e)	7.9	-5.2	-0.8	3.0	3.4	4.3
Energy related GHG emissions (% of total)	78.8	77.1	75.9	75.3	74.7	74.2

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 ECAPOV harmonization, using 2021-SILC-C and 2022-SILC-C. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.
b/ Projection using point-to-point elasticity (2020-2021) with pass-through = 0.7 based on GDP per capita in constant LCU.

UKRAINE

Table 1	2023
GDP, current US$ billion	178.8
International poverty rate ($2.15)[a]	0.0
Lower middle-income poverty rate ($3.65)[a]	0.2
Upper middle-income poverty rate ($6.85)[a]	7.1
Gini index[a]	25.6
School enrollment, primary (% gross)[b]	92.8
Life expectancy at birth, years[b]	68.6
Total GHG emissions (mtCO2e)	156.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ 2020 value, 2017 PPPs.
b/ Most recent WDI value (2022).

Ukraine's situation remains challenging, even though the economy continues to prove resilient and has narrowed the output gap. Reforms and close coordination with international partners have mitigated some of the adverse impacts on growth potential and helped meet fiscal needs, but war-related risks and uncertainty about continued external assistance remain significant. While social assistance has helped mitigate some poverty impacts, the extended duration of the war is increasing the toll on households.

Key conditions and challenges

Two and half years after Russia's invasion, Ukraine's economy remains shaped by active hostilities, which impact production factors and critical inputs. Concurrently, the policy framework has shifted from an exclusive focus on stability towards an attempt to close the output gap and enhance growth potential while balancing macro accounts.

Since February 2022, aid inflows have helped Ukraine manage imbalances and provide social support, while a restrictive monetary policy contributed to exchange rate stability and the mitigation of inflationary pressure. More recently, growth has picked up, as the private sector activity benefited from an exceptional harvest, targeted investments to re-open maritime export routes, and the restoration of energy capacity. Increased exchange rate flexibility has also helped competitiveness. These factors, combined with continued high government consumption, resulted in higher-than-expected growth in 2023 that has proven resilient to renewed attacks. They have, however, also augmented price pressure from steep increases in electricity tariffs to result in increased inflation.

The economy's potential is expected to start benefiting from structural reforms. The opening of accession negotiations with the European Union (EU) in June 2024, combined with the implementation of the Ukraine Plan under the EU's financing facility, has provided an important anchor for EU alignment. The IMF's Extended Fund Facility program remains on-track and acts as a stability anchor and catalyzer for budgetary assistance. The authorities' "reform matrix" provides a transparent tool to monitor reform implementation.

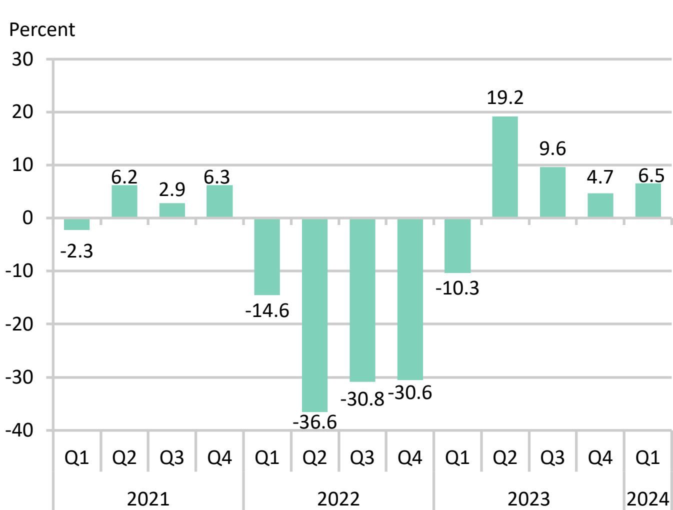
Looking ahead, an extended war that is now expected to last well into 2025 could exacerbate existing challenges: balancing growing military expenditure and decreasing external assistance flows with an increase in domestic revenue mobilization and maintaining the economy's growth momentum, boosting external competitiveness, and controlling inflation. Addressing these challenges requires well-targeted policies, including efficiency-enhancing tax policy reforms and the effective use of foreign exchange reserves to aid reconstruction and recovery.

Recent developments

GDP growth has proven resilient, reaching 6.5 percent in Q1-2024. High frequency indicators point to continued resilience from Q2 onwards, supported by a further recovery in sectors oriented towards domestic demand and strong exports. However, confidence and industrial output is hampered by attacks on Ukraine's electricity infrastructure.

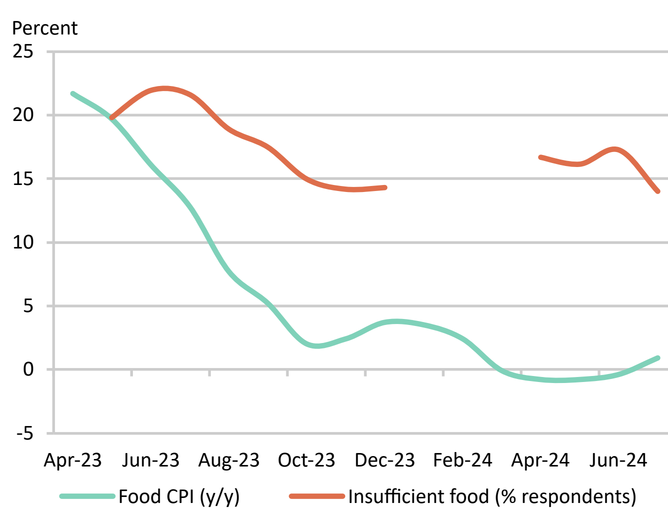
After dropping to a low of 3.2 percent in April, inflation has started to increase and stood at 5.4 percent in July. This was driven by supply-side factors, especially increases in energy tariffs, and augmented

FIGURE 1 Ukraine / Quarterly GDP growth, year-over-year



Source: Ukraine Statistics Office.

FIGURE 2 Ukraine / Food inflation and food insecurity



Source: State Statistics Service of Ukraine.

by a loser monetary policy and gradual exchange rate devaluation on the demand side. Strong agricultural output kept food inflation in check. Banks continue to be profitable and stable.

The current account deficit increased from US$2.7bn in the period from January to July 2023 to US$10.8bn in the same period in 2024 because of declining grant receipts, whereas a US$1.5 bn trade deficit reduction resulting from increased maritime exports and diminished imports due to land border blockades, provided relief. Reserves stood at USD 37.2 billion on August 1.

Following the approval of external assistance from Ukraine's international partners, the fiscal gap for 2024 has been closed since March. While higher defense expenditures require a budget amendment that is under preparation, the associated fiscal needs are expected to be met from domestic sources. A restructuring of external commercial debt has been completed and will generate fiscal savings of US$11 billion over the next three years.

Poverty (measured by national standards) was estimated to have increased by 1.8 million in 2023 due to reduced employment and incomes. Despite labor market slowdowns, social assistance programs mitigated poverty, as 20 percent of households received conflict-related support. The situation remains challenging: in Q3 2024, only 40 percent of adults were employed, and over half of households reported worse financial well-being compared to February 2023.

Outlook

Ukraine's economic outlook is conditional on the timing and quantity of external assistance receipts and the duration of Russia's invasion. For 2024, growth is projected at 3.2 percent, which balances tailwinds resulting from positive trade, harvest, and industrial output indicators with the adverse impacts of lower energy capacity—and associated power outages—especially during the winter months and the impact of continued attacks.Under an indicative scenario which assumes that active hostilities will continue throughout 2025, growth is expected to decelerate to 2 percent in 2025 as the output gap is closed and input constraints start to bind. Starting from 2026, Ukraine's economic growth will accelerate to 7 percent under the baseline assumption as consumption and reconstruction investment support the demand side. Inflation is expected to pick up in 2024 and remain in the high single digits throughout 2025 on the back of looser monetary policy. Improved GDP and private consumption growth in 2025 may point to more economic stability for households.

The current account deficit is projected at 6.1 percent of GDP in 2024 and expected to widen in 2025 due to higher imports and a reduction in grants. After the war the trade deficit is expected to remain elevated due to reconstruction needs. The fiscal deficit (excluding grants) is expected to remain high until end-2025 at above 20 percent of GDP before declining to around 11.4 percent in 2026.

This scenario is subject to exceptionally high downside risks due to the vulnerability of Ukraine's economic trajectory to external financing shortfalls and the possible prolongation of the active hostilities beyond 2025. Should downside risks materialize, a more stringent macroeconomic adjustment could become necessary, with tradeoffs on household welfare whose loses had so far been mitigated by fiscal measures.

TABLE 2 Ukraine / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	3.4	-28.8	5.3	3.2	2.0	7.0
Private consumption	6.9	-27.9	6.2	2.7	4.3	6.5
Government consumption	0.8	31.4	9.0	3.0	0.5	-4.3
Gross fixed capital investment	9.1	-33.9	52.9	15.0	11.7	26.7
Exports, goods and services	-8.6	-42.0	-5.4	7.2	4.9	8.6
Imports, goods and services	14.2	-17.4	8.5	9.1	9.8	11.3
Real GDP growth, at constant factor prices	3.5	-28.8	5.3	3.2	2.0	7.0
Agriculture	14.4	-25.2	7.6	-6.0	-3.0	5.0
Industry	7.2	-42.7	4.7	5.0	3.5	10.0
Services	0.5	-24.7	5.0	4.4	2.5	6.5
Inflation (consumer price index)	9.4	20.2	12.9	5.8	8.6	7.5
Current account balance (% of GDP)	-1.9	5.1	-5.4	-6.1	-6.9	-7.9
Net foreign direct investment inflow (% of GDP)	3.8	0.1	2.6	1.9	2.0	4.0
Fiscal balance (% of GDP)[a]	-4.0	-15.6	-19.6	-22.0	-20.2	-11.4
Revenues (% of GDP)	36.5	49.8	54.8	43.0	41.5	39.4
Debt (% of GDP)	49.0	77.8	84.4	90.1	94.1	89.1
Primary balance (% of GDP)[a]	-1.2	-12.5	-15.7	-17.6	-16.4	-8.4
International poverty rate ($2.15 in 2017 PPP)[a,b]	..	0.0	0.0	0.0	0.0	0.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	..	0.5	0.2	0.2	0.1	0.1
Upper middle-income poverty rate ($6.85 in 2017 PPP)[b,c]	..	10.5	8.3	8.4	6.7	5.6
GHG emissions growth (mtCO2e)	-0.4	-28.4	-1.8	-3.7	-1.1	0.4
Energy related GHG emissions (% of total)	72.7	66.5	68.2	68.8	69.0	68.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Fiscal Balance and Primary Balance are excluding grants in 2022-2026.
b/ Calculations based on ECAPOV harmonization, using 2020-HLCS.
c/ Projection using neutral distribution (2020) with pass-through = 0.87 (Med (0.87)) based on private consumption per capita in constant LCU. Actual data: 2020. Nowcast: 2021-2023. Forecasts are from 2024 to 2026.

UZBEKISTAN

Table 1	2023
Population, million	36.4
GDP, current US$ billion	101.6
GDP per capita, current US$	2788.9
International poverty rate ($2.15)[a]	2.3
Lower middle-income poverty rate ($3.65)[a]	5.0
Upper middle-income poverty rate ($6.85)[a]	17.3
Gini index[a]	31.2
School enrollment, primary (% gross)[b]	94.3
Life expectancy at birth, years[b]	71.7
Total GHG emissions (mtCO2e)	201.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ WDI for School enrollment (2023); Life expectancy (2022).

The economy is projected to grow by 6 percent in 2024. Fiscal consolidation is expected to continue in the medium term, based on adjusting energy prices to cost-recovery levels and reductions in tax benefits. The medium-term outlook remains positive since ongoing ambitious reforms are expected to stimulate private sector-led growth and job creation.

Key conditions and challenges

Uzbekistan implemented bold reforms in recent years, liberalizing its economy and improving prospects for private sector development. Uzbekistan's reform program, together with significant fiscal support, placed it on a relatively high growth path, with an average real GDP growth per capita of 3.4 percent over the last five years—above average for lower middle-income countries. Nevertheless, job creation has lagged with just 1.1 percent average growth over the last five years. But it needs to accelerate as population growth averaged 2 percent over the last five years and with a projected yearly net increase of 250,000 in the working-age population. To achieve sustainable, job-rich economic growth Uzbekistan needs to continue its reforms program to reduce state-owned enterprise dominance in the economy, liberalize key economic sectors (e.g., telecoms and raw materials), and minimize the trade barriers caused by regulatory inefficiency and gaps in public infrastructure. Faster job creation and productivity growth also will require increased labor force skills.

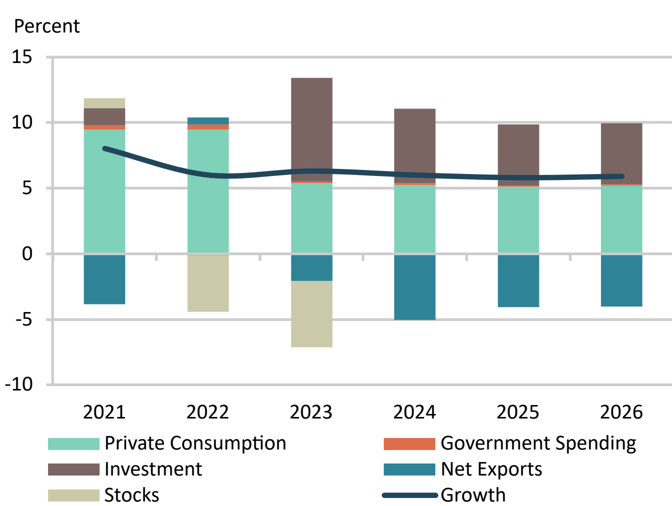
Recent developments

Real GDP grew by 6.4 percent year-on-year (y-o-y) in the first half (H1) of 2024 compared to 6.2 percent in H1 2023, led by investment and private consumption. Real consumption growth accelerated to 6.8 percent in H1, led by wage and remittances growth, while real investment increased by 36.6 percent, with FDI accounting for 29 percent of this investment. Investment growth was driven by spending on machinery, equipment, inventory, and construction, including solar and wind power plants, chemical and metallurgical complexes, rail investments, and construction of Asian Games facilities. Exports (in nominal U.S. dollar value) increased moderately in H1 2024, by 5.5 percent compared to 24.7 percent a year earlier led by services, food, and chemicals exports, while exports of gold, textiles, and machinery decreased moderately. Imports expanded by 11 percent in H1 2024, led by rising natural gas imports, machinery and equipment, and intermediate industrial goods. Overall, in H1 2024, Uzbekistan registered a current account surplus of 1 percent of GDP, as remittance inflows surged to 14 percent of GDP, compared to 13 percent of GDP in 2023, offsetting the H1 trade deficit of 13 percent of GDP.

Between January and August 2024, the sum depreciated by 1.8 percent against the U.S. dollar due to the flow-on impact of ruble depreciation. By August 31, 2024, international reserves reached US$39.2bn, rising by US$6.5bn from August 2023 and representing 9 months of import cover.

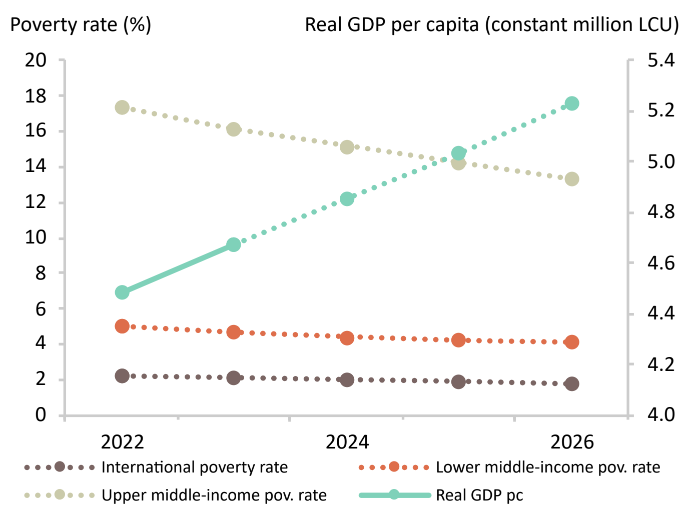
In H1 2024, as a share of GDP, budget revenue was 30 percent, while expenditure was 35.9 percent resulting in a budget deficit of 5.9 percent—higher than 5.7 percent in H1 2023.

FIGURE 1 Uzbekistan / Real GDP growth and contributions to real GDP growth



Source: World Bank staff calculations based on official data.

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



Source: World Bank. Notes: see Table 2.

Headline inflation peaked in June 2024 at 10.6 percent, largely due to energy tariff increases, but has since slowed to 10.5 percent in July and August, with food inflation decelerating to a record low of 2.9 percent in July, prompting the central bank to cut interest rates by 50bps to 13.5 percent in July. Compensation measures (including a cash transfer of US$21 equivalent to low-income households) are expected to mitigate the negative impacts of tariff increases on the poor.

Real credit growth, y-o-y, was 18 percent in July 2024, down from 26 percent in July 2023, as the central bank's new regulations tightened bank underwriting standards in higher-risk segments (e.g., car loans; subsidized lending to family businesses). The banking sector remains adequately capitalized, with a capital ratio of 17.1 percent in July 2024, higher than 16.4 percent a year earlier, and above the required 13 percent. Non-Performing Loans increased to 4.1 percent in July 2024 from 3.6 percent in July 2023.

Average real wage growth of 7.2 percent in 2023 contributed to a reduction in poverty from 17.3 percent in 2022 to 16.9 percent in 2023 (applying the UMIC poverty line of US$6.85/day). However, poverty reduction was less than it could have been because income growth has been skewed in favor of the wealthier segments of the population, especially in urban areas, resulting in an increase in income inequality in 2023.

Outlook

Growth is projected at 6.0 percent in 2024, moderating slightly to 5.8 percent in 2025. Consumption growth in 2024 is expected to remain strong as average real wages increase and remittance inflows remain high. Import growth should accelerate in 2024 and continue buoyancy in the medium term to support Uzbekistan's economic modernization. Supported by high remittances, the current account deficit is projected to narrow in 2024 compared to 2023.

The overall fiscal deficit is expected to reduce to 3.7 percent of GDP in 2024 due to higher-than-expected nominal GDP in 2024 and fiscal consolidation measures, notably reduced energy subsidies and on lending to SOEs, and higher revenue collection. Fiscal consolidation is expected to continue in the medium term, with the budget deficit decreasing to 3.0 percent of GDP by 2025, as the government reduced tax expenditures and anticipated privatization proceeds support revenues.

Headline inflation is expected to decline to 9 percent in 2025 and gradually approach the inflation target of 5 percent in 2027.

The government is expected to adhere to its debt limits, with public debt decreasing to 35.9 percent of GDP in 2024 and 34.6 percent of GDP in 2025. Higher remittances and real growth in private consumption will lead to further poverty reduction, with the UMIC poverty rate projected to decrease to 15.2 percent in 2024.

Downside risks to this outlook include a deterioration in Russia's economic performance, higher external inflationary pressures, and tighter-than-expected global financial conditions. Upside risks include higher global gold and copper prices, and stronger productivity growth and FDI due to ongoing structural reforms.

TABLE 2 Uzbekistan / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	8.0	6.0	6.3	6.0	5.8	5.9
Private consumption	11.9	11.5	6.2	6.1	5.9	6.0
Government consumption	3.1	3.5	1.4	0.9	1.0	1.0
Gross fixed capital investment	3.1	-0.3	21.5	13.5	10.4	9.9
Exports, goods and services	13.4	24.6	7.7	5.5	9.4	11.7
Imports, goods and services	23.4	13.5	11.5	18.2	16.1	16.0
Real GDP growth, at constant factor prices	8.0	6.0	6.3	6.0	5.8	5.9
Agriculture	4.0	3.6	4.1	4.0	3.9	4.0
Industry	8.1	5.6	6.2	6.5	6.5	6.6
Services	10.3	7.5	7.5	6.7	6.3	6.4
Inflation (consumer price index)	10.8	11.4	10.0	10.9	9.1	7.8
Current account balance (% of GDP)	-7.0	-3.5	-7.7	-4.6	-6.3	-6.2
Net foreign direct investment inflow (% of GDP)	3.3	3.2	2.4	3.2	3.5	4.0
Fiscal balance (% of GDP)	-6.0	-4.0	-5.5	-3.7	-3.0	-3.0
Revenues (% of GDP)	25.9	30.8	29.2	29.2	29.2	29.7
Debt (% of GDP)	34.8	32.5	35.3	35.9	34.6	34.2
Primary balance (% of GDP)	-5.6	-3.6	-4.7	-2.6	-1.8	-1.8
International poverty rate ($2.15 in 2017 PPP)[a,b]	..	2.3	2.1	2.0	1.9	1.7
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	..	5.0	4.7	4.4	4.2	4.1
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	..	17.3	16.1	15.2	14.2	13.3
GHG emissions growth (mtCO2e)	6.3	3.2	3.6	3.7	3.7	3.8
Energy related GHG emissions (% of total)	61.9	62.1	62.4	62.7	62.9	63.2

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 ECAPOV harmonization, using 2022-HBS. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2022) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

Latin America and the Caribbean

Annual Meetings 2024

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Suriname
Trinidad and Tobago
Uruguay

ARGENTINA

Table 1	2023
Population, million	46.5
GDP, current US$ billion	646.6
GDP per capita, current US$	13900.4
International poverty rate ($2.15)[a]	0.6
Lower middle-income poverty rate ($3.65)[a]	2.5
Upper middle-income poverty rate ($6.85)[a]	10.9
Gini index[a]	40.7
School enrollment, primary (% gross)[b]	110.2
Life expectancy at birth, years[b]	76.1
Total GHG emissions (mtCO2e)	423.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2022).

An economic stabilization program is underway, underpinned by a strong fiscal adjustment, a correction in relative prices, and the strengthening of the Central Bank's balance sheet while maintaining exchange rate and capital controls. By mid-2024, the fiscal deficit was eliminated, and inflation markedly reduced. The economy is expected to contract 3.5 percent in 2024, and poverty to rise to 16.3 percent. Balancing inflation reduction and the removal of exchange controls presents considerable risks to the economic outlook.

Key conditions and challenges

Argentina's economy has stagnated over the past 17 years, with GDP per capita in 2023 at approximately the same level as in 2006. Despite abundant natural resources, high human capital, and strong comparative advantages in agriculture, energy, and key manufacturing sectors, growth has been hindered by exceptionally high macroeconomic volatility, driven by the monetary financing of fiscal deficits, and associated persistent high inflation. Capital and exchange rate controls, trade and market distortions, and abrupt changes in policy direction have deterred private investment and constrained growth. The presidential election cycle and a severe drought exacerbated these imbalances in 2023.

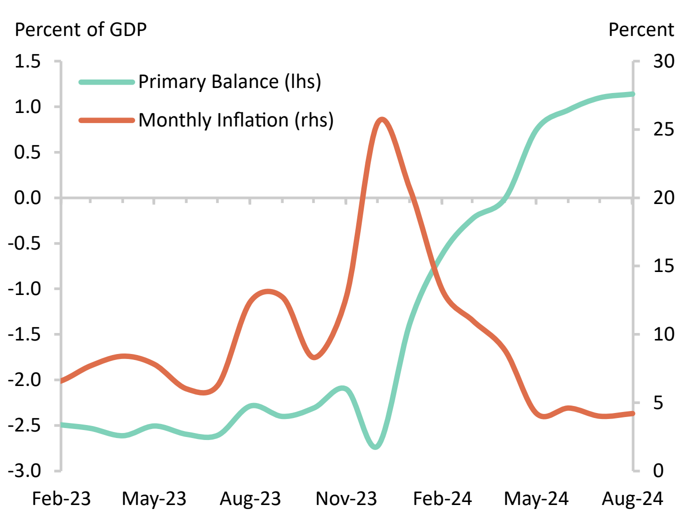
Although Argentina's poverty rates are relatively low compared to other Latin American and Caribbean countries, poverty increased over the last decade, bucking the regional downward trend. In 2023, average per capita household income was 40 percent less in real terms than in 2016, with the poor and vulnerable experiencing greater losses. Unemployment has remained low as informality acts as a stabilizer in the labor market. Informal employment now accounts for about 40 percent of all jobs. Post-pandemic, the primary driver of increased poverty has been rising inflation, especially the cost of food and necessities.

The government's focus is on addressing macroeconomic imbalances, restoring fiscal and external sustainability, reducing inflation, correcting price distortions, and lowering country risk. Complementing these efforts are policies aimed at facilitating trade and reducing market distortions. Key initiatives include reducing trade barriers, eliminating price controls, and removing subsidies, particularly in energy and transport. Establishing robust and credible fiscal sustainability is essential for maintaining Argentina's overall macroeconomic stability and reinforcing microeconomic reforms.

Recent developments

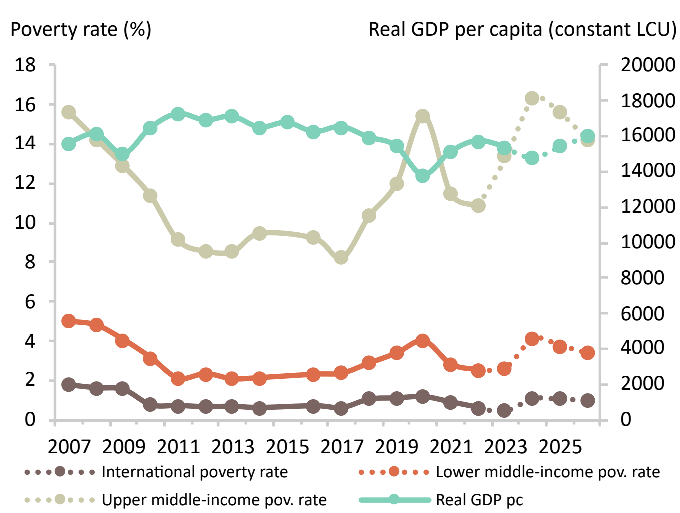
The economy contracted 1.6 percent in 2023 and the poverty rate reached an estimated 13.3 percent of the urban population (using a poverty line of US$6.85/day per capita, per day PPP 2017). In December 2023, the newly elected government initiated a stabilization program anchored in fiscal discipline, the alignment of relative prices—including a 55 percent devaluation followed by a 2 percent monthly crawling peg—and the reduction of the monetary overhang while maintaining currency controls. The economy further contracted by 5.1 percent (y-o-y) in 2024Q1, with all sectors shrinking except agriculture, fishing, and mining. At the end of June, Congress approved a comprehensive reform package (Ley de Bases) aimed at deregulating markets and attracting investments.

FIGURE 1 Argentina / Central government primary balance and monthly CPI inflation



Source: World Bank staff calculations based on Ministry of Economy and INDEC.
Note: Primary balance is calculated as the rolling 12 months as percent of GDP.

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



Source: World Bank. Notes: see Table 2.

The stabilization program brought fiscal discipline and reduced inflation. In the first half of 2024, the government achieved a primary surplus of 1 percent of GDP, following a deficit of 2.7 percent in December 2023, mainly through a significant real reduction in spending, particularly on pensions. Inflation, which spiked to 25.5 percent (m-o-m) in December, steadily decreased to 4.2 percent by August. The current account balance turned positive in early 2024 (from a 3.2 percent of GDP deficit in 2023) and net international reserves were boosted in Q1 thanks to a more competitive peso and a delay in import payments. The gap between the official exchange rate and the blue-chip swap narrowed from over 200 percent to about 40 percent by June.

However, towards the end of Q2, the continued real appreciation of the peso alongside a reduction in international reserves and currency and capital controls, increased the risk perception of the economic program. Argentina's country risk, which had fallen to a low of 1,100 basis points (bps) in April, rose to over 1,500 bps in July. Lower inflation improves welfare, but rising unemployment (from 5.7 percent in 2023Q4 to 7.7 percent in 2024Q1), could reverse these gains.

Outlook

Real GDP is projected to contract by 3.5 percent in 2024, primarily due to the initial recessionary impacts of fiscal and price adjustments and a significant statistical carryover from 2023Q4. The decline is expected to come entirely from non-agricultural sectors. Agriculture is anticipated to recover following the 2023 drought, though its contribution will be diminished by low international prices for soy. An economic recovery is expected to start gradually in the second half of 2024 as real wages improve and the negative effects of fiscal adjustments begin to ease. Inflation is expected to continue to moderate towards the end of 2024. The current account balance is projected to record a surplus of 0.6 percent in 2024, driven by agricultural recovery and reduced import demand. Growth is expected to accelerate in 2025 as the country continues to address macroeconomic imbalances.

The poverty rate is projected to increase to around 16 percent in 2024. Social assistance programs are well-targeted but are insufficient to fully offset the real income losses experienced by vulnerable and middle-income populations.

However, significant risks persist. External risks include global shocks such as ongoing declines in commodity prices and adverse climate conditions. These risks are intensified by the absence of fiscal buffers. Domestically, social vulnerabilities stemming from eroding incomes and limited legislative support could destabilize reform efforts. The limited legislative backing raises concerns about the sustainability of the fiscal adjustment process. Balancing inflation reduction with the lifting of exchange controls is complex. Rapid restoration of confidence is essential to regain access to capital markets for foreign currency debt servicing from 2025 onward.

TABLE 2 Argentina / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	10.4	5.3	-1.6	-3.5	5.0	4.7
Private consumption	9.5	9.4	1.0	-6.8	3.9	3.5
Government consumption	7.1	3.0	1.5	-18.4	1.7	3.2
Gross fixed capital investment	34.0	11.2	-2.0	-21.8	12.0	10.2
Exports, goods and services	8.5	4.6	-7.5	21.7	4.5	4.6
Imports, goods and services	18.6	17.8	1.7	-15.5	4.9	4.8
Real GDP growth, at constant factor prices	10.5	5.1	-1.5	-3.5	5.0	4.7
Agriculture	1.9	-2.8	-22.9	19.2	2.0	2.0
Industry	15.4	5.6	-0.2	-4.0	4.5	4.5
Services	9.6	6.0	0.8	-5.6	5.7	5.1
Current account balance (% of GDP)	1.4	-0.6	-3.2	0.6	0.6	0.8
Net foreign direct investment inflow (% of GDP)	1.1	2.1	3.2	0.8	0.3	0.6
Fiscal balance (% of GDP)[a]	-4.4	-3.9	-4.6	0.0	0.9	0.8
Revenues (% of GDP)	33.4	33.9	31.8	31.6	33.1	33.4
Debt (% of GDP)[a]	85.8	89.7	174.3	91.3	83.2	80.0
Primary balance (% of GDP)[a]	-2.5	-1.8	-2.7	1.7	2.8	3.3
International poverty rate ($2.15 in 2017 PPP)[b,c]	0.9	0.6	0.5	1.1	1.0	1.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[b,c]	2.8	2.5	2.6	4.1	3.7	3.4
Upper middle-income poverty rate ($6.85 in 2017 PPP)[b,c]	11.4	10.9	13.3	16.3	15.6	14.2
GHG emissions growth (mtCO2e)	5.7	4.0	-2.9	-4.5	-0.2	1.6
Energy related GHG emissions (% of total)	41.0	42.7	41.4	38.5	37.1	36.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Fiscal data refer to the general government.
b/ Calculations based on SEDLAC harmonization, using 2023-EPHC-S2. Actual data: 2022 and 2023 (Preliminary). Nowcast: 2024. Forecasts are from 2025 to 2026.
c/ Projections using microsimulation methodology.

BARBADOS

Table 1	2023
Population, million	0.3
GDP, current US$ billion	6.4
GDP per capita, current US$	22638.2
School enrollment, primary (% gross)[a]	95.6
Life expectancy at birth, years[a]	77.7
Total GHG emissions (mtCO2e)	4.1

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2022).

Economic recovery in Barbados continues despite significant challenges facing the country due to its small size, heavy reliance on tourism, and vulnerability to climate-related and other external shocks. Two recent hurricanes, after an over sixty-year break, highlighted these increasing vulnerabilities. Barbados grapples with high public debt, but the government is committed to the Barbados Economic Recovery and Transformation (BERT) 2022 plan to reduce debt, promote green energy, and enhance competitiveness. Risks from global economic shocks and climate-related disasters persist.

Key conditions and challenges

Barbados faces several challenges due to its small size, heavy reliance on tourism, import dependency, and vulnerability to external shocks, particularly those related to climate change. In July 2021, hurricane Elsa, a category 1 storm, struck Barbados—the first hurricane to hit the island in over 60 years. Barbados faced a greater threat in late June 2024 when Hurricane Beryl, a Category 3 storm, passed about 40 miles south of the island. The country is vulnerable to import inflation pressures and has limited capacity to respond to these pressures due to its exchange rate peg regime. High levels of public debt, worsened by the recent economic downturn, have reduced fiscal space. Nonetheless, the Government is committed to implementing the BERT 2022 plan, which aims to reduce public debt to about 60 percent of GDP by 2035/36, promote the transition to green energy, diversify the economy, and enhance competitiveness. The plan also includes a commitment to social cohesion, with investments in education and health, provision of affordable housing, and enhanced social safety nets.

According to the last official poverty estimates from 2016/17, around 17.2 percent of the population lived below Barbados' basic needs threshold, and 3.4 percent of the population could not afford even a minimum food basket. The poverty rate was higher among female-headed and larger households. Around 55.3 percent of the population was covered by at least one social protection benefit in 2019. Yet, as of 2022, the National Assistance Program (NAP)—the Barbados Welfare Department's main social assistance program—reached just 6,500 households with cash assistance. The National Insurance Scheme (NIS), which provides social insurance, faces longer-term challenges related to increasing expenditure on old-age pensions because of an aging population.

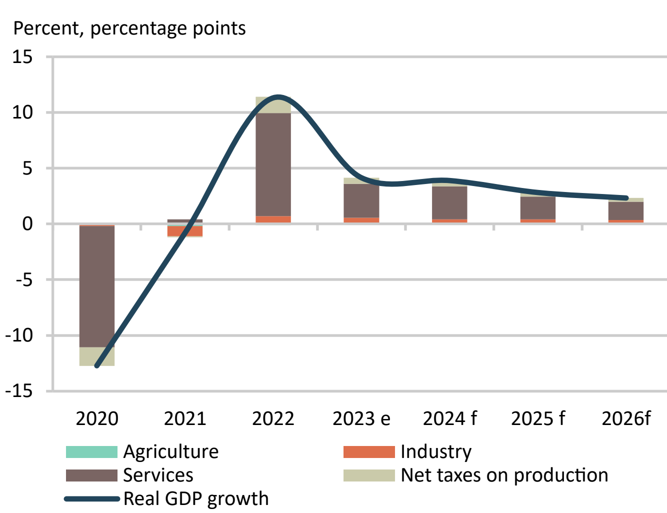
Recent developments

Real GDP is expected to increase by 3.9 percent in 2024, following its recovery to pre-pandemic levels in 2023, driven by an 18 percent increase in tourist arrivals between the first semester of 2023 and the same period in 2024. The revival of tourism is contributing to growth in the services sector, particularly in hotels, retail trade, and entertainment, as well as in the agriculture sector, benefiting from higher demand for local produce.

The primary fiscal balance is projected to reach 4.0 percent of GDP in FY2024, up from 3.7 percent in FY2023, due to reduced public expenditures. The public debt-to-GDP ratio decreased to 116.5 percent at the end of 2023, from 119.1 percent at the end of 2022. The government has enhanced fiscal management, including through the establishment of a Fiscal Council to oversee the fiscal strategy implementation.

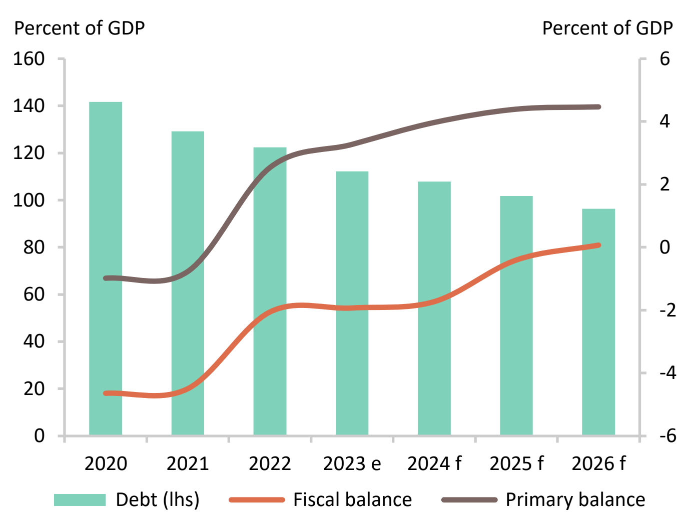
The Central Bank of Barbados has maintained its benchmark rate at 2 percent.

FIGURE 1 Barbados / Real GDP growth and contributions to real GDP growth



Sources: Government of Barbados and World Bank staff calculations.

FIGURE 2 Barbados / Fiscal balance and public debt



Sources: Government of Barbados and World Bank staff calculations.

Average inflation is expected to ease to 4.0 percent in 2024 from 5.0 percent in 2023, driven by lower international fuel prices and freight costs. In 2023, prolonged droughts and increased demand for restaurants and recreational activities led to higher prices for specific food items and domestic services. Efforts to enhance monetary and financial sector policies contributed to a well-capitalized, liquid, and profitable banking system, with credit to the private sector growing a modest 1.7 percent in 2023. The external position continued to strengthen, with the current account deficit expected to narrow to 7.4 percent of GDP in 2024 from 9.1 percent of GDP in 2023. Foreign reserves reached 6.1 months of imports of goods at the end of 2023.

In March 2024, the unemployment rate in Barbados was 6.9 percent, down from 8.9 percent in March 2023. However, the overall labor force participation rate fell from 63.9 percent to 60.9 percent over the same period. Job creation has been strongest in tourism, construction, manufacturing, and retail.

Outlook

The economy is expected to keep growing, although at a slower rate. Real GDP is projected to increase by 2.8 percent in 2025 and 2.3 percent in 2026. Efforts to carry out structural reforms, improve fiscal institutions, and encourage investments in renewable energy projects are anticipated to support sustainable and inclusive growth. Government efforts to adapt the economy to climate change and improve the business environment are expected to further stimulate investment. Inflation is predicted to drop below 3 percent starting in 2025. Fiscal consolidation is set to continue, with the fiscal balance reaching a small surplus and by 2026. The government is actively working to reduce transfers to state-owned entities and continues to modernize tax exemptions, strengthen revenue administration, and enhance public financial management. The current account deficit is expected to decrease to 5.7 percent of GDP by 2026, driven by expected strong performance in the tourism sector and supported by fiscal consolidation. Overall, the government's dedication to fiscal consolidation, climate resilience, and debt sustainability, along with ongoing support from international financial institutions, adds credibility to the country's ambitious reform agenda.

However, there are risks to this outlook, including potential global economic and financial shocks, climate-related natural disasters, and an escalation of regional conflicts in other parts of the world, which could impact global commodity prices and raise inflation. While the public debt to GDP ratio has fallen back to pre-pandemic levels and is projected to continue declining, it remains high and exacerbates the potential impact of these risks.

TABLE 2 Barbados / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	-1.2	13.5	4.4	3.9	2.8	2.3
Real GDP growth, at constant factor prices	-1.3	13.8	4.3	3.9	2.8	2.3
Agriculture	-22.2	-12.8	2.5	5.0	3.0	3.0
Industry	-6.3	6.0	4.2	2.9	2.8	2.4
Services	0.4	16.0	4.4	4.0	2.8	2.3
Inflation (consumer price index)	1.6	4.9	5.0	4.0	2.9	2.4
Current account balance (% of GDP)	-10.5	-10.1	-9.1	-7.4	-6.2	-5.7
Fiscal balance (% of GDP)	-4.7	-2.0	-1.7	-1.7	-0.4	0.1
Revenues (% of GDP)	28.2	29.0	28.0	27.3	27.3	27.3
Debt (% of GDP)	131.5	119.1	116.5	107.9	101.8	96.3
Primary balance (% of GDP)	-0.9	2.5	3.7	4.0	4.4	4.5
GHG emissions growth (mtCO2e)	3.3	2.7	0.4	0.2	0.3	0.4
Energy related GHG emissions (% of total)	31.9	32.7	32.1	31.4	30.6	29.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

BELIZE

Table 1	2023
Population, million	0.4
GDP, current US$ billion	3.3
GDP per capita, current US$	7988.1
School enrollment, primary (% gross)[a]	99.9
Life expectancy at birth, years[a]	71.0
Total GHG emissions (mtCO2e)	6.8

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2022).

Belize's economy bounced back from the impact of the COVID-19 pandemic, showing strong growth, reduced debt, a primary fiscal surplus, decelerating inflation, and low unemployment rate. However, it is crucial to maintain fiscal discipline and transparency and to enhance the business environment. Persistent poverty and inequality, reliance on tourism and energy imports, and vulnerability to climate-related disruptions pose risks to long-term growth.

Key conditions and challenges

Belize, an upper middle-income country, relies heavily on tourism, agriculture, and remittances for foreign exchange. Its economic health is closely tied to the United States, which is its primary source of tourists and remittances, the main destination for its exports, and a key investor. Belize's economy is also sensitive to fluctuations in energy prices because its exchange rate is pegged to the US dollar and because of its status as a net importer of oil and gas. Additionally, the country faces significant risks from climate-related issues such as flooding, wind damage, and coastal erosion.

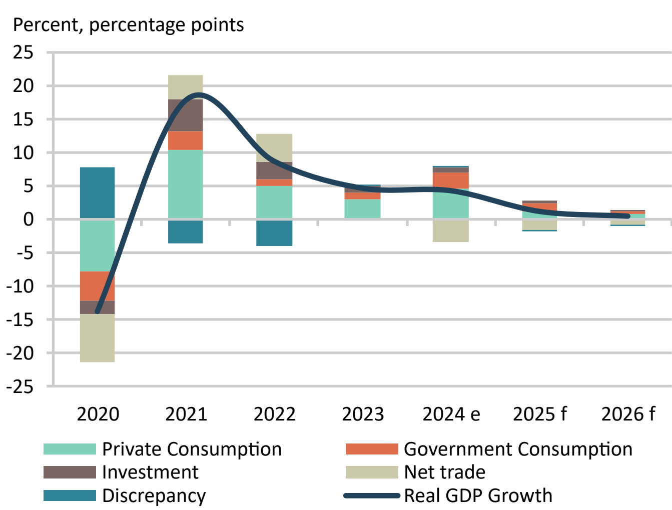
After enduring a period of economic instability and substantial fiscal imbalances exacerbated by the COVID-19 pandemic, Belize is stabilizing its economy. The country has successfully reduced public debt through debt restructuring and a blue bond issuance, although debt servicing costs remain high. Belize is also improving fiscal management by building financial reserves to support a countercyclical fiscal approach and enhancing fiscal discipline. Despite these improvements, the business environment still faces major challenges, including limited credit availability for the private sector, inadequate infrastructure, skill shortages, and high crime rates. These factors hinder job creation, economic growth, and poverty reduction.

No recent internationally comparable poverty statistics are available for Belize. Census data point to a longer-term decline in multidimensional poverty, as defined by the Statistical Institute of Belize. Nonetheless, 26.4 percent of the population still lived in multidimensional poverty in 2024. There is significant geographic and demographic variation in poverty rates; in 2024, the southern district of Toledo had the highest rate of multi-dimensional poverty at 57.5 percent, and the poverty rate among Belize's Maya population reached 60.2 percent.

Recent developments

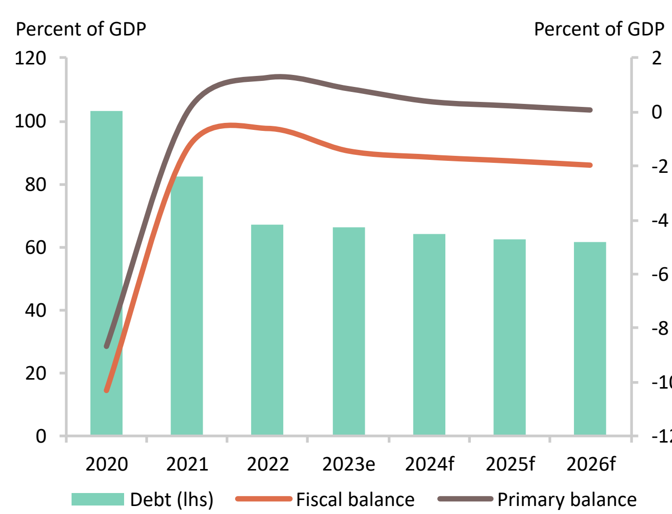
In 2024, Belize's economy is expected to expand well above its historical trend, with real GDP rising by 4.3 percent, largely due to growth in tourism, agriculture, construction, retail and wholesale trade, transportation, and business process outsourcing. Overnight tourist arrivals exceeded pre-pandemic levels. Already in 2023, real GDP was 16 percent higher than before the pandemic, and the unemployment rate dropped significantly from 10.4 percent before the pandemic to 3.0 percent in April 2024. However, labor force participation, which decreased sharply during the pandemic, remained low at 57.4 percent. This is especially true for women (44.8 percent) compared to men (71.0 percent) and for those with lower levels of education. Heightened security risks due to ongoing gang-related violence could potentially impede economic activity in the affected areas.

FIGURE 1 Belize / Real GDP growth and contributions to real GDP growth



Sources: Government of Belize and World Bank staff calculations.

FIGURE 2 Belize / Fiscal balances and public debt



Sources: Government of Belize and World Bank staff calculations.

Average inflation is projected to slow from 4.4 percent in 2023 to 3.1 percent in 2024. The fiscal position has been slowly deteriorating over the last 2 years but remains robust. The overall fiscal deficit is projected to widen from 1.4 percent of GDP in FY2023 (ending in March 2024) to 1.7 percent in FY2024 due to higher interest payments, despite government efforts to secure concessional external financing. The primary surplus is also narrowing. Revenues are expected to bounce back from 23.2 percent of GDP in FY2023 to 24.2 percent of GDP in FY 2024, while total expenditure will increase to 25.9 percent of GDP. However, the acquisition of the Port of Belize and the settlement of outstanding litigations with a foreign investor helped to reduce public debt to 64.2 percent of GDP by the end of 2024.

The current account showed a notable improvement in 2023, narrowing from 8.3 percent of GDP in 2022 to 3.6 percent, reflecting a rise in the services balance due to lower shipping costs and higher tourism receipts, and a fall in the primary income deficit. It is expected to remain stable in 2024.

The Central Bank of Belize focused its monetary policy on supporting overall economic stability and growth, including maintaining an adequate level of international reserves to strengthen the currency peg. Gross international reserves amounted to 3.4 months of imports at the end of 2023.

Domestic banks saw an increase in regulatory capital, a decrease in nonperforming loans, and higher returns on assets in 2023. However, high nonperforming loans, low capital buffers, and tight liquidity in some banks continue to constrain real private sector credit growth.

Outlook

Belize's economic outlook is characterized by moderation in growth and inflation. Real GDP growth is expected to slow to about 1 percent in 2025-2026, reflecting the closing of the output gap due to the completion of post-COVID-19 recovery. Inflation is projected to fall to 2.0 percent, driven by anticipated declines in global commodity prices and inflation. The current account deficit is projected to remain relatively stable. Accordingly, poverty rates are expected to remain relatively stable.

The fiscal position is expected to slowly deteriorate, with the primary balance approaching zero. Public debt is expected to decline but will remain well above 50 percent of GDP due to slower nominal GDP growth and high global interest rates.

Other risks to the outlook remain, including higher global food and fuel prices, and climate-related disasters. One of Belize's key policy priorities for 2025-2026 is increased targeted spending on social programs. If combined with improvements in data management, and interoperability of systems to ensure effectiveness and value for money, this could have a significant potential to reduce poverty. Reforms of the business environment to improve trade integration, investments in skills and education, and efforts to tackle energy constraints and costs are all crucial to boosting economic growth and employment. In the process, it is important for the government to maintain fiscal discipline and transparency. Other priorities include infrastructure, crime prevention, and remaining vigilant to financial stability risks.

TABLE 2 Belize / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	17.9	8.7	4.7	4.3	1.2	0.5
Private consumption	16.9	8.0	5.0	7.5	2.0	1.2
Government consumption	16.7	6.6	5.3	14.5	6.7	2.5
Gross fixed capital investment	26.0	12.8	5.1	3.9	1.9	0.1
Exports, goods and services	37.7	16.6	7.9	2.2	0.5	-0.1
Imports, goods and services	32.1	10.2	9.7	8.3	3.1	1.1
Real GDP growth, at constant factor prices	17.2	6.3	4.5	4.3	1.2	0.5
Agriculture	19.1	-0.1	8.6	6.7	3.5	2.1
Industry	18.6	-2.2	3.3	3.2	0.7	0.0
Services	16.5	9.7	4.1	4.2	1.0	0.4
Inflation (consumer price index)	3.2	6.3	4.4	3.1	2.3	2.0
Current account balance (% of GDP)	-6.5	-8.3	-3.6	-3.5	-3.4	-3.8
Net foreign direct investment inflow (% of GDP)	5.1	4.7	4.2	4.5	4.7	4.8
Fiscal balance (% of GDP)[a]	-1.4	-0.6	-1.4	-1.7	-1.8	-1.9
Revenues (% of GDP)	23.4	24.0	23.2	24.2	24.9	25.2
Debt (% of GDP)[a]	82.3	67.1	66.3	64.2	62.3	61.7
Primary balance (% of GDP)[a]	0.0	1.3	0.9	0.4	0.2	0.1
GHG emissions growth (mtCO2e)	-1.4	0.2	0.2	0.0	-0.1	0.0
Energy related GHG emissions (% of total)	9.9	10.9	11.6	12.3	12.9	13.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Fiscal balances are reported in fiscal years (April 1st -March 31st).

BOLIVIA

Table 1	2023
Population, million	12.4
GDP, current US$ billion	45.1
GDP per capita, current US$	3643.3
International poverty rate ($2.15)[a]	2.0
Lower middle-income poverty rate ($3.65)[a]	5.4
Upper middle-income poverty rate ($6.85)[a]	15.2
Gini index[a]	40.9
School enrollment, primary (% gross)[b]	99.6
Life expectancy at birth, years[b]	64.9
Total GHG emissions (mtCO2e)	138.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ Most recent WDI value (2022).

The economic situation continues to deteriorate as macroeconomic imbalances weigh on growth and poverty reduction. Limited access to external financing, increased economic uncertainty, and low levels of international reserves will continue to constrain public spending and private sector activity. Bolivia would benefit from implementing a medium-term strategy to enhance macroeconomic stability, fiscal policy efficiency and progressivity, and private investment-led growth as it addresses dollar shortages in the short term.

Key conditions and challenges

The Government's state-led development strategy focused on import substitution, natural resource extraction, public investment through state-owned enterprises, and generous subsidies has led to structurally high fiscal deficits, dwindling reserves, and limited access to international capital markets. Macroeconomic imbalances have been compounded by challenges such as a narrow export base, a decline in gas production, and a weak business environment that is depressing private investment. Growth has slowed significantly, and the country has limited buffers to respond to external and climate shocks. A credible medium-term plan to reduce the fiscal deficit, improve the business environment, and strengthen institutions is critical to address macroeconomic imbalances, ignite new sources of growth, and reinvigorate poverty reduction.

Fiscal sustainability and performance could be enhanced by transitioning from universal subsidies to better-targeted support mechanisms, rationalizing public investment, making public procurement more efficient, and improving the focus and progressivity of social spending. Current social assistance programs are not effectively supporting the poor and vulnerable, with modest benefits not indexed to inflation and design that limits their ability to respond swiftly to economic shocks.

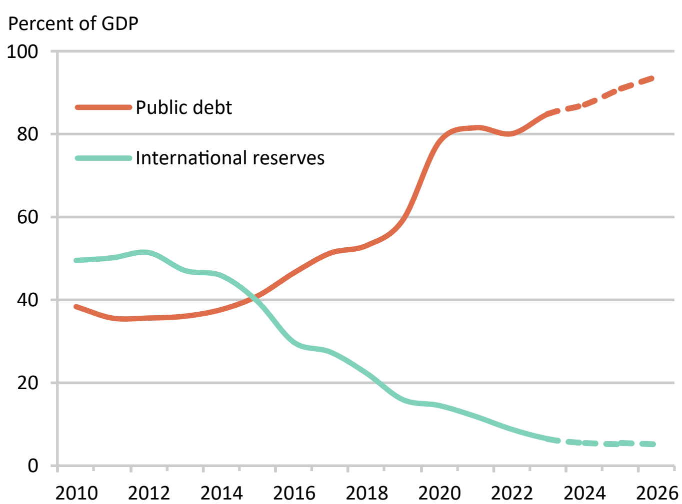
The ongoing demographic transition, increasing urbanization, and a more educated workforce increase the urgency of generating more and better jobs. Fostering private investment, as well as productivity gains among small and medium-sized enterprises, is critical to accelerating growth and job creation; these would benefit from reducing red tape, removing tax distortions, modernizing labor regulations, improving transport and logistics, easing agricultural export restrictions, and fostering environmentally and socially sustainable mining.

Recent developments

GDP growth decelerated to 3.1 percent in 2023 due to declining gas production, dollar and fuel shortages, political tensions, and a severe drought. Fuel and food subsidies and a fixed exchange rate have helped keep inflation low in recent years, but inflation has increased significantly in early 2024, with the 12-month rolling inflation at 5.2 percent in August; this was due to supply constraints and pressures in the parallel exchange rate market. The fiscal deficit increased from 7.1 percent of GDP in 2022 to 10.9 percent in 2023, driven by declining gas revenues, high subsidies, and rising interest payments. Public debt increased to an estimated 84.9 percent of GDP in 2023.

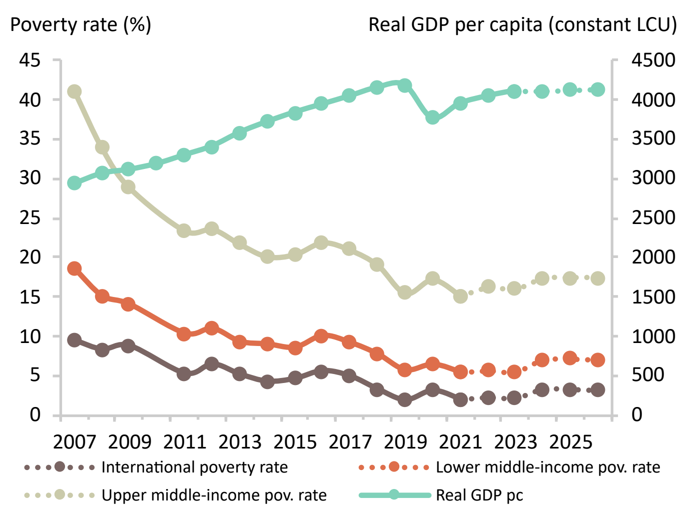
Employment and labor force participation rates stagnated between end-2021 and end-2023 due to the slowdown in economic activity. Underemployment

FIGURE 1 Bolivia / Public debt and international reserves



Sources: Central Bank of Bolivia and Ministry of Economy and Public Affairs.

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



Source: World Bank. Notes: see Table 2.

stood at 6.3 percent (2023 Q4), still above pre-pandemic levels (4.3 percent in 2019Q4). Gender gaps persist, with men being 11.2 percentage points more likely to participate in the labor market than women (at 72.4 percent). Job quality remains a structural problem: in 2023Q4, 73 percent of workers were not covered by social security, 42 percent earned less than the minimum wage, and 46 percent were self-employed. Informality disproportionately affects women, youth, and agricultural workers.

Real per capita household income in 2023 is expected to remain below its 2021 levels. While average labor income has increased in real terms, particularly among the self-employed, public transfers have decreased due to the phasing out of COVID-19 programs and below-inflation adjustments on social assistance benefits. In this context, poverty levels are estimated at 16 percent in 2023 at the international upper-middle income country poverty line (US$6.85/day per capita, 2017 PPP) and the Gini index at 41.1, just above the threshold of high-inequality countries.

The country's external situation weakened in 2023. The current account balance fell to -2.6 percent of GDP, as the trade surplus of US$1.0 billion in 2022 turned into a deficit of US$1.1 billion in 2023 due to lower gas exports and increased fuel imports. In 2023, the Government drew down the country's SDR allocation and tried to mobilize financing from development banks to preserve the exchange rate peg. However, a wider external deficit and repayments on foreign debt took the international reserves to 1.9 billion dollars in August 2024, contributing to the severe shortage of U.S. dollars.

Outlook

Growth is expected to slow to 1.4 percent in 2024 as existing macroeconomic imbalances increasingly limit private consumption and exports, while fuel and dollar shortages weigh on economic activity. The fiscal deficit is projected to continue at high levels due to falling hydrocarbon revenues and high subsidies. Public debt, including with the Central Bank, will increase from 80.1 percent in 2022 to 87.2 percent in 2024 (Figure 1). The Government recently proposed a referendum on the continuation of fuel subsidies and the presidential reelection rule, which still needs to be confirmed.

Poverty is projected to increase in 2024 and stagnate towards the medium term amid the economic slowdown and constrained public spending. The purchasing power of poor and vulnerable households is at risk of eroding, given mounting inflationary pressures. Inflation is expected to increase to 5.7 percent in 2024 and will be particularly high for food products, as dollar shortages, political tensions, and social unrest disrupt imports and supply chains.

The current account deficit is projected to remain close to 3.0 percent due to declining natural gas production and export restrictions. The impact of mobilizing foreign and public investment in lithium development and gas exploration is expected to be limited during the projection period, given the long investment horizons. Limited access to external financing will constrain public spending, including public investment.

Depleted macroeconomic policy buffers increasingly expose the economy to downside risks, including lower commodity prices and limited resilience to natural disasters like the fires Bolivia is suffering this year. Social tensions limit the capacity to maneuver to address imbalances in a more adverse economic context, eroding confidence in the boliviano.

TABLE 2 Bolivia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	6.1	3.6	3.1	1.4	1.5	1.5
Private consumption	5.3	3.4	3.2	2.4	2.0	1.9
Government consumption	5.4	3.7	2.4	0.2	0.1	0.1
Gross fixed capital investment	11.9	5.6	5.7	1.9	0.8	0.8
Exports, goods and services	15.4	15.1	-8.8	-5.0	-2.1	1.9
Imports, goods and services	15.7	8.8	-2.5	-1.9	-1.5	1.5
Real GDP growth, at constant factor prices	6.4	3.7	3.1	1.4	1.5	1.5
Agriculture	1.8	3.8	2.7	2.0	2.3	2.3
Industry	9.6	1.0	1.1	0.7	0.8	0.8
Services	5.8	5.7	4.6	1.8	1.8	1.8
Inflation (consumer price index)	0.7	1.7	2.6	5.7	4.5	4.0
Current account balance (% of GDP)	3.9	2.1	-2.6	-3.0	-3.6	-3.5
Net foreign direct investment inflow (% of GDP)	1.2	0.2	0.1	-0.2	-0.1	-0.1
Fiscal balance (% of GDP)	-9.3	-7.1	-10.9	-9.8	-9.7	-9.7
Revenues (% of GDP)	25.1	26.6	24.9	23.9	24.2	24.3
Debt (% of GDP)	81.6	80.1	84.9	87.2	90.9	93.9
Primary balance (% of GDP)	-7.9	-5.5	-9.0	-8.1	-7.8	-7.8
International poverty rate ($2.15 in 2017 PPP)[a,b]	2.0	2.3	2.2	3.3	3.3	3.1
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	5.4	5.6	5.5	7.1	7.2	7.1
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	15.2	16.2	16.0	17.3	17.4	17.5
GHG emissions growth (mtCO2e)	4.1	1.1	0.3	0.0	0.0	0.2
Energy related GHG emissions (% of total)	15.1	16.1	16.3	16.5	16.6	16.7

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 SEDLAC harmonization, using 2022-EH. Actual data: 2022 (Preliminary). Nowcast: 2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.

BRAZIL

Table 1	2023
Population, million	204.1
GDP, current US$ billion	2173.5
GDP per capita, current US$	10646.8
International poverty rate ($2.15)[a]	3.5
Lower middle-income poverty rate ($3.65)[a]	8.4
Upper middle-income poverty rate ($6.85)[a]	23.5
Gini index[a]	52.0
School enrollment, primary (% gross)[b]	103.5
Life expectancy at birth, years[b]	73.4
Total GHG emissions (mtCO2e)	2170.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2022).

Growth is projected to reach 2.8 percent in 2024, gradually converging towards its medium-term potential. The government has made progress in advancing structural reforms, notably the recent indirect tax reform. However, the fiscal outlook remains challenging. Additional efforts will be required to ensure gradual consolidation and stabilize public debt. Labor market conditions are improving; nonetheless, the poor remain dependent on welfare transfers, with Bolsa Familia`s expenditures stabilization decelerating poverty alleviation.

Key conditions and challenges

Brazil's economy has continued to experience robust growth in recent years. Past and ongoing structural reforms are starting to yield results. A reform of indirect taxes is expected to streamline the tax system, reduce economic distortions, and boost business productivity while making the system more progressive. However, to achieve faster, inclusive and sustained long-term growth, Brazil will require complementary reforms that focus on enhancing the competitiveness and efficiency of the economy. This needs to include improving business climate, reductions in financial and market distortions, expanding infrastructure investment, further integrating into global value chains, and improving educational quality. Brazil faces demographic challenges as the share of elderly population is expanding rapidly, which places greater strain on pension and healthcare costs.

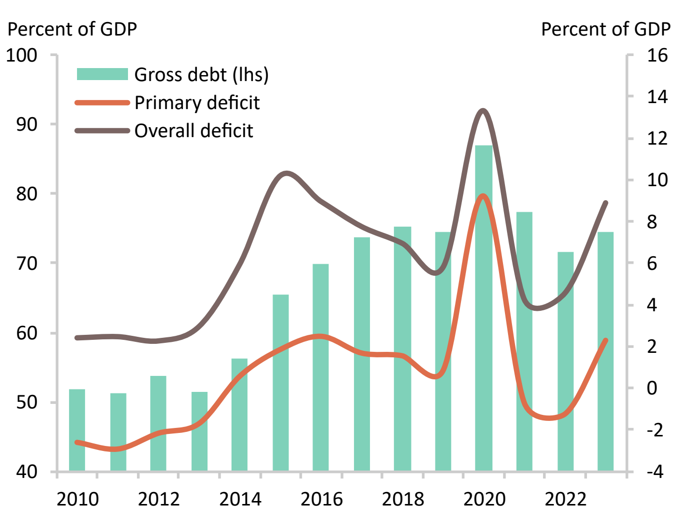
The impact of the pandemic on education continues to reverberate three years later, with test scores below 2019 levels across primary and secondary schools, and a drop in enrollment. Other dimensions of wellbeing, however, continued to improve slowly but steadily. Although consecutive crises exacerbated poverty over the past decade, the poverty rate (measured at $6.85/day per capita, 2017 PPP) fell to a historic low of 21.8 percent in 2023. Inequality has remained high with only a marginal reduction y-o-y. The indirect tax reform will improve the progressivity of the system by exempting a basic basket of goods and by implementing a targeted cashback for poor families.

Fiscal sustainability remains a critical issue as Brazil's public debt and deficit are high compared to peers. The government revised its primary balance targets within its fiscal framework, aiming for a zero primary balance in 2024 and 2025, and a 0.25 percent of GDP surplus in 2026. Maintaining the framework's credibility is essential for anchoring inflation expectations. Despite strong efforts to increase revenues, significant public spending pressures and budget rigidities make it challenging to achieve primary surpluses needed to stabilize the debt-to-GDP ratio.

Recent developments

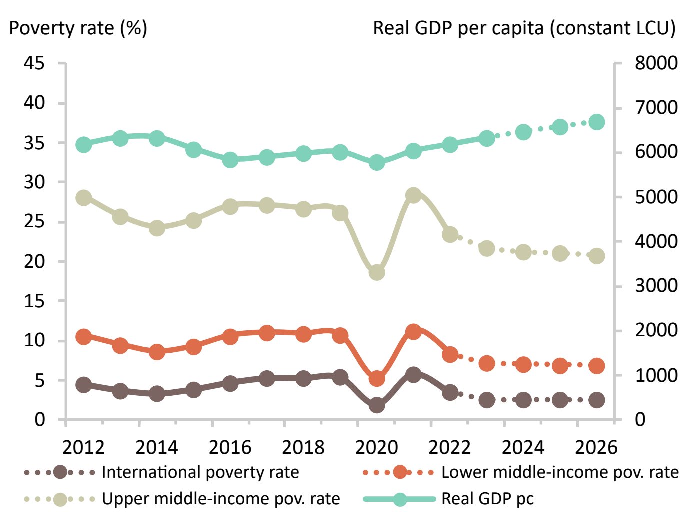
Brazil's GDP expanded by 2.9 percent y-o-y in the first half of 2024, driven by a robust labor market that boosted private consumption. In July 2024, the unemployment rate fell to 6.8 percent, the lowest since 2014, and real average household income rose 4.8 percent. Inflation stood at 4.2 percent in August (from 4.5 percent in July), close to the target range's upper limit (4.5 percent), driven by prices inertia in the services sector, and exchange rate depreciation (16.8 percent in the eight months up to August). Consequently, the Central Bank paused its rate-cutting cycle in June and increased the policy rate by 25 basis points in September, adopting a more cautious

FIGURE 1 Brazil / Fiscal balances and general government gross debt



Source: Central Bank of Brazil.

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



Source: World Bank. Notes: see Table 2.

approach due to concerns over deteriorating inflation expectations and a challenging global environment. The current account deficit stood at 1.8 percent of GDP in August, fully covered by net foreign direct investment (FDI) inflows (2.0 percent of GDP).

The rapid decline in the poverty rates from 2022 and 2023 has slowed down in 2024 as Bolsa Familia transfers have stabilized. Still, the poverty rate (US$ 6.85/day per capita, 2017 PPP) continued to decrease gradually to 21.3 percent in 2024, driven by a 3 percent increase in the real minimum wage and the strong labor market.

The primary fiscal balance deteriorated from a 1.2 percent of GDP surplus in 2022 to a 2.4 percent of GDP deficit in 2023, largely due to increased pensions spending, social assistance, and an unusually large payment of judicial debts (0.9 percent of GDP). Fiscal pressures persisted in the first half of 2024, as spending, particularly on social and pension transfers, outpaced revenue growth, placing the 12-month cumulative primary deficit at 2.3 percent of GDP by July 2024. This, together with a growth in interest payments to 7.7 percent of GDP, contributed to an increase in the public debt, which reached 78.5 percent, up from 74.4 percent by end-2023.

Outlook

GDP growth in 2024 is expected at 2.8 percent mainly driven by consumption and sustained by a robust labor market. Inflation is anticipated to gradually converge to 3.7 percent by 2026, within the Central Bank's target range. However, the recent deterioration of inflation expectations is likely to delay further cuts in the monetary policy rate. The current account deficit is expected to remain moderate and fully financed by net FDI. Medium-term growth is projected to stabilize around 2.3 percent, reflecting the impact of structural reforms on potential output. A gradual fiscal consolidation is expected to reduce the primary deficit to 0.3 percent of GDP in 2024, turning into a 0.2 percent surplus by 2026. The overall fiscal deficit is also expected to narrow in the medium term, facilitating a more accommodative monetary policy and lowering interest payments. Public debt is projected to reach 77.9 percent of GDP by 2026, stabilizing by 2028.

Without the fiscal leeway for significant policy interventions and modest growth predicted across employment sectors, poverty reduction in 2025 and 2026 is expected to remain moderate. Strengthening the targeting of the social protection system and lowering inflation could support faster poverty reduction.

Macroeconomic risks, tilted to the downside, include slower-than-planned fiscal consolidation, which could prompt a tighter-than-expected monetary policy, also raise risk premiums, and worsen debt dynamics. Additionally, global financial conditions could deteriorate due to a slower pace of monetary normalization in advanced economies or an economic slowdown in China. This could limit investment and export growth and exacerbate currency and inflation pressures. Nonetheless, Brazil's ample reserves, flexible exchange rate, low external debt, and resilient financial system provide solid macroeconomic buffers.

TABLE 2 **Brazil** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	4.8	3.0	2.9	2.8	2.2	2.3
Private consumption	3.0	4.1	3.1	3.5	2.0	2.3
Government consumption	4.2	2.1	1.7	1.6	1.6	1.6
Gross fixed capital investment	12.9	1.1	-3.0	3.9	2.7	2.1
Exports, goods and services	4.4	5.7	9.1	3.5	3.3	3.3
Imports, goods and services	13.8	1.0	-1.2	8.0	3.0	3.0
Real GDP growth, at constant factor prices	4.5	3.1	3.0	2.8	2.2	2.3
Agriculture	0.0	-1.1	15.1	-2.0	2.0	3.0
Industry	5.0	1.5	1.6	3.0	2.0	2.0
Services	4.9	4.1	2.1	3.3	2.3	2.3
Inflation (consumer price index)	8.3	9.3	4.6	4.2	3.8	3.7
Current account balance (% of GDP)	-2.4	-2.1	-1.0	-1.6	-1.8	-1.9
Net foreign direct investment inflow (% of GDP)	1.8	2.1	1.8	2.2	2.4	2.5
Fiscal balance (% of GDP)	-4.2	-4.6	-8.9	-7.3	-6.3	-6.0
Revenues (% of GDP)	34.2	36.6	34.9	35.4	35.3	35.2
Debt (% of GDP)	77.3	71.7	74.4	76.5	77.4	77.9
Primary balance (% of GDP)	0.7	1.2	-2.4	-0.3	0.0	0.2
International poverty rate ($2.15 in 2017 PPP)[a,b]	5.8	3.5	2.7	2.6	2.6	2.6
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	11.3	8.4	7.2	7.1	7.0	6.9
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	28.4	23.5	21.8	21.3	21.1	20.9
GHG emissions growth (mtCO2e)	15.1	-8.2	-8.0	1.2	-3.9	-3.6
Energy related GHG emissions (% of total)	16.9	17.5	19.6	21.0	21.8	22.8

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 SEDLAC harmonization, using 2023-PNADC. Actual data: 2022 and 2023 (Preliminary). Nowcast: 2024. Forecasts are from 2025 to 2026.
b/ Projection using microsimulation methodology.

CHILE

Table 1	2023
Population, million	19.6
GDP, current US$ billion	335.9
GDP per capita, current US$	17113.5
International poverty rate ($2.15)[a]	0.4
Lower middle-income poverty rate ($3.65)[a]	0.9
Upper middle-income poverty rate ($6.85)[a]	4.7
Gini index[a]	43.0
School enrollment, primary (% gross)[b]	100.2
Life expectancy at birth, years[b]	79.5
Total GHG emissions (mtCO2e)	42.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2022).

Growth is recovering in 2024 as tight fiscal and monetary policies are gradually relaxed, but inflation is proving stubborn on the last mile towards target and reforms are needed to rekindle productivity growth. The labor market continues to recover, although gender gaps persist. Poverty and inequality are expected to stay around 2023 levels. Climate change presents both challenges and new opportunities for green growth.

Key conditions and challenges

Chile has a track record of sound macroeconomic policies and robust institutions, which enabled it to restore macroeconomic balance after the disruptions created by COVID-19 and its aftermath. Over the past decade, growth averaged 2 percent, while productivity stagnated, constraining the creation of better and higher-paying jobs. Gender gaps in labor market outcomes remain pronounced. While income poverty has significantly declined, regional disparities persist and progress in non-monetary dimensions lags. Inequality of opportunities and low quality of public services constrain upward social mobility.

Reforms focusing on reducing regulatory barriers, fostering technology adoption, promoting competition, improving education and managerial capabilities, and increasing female labor force participation and job quality could help raise potential growth. Chile is expected to benefit from the green transition given its potential for renewable energy and endowment with copper and lithium, critical inputs to electrification. Chile is vulnerable to climate change, being affected by droughts, floods, and wildfires.

Recent developments

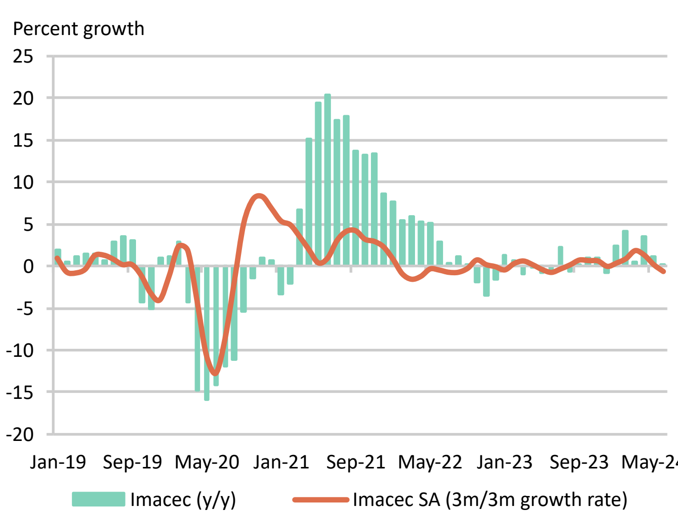
Real GDP grew 1.9 percent y-o-y in the first half of 2024, largely driven by the mining sector. Non-mining sectors, including manufacturing, commerce, and services, remained weak. On the demand side, growth was led by public investment and exports.

Poverty ($6.85/day per capita 2017 PPP) stayed around 5 percent between 2022 and 2023. The Gini inequality coefficient remained at 43 points. Poverty is higher among women, the youth, and low-skilled workers.

The employment rate increased by 1.2 percentage points (pp) y-o-y in the first half of 2024, reaching 56.9 percent by June, still below the pre-pandemic value (58.1 percent in 2019H1). Unemployment fell slightly by 0.2 pp to 8.3 percent. Gender gaps in the labor market deepened, with the employment rate increasing at a higher pace for men than for women, reaching 66.2 and 48.0 percent, respectively. Unemployment fell to 7.9 percent for men but rose to 9.0 percent for women. Job quality deteriorated, especially among women, with informality reaching levels of 26.9 and 29.9 percent for men and women, respectively.

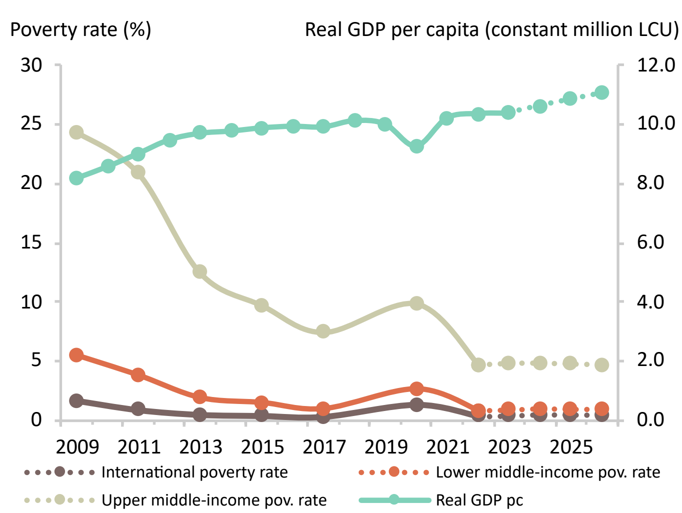
The inflation reduction trajectory since the peak in 2022 hit a bump in March 2024 when inflation started rising again and reached 4.7 y-o-y in August. This was the result of currency depreciation in the first four months of the year and an adjustment in electricity tariffs that had been frozen since 2019. The Central Bank temporarily paused the monetary easing cycle at its July meeting but resumed it in August. The exchange rate has since stabilized at around 930 CLP / US$, while the gradual increase in electricity prices is scheduled to continue until January 2025.

FIGURE 1 Chile / Growth of the IMACEC (monthly indicator of economic activity)



Source: World Bank based on Central Bank of Chile.

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



Source: World Bank. Notes: see Table 2.

Real public expenditures rose 6.5 percent y-o-y in 2024H1 as public investment accelerated, while real revenues contracted 4.7 percent. The latter was due to a significant decline in annual income tax collection after weak economic activity in 2023, which was only partially offset by higher copper revenue. As a result, the 12-month rolling fiscal deficit reached 3.6 percent of GDP in June 2024.

Outlook

Real GDP growth is expected at 2.5 percent in 2024 and to converge to potential in 2025 and 2026. Net exports continue to be a main driver of growth this year, while consumption is expected to recover amid lower interest rates. Investment will likely contract this year, but a recovery is expected in the medium term as expectations and business confidence improve.

The successive adjustments to electricity tariffs will keep inflation above 4 percent in the coming quarters. Inflation is expected to decline afterward, returning to the 3 percent target by the first half of 2026. As this is a temporary supply side shock, the Central Bank is expected to continue with the monetary policy easing until the rate is closer to neutral at around 4 percent. Based on these growth and inflation projections, poverty (US$6.85/day, 2017 PPP) and income inequality are estimated to remain around 5 percent and 43 Gini points in 2024, respectively, and fall gradually thereafter.

Fiscal revenue is expected to pick up in 2024H2 amid recovering growth and high copper prices, which would be partially offset by lower lithium prices. The fiscal deficit would shrink to 2 percent of GDP and continue to narrow gradually over the medium term amid a decline in the expenditures-to-GDP ratio. These projections assume a consolidation path toward medium-term structural deficit targets. The public debt-to-GDP ratio is projected to be near 41 percent by 2026. The current account deficit is expected to decline toward 2 percent over the medium term assuming continuously high copper prices.

Downside risks to the outlook include geopolitical tensions, weaker-than-expected growth in the U.S. and China, and stronger-than-expected climate effects like El Niño and La Niña. Domestic risks stem mainly from political gridlock blocking structural reforms and potential social discontent.

TABLE 2 Chile / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	11.3	2.1	0.2	2.5	2.2	2.2
Private consumption	21.0	1.6	-5.2	2.6	2.2	2.2
Government consumption	14.1	6.5	1.7	4.5	2.4	0.2
Gross fixed capital investment	16.0	3.9	-1.1	-0.5	3.9	3.7
Exports, goods and services	-1.5	0.8	-0.3	4.7	2.9	3.1
Imports, goods and services	31.9	1.5	-12.0	3.4	4.4	3.2
Real GDP growth, at constant factor prices	10.2	2.3	1.1	2.5	2.2	2.2
Agriculture	3.8	-0.1	-0.4	2.5	2.3	2.2
Industry	1.9	-1.8	2.7	3.1	1.9	1.8
Services	14.7	4.2	0.6	2.3	2.3	2.3
Inflation (consumer price index)	4.5	11.6	7.6	3.7	4.5	3.0
Current account balance (% of GDP)	-7.3	-8.6	-3.5	-2.6	-2.4	-2.1
Net foreign direct investment inflow (% of GDP)	0.2	1.7	4.6	3.0	3.0	3.0
Fiscal balance (% of GDP)	-7.5	1.4	-2.3	-2.0	-1.4	-1.1
Revenues (% of GDP)	26.1	28.0	25.1	22.8	23.0	23.0
Debt (% of GDP)	36.4	37.8	39.4	40.5	41.2	41.1
Primary balance (% of GDP)	-6.7	2.4	-1.2	-0.8	-0.1	0.0
International poverty rate ($2.15 in 2017 PPP)[a,b]	0.1	0.4	0.4	0.4	0.4	0.4
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	0.3	0.9	0.9	0.9	0.9	0.9
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	3.5	4.7	4.9	4.9	4.8	4.7
GHG emissions growth (mtCO2e)	2.6	-13.6	-2.9	2.6	1.9	1.8
Energy related GHG emissions (% of total)	171.7	182.1	183.7	180.8	178.6	176.5

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 SEDLAC harmonization, using 2022-CASEN. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.

COLOMBIA

Table 1	2023
Population, million	52.1
GDP, current US$ billion	363.6
GDP per capita, current US$	6980.3
International poverty rate ($2.15)[a]	6.0
Lower middle-income poverty rate ($3.65)[a]	14.0
Upper middle-income poverty rate ($6.85)[a]	34.8
Gini index[a]	54.8
School enrollment, primary (% gross)[b]	104.8
Life expectancy at birth, years[b]	73.7
Total GHG emissions (mtCO2e)	272.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2022).

After an expected cool-off in 2023, growth accelerated but is expected to remain weak at 1.5 percent in 2024. Fiscal consolidation to comply with the Fiscal Rule and Colombia's long-standing low productivity dynamics limit the prospects of a more vigorous growth process going forward. Declining inflation and interest rates are mitigating factors. Poverty reduction is expected to moderate, in line with economic activity.

Key conditions and challenges

Colombia's macroeconomic stability has long been anchored by a robust institutional framework, featuring a rules-based fiscal system, a flexible exchange rate, and a modern inflation-targeting regime. However, economic growth has been decelerating, with productivity offering minimal support to GDP growth over the years. Despite engaging in multiple trade agreements, the country has struggled to diversify and expand its export base. Persistent infrastructure deficiencies, subpar educational outcomes, and institutional challenges further limit Colombia's economic potential.

Colombia also faces significant social and geographic inequalities, including in human capital. To tackle poverty and stimulate prosperity across all regions, it is crucial to enhance productivity, make the most of trade potential, reform the social security system, foster more efficient and inclusive labor markets, and reform the intergovernmental fiscal transfer system to ensure widespread access to quality public services.

Colombia faces increasing climate challenges. Climate-related events disrupt livelihoods and damage assets throughout the country. Additionally, Colombia's fossil fuel sector, a large source of fiscal revenue, exports, and foreign direct investment (FDI), is vulnerable to global decarbonization. Colombia could foster a more diversified and climate-resilient economy over time, aligning it with the country's ambitious climate goals.

Tackling these issues while maintaining fiscal responsibility is crucial for Colombia to meet its development potential.

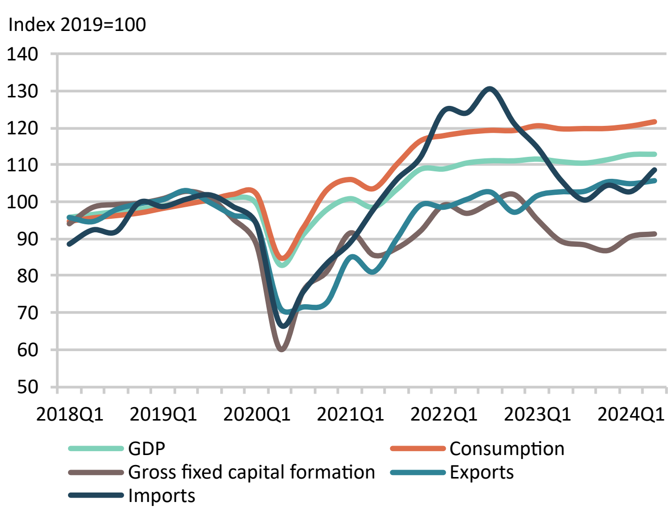
Recent developments

Economic growth ticked up in the first half of 2024 (1.4 percent, y-o-y), driven by resilient private consumption and exports, and by improvements in still low investment levels. The health, education, public administration, agriculture, and entertainment sectors are driving growth and a mild increase in employment. Still, with a weak performance in commerce and manufacturing, employment and unemployment rates worsened slightly. The labor force participation rate declined marginally, more for women than for men.

The official poverty and extreme poverty rates declined in 2023, driven by a rise in real incomes (10 percent among the lowest quintile), mostly from higher labor market earnings. Social transfers declined among the poorest, partly as the emergency social program Ingreso Solidario closed.

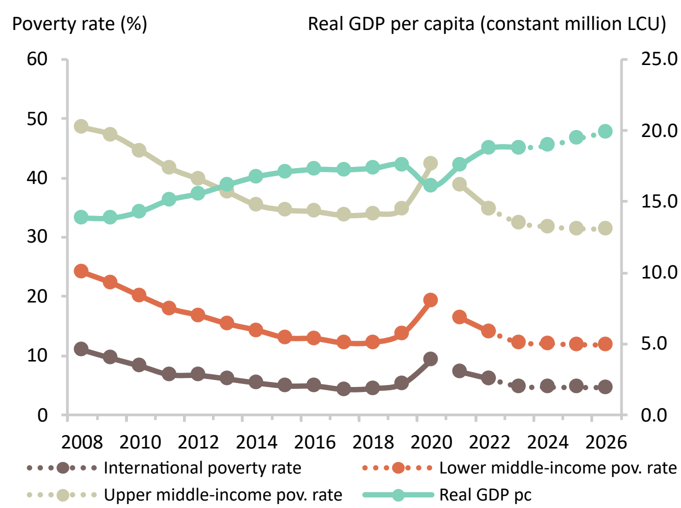
The current account deficit (CAD) narrowed to 2.5 percent in 2023 helped by the deceleration of economic activity, and remained low (1.9 percent 12-month average) in 2024H1. Export volumes (especially of non-oil goods and tourism) remained strong, imports continued to recover, primary payments fell,

FIGURE 1 Colombia / GDP and components



Sources: National Administrative Department of Statistics (DANE), and World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

and remittance inflows hit new highs. FDI inflows declined but remain above prepandemic levels, and portfolio investment outflows moderated.

Tight monetary policy underpinned the fall in inflation from a peak of 13.3 percent (y-o-y) in March 2023 to 6.8 percent in July 2024. While still above the 2-4 percent target range for 2024, the Central Bank started an easing cycle in December as inflation expectations remain anchored, with cuts that gradually reduced the monetary policy rate 250 bps to 10.75 percent. The Colombian Peso strengthened 3.2 percent in 2024H1 and volatility subdued, benefiting from high interest rates, global financial liquidity, and a reduction in policy uncertainty.

After a good performance in 2023 led largely by cyclical factors and yields of the 2022 tax reform, fiscal accounts underperformed in the first half of the year driven by lower-than-anticipated tax collection. Low revenue from oil and mining corporate income taxes, partially due to the courts' partial reversal of the tax reform, explained an 8.7 percent (y-o-y) fall. To comply with the fiscal rule, the government announced spending cuts across current and capital expenditures worth 1.9 percent of GDP for the second half of 2024. Central government debt reached 58.2 percent of GDP in June. EMBIG spreads fell in 2024H1 with respect to 2023 but remain high among regional peers.

Outlook

GDP growth is expected at 1.5 percent in 2024 and 3.0 percent in 2025, as the economy recovers and converges to its potential growth rate by 2026. Private consumption, solid export growth alongside moderate increases in imports, and a steady rise in private investment are expected to support the pick-up, as inflation and interest rates recede. The CAD is anticipated to remain constant in 2024 and widen slightly going forward as the economy accelerates and imports increase.

Revenue underperformance and the fading impact of cyclical factors are expected to drive an increase in the fiscal deficit to 4.7 percent of GDP in 2024, which still requires a large fiscal consolidation effort in the second half of the year. Given Colombia's track record, the government is expected to continue to comply with the fiscal rule going forward, which will call for continuous fiscal discipline. The costs of the approved pension reform add to the fiscal challenges in the medium term.

Amid moderate economic growth in 2024, modest progress is expected in poverty reduction. Agricultural sector growth could benefit rural areas. Projections estimate 31.7 percent of people living below the poverty line ($6.85/day 2017 PPP). While inflation declined, higher prices buffer improvements in real incomes and food security, and climate shocks may affect households, particularly in regions like Caribe and Pacífico. Investing in access to quality education for the poor is paramount for poverty and inequality reduction prospects.

Risks to the outlook are tilted to the downside. Fiscal slippages or protracted uncertainty about the approval process of next year's public budget could prove costly, while persistent inflation and policy uncertainty could weigh on private investment. Spikes in armed violence could intensify regional disparities. On the external side, negative terms of trade shocks or tighter external financial conditions could limit growth prospects. Excessive rain from an expected La Niña event could occasionally disturb road connectivity and disproportionately affect the poor and vulnerable.

TABLE 2 Colombia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	10.8	7.3	0.6	1.5	3.0	2.9
Private consumption	14.7	10.7	0.8	0.6	2.7	2.6
Government consumption	9.8	0.8	1.6	0.2	0.5	0.5
Gross fixed capital investment	16.7	11.5	-9.6	0.6	5.5	4.8
Exports, goods and services	14.6	12.3	3.4	3.3	4.6	4.9
Imports, goods and services	26.7	23.6	-15.0	8.9	3.1	3.0
Real GDP growth, at constant factor prices	10.3	6.4	0.6	1.5	3.0	2.9
Agriculture	4.4	-0.8	1.4	3.9	3.3	3.2
Industry	8.1	6.9	-2.0	0.9	3.1	2.8
Services	11.9	7.0	1.5	1.5	2.9	2.9
Inflation (consumer price index)	3.5	10.2	11.7	6.9	3.9	3.1
Current account balance (% of GDP)	-5.6	-6.1	-2.5	-2.5	-2.6	-2.6
Fiscal balance (% of GDP)	-7.1	-6.5	-2.9	-4.7	-4.3	-3.6
Revenues (% of GDP)	26.6	27.6	32.4	28.8	28.8	28.8
Debt (% of GDP)	65.7	64.6	61.3	60.7	59.8	59.2
Primary balance (% of GDP)	-3.7	-2.1	1.2	0.0	0.4	0.6
International poverty rate ($2.15 in 2017 PPP)[a,b]	7.3	6.0	4.8	4.7	4.7	4.7
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	16.4	14.0	12.2	12.0	11.8	11.8
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	38.8	34.8	32.4	31.7	31.4	31.3
GHG emissions growth (mtCO2e)	3.6	-1.1	-2.5	-0.9	0.4	1.0
Energy related GHG emissions (% of total)	28.2	26.9	25.8	26.0	26.4	26.8

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 SEDLAC harmonization, using 2023-GEIH. Actual data: 2022 and 2023 (Preliminary). Nowcast: 2024. Forecasts are from 2025 to 2026.
b/ Projections using microsimulation methodology.

COSTA RICA

Table 1	2023
Population, million	5.1
GDP, current US$ billion	81.8
GDP per capita, current US$	16021.4
International poverty rate ($2.15)[a]	0.9
Lower middle-income poverty rate ($3.65)[a]	3.0
Upper middle-income poverty rate ($6.85)[a]	12.7
Gini index[a]	46.7
School enrollment, primary (% gross)[b]	107.6
Life expectancy at birth, years[b]	77.3
Total GHG emissions (mtCO2e)	8.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2023), 2017 PPPs.
b/ Most recent WDI value (2022).

Growth accelerated to 5.1 percent in 2023 but lost steam in the first half of 2024. Low inflation and decreasing interest rates since Q12023 boosted private consumption and investment, but slower growth in trade partners decelerated external demand in H12024. Poverty (US$6.85 poverty line) declined slightly, but inequality remains high. Fiscal consolidation is enhancing market access and should continue to promote spending efficiency while targeting resources to protect the most vulnerable.

Key conditions and challenges

Costa Rica's income per capita has doubled in the past two decades, thanks to an outward-oriented growth model, investments in human capital, and good governance. The country upgraded and diversified its exports, making it less vulnerable to external shocks. It also strengthened its green trademark through sustainable natural resources management and reforestation.

However, integration between the export-oriented and domestic-oriented segments of the economy remains weak, leading to income and territorial disparities. Despite accessible healthcare and education, monetary poverty reduction has been limited (2.9 p.p. between 2010 and 2023), and inequality has persisted (Gini index above 47 since 2010). Monetary poverty remained particularly high among vulnerable groups such as Afro-descendants, Indigenous populations, and migrants. The pandemic deepened these challenges, with the aggregate poverty rate (measured by the US$6.85/day, 2017 PPP) increasing from 13.7 percent in 2019 to 19.9 percent in 2020. As labor market conditions improved, poverty gradually declined to below 2019 levels, but female labor force participation remains among the lowest in the region (49.3 percent in 2022).

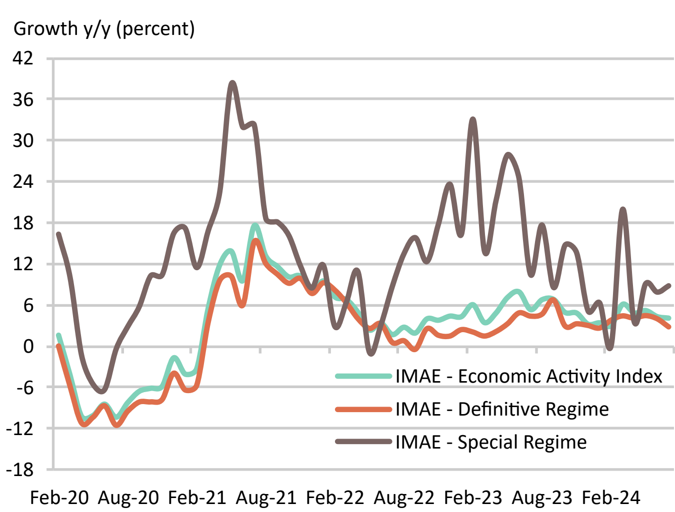
Additionally, fiscal challenges arose between 2008 and 2018 due to increased spending without a corresponding rise in revenues. A 2018 reform was implemented to stabilize the fiscal situation, but the pandemic and commodity price shocks delayed the adjustment. Public debt increased from 56 percent in 2019 to 68 percent of GDP in 2021. Increased revenues, expenditure control measures, and strong growth enabled the country to post the first primary surplus in a decade in 2022. The public debt ratio is declining but remains relatively high.

Addressing Costa Rica's twin challenges of inclusion and fiscal management is crucial. Growth needs to become more inclusive across the different socioeconomic groups. Fiscal policies should continue to support creditworthiness and protect vulnerable groups. Improving revenue mobilization and spending efficiency are essential to address these challenges.

Recent developments

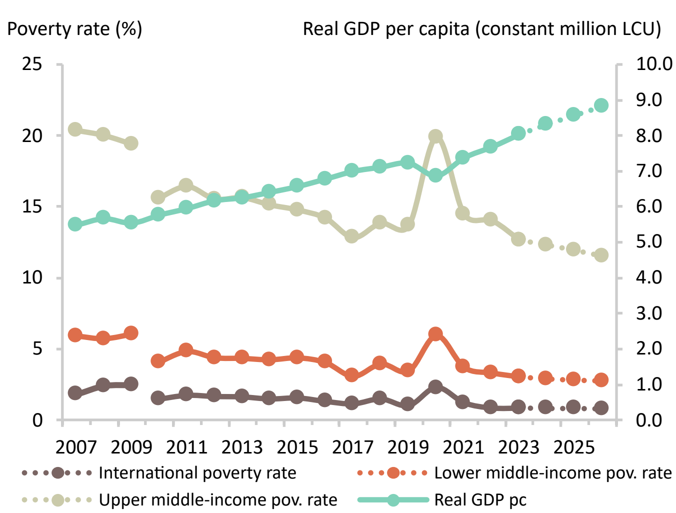
Growth surpassed expectations at 5.1 percent in 2023, bolstered by robust domestic and external demand, but decelerated to 4.5 percent in the first half of 2024, impacted by weakening external demand. Inflation subsided in early 2023, transitioning to deflation for most of that year, reaching 0.3 percent y/y in August 2024. This shift allowed the central bank to ease monetary policy, which stimulated private consumption and investment. While the export-oriented sector is still the primary source of growth, it has decelerated, expanding 8.6 percent in June 2024, compared to 24.7 percent in June 2023.

FIGURE 1 Costa Rica / Economic activity growth (seasonally adjusted)



Sources: Central Bank of Costa Rica and World Bank staff calculations.
Notes: Special Regime includes Free Trade Zone, Active Improvement, and Refund of Rights regimes. Definitive Regime focuses on domestic use or consumption.

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



Source: World Bank. Notes: see Table 2.

With stable inflation and resilient labor market conditions, the poverty rate (US$6.85/day, 2017 PPP) declined to 12.7 percent in 2023, the lowest in over a decade. While also declining, poverty measured with the national poverty line stayed at 24.4 percent in 2023.

The current account deficit narrowed in 2023, driven by a larger trade surplus, and was financed by robust foreign direct investment (FDI). Exports, particularly of medical equipment, tourism, and business services, saw notable expansion, outstripping the recovery in imports. While exports and imports decelerated in early 2024, the trade balance remained stable. Costa Rica maintained its position as one of the world's leading recipients of greenfield FDI relative to GDP.

The fiscal deficit widened from 2.5 percent in 2022 to 3.3 percent of GDP in 2023, pressured by a record-high interest bill of 4.8 percent of GDP and a smaller primary surplus of 1.6 percent of GDP. The latter was the result of the phase-out of large one-off revenues associated with an institutional restructuring, which exceeded spending controls. The primary surplus declined to 1 percent of GDP in the first half of 2024, as revenues underperformed. Nonetheless, the debt-to-GDP ratio continued to decline reaching 61.1 percent in the end of 2023 and 59.4 percent in June 2024. Solid fiscal performance prompted upgrades in Costa Rica's sovereign credit ratings.

Outlook

Amid global uncertainty and a slowdown in key trading partners, growth is projected to moderate to around 3.5 percent during the forecast period. External demand is anticipated to continue decelerating through early 2026, while domestic demand is expected to temper in 2026 as monetary policy normalizes and fiscal consolidation advances. The current account deficit is projected to widen marginally to 2.1 percent of GDP, reflecting a deceleration in external demand and stabilization of terms of trade. Nonetheless, the deficit is anticipated to be fully covered by FDI inflows.

The poverty rate ($6.85/day, 2017 PPP) is projected to decline to 11.5 percent in 2026 supported by robust labor market outcomes. Targeting and efficiency enhancements in social assistance, especially for historically marginalized groups and those below the poverty line, could further reduce poverty and vulnerability.

Fiscal consolidation is expected to persist throughout the forecast period, underpinned by a fiscal rule that constrains spending growth, bringing the debt-to-GDP ratio below 60 percent threshold. Recent strides in debt management and the deepening of domestic markets are likely to reduce Costa Rica's financing costs, while tax administration efforts should reinforce revenue mobilization. Announced reforms, including cuts in tax expenditures, adjustments to income tax, and a decrease in the fragmentation of social programs, could further accelerate the pace of adjustment and help establish safeguards against shocks while protecting the poor and vulnerable.

This economic outlook is subject to downside risks. Costa Rica's high susceptibility to external shocks, such high global prices, dampened global growth, and tightening financial conditions, could pose challenges. Climate vulnerabilities, exacerbated by phenomena like La Niña, compound these uncertainties and could disproportionately impact the poor. Additionally, recent surges in migration and perceived criminality could increase expenditure demands, potentially impeding the pace of fiscal consolidation.

TABLE 2 Costa Rica / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	7.9	4.6	5.1	4.0	3.5	3.4
Private consumption	8.3	2.6	5.0	3.4	3.4	3.2
Government consumption	1.7	2.4	0.1	0.8	1.0	1.0
Gross fixed capital investment	7.8	1.5	8.6	5.6	5.7	5.2
Exports, goods and services	15.9	18.5	10.0	6.4	6.4	6.6
Imports, goods and services	19.2	8.1	5.2	7.0	6.8	6.7
Real GDP growth, at constant factor prices	7.9	4.6	5.1	4.0	3.5	3.4
Agriculture	2.2	-2.3	3.5	2.0	2.1	2.2
Industry	12.3	2.1	8.3	2.7	2.7	2.9
Services	7.0	5.8	4.3	4.5	3.9	3.6
Inflation (consumer price index)	1.7	8.3	0.5	1.5	3.0	3.0
Current account balance (% of GDP)	-3.2	-3.2	-1.5	-2.1	-2.1	-2.0
Net foreign direct investment inflow (% of GDP)	4.8	4.4	4.5	4.5	4.5	4.7
Fiscal balance (% of GDP)	-5.0	-2.5	-3.3	-3.2	-2.5	-1.9
Revenues (% of GDP)	15.7	16.4	15.3	15.5	15.6	16.2
Debt (% of GDP)	67.6	63.0	61.1	60.6	59.8	59.6
Primary balance (% of GDP)	-0.3	2.1	1.6	1.7	1.8	2.1
International poverty rate ($2.15 in 2017 PPP)[a,b]	1.2	0.9	0.9	0.8	0.8	0.8
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	3.7	3.3	3.0	2.9	2.8	2.7
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	14.5	14.1	12.7	12.3	11.9	11.5
GHG emissions growth (mtCO2e)	8.5	6.0	0.3	5.0	3.2	2.9
Energy related GHG emissions (% of total)	99.6	98.6	97.1	94.8	93.0	91.4

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 SEDLAC harmonization, using 2023-ENAHO. Actual data: 2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.

DOMINICA

Table 1	2023
Population, million	0.1
GDP, current US$ billion	0.7
GDP per capita, current US$	8953.9
School enrollment, primary (% gross)[a]	91.9
Life expectancy at birth, years[a]	73.0
Total GHG emissions (mtCO2e)	0.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2022).

A recovery in tourism infrastructure spending and easing inflation have supported economic activity in Dominica in 2023, although high food prices continue to disrupt livelihoods of vulnerable populations. Completion of major ongoing infrastructure projects will boost growth. An uptick in public debt resulting from pandemic-related spending has led authorities to implement fiscal rule-based austerity measures throughout the forecast horizon. Worsening external conditions and climate-related events pose downside risks to growth and debt sustainability.

Key conditions and challenges

As a small island developing state (SIDS), Dominica faces economic challenges and climate vulnerability. Post-pandemic, economic growth has been largely supported by infrastructure investments and a rebound in tourism. The country's growth potential has declined over the past few decades amid shrinking total factor productivity and lower contribution from labor, stemming in part, from emigration of skilled labor. Fiscal policy is constrained by the Fiscal Responsibility Law (FRL) of 2021, which requires achieving a minimum primary surplus of 2 percent of GDP by 2026 to reduce public debt below 60 percent of GDP by 2035. Finally, as a pegged exchange rate regime, Dominica lacks effective monetary policy tools, therefore structural reforms are needed to ensure efficient financial intermediation.

Pandemic-related support, increased infrastructure spending, and fiscal measures to mitigate the impact of inflation on the poorest led to high fiscal deficits and pushed public debt over 100 percent of GDP. Fiscal imbalances have only gradually come down as recurrent expenditures are now returning to pre-pandemic levels. Further efforts will be needed to comply with Dominica's FRL.

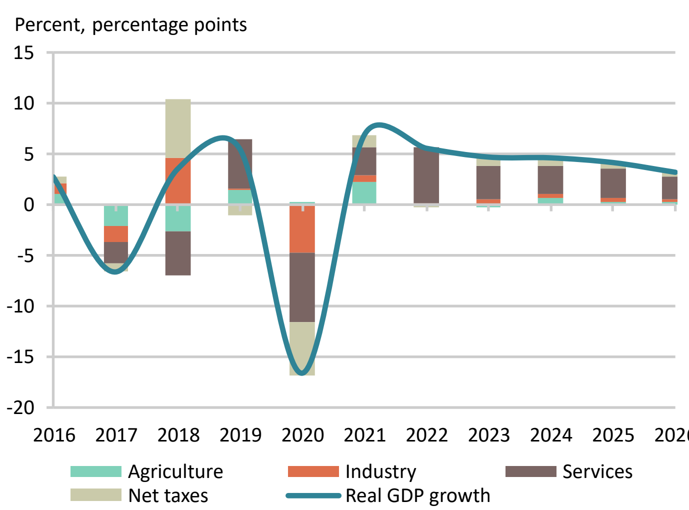
The government is implementing a highly ambitious public investment pipeline, largely financed by citizenship by investment (CBI) revenues, including a new international airport, geothermal energy investments, and a large housing program. CBI revenues have remained buoyant but tend to be volatile and dependence thereon may increase financing risk. Dominica's vulnerability to hurricanes and climate change requires increasing focus on resilience through fiscal buffers, climate-resilient investment, as well as expansion of public and private insurance protection and social assistance within a context of limited fiscal space.

Recent developments

Growth maintained its momentum at 4.7 percent in 2023, amid further improvements in tourism and investment in climate-resilient infrastructure. Tourist arrivals surpassed pre-pandemic levels, driven by growth in cruise arrivals. Implementation of initiatives in agriculture are expected to boost contribution from the sector in 2024. After peaking at 7.8 percent in 2022, inflation eased to 3.5 percent in 2023, driven in part by a reduction in energy costs.

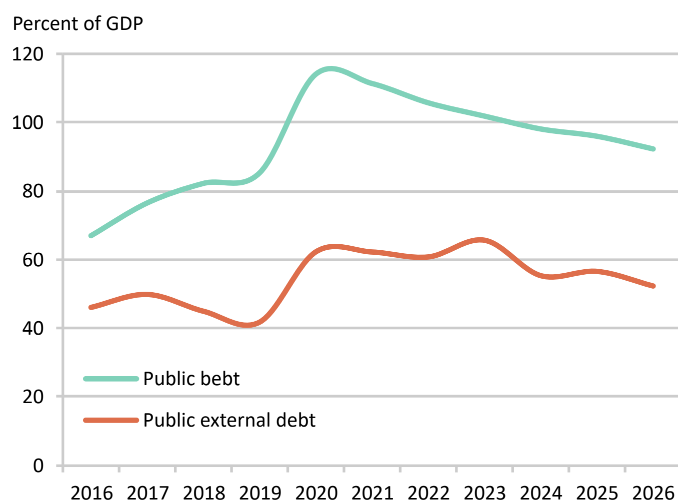
Inflation continues to affect households' purchasing power and access to food, given Dominica's dependence on imported food products. In April 2024, virtually all respondents to the Food Security and Livelihoods Survey reported an increase in the prices of food, gas, and electricity in the three months prior to the survey. Food insecurity persisted with 21 percent of respondents reporting that they had gone a whole day without eating in the previous

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



Sources: Government of Dominica and World Bank staff calculations.

FIGURE 2 Dominica / Public debt



Sources: Government of Dominica and World Bank staff calculations.
Note: See Table 2.

30 days and 42 percent reporting that they were hungry but did not eat.

The fiscal position has improved, registering an estimated deficit of 4.0 percent in FY23 compared to 7.6 percent in FY22. Lower capital spending offset the drop in revenue from CBI inflows. Public debt remains high at 101.8 percent of GDP at the end of 2023, down from 105.7 in 2022. Approximately 90 percent of Dominica's external debt is owed to multilateral and bilateral creditors on concessional terms.

The current account deficit (CAD) further widened to 33.9 percent of GDP in 2023 as an increase in imports of goods, driven by large infrastructure projects, more than offset the increase in tourism receipts. Financing of the CAD continues to come primarily from CBI revenues, grants, and foreign direct investment inflows. Reserves, as of 2023, are adequate at 5.0 months of import coverage.

Financial sector stability risks are limited as banks are well capitalized, however, non-performing loans remain high, and provisioning is below the Eastern Caribbean Central Bank's (ECCB's) regional prudential requirements.

Outlook

GDP growth is expected to be robust at 4.6 in 2024 and remain buoyant over the forecast horizon driven primarily by tourism and a robust public investment program financed by CBI revenues. Geothermal developments and a new international airport should boost potential growth. Inflation is expected to decline to 3 percent in 2024 and stabilize at 2 percent amid weaker pressure from international prices. Solid growth prospects and lower inflation should contribute to a reduction in poverty rates in the medium term. There is an urgent need for updated poverty data, and other key indicators like labor market statistics, to monitor households' wellbeing and inform the design of public policy.

The fiscal deficit is forecast to narrow as infrastructure spending winds down, current spending is reduced and rationalized, and fiscal rules metrics are adhered to; this includes primary balances of 2.0 percent of GDP by 2026, though further measures will be needed to achieve this target. A combination of sound fiscal policy and sustained growth is expected to push public debt levels below 60 percent of GDP by 2035, as mandated by Eastern Caribbean Currency Union membership.

The CAD, financed in part by CBI inflows, is expected to narrow to 20.9 percent of GDP in 2024 and continue closing thereafter as tourism receipts increase and infrastructure-related imports decline.

The economic outlook is subject to considerable downside risks due to volatile food and fuel prices, global geo-political events, and volatile CBI revenues. Natural disasters, climate change, tighter global financial conditions, fiscal vulnerabilities, and public debt sustainability concerns pose additional risks. The financial sector is vulnerable to risks from the credit unions.

TABLE 2 Dominica / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	6.9	5.6	4.7	4.6	4.2	3.2
Real GDP growth, at constant factor prices	6.8	6.7	4.4	4.6	4.2	3.3
Agriculture	23.4	-0.7	-2.0	5.9	3.2	2.0
Industry	5.0	0.6	5.0	3.4	3.3	3.0
Services	4.5	9.4	5.3	4.6	4.5	3.5
Inflation (consumer price index)	1.5	7.8	3.5	3.0	2.0	2.0
Current account balance (% of GDP)	-32.9	-26.7	-33.9	-20.9	-19.1	-17.8
Fiscal balance (% of GDP)[a]	-8.6	-7.6	-4.0	-3.3	-2.0	-1.5
Revenues (% of GDP)	61.5	65.2	45.5	42.1	41.7	41.3
Debt (% of GDP)[a]	111.3	105.7	101.8	98.1	95.9	92.2
Primary balance (% of GDP)[a]	-5.9	-4.6	0.4	-0.2	0.3	0.6
GHG emissions growth (mtCO2e)	3.1	3.0	2.8	2.7	2.6	2.4
Energy related GHG emissions (% of total)	75.6	75.8	76.1	76.3	76.5	76.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Fiscal balances are reported in fiscal years (July 1st -June 30th).

DOMINICAN REPUBLIC

Table 1	2023
Population, million	10.7
GDP, current US$ billion	121.5
GDP per capita, current US$	11305.6
International poverty rate ($2.15)[a]	0.8
Lower middle-income poverty rate ($3.65)[a]	4.0
Upper middle-income poverty rate ($6.85)[a]	21.5
Gini index[a]	37.0
School enrollment, primary (% gross)[b]	100.5
Life expectancy at birth, years[b]	74.2
Total GHG emissions (mtCO2e)	41.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2022).

Poised for a rebound, the Dominican economy anticipates a 5.1 percent growth in 2024, fueled by monetary easing effects and public investment. However, challenges such as low revenue mobilization and socioeconomic disparities remain. The re-election of President Abinader in 2024 with a bicameral majority sets the stage for crucial reforms in taxation, energy, and labor market to bolster sustainable development.

Key conditions and challenges

The Dominican Republic (DR) stands out in LAC, for its fast growth and sharp reductions in poverty and inequality. From 2005 to 2023, GDP grew an average of 5.2 percent, while poverty more than halved, from 48.2 to 17.9 percent (US$6.85 per day, 2017 PPPs). The Gini Index declined from 50 to 38.4, and the middle class doubled, from 21 to 43 percent. Non-monetary poverty also declined as the provision of public services improved. However, significant socioeconomic and spatial inequities in living standards persist, including gender gaps and differences between urban and rural areas. Prudent monetary and fiscal policies helped macroeconomic stability, underpinning growth and social progress. However, the DR struggles with low-revenue mobilization (at 15.7 percent of GDP in 2023), and significant monetary losses in the energy sector, covered by government transfers of 1.1 percent of GDP in 2023.

Recent shocks, including the pandemic, surging commodity prices, and floods, have strained the country's finances. Public debt continues to exceed pre-pandemic levels, and new expenditure needs have emerged. In 2023, interest payments alone consumed three percentage points of GDP, curtailing public investment. To create more fiscal space, the country would need to improve tax collection and spending efficiency. The new fiscal responsibility law caps primary expenditure growth at 7 percent starting in 2025 and aims to reduce debt to 40 percent by 2035. Re-elected in May 2024, President Abinader's bicameral majority may enable him to advance long-awaited reforms, including a tax overhaul, the resumption of the energy pact, and pension reforms.

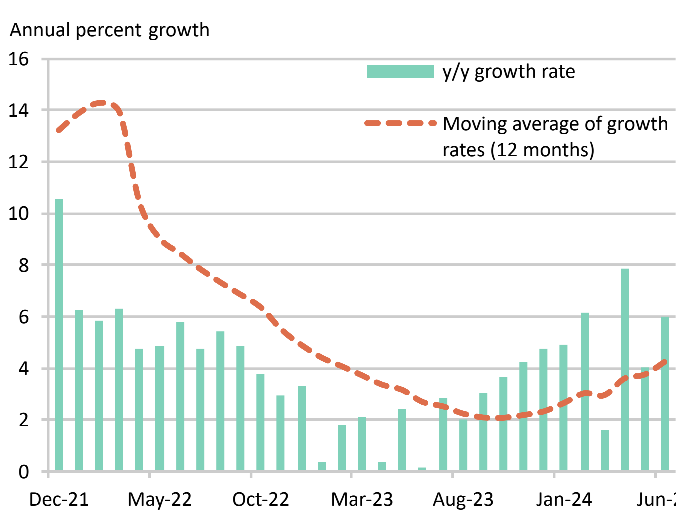
Increasing productivity is also essential, including by: (i) improving education; (ii) boosting competitiveness; (iii) revamping the innovation strategy and adopting green technologies; and (iv) improving service delivery. These changes should go hand in hand with improvements in labor market regulations and social protection systems to reduce inequalities.

Recent developments

After slowing down to 2.4 percent in 2023, GDP expanded by 5 percent in January-July 2024. Boosted by interest rate cuts and liquidity support, the construction sector grew 4.6 percent, driven by strong public and private investment. Service sectors, like hospitality and financial services, maintained momentum, both expanding by 8.0 percent, which helped offset the 11.3 percent contraction in the mining sector.

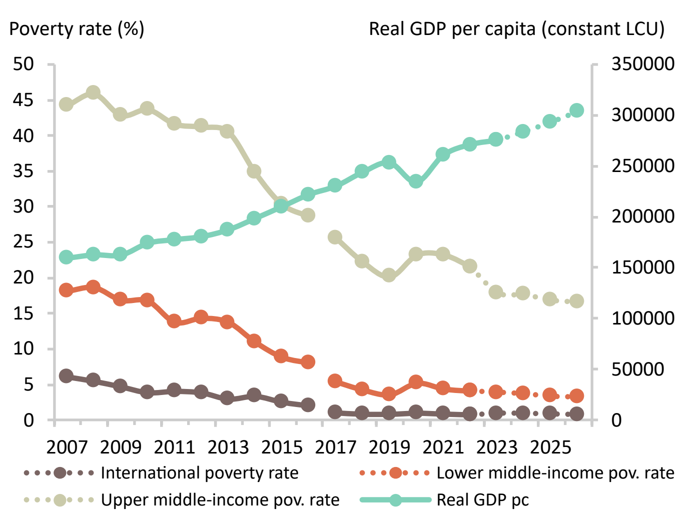
The current account deficit (CAD) contracted in the first half of 2024 due to higher exports and remittances. Exports reached US6.8 billion, growing 2.3 percent year-over-year (y-o-y), boosted by tourism revenues, which surged 14.1 percent with 5.3 million arrivals. Remittances grew by 4.4 percent. Foreign direct investment

FIGURE 1 Dominican Republic / Index of monthly economic activity (IMAE)



Source: World Bank staff calculations based on Central Bank data.

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



Source: World Bank. Notes: see Table 2.

(FDI) exceeded USD 2.3 billion, fully financing the CAD.

Inflation declined throughout the year, reaching 3.5 percent y-o-y in July 2024, within the central target range (4 percent +/- 1 percent). The policy rate, which had been maintained at 7 percent since November 2023, was lowered to 6.75 percent in August 2024. Labor market displayed strong dynamism, adding 172,443 new jobs between March 2023 and March 2024—a 4 percent y-o-y increase. Three-quarters of these were formal positions, with women filling 80 percent of them.

In 2023, the poverty rate fell to 17.9 percent, below the pre-pandemic level of 20.2 percent. The reduction was largely explained by rising labor income and government transfers. Real per capita income grew by 11.7 percent in 2023, marking the highest increase since 2016.

The fiscal deficit increased slightly to 1.1 percent of GDP in the first half of 2024 from 0.6 percent in the first half of 2023. Total revenue surged by 9.4 percent, driven by improved tax administration and exceptional income from the renegotiation of airport concessions. Expenditures grew by 15.1 percent y-o-y, fueled by increases in goods and services (31.6 percent) and interest payments (25.2 percent).

Outlook

In 2024, economic growth is anticipated to accelerate to 5.1 percent as the effects of the monetary easing, higher public investment, and record tourism arrivals boost activity. Inflation is expected to stabilize around 4 percent. Over the medium term, robust consumption and investment are expected to underpin growth, bolstered by structural reforms such as fiscal, energy, water, and labor, as well as initiatives aimed at improving education quality and attracting FDI. By 2027, growth is forecasted to stabilize at around 5 percent. Robust growth and job creation, together with stable inflation will support poverty reduction in 2024 and 2025, reaching 17.7 and 16.9 percent respectively.

Fiscal consolidation is expected over the medium term, anchored on the implementation of the Fiscal Responsibility Law, the phase-out of untargeted subsidies, and measures to improve spending efficiency (e.g., procurement reforms and consolidation of social programs). Consequently, the public debt-to-GDP ratio is expected to decrease progressively, falling below 57 percent post-2026. Beyond this baseline, a comprehensive fiscal reform focused on enhancing revenue mobilization and public expenditure management is crucial to support the ongoing fiscal efforts, while ensuring sustainable economic growth.

The macroeconomic outlook faces three main risks. First, the persistence of geopolitical tensions could lead to volatility in commodity prices, pressuring the government to maintain energy subsidies. Second, the anticipated slowdown in the U.S. economy could directly affect the DR's external accounts. Third, weather-related events, could negatively impact agriculture and tourism, disproportionately impacting the poor. Climate-induced GDP deviations from baseline could reach up to 16.7 percent of GDP by 2050. The high exposure to shocks and limited financial buffers pose additional fiscal risks. Therefore, strengthening resilience through inclusive growth, reducing inequality, and enhancing fiscal sustainability is imperative to sustain economic progress and ensure broader social benefits.

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

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	12.3	4.9	2.4	5.1	4.7	5.0
Private consumption	6.6	5.1	2.5	5.1	5.0	5.2
Government consumption	0.1	3.9	2.3	4.3	-1.3	1.8
Gross fixed capital investment	22.1	4.0	2.0	3.6	4.3	4.9
Exports, goods and services	36.2	13.7	-0.5	4.1	3.9	5.0
Imports, goods and services	25.7	14.4	0.3	2.4	2.3	3.7
Real GDP growth, at constant factor prices	11.1	4.6	2.2	5.1	4.7	5.0
Agriculture	2.6	5.0	3.9	4.0	3.6	3.4
Industry	16.5	1.3	-0.3	4.7	4.4	4.6
Services	9.3	6.3	3.3	5.4	5.0	5.3
Inflation (consumer price index)	8.2	8.8	4.8	3.8	4.0	4.0
Current account balance (% of GDP)	-2.8	-5.8	-3.6	-3.5	-3.6	-3.4
Net foreign direct investment inflow (% of GDP)	3.4	3.6	3.6	3.7	3.7	3.7
Fiscal balance (% of GDP)[a]	-2.9	-3.2	-3.3	-3.3	-2.9	-2.6
Revenues (% of GDP)	15.6	15.3	15.7	16.2	15.4	15.3
Debt (% of GDP)[b]	62.6	58.6	58.3	58.3	58.0	57.1
Primary balance (% of GDP)[a]	0.2	-0.4	-0.1	0.2	0.7	0.9
International poverty rate ($2.15 in 2017 PPP)[c,d]	0.9	0.8	0.9	0.9	0.9	0.8
Lower middle-income poverty rate ($3.65 in 2017 PPP)[c,d]	4.3	4.0	3.9	3.7	3.4	3.3
Upper middle-income poverty rate ($6.85 in 2017 PPP)[c,d]	23.2	21.5	17.9	17.7	16.9	16.6
GHG emissions growth (mtCO2e)	7.4	0.0	-0.8	2.2	2.1	2.1
Energy related GHG emissions (% of total)	64.6	63.9	62.9	62.8	62.8	62.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Fiscal balances are shown for the non-financial public sector (i. e. excluding central bank quasi-fiscal balances).
b/ Consolidated public sector debt.
c/ Calculations based on SEDLAC harmonization, using 2023 - ECNFT-Q03. Actual data: 2022 and 2023 (preliminary). Forecasts are from 2024 to 2026.
d/ Projections using microsimulation methodology.

ECUADOR

Table 1	2023
Population, million[a]	18.0
GDP, current US$ billion[a]	116.6
GDP per capita, current US$	6476.6
International poverty rate ($2.15)[b]	3.8
Lower middle-income poverty rate ($3.65)[b]	10.3
Upper middle-income poverty rate ($6.85)[b]	29.6
Gini index[b]	44.6
School enrollment, primary (% gross)[c]	97.5
Life expectancy at birth, years[c]	77.9
Total GHG emissions (mtCO2e)	100.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022).
b/ Most recent value (2023), 2017 PPPs.
c/ Most recent WDI value (2022).

Ecuador faces significant challenges centered around structurally low growth, low-quality employment, and strained fiscal accounts. The government passed reforms that helped improve the fiscal stance, it also secured international financial support. Medium-term priorities include maintaining fiscal consolidation, enhancing security, and addressing the energy crisis. Poverty reduction is expected to stall, in line with the slow economic activity. Unlocking sustainable growth requires boosting investment by removing barriers to private sector development.

Key conditions and challenges

Ecuador faces a challenging political landscape, natural disasters, and deteriorating security, which have hindered growth, limited poverty reduction, and strained fiscal conditions. The country remains cut off from international capital markets. The October 2023 snap elections resulted in a fragmented National Assembly and a minority government with an 18-month mandate.

Since taking office, the Government has worked to reduce fiscal imbalances, improving fiscal accounts in early 2024. In May, the IMF approved a 48-month EFF program for $4 billion, with an immediate $1 billion disbursement for budget support. This, along with additional multilateral financing, eased liquidity constraints and closed the financing gap.

Economic growth remains weak due to fiscal tightening, declining oil production, political uncertainty, and an energy crisis. The worst drought in 60 years has led to historically low reservoir levels, causing electricity generation deficits, nationwide blackouts, and power rationing in 2023 and 2024, highlighting the need for investment.

With declining oil output and global decarbonization trends, private investment and formal job creation are crucial for growth in sectors like mining and agriculture. Reducing barriers to private sector development by strengthening the insolvency framework, promoting competition, expanding trade, and improving labor regulations is vital. Despite high primary school enrollment, education quality remains low, especially for Indigenous and rural populations. Post-pandemic economic struggles have deepened healthcare inequalities, yet child undernutrition decreased from 20.1 percent in 2023 to 19.3 percent in 2024. Adapting to climate change is key for resilient growth and poverty reduction. The evolving political landscape, with general elections in February 2025, will influence the reform agenda.

Recent developments

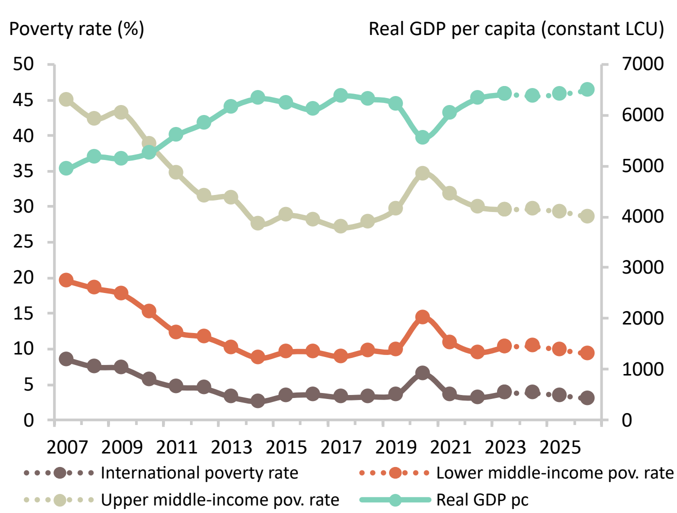
Real GDP grew by 1.2 percent y-o-y in 2024Q1, rebounding from a 0.7 percent contraction in the previous quarter. Growth was driven primarily by a decrease in imports (-3.3 percent) and an inventory buildup, which more than offset contractions in investment (-1.3 percent), private consumption (-1.1 percent), exports (-0.5 percent) and public consumption (-0.3 percent). Oil disruptions, the El Niño, political uncertainty, and insecurity negatively impacted private consumption and investment.

Labor market conditions slightly improved, with the unemployment rate dropping 0.7 percent y-o-y in June 2024 (3.1 percent), resulting in a 1 percent decline in poverty (national poverty line) and a virtual stagnation of the Gini at 45.6 in 2024. Job quality remains a structural problem, with informality increasing 0.7 percent y-o-y to 53.5 percent in 2024 (76.6 percent in rural areas). Structural gender gaps

FIGURE 1 Ecuador / Emerging Market Bond Index (EMBI)

Source: JP Morgan Chase.

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



Source: World Bank. Notes: see Table 2.

remain, with women disproportionally represented among the unemployed (3.7 percent), partially employed, and those earning less than minimum wage.

The central government balance improved from a US$1.464 million deficit (1.2 percent of GDP) in 2023H1 to a US$85 million surplus (about 0.1 percent of GDP) in 2024H1. This was helped by revenue-raising reforms approved earlier this year, including an increase of the VAT rate from 12 to 15 percent; temporary taxes on large firms and banks; higher withholding requirements for companies' upfront payments; raised capital outflows tax; and a tax amnesty program, together with profit transfers from the Central Bank's gold sales. The consolidation was further supported by reduced capital spending and purchases of goods and services.

The current account balance posted a record-high surplus of US$1.5 billion in 2024Q1. Exports expanded 5.9 percent y-o-y while imports contracted 7.6 percent, generating a US$1.2 billion trade surplus. International reserves rose from US$ 4.5 billion (1.5 months of imports) in December 2023 to US$ 7.2 billion (2.4 months of imports) in July 2024.

Outlook

Growth is projected to decline to 0.3 percent in 2024 due to negative carryover, sharp fiscal tightening, and energy shortages. Additionally, oil output has fallen significantly due to pipeline damages caused by the regressive erosion of the Coca River and the unwinding of oil production in the Yasuni National Park following the 2023 referendum. A reduction in political uncertainty following February´s elections, along with improvements in security, energy, and fiscal conditions due to recently taken measures, is expected to support a gradual economic recovery since 2025.

Weak economic growth and structural labor market inequalities will continue to restrain household income growth potential, leading to a slow decline in poverty from 29.6 percent in 2023 to 28.5 percent in 2026, despite low inflation (US$6.85/day, 2017 PPP). Climatic shocks such as La Niña could disproportionally hit the poorest. However, inflation is projected to remain low despite emerging pressures generated by a higher VAT rate and lower fuel subsidies.

The NFPS fiscal deficit is projected to end in 2024 at around 2.1 percent of GDP and to narrow further in 2025 and 2026. Public debt is projected to peak at 57.5 percent of GDP in 2025, significantly below pandemic levels, before resuming its downward trajectory. The current account surplus is forecast to remain at 1.9 percent of GDP in 2024, narrowing to around 1.3 percent by 2026. Oil export growth is expected to weaken, while imports will recover modestly as economic activity increases. International reserves are projected to gradually increase supported by multilateral financing, and a modest resurgence in foreign investment.

Several risks could impact this outlook. Relaxing fiscal consolidation plans and pausing growth-enhancing reforms ahead of the 2025 elections could delay the return to international capital markets. Additionally, Ecuador's reliance on oil revenues makes it vulnerable to volatile oil prices and any faster-than-expected decline in production levels. A resurgence of insecurity, weaker-than-anticipated growth in the U.S. or China, and natural hazards such as stronger-than-expected La Niña events, add substantial risks.

TABLE 2 Ecuador / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	9.8	6.2	2.4	0.3	1.6	2.2
Private consumption	11.3	7.4	1.4	0.2	2.0	2.5
Government consumption	0.0	1.8	3.7	-3.2	-4.3	-2.7
Gross fixed capital investment	13.2	8.5	0.5	0.6	2.7	5.0
Exports, goods and services	9.4	7.3	2.3	1.2	2.3	2.1
Imports, goods and services	21.5	10.5	-0.9	-0.9	0.9	2.3
Real GDP growth, at constant factor prices	9.5	6.0	1.6	0.3	1.6	2.2
Agriculture	9.0	2.3	5.1	3.7	3.7	3.7
Industry	12.5	4.9	-0.7	0.4	1.1	1.8
Services	8.2	7.1	2.2	-0.2	1.5	2.2
Inflation (consumer price index)	0.1	3.5	2.2	2.0	1.8	1.4
Current account balance (% of GDP)	2.9	1.8	1.9	1.9	1.6	1.3
Net foreign direct investment inflow (% of GDP)	0.6	0.8	0.3	0.3	0.9	1.5
Fiscal balance (% of GDP)	-1.6	0.0	-3.6	-2.1	-1.5	-0.4
Revenues (% of GDP)	35.8	38.7	36.7	38.8	38.0	38.3
Debt (% of GDP)	61.6	57.0	55.3	56.8	57.5	57.0
Primary balance (% of GDP)	-0.3	1.6	-1.4	0.4	1.2	2.3
International poverty rate ($2.15 in 2017 PPP)[a,b]	3.6	3.2	3.8	3.8	3.5	3.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	10.9	9.5	10.3	10.4	9.8	9.3
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	31.7	29.9	29.6	29.6	29.2	28.5
GHG emissions growth (mtCO2e)	2.2	1.8	1.7	2.2	2.9	3.2
Energy related GHG emissions (% of total)	34.9	35.6	36.3	37.5	38.8	40.3

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 SEDLAC harmonization, using 2023-ENEMDU. Actual data: 2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.

EL SALVADOR

Table 1	2023
Population, million	6.4
GDP, current US$ billion	34.0
GDP per capita, current US$	5344.2
International poverty rate ($2.15)[a]	3.4
Lower middle-income poverty rate ($3.65)[a]	8.6
Upper middle-income poverty rate ($6.85)[a]	27.5
Gini index[a]	38.8
School enrollment, primary (% gross)[b]	90.8
Life expectancy at birth, years[b]	71.5
Total GHG emissions (mtCO2e)	13.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2022).

In recent decades, El Salvador has sustained stable, albeit low growth, achieving reductions in poverty and inequality, although progress on poverty has slowed since the pandemic. The country has also managed to curb gang violence—a significant barrier to inclusive growth. GDP growth is projected at 2.9 percent in 2024 but is expected to slow to 2.5 percent by 2026 due to limited measures to address fiscal and external imbalances as well as other structural obstacles to growth.

Key conditions and challenges

El Salvador is a small, dollarized economy closely tied to the U.S. through trade and remittances. Between 2000 and 2023, GDP grew at an average annual rate of 2.1 percent, while official poverty declined by 14 percentage points, reaching 30.3 percent of the population in 2023. However, poverty has risen in the past two years, with around 10 percent of the population living in extreme poverty in 2023. Inequality remains among the lowest in the region. Since 2022, strict security measures have significantly reduced gang violence, contributing to economic gains and job creation. However, structural challenges remain: low productivity and human capital deficiencies, stemming from malnutrition and poor schooling, impede further progress on inclusive growth.

The progress on crime reduction coincided with a deterioration in fiscal accounts (and the stalling of poverty reduction), with public debt exceeding 84 percent of GDP in 2023. Financing options are restricted to pensions, banks, official creditors, and short-term domestic debt. The 2023 pension reform provided short-term fiscal relief of approximately USD 1.5 billion but also poses risks of deepening structural imbalances and generating contingent liabilities, particularly through a higher minimum pension payout.

To enhance productivity, attract foreign direct investments (FDI), diversify the economy, and further reduce poverty and inequality, comprehensive reforms are needed to address inefficiencies in labor markets, enhance poor skill acquisition, and improve infrastructure. After focusing on security in his first term, President Bukele has signaled a shift towards strengthening the economy and growth during his second term which can impact poverty reduction. However, ongoing fiscal and external imbalances present major challenges to achieving sustained growth through policy reforms.

Recent developments

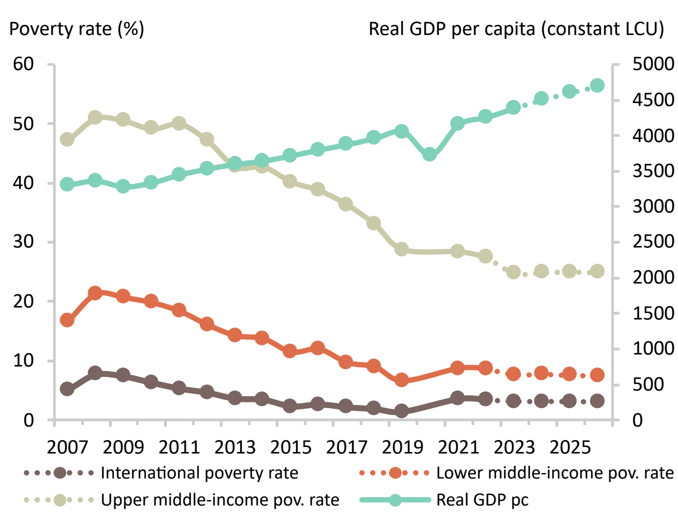
In 2023, El Salvador's economy grew by 3.5 percent, surpassing its historical average. This heightened economic performance was driven by public investment, exports, and private consumption, bolstered by increased foreign demand, higher remittances, an improved business environment following enhanced security measures, and a significant drop in inflation from 7.2 percent in 2022 to 4.0 percent in 2023. In 2024, tourism, exports, and public spending continued to drive growth, with the first quarter reporting an annual growth rate of 2.6 percent. Meanwhile, year-to-year inflation declined to slightly below 2 percent in June.

While stronger economic activity boosted government revenues by 6.8 percent in 2023, higher government spending (12.3 percent rise) increased the fiscal deficit to 4.7 percent of GDP, 2.0 percentage points higher than 2022. Public debt peaked at

FIGURE 1 El Salvador / Coinbase bitcoin price

Source: Federal Reserve Economic Data.

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



Source: World Bank. Notes: see Table 2.

84.9 percent of GDP, despite two sovereign debt buyback operations in 2023 and 2024. Sovereign spreads remained close to 700 bps, with limited financing options restricted to pensions, banks, and official creditors. To address these challenges, authorities are negotiating an IMF program, though Bitcoin's legal tender status remains a contentious issue amid its recent value volatility.

The current account deficit narrowed to 1.4 percent of GDP, aided by lower commodity prices, growing remittances that reached 24.2 percent of GDP in 2023, and tourism receipts. Foreign Direct Investment rose to 2.1 percent of GDP, helping to finance the deficit, but international reserves stayed low at 9.1 percent of GDP (about 2 months of imports).

Between 2021 and 2023, national poverty figures have been increasing (2.5 percentage points), while international poverty figures at 6.85 USD per capita per day (2017 PPP) show a decrease of a slightly higher magnitude (3.6 percentage points). Official and international poverty figures diverge due to methodological differences, particularly in how they account for the impact of inflation. The government has made poverty reduction a priority for the new presidential term.

Outlook

While growth in 2024 (2.9 percent) will remain above the historical average, it will slow over the medium term due to slower US growth and uncertainty regarding fiscal and external imbalances. Inflation is projected to ease to 2.1 percent in 2024. The current account deficit is projected to widen to 2.7 percent of GDP in 2024 and remain stable over the medium term, driven by slower remittance growth and a deteriorating trade balance. This deficit will be partially financed by FDI, expected to remain low at 2.0 percent of GDP. Without additional capital inflows or fiscal adjustments, international reserves are expected to remain low.

Despite these recent favorable conditions in terms of growth and low inflation, poverty measured with the upper-middle country poverty line of US$6.85/day (2017 PPP) is projected to stay stable, as growth in remittances is expected to decline.

The primary balance is expected to improve in 2024, largely due to reduced public spending linked to the election cycle, elimination of specific subsidies, and public sector wage and employment adjustments. The overall fiscal deficit is projected to close at 4.5 percent of GDP. This deficit will likely be financed through investment projects from multilaterals, pension assets not yet invested in treasury bills, and increased domestic debt holdings.

El Salvador's fiscal position will remain challenging in the medium term as liquidity needs persist. While the government is closing the 2024 financing gap, it still needs to secure an annual USD 900 million for 2025 and 2026, with a concerning USD 1.7 billion gap in 2027, including a Eurobond payment due that year.

Risks to economic performance include a potential global slowdown, changes in U.S. immigration policy, reliance on domestic financing that could crowd out private investment, and financial exposure to Bitcoin's volatility. Additionally, with a 79 percent likelihood of a La Niña event in late 2024, supply chain disruptions could further slow economic activity and increase fiscal pressures.

TABLE 2 El Salvador / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	11.9	2.8	3.5	2.9	2.7	2.5
Private consumption	9.5	2.5	3.4	2.6	2.4	2.2
Government consumption	9.0	-1.2	3.2	2.5	2.3	2.1
Gross fixed capital investment	25.3	4.4	8.9	3.0	2.9	2.7
Exports, goods and services	29.8	9.1	5.2	2.3	2.2	2.3
Imports, goods and services	28.8	0.9	-1.4	2.0	2.1	2.1
Real GDP growth, at constant factor prices	10.3	3.4	3.4	2.9	2.7	2.5
Agriculture	3.2	-1.2	0.4	0.7	1.4	1.6
Industry	9.2	4.1	4.8	3.0	2.9	2.5
Services	11.4	3.5	3.1	3.1	2.7	2.6
Inflation (consumer price index)	3.5	7.2	4.0	2.1	1.9	1.7
Current account balance (% of GDP)	-4.3	-6.8	-1.4	-2.7	-2.8	-2.7
Net foreign direct investment inflow (% of GDP)	1.3	0.4	2.1	2.2	1.9	2.0
Fiscal balance (% of GDP)[a]	-5.5	-2.7	-4.7	-4.5	-4.4	-4.4
Revenues (% of GDP)	24.5	24.6	24.7	25.0	24.9	24.8
Debt (% of GDP)[b]	83.9	79.2	84.9	84.6	84.2	83.5
Primary balance (% of GDP)[a]	-2.5	0.4	0.2	0.4	0.5	0.5
International poverty rate ($2.15 in 2017 PPP)[c,d]	3.6	3.4	3.1	3.1	3.1	3.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[c,d]	8.7	8.6	7.7	7.7	7.6	7.5
Upper middle-income poverty rate ($6.85 in 2017 PPP)[c,d]	28.4	27.5	24.8	24.9	25.0	24.9
GHG emissions growth (mtCO2e)	8.5	0.5	-0.6	1.4	1.0	1.1
Energy related GHG emissions (% of total)	53.2	53.5	53.4	53.8	53.7	53.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Fiscal and Primary Balance correspond to the non-financial public sector.
b/ Debt is total public debt.
c/ Calculations based on SEDLAC harmonization, using 2023-EHPM. Actual data: 2022 and 2023 (Preliminary). Nowcast: 2024. Forecasts are from 2025 to 2026.
d/ Projections using microsimulation methodology.

GRENADA

Table 1	2023
Population, million	0.1
GDP, current US$ billion	1.3
GDP per capita, current US$	10524.5
International poverty rate ($2.15)[a]	0.3
Lower middle-income poverty rate ($3.65)[a]	1.3
Upper middle-income poverty rate ($6.85)[a]	13.8
Gini index[a]	43.8
School enrollment, primary (% gross)[b]	83.4
Life expectancy at birth, years[b]	75.3
Total GHG emissions (mtCO2e)	2.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ Most recent WDI value (2022).

Despite the devastation of Hurricane Beryl, Grenada's economy is anticipated to continue growing, supported by tourism and construction. Even with greater fiscal needs for post-Beryl reconstruction efforts, the country is expected to reduce its debt, helped by strong revenues. Building climate resilience and closing infrastructure gaps will be critical for Grenada to maintain inclusive growth and continue reducing poverty and inequality.

Key conditions and challenges

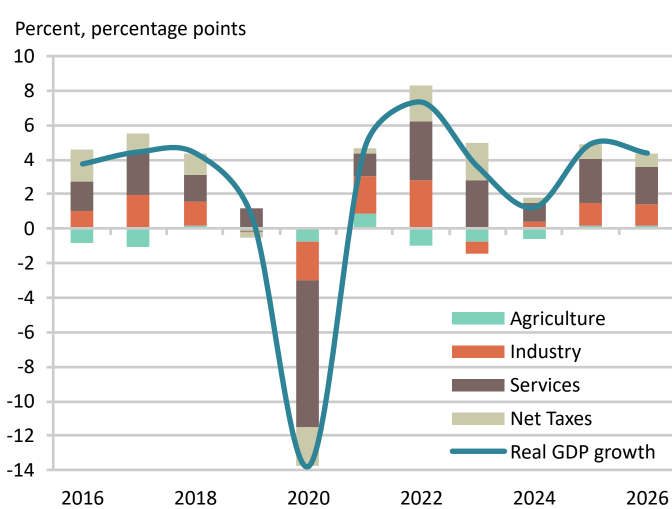
From 2015 to 2019, Grenada's economic performance surpassed those of its eastern Caribbean peers, with an average growth rate of 3.3 percent, relatively low public debt, and continued poverty reduction. Growth has been driven by construction and tourism, supported by structural reforms initiated in 2015. The 2023 Fiscal Resilience Act (FRA) further enhanced Grenada's fiscal policy framework by simplifying rules, broadening the definition of public debt to include State-Owned Enterprises (SOEs), and strengthening the role of the medium-term fiscal framework as a fiscal policy guiding tool. The Eastern Caribbean Currency Union's fixed exchange rate anchors low inflation and price stability. Grenada's financial sector remains stable and liquid.

However, vulnerabilities remain. The country is highly vulnerable to natural hazards, which are expected to increase in intensity and frequency with climate change. Income inequality, measured by the Gini index, was estimated at 44 points in 2018 (the latest year with data available), which is a relatively high level by global standards. Gender disparities in access to economic opportunities persist, and youth unemployment remains significantly above the national average. The management of the Investment Migration Agency (IMA) program, a critical source of financing for Grenada, needs to be further improved to increase spending efficiency. A post-Hurricane Beryl recovery plan, a return to the fiscal rules over the medium term, more effective social protection programs, and additional structural reforms are needed to sustain inclusive growth, reduce poverty and inequality, and strengthen climate resilience. Targeted policies to boost job creation and skill development for women and youth are also required.

Recent developments

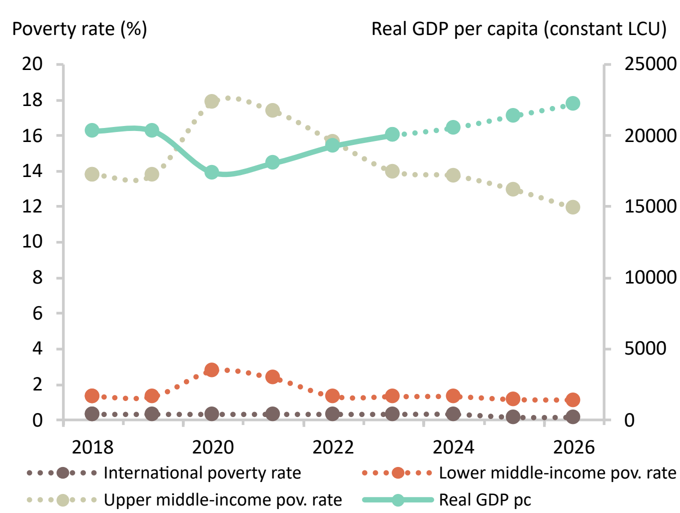
Economic growth decelerated to 4.7 percent in 2023 as the recovery in tourism was offset by a downturn in agriculture and construction, which were impacted by adverse weather and delays in project completions. Hurricane Beryl, which hit the island in July 2023 left damages currently estimated at 16.5 percent of 2023 GDP. Stayover arrivals that surpassed pre-COVID levels during the first six months of 2024, partially offsetting the economic impacts of Beryl. Inflation remained at 2.2 percent in 2023, mostly driven by increases in food prices, resulting from underperformance in the agriculture sector, but eased to an average 1.3 percent year-on-year in the first five months of 2024. The unemployment rate dropped from 12.0 percent in 2023Q2 to 8.5 percent in

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



Source: World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

2024Q1. However, it continues to be significantly higher among women (10.8 percent) and the youth (19.1 percent). Poverty ($6.85 a day in 2017 PPP) is estimated to have declined from 15.6 percent in 2022 to 13.9 percent in 2023, reaching pre-pandemic levels (13.8 percent in 2018).

The current account deficit reached 13.9 percent of GDP in 2023. Remittance inflows increased to 5.8 percent of GDP in 2023 from 5.5 percent of GDP in 2022, below their pandemic peak. IMA inflows were larger than expected in 2023, supporting both public and private investment. Foreign Direct Investment (11.3 percent of GDP in 2023) helped finance the external deficit, as did loans from multilateral and bilateral development partners.

The fiscal surplus reached 8.4 percent of GDP in 2023, as revenues increased to 35.8 percent of GDP owing to higher IMA revenue inflows and buoyant economic activity. Public sector debt ratio increased to 75 percent of GDP in 2023, reflecting the FRA that was introduced in 2023 and broadened debt coverage by including debt of all SOEs.

Outlook

Growth is projected at 3.2 percent in 2024, with an average of 4.4 percent over the medium term. This projection reflects the re-construction efforts and a recovery in both the agriculture and tourism sectors. Given Grenada's heavy reliance on imports, the high import prices will continue to impose considerable pressures on the restaurant and food industry. Inflation is projected at 2.1 percent in 2024 and converge to 2.0 percent thereafter. The current account deficit is projected to widen to 17.5 percent of GDP in 2024 and remain elevated, as reconstruction efforts and food import demand offset the expansion of tourism receipts. Gains in poverty reduction will stall in 2024, with poverty (at the line of $6.85 a day in 2017 PPP) projected to stay around 14.0 percent. As the economy recovers, poverty is expected to return to its downward trend, reaching around 12.0 percent in 2026.

Fiscal expenditures are expected to rise in 2024 amid post-hurricane reconstruction and higher wages. However, it is projected to decline thereafter as lower capital spending, coinciding with a reduction in IMA inflows. The robust implementation of compliance strategies by the Inland Revenue Department (IRD), substantial receipts from the IMA program, and relatively vibrant economic activity buoyed revenue collections to 40.2 percent of GDP in 2024. Nonetheless, tax revenue collection is projected to normalize in the medium term, reaching an average of 30 percent of GDP. As a result, the fiscal balance will remain in an average deficit of 0.7 percent of GDP. Public debt (71.5 percent of GDP in 2024) is expected to continue its downward trajectory, as the Government is not expected to rely on additional borrowing to finance its recovery efforts.

External risks are mainly on the downside and are associated with the uncertainty around geopolitical tensions, the possibility of a global economic slowdown, and renewed increases in commodity prices. Domestically, a faster implementation of construction projects could spur a new wave of economic growth. In contrast, the country's vulnerabilities to natural disasters, and volatility in CBI inflows could negatively impact future growth.

TABLE 2 Grenada / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	4.7	7.3	4.7	3.2	4.7	4.4
Real GDP growth, at constant factor prices	5.2	6.2	2.2	3.2	4.7	4.4
Agriculture	15.7	-16.8	-18.1	-6.5	5.1	4.5
Industry	15.3	17.4	-2.9	2.1	7.1	7.5
Services	2.0	5.5	5.2	4.0	4.0	3.5
Inflation (consumer price index)	1.4	2.6	2.6	2.1	2.0	2.0
Current account balance (% of GDP)	-14.5	-11.1	-13.9	-17.5	-13.2	-12.2
Fiscal balance (% of GDP)	0.3	0.9	8.4	-0.7	-1.5	0.0
Revenues (% of GDP)	31.6	32.9	35.8	40.2	30.0	29.7
Debt (% of GDP)[a]	71.4	64.5	75.0	71.5	69.8	68.5
Primary balance (% of GDP)	2.1	2.6	10.1	1.0	0.2	1.7
International poverty rate ($2.15 in 2017 PPP)[b,c]	0.3	0.3	0.3	0.3	0.1	0.1
Lower middle-income poverty rate ($3.65 in 2017 PPP)[b,c]	2.3	1.3	1.3	1.3	1.1	1.1
Upper middle-income poverty rate ($6.85 in 2017 PPP)[b,c]	17.3	15.6	13.9	13.7	12.9	11.9
GHG emissions growth (mtCO2e)	0.8	1.1	1.2	0.9	1.7	1.6
Energy related GHG emissions (% of total)	13.0	13.2	13.3	13.4	13.8	14.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ The debt coverage over the period 2023-2026 was expanded to include the non-guaranteed debt of all SOEs, aligned with the new FRA.
b/ Calculations based on CONLAC harmonization, using 2018-SLCHB. Actual data: 2018. Nowcast: 2019-2023. Forecasts are from 2024 to 2026.
c/ Projection using neutral distribution (2018) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

GUATEMALA

Table 1	2023
Population, million	17.6
GDP, current US$ billion	104.4
GDP per capita, current US$	5933.4
International poverty rate ($2.15)[a]	9.5
Lower middle-income poverty rate ($3.65)[a]	25.9
Upper middle-income poverty rate ($6.85)[a]	55.4
Gini index[a]	48.3
School enrollment, primary (% gross)[b]	103.9
Life expectancy at birth, years[b]	68.7
Total GHG emissions (mtCO2e)	42.1

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2014), 2017 PPPs.
b/ Most recent WDI value (2022).

Guatemala has grown steadily in recent years with sound macroeconomic performance but with poor social outcomes, due to low and ineffective social expenditure and low productivity. Addressing these challenges requires higher and better social expenditure and infrastructure investment. The government moved in the right direction by increasing cash transfers and public investment in 2024, but these changes need to be persistent and sustainably funded by recurrent revenues to preserve a sound macroeconomic environment.

Key conditions and challenges

While Guatemala has grown steadily in the last 10 years, poverty and inequality reduction have been very limited. Guatemala's GDP per capita grew by 1.9 percent from 2014 to 2023 while the average for LAC was 0.3 percent over the same period. However, poverty under the upper-middle income country international poverty line ($6.85/day per capita, 2017 PPP) remains one of the highest in the region at 55.2 percent of the population, the same as in 2014 (55.4 percent). Human capital outcomes have shown little progress in this period, particularly for racial minorities. Child malnutrition remains critical, with 44 percent of children under five stunted in 2022.

Guatemala faces several structural challenges: low and ineffective social expenditure, lack of dynamism in the labor market, and low productivity, driven by poor infrastructure. Social expenditure reached 6.3 percent of GDP in 2021, compared to 9.3 percent on average for Central America and Dominican Republic (CADR). Informality reached 70.3 percent in 2023, while labor force participation stood at 59 percent, with a much lower rate among women (39.7 percent), hindering efforts to reduce poverty and inequality. Total factor productivity remained stagnant over the last 10 years, dragging on growth potential.

The government has moved in the right direction by increasing infrastructure spending and by promising a temporary increase in cash transfers in 2024. However, Guatemala needs to increase and improve infrastructure and social expenditure permanently to reach results, requiring higher government revenues (currently at 12.9 percent of GDP for the central government), to preserve fiscal sustainability.

Recent developments

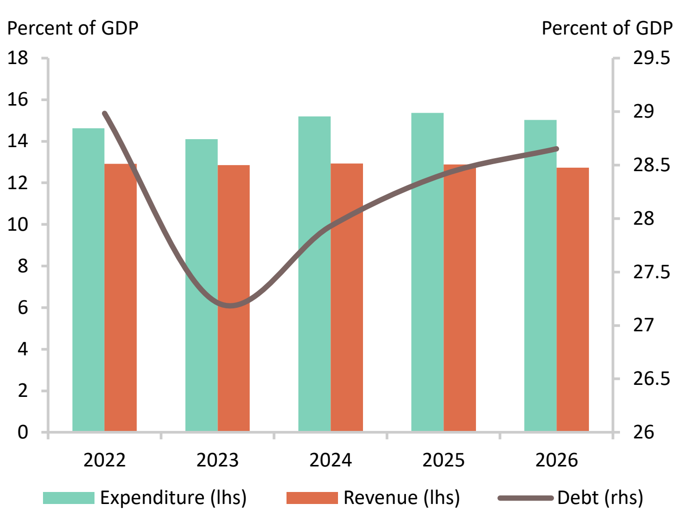
The economy has rebounded from negative spillovers of recent political turmoil. The country's sovereign risk returned to being the lowest among CADR countries. In the first half of 2024, economic activity grew by 3.5 percent, led by the finance, health, and hospitality sectors. On the demand side, growth was driven by remittances-fueled private consumption.

Remittances reached 19.5 percent of GDP in 2023 and together with a lower trade deficit, propelled the current account surplus to 3.1 percent of GDP. They decelerated mildly in 2024—7 percent up to July versus 12.1 percent by July 2023, reflecting a deceleration in the US economy. Higher imports increased the trade deficit by 13 percent. Nonetheless, the current account remained in surplus, and international reserves reached 10 months of imports in July.

Inflation declined from 4.2 percent in 2023 to 3.1 percent in August of 2024, despite El Niño's impacts on food prices, helped by lower housing and food prices.

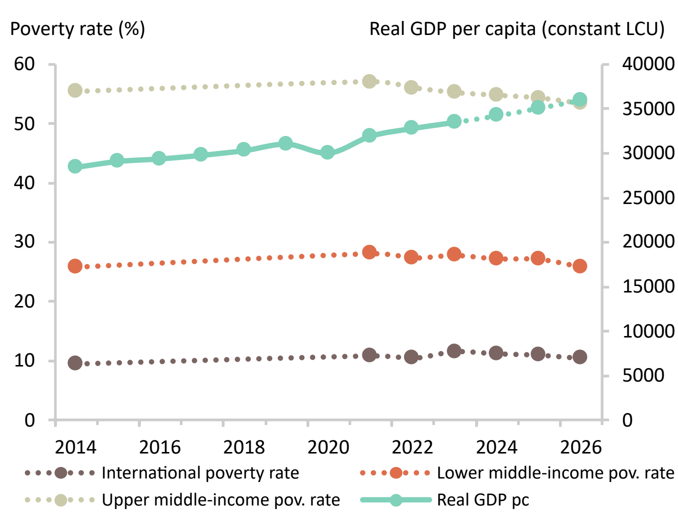
Fiscal results reflected prudent management with low deficit and low debt in 2023 (0.8 and 27.2 percent of GDP respectively). The central government posted a budget

FIGURE 1 Guatemala / Higher spending on social programs and investment to increase government deficit and debt



Source: World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

surplus in the first half of 2024 due to higher revenues and constant nominal expenditures. However, an expenditure increase of approximately 1.8 percentage points of GDP for the 2024 budget was recently approved and is expected to reverse this surplus.

The 2023 ENCOVI (Encuesta Nacional de Condiciones de Vida) confirmed that the incidence of poverty has declined very little over the last decade, and inequality has increased, signaling little improvement in living standards for those at the bottom of the distribution. Inequality measured by the Gini Index reached 50.2 in 2023, compared to 48.3 in 2014. Similarly, gaps in access to essential services remain. For example, while 63.3 percent of the non-poor population has access to a sewerage system, that number reaches 39 percent for the poor (non-extreme) and 14.1 percent for the extreme poor.

Outlook

Guatemala's economic activity is rebounding, benefitting from lower uncertainty, growing remittances, and higher government expenditure, bringing GDP growth near to its potential (estimated at 4 to 4.5 percent). Over time, government consumption and investment are expected to increase their contribution to growth, while private consumption's contribution will slow down due to lower remittances growth and higher government spending.

External accounts will record a smaller surplus due to lower remittances growth and higher imports. International reserves are expected to remain at comfortable levels and the exchange rate is expected to remain stable. Inflation will converge to the central bank target range (4 +/- 1 percent), expelling any left-over effect from external shocks.

Guatemala can achieve higher and more egalitarian growth if it continues to improve its social safety net system and increase infrastructure investment, as proposed in the medium-term macro-fiscal framework contained in the 2025 budget. This expenditure increase will be financed by efficiency gains in tax administration and higher debt. The MPO baseline forecast includes average deficits of 2.4 percent of GDP and debt at 28.7 percent of GDP by 2026, which is sustainable. The binding constraint is not the debt level, but payment capacity as the interest-payment-to-revenue ratio is expected to increase from 13.4 in 2024 to 15.2 percent in 2029.

Poverty is projected to decline modestly towards 54.3 percent in 2025 ($6.85/day, 2017 PPP) thanks to economic growth, lower inflation, and increased social spending. Inequality is estimated to remain at similar levels in the next two years.

Main risks to the forecast are the effects of La Niña on agricultural output, and on inflation, which would demand a more restrictive monetary policy. Natural disasters, a common occurrence in the country, could reduce GDP, pressuring the already low tax revenues, and trigger additional expenditures, adding fiscal pressures. Finally, a harder landing in the US and policy changes related to trade, remittances and migration could affect Guatemala's external sector.

TABLE 2 **Guatemala** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	8.0	4.2	3.5	3.7	4.0	4.0
Private consumption	8.5	4.3	4.4	4.0	4.3	4.3
Government consumption	4.6	7.2	3.3	0.6	4.1	1.0
Gross fixed capital investment	19.8	4.3	7.4	6.9	6.5	8.5
Exports, goods and services	10.2	7.5	-2.5	2.3	2.1	2.0
Imports, goods and services	19.5	4.8	5.9	4.1	4.8	4.8
Real GDP growth, at constant factor prices	7.8	4.4	3.1	3.7	4.0	4.0
Agriculture	4.2	2.8	2.2	1.1	3.5	3.0
Industry	8.6	4.6	2.5	2.0	3.3	3.3
Services	8.1	4.6	3.5	4.7	4.3	4.4
Inflation (consumer price index)	4.3	6.9	6.3	3.4	4.6	4.0
Current account balance (% of GDP)	2.2	1.3	3.1	2.8	1.9	1.2
Net foreign direct investment inflow (% of GDP)	3.4	0.8	0.8	1.8	1.8	1.8
Fiscal balance (% of GDP)	-1.1	-1.7	-1.3	-2.3	-2.5	-2.3
Revenues (% of GDP)	12.7	12.9	12.8	12.9	12.9	12.7
Debt (% of GDP)	30.6	29.0	27.2	27.9	28.4	28.6
Primary balance (% of GDP)	0.6	-0.1	0.4	-0.3	-0.5	-0.3
International poverty rate ($2.15 in 2017 PPP)[a,b]	10.8	10.4	11.5	11.2	10.9	10.4
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	28.1	27.4	27.8	27.2	27.2	25.9
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	57.0	56.0	55.2	54.8	54.3	53.4
GHG emissions growth (mtCO2e)	7.1	3.9	3.1	1.9	3.5	3.3
Energy related GHG emissions (% of total)	54.6	55.8	56.5	56.7	57.5	58.2

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 SEDLAC harmonization, using 2014-ENCOVI. Actual data: 2014. Nowcast: 2015-2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.

GUYANA

Table 1	2023
Population, million	0.8
GDP, current US$ billion	17.2
GDP per capita, current US$	20765.4
School enrollment, primary (% gross)[a]	99.7
Life expectancy at birth, years[a]	66.0
Total GHG emissions (mtCO2e)	24.8

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2022).

Guyana remains one of the world's fastest-growing economies following the development of its oil and gas sector. The government is implementing an ambitious investment program to transform the non-oil economy and address development needs. Lack of recent data on poverty and equity limits the effectiveness and monitoring of public policies to reduce poverty. Sound management of oil and gas resources remains critical for inclusive growth.

Key conditions and challenges

Guyana is a small state with abundant natural resources, including significant oil and gas reserves and extensive forest cover. With much of its territorial waters still unexplored, Guyana's gross oil resources are conservatively estimated at over 11 billion barrels, one of the world's largest on a per capita basis. The start of oil production in 2019 led to an unprecedented rate of economic growth, and Guyana was reclassified as a high-income country in July 2023.

Guyana's resource wealth is helping address longstanding social and economic needs. It helped finance the pandemic response and is addressing infrastructure gaps, and human development needs. Poverty and social exclusion are prevalent in Guyana's hinterland regions and among Amerindians. Agriculture, forestry, and fishing are important drivers of job creation and poverty reduction, as more than 70 percent of the working-age population resides in rural areas. However, a lack of recent data has inhibited an assessment of progress on poverty reduction and social inclusion.

Guyana's oil revenues are held in the Natural Resource Fund (NRF), a sovereign wealth fund with withdrawal rules governed by the NRF Act 2021. The NRF was amended in 2024 to increase the pace of withdrawals from the fund and enable additional public investments. However, faster withdrawals also raise the risk of increasing spending inefficiency, accelerating inflation, and dampening the competitiveness of non-oil sectors. A reliance on oil revenues may also contribute to economic imbalances and vulnerabilities to commodity price fluctuations ("Dutch Disease" effects).

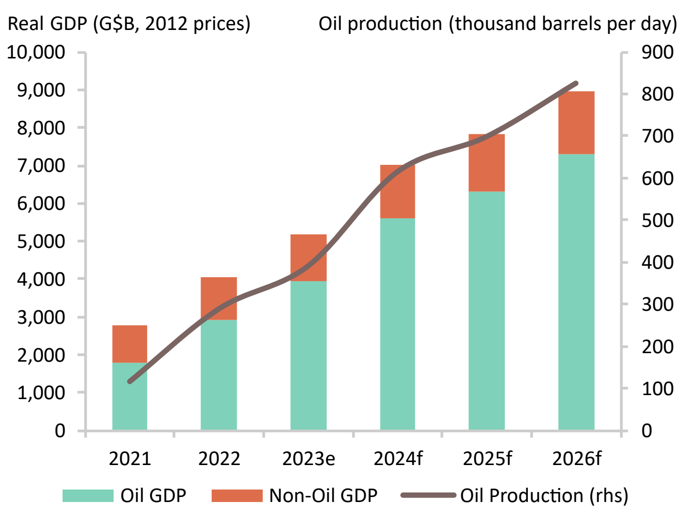
Guyana is also advancing on an initiative to sell carbon credits from forest conservation, with a portion of the proceeds earmarked to support sustainable forest management and for the Amerindian communities. Transparent and accountable governance, along with robust public financial management, can help ensure equitable and sustainable growth.

Recent developments

Rapid growth continued reaching 33.8 percent in 2023 and accelerating further in the first half of 2024 as oil protection expanded. Oil production reached 143 million barrels in late 2023 as a third oil field entered production, supporting an oil GDP growth of 45.9 percent. The non-oil economy grew by 12.3 percent in 2023, driven mainly by construction, manufacturing, and agriculture, supported by substantial public investment. Agricultural output grew by 6.9 percent, led by sugar production.

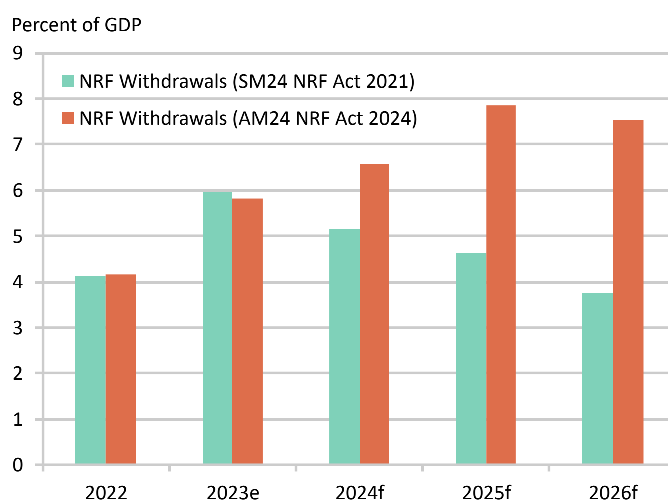
Inflation decelerated in 2023 and early 2024 as food prices moderated. However, inflationary pressure has modestly reaccelerated, as drought and supply

FIGURE 1 Guyana / Oil Production, real oil GDP, and real non-oil GDP



Sources: Government of Guyana and World Bank staff calculations.
Notes: e=estimate, f=forecast.

FIGURE 2 Guyana / Natural Resource Fund (NRF) transfers under NRF Act 2021 and 2024 revisions



Sources: Government of Guyana and World Bank staff calculations.
Notes: e=estimate, f=forecast.

chain disruptions contributed to higher food prices, and inflation reached 4.0 percent by June 2024. Higher food prices disproportionately affect the poor and vulnerable, who allocate a larger portion of their budget to food than the better off.

The fiscal deficit was 12.7 percent of non-oil GDP in 2023, despite NRF transfers of approximately US$ 1 billion in 2023 (5.8 percent of non-oil GDP), up from US$ 607 million in 2022 (4.1 percent of non-oil GDP). The NRF withdrawal limit was significantly increased in February 2024, to support non-oil capital investment and mitigation measures to help households navigate higher prices. The income tax threshold was raised, and a fuel excise tax was reduced. The central government debt-to-GDP ratio increased to 26.3 percent of GDP in 2023 due to both external and domestic borrowing. The current account surplus narrowed to 10.2 percent of GDP in 2023 (down from 25.9 percent in 2022) as a result of importation of a third oil platform. The nominal exchange rate and the real effective exchange rate remained stable in 2023 following a slight appreciation in 2022.

Outlook

Strong GDP growth is expected over the medium term, driven by rising oil production to up to 550,000 bpd as a third platform reaches full capacity. A fourth oil development project is expected to start operation in 2025, further increasing GDP growth. Real non-oil GDP is projected to expand by an average of 9.8 percent annually from 2024-26. Growth will be driven by positive spillovers from the oil sector supported by the Local Content Act, which requires the use of Guyanese goods and services in many sectors, and an expanding public investment program. Inflation is expected to be moderate in 2024, rising over the medium term as a result of increased government investment and consumption. Poverty reduction will depend on the government's efforts to boost the purchasing power of poor and vulnerable households and job creation in non-oil sectors fostered by infrastructure and human capital development.

The fiscal deficit is projected to average 13.9 percent of non-oil GDP as the increase in NRF transfers finances additional capital spending from 2024-26. As a result of recent legislative amendments, NRF transfers in 2024 are expected to reach US$ 1.6 billion, up from US$ 1.2 billion under the previous formula. Public debt as a percentage of GDP is expected to remain stable as the economy continues to expand. Increased exports of oil, gold, and bauxite will sustain the current account surplus over the medium term, despite the importation of oil production platforms. Net foreign direct investment flows are expected to remain negative as a result of the repatriation of investments in the oil sector.

The extractive sector is Guyana's dominant source of growth and fiscal revenues, which increases the country's susceptibility to oil-related shocks and requires proactive management. Prudent NRF management and strengthening the medium-term fiscal framework are critical for preventing the economy from overheating. Oil production has environmental consequences that must be carefully considered, and the sector may face additional risks amid global decarbonization efforts. Addressing climate change risks is crucial for poverty reduction, as rising sea levels and flooding threaten large segments of the population with food insecurity and job losses.

TABLE 2 Guyana / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at market prices (total)[a]	20.1	63.3	33.8	43.0	12.3	15.7
Real GDP growth, at market prices (non-oil)[b]	4.6	11.5	12.3	12.5	8.5	8.2
Agriculture	-9.1	11.7	6.9	10.9	6.0	4.2
Industry	5.0	12.7	14.6	12.3	10.3	10.0
Services	12.1	9.3	10.9	7.7	7.1	6.1
Inflation (consumer price index)	4.5	6.9	2.8	3.1	4.9	5.5
Current account balance (% of GDP)[c]	-24.8	25.9	10.2	28.7	24.2	30.2
Net foreign direct investment inflow (% of GDP)	27.6	-20.7	-6.9	-29.3	-19.4	-18.2
Fiscal balance (% of GDP)[d]	-10.2	-11.7	-12.7	-16.7	-14.7	-10.2
Revenues (% of GDP)	16.2	14.3	16.8	16.6	17.2	16.5
Debt (% of GDP)	38.9	24.8	26.3	27.9	28.6	27.8
Primary balance (% of GDP)[d]	-9.5	-11.1	-11.9	-15.7	-13.9	-9.3
GHG emissions growth (mtCO2e)	0.6	16.7	12.5	16.6	8.4	10.6
Energy related GHG emissions (% of total)	16.7	23.7	28.6	34.2	35.3	36.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Total GDP at 2012 prices.
b/ Non-oil GDP at 2012 prices.
c/ BOP definition in current US$.
d/ Share of non-oil GDP.

HAITI

Table 1	2023
Population, million	11.7
GDP, current US$ billion	20.8
GDP per capita, current US$	1771.5
International poverty rate ($2.15)[a]	29.2
Lower middle-income poverty rate ($3.65)[a]	58.0
Upper middle-income poverty rate ($6.85)[a]	85.8
Gini index[a]	41.1
Life expectancy at birth, years[b]	63.7
Total GHG emissions (mtCO2e)	11.0

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2012), 2017 PPPs.
b/ Most recent WDI value (2022).

GDP is expected to contract in 2024 amid gang violence and a protracted political and institutional crisis. Agriculture will be the most impacted sector. Persistent high food prices further compound the effects of declining agricultural sector productivity on the poor and vulnerable, making fighting poverty elusive. Additionally, the shutdown of schools due to insecurity has further eroded the stock of human capital, limiting social mobility and poverty reduction prospects.

Key conditions and challenges

Deep structural challenges including state capture by vested interests, a non-enabling business environment, underinvestment in human capital, and deficient infrastructure, continue to hamper economic growth and poverty reduction. Underdeveloped financial markets and limited market contestability have contributed to a large informal economy, limiting domestic resource mobilization and fiscal space. Disaster risk management and response systems are inadequate to address vulnerability to natural hazards and climate change, which disproportionately impacts the poor.

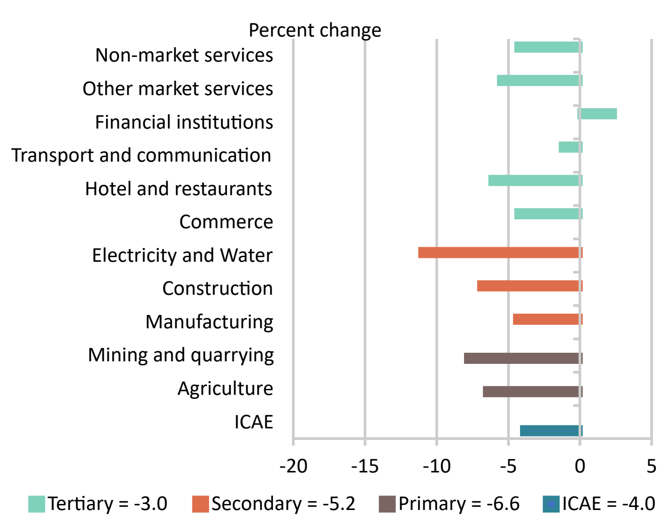
Haiti faces a deepening fragility trap, as structural challenges, institutional crisis, and persistent gang violence have compounded the poverty cycle. Living standards are estimated to have deteriorated, with 36.4 percent of Haitians living in extreme poverty (less than US$2.15/day 2017 PPP) in 2024 (up from 29.9 percent in 2020).

Recent developments

An unresolved political crisis and escalating gang violence led to Prime Minister Ariel Henry's resignation in April 2024. A nine-member transitional presidential council and a new Prime Minister were installed to lead a government tasked with restoring security and organizing elections were installed. Political uncertainty and ongoing gang violence have depressed investor confidence, and the ICAE (a high-frequency index of economic activity) fell by 4.0 percent year-on-year (yoy) at end H12024. Agriculture contracted by 6.6 percent over the same period owing to low rainfall and violent gangs driving farmers off their land in the country's two largest producing areas, i.e. the departments of Artibonite (33 percent) and Ouest (19 percent), which are also the two most important electoral districts. In the industrial sector (-5.2 percent yoy), construction and electricity and water production registered their twentieth consecutive quarterly decline, weakening growth prospects. Manufacturing receded by 4.5 percent yoy as the textile sector, Haiti's main export sector and first formal private sector employer, started shedding jobs from a peak of around 60,000 in Q12022 to 32,084 in April 2024, owing to the deteriorating business environment. The service sector declined 3.0 percent yoy, with hospitality impacted most (-6.2 percent yoy). Externally, the current account deficit (CAD) narrowed to 0.2 percent of GDP in H12024 on higher remittance inflows and lower imports improving the trade balance.

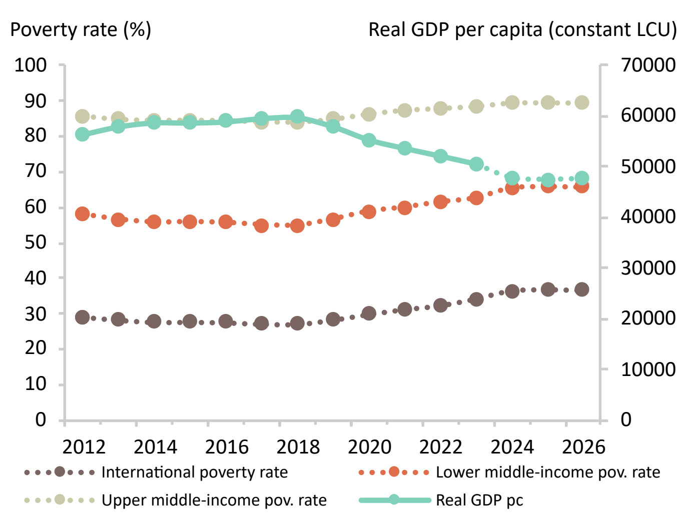
Sluggish economic activity led tax revenues to decline 3.0 percent in H1FY24. However, violence has impaired the implementation of capital expenditures, which declined by about two-thirds yoy and prompted a 5.0 percent drop in total expenditure, improving the fiscal position with a 0.3 percent of GDP primary surplus in H12024.

FIGURE 1 Haiti / Change in economic activity by sector, FY24 Q2 (y-o-y)



Sources: Haiti Statistical Office (IHSI) and World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

CPI inflation declined from 31.9 percent at the end of 2023 to 28.3 percent by end-May 2024. However, food inflation has been rising (29.3 percent at end-2023 to 40.5 percent end-May 2024), driven by the combined effect of higher global cereal prices, low agricultural productivity, and supply chain disruption caused by violent gangs' blockages. As of June 2024, 50 percent of the population faced acute food insecurity, with the South, West, and North-East being the most affected departments.

The central bank (BRH) has maintained a restrictive monetary policy stance with sterilized forex interventions, bond sales, and unchanged policy rate at 11.5 percent since the 120 basis points hike in August 2022. For the first time in many years, monetary financing remained within statutory limits of 20 percent of previous fiscal year's tax revenues. This bodes well for BRH's objective of anchoring inflation expectations and favors exchange rate stability, with the gourde appreciating by 15.1 percent in H12024.

As per the Government's request, the World Bank, with support from other development partners, is leading a Rapid Crisis Impact Assessment (RCIA) to estimate the crisis' impact on the economy and the population to help develop a short-term Crisis Recovery Framework to transition out of the crisis. The RCIA provides a platform for coordinated aid from the World Bank, United Nations, European Union, and Inter-American Development Bank, and alignment with broader international humanitarian, development, and security efforts.

Outlook

Private investment is expected to remain depressed amid persistent insecurity and private consumption is forecast to recede owing to weak agricultural wage income and persistent inflation. All sectors of the economy are expected to decline, triggering a 4.2 percent GDP contraction in 2024. Modest GDP growth is expected in 2025 and 2026, assuming improvements in political stability and security ahead of expected elections before the end of 2025. Albeit growth is stabilizing, poverty is expected to remain elevated, with 36.6 percent of the population projected to live on less than US$2.15/day 2017 PPP in 2026.

The CAD is forecast to narrow due to declining imports and increasing remittance inflows. It is expected to widen modestly over the medium term to around 1.0 percent of GDP as pent-up investment demand increases imports.

The restrictive monetary policy stance, albeit with limited effectiveness because of high dollarization (55 percent in H12024), is expected to further strengthen the gourde and support price stability. Inflation is forecast to average 26.1 percent over 2024. Despite an expected decline in tax revenue, the fiscal deficit should narrow from 2.3 percent of GDP in FY23 to 0.6 percent of GDP in 2024 owing to retrenchment of capex, containment of non-priority expenditures, and lower debt service thanks to debt cancellation from Venezuela. The debt relief will improve Haiti's debt indicators from 24.2 percent of GDP in 2023 to 15.2 percent in 2024.

The outlook is fraught with downside risks and depends heavily on an effective political transition and improvements in security. Prudent economic policies, supported by a credible budgetary framework and an appropriate mix of fiscal and monetary policy will remain key to reducing inflation, strengthening growth prospects, and fighting poverty. Long-term inclusive growth will require strengthening the business environment and the institutional framework for disaster risk management, including better preparedness and response systems.

TABLE 2 Haiti / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2020/21	2021/22	2022/23	2023/24e	2024/25f	2025/26f
Real GDP growth, at constant market prices	-1.8	-1.7	-1.9	-4.2	0.5	1.5
Private consumption	1.2	-0.7	0.1	-0.3	0.4	1.0
Government consumption	9.7	17.6	3.3	-15.1	57.6	9.2
Gross fixed capital investment	-28.8	-9.9	-17.6	-31.5	-74.8	52.9
Exports, goods and services	23.5	2.4	-9.6	-4.4	2.0	2.5
Imports, goods and services	2.3	4.9	-0.4	-3.1	6.0	5.5
Real GDP growth, at constant factor prices	-2.8	-1.8	-3.6	-4.2	0.5	1.5
Agriculture	-4.1	-4.5	-5.6	-4.5	1.0	2.5
Industry	-2.5	-0.4	-3.7	-4.0	1.5	2.0
Services	-2.5	-1.6	-3.0	-4.2	-0.2	1.0
Inflation (consumer price index)	15.9	27.6	44.2	26.1	30.6	14.7
Current account balance (% of GDP)	0.4	-2.4	-3.3	-0.2	-0.4	-2.0
Net foreign direct investment inflow (% of GDP)	0.2	0.2	0.1	0.2	0.2	0.2
Fiscal balance (% of GDP)	-2.7	-3.2	-2.3	-0.6	-2.5	-1.9
Revenues (% of GDP)	6.9	6.6	7.4	7.4	7.3	7.2
Debt (% of GDP)	28.4	27.6	24.2	15.2	16.5	17.1
Primary balance (% of GDP)	-2.4	-2.9	-2.0	-0.3	-2.2	-1.6
International poverty rate ($2.15 in 2017 PPP)[a,b]	31.3	32.3	34.2	36.3	36.8	36.5
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	60.1	61.6	62.8	65.5	66.0	65.8
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	87.5	88.0	88.6	89.6	89.7	89.6
GHG emissions growth (mtCO2e)	0.4	0.5	-0.4	-0.4	1.0	1.5
Energy related GHG emissions (% of total)	35.5	35.0	34.0	33.1	32.7	32.5

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 using 2012-ECVMAS. Actual data: 2012. Nowcast: 2013-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2012) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

HONDURAS

Table 1	2023
Population, million	10.6
GDP, current US$ billion	34.2
GDP per capita, current US$	3231.1
International poverty rate ($2.15)[a]	12.7
Lower middle-income poverty rate ($3.65)[a]	26.4
Upper middle-income poverty rate ($6.85)[a]	49.5
Gini index[a]	48.2
School enrollment, primary (% gross)[b]	83.8
Life expectancy at birth, years[b]	70.7
Total GHG emissions (mtCO2e)	29.0

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2019), 2017 PPPs.
b/ Most recent WDI value (2022).

Real GDP grew 3.6 percent in 2023, driven by robust remittance-fueled consumption and strong private investment. Growth is expected to slow down slightly to 3.5 percent in 2024, hindered by a deceleration in US growth and lower agricultural exports. Despite moderate growth and lower inflation, a slow labor market recovery has hindered improvements in poverty and inequality. Reforms to bolster job creation and productivity will be key to sustaining long-term growth.

Key conditions and challenges

Honduras, a lower middle-income country, grew in average 3.7 percent between 2010-2019, driven by remittance-fueled households' consumption and supported by prudent macroeconomic management underpinned by the Fiscal Responsibility Law, a stable exchange rate with sufficient foreign reserves, and a sound financial sector. Nevertheless, production capacity is limited, with agriculture and light manufacturing, mainly textiles, serving as main sources of employment and exports, primarily destined to the US. Weak institutions, a challenging business environment, and high crime deter investment and tourism, hindering growth and fueling migration.

Honduras remains one of the poorest and most unequal countries in the region, with over half of the population living in poverty (US$6.85/day, upper middle-income country poverty line, 2017 PPP). Poverty stagnation is partly explained by the weak creation of quality jobs and by declines in agricultural incomes. Nonmonetary poverty is also concerning. Food insecurity is high, at 56.1 percent. A child born in Honduras in 2020 is expected to reach just 48 percent of their potential earnings with complete education and healthcare. Stark gender and geographic disparities persist. Honduras is highly vulnerable to the impacts of climate change, with poverty and climate risks often overlapping geographically.

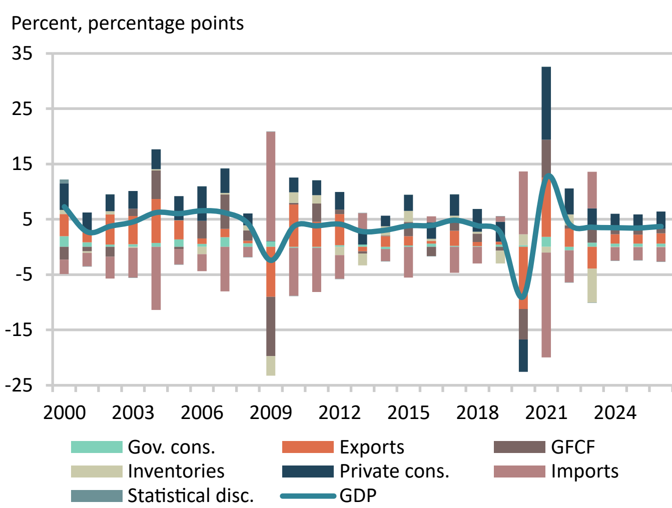
Recent developments

In 2023, real GDP growth slowed to 3.6 percent from 4.1 percent in 2022, driven by a reduced demand for textiles that led to a 7.2 percent contraction in manufacturing. Sustained credit growth and steady remittances supported household consumption and investment during 2023. In 2024Q1, the economy grew 3.3 percent y-o-y, primarily driven by remittance-fueled consumption. A robust services sector helped offset declines in agriculture and manufacturing.

Headline inflation stood at 5 percent in August 2024, 0.7 percentage points lower than the previous year and within the central bank's tolerance range. The decrease was driven by declining international food and fuel prices and supported by government liquidity absorption measures. To continue managing inflation and to bolster the external position, the central bank raised the Monetary Policy Rate to 4 percent on August 16, 2024, after maintaining it at 3 percent since November 2020.

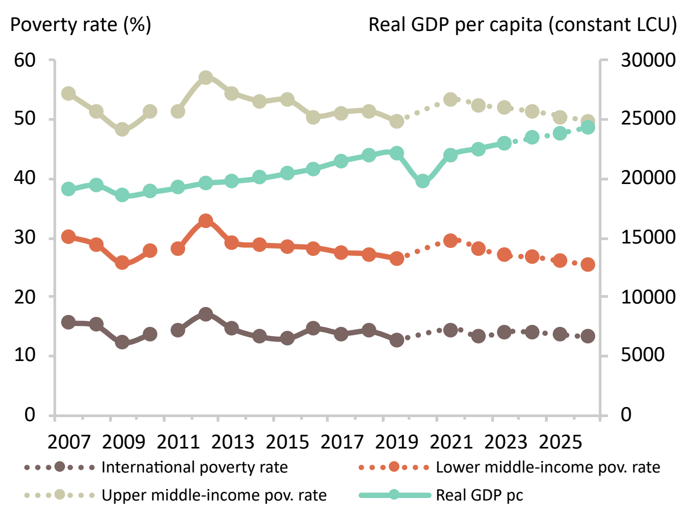
Official poverty numbers for 2023 estimate that 64 percent of households were poor, a decline from 73.6 percent in 2021 (no official estimate for 2022). While poverty under the US$6.85/day line slightly decreased from 2022, poverty under the US$ S2.15 line increased and remains high. Inequality (Gini index) reached 47.8, which is lower than pre-pandemic levels. Unemployment declined from 8.9 percent in 2022 to 6.4 percent in 2023 but remains above the 2019 level.

FIGURE 1 Honduras / Real GDP growth and contributions to real GDP growth



Source: World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

A narrowing trade deficit and robust remittances (5.7 percent growth y-o-y) reduced the current account deficit (CAD) from 6.7 percent of GDP in 2022 to 4.1 percent in 2023. It was mainly financed by multilateral loans and foreign direct investment (FDI), which rose 17 percent driven by reinvestment of profits. In 2024Q1, the merchandise trade deficit widened following declines in key exports like coffee, bananas, and shrimp, while the services trade deficit narrowed as a result of lower transportation and travel costs. Substantial remittance inflows, at 23.5 percent of GDP, partially offset the negative overall result. The CAD widened to -4.1 percent, from -3.8 percent in 2023Q1. International reserves fell from 5 months of non-maquila imports by end-2023 to around 4.4 months by end-August 2024, affected by a net repayment of public debt and rigidities in monetary and FX frameworks.

The fiscal deficit widened to 1.3 percent of GDP in 2023 from 0.2 percent in 2022 due to higher execution of public investments in infrastructure (75.1 percent by year-end). The public debt decreased to 49.6 percent of GDP by end-2023, due to net capital repayments. The IMF program approved in September 2023, supporting reforms to create fiscal space for priority investments while anchoring macroeconomic stability, had a review mission announced on September 10, 2024, scheduled for October.

Outlook

GDP growth is projected to slow to 3.5 percent in 2024 and 3.4 percent in 2025, due to a global slowdown and reduced yield on key crops hindering exports. Remittances are expected to be less dynamic, slowing households' consumption despite expected lower food inflation. Growth should gradually strengthen thereafter, supported by dynamic investment, improved budget execution, and deeper financial markets.

Inflation is expected to stay within the central bank's 4±1 percent target in 2024 due to declining international prices and tighter monetary policy, remaining subdued in the medium term. The fiscal deficit is projected to widen to 1.5 percent in 2024 and 1.6 percent in 2025 with improving execution, before narrowing to 1 percent supported by broadening of the tax base and enhanced collection and spending efficiency. The CAD is expected to widen to 4.8 percent in the near term, narrowing thereafter as exports and remittances strengthen. Pressures on international reserves will likely persist due to growing FX market uncertainty, which could deter FDI.

Driven by these forces, poverty is expected to decline to 50.5 percent in 2025 and inequality is projected to remain at the same level over the medium run. Weak structural labor market conditions, especially for women, will continue to slow progress on both indicators.

Downside risks include persistent weakness in exports, short-term transition costs of the Honduras-China FTA, and risks to key agricultural commodities following the full implementation of the EU Zero Deforestation Regulation in January 2025. Delays to improvements in FX management could lead to further reserve losses. Financing needs could rise due to slower fiscal consolidation or adverse weather events. As presidential elections near, legislative gridlock could halt social and structural reforms, hindering investment, growth, and poverty reduction.

TABLE 2 Honduras / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	12.6	4.1	3.6	3.5	3.4	3.7
Private consumption	16.8	5.7	4.3	3.6	3.5	3.8
Government consumption	12.6	-4.1	6.0	4.4	4.3	4.6
Gross fixed capital investment	41.5	2.6	12.9	3.3	3.2	3.8
Exports, goods and services	23.2	6.6	-7.5	3.7	3.6	3.9
Imports, goods and services	32.6	8.5	-9.3	3.9	3.7	4.1
Real GDP growth, at constant factor prices	12.6	4.1	3.6	3.5	3.4	3.7
Agriculture	-1.6	0.3	4.0	2.9	3.0	3.6
Industry	19.7	7.0	-2.0	2.9	3.7	4.1
Services	13.3	3.8	6.1	3.8	3.4	3.6
Inflation (consumer price index)	4.5	9.1	6.7	4.6	4.1	4.2
Current account balance (% of GDP)	-5.5	-6.7	-4.1	-4.8	-4.8	-4.2
Net foreign direct investment inflow (% of GDP)	2.6	2.9	3.1	2.9	2.9	3.1
Fiscal balance (% of GDP)[a]	-3.7	-0.2	-1.3	-1.5	-1.6	-1.0
Revenues (% of GDP)	30.4	29.9	29.4	29.4	29.3	29.6
Debt (% of GDP)[a]	61.3	53.6	49.6	45.4	45.4	45.0
Primary balance (% of GDP)[a]	-2.4	1.2	0.2	-0.1	-0.1	0.5
International poverty rate ($2.15 in 2017 PPP)[b,c]	14.5	13.3	14.1	14.0	13.6	13.2
Lower middle-income poverty rate ($3.65 in 2017 PPP)[b,c]	29.6	28.2	27.0	26.8	26.1	25.5
Upper middle-income poverty rate ($6.85 in 2017 PPP)[b,c]	53.3	52.4	51.9	51.3	50.5	49.5
GHG emissions growth (mtCO2e)	4.3	-0.1	0.6	1.3	1.5	1.7
Energy related GHG emissions (% of total)	33.4	31.7	30.6	30.2	29.9	29.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Fiscal data refers to non-financial public sector.
b/ Calculations based on SEDLAC harmonization, using 2019-EPHPM for 2021-2022 and 2023-EPHPM for 2024-2026. Actual data: 2023 (preliminary). Nowcast: 2021-2022. Forecasts are from 2024 to 2026.
c/ Projections using microsimulation methodology.

JAMAICA

Table 1	2023
Population, million	2.8
GDP, current US$ billion	19.3
GDP per capita, current US$	6835.7
International poverty rate ($2.15)[a]	0.3
Lower middle-income poverty rate ($3.65)[a]	2.4
Upper middle-income poverty rate ($6.85)[a]	13.9
Gini index[a]	40.2
School enrollment, primary (% gross)[b]	90.7
Life expectancy at birth, years[b]	70.6
Total GHG emissions (mtCO2e)	9.1

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ Most recent WDI value (2022).

Sound macroeconomic management has enabled Jamaica to respond to a series of economic shocks without significantly impairing fiscal sustainability and poverty reduction. Real GDP growth is expected to converge to its low potential in the medium term, while poverty reduction to continue but at a slower pace. While the country managed the impacts of Hurricane Beryl, a potentially worsening onslaught of weather events and global economic conditions pose downside risks.

Key conditions and challenges

Jamaica has been burdened by a high level of debt for decades. Since 2013, the Government (GOJ) has successfully implemented fiscal consolidation measures, reducing the public debt-to-GDP ratio by more than 60 percentage points to 74.2 percent of GDP in FY23/24—the lowest level in 25 years. Prudent macroeconomic management, anchored in debt reduction and inflation-targeting monetary policy, enabled the country to weather successive economic shocks. The GOJ sustained efforts in fiscal consolidation while providing temporary assistance to vulnerable households and businesses.

However, Jamaica has been among the slowest growing economies in the Latin America and Caribbean region with persistently low productivity growth due to a weak business environment, limited innovation, and human capital constraints. The economy has limited diversification, with a concentration on low-productivity services, geared towards tourism. High connectivity costs, inadequate digital infrastructure, and pervasive crime hamper private investment, while ongoing fiscal consolidation and relatively high debt service costs constrain public capital investment. Learning disruptions caused by the pandemic could lead to corrosive effects on growth, human capital, and the future earnings potential of students if not addressed adequately.

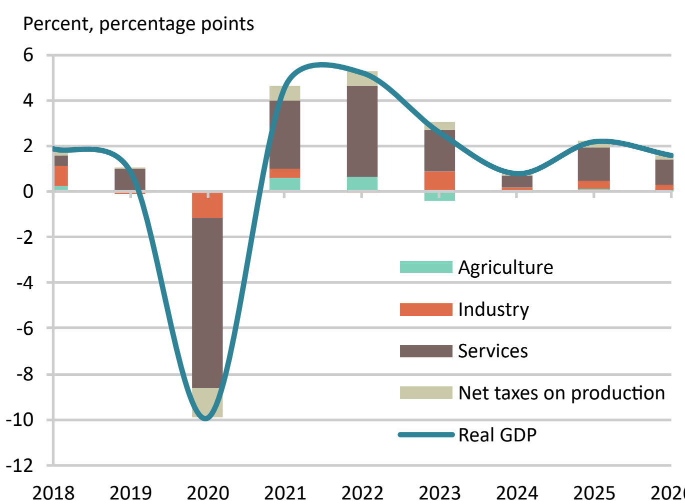
Jamaica is highly vulnerable to external shocks. Agriculture and tourism, which account for more than half of the jobs, are particularly vulnerable to climate-related events. The financial sector is stable, well-capitalized, and profitable but also susceptible to shocks, including tighter global financial conditions. To strengthen fiscal, financial, and social resilience to climatic shocks, Jamaica has been gradually integrating climate change adaptation into its policy framework. Further improving the Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT) framework and enhancing financial supervision are necessary to strengthen financial stability and attract private investment.

Recent developments

The economy expanded at a solid 2.6 percent in 2023, driven by mining, particularly alumina production, and a continued rebound in tourism. However, agricultural output declined in 2023 due to an extended drought. In 2024Q1, GDP grew by 1.4 percent, due to sustained mineral production and tourist arrivals, while data for 2024Q2 point to a growth deceleration. Hurricane Beryl, which hit Jamaica in July 2024, induced damages estimated at around $67 million (Source: PIOJ) and negatively impacted agriculture, utilities, construction, and tourism sectors.

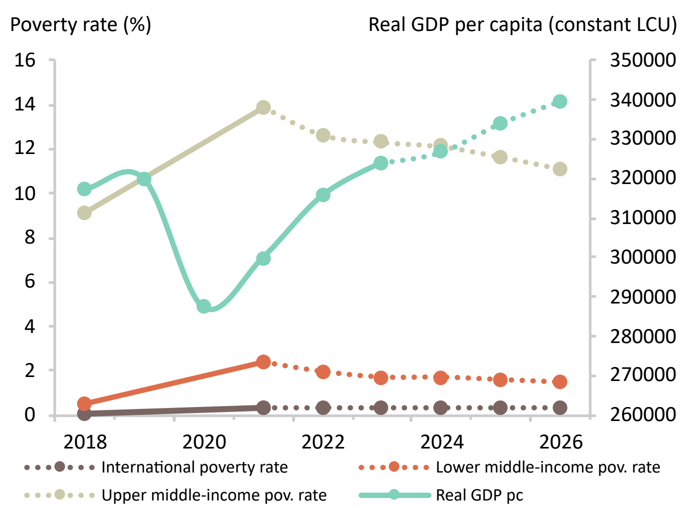
While inflation eased in 2024, it spiked in August 2024 to 6.4 percent yoy, driven by Hurricane Beryl's temporary impact on

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



Sources: Statistical Institute of Jamaica and World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

food and utility prices. Food insecurity remains an issue, with around one-third of respondents to the Caribbean Food Security and Livelihoods Survey reporting that they went an entire day, out of the last 30 days, without eating in April 2024. With anchored inflation expectations, the Bank of Jamaica (BOJ) reduced the key policy rate by 25 basis points to 6.75 percent in August 2024.
The fiscal stance in FY23/24 was bolstered by robust tax revenues, mostly consumption and personal income taxes. The fiscal balance is estimated to have decreased by nearly 0.3 percentage points, due to the wage bill reform. In the context of prudent fiscal management and macroeconomic stability, Jamaica's credit worthiness continued to improve. The external position remained strong, supported by tourism and remittances. The current account surplus amounted to 3.0 percent of GDP in 2023. Reserves remain adequate at about 6.6 months of imports in June, contributing to exchange rate stability.
The share of Jamaicans living below the upper-middle income international poverty line of 6.85 USD 2017 PPP per day is estimated to have dropped from 13.9 percent in 2021 to 12.3 percent in 2023. This likely reflects continued employment growth, as poverty and unemployment have moved in tandem throughout the last two decades. The unemployment rate stood at 5.4 percent in 2024Q1. Yet job quality remains a concern: around half of non-agricultural jobs are informal.

Outlook

Growth is expected to decelerate to 0.8 percent in 2024 and gradually converge to its potential at an average of 1.6 percent over the medium term. Mining, construction, and tourism are expected to drive the recovery. Damages to the agricultural sector from Hurricane Beryl may create price pressures. Inflation is expected to stay within the BOJ's target range (5 ±1 percent) in 2024 and gradually decline by 2025. Subject to a continued anchoring of inflation, the BOJ is expected to further ease its monetary policy stance. Poverty is set to continue declining gradually as per capita real income improves, with the share of Jamaicans living on less than 6.85 USD 2017 PPP per day projected to drop to 11.1 percent in 2026.
The fiscal account is expected to remain in surplus over the medium term given higher tax mobilization and prudent spending. Spending is projected to decline marginally, in part due to lower interest payments. The public debt is expected to remain on a downward trajectory towards the target set in the Fiscal Responsibility law, reaching 62 percent of GDP by FY 26/27. The external account balance is anticipated to reach 0.2 percent of GDP in 2024 but to turn into a deficit in 2026, as tourism receipts and remittances ease and the economy returns to the pre-pandemic trend. Foreign direct investment (percent of GDP) is expected to recover but remains below pre-pandemic levels. Gross reserves are to remain at healthy levels.
Downside risks to the outlook include a deeper-than-expected global economic slowdown and worsening climatic events. Further financial market tightening could raise the cost of borrowing, and curtail private investments, it could also derail longer-term growth, climate change adaptation, and debt objectives. Worsening crime could also impair growth and poverty reduction.

TABLE 2 Jamaica / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	4.6	5.2	2.6	0.8	2.2	1.6
Real GDP growth, at constant factor prices	4.6	5.2	2.6	0.8	2.2	1.6
Agriculture	8.3	9.0	-5.7	-0.5	1.8	0.9
Industry	2.4	-0.4	5.0	1.0	2.0	1.4
Services	4.9	6.5	2.9	0.8	2.3	1.7
Inflation (consumer price index)	5.9	10.3	6.5	6.0	5.6	5.0
Current account balance (% of GDP)	1.0	-0.8	3.0	0.2	0.1	-0.1
Net foreign direct investment inflow (% of GDP)	1.8	1.5	2.0	2.1	2.5	2.7
Fiscal balance (% of GDP)	0.8	0.3	0.0	0.2	0.1	0.2
Revenues (% of GDP)	32.4	31.6	30.9	32.3	31.6	31.5
Debt (% of GDP)	99.0	80.9	74.2	68.5	64.9	62.0
Primary balance (% of GDP)	7.0	6.1	5.8	5.9	5.7	5.7
International poverty rate ($2.15 in 2017 PPP)[a]	0.3	0.3	0.3	0.3	0.3	0.3
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	2.4	2.0	1.7	1.7	1.6	1.5
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	13.9	12.7	12.3	12.1	11.7	11.1
GHG emissions growth (mtCO2e)	8.1	6.8	4.3	2.1	2.3	1.8
Energy related GHG emissions (% of total)	74.6	76.0	76.7	77.0	77.5	77.8

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 CONLAC harmonization, using 2021-JSLC. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2021) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

MEXICO

Table 1	2023
Population, million	128.5
GDP, current US$ billion	1791.6
GDP per capita, current US$	13947.4
International poverty rate ($2.15)[a]	1.2
Upper middle-income poverty rate ($6.85)[a]	21.8
Gini index[a]	43.5
School enrollment, primary (% gross)[b]	102.0
Life expectancy at birth, years[b]	74.8
Total GHG emissions (mtCO2e)	659.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2022).

Mexico's real GDP growth is expected to moderate to 1.7 percent in 2024 and 1.5 in 2025 before converging to its potential by 2026. Poverty is projected to decline slowly through 2026. The country needs structural reforms to boost productivity, competitiveness, and inclusion. Persistent inflation and sharp deceleration in the US economy are downside risks to growth. Slower than anticipated fiscal consolidation and uncertainty around the ongoing constitutional reforms may weigh on investment.

Key conditions and challenges

Mexico is one of the most open economies in the world, thanks to its macroeconomic policy framework, proximity to major consumer markets, a network of free trade agreements (particularly the United States-Mexico-Canada Agreement, USMCA), and its diversified economy. Mexico's growth during 2021-2023 exceeded its regional peers, but after years of growing above potential, the economy started adjusting, explaining the recent deceleration. The nearshoring trend has provided opportunities, particularly in manufacturing and related services such as logistics, utilities, and finance.

Despite these strengths, Mexico faces significant challenges, including decreasing productivity, crime and violence, and pervasive informality. To reach its full potential, Mexico must boost its infrastructure, improve the business environment, facilitate access to finance, especially to small and medium enterprises, address insecurity and regulatory uncertainty, improve public services provision, and strengthen the competition framework. Addressing these issues is imperative to bolster competitiveness, revitalize stagnant productivity, and foster inclusive growth.

The official multidimensional poverty rate in Mexico, which measures income poverty and six indicators of social deprivation, decreased from 43.2 percent in 2016 to 36.3 percent in 2022, lifting 5.4 million Mexicans out of poverty. However, over the same period, two social deprivations worsened: access to health, and to a lesser extent, educational gap.

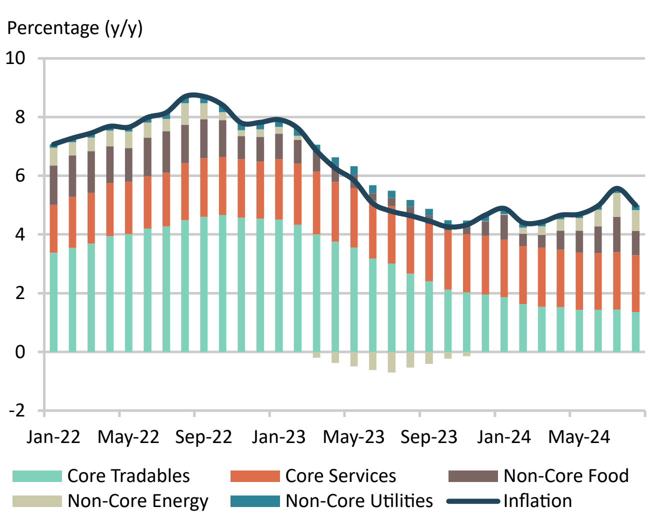
Mexico has a strong track record of macroeconomic stability, supported by an independent central bank and a sound financial sector, even though credit depth remains low. However, there are challenges for public finances, including: the shift towards higher state participation in growth; the expansion of social programs; efforts to enhance access and quality of public services and meet infrastructure investment needs; and fiscal support to PEMEX. Addressing these spending needs will require medium-term revenue-boosting reforms to preserve debt sustainability.

Recent developments

Real GDP grew 3.2 percent in 2023 and 1.8 percent y-o-y during the first half of 2024. The economy started to weaken in 2023Q4 and continued its slowdown in 2024, reflecting weaker demand. Consumption and investment contributed to the deceleration, going from growing 5.4 and 15.5 percent y-o-y, respectively, in 2023H1 to growing 3.5 and 7.7 percent in 2024H1. On the supply side, growth was driven by the construction, wholesale, retail, transport, and manufacturing sectors.

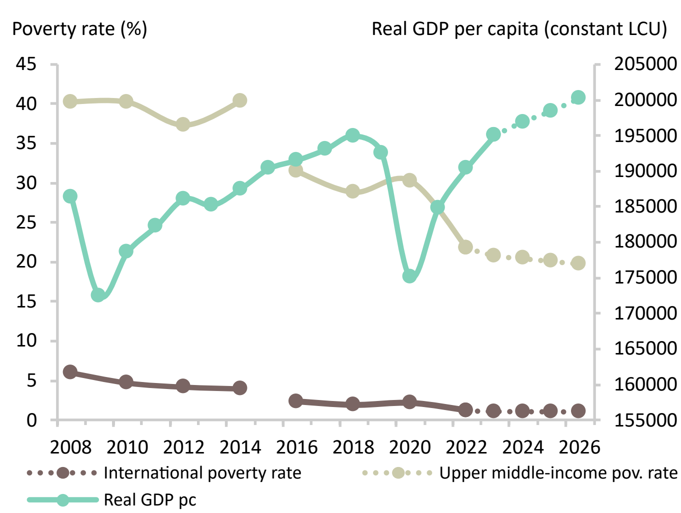
The current account deficit was 1.8 percent of GDP in the first half of 2024, primarily financed by net foreign direct investment (FDI), which reached 1.5 percent of GDP during the same period. Net exports

FIGURE 1 Mexico / Headline inflation, and contributions to headline inflation



Source: National Institute of Statistics and Geography (INEGI).

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



Source: World Bank. Notes: see Table 2.

reached -1.2 percent of GDP in 2023 and -0.9 percent in the first half of 2024. The peso depreciated 12.8 percent (y-o-y) in August 2024, driven by domestic uncertainty. During the first half of 2024, remittances grew by 3.7 percent y-o-y, while reserves reached 11.4 percent of GDP.

Inflation spiked in 2024 due to non-core food components, such as fruits and vegetables. Core inflation has continued to decrease since early 2022. Since late March, the Central Bank has reduced the policy rate by 75 bps but remains at a historical level of 10.5 percent.

The share of the population with family labor earnings per capita below the food poverty line, known as labor poverty, decreased from 37.8 to 35.0 percent between 2023Q2 and 2024Q2, driven by an 8.9 percent increase in real labor incomes per capita (deflated by the official food basket), and the addition of more than 800,000 jobs mostly in large firms. The labor force participation rate remained stable at 60.2 percent, while unemployment and informality rates declined from 2.8 to 2.7 and from 55.2 to 54.3, respectively, in the same period.

In the first half of 2024, the overall fiscal deficit was 5.1 percent of GDP. Public sector revenues rose 5.3 percent in real terms y-o-y, due to higher fuel tax and oil revenues. Expenditures increased by 12.1 percent in real terms, explained by the rise in investment expenditure and financial costs. Mexico maintains its investment grade. However, rating agencies closely monitor fiscal pressures and the political risk due to the judicial reform.

Outlook

Mexico's economic growth is projected to moderate to 1.7 percent in 2024 and 1.5 percent in 2025. The primary growth drivers will be services and, to a lesser extent, manufacturing. This slowdown stems from a tight monetary policy, the deceleration of the US economy, and reduced domestic demand slack due to years of growth above its potential. As private and public investment projects are finalized, Mexico is anticipated to return to its potential growth rate of 2 percent over the medium term. Inflation is expected to reach Banxico's target range of 3±1 percent in 2025H1.

An overall fiscal deficit of 6.0 percent of GDP is expected for 2024. This reflects higher financial costs, increased social program spending, sizeable public investment projects, and worse-than-expected growth. As these projects are completed and interest rates normalize, the fiscal deficit is expected to decrease to 2.8 percent of GDP by 2026.

The monetary poverty rate at the upper-middle-income threshold ($6.85/day, 2017 PPP) is expected to decrease from 20.5 percent in 2024 to 20.1 in 2025 and 19.8 percent in 2026, driven by decelerating GDP growth.

Mexico's macroeconomic risks are tilted to the downside as the global economy, particularly the US, slows down. Factors such as persistent high interest rates and high volatility in financial markets could dampen investment and consumption, add fiscal pressures, and diminish exports and FDI. The revision of the USMCA in 2026 and the constitutional reforms in Mexico may introduce policy uncertainty, potentially slowing down investment and financial flows. A solid macroeconomic framework and a nearshoring expansion could mitigate these risks. Improvements in the business climate, strategic investments in human capital and infrastructure, and policy stability are essential for attracting high levels of FDI.

TABLE 2 Mexico / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	6.0	3.7	3.2	1.7	1.5	1.6
Private consumption	8.4	4.9	5.0	1.9	1.6	1.8
Government consumption	-0.5	1.7	2.1	2.3	-0.4	-0.1
Gross fixed capital investment	10.5	7.5	18.0	2.4	1.1	2.5
Exports, goods and services	7.1	8.9	-7.4	0.0	2.1	2.9
Imports, goods and services	15.7	7.6	5.0	0.9	1.5	3.0
Real GDP growth, at constant factor prices	5.8	3.5	3.1	1.7	1.5	1.6
Agriculture	2.3	1.6	-1.5	-2.0	1.2	1.6
Industry	6.4	4.7	3.5	1.8	1.3	1.7
Services	5.6	3.1	3.2	1.9	1.6	1.5
Inflation (consumer price index)	5.7	7.9	5.5	4.8	3.8	3.5
Current account balance (% of GDP)	-0.3	-1.2	-0.3	-0.4	-0.6	-0.7
Net foreign direct investment inflow (% of GDP)	-2.7	-1.5	-1.7	-1.5	-1.2	-1.2
Fiscal balance (% of GDP)	-3.7	-4.3	-4.3	-6.0	-3.5	-2.8
Revenues (% of GDP)	22.3	22.4	22.2	21.8	21.5	21.4
Debt (% of GDP)	49.1	47.7	46.8	50.2	50.2	50.2
Primary balance (% of GDP)	-1.2	-1.6	-1.0	-2.1	-0.1	0.4
International poverty rate ($2.15 in 2017 PPP)[a,b]	..	1.2	1.1	1.1	1.1	1.1
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	..	21.8	20.8	20.5	20.1	19.8
GHG emissions growth (mtCO2e)	3.7	2.8	0.5	0.3	-0.5	-0.2
Energy related GHG emissions (% of total)	59.8	60.2	59.9	59.7	59.1	58.6

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 SEDLAC harmonization, using 2022-ENIGHNS. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2022) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

NICARAGUA

Table 1	2023
Population, million	7.0
GDP, current US$ billion	17.8
GDP per capita, current US$	2530.3
International poverty rate ($2.15)[a]	3.9
Lower middle-income poverty rate ($3.65)[a]	14.4
Upper middle-income poverty rate ($6.85)[a]	42.1
Gini index[a]	46.2
School enrollment, primary (% gross)[b]	107.2
Life expectancy at birth, years[b]	74.6
Total GHG emissions (mtCO2e)	39.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2014), 2017 PPPs.
b/ Most recent WDI value (2022).

Nicaragua's economy grew by 4.6 percent in 2023, primarily driven by the services sector. Prudent fiscal and macroeconomic policies have supported growth and lowered inflation to 4.8 percent by mid-2024, aided by stable exchange rates and subsidies. Poverty was reduced to 12.5 percent in 2023 but remains a challenge. GDP is projected to grow 3.6 percent in 2024, with stable inflation and declining debt. Risks, including financial conditions, economic downturns, and natural disasters, persist.

Key conditions and challenges

In recent years, Nicaragua has demonstrated strong macroeconomic management with a prudent fiscal approach that supported the accumulation of gross international reserves. GDP grew at an average rate of 5.1 percent from 2010 to 2017, fueled by strong domestic private demand and export performance. During this time, Nicaragua has benefited from high foreign direct investment (FDI) and remittances, which accounted for an average of 7.3 and 9.6 percent of GDP, respectively.

Nicaragua has made notable progress in reducing the poverty rate, defined as living on less than US$3.65 per day, dropping from approximately 29 percent in 2005 to 12 percent in 2018. However, socio-political unrest, the pandemic, and hurricanes contributed to a renewed increase in poverty rate to 15 percent by 2020. Despite challenges, the economy rebounded in 2021, supported by public investment, export demand, and external aid pushing GDP above pre-crisis levels. However, post-2014 survey data, based on simulation, shows improvements in housing conditions and education from 2015 to 2022, but no economic progress. Public debt climbed from 48.2 percent of GDP to 65.9 percent of GDP between 2017 and 2021.

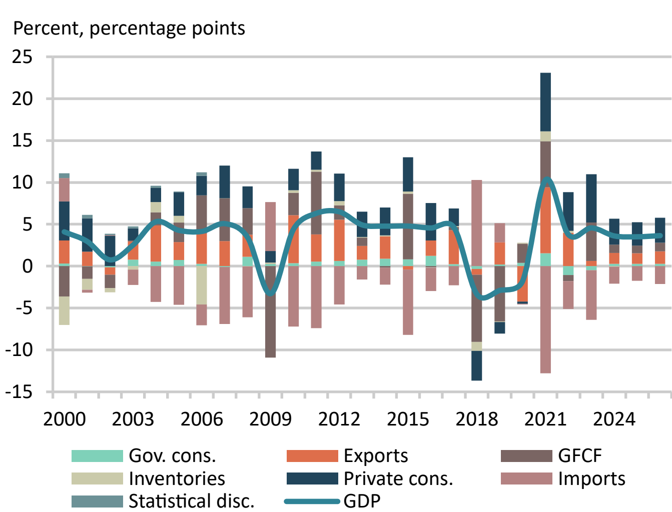
Nicaragua, largely reliant on agriculture, faces vulnerability from external shocks, natural disasters, and systemic weaknesses in human capital, infrastructure, and governance. Improving fiscal management, government effectiveness, and strengthening the fiscal position are crucial for reducing poverty and enhancing human capital. Investment in human capital and fostering productivity in manufacturing and services will support Nicaragua's potential to sustainably lift growth and generate productive jobs.

Recent developments

The economy grew by 4.6 percent in 2023, surpassing expectations (3.8 percent in 2022), fueled by vigorous growth in the services sector, particularly hotels, restaurants, and retail. Despite a slowdown in net external demand, remittances buoyed private consumption while improved economic expectations boosted investment. Growth slowed in 2024, with the monthly economic activity index growing 1.7 percent in June 2024, due to reduced production in fishing, livestock, agriculture, and manufacturing.

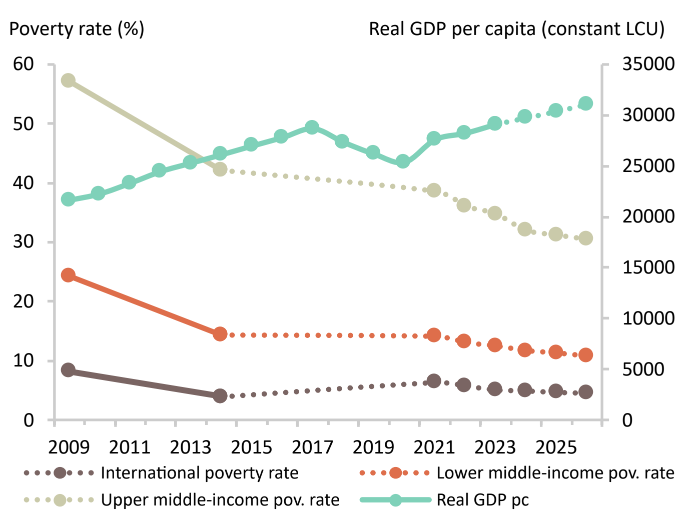
Poverty (US$3.65/day 2017 PPP) is estimated to have declined to 12.5 percent in 2023 from 13.1 percent in 2022 reflecting the sustained growth in the service sector. The employment rate for women (54.9 percent in June 2024) has increased in recent years but remains well below that for men (75.9). After inflation surged to 10.5 percent in 2022, Nicaragua's Central Bank maintained steady policy rates and a crawling peg exchange rate system to stabilize prices. This, combined with declining

FIGURE 1 Nicaragua / Real GDP growth and contributions to real GDP growth



Source: World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

global prices and subsidies for energy, public transport, and fuel, helped reduce inflation from 9.9 percent in June 2023 to 4.8 percent by June 2024.

Despite low demand for free zone exports from key trading partners, a surge in remittances, improved terms of trade, and an upturn in tourism revenues led to a current account balance (CAB) surplus in 2023. In the first half of 2024, total exports fell by 0.9 percent y-o-y, mainly due to a 2.2 percent drop in free zone exports, while imports rose by 9 percent, driven by a 12.9 percent increase in merchandise imports. In Q1-2024 compared to Q1-2023, remittances rose by 11.8 percent, while FDI, primarily reinvested earnings, fell by 7.4 percent. As of August 2024, gross international reserves continue strong, covering more than 6 months of imports.

Fiscal consolidation was bolstered by robust tax collection following higher growth in 2023, which extended into the first half of 2024. By H1-2024, the government executed over 40 percent of the budget, driven by wage adjustments, debt interest, transfers, and infrastructure investments. Public debt decreased by 4 percentage points to 56.6 percent of GDP by December 2023. Financing needs, including external donations, concessional loans, and bond issuance, remain heavily dependent on global financial conditions.

Outlook

Nicaragua is projected to grow around 3.6 percent over the next three years, amid an expected global economic deceleration that could persist until 2025, limiting export opportunities and foreign investment. Remittances, however, are expected to continue supporting private consumption at a moderate pace.

Inflation is expected to decrease to 5.2 percent in 2024 from 8.4 percent in 2023 and stabilize around 4.5 percent thereafter, amid declining commodity prices, combined with a stable exchange rate and prudent monetary policies. Poverty (US$3.65/day 2017 PPP) is projected to be 11.7 percent in 2024 and gradually decline to 10.8 by 2026, based on simulations using the 2014 household survey data.

The CAB surplus is expected to narrow in 2024 and 2025, due to the projected decrease in net exports, linked to weaker external demand and robust domestic demand for imports, as well as anticipated slowdown in FDI flows, amid the global slowdown. International reserves are projected to remain sufficient, ensuring the stability of the current exchange rate regime.

The 2024-2027 budget framework aims to stabilize public finances by containing current expenditures and enhancing tax revenue through the modernization of the tax system and improved tax compliance. This is expected to reduce the fiscal deficit from -0.4 percent of GDP in 2024 to -0.1 percent by 2026. Additionally, the framework prioritizes capital spending and job-creating investment projects to promote economic and social development. Debt is projected to decline to 55.5 percent by 2026 through the government's prudent fiscal policy.

The macroeconomic outlook faces downside risks, such as natural disasters, geopolitical uncertainty that pushes up food and oil prices, economic downturns in key trading partners, and tighter financial conditions. These factors could disrupt trade and external flows, leading to inflation that reduces purchasing power, higher unemployment, and poverty, as well as challenges for refinancing public debt.

TABLE 2 Nicaragua / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	10.3	3.8	4.6	3.6	3.5	3.6
Private consumption	8.9	6.0	7.3	3.8	3.4	3.7
Government consumption	9.4	-6.5	-3.2	2.0	2.0	2.2
Gross fixed capital investment	25.7	-3.0	20.3	3.8	3.6	3.9
Exports, goods and services	18.1	8.6	1.3	2.8	2.7	3.2
Imports, goods and services	21.2	5.0	8.9	2.9	2.5	3.1
Real GDP growth, at constant factor prices	10.3	3.8	4.6	3.6	3.5	3.6
Agriculture	6.4	1.7	-2.6	3.4	3.2	5.4
Industry	18.8	2.8	4.1	3.9	2.8	4.4
Services	8.6	4.7	6.7	3.6	3.9	2.9
Inflation (consumer price index)	4.9	10.5	8.4	5.2	4.5	4.4
Current account balance (% of GDP)	-3.8	-2.5	7.7	2.8	1.6	0.1
Net foreign direct investment inflow (% of GDP)	8.5	8.1	6.7	6.5	6.0	6.3
Fiscal balance (% of GDP)[a]	-1.5	0.6	2.7	-0.4	-0.2	-0.1
Revenues (% of GDP)	31.4	31.7	31.0	31.2	31.1	31.5
Debt (% of GDP)[b]	65.9	61.1	56.7	56.3	56.2	55.5
Primary balance (% of GDP)[a]	-0.3	2.0	4.3	1.6	1.5	1.4
International poverty rate ($2.15 in 2017 PPP)[c,d]	6.4	5.8	5.1	5.0	4.7	4.6
Lower middle-income poverty rate ($3.65 in 2017 PPP)[c,d]	14.2	13.1	12.5	11.7	11.3	10.8
Upper middle-income poverty rate ($6.85 in 2017 PPP)[c,d]	38.6	36.1	34.8	32.0	31.2	30.5
GHG emissions growth (mtCO2e)	0.9	0.8	0.9	1.0	0.9	1.0
Energy related GHG emissions (% of total)	13.5	13.5	13.3	13.2	13.1	13.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Fiscal and Primary Balance correspond to the non-financial public sector.
b/ Debt is total public debt.
c/ Calculations based on SEDLAC harmonization, using 2014-EMNV. Actual data: 2014. Nowcast: 2015-2023. Forecasts are from 2024 to 2026.
d/ Projections using microsimulation methodology.

PANAMA

Table 1	2023
Population, million	4.5
GDP, current US$ billion	83.4
GDP per capita, current US$	18700.8
International poverty rate ($2.15)[a]	1.3
Lower middle-income poverty rate ($3.65)[a]	4.4
Upper middle-income poverty rate ($6.85)[a]	12.9
Gini index[a]	48.9
School enrollment, primary (% gross)[b]	101.5
Life expectancy at birth, years[b]	76.8
Total GHG emissions (mtCO2e)	27.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2023), 2017 PPPs.
b/ Most recent WDI value (2022).

Growth reached 7.3 percent in 2023 fueled by strong construction, commerce, tourism, and financial activities. Improving labor market conditions offset the rollback of emergency transfers keeping the poverty rate at around 13 percent. However, developments in the final quarter of 2023 (draught affecting the Canal traffic, protests, and the closure of a copper mine) are expected to temper the economic and fiscal outlooks. A quick implementation of structural reforms by the new administration could help offset these adverse impacts.

Key conditions and challenges

Panama is an important logistical and financial hub in Central America, given its strategic location, the criticality of the Panama Canal to global trade, and its dollarized economy. Panama has grown robustly over the past 30 years, supported by capital and labor accumulation, leading to strong job creation and a sharp decrease in poverty (from 48.2 percent in 1991 to 12.9 percent in 2023 at $6.85/day 2017 PPP). However, Panama remains one of the most unequal countries in the world, with pockets of high poverty in rural areas and among indigenous communities. This reflects unequal labor market opportunities and limited fiscal redistribution. Slower growth before and during the pandemic led to increases in unemployment and informality. While the labor market is yet to fully recover, the government's emergency transfer (Nuevo Programa Panama Solidario—NPPS) has helped contain poverty.

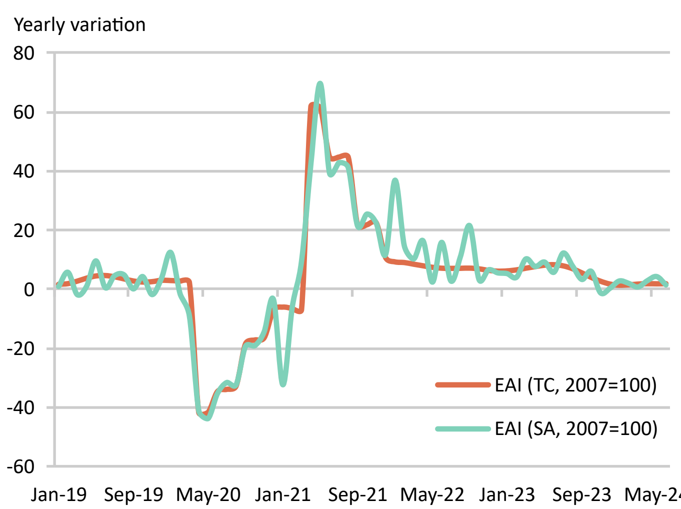
Panama has long dealt with anti-money laundering and counter-terrorism financing (AML/CFT) issues, which affected its attractiveness as an offshore center, but it has made solid progress in recent years. Authorities implemented important reforms to promote governance and transparency. These include modification of the AML/CFT prevention regulation and significant improvements in beneficial ownership information, which led Panama to exit the International Financial Action Task Force's list of jurisdictions in October 2023 and the EU's list for non-cooperative jurisdictions in March 2024. Comprehensive reforms in Public Private Partnerships (PPP) and procurement helped increase PPP financing for critical infrastructure.

Despite high growth, poverty reduction, and reform progress, new challenges have emerged. A legal challenge to the contract of the largest mine (Cobre Panama) triggered street protests and social unrest. Ultimately the Supreme Court declared the contract unconstitutional, stopping all extraction activities. Additionally, a prolonged drought limited the number of vessels that could cross the Panama Canal. These events have large economic impacts compounding the fiscal risks associated with Panama's low tax revenues.

Recent developments

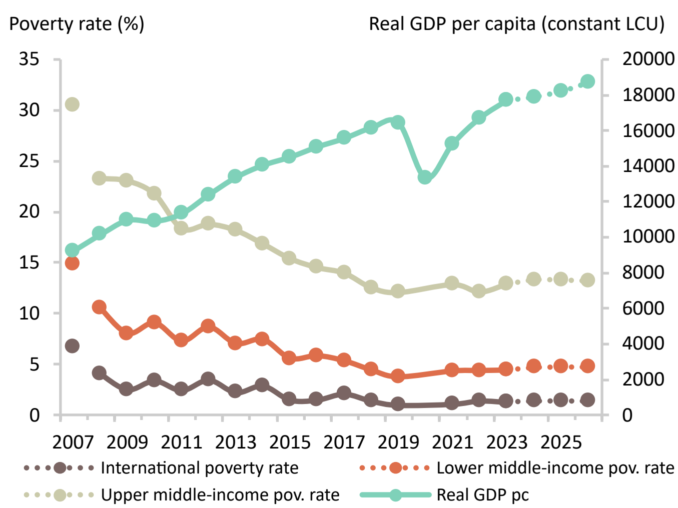
GDP grew a robust 7.3 percent in 2023, driven by construction, transport and storage, wholesale and retail, utilities, business services, and hotels and restaurants; these six sectors collectively employ 45 percent of workers. However, economic activity has decelerated sharply since Q42023 and expanded only 2.1 percent in the first half of 2024. Inflation decreased to 1.5 percent in 2023 and 0.5 percent in the first half of 2024, led by lower transport and food prices.

FIGURE 1 Panama / Economic activity index (seasonally adjusted and trend cycle)



Sources: National Institute of Statistics and Census of Panama, Haver Analytics, and World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

Progress in poverty reduction stalled in 2023 (Figure 2). Although the unemployment rate improved from 9.9 percent in April 2022 to 7.4 percent in August 2023, declining support from the NPPS counteracted gains in the labor markets. While rural poverty remained steady, urban poverty increased by 1 p.p. over the same period.

The fiscal and primary deficit declined in 2023, reaching 3.3 percent and 0.1 percent of GDP, respectively. This was attributed to restrained government spending and one-off revenues, including royalties and taxes paid by the copper mine and proceeds from land sale to the Canal Authority. The fiscal position deteriorated sharply in early 2024 due to spending pressures associated with the electoral cycle and lower-than-expected revenues. A new administration took power in July 2024 and made fiscal rebalancing and settling arrears priorities.

The current account deficit increased to 4.5 percent of GDP, due to a decline in copper exports, a temporary increase in the Colon Free Trade Zone imports, and income outflows. Foreign direct investment (FDI) decreased from 3.8 percent of GDP in 2022 to 1.8 percent in 2023, partially reflecting lower investment in extractives.

Outlook

Growth is expected to sharply decline to 2.4 percent in 2024 as copper production comes to a halt; however, the dynamism in the services sector should help gradually lift growth over the medium term. Inflation is expected to stabilize at around 2 percent during the forecasting period. Despite these, poverty (US$6.85 a day per capita, 2017 PPP) is projected to stagnate over the medium run as the loss in non-labor income due to the discontinuation of NPPS is unlikely to be compensated with labor income gains, especially in rural areas, where 74 percent of the poor reside and still lack opportunities to benefit from the country's growth process.

The fiscal deficit is expected to widen to 4.6 percent of GDP in 2024, impacted by lower revenues and higher expenditure, before gradually declining to around 3 percent by 2026. This fiscal consolidation process relies on further containing spending and improving tax administration. Public debt is forecast to peak at 60.9 percent of GDP in 2025 and decline gradually there. Implementing new structural fiscal reforms, especially on revenue mobilization, could accelerate this decline. Despite downward pressures on the sovereign ratings following the closure of Cobre Panama, the country still has good access to financing as a stable dollarized economy.

The current account deficit is projected to widen to 4.7 percent of GDP in 2024 and narrow gradually afterward. Merchandise exports are expected to remain subdued while service exports expand, supported by transport and tourism. FDI is estimated to recover gradually to 3.8 percent of GDP by 2026, continuing to finance most of the current account deficit, supplemented by portfolio investment and public financing. International reserves are expected to stay around 13 percent of GDP for 2024-2026.

Panama's macro-outlook is subject to risks. The next administration will need to address structural fiscal challenges, address socio-economic disparities through an improved social protection system, and make progress in climate adaptation, which poses additional social and economic risks, as droughts affect canal activities. Tight international financing markets could further increase Panama's borrowing costs.

TABLE 2 Panama / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	15.8	10.8	7.3	2.4	3.0	4.0
Private consumption	5.3	-1.2	2.1	2.1	3.1	3.7
Government consumption	6.0	3.6	2.9	4.3	-1.9	2.2
Gross fixed capital investment	31.0	20.7	28.8	-9.0	5.5	6.8
Exports, goods and services	29.6	26.2	-1.4	-0.7	3.5	4.3
Imports, goods and services	34.0	34.8	23.1	-9.3	2.6	4.0
Real GDP growth, at constant factor prices	15.8	10.8	7.3	2.4	3.1	4.0
Agriculture	4.7	5.2	0.2	1.5	1.4	1.3
Industry	30.2	12.3	12.7	-1.5	0.1	1.5
Services	11.9	10.5	5.6	3.9	4.2	4.9
Inflation (consumer price index)	1.6	2.9	1.5	1.5	2.0	2.0
Current account balance (% of GDP)	-1.2	-0.6	-4.5	-4.7	-2.3	-1.7
Net foreign direct investment inflow (% of GDP)	-2.0	-3.8	-1.8	-3.4	-3.7	-3.8
Fiscal balance (% of GDP)	-6.4	-4.1	-3.3	-4.6	-3.8	-3.1
Revenues (% of GDP)	17.8	17.7	18.2	17.2	17.5	17.6
Debt (% of GDP)	60.1	57.9	56.4	59.1	60.9	60.8
Primary balance (% of GDP)	-3.7	-1.9	-0.1	-1.5	-0.6	0.0
International poverty rate ($2.15 in 2017 PPP)[a,b]	1.1	1.4	1.3	1.4	1.4	1.4
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	4.3	4.4	4.4	4.7	4.8	4.8
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	12.9	12.1	12.9	13.3	13.3	13.2
GHG emissions growth (mtCO2e)	7.0	9.8	8.1	5.0	3.9	3.3
Energy related GHG emissions (% of total)	46.7	50.7	53.8	55.7	57.1	58.0

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 SEDLAC harmonization, using 2023-EH. Actual data: 2023. Forecasts are from 2024 to 2026. Estimated for 2022 using EPM data.
b/ Projections using microsimulation methodology.

PARAGUAY

Table 1	2023
Population, million[a]	6.6
GDP, current US$ billion	43.0
GDP per capita, current US$	6508.5
International poverty rate ($2.15)[b]	1.3
Lower middle-income poverty rate ($3.65)[b]	5.6
Upper middle-income poverty rate ($6.85)[b]	19.9
Gini index[b]	45.1
School enrollment, primary (% gross)[c]	90.6
Life expectancy at birth, years[c]	70.5
Total GHG emissions (mtCO2e)	98.0

Source: WDI, Macro Poverty Outlook, and official data.
a/ Does not reflect preliminary 2022 Census results.
b/ Most recent value (2022), 2017 PPPs.
c/ Most recent WDI value (2022).

Paraguay's economy is expected to grow by 3.9 percent in 2024, supported by a healthy soybean harvest. Growth would be faster if not for uneven rainfall, which has dampened hydropower production. Poverty is estimated to have decreased to 17.6 percent in 2023 and is expected to fall to 16.8 percent in 2024. Building resilience to climate shocks is essential as these remain the main risk to the forecast.

Key conditions and challenges

Real GDP growth averaged 3.6 percent annually between 2003 and 2023, faster than most countries in the region. This achievement reflects prudent macroeconomic management, favorable demographics, and a period of high commodity prices.

Growth has cut the poverty rate in half over the last two decades. In 2023, an estimated 17.6 percent of the population lived below the upper-middle income poverty line of US$6.85/day per capita (2017 PPP). However, progress has slowed since 2013 partly due to external shocks such as droughts. The World Bank Poverty Assessment reports that 36 percent of Paraguayans remain vulnerable to poverty, underscoring the need for policies that build resilience to shocks. Inequality remains high, with a Gini coefficient of 45.1 points.

Accelerating social progress not only hinges on sustaining growth and stability but also on creating more good quality jobs. Attracting more private investment in labor-intensive industries could help Paraguay achieve this, but additional efforts are needed to forge linkages with local suppliers and improve the quality of education and skills. More efficient public spending on education, health, infrastructure, and social assistance can help reduce poverty and inequality more significantly. More spending in these areas will eventually be needed, which in turn requires mobilizing more domestic revenues.

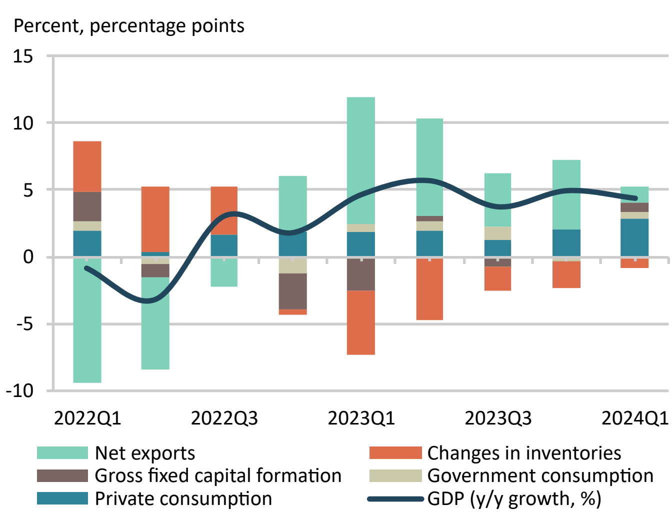
Recent developments

Real GDP expanded 4.3 percent y-o-y in Q1 2024, driven by the services and manufacturing sectors. Private consumption and exports contributed the most to growth. Fixed investment also began to pick up, although construction activity remained soft. The economic activity index showed momentum in Q2, rising 7 percent on average from the previous quarter on a seasonally adjusted, annualized basis. Growth would have been faster if not for low river levels of the Paraguay-Paraná waterway, which reduced hydropower generation by 18 percent y-o-y in H1 2024.

The national unemployment rate was 6.4 percent in Q2 2024, rising 0.6 percentage points from Q2 2023. Rural areas saw a 1.3 percentage point increase, with women facing higher increases (3.7 to 7.3 percent) than men. In contrast, the underemployment rate due to insufficient working hours decreased from 4.0 to 3.4 percent compared to Q2 2023. This reduction was primarily driven by a lower proportion of women reporting underemployment.

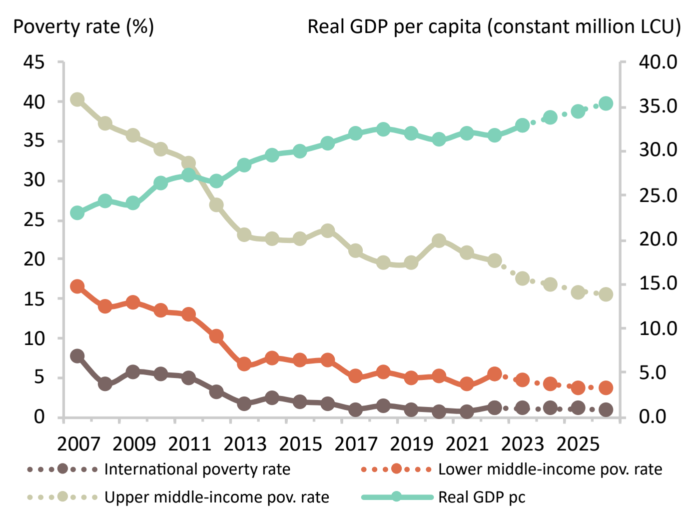
From January to August 2024, the goods trade balance recorded a surplus 64 percent smaller than that recorded over the same period last year. Growth of imports outpaced that of exports as fuel and capital goods imports increased, while hydropower export volumes halved. Soybean export volumes rose by

FIGURE 1 Paraguay / Real GDP growth and contributions to real GDP growth



Source: Central Bank of Paraguay.

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



Source: World Bank. Notes: see Table 2.

40 percent, but average prices were 24 percent lower. The nominal exchange rate depreciated by 4.3 percent against the US dollar in this period. Net international reserves stood at 6.9 months of imports at end-August.

Headline inflation rose from 3.7 percent in December 2023 to 4.3 percent y-o-y in August 2024, driven by fresh fruit and vegetables. Core inflation fell from 4.7 to 4.2 percent y-o-y over the same period. The overnight policy rate has remained at 6 percent since March 2024.

The annualized fiscal deficit declined from 4.1 percent at end-2023 to an estimated 3.4 percent of 2024 GDP at end-August. Tax collections rose 17 percent y-o-y in real terms from January to August 2024, reflecting higher corporate profits from robust growth in 2023 and higher VAT receipts, reportedly due to fewer Paraguayans shopping in Argentina as price differentials narrowed. Merging the tax and customs authorities may also have yielded efficiency gains. Real spending rose by 7.2 percent y-o-y, driven by material expenses and interest payments. Public debt remained stable at 38.2 percent of GDP as of the end of July.

Outlook

Given the high statistical carryover from Q1 and robust activity data in Q2, growth is forecast at 3.9 percent in 2024 and at 3.6 percent in 2025-2026. Private fixed investment growth is expected to accelerate as financing conditions ease. Paraguay recently secured an investment grade rating (Baa3) from Moody's, which could reduce borrowing costs for the sovereign and for corporates.

Annual inflation is expected to remain at an average of 4 percent, the midpoint of the target range, from 2024 to 2026. With buoyant growth and inflation under control, poverty is expected to decline to 16.8 percent in 2024 and to 15.5 percent in 2026, driven by rising incomes in the services and agriculture sectors. Non-labor incomes are projected to see a modest increase in 2024.

The central government fiscal deficit is expected to continue to narrow towards the fiscal rule's target of 1.5 percent of GDP in 2026. Although Paraguay is expected to receive an estimated 0.6 percent of GDP in additional annual revenues from higher negotiated prices of electricity exports from the Itaipú dam to Brazil over 2024-2026, the government has announced that these will be spent off-budget on social and infrastructure investments. Public debt is expected to stabilize at 40-41 percent of GDP.

The current account is expected to post a small deficit as import growth, particularly of machinery and capital goods, gradually accelerates as large private investments are implemented. Export growth is expected to remain buoyant, assuming normal weather conditions.

Climatic conditions remain a threat to the outlook. If abnormally low precipitation persists, soybean and hydropower production would decline, and overall trade would slow. Such challenges could aggravate inflationary pressures and reverse poverty reduction gains. Geopolitical tensions also pose risks through the trade and financial market channels (89 percent of Paraguay's debt is denominated in foreign currency). Faster progress on structural reforms could accelerate growth and poverty reduction.

TABLE 2 Paraguay / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	4.0	0.2	4.7	3.9	3.6	3.6
Private consumption	6.1	2.3	2.7	3.9	3.6	3.6
Government consumption	2.6	-2.2	3.6	1.3	0.3	0.0
Gross fixed capital investment	18.2	-1.8	-3.5	3.3	3.9	5.6
Exports, goods and services	2.1	-1.1	36.7	2.5	4.0	4.0
Imports, goods and services	21.8	9.4	14.1	1.2	3.1	3.8
Real GDP growth, at constant factor prices	3.6	0.1	4.8	3.9	3.6	3.6
Agriculture	-11.6	-8.6	16.5	5.0	5.0	5.0
Industry	5.0	0.7	3.4	2.1	2.5	2.5
Services	6.5	1.5	3.6	4.9	4.0	4.0
Inflation (consumer price index)	4.8	9.8	4.6	4.0	4.0	4.0
Current account balance (% of GDP)	-0.9	-7.1	0.2	-0.6	-0.9	-1.2
Net foreign direct investment inflow (% of GDP)	0.2	1.7	0.8	1.7	1.7	1.7
Fiscal balance (% of GDP)	-3.6	-2.9	-4.1	-2.6	-1.9	-1.5
Revenues (% of GDP)	13.7	14.0	14.0	14.4	14.3	14.3
Debt (% of GDP)	34.1	35.9	38.6	41.0	40.7	40.2
Primary balance (% of GDP)	-2.5	-1.7	-2.4	-0.8	-0.1	0.2
International poverty rate ($2.15 in 2017 PPP)[a,b]	0.7	1.3	1.1	1.1	1.1	1.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	4.1	5.6	4.6	4.2	3.8	3.7
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	20.8	19.9	17.6	16.8	16.0	15.5
GHG emissions growth (mtCO2e)	0.4	-0.7	1.0	1.4	1.4	1.3
Energy related GHG emissions (% of total)	9.2	9.4	9.8	10.1	10.5	11.0

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 SEDLAC harmonization, using 2022-EPH. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.

PERU

Table 1	2023
Population, million	34.4
GDP, current US$ billion	266.9
GDP per capita, current US$	7768.5
International poverty rate ($2.15)[a]	2.7
Lower middle-income poverty rate ($3.65)[a]	9.5
Upper middle-income poverty rate ($6.85)[a]	32.2
Gini index[a]	40.3
School enrollment, primary (% gross)[b]	107.4
Life expectancy at birth, years[b]	73.4
Total GHG emissions (mtCO2e)	185.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2022).

GDP growth is expected to reach 3.1 percent in 2024, after a mild recession in 2023, which together with lower inflation is expected to drive down poverty rates to 33.1 percent in 2024. Risks include heightened political uncertainty, which could affect the well-established fiscal credibility. Overcoming structural challenges related to low-productivity jobs and low-quality public services is critical to boosting long-term growth and poverty reduction.

Key conditions and challenges

Peru has recently concluded a decade of low growth (2014-2023), marked by limited advancements in creating quality jobs and reducing poverty. This contrasts sharply with the preceding decade (2004-2013), which saw rapid growth and consistent poverty reduction. The macroeconomic environment is characterized by low public debt, ample international reserves, a credible Central Bank, and the financial system is well-capitalized and resilient to liquidity shocks. However, the economy is susceptible to commodity price fluctuations. Additionally, Peru's vulnerability to climate change is high due to its exposure to natural hazards and dependence on glacial freshwater.

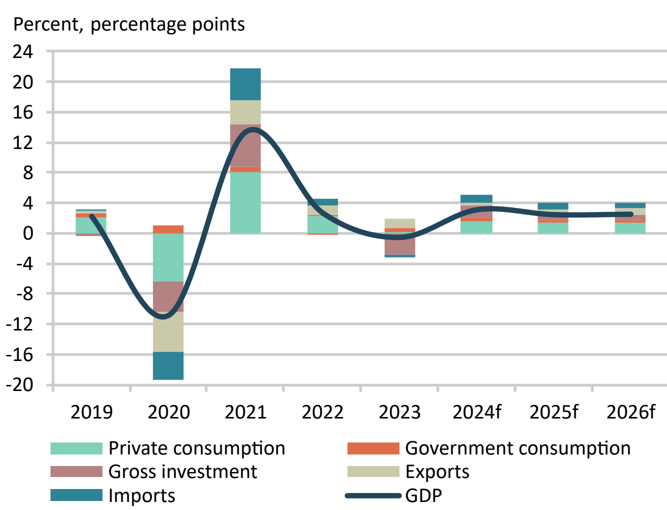
Structural constraints limit formal job creation and the pace of poverty and inequality reduction. Informality affects 71.1 percent of workers and gender disparities are stark: women's monthly earnings are on average 25.7 percent lower than men's. By 2023, more than one in three Peruvians subsisted on less than US$6.85 daily (2017 PPP), largely due to low-productivity jobs and inadequate social protection. Over half of the population faced food insecurity. Improving the quality of public services and infrastructure, governance and the business environment, while ensuring political stability, is crucial to achieving higher growth. Improving job quality, labor formalization, and gender equality in the labor market are needed steps to make growth inclusive.

Recent developments

In 2024, the Peruvian economy is recovering from the previous year's recession. The cumulative annual growth rate for the first half of 2024 was 2.5 percent. The economic bounce-back reached most sectors, especially those severely affected by the adverse weather shocks of 2023 (agriculture and fisheries, the latter adding around 0.3 percentage points to the first-semester y-o-y growth). In addition to dissipating supply shocks, the recovery reflects higher business confidence, a strong expansion in public investment, the gradual easing of monetary conditions, and better export commodity prices.

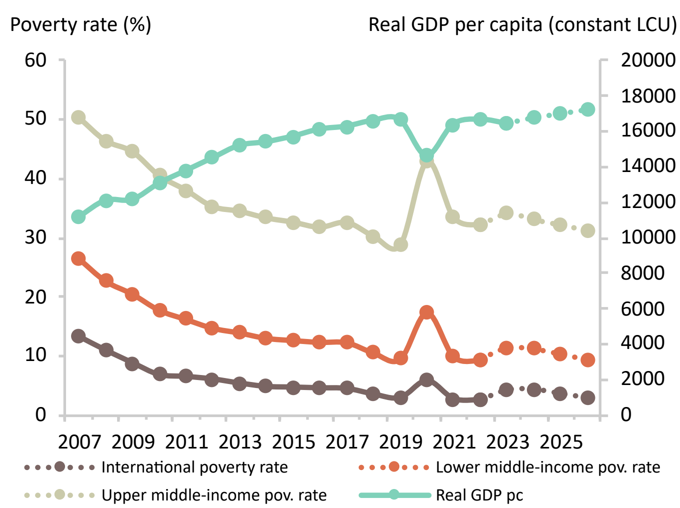
The fiscal deficit widened in 2024, from 2.8 percent of GDP in 2023, to 4.0 percent of GDP in the first eight months of the year, due to stagnating tax revenues and accelerating non-financial expenditures. Real growth in expenditure up to August reflects higher growth in public investment (27.4 percent y-o-y), but also non-negligible increases in wages (6.3 percent y-o-y). Unlike 2023, when the government did not adhere to the fiscal rule, this year, it amended the rule to allow a higher fiscal deficit for 2024, raising it from 2 percent to 2.8 percent of GDP. Public debt (32.7 percent of GDP in the second quarter of 2024) and sovereign spreads (166 basis points at the beginning of September) remain at historically low levels.

FIGURE 1 **Peru** / Real GDP growth and contributions to real GDP growth



Sources: Central Reserve Bank of Peru (BCRP), and World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

Inflation reached 2.0 percent in August 2024 (within the Central Bank's target range of 1-3 percent). Core inflation remained closer to 3 percent due to higher inflation in some service sectors. The Central Bank lowered its policy rate by 1.5 percentage points since last December, to 5.25 percent in September. The labor market showed improvements in July 2024, with employment rising 2.8 percent year-over-year. The services, commerce, and construction sectors added the most jobs during the month.

The current account recorded a surplus of 0.8 percent and 2.3 percent of GDP in the first two quarters of the year, largely due to better export prices and higher earnings on assets held abroad by Peruvians coupled with a reduction in the profits of foreign companies based in Peru. The exchange rate has remained broadly stable and net international reserves stood at 27 percent of GDP in July 2024.

Outlook

Growth is expected to reach 3.1 percent in 2024. The approval by Congress of the withdrawal of private pension funds (accumulated numbers until mid-August represent 2.4 percent of GDP) will boost consumers' real disposable income in a context of declining inflation rates. GDP growth is projected to moderate to around 2.5 percent thereafter. New investments in the mining sector (Zafranal, Corani, Reposición Antamina, and possibly Tía María) and the opening of the port of Chancay at the end of 2024 would help support medium-term growth. Moderate poverty (US$6.85/day, 2017 PPP) is projected to decline to 31.3 percent by 2026 driven by economic growth and lower inflation.

Despite the fiscal rule amendment, the fiscal deficit is expected to close at 3.3 percent in 2024, exceeding the revised ceiling. Revenues are expected to accelerate in the second half of the year due to higher commodity export prices and improved economic activity, and expenditures are expected to grow at a similar pace to early-2024. The recent revision of the fiscal rule also raised the fiscal deficit ceiling from 1.5 percent to 2.2 percent of GDP in 2025 and from 1.0 percent to 1.8 percent of GDP in 2026. The medium-term baseline scenario reflects this new consolidation path, exceeding the ceiling by a small margin. Regularization of income tax in 2025, supported by higher commodity prices of 2024, and conservative growth projection of the 2025 budget, would contribute the consolidation. Public debt would follow a stable path in the coming years. Inflation is expected to remain within the Central Bank's target of 1-3 percent. The Central Bank is expected to continue lowering its policy rate. The current account will improve in 2024, mainly because of better terms of trade observed since the second quarter.

Domestic risks related to political uncertainty will continue to drag on economic growth and the presidential election in 2026 will add another layer of uncertainty. If the government fails to adjust its fiscal accounts promptly, it could weaken the credibility of fiscal policy, with potential implications for the market outlook for debt. Increased threats from climate change could continue to impact medium-term growth. External risks include a faster-than-expected slowdown in US growth and a deterioration in commodity prices.

TABLE 2 Peru / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	13.4	2.7	-0.6	3.1	2.5	2.5
Private consumption	12.4	3.6	0.1	2.4	2.1	2.2
Government consumption	4.8	-0.2	4.6	4.1	2.2	2.2
Gross fixed capital investment	34.6	0.7	-5.4	6.4	2.9	2.9
Exports, goods and services	13.3	5.2	4.9	1.5	3.2	3.2
Imports, goods and services	17.9	3.9	-1.4	4.0	3.1	3.1
Real GDP growth, at constant factor prices	13.1	2.7	-0.4	3.1	2.5	2.5
Agriculture	5.3	3.1	-3.9	4.1	2.8	2.4
Industry	17.2	1.5	-1.3	2.6	2.3	2.1
Services	11.6	3.5	0.6	3.3	2.6	2.8
Inflation (consumer price index)	6.4	8.5	3.2	2.2	2.0	2.0
Current account balance (% of GDP)	-2.1	-4.0	0.8	1.8	0.6	0.4
Net foreign direct investment inflow (% of GDP)	2.3	4.8	0.9	2.5	2.5	2.5
Fiscal balance (% of GDP)	-2.5	-1.7	-2.8	-3.3	-2.3	-1.9
Revenues (% of GDP)	20.9	22.1	19.8	19.2	20.4	20.4
Debt (% of GDP)	35.8	33.9	32.9	33.6	34.7	35.0
Primary balance (% of GDP)	-1.0	-0.1	-1.1	-1.7	-0.6	-0.3
International poverty rate ($2.15 in 2017 PPP)[a,b]	2.8	2.7	4.3	4.3	3.6	3.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	10.0	9.5	11.5	11.2	10.3	9.3
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	33.4	32.2	34.2	33.1	32.2	31.3
GHG emissions growth (mtCO2e)	3.5	1.2	-1.2	0.2	0.0	0.1
Energy related GHG emissions (% of total)	25.8	25.9	25.0	25.1	25.1	24.9

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 SEDLAC harmonization, using 2022-ENAHO. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.

SAINT LUCIA

Table 1	2023
Population, million	0.2
GDP, current US$ billion	2.4
GDP per capita, current US$	13482.0
International poverty rate ($2.15)[a]	0.1
Lower middle-income poverty rate ($3.65)[a]	0.6
Upper middle-income poverty rate ($6.85)[a]	8.4
Gini index[a]	43.7
School enrollment, primary (% gross)[b]	103.7
Life expectancy at birth, years[b]	71.3
Total GHG emissions (mtCO2e)	0.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2015), 2017 PPPs.
b/ Most recent WDI value (2022).

Saint Lucia's economy, which is reliant on tourism, faces ongoing challenges from the pandemic's impact, high import prices, and natural disasters. Economic growth was modest before the pandemic, and recent price hikes have likely worsened poverty. Emergency-related spending has limited development funding and increased the public debt. While recovery is underway with tourism and inflation improving, overall fiscal deficits continue to grow. Fiscal reforms and better conditions for private investment are crucial for future growth.

Key conditions and challenges

Saint Lucia relies heavily on tourism and was significantly impacted by the pandemic, along with rising prices for imported food and fuel. As a small open economy, Saint Lucia experienced volatile and relatively low economic growth even before the pandemic, averaging 1.3 percent between 2010 and 2019. The country suffers significant economic losses due to frequent natural disasters and the effects of climate change.

In 2015, fewer than 1 in 10 Saint Lucians lived below the poverty line (US$6.85/day 2017 PPP). St. Lucia had a Gini index above 40, which is high by international standards. Estimates suggest that monetary poverty declined slowly in the following years but increased rapidly during the pandemic and due to high food and fuel prices. The recent census points to a longer-term decline in multidimensional poverty. The share of households without toilet facilities decreased from 6.2 percent in 2010 to 1.9 percent in 2022, the share of households relying on coal or wood as cooking fuel declined from 5.6 percent to 1.6 percent, while the share of households with internet access increased from 26.5 percent to 89.1 percent.

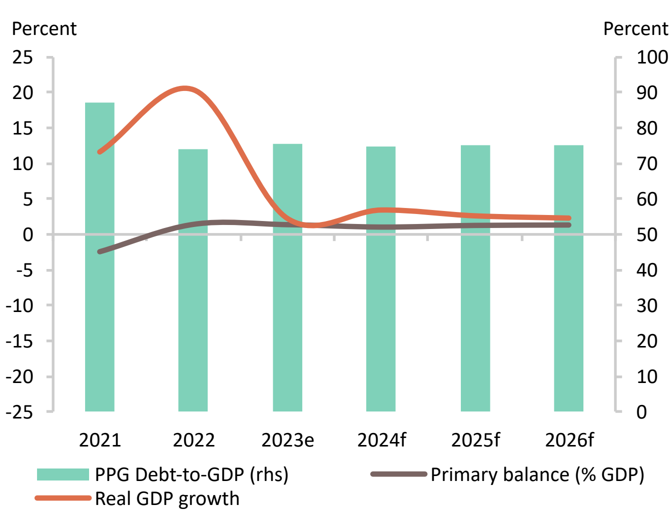
The government's spending related to the pandemic, low revenues, and substantial public investment led to a rapid increase in public debt from 62.2 percent of GDP in 2019 to 95.8 percent of GDP in 2020. While public debt is expected to stabilize in the medium term, the high debt service limits the government's ability to finance important development projects in the short to medium term. The government has implemented various measures to increase revenue, but additional reforms should be considered to reduce distortions and create a more progressive tax system. The country would benefit from a credible and growth-friendly fiscal consolidation framework, including the implementation of a fiscal rule, and from reforms to stimulate private sector growth.

The financial sector remained stable during the pandemic, and there was substantial liquidity in the banking sector. However, the accumulation of non-performing loans and deficiencies in compliance with Anti-Money Laundering/Countering the Financing of Terrorism have hindered credit intermediation. The pegged exchange rate under the Eastern Caribbean Currency Union helped ensure price stability.

Recent developments

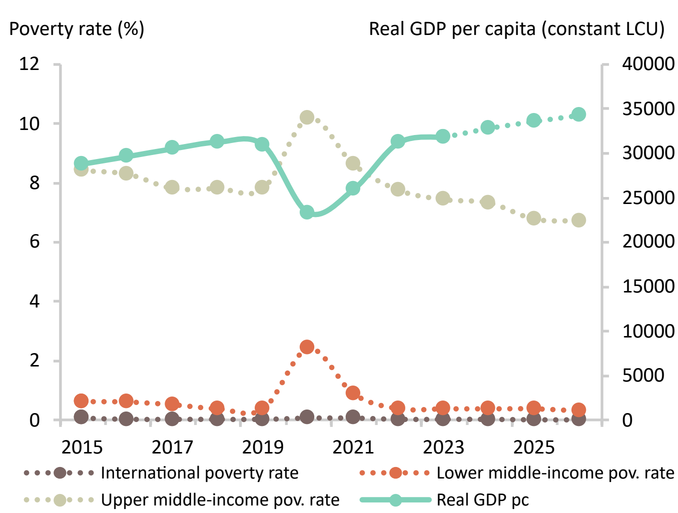
Real output growth reached 2.2 percent in 2023 and accelerated in the first half of 2024. The number of stayover tourist arrivals during the first six months of 2024 increased by 14.6 percent compared to the same period of 2023. Agricultural exports declined due to unfavorable weather conditions in 2023, but are now recovering. A labor market recovery also continues, with the unemployment rate falling from

FIGURE 1 Saint Lucia / Key macroeconomic variables



Source: World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

16.3 percent in Q1 2023 to 11.6 percent in Q1 2024. This helps to bring down poverty. The current account deficit is narrowing from 1.9 percent of GDP in 2023 due to the recovery in tourism, somewhat lower fuel prices, and stable remittances. Foreign direct investments are estimated around 5.8 percent of GDP in 2023, helping to fund the current account deficit. International reserves stood at 3.9 months of imports at the end of 2023.

Inflation started to slow from 4.1 percent in 2023, reflecting in a large part the global trend. The pressure on food security, which had previously worsened because of the successive pandemic and food price shocks, is now easing. The financial sector remains profitable, though the level of non-performing loans is elevated.

The overall and primary fiscal balances are expected to deteriorate, from 1.4 of GDP in 2023 to 1.0 percent in 2024. This deterioration is mostly driven by higher primary expenditures and interest payments. The government's new tax policies including a health and citizen security levy and an increase in cigarette excise tax helped to boost annual revenues. The public debt has stabilized at around 75 percent of GDP since 2022.

Outlook

Real output growth is projected to accelerate to 3.4 percent in 2024 and then moderate gradually over the medium term. Investments in major construction projects, such as the airport renovation and construction of several major hotels, are expected to peak in 2025. Agriculture is likely to expand at a slower pace for some time. Poverty is projected to continue declining in the medium term. Inflation will gradually stabilize from 1.4 percent of GDP in 2024 to its long-term average of 2.0 percent in 2026.

The primary fiscal surplus is projected to increase to 1.3 percent of GDP in 2025-2026. The government is expected to undertake some modest fiscal consolidation. Revenue to GDP ratios are anticipated to remain relatively stable at 2023 levels in the medium term. Total spending in the medium term (on average 24.5 percent of GDP) is 0.2 percent of GDP lower than the 2010-2019 average, as current expenditures are anticipated to stabilize around 21.7 percent of GDP. Interest payments are projected to remain stable at around 3.4 percent of GDP over the projection period. The public debt to GDP ratio will also remain steady.

The risk outlook is skewed towards the downside, with potential challenges including delays in fiscal consolidation, economic slowdown in key tourist-origin countries, escalating geopolitical tensions, tightening financial conditions, natural disasters, and the impacts of climate change.

TABLE 2 Saint Lucia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	11.6	20.4	2.2	3.4	2.6	2.3
Real GDP growth, at constant factor prices	10.7	19.7	2.1	3.3	2.6	2.3
Agriculture	9.2	4.4	-16.9	0.5	2.5	1.1
Industry	9.4	1.8	12.4	6.5	2.6	2.6
Services	11.0	23.5	0.9	2.8	2.6	2.3
Inflation (consumer price index)	2.4	6.4	4.1	1.5	1.8	2.0
Current account balance (% of GDP)	-11.9	-2.9	-1.9	-1.4	-1.2	-0.9
Fiscal balance (% of GDP)[a]	-5.8	-1.5	-1.9	-2.4	-2.1	-2.1
Revenues (% of GDP)[a]	22.3	21.7	22.2	22.3	22.3	22.2
Debt (% of GDP)[a,b]	87.2	74.1	75.5	74.9	75.0	75.0
Primary balance (% of GDP)[a]	-2.4	1.4	1.4	1.0	1.3	1.3
International poverty rate ($2.15 in 2017 PPP)[c,d]	0.1	0.0	0.0	0.0	0.0	0.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[c,d]	0.9	0.4	0.4	0.4	0.4	0.3
Upper middle-income poverty rate ($6.85 in 2017 PPP)[c,d]	8.6	7.8	7.4	7.3	6.8	6.7
GHG emissions growth (mtCO2e)	3.0	16.2	6.9	2.8	2.2	1.8
Energy related GHG emissions (% of total)	70.9	73.1	71.5	71.0	70.7	70.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Fiscal balances are reported in fiscal years (April 1st -March 31st).
b/ Public debt includes payables and overdrafts/Eastern Caribbean Central Bank advances.
c/ Calculations based on CONLAC harmonization, using 2015-SLCHBS. Poverty estimates and projections not comparable to pre-2024 MPOs due to methodological changes. For details, see March/April 2024 Update to the Poverty and Inequality Platform (PIP) at https://pip. worldbank. org/publication. Actual data: 2015. Estimates: 2016-2023. Forecasts: 2024-2026.
d/ Projection using neutral distribution (2015) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

ST. VINCENT AND THE GRENADINES

Table 1	2023
Population, million	0.1
GDP, current US$ billion	1.1
GDP per capita, current US$	10279.5
School enrollment, primary (% gross)[a]	110.6
Life expectancy at birth, years[a]	69.0
Total GHG emissions (mtCO2e)	0.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2022).

St. Vincent and the Grenadines (SVG) is projected to grow at 5 percent in 2024, supported by a robust performance in tourism, recovery in agriculture, and implementation of large-scale infrastructure projects. Despite a decrease in the fiscal deficit, public debt remains high, in part due to debt deferral/new borrowing undertaken to address the impact of Hurricane Beryl. The fiscal responsibility framework remains suspended. Economic growth and Hurricane Beryl are expected to have had offsetting impacts on poverty.

Key conditions and challenges

SVG is a small island developing state (SIDS) that is highly integrated into the global economy and particularly vulnerable to climate change, external economic shocks, and natural disasters. The economy is driven primarily by tourism, agriculture, and construction. Ongoing investments in upgrading infrastructure—such as a new port, an international airport, roads, hotels, the hospital, water supply, and digitalization—support growth and foster economic diversification. The country seeks to diversify its economy through the promotion of high-end tourism, international financial services, agroprocessing, light manufacturing, renewable energy, and information and communication technologies.

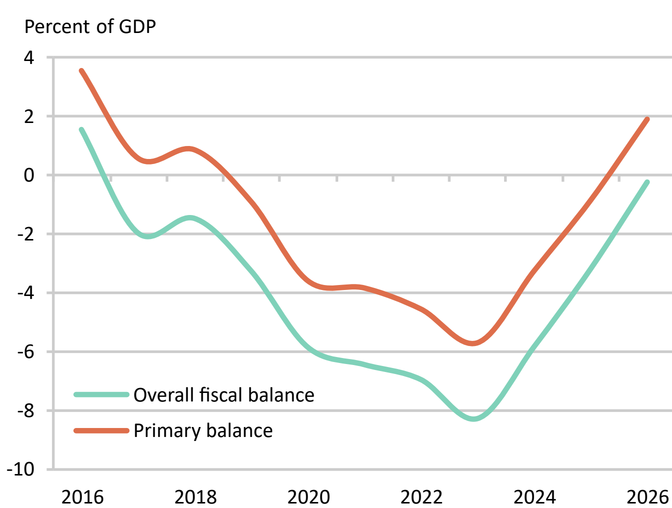
The deterioration of the primary fiscal balance, caused by the pandemic and the subsequent volcanic eruption in April 2021, was compounded by Hurricane Beryl, which caused significant infrastructure damage in July 2024 and led to an increase in public debt. The challenge will be to reduce fiscal deficits while directing limited fiscal resources toward recovery and high-priority public investment projects. In addition, there is no up-to-date poverty data available. According to the latest data from 2008, 30.2 percent of the population was living below the national poverty line. Economic growth in subsequent years should have contributed to declining poverty.

Recent developments

With tourism recovering and agriculture rebounding after the volcanic eruptions, growth reached 6 percent in 2023 (7.2 percent in 2022). The overall fiscal deficit increased to 8.3 percent of GDP in 2023 from 7.0 percent in 2022, largely in response to the fiscal demands imposed by the volcanic eruption, ongoing exceptional COVID-19 related expenditures, higher capital expenditure, and lower tax revenue. Low tax revenue was primarily due to changes in income tax, delayed CIT arrears and fuel import duty collection, VAT refunds, temporary import tax concessions for Sandals Resort, and a 50 percent duty reduction on new tires. This adds to measures to cushion the impact of rising food and fuel prices, including the expansion of existing social programs, subsidies on electricity, social safety net payments to food-vulnerable households, and agricultural incentives.

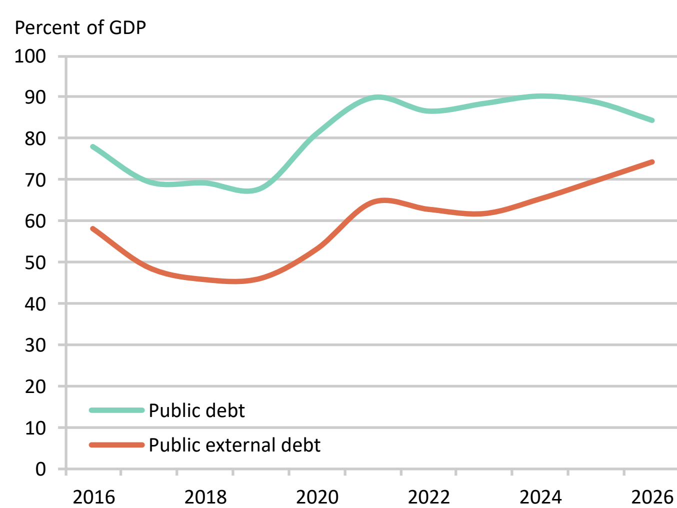
Following the port modernization project (total investment of 22 percent of GDP in 2023), public investment reached 9.5 percent of GDP in 2023. Fiscal rule targets, which have been suspended due to the pandemic and the volcanic eruption, are to be reintroduced in 2025. Total public debt was 88.5 percent of GDP at end-2023, of which 61.7 percent of GDP was external debt. Government gross financing needs are covered primarily by official external financing and by some recourse to domestic financing through T-Bill and bond issuances.

FIGURE 1 St. Vincent and the Grenadines / Overall and primary fiscal balances



Sources: Ministry of Finance and World Bank staff calculations.
Note: See Table 2.

FIGURE 2 St. Vincent and the Grenadines / Public debt



Sources: Ministry of Finance and World Bank staff calculations.
Note: See Table 2.

The current account deficit (CAD), driven by major capital investments in hospitals, ports, hotels, and infrastructure, narrowed slightly due to increased tourist arrivals. However, imports rose as a result of volcanic eruptions and the port project, along with higher food and fuel costs. The CAD is mainly financed by foreign direct investment, external borrowing on concessional terms, and limited domestic financing. International reserves remain above 5 months of imports.

Annual inflation in 2023 was 4.6 percent, a decrease from 5.7 percent in 2022, and continued to moderate in the first part of 2024. Over the past two years, rising food prices have contributed the most to overall inflation. Data from a (non-representative) survey indicated that high food prices had reduced food security. While food prices remain elevated, declining inflation appears to have lowered food security concerns, with the share of the population reporting severe food shortages (going a whole day without eating or skipping meals) declining over the past year.

Outlook

Growth is expected to remain strong at 5 percent in 2024 as tourism and agriculture continue to rebound. Poverty is expected to follow a similar trajectory. Tourism growth over the medium term is projected to be further facilitated by the new airport and Sandals Resort. Inflation is to slow to 3.5 percent in 2024 and return to more typical rates of around 2 percent thereafter.

The fiscal deficit will likely remain high at 5.8 percent of GDP in 2024 due to ongoing public investment spending on the port modernization project and hotel construction as well as reconstruction related to Hurricane Beryl, despite a decrease in emergency spending related to the pandemic and volcanic activity. Public investment is expected to decline slightly to 8.3 percent of GDP in 2024 and to 6.3 percent in 2025, returning to its long-term trend of around 4.4 percent in 2026. A primary surplus is anticipated by 2026, supported by the gradual completion of major projects, contained current expenditure, increased revenues, and robust growth, which will enable public debt to decline to 84.4 percent of GDP.

SVG needs to fully operationalize the Fiscal Responsibility Framework to sustain debt reduction and enhance resilience to shocks. Additionally, it should increase the share of public investments financed through concessional loans and public-private partnerships, enhance revenue mobilization efforts, and further develop contingency plans for natural disasters.

The baseline scenario projections are primarily subject to downside risks given the uncertainty in global economic conditions, heightened global geo-political pressures, and the ever-present risk of natural disasters. On the upside, continued strength within the tourism sector and completion of the new port could further boost growth over the short- to medium-term.

TABLE 2 St. Vincent and the Grenadines / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	0.8	7.2	6.0	5.0	3.5	2.9
Real GDP growth, at constant factor prices	-1.7	8.0	5.3	5.0	3.5	2.9
Agriculture	-29.4	-6.2	-2.9	7.1	2.1	2.0
Industry	6.1	7.9	3.9	3.5	2.2	2.1
Services	-0.1	9.1	6.2	5.2	3.9	3.1
Inflation (consumer price index)	1.6	5.7	4.6	3.5	2.0	2.0
Current account balance (% of GDP)	-22.6	-19.3	-13.4	-13.0	-11.9	-10.3
Fiscal balance (% of GDP)[a]	-6.4	-7.0	-8.3	-5.8	-3.2	-0.2
Revenues (% of GDP)	32.9	28.1	26.8	27.9	28.2	28.3
Debt (% of GDP)[a]	89.9	86.7	88.5	90.3	88.8	84.4
Primary balance (% of GDP)[a]	-3.8	-4.6	-5.7	-3.3	-0.9	1.9
GHG emissions growth (mtCO2e)	2.8	4.9	2.3	1.8	1.1	1.4
Energy related GHG emissions (% of total)	76.0	76.9	77.3	77.5	77.7	77.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Budget balances and public debt are for the central government.

SURINAME

Table 1	2023
Population, million	0.6
GDP, current US$ billion	3.5
GDP per capita, current US$	5528.0
International poverty rate ($2.15)[a]	1.1
Lower middle-income poverty rate ($3.65)[a]	4.2
Upper middle-income poverty rate ($6.85)[a]	17.5
Gini index[a]	39.2
School enrollment, primary (% gross)[b]	98.0
Life expectancy at birth, years[b]	70.3
Total GHG emissions (mtCO2e)	13.8

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2022).

Suriname's economy has stabilized under a program to restructure debt, modernize monetary and exchange rate policies, and address financial sector vulnerabilities. Tighter monetary policy has gradually reduced inflation. Debt sustainability has improved, but managing the fiscal deficit remains a priority ahead of the 2025 elections. Improved social protection systems would support faster poverty reduction, while a framework to manage prospective oil revenues would help sustain inclusive growth over the medium term.

Key conditions and challenges

Macroeconomic indicators have improved under a comprehensive package of fiscal, monetary, and financial sector reforms, supported by an IMF program. Debt restructuring, subsidy reform, and improvements in tax policy and administration have supported fiscal consolidation and improved debt sustainability. Tighter monetary policy has helped contain inflation, while greater exchange rate flexibility has supported foreign exchange reserve accumulation. Reducing financial sector vulnerabilities relies on the completion of a program of ongoing reforms.

Poverty rates are gradually declining. Approximately 17.5 percent of the population lived below the upper middle-income poverty line of US$6.85 (2017 PPP) per day in 2022, with 46.5 percent of the population in multidimensional poverty—a broader measure devised by Suriname's Multidisciplinary Poverty Committee that includes chronic illness, education and ICT skill level, and access to medical insurance. Monetary and multidimensional poverty are markedly higher in the country's interior, where households have more children and people have lower levels of education. Reforms to social protection and education programs, as well as enhanced participation of women in the labor market, will be key for accelerating poverty reduction.

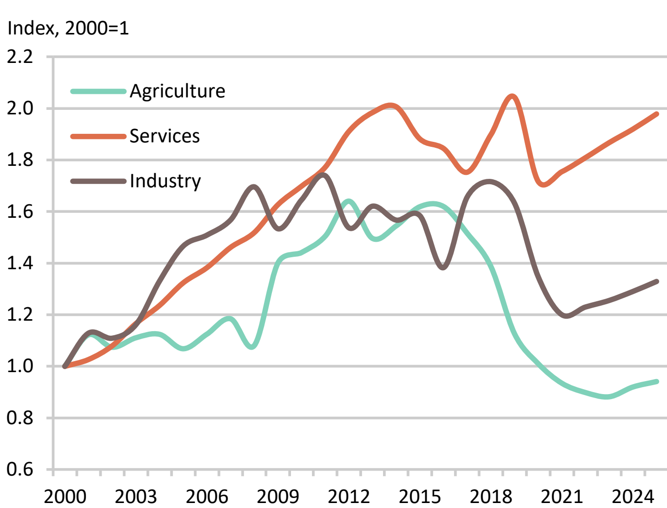
Suriname is exposed to natural disaster hazards due to irregular precipitation (floods and droughts). Water management is a high priority, especially in the more vulnerable interior. Recent discoveries of several offshore oil deposits should improve Suriname's economic prospects in the medium term. A final investment decision by an oil major is expected before the end of 2024, with production potentially starting in 2028. Sustaining inclusive economic growth will require strengthening the governance and institutional framework to enhance fiscal management, deliver public services, and implement climate change adaptation measures.

Recent developments

Growth accelerated modestly to an estimated 2.5 percent in 2023, up from 2.4 percent in 2022, as monetary and fiscal policy remained restrictive. Services led the expansion (transportation, hospitality, and utilities), supported by a modest recovery in industry. Inflation moderated to 16.2 percent (y-o-y) by June 2024, a significant decline from 54.6 percent (y-o-y) one year earlier as a result of tight monetary policy and fiscal consolidation. Decelerating inflation is lowering pressure on household purchasing power, especially among the poorest households.

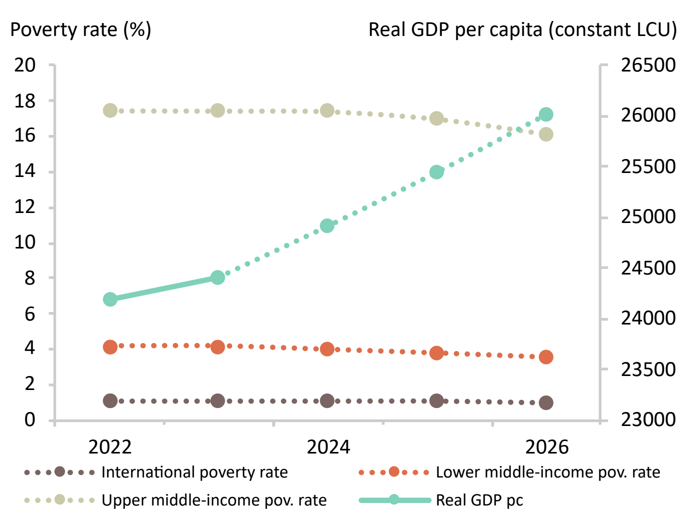
A narrower service account deficit and a stable trade deficit helped boost the current account to an estimated 4.3 percent surplus in 2023, up from 2.0 percent in 2022. External financing supported gross international reserve accumulation to an estimated 7 months of prospective imports

FIGURE 1 Suriname / Sectoral real output, index 2000=1



Sources: Suriname General Bureau of Statistics (2000-23) and World Bank (2024).

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



Source: World Bank. Notes: see Table 2.

in 2023, up from 6.5 months in 2022. The Surinamese dollar appreciated to SRD 29/USD by July 2024 partially reversing a sharp depreciation that began in 2020.

Fiscal policy focused on debt sustainability, improving the quality of public spending, and social assistance programs to protect the vulnerable. A series of revenue and expenditure measures contributed to an estimated primary surplus of 1.4 percent of GDP in 2023, including a phaseout of energy subsidies, expanded VAT coverage of goods and services, and the removal of unregistered workers from public payrolls. Cash transfers helped mitigate the impact of higher energy prices on the vulnerable, as social assistance spending increased to 2.3 percent of GDP in 2023 (from 1.9 percent in 2022).

Debt restructuring negotiations with most official and private creditors have been completed. Standard and Poor raised Suriname's credit rating to CCC+ with a stable outlook in December 2023 following the successful exchange with private bondholders. Adherence to prudent fiscal reforms and policies will be critical ahead of upcoming elections.

Financial sector indicators highlight chronic vulnerabilities in the banking system related to capital adequacy and asset quality, which will require timely implementation of recapitalization plans.

Outlook

Real GDP growth is projected to accelerate to 2.9 percent in 2024, driven by a gradual recovery of services and industry, supported by higher public investment spending in non-oil sectors. Growth is expected to continue over the medium term supported by infrastructure investment for the oil and gas sector. Inflation is anticipated to continue decelerating over the medium term, supported by restrictive monetary and fiscal policy. Driven by economic growth and lower inflation, poverty is projected to decline to 16 percent in 2026.

The fiscal deficit is expected to narrow, supported by a broader VAT, new fuel taxes, and increased non-tax revenues supported by lease rates and fees. Subsidy expenditure is expected to continue declining, driven by electricity and gas price adjustments. Fiscal consolidation will create space to scale up social spending and growth-enhancing infrastructure investments, including for climate adaptation. Over the medium term, public investment in oil infrastructure is expected to modestly increase the fiscal deficit. The current account surplus will narrow as capital imports for investment projects rise, and compression measures end.

The government aims to expand coverage of social assistance programs, introduce digital payments, and regularly update payment amounts in line with inflation. The 2024 budget allocates 3.1 percent of GDP for social protection. A new cash transfer program aims to support the elderly and low-income households, covering approximately one-fifth of the population. Data on the effectiveness and impact of this program are currently not available.

Over the long term, offshore oil revenues are expected to further increase fiscal space. A robust institutional and fiscal framework will be essential to manage the potential impact of Dutch Disease (declining competitiveness of other sectors of the economy), vulnerability to commodity price shocks, and environmental impacts. Enhancing macroeconomic institutions, governance, and human capital is critical to mitigating risk and creating a foundation for efficient and equitable management of future revenues.

TABLE 2 Suriname / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	-2.4	2.4	2.5	2.9	3.0	3.1
Real GDP growth, at constant factor prices	-2.4	2.4	2.5	2.9	3.0	3.1
Agriculture	-7.5	-3.9	-1.8	4.3	2.3	2.4
Industry	-10.9	2.5	2.1	2.8	3.0	3.5
Services	2.2	3.1	3.2	2.8	3.1	3.0
Inflation (consumer price index)	59.1	67.8	36.7	17.2	14.5	9.5
Current account balance (% of GDP)	5.4	2.0	4.3	1.2	1.0	0.8
Net foreign direct investment inflow (% of GDP)	-3.8	0.1	-1.8	-0.5	0.2	0.3
Fiscal balance (% of GDP)[a]	-5.6	-2.6	-1.9	-1.0	-0.1	-0.5
Revenues (% of GDP)	26.1	25.6	27.4	25.4	25.7	26.0
Debt (% of GDP)[a]	114.9	113.2	98.2	87.2	82.0	78.0
Primary balance (% of GDP)[a]	-0.5	1.0	1.4	2.7	3.7	3.3
International poverty rate ($2.15 in 2017 PPP)[a,b]	..	1.1	1.1	1.1	1.1	0.8
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b,c]	..	4.2	4.2	4.0	3.8	3.5
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	..	17.5	17.5	17.3	16.6	16.0
GHG emissions growth (mtCO2e)	-0.2	1.0	1.1	1.8	1.9	2.0
Energy related GHG emissions (% of total)	19.4	20.1	20.8	21.8	22.9	24.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Budget balances and public debt are for the central government.
b/ Calculations based on CONLAC harmonization, using 2022-SSLC. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.
c/ Projection using neutral distribution (2022) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

TRINIDAD AND TOBAGO

Table 1	2023
Population, million	1.5
GDP, current US$ billion	27.4
GDP per capita, current US$	17847.9
School enrollment, primary (% gross)[a]	97.6
Life expectancy at birth, years[a]	74.7
Total GHG emissions (mtCO2e)	23.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2022).

Trinidad and Tobago is a high-income country, with a corresponding level of human development. Substantial financial reserves maintain stability amid energy sector fluctuations. The government aims to diversify the economy, enhance the business environment, and improve public services. In 2023, GDP grew by 1.3 percent, driven by the non-energy sector. The medium-term outlook is cautiously optimistic, but risks include global energy price volatility and potential delays with internal reforms and energy sector investments.

Key conditions and challenges

Trinidad and Tobago exhibits several economic strengths, including solid human development and robust financial buffers. The country's human capital indicators compare favorably to those of the rest of Latin America and the Caribbean and are bolstered by substantial government investments, fostering a knowledge-based economy essential for adaptation to globalization and technological advancements.

However, Trinidad and Tobago's economy remains heavily dependent on the energy sector, which accounts for only 2.4 percent of workers, but over one-third of GDP and over two-thirds of exports. This reliance makes the country vulnerable to global energy price fluctuations and production issues. To balance its maturing energy sector with the shift toward a low-carbon economy, efforts are being made to cut greenhouse gas emissions and increase renewable energy use.

The economy is supported by significant reserves and the Heritage and Stabilization Fund, which buffer against economic shocks. These reserves, as well as political stability, help stabilize the economy during periods of fluctuating oil and gas prices, crucial for the nation's fiscal health. Prudent management of natural resource revenues and a focus on diversification of its economic base are also essential for advancing economic development.

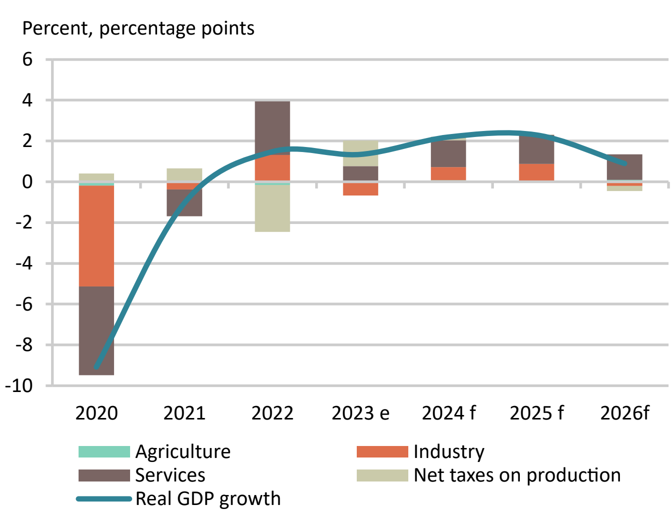
Recent data are not available to assess developments in poverty and inequality. Trinidad and Tobago's Human Development Index (HDI), which tracks its performance against several Sustainable Development Goals, corresponds with its status as a high-income country. The country is grouped in the category of countries with high gender equality in terms of HDI achievements. Yet, some notable gender gaps remain. Despite their comparatively strong performance in school, women's labor force participation (47.6 percent) lags that of men by about 15 percentage points. In addition, the adolescent fertility rate is high compared to other high-income countries.

The government is committed to attracting investment, promoting private sector engagement, and increasing trade integration to foster diversification. Advancing structural reforms to enhance the business environment, improve trade logistics, and tackle insecurity is crucial for fostering private sector growth and economic diversification. Improving governance, infrastructure, and public service delivery are essential for creating a conducive environment for investment and growth.

Recent developments

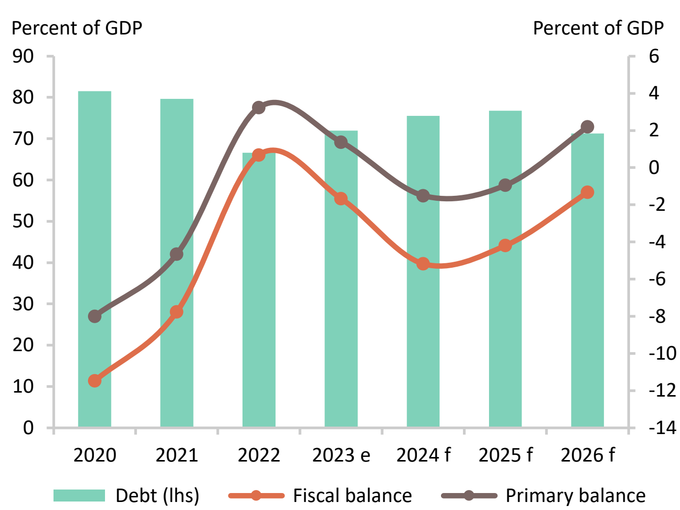
In 2023, the energy sector experienced challenges due to lower global energy prices and weaker production. As a result, the economy's post-pandemic recovery continued at a slower pace, with an estimated real GDP growth of 1.3 percent

FIGURE 1 Trinidad and Tobago / Real GDP growth and contributions to real GDP growth



Sources: Government of Trinidad and Tobago and World Bank staff calculations.

FIGURE 2 Trinidad and Tobago / Fiscal balance and public debt



Sources: Government of Trinidad and Tobago and World Bank staff calculations.

driven by the non-energy sector. The labor market remained relatively stable with unemployment at 5.4 percent in 2024Q1, while inflation saw a decline from 5.8 percent in 2022 to 4.7 percent. In 2024, economic growth is projected to gain momentum with an expected real GDP expansion of 2.2 percent. This growth will be supported by the services sector, which employs the largest share of workers (35.4 percent). Inflation has continued to decline.

In 2023, fiscal position improved, with a better-than-budgeted fiscal deficit. Fiscal measures included enhancing revenue mobilization, streamlining transfers to state-owned enterprises, and phasing out subsidies on fuel, electricity, and water. Expenditure on transfers to households increased to a substantial 5.9 percent of GDP, but targeting to those most in need remains a priority. In FY2024, the fiscal deficit is projected to widen to 5.2 percent of GDP from 1.7 percent in FY2023 due to a public sector wage settlement, lower energy revenues, and higher capital spending. The FY2024 budget included reforms to enhance the fiscal regime for the energy sector, promote non-energy economic activity, and support vulnerable groups. These include adjustments to the Supplementary Petroleum Tax and incentives for SMEs and the tourism sector, both of which account for a substantial share of workers.

According to the government's estimates, current account surplus declined to an estimated 12.4 percent of GDP in 2023 from 17.4 percent in 2022, driven by weaker exports and reduced domestic energy production. Nonetheless, lower imports because of lower global food and energy prices helped maintain a significant surplus. The value of remittances declined by 4.7 percent in real terms and represented only 1.2 percent of GDP. The primary income account deficit also narrowed due to reduced profit repatriation by non-resident energy companies. In 2024, the surplus is projected to narrow further to 5.7 percent of GDP due to continued declines in energy exports. However, international reserves are expected to remain adequate, supported by the Heritage and Stabilization Fund, which holds assets of about one-fifth of GDP.

Outlook

Trinidad and Tobago's medium-term economic outlook is cautiously optimistic, though it faces several risks. The economy is expected to keep recovering, supported by stable energy prices and gradual improvements in domestic production helped by investment incentives that will see increased total amounts as capacity expands. However, the GDP growth rate may be moderated by both external and internal challenges.

Externally, the country is vulnerable to changes in global energy prices, which significantly affect export revenues and overall economic stability. A prolonged decline in energy prices could hurt the current account balance and fiscal health. Additionally, global uncertainties like geopolitical tensions and shifts in trade policies could further strain the economy by affecting energy exports and disrupting trade flows.

Internally, key risks include potential delays in structural reforms and investments in the energy sector. Effective management of public finances, especially controlling wage expenses and capital spending, and continued efforts to reduce crime will be crucial. The country also faces environmental risks, such as natural disasters and climate change impacts, which could disrupt economic activities and infrastructure.

To sustain growth and mitigate risks, the government's focus on fiscal discipline, structural reforms, and climate resilience will be essential.

TABLE 2 Trinidad and Tobago / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	-1.0	1.5	1.3	2.2	2.3	0.9
Real GDP growth, at constant factor prices	-1.8	4.0	0.1	2.1	2.4	1.2
Agriculture	-3.5	-11.5	0.2	6.0	2.6	7.8
Industry	-0.8	3.2	-1.6	1.6	2.1	-0.5
Services	-2.5	5.0	1.4	2.4	2.6	2.3
Inflation (consumer price index)	2.0	5.8	4.7	1.2	1.8	1.9
Current account balance (% of GDP)	10.8	17.4	12.4	5.7	6.5	6.1
Net foreign direct investment inflow (% of GDP)	-7.0	-6.9	-7.6	-2.8	-2.9	-2.7
Fiscal balance (% of GDP)[a]	-7.8	0.7	-1.7	-5.2	-4.2	-1.3
Revenues (% of GDP)	23.4	28.2	28.9	27.5	27.5	28.5
Debt (% of GDP)[a]	79.6	66.6	72.0	75.5	76.7	71.3
Primary balance (% of GDP)[a]	-4.7	3.2	1.4	-1.5	-0.9	2.2
GHG emissions growth (mtCO2e)	-10.1	-1.3	-0.8	0.2	0.5	0.0
Energy related GHG emissions (% of total)	53.5	52.7	51.1	49.4	47.8	46.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Budget balances and public debt are for the central government.

URUGUAY

Table 1	2023
Population, million	3.4
GDP, current US$ billion	77.2
GDP per capita, current US$	22564.5
International poverty rate ($2.15)[a]	0.2
Lower middle-income poverty rate ($3.65)[a]	0.8
Upper middle-income poverty rate ($6.85)[a]	6.4
Gini index[a]	40.6
School enrollment, primary (% gross)[b]	105.5
Life expectancy at birth, years[b]	78.0
Total GHG emissions (mtCO2e)	37.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2022).

After experiencing a once-in-a-century drought in 2023, Uruguay's growth is projected to rebound to 3.2 percent in 2024, driven by agricultural exports. Cellulose production is also expected to increase as the new pulp mill reaches full capacity. Despite a 3.7 percent increase in average real wages in 2023, the lack of growth in sectors employing low-income workers has kept the poverty rate stable at 6.7 percent.

Key conditions and challenges

Uruguay has the highest income per capita and the largest share of the middle class in Latin America, but it faces challenges in accelerating growth. The economy grew 5.3 percent annually between 2003 and 2014 but then only 1 percent over 2014-2019, and 0.7 percent between 2019-2023. While the poverty rate is low at 6.7 percent (under the international poverty line of US$6.85 per day, 2017 PPP) compared to the rest of the region, poverty reduction has stalled. Income inequality, as measured by the Gini coefficient, rose slightly to 40.9 points in 2023.

The recent slowdown reflects a combination of exogenous factors, notably the severe drought that caused agricultural losses of nearly 3 percent of GDP in 2023, and structural challenges such as low productivity growth and gaps in human capital quality. Despite structural transformation, approximately 70 percent of exports still depend on natural resources. Limited competition and low trade integration have prevented faster diversification.

Some structural reforms have advanced. Important parametric pension reforms were enacted in May 2023, although Uruguayans will vote during the Presidential elections this October on whether to repeal its implementation. Reforms in education, including the introduction of a competency-based curriculum, have also begun to take shape. Decisive implementation of these and other reforms to reignite growth will be crucial to drive Uruguay's social progress.

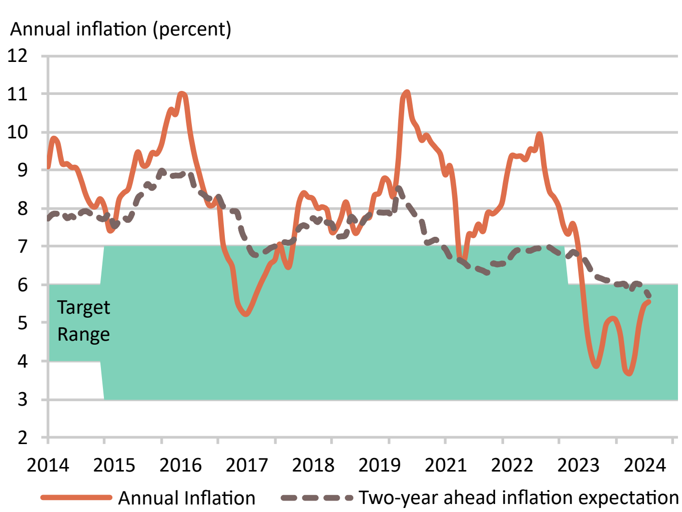
Recent developments

The economy continued to recover from the drought that began in late 2023. Real GDP grew 2.2 percent y-o-y in the first half of the year, driven by higher exports of soy, cellulose, beef, and hydropower. Fixed investment remained tepid, reducing growth by 0.5 percentage points, while the destocking associated with agriculture exports erased 2.4 percentage points from growth.

Labor demand increased as the economy recovered. The employment rate stood at 58.8 percent in July 2024, and unemployment was at 8.3 percent. The labor participation rate reached 64.2 percent, 1 percentage point (pp) above the previous year, and the highest since 2016. However, informality grew by 1.5 pp, reaching 21.7 percent nationally, with the northeastern departamentos showing an average increase of 5pp. This exacerbates existing regional disparities in poverty and access to good quality jobs.

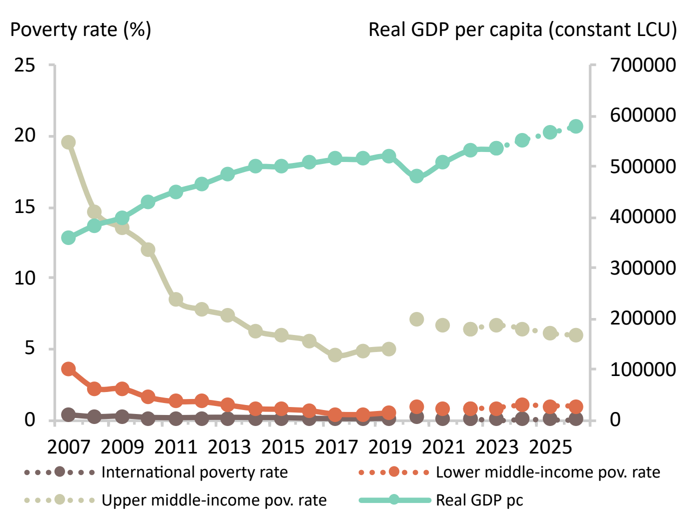
On a 4-quarter rolling sum basis, the seasonally adjusted current account deficit narrowed from an estimated 3.7 percent of GDP at the end of 2023 to an estimated 3.4 percent of estimated GDP in Q1 2024. This improvement mostly reflected a larger trade surplus

FIGURE 1 Uruguay / Annual inflation and inflation expectations



Source: Central Bank of Uruguay.

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



Source: World Bank. Notes: see Table 2.

in Q1 2024, driven by lower volumes of imported capital goods.

Headline inflation rose 5.6 percent y-o-y in August 2024, up from 5.4 percent in the previous month, as the prices of food and household items increased. However, both headline and core inflation remained within the Banco Central del Uruguay's (BCU) target range of 3 to 6 percent. After easing rates by a cumulative 275 basis points between April 2023 and April 2024, the BCU has held policy rates steady at 8.5 percent.

The non-financial public sector fiscal deficit reached an estimated 3.2 percent of GDP in the twelve months ending in July 2024, unchanged from the same period a year ago. In the first half of 2024, public revenues rose by 4.2 percent y-o-y in real terms, driven by higher transfers from public enterprises, while expenditures rose 5.8 percent over the same period, led by pensions. Gross public debt increased to 64.2 percent of GDP in 2023, partly reflecting the recapitalization of the central bank. Uruguay continues to enjoy the lowest sovereign spreads in the region.

Outlook

The economy is forecasted to rebound to 3.2 percent in 2024. Agricultural exports are expected to keep the post-drought momentum, while cellulose production is expected to increase as the new UPM-II pulp mill reaches full capacity. Growth is expected to stabilize around 2.6 percent in 2025-2026, converging towards potential. Private consumption is expected to remain robust as inflation pressures continue to abate, while fixed investment is projected to pick up as global financial conditions gradually improve.

Due to the faster-than-expected disinflation in 2023, the government expects deviations from the structural fiscal deficit and real primary spending cap of the fiscal rule in 2024, following four years of compliance. The fiscal deficit is expected to decline marginally to 3.1 percent of GDP this year as tax revenues rebound from the drought and relative price differences with Argentina normalize. By 2026, the fiscal deficit is projected to further decrease to 2.7 percent of GDP as consolidation efforts continue. Net indebtedness is expected to adhere to the legal ceiling, with public sector debt projected at 64-65 percent of GDP over the forecast period.

Average inflation is expected to subside in 2024 and remain within the target range over 2025-2026. Despite lower inflation, the poverty rate is projected to remain stable at 6.4 percent in 2024. Sectors that tend to employ low-skilled labor, such as construction and retail, have not shown steady improvements. Growth and labor demand in these sectors are key to improving income for the poor and vulnerable population.

The recovery may be constrained by weaker external demand, particularly from China, alongside commodity price volatility, heightened geopolitical tensions, and growing trade fragmentation. Additionally, Uruguay's high dollarization levels pose a risk in the face of a strong dollar and tighter-for-longer global financial conditions. While a transition to the La Niña phenomenon later this year is expected to be benign, unexpected extreme weather remains a risk.

TABLE 2 **Uruguay** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	5.6	4.7	0.4	3.2	2.6	2.6
Private consumption	3.2	5.7	3.6	3.7	3.3	3.3
Government consumption	5.2	2.5	-0.2	0.4	0.8	0.3
Gross fixed capital investment	19.3	11.8	-7.0	4.5	2.6	2.6
Exports, goods and services	13.5	9.8	0.7	4.7	4.0	4.0
Imports, goods and services	17.9	12.4	6.0	5.0	4.5	4.5
Real GDP growth, at constant factor prices	5.3	4.5	0.4	3.2	2.6	2.6
Agriculture	12.6	-9.5	5.0	3.0	2.7	2.5
Industry	5.7	3.5	-3.8	3.0	1.8	1.8
Services	4.5	6.2	1.1	3.3	2.9	2.8
Inflation (consumer price index)	7.7	9.1	5.9	5.5	5.9	5.6
Current account balance (% of GDP)	-2.5	-3.9	-3.8	-3.2	-2.9	-2.7
Net foreign direct investment inflow (% of GDP)	2.5	4.2	5.6	4.5	4.1	3.6
Fiscal balance (% of GDP)[a]	-3.1	-2.8	-3.2	-3.1	-2.9	-2.7
Revenues (% of GDP)	29.2	29.6	29.9	29.8	29.8	29.7
Debt (% of GDP)	62.4	62.0	64.2	64.3	64.4	64.5
Primary balance (% of GDP)[a]	-0.9	-0.6	-0.9	-0.8	-0.6	-0.5
International poverty rate ($2.15 in 2017 PPP)[b,c]	0.1	0.2	0.1	0.1	0.1	0.1
Lower middle-income poverty rate ($3.65 in 2017 PPP)[b,c]	0.8	0.8	0.9	1.0	1.0	1.0
Upper middle-income poverty rate ($6.85 in 2017 PPP)[b,c]	6.7	6.4	6.7	6.4	6.1	6.0
GHG emissions growth (mtCO2e)	8.8	1.3	0.4	1.8	1.7	1.9
Energy related GHG emissions (% of total)	21.3	22.6	22.3	23.1	23.9	24.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Non-Financial Public Sector. Excluding revenues associated with the "cincuentones".
b/ Calculations based on SEDLAC harmonization, using 2023-ECH. Actual data: 2022 and 2023 (Preliminary). Nowcast: 2024. Forecasts are from 2025 to 2026.
c/ Projections using microsimulation methodology.

Middle East and North Africa

Annual Meetings 2024

Algeria
Bahrain
Djibouti
Egypt, Arab Republic
Iran, Islamic Republic
Iraq, Republic
Jordan
Kuwait
Lebanon
Libya
Morocco
Oman
Palestinian Territories
Qatar
Saudi Arabia
Syrian Arab Republic
Tunisia
United Arab Emirates
Yemen, Republic

ALGERIA

Table 1	2023
Population, million	45.6
GDP, current US$ billion	239.9
GDP per capita, current US$	5260.2
National poverty rate[a]	5.5
International poverty rate ($2.15)[a]	0.5
Lower middle-income poverty rate ($3.65)[a]	4.0
Gini index[a]	27.6
School enrollment, primary (% gross)[b]	108.8
Life expectancy at birth, years[b]	77.1
Total GHG emissions (mtCO2e)	286.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2011).
b/ WDI for School enrollment (2023); Life expectancy (2022).

Algeria's growth remained dynamic, and inflation decelerated in early 2024, amid OPEC quota reductions but resilient agricultural output, higher public spending, and strong investment. Declining oil and gas exports and revenues and higher public spending on wages, pension, and subsidies are expected to increase pressures on the fiscal and external balances. Continued modernization of the public sector, improvements to the business environment, and digitalization are critical to diversify the economy and promote more private sector investment and jobs.

Key conditions and challenges

Algeria's economy is driven by the oil and gas sector and public sector spending. Oil and natural gas accounted for 14 percent of GDP, 86 percent of exports, and 47 percent of budget revenues between 2019 and 2023.

Following the pandemic-induced recession in 2020, Algeria's economy recovered rapidly, and economic output surpassed its pre-pandemic level by 2022 helped by surging hydrocarbon prices and higher European demand for Algerian gas. The current account deficit turned into a surplus and the fiscal deficit narrowed in 2022, but they both started to deteriorate in 2023 amid declining global oil and gas prices, OPEC quota cuts, larger imports, and higher public spending.

Significant improvements in living standards, education, and health took place prior to the pandemic and inequality is relatively low, but estimated poverty remains high for Algeria's level of development. The government responded to high inflation in 2021-2023 and to persistent unemployment challenges by increasing public sector wages and pensions, introducing unemployment benefits, as well as expanding food subsidies.

Since the pandemic, the government has also adopted policies to boost export diversification, private investment, digitalization, and financial sector development. Over the past two years, the Algerian authorities notably enacted an Investment Law (2022), a Banking and Monetary Law (2023), and a law to ease access to land for investors (2023). Deepening these reforms is critical to renew Algeria's growth and jobs strategy towards a more private sector-led economic diversification model.

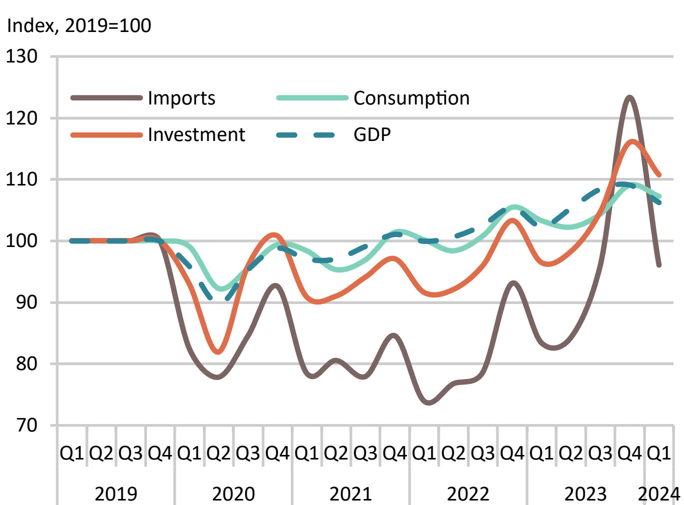
Recent developments

Economic activity remained robust in Q1-2024 (+3.8 percent y-o-y), as broad-based growth in the non-extractive sectors compensated for OPEC-mandated crude oil production cuts. Strong private consumption growth (+4.2 percent y-o-y) pulled the services sector (+ 4.3 percent y-o-y). Industrial growth was more moderate because the demand from stronger investment (+14.8 percent y-o-y) was largely met through imports.

Satellite data suggest that non-hydrocarbon growth remained robust in Q2-2024 and that agricultural output growth was stable as more rainfall in the Eastern regions compensated for a drier season in the West.

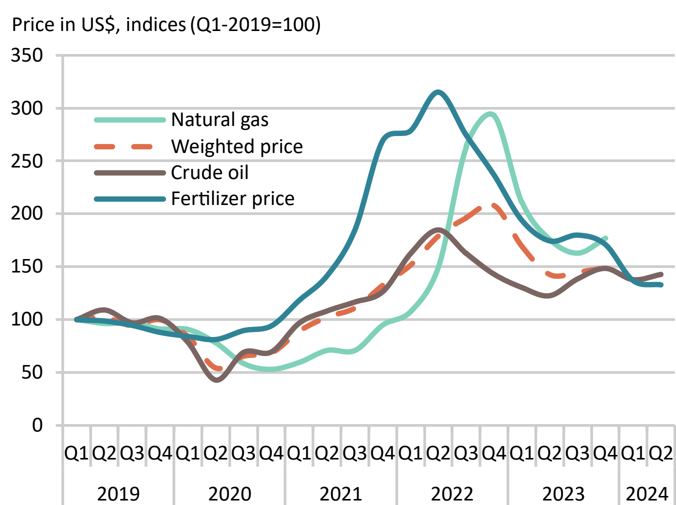
The trade surplus decreased from US$6.3 billion in H1-2023 (2.8 percent of 2023 GDP) to US$3.4 billion in H1-2024 (1.5 percent of 2023 GDP), as hydrocarbon prices and exports moderated, and imports continued to rebound. The higher imports were driven by machinery, equipment, and vehicles as investment grew and some car import restrictions were temporarily removed. The estimated current account

FIGURE 1 Algeria / Real GDP and selected components, indices (2019=100)



Sources: Algerian authorities and World Bank staff estimates.

FIGURE 2 Algeria / Hydrocarbon and fertilizer export prices



Sources: Algerian authorities and World Bank staff estimates.

was nearly balanced in H1-2024 down from a surplus of US$2.4 billion a year earlier. Official reserves as of end-2023 stood at 16 months of imports.

After reaching 5.2 percent of GDP in 2023, the budget deficit is expected to widen in 2024, driven by lower hydrocarbon revenues, higher public investment, and the third and last wave of public sector wage increases. Public debt remains relatively low and is almost completely domestically owned with long-term maturities and low interest rates.

Inflation decelerated to 4.1 percent over H1-2024, down from 9.3 percent in 2022 and 2023, driven by stabilizing fresh food prices, moderating import prices, and a stable exchange rate. As in many comparable countries, lower inflation—particularly in food prices—has likely improved household purchasing power, especially for the most vulnerable. Money supply growth decelerated through 2023 and H1-2024 while credit growth remained moderate. The Central Bank has kept its key interest rate unchanged at 3 percent since May 2020 and increased the reserve requirements slightly in April 2023.

Outlook

GDP growth is expected to moderate in 2024 driven by lower oil production in line with Algeria's OPEC quota and despite higher public spending. It would accelerate in 2025 as agricultural output fully recovers, non-hydrocarbon dynamism continues, and oil production rebounds.

The current account balance is expected to post a modest deficit in 2024 and widen in 2025-2026 due to moderating oil prices, and higher imports driven by investment.

After widening in 2024 due to lower hydrocarbon receipts, higher investment, and current spending, the budget deficit would stabilize in 2025 and narrow somewhat in 2026, in line with the consolidation plan in the medium-term budget framework. The public debt-to-GDP ratio would stabilize in 2024 as the government uses hydrocarbon savings to finance the deficit but then increase to 59 percent of GDP by 2026 as they are exhausted.

Hydrocarbon price and market fluctuations represent the most important risk for Algeria's macroeconomic prospects. Recent drought episodes and forest fires also underscore Algeria's vulnerability to climate change. Accelerating structural reforms to improve the business environment and diversify the economy are critical to spur more private sector-led growth and job creation. Though hard to quantify without data, such policies would likely reduce poverty and vulnerability, both estimated to be relatively high for the country's income level.

TABLE 2 Algeria / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	3.8	3.6	4.1	3.1	3.8	3.3
Private consumption	1.6	3.5	3.8	3.6	3.4	3.2
Government consumption	1.2	2.8	2.6	2.4	2.2	2.0
Gross fixed capital investment	0.4	2.6	8.4	7.0	5.8	5.2
Exports, goods and services	11.5	0.2	3.1	-2.8	2.5	1.2
Imports, goods and services	-4.5	-0.2	19.4	4.9	4.2	3.9
Real GDP growth, at constant factor prices	4.3	3.8	3.8	3.1	3.8	3.3
Agriculture	-2.2	5.2	2.8	2.7	3.0	2.6
Industry	10.3	2.9	3.6	2.5	4.1	3.4
Services	1.9	4.1	4.2	3.7	3.8	3.3
Inflation (consumer price index)	7.2	9.3	9.3	4.0	4.9	4.4
Current account balance (% of GDP)	-2.4	8.6	2.3	-1.2	-3.1	-4.2
Fiscal balance (% of GDP)	-6.3	-3.0	-5.2	-9.8	-9.9	-8.7
Revenues (% of GDP)	26.2	29.7	32.9	29.9	28.4	27.4
Debt (% of GDP)	55.2	48.1	49.2	49.5	55.2	58.9
Primary balance (% of GDP)	-5.7	-1.8	-3.9	-8.6	-8.6	-7.3
GHG emissions growth (mtCO2e)	3.1	2.3	2.6	2.1	2.7	2.4
Energy related GHG emissions (% of total)	52.9	54.0	55.1	56.1	57.1	58.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

BAHRAIN

Table 1	2023
Population, million	1.5
GDP, current US$ billion	46.1
GDP per capita, current US$	31019.6
School enrollment, primary (% gross)[a]	92.3
Life expectancy at birth, years[a]	79.2
Total GHG emissions (mtCO2e)	59.8

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2022).

Diversification efforts are well underway, with a robust performance of the non-hydrocarbon sector. Sustained fiscal reforms have helped improving fiscal and current account balances in 2024, yet Bahrain continues to face fiscal challenges, notably the elevated debt levels and gross financing needs. Under current commodity price projections, additional consolidation measures are needed to ensure a sustainable fiscal position over the medium term. Downside risks to the outlook include oil market volatility, climate change risks, and the impact of heightened geopolitical tensions.

Key conditions and challenges

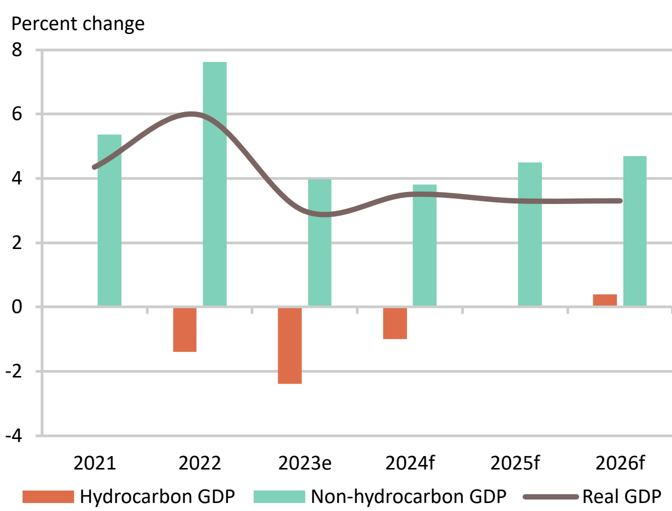
Despite the limited oil wealth, Bahrain has one of the most diversified economies in the GCC region, led by construction and manufacturing activities, and robust services sector. The non-oil sector remains the driving force of the economy. The four-year (2023-26) government plan prioritizes several objectives that aim to raise standards of living, improve infrastructure, and accelerate digital transformation, among others. On the fiscal side, efforts under the Fiscal Balance Program (FBP) have focused on revenue mobilization, in addition to controlling government spending. Key reforms include the doubling of VAT rate to 10 percent in 2022, and most recently the adoption in September 2024 of the domestic minimum top-up tax (DMTT) to levy a minimum 15 percent rate of tax on the profits of multinational enterprises with global revenue exceeding €750 (US$828 million), effective January 1, 2025. The new law marks a significant milestone, with Bahrain being the first Gulf Cooperation Council (GCC) country to legislate the implementation of a DMTT in line with its commitment to the OECD/G20's Inclusive Framework on BEPS 2.0 project. Efforts are also underway to address labor market frictions, supported by the National Labor Market Plan approved in 2023, aiming at encouraging employment in the private sector and reducing public sector fiscal pressures. The national energy strategy, adopted in November 2023, supports the Kingdom's sustainability goals and aims for a 30 percent reduction in emissions by 2035 and net-zero emissions by 2060 while ensuring reliable and affordable access to energy.

However, fiscal challenges remain as public debt stays stubbornly high and the reserves low, highlighting the remaining fiscal and external vulnerabilities over the medium term. Absent additional fiscal reforms and amid expected low commodity prices and monetary tightening, fiscal and external accounts will remain under pressure. Lack of reporting high frequency data regarding the fiscal stance is another challenge considering its importance for macroeconomic monitoring and transparency. More ambitious fiscal reforms would boost external buffers and ensure an adequate level of reserves to support the exchange rate peg. Climate challenges, including the depletion of underground water resources as the only natural water source, amid, rising population and high consumption patterns, could have serious long-term growth implications.

Recent developments

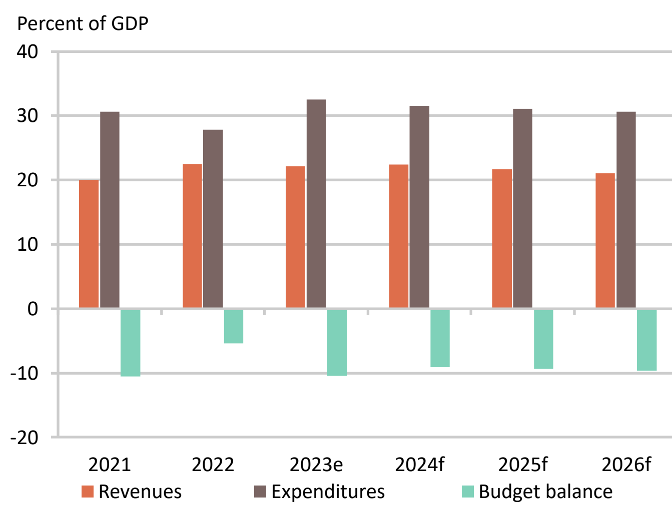
Having moderated to 3 percent last year amid tighter financial conditions and negative oil sector growth, preliminary data reveals that the economy grew by 3.3 percent y-o-y in Q1-2024. Oil sector picked up by 3.4 percent y-o-y supported by the return online of the offshore Abu Safah oil field. Non-oil sector maintained its

FIGURE 1 Bahrain / Real annual GDP growth



Sources: Bahrain authorities and World Bank staff estimates.

FIGURE 2 Bahrain / General government operations



Sources: Bahrain authorities and World Bank projections.

strong expansion, growing by 3.3 percent and driven by ongoing diversification efforts. Services, manufacturing, government services, and construction, are the largest contributors to overall growth. Inflation remains contained at 1.2 percent in H1-2024, despite a slight acceleration owing to higher food prices.

Official fiscal data for 2024 have not been released yet. However, the fiscal deficit is estimated to slightly narrow in 2024, amid fiscal consolidation efforts.

Despite higher imports in Q1-2024, the current account balance posted a surplus of US$0.6 billion (4.9 percent of GDP), reflecting higher oil and non-oil exports (up by 14.2 and 2.8 percent y-o-y), respectively. In addition, the value of non-oil exports (national origin excluding re-exports) increased by 4 percent in July 2024 y-o-y. This helped boosting official reserves which reached US$4 billion in Q1-2024—an increase of US$476 million compared to Q1-2023.

Employment increased by about 1.4 percent in 2023 relative to 2022 and is projected to continue increasing at roughly the same rate in 2024, according to ILO estimates. Employment growth continues to be twice as fast among women compared to men, possibly thanks to the Riyadat program aimed at providing access to financing for Bahraini women entrepreneurs to grow their businesses. The unemployment rate is expected to decrease to around 1.1 percent in 2024, with the rate among women estimated at 3.7 percent and among men at 0.4 percent. Young women ages 15-24 continue to face more challenges in securing a job relative to young men: the unemployment rate is projected at 12.3 percent among young women and at 2.6 percent among young men.

Outlook

Bahrain's economic outlook hangs on oil prospects developments and accelerated implementation of structural reforms. Growth is estimated to pick up to 3.5 percent in 2024 largely driven by a diverse range of non-oil activity. The hydrocarbon sector is expected to witness a marginal improvement in 2024 attributed to higher oil production in Abu Safah oilfield. A stronger expansion of 3.8 percent in the non-oil sector is underpinned by tourism and the service sectors, in addition to the continuation of infrastructure projects. Growth is expected to moderate, hovering around 3 percent in the medium-term, impacted by the still elevated interest rates and fiscal consolidation. Inflation is estimated to remain low at 1.3 percent in 2024 and to converge to less than 2 percent in the medium term on strong domestic demand, but the positive impact of tighter monetary policy in line with the currency peg to the U.S. dollar will contain a higher price surge.

Limited spending growth under the FBP and higher oil revenues are expected to result in a lower fiscal deficit of 9 percent of GDP in 2024, down from over 10 percent of GDP in 2023, while achieving fiscal balance would likely require higher oil prices. Non-hydrocarbon revenues are expected to increase in 2025-26 along with the implementation of the newly announced corporate tax and the expanding capacity of Sitra oil refinery. However, declining oil prices and high interest burden will continue to pressure fiscal balances and public debt in 2025-26.

The current account surplus is forecast to expand to over 7 percent of GDP in 2024, helped by higher oil export prices, but would narrow down during 2025-26, in line with the oil price outlook. This will boost foreign reserves and strengthen resilience against future external shocks.

Key downside risks to the outlook stem from oil price volatility and elevated spending which could undermine ongoing fiscal consolidation, and lead to higher external financing costs. Pressing ahead with climate mitigation is crucial to address climate risks and the needed energy transition. Spillover from escalating conflict in the Middle East could undermine investor confidence, disrupt trade, and impede growth. However, more ambitious fiscal reforms to boost external buffers and support the exchange rate peg, higher oil prices and a stronger than expected payoff from economic reforms are key upside risks.

TABLE 2 Bahrain / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	4.4	6.0	3.0	3.5	3.3	3.3
Private consumption	5.8	6.9	4.9	5.1	5.3	4.1
Government consumption	7.0	2.1	7.3	4.4	4.1	3.5
Gross fixed capital investment	-3.3	18.7	2.1	4.1	5.0	5.5
Exports, goods and services	29.5	9.2	-9.1	-6.0	4.2	4.2
Imports, goods and services	15.2	11.9	2.6	2.4	3.1	2.7
Real GDP growth, at constant factor prices	4.2	4.5	3.0	3.5	3.3	3.3
Agriculture	7.2	4.4	4.7	2.2	3.1	2.8
Industry	3.9	1.7	-0.4	2.4	3.9	4.1
Services	4.5	6.7	5.4	4.3	2.8	2.8
Inflation (consumer price index)	-0.6	3.6	0.1	1.3	1.5	2.0
Current account balance (% of GDP)	6.4	14.6	5.9	7.3	6.7	5.5
Net foreign direct investment inflow (% of GDP)	-4.2	0.0	-12.4	-2.6	-2.7	-2.7
Fiscal balance (% of GDP)	-10.6	-5.4	-10.4	-9.1	-9.4	-9.6
Revenues (% of GDP)	20.1	22.5	22.1	22.4	21.6	21.0
Debt (% of GDP)	127.0	117.4	123.2	128.4	130.0	130.9
Primary balance (% of GDP)	-6.0	-1.2	-4.1	-4.5	-4.5	-4.9
GHG emissions growth (mtCO2e)	1.7	4.9	2.9	3.9	4.3	3.1
Energy related GHG emissions (% of total)	59.4	60.1	60.2	60.5	60.9	60.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

DJIBOUTI

Table 1	2023
Population, million	1.1
GDP, current US$ billion	4.1
GDP per capita, current US$	3606.4
International poverty rate ($2.15)[a]	19.1
Lower middle-income poverty rate ($3.65)[a]	43.8
National poverty rate[a]	21.1
Gini index[a]	41.6
School enrollment, primary (% gross)[b]	64.4
Life expectancy at birth, years[b]	62.9
Total GHG emissions (mtCO2e)	1.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2017), 2017 PPPs.
b/ Most recent WDI value (2022).

Djibouti's economic activity showed modest improvement in 2024H1, leading to an upward revision of real GDP growth to 5.9 percent in 2024—0.8 percentage points higher than in the spring forecast. This improvement in economic activity and growth in real GDP per capita are expected to contribute to a reduction in poverty. Risks to the outlook are skewed to the downside, with heightened chances of a hard landing. Real GDP growth is projected to 5.1 percent in 2025-26, supported by increased transshipment as Ethiopia's imports rise.

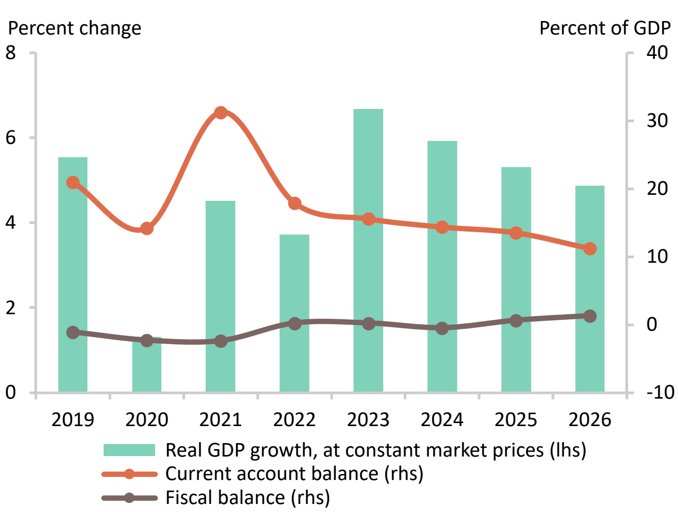
Key conditions and challenges

Despite experiencing rapid economic growth over the past decade, Djibouti continues to grapple with macro-social challenges. Economic growth, averaged over 6.2 percent annually from 2011-19, largely driven by substantial investments (largely debt-financed) in transport and port infrastructure. However, this growth, fueled by increasingly costly borrowing, has heightened debt vulnerabilities, constraining fiscal space for critical social spending. High electricity costs continue to hamper private sector development, while weak economic fundamentals, including limited TFP, remain a significant concern for long-term growth. Human capital remains low. A large proportion of the population is poor: in 2017, 19.1 and 43.8 percent lived on less than the international poverty thresholds of $2.15 and $3.65 per person per day (in 2017 PPP), respectively. Djibouti is among the most unequal countries in the region (Gini of 41.6). This reflects regional disparities with significantly higher poverty and poorer access to basic services outside of the urban core as well as disparities in living standards within the capital city. Relative to its small population size, Djibouti hosts a large number of migrants, displaced, and undocumented people. The labor market is marked by low participation, high unemployment, and a small formal private sector. Overlapping crises including the COVID-19 pandemic, conflict in Ethiopia, and the Russian invasion of Ukraine worsened economic and fiscal pressures. These events triggered trade disruptions, financial instability, and commodity price fluctuations, rendering the country's debt unsustainable. While Djibouti aims to leverage its strategic location at the entrance of the Red Sea to emerge as a major transport and logistics hub, it faces considerable hurdles in achieving this goal amidst the current economic pressures. The economy's heavy reliance on imports makes it vulnerable to global price volatility. Additionally, the government's fuel subsidy strains public finances without effectively addressing poverty, as the benefits are mainly enjoyed by wealthier households. The Red Sea disruptions have led to a surge in transshipment services, straining the port's capacity.

Recent developments

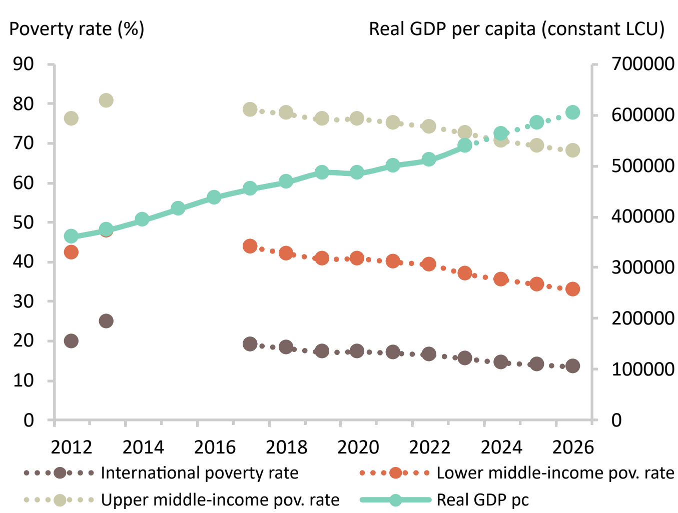
Djibouti's economic activity regained strength in 2024H1, mainly thanks to a significant increase in port activity, particularly container traffic. The port's activity grew by an impressive 70.3 percent year-on-year during this period, due to the growing transshipment sector. This growth reflects the strategic shifts in regional shipping patterns, as shipping companies increasingly opted to continue avoiding the conflict zones in the Red Sea. Energy production also experienced a substantial 17 percent y-o-y increase in 2024Q1, reflecting a significant boost in output. In contrast, the construction sector

FIGURE 1 Djibouti / Real GDP growth, fiscal, and current account balances



Sources: Government of Djibouti and World Bank staff projections.

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



Source: World Bank. Notes: see Table 2.

contracted by 10 percent in the same period, mainly due to disruptions in the supply chain. The rise in freight costs—soaring to US$4,500 per trip in June 2024, up from US$1,400 a year earlier amid the ongoing Red Sea crisis—contributed to domestic price increases in 2024H1. CPI inflation rose by 3.2 percent, y-o-y, in the first half of 2024, driven by higher food prices (3.6 percent) and energy costs (3.2 percent). The international poverty rate (living on below US$2.15/person/day in 2017 PPP) is estimated to have declined from 19.1 percent in 2017 to around 15.5 percent in 2023 thanks to continued economic growth. Similarly, poverty at the lower-middle-income threshold is also estimated to have fallen, from 43.8 percent in 2017 to around 36.9 percent in 2023, but this poverty level remains high. These positive trends are expected to continue into 2024. On the fiscal front, limited domestic resource mobilization coupled with the ongoing developments in the Djibouti Duty-Free Zone (DDID FTZ), in which the government holds a stake, have further strained fiscal buffers in the first half of 2024. These factors have contributed to keeping public debt at a high level. As of March 31, 2024, public debt remains above 63 percent of GDP, with 76.1 percent of this debt attributable to state-owned enterprises (SOEs). As of December 2023, Djibouti's debt arrears totaled US$311.34 million (7.74 percent of GDP). While the country secured a temporary moratorium on debt servicing from Exim Bank of China, negotiations with India are ongoing, and discussions with the Paris Club remain on hold. External sector developments were mixed in 2024H1. The trade balance registered a deficit of 2.3 percent, driven by a rise in imports related to ongoing major developments in the DDID FTZ. However, net foreign exchange reserves remained strong, covering four months of projected imports.

Outlook

The medium-term outlook remains cautiously optimistic. Real GDP growth is now projected to reach 5.9 percent in 2024, a 0.8 percentage point increase from the spring forecast. This upward revision reflects stronger growth in transshipment activities and expectations of increased Ethiopian demand following the IMF's approval of a new funded program for Ethiopia in July. Growth is expected to moderate to 5.1 percent in 2025-26, supported by export earnings from logistics and re-exports to Ethiopia. Inflation is projected to rise to 3.0 percent in 2024 due to higher freight costs, before easing to an average of 1.7 percent in 2025-26 as global prices stabilize. Poverty in 2024 is estimated at 14.5 percent (international poverty line) and 35.5 percent (lower middle-income poverty line), subject to substantial risks given the high public debt and ongoing regional tensions. Debt-restructuring agreements expected by late 2024 will allow for fiscal consolidation, with the fiscal balance moving from a deficit of 0.5 percent of GDP in 2024 to a surplus of 1.0 percent in 2025-26. Public debt is projected to decrease to 58.4 percent of GDP by 2026 as external financing remains limited, while the robust implementation of the new public finance reforms strategy is expected to enhance fiscal sustainability. The current account is expected to maintain a surplus, at 14.4 percent of GDP in 2024 and 12.4 percent in 2025-26, as IMF and World Bank funding to Ethiopia is likely to restore some degree of financial stability to the country, boosting Ethiopian imports through Djibouti.

Risks to the outlook are tilted to the downside and include potential escalations in Red Sea tensions, an influx of refugees, and delays in implementing macro-fiscal reforms. Additionally, shifts in regional trade—particularly if Ethiopia redirects imports through Somaliland's Berbera port—and the normalization of the Red Sea shipping corridor could divert traffic to alternative routes or competing ports.

TABLE 2 Djibouti / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	4.5	3.7	6.7	5.9	5.3	4.9
Private consumption	9.6	-0.6	4.4	4.4	5.0	5.5
Government consumption	-2.5	-14.3	8.1	3.3	1.7	4.4
Gross fixed capital investment	4.9	2.7	12.4	7.9	6.8	7.1
Exports, goods and services	29.5	-12.5	8.4	7.4	8.0	8.0
Imports, goods and services	18.2	-6.2	10.4	8.0	9.0	10.0
Real GDP growth, at constant factor prices	4.1	4.0	6.7	5.9	5.3	4.9
Agriculture	16.5	-0.5	5.9	5.9	5.9	5.9
Industry	11.4	7.2	10.0	9.7	9.2	8.7
Services	2.5	3.4	6.0	5.1	4.4	3.9
Inflation (consumer price index)	1.5	5.1	1.4	3.0	1.8	1.5
Current account balance (% of GDP)	31.2	17.9	15.6	14.4	13.5	11.2
Fiscal balance (% of GDP)	-2.4	0.2	0.2	-0.5	0.6	1.3
Revenues (% of GDP)	20.1	19.1	19.1	19.1	19.5	20.1
Debt (% of GDP)	71.3	66.5	69.4	63.8	59.9	58.4
Primary balance (% of GDP)	-2.2	1.0	1.0	0.2	0.9	1.0
International poverty rate ($2.15 in 2017 PPP)[a,b]	16.9	16.5	15.5	14.5	14.0	13.5
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	39.9	39.1	36.9	35.5	34.1	32.8
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	75.2	74.2	72.5	70.6	69.3	67.9
GHG emissions growth (mtCO2e)	4.5	0.2	0.3	0.2	0.3	0.4
Energy related GHG emissions (% of total)	21.5	20.8	20.5	19.6	18.7	17.9

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-EDAM. Actual data: 2017. Nowcast: 2018-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2017) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

ARAB REPUBLIC OF EGYPT

Table 1	2023
Population, million[a]	112.7
GDP, current US$ billion	395.9
GDP per capita, current US$	3512.6
Lower middle-income poverty rate ($3.65)[b]	17.6
National poverty rate[b]	29.7
Gini index[b]	31.9
School enrollment, primary (% gross)[c]	91.6
Life expectancy at birth, years[c]	70.2
Total GHG emissions (mtCO2e)	310.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ Reflects the UN data.
b/ Most recent value (2019), 2017 PPPs.
c/ Most recent WDI value (2022).

With the ongoing macroeconomic adjustment, growth is projected to recover to 3.5 percent in FY25 from an estimated 2.5 percent in FY24. Inflation remains in double digits with disproportionate implications for the poor. External financing provides near-term relief. Ensuring long-term stability (notably through wider fiscal consolidation, consistent with external sector sustainability) remains crucial to addressing human development needs, social protection, and enabling private activity for better growth, jobs, and exports.

Key conditions and challenges

Amidst rising geopolitical tensions, Egypt is pursuing macroeconomic stabilization and structural reforms, underpinned by the IMF Extended Fund Facility (EFF), large-scale UAE investment deal in Ras El-hekma, and development partners' financing including the World Bank and the European Union. Sovereign ratings and market sentiment have started to improve, contributing to a rebound of portfolio inflows, remittances, and gradually recovering non-oil private sector activity.

Notwithstanding the monetary tightening and exchange rate adjustment of March 2024 that helped ease the two-year-long foreign currency crisis, the escalation of the Middle East conflict continues to impact foreign income sources, especially the Suez Canal revenues. Scarring effects of the longstanding challenges that intersected with global shocks continue to manifest in key sectors. Notably, electricity generation and supply suffer from legacy energy sector inefficiencies, delayed price adjustments, as well as domestic gas production shortfalls (partly) due to the foreign currency arrears to International Oil Companies (IOC) accumulated over the past two years. Similarly, shortages in medicines persist, as the domestic pharmaceuticals sector grapples with the spike in costs and price controls. More broadly, productivity growth remains sluggish, reflecting ongoing business environment constraints.

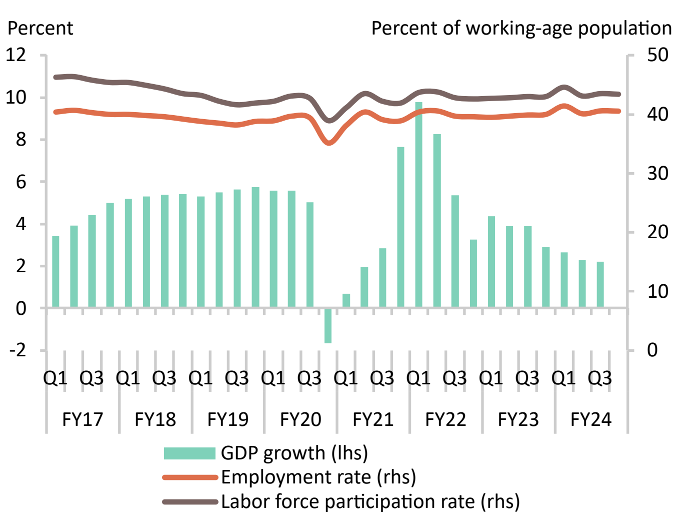
Poverty is expected to have increased substantially from the last officially reported poverty rate of 29.7 percent in 2019 at the national poverty line, due to the inflation spike over the past two years. Measured by the international poverty line for lower middle-income countries ($3.65/day in 2017 PPP), the poverty rate is estimated to have increased to 23.5 percent in 2024; about 4 percentage-points higher than its estimated level in 2022.

Key factors to unlock productivity growth, exports, and job-creation include: (i) Reorienting the role of the state as an enabler of private activity. This is critical for fiscal and external sustainability, and to reverse the trend favoring non-tradables; (ii) creating a conducive business environment; and (iii) addressing human development needs.

Recent developments

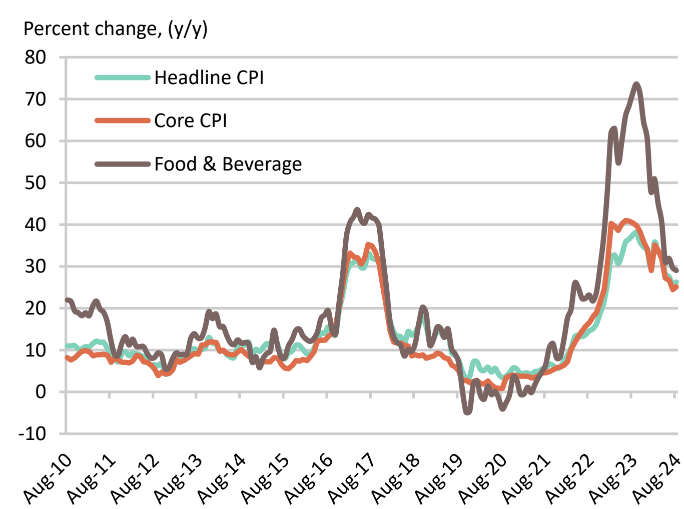
Growth declined to a projected 2.5 percent in FY24 (July 2023-June 2024) from 3.8 percent in FY23. The Industrial Production Index points to improved growth in recent months, although shockwaves from the Middle East conflict, as well as the scarring effects of the March 2022—2024 foreign exchange crisis, continue to soften the nascent recovery. Despite the recent drop in unemployment to 6.5 percent in Q4-FY24 (compared to 7 percent in Q4-FY23), labor market indicators reflect key challenges, including low quality job-creation and below-potential female labor force participation (15.9 percent in Q4-FY24).

FIGURE 1 Arab Republic of Egypt / Real GDP growth, employment and labor force participation rates



Sources: World Bank estimates based on Central Agency for Public Mobilization and Statistics (CAPMAS) and Ministry of Planning, Economic Development and International Cooperation (MoPEDIC).

FIGURE 2 Arab Republic of Egypt / Inflation rates



Sources: Central Bank of Egypt (CBE) and CAPMAS.

After averaging 33.6 percent in FY24 (from 24.1 percent in FY23), headline urban inflation declined somewhat but remained high at 26.2 percent in August 2024. Food inflation (54.7 percent in FY24), as well as revisions to administered prices—including energy tariffs, transport, and quadrupling the price of subsidized bread—are especially constraining the purchasing powers, notably among the poor, which thus underscores the importance of well-targeted social assistance. The CBE continues to tighten monetary policy through deposit auctions. With policy rates at 27.25 percent and 28.25 percent for overnight deposit and lending transactions, respectively (1,900 bps above the levels prevailing prior to March 2022), real interest rates turned positive in July 2024 for the first time in over two years.

External account buffers improved with the inflows received in March–July 2024. Of these, US$14.1 billion was used to replenish reserves, and the rest was used to repay debt, clear import backlogs, and start repaying arrears to IOC. As such, official (Tier 1) reserves and other foreign currency assets (Tier 2 reserves) jointly reached a historical high of US$59.4 billion at end-July 2024. The banking system's net foreign assets position surged into a surplus (LE626.6 billion or US$13.1 billion at end-June 2024). It however recently witnessed a downtick; affected by the outflows with the temporary turbulence in global financial markets and the flare up of the Middle East conflict.

The budget deficit declined sharply to an estimated 3.6 percent of GDP in FY24, from 6.0 percent of GDP in FY23, due to the one-off US$12 billion that was recorded as government revenues (half the fresh inflows from Ras Elhekma investments deposited in the CBE, with an equivalent amount transferred to the Treasury). This one-off transaction overcompensated for the increase in interest payments, estimated at 9.8 percent of GDP in FY24 (54.4 percent of government revenues).

Outlook

Growth is expected to start a gradual recovery—to 3.5 percent and 4.2 percent in FY25 and FY26, respectively—driven by favorable base effects, as well as investment, notably that financed by the UAE deal, in addition to improved private consumption with the gradually abating inflation and projected pickup in remittances, although the latter may be moderated by the decline in international oil prices (as Egypt's diaspora is largely in the GCC).

The budget deficit is forecast to widen to 7.0 percent of GDP in FY25, mainly due to the higher interest payments and the vanishing impact of the (one-off) Ras Elhekma transaction, before starting to decline thereafter, supported by fiscal consolidation stemming from declining energy subsidies (due to tariff adjustments and the decline in international oil prices), as well as improving revenues. Off-budget borrowing is expected to be contained following the Prime Ministerial Decree capping public investments.

The government debt-to-GDP ratio is projected to reach 94.5 percent and 91.6 percent at end-FY24 and end-FY25, respectively.

External financing requirements remain substantial, but the financing gap is expected to be closed in the short-term. Principal external debt maturing during July-December 2024 is estimated at around US$20 billion and IOC arrears are estimated at US$5 billion. Further, the widened current account deficit may put pressure on foreign currency resources, if the Middle East conflict continues to cast a shadow on the economy.

Meanwhile, soft per capita growth and still high inflation constrain poverty-reduction; emphasizing the importance of growth-enhancing reforms and advancing the human capital agenda.

TABLE 2 Arab Republic of Egypt / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	3.3	6.6	3.8	2.5	3.5	4.2
Private consumption	6.2	2.8	3.8	4.6	4.8	4.5
Government consumption	3.4	4.9	-2.8	3.3	3.0	2.5
Gross fixed capital investment	-3.2	18.5	-21.7	-11.9	6.5	9.7
Exports, goods and services	-13.9	57.4	31.4	7.0	13.5	11.5
Imports, goods and services	0.5	24.3	1.1	0.5	19.5	13.7
Real GDP growth, at constant factor prices	2.0	6.2	3.6	2.5	3.5	4.2
Agriculture	3.8	4.0	4.1	4.4	4.0	4.0
Industry	-1.2	6.9	-0.6	-2.2	2.0	4.0
Services	3.7	6.2	6.2	4.9	4.2	4.4
Inflation (consumer price index)	4.5	8.5	24.1	33.6	17.2	13.6
Current account balance (% of GDP)	-4.3	-3.5	-1.2	-5.3	-3.9	-4.3
Net foreign direct investment inflow (% of GDP)	1.1	1.8	2.5	11.7	2.8	2.3
Fiscal balance (% of GDP)	-7.1	-6.2	-6.0	-3.6	-7.0	-6.9
Revenues (% of GDP)	16.6	17.2	15.4	18.0	16.0	16.4
Debt (% of GDP)	87.9	88.3	95.2	94.5	91.6	87.0
External government debt (% of GDP)	19.0	19.5	25.1	29.6	28.3	25.3
Primary balance (% of GDP)	1.4	1.3	1.6	6.2	4.0	3.2
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	19.9	19.7	21.9	23.5	23.4	23.2
GHG emissions growth (mtCO2e)	2.3	1.9	0.9	0.4	0.8	1.4
Energy related GHG emissions (% of total)	63.3	63.3	63.8	64.4	66.1	67.6

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 2010-HIECS, 2015-HIECS, and 2019-HIECS. Actual data: 2019. Nowcast: 2020-2023. Forecasts are from 2024 to 2026.
b/ Projection using annualized elasticity (2010-2015) with pass-through = 0.02 based on GDP per capita in constant LCU. Poverty estimates for 2020, 2023, and 2024 are based on microsimulations of the impacts of Covid, high inflation, and government mitigating measures.

IRAN, ISLAMIC REPUBLIC

Table 1	2023
Population, million	89.2
GDP, current US$ billion	478.4
GDP per capita, current US$	5364.7
Upper middle-income poverty rate ($6.85)[a]	21.9
Gini index[a]	34.8
School enrollment, primary (% gross)[b]	104.5
Life expectancy at birth, years[b]	74.6
Total GHG emissions (mtCO2e)	991.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ WDI for School enrollment (2020); Life expectancy (2022).

Economic growth is moderating after the rebound in the oil sector in 2023, but recent growth in the non-oil sector has reduced unemployment to a record low and tighter monetary policy has aided a deceleration in inflation. The outlook remains subject to significant risks, including a potential expansion of the conflict in the Middle East, global oil demand weakening, and the impact of climate change.

Key conditions and challenges

Iran's economy is on track to grow for the fifth consecutive year, buoyed by the recovery in the oil sector and the positive spillover to the rest of the economy. However, oil GDP growth has started to slow in 2024/25 (the Iranian calendar year ending March 20) with easing global demand. Despite a recent acceleration, non-oil growth also remains constrained in the medium term due to economic sanctions and consecutive years of stagnating capital stock. The labor market is recovering, but challenges persist, with only 37.9 percent of the working-age population employed and just 12.1 percent of women in the workforce in 2023/24. A gradually aging population and human capital flight pose additional constraints to economic growth and fiscal stability.

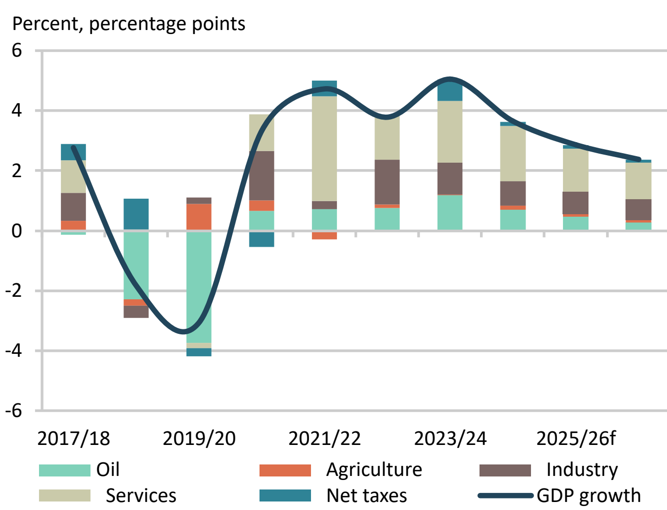
Discretionary fiscal policy, including via cash transfers, has supported vulnerable households and a consumption-led growth but has also added to the budget deficit and exacerbated inflation and procyclical fiscal policy. These fiscal pressures have prompted plans for a contractionary budget in 2024/25.

A comprehensive and well-sequenced package of reforms is needed to put the economy on a more sustainable path. Reforms need to prioritize the urgent challenge of energy and water shortages through a combination of demand and supply management such as upgrading to energy-efficient machinery and transportation vehicles, reducing electricity loss in the distribution network, water-efficient irrigation, and transition to a more resilient crop mix. Energy and water price rationalization, complemented by adequate social protection measures would also help reduce wasteful consumption and moderate the growing supply-demand mismatch. Reducing the structural fiscal deficit through rightsizing and improved targeting of transfers can help reverse the inflationary cycle and free up fiscal space for pro-growth expenditures. In the medium term, structural reforms aimed at improving the business environment by minimizing price interventions and other market distortions can help foster private sector growth, incentivize investment, and create jobs.

Recent developments

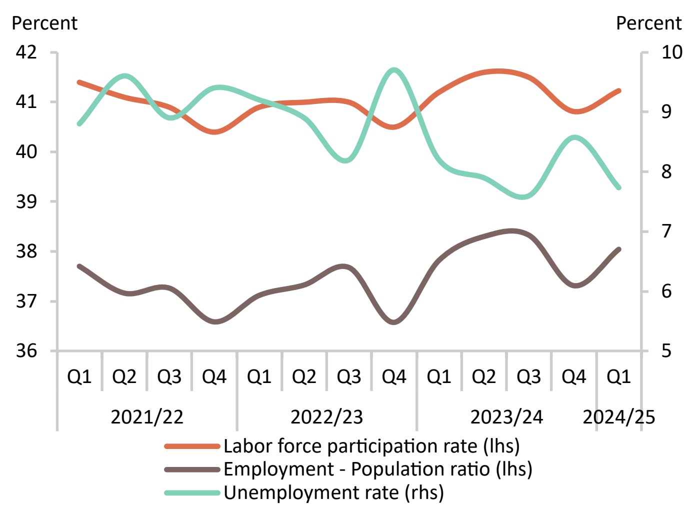
In 2023/24, GDP growth accelerated to 5 percent, driven by the oil sector and services. Oil GDP surged by 14.7 percent due to tighter global oil markets and improved crude oil export volumes, partly facilitated through price discounts. The non-oil sector grew by 3.6 percent, led by services. Economic activity has continued upward in 2024/25 with employment increasing by 1.8 percent in Q1-24/25 (April-June) year-over-year (Y-o-Y). While employment growth helped reduce unemployment to 7.7 percent, more jobs are needed to boost labor force participation, which remained low at 41.2 percent, with only 14.3 percent of working age women participating in the workforce.

FIGURE 1 Islamic Republic of Iran / Real GDP growth and supply-side contributions to real GDP growth



Sources: Central Bank of Iran and World Bank staff calculations.

FIGURE 2 Islamic Republic of Iran / Selected labor market indicators



Sources: Statistical Center of Iran and World Bank staff calculations.

Inflation decelerated in the first five months of 2024/25 (5M-24/25) with headline and core inflation reaching 31.6 percent and 34.7 percent (Y-o-Y) in August 2024, respectively, down by 23.9 and 12.2 percentage points from the recent peak in April 2023. Price pressures eased due to lower global commodity prices, moderating inflationary expectations, and tighter monetary policy, including restrictions on the growth in banks' balance sheets, stricter reserve requirements for riskier banks, and higher interbank interest rates.

Government finances in 2023/24 were constrained as oil revenues fell short of planned targets. Despite the realization of planned tax revenues, the budget deficit increased by 0.6 percentage points (Y-o-Y) to an estimated 3.4 percent of GDP. This deficit was further exacerbated by significant off-budget expenditures, including cash transfers from the Targeted Subsidies Program. The 2024/25 budget law adopts a more prudent fiscal stance with restrained expenditure growth and conservative revenue projections. As budget expenditures are expected to grow by 21 percent in nominal terms, which is below the anticipated inflation rate, this seems to signal contractionary policy.

Lower export prices and rising imports led to an almost halving of the current account surplus to US$6.3 billion or 1.6 percent of GDP in 9M-23/24. External account pressures were further exacerbated by a capital account deficit of US$15.3 billion, marking the seventh consecutive year of net capital outflows. Trade dynamics improved in 5M-24/25 (April-August 2024), with non-oil exports and imports growing by 10 percent and 5.5 percent (Y-o-Y), respectively, leading to a 13 percent reduction in the non-oil trade deficit.

Outlook

GDP growth is projected to moderate in the medium term. Growth in 2024/25 is expected to ease due to tighter fiscal and monetary policy and the transitory effect of the oil-based rebound in 2023/24, influenced by global demand slowdown. Non-oil growth is forecast to be constrained by ongoing sanctions, energy shortages, and economic uncertainty. Extreme weather events and water scarcity will impact the agriculture sector, disproportionately affecting the poor. The current account balance is forecast to moderate in line with a projected decline in oil prices in 2025/26 and 2026/27. Inflation is expected to decelerate but remain elevated, adversely impacting low-income households. Tighter monetary policy is also expected to weigh on real sector growth, given that 90 percent of firms rely on the banking system for financing.

Several downside risks to the economic outlook are present, including geopolitical tensions. More severe water and energy shortages, in part due to climate change, would weigh on growth and livelihoods. Further sanctions and their stricter enforcement could disrupt trade and reignite inflationary pressures. A global slowdown, notably in China—Iran's key trading partner—would also negatively impact trade and growth. On the upside, significant sanctions relief or a favorable interim agreement as part of the nuclear negotiations could spur a new growth momentum and curtail economic uncertainties.

The pace of poverty reduction is projected to slow considerably as the bottom 20 percent of households are expected to benefit the least from the recent economic expansion. Poverty is projected to decrease only slightly, from 21.9 percent in 2022/23 to 20 percent in 2023/24 and 19 percent in 2024/25. Poor households are disproportionally rural, un-educated and female-headed, and historically have not benefited from periods of economic expansion. More narrowly targeted assistance, coupled with measures to reduce their vulnerability, would help accelerate poverty reduction.

TABLE 2 Islamic Republic of Iran / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021/22	2022/23	2023/24	2024/25e	2025/26f	2026/27f
Real GDP growth, at constant market prices	4.7	3.8	5.0	3.7	2.9	2.4
Private consumption	3.9	8.7	4.1	3.1	2.5	2.1
Government consumption	8.3	-3.6	-1.7	-0.2	1.7	2.0
Gross fixed capital investment	0.0	6.7	7.2	5.8	5.0	4.2
Exports, goods and services	5.2	8.2	17.1	7.9	4.2	3.1
Imports, goods and services	24.1	7.5	3.0	2.8	3.0	3.0
Real GDP growth, at constant factor prices	4.4	4.0	4.5	3.7	2.9	2.4
Agriculture	-2.6	1.1	0.2	1.3	1.1	0.8
Industry	3.2	7.4	7.1	4.7	3.7	3.0
Services	6.5	2.7	3.8	3.4	2.7	2.3
Inflation (consumer price index)	46.2	46.5	52.3	31.9	30.0	28.0
Current account balance (% of GDP)	3.1	3.4	2.0	1.2	1.0	0.8
Fiscal balance (% of GDP)	-3.2	-2.8	-3.4	-2.1	-2.5	-2.6
Revenues (% of GDP)	11.0	11.0	10.4	10.7	10.7	10.8
Gross public debt (% of GDP)	42.4	30.1	29.5	30.1	31.5	33.6
Primary balance (% of GDP)	-2.6	-2.4	-3.0	-1.7	-2.1	-2.1
International poverty rate ($2.15 in 2017 PPP)[a,b]	0.7	0.5	0.4	0.4	0.4	0.3
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	5.0	3.8	3.3	3.1	2.9	2.8
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	24.8	21.9	20.0	19.0	18.2	17.6
GHG emissions growth (mtCO2e)	4.8	1.7	2.5	1.9	1.7	1.7
Energy related GHG emissions (% of total)	68.0	67.8	67.9	67.6	67.2	66.7

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 2019-HEIS and 2022-HEIS. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.
b/ Projection using annualized elasticity (2019-2022) with pass-through = 0.7 based on GDP per capita in constant LCU.

REPUBLIC OF IRAQ

Table 1	2023
Population, million	45.5
GDP, current US$ billion	250.8
GDP per capita, current US$	5512.5
Lower middle-income poverty rate ($3.65)[a]	2.4
Upper middle-income poverty rate ($6.85)[a]	24.7
National poverty rate[a]	18.9
Gini index[a]	29.5
School enrollment, primary (% gross)[b]	103.7
Life expectancy at birth, years[b]	71.3
Total GHG emissions (mtCO2e)	246.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2012), 2017 PPPs.
b/ Most recent WDI value (2022).

As the economy is stagnating due to extended OPEC+ production quotas, an expansionary fiscal stance and strong imports are expected to transform the surpluses of fiscal and external accounts into deficits. Recent large infrastructure projects could help overcome some growth bottlenecks. Risks to the outlook have increased with heightened tensions in the Middle East which are exacerbated by the economy's overreliance on oil.

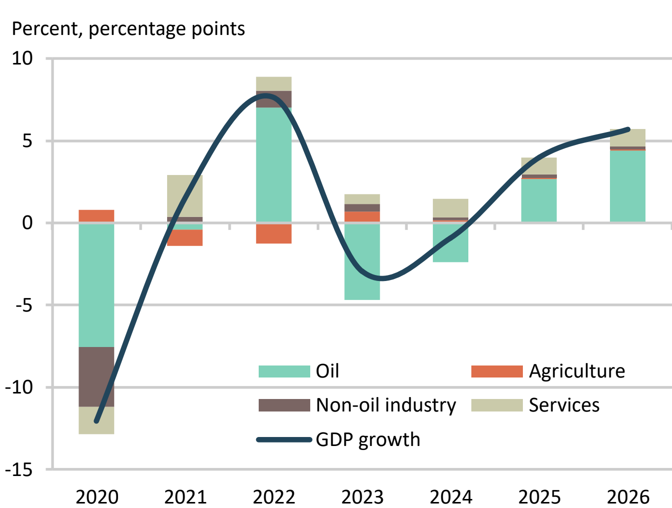
Key conditions and challenges

Iraq's oil-dependent economy is contracting for a second consecutive year due to constrained crude oil production. The contraction in GDP reflects the OPEC+ production agreement from June 2024 that extends initial production cuts until end-2025 and prolongs additional voluntary cuts of 2.2 mbpd by selected countries, including Iraq, until end-November 2024. Oil exports through the oil pipeline in the Kurdistan Region of Iraq have further remained on hold since late March 2023. Expansionary fiscal policy has buoyed non-oil sector activity which has partially offset the contraction in the oil sector. Looser fiscal policy and dependence on volatile oil revenue have raised vulnerabilities to external shocks, amid the risks of spillover from the recent conflict in the Middle East. The 2024 budget law introduces further fiscal easing while the high wage bill and large social transfers of the 2023-2025 budget law have been maintained; this increases fiscal risks and exposure to oil sector developments. The lack of automatic adjustment mechanisms, such as fiscal rules, exposes public finances and the economy to significant fluctuations. The potential spillovers from a widening conflict in the Middle East could worsen preexisting security and welfare vulnerabilities. Implementing deeper reforms would be key for economic diversification and addressing structural challenges. A series of recent infrastructure projects in the energy and transport sectors can help create jobs, address key growth bottlenecks, and lay the foundations for a more diversified economy. By anchoring these projects in a well-designed medium-term plan, such as elaboration in the National Development Plan (2024-2029) with prioritization, coordination, and accurate budgeting, these projects can achieve more optimal outcomes. Implementation can also be improved with greater oversight mechanisms to ensure minimizing inefficiencies. Crucially, these measures need to be further complemented with policy reforms in key areas including the harmonization of the pension system, rightsizing the wage bill, improving targeting of social transfers, and policies that enable women to participate in the labor force. Banking sector reforms to improve credit intermediation and streamlining legal and administrative procedures for business registration and operations would create a more enabling business environment for private sector-led growth and much needed jobs.

Recent developments

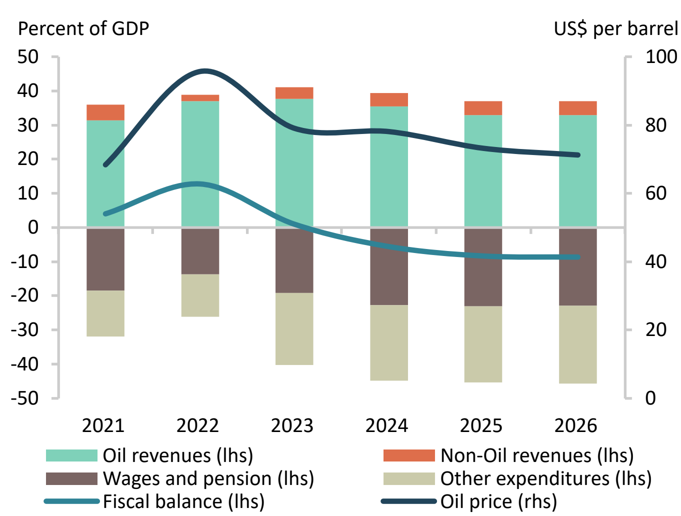
The oil-driven GDP contraction of 2023 has started to moderate in 2024. New OPEC+ production agreements, including Iraq's voluntary cuts and the halting of oil exports from the northern oil pipeline led GDP and oil GDP to contract by 2.9 percent and 7.7 percent, respectively, in 2023. The 5.6 percent y/y bounce back in the non-oil sector partly offset the full impact

FIGURE 1 Republic of Iraq / Real GDP growth and supply-side contributions to real GDP growth



Sources: Iraq's Authority of Statistics and Geographic Information Systems (ASGIS), Central Bank of Iraq, and World Bank staff calculations.

FIGURE 2 Republic of Iraq / Fiscal account outlook



Sources: Ministry of Finance, Ministry of Oil, and World Bank staff calculations.

of the oil sector-induced contraction but was driven by public services growth and improved agricultural production. These growth dynamics have continued into the first quarter of 2024 (Q1-24) where real GDP contracted by 2.4 percent year-on-year (y/y). Inflationary pressures have eased due to lower international food prices, an upward revaluation of the dinar in February 2023, and tighter monetary policy. Recent Central Bank of Iraq (CBI) measures, including raising the policy rate by 3.5 percentage points to 7.5 percent, helped curb inflationary pressures. As a result, headline and core inflation have eased to 2 and 2.4 percent y/y, respectively, in the first half of 2024 (H1-24). Securing FX supply and improved due diligence in CBI auctions helped reduce the gap between the official rate to 13 percent in June 2024 (from over 23 percent in November 2023); the gap, however, remains elevated compared to pre-November 2023 levels. Fluctuations in food prices, driven by global supply-chain and climate shocks, highlight the importance of maintaining nutritional adequacy and eliminating poverty. Higher revenues resulted in a fiscal surplus in H1-24 while rising imports pushed the current account into a deficit. Government revenues, 89 percent coming from oil revenues, increased by 21.4 percent y/y in H1-24 due to higher oil prices and marginally higher export volumes. Efforts on customs automation and streamlining tax procedure have contributed to a 22 percent y/y rise in tax revenues until early August 2024, a significant improvement in non-oil revenue mobilization. Total expenditures rose by 20.3 percent y/y but remained significantly below the planned target. As a result, the fiscal account recorded a surplus of 3.6 percent of GDP (on a cash basis). The current account also registered a deficit of 0.6 percent of GDP in Q1-24 given a surge in imports following the fiscal expansion. These trade dynamics reversed the recent accumulation in official reserves, although reserves have remained sizeable at US$98.5 billion or 10.7 months of imports in Q1-24.

Outlook

Economic prospects in the medium-term are expected to be closely intertwined with global oil demand dynamics and the government's discretionary fiscal policy stance. Over 2024-2026, real GDP growth is expected to recover to an average of 2.9 percent, driven by the oil sector and under the assumption of compliance with the September 2024 OPEC+ agreement in September 2024 until end-2025, and growing production capacity in 2026. Non-oil GDP is forecast to ease with the moderation in government expenditure growth and other growth bottlenecks. Inflation is expected to remain in check partly due to subsidized imports. Even at substantially lower execution relative to the planned budget, the fiscal easing is projected to lead to a widening fiscal deficit and an upward trend in the debt-to-GDP ratio. Rising imports are expected to push the current account to a sustained deficit over the medium term. The recovery in economic growth in tandem with increased fiscal pressures is not expected to translate into sustained poverty reduction and equitable outcomes. Disparities in resource distribution continue to persist, with poverty and limited access to services concentrated in rural and southern governorates of Iraq.

The country is gradually turning a corner from a legacy of fragility and recent conflict towards reconstruction and stability, while risks to the outlook remain. Domestically, the upcoming elections (planned for October 2025) could soften the drive for implementing reforms, while a return of political tensions and factionalism could set back ongoing infrastructure projects and the economy. Domestic revenue-sharing disputes between the federal government and the Kurdistan Regional Government (KRG) could destabilize the KRG economy and could put on hold collaboration on key issues including customs integration. External shocks such as the ongoing conflict in the Middle East and a sharper slowdown in the global economy and oil demand could significantly impact the economic outlook. Climate change shocks further pose significant risks to the agriculture sector and the rural poor.

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

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	-0.9	4.7	-2.9	-0.9	4.0	5.7
Private consumption	2.6	2.7	6.0	9.5	2.1	4.0
Government consumption	4.6	15.1	7.6	12.2	1.1	2.0
Gross fixed capital investment	32.2	3.3	13.8	6.8	3.6	4.0
Exports, goods and services	-15.0	7.2	-7.7	-4.1	4.8	7.8
Imports, goods and services	7.7	27.9	11.3	16.0	1.2	3.6
Real GDP growth, at constant factor prices	1.5	7.6	-2.9	-0.9	4.0	5.7
Agriculture	-20.6	-33.3	28.9	5.0	3.0	2.0
Industry	-0.1	12.7	-6.3	-3.4	4.6	7.3
Services	8.4	2.7	1.9	3.5	3.0	3.2
Inflation (consumer price index)	6.0	5.0	4.4	3.7	3.3	3.1
Current account balance (% of GDP)[a]	11.9	19.1	10.4	-1.5	-4.7	-5.3
Net foreign direct investment inflow (% of GDP)[a]	-1.3	-0.8	-2.3	-2.2	-2.2	-2.2
Fiscal balance (% of GDP)[a]	4.0	12.7	0.9	-5.6	-8.4	-8.7
Revenues (% of GDP)	35.9	38.9	41.1	39.3	37.1	37.0
Debt (% of GDP)[a]	58.0	39.5	45.5	50.4	57.3	62.9
Primary balance (% of GDP)[a]	4.4	13.2	1.8	-4.5	-7.0	-7.1
GHG emissions growth (mtCO2e)	2.0	-6.7	4.5	4.0	5.0	6.1
Energy related GHG emissions (% of total)	49.8	48.1	47.3	47.2	47.5	48.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Share of factor cost GDP.

JORDAN

Table 1	2023
Population, million	11.3
GDP, current US$ billion	51.0
GDP per capita, current US$	4502.0
National poverty rate[a]	15.7
School enrollment, primary (% gross)[b]	87.6
Life expectancy at birth, years[b]	74.2
Total GHG emissions (mtCO2e)	36.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2017/8).
b/ Most recent WDI value (2022).

Jordan has maintained macroeconomic stability despite regional turmoil. Growth slowed to 2.0 percent in the first quarter of 2024, while headline inflation averaged 1.7 percent over the first seven months. The fiscal deficit widened slightly due to higher interest payments and reduced tax revenue from imports and corporate income. Growth is projected to average 2.6 percent over the medium term. To reduce poverty and promote shared prosperity, Jordan needs to enhance productivity, foster investment, and encourage private sector-led and export-driven growth.

Key conditions and challenges

Prudent fiscal and monetary policies have allowed Jordan to maintain resilience and stability despite a volatile regional and external environment. From 1992 to 2003, Jordan's economy grew at an average annual rate of 5.1 percent, accelerating to 7.5 percent between 2004 and 2009. However, external shocks, including the collapse of oil prices, the war in Iraq, the Arab Spring, the Syrian conflict and subsequent refugee crisis, the COVID-19 pandemic, the repercussions of Russia's invasion of Ukraine, and the ongoing conflict in the Middle East, have adversely impacted the economy, leading to increased risks and logistical disruptions. These challenges, coupled with domestic constraints on investment and exports, have suppressed growth, with the economy expanding by only 2.2 percent between 2012 and 2022. In response, the government launched the Economic Modernization Vision (EMV) in 2022, aiming to improve economic performance, enhance quality of life, and strengthen government effectiveness and accountability.

Prolonged periods of low growth have adversely impacted job creation, straining the labor market where employment opportunities are scarce amid a rapidly growing population. The limited capacity of the private sector to generate jobs, combined with segmented labor markets, high levels of informality, and low labor productivity, in turn, suppresses the real income growth of households.

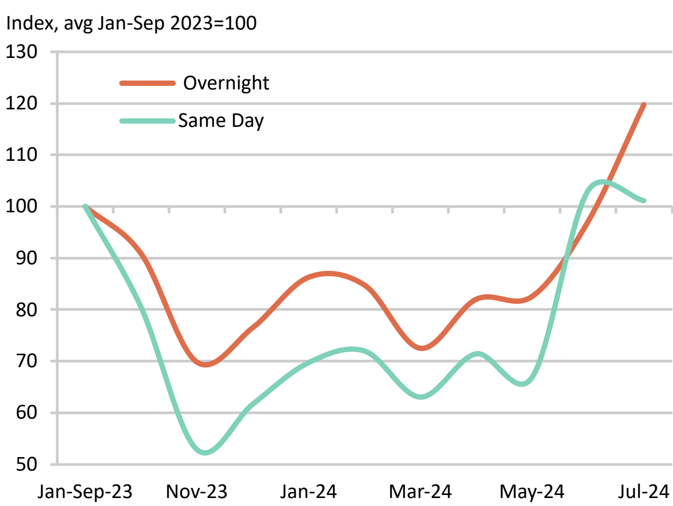
Jordan's limited natural resources, particularly water scarcity, present acute challenges, which have been exacerbated by a population that has doubled in the past 20 years including due to refugee influx. The Government of Jordan has begun implementing a multi-year plan to reduce water losses, expand water supply, and reform tariffs to address Jordan's high levels of non-revenue water losses, overconsumption, and to promote water sector efficiency and sustainability. Climate change is projected to further affect per capita water availability, leading to broader detrimental effects. The increasing frequency of natural hazards, coupled with concerns over food and energy security, underscores the urgent need to enhance domestic water, energy, and food security through key policy reforms.

According to estimates from 2017-2018, approximately one-third of Jordan's population is at risk of falling into poverty if exposed to adverse shocks. The refugee population remains particularly vulnerable, with the latest estimates from the World Bank and UNHCR indicating that the poverty rate among refugees has increased from 57 percent in 2021 to 67 percent in 2023.

Recent developments

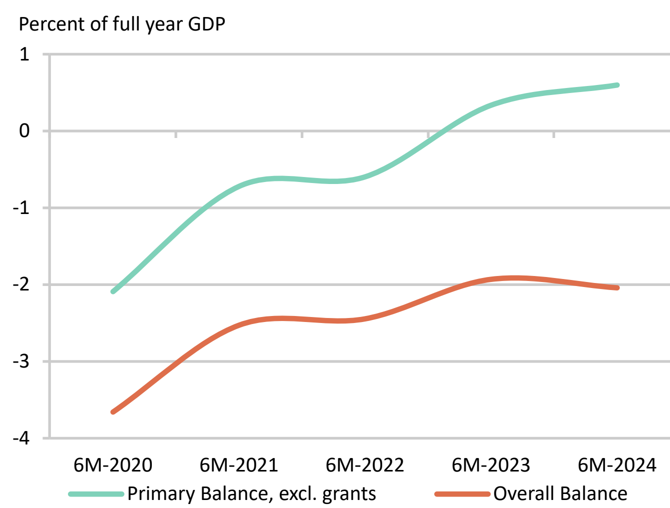
The impact on economic growth from the ongoing conflict in the Middle East has been relatively contained, with the

FIGURE 1 Jordan / Tourist arrivals have rebounded to pre-conflict average level



Sources: Ministry of Tourism and Antiquities and World Bank staff calculations.

FIGURE 2 Jordan / Fiscal consolidation slowed slightly in the first half of 2024, impacted by the conflict



Sources: Ministry of Finance and World Bank staff calculations.

economy expanding by 2.0 percent in the first quarter of 2024, down from 3.0 percent in the same quarter of 2023 and 2.3 percent in the fourth quarter of 2023. The slowdown was driven by reduced contributions from sectors more exposed to the conflict and trade disruptions in the Red Sea. Transport, communication, manufacturing, and tourism were particularly affected, with tourism experiencing a 7.2 percent annual decline in arrivals from October 2023 to July 2024. However, by July 2024, tourist arrivals recovered to pre-conflict levels, largely due to increased visitors from Gulf Cooperation Council countries.

Inflationary pressures eased in the first seven months of 2024, with headline inflation falling to 1.7 percent, from 2.7 percent in 2023. The Central Bank of Jordan maintained its policy rate at 7.25 percent, following a cumulative increase of 525 basis points since March 2022. The real effective exchange rate appreciated in the first five months of 2024, driven by the US dollar's strength.

Efforts to expand economic opportunities have shown results, albeit from a low base. The Department of Statistics reported that 34.1 percent of the working-age population was economically active in the Q1-2024, up from 33.1 percent during the same period last year. Women's labor force participation rose by almost two percentage points, from 13.7 percent to 15.5 percent, marking the first time that female participation has surpassed 15 percent since Q1-2019.

The central government's fiscal deficit widened by 10.3 percent year-on-year in the first half of 2024, driven by higher interest payments and lower tax revenues from imports and corporates income. The conflict's impact on trade through Aqaba port reduced tax collections, as the Government granted temporary exemptions on customs duties and sales taxes. However, stable primary expenditure and reduced capital spending led to the highest primary surplus (excluding grants) since 2008.

Outlook

The economy is expected to grow by 2.4 percent in 2024, with an average growth of 2.6 percent expected over the medium term. Inflation is projected to stay contained, supported by the lagged effects of monetary policy tightening, with annual headline inflation at 2.0 percent in 2024 and 2.1 percent in 2025, stabilizing at 2.4 percent thereafter.

Fiscal consolidation is anticipated to progress, with revenue-enhancing measures and potential monetary easing bolstering domestic revenues. The primary fiscal deficit is expected to narrow in 2024, shifting to a small surplus by 2025, although the overall deficit may widen due to elevated interest payments. Persistent fiscal pressures from the water and electricity sectors are likely to keep unconsolidated general government debt elevated in the short to medium term, while consolidated debt is projected to decrease due to surpluses in the Social Security Investment Fund. The government has also committed to expanding social protection through the National Aid Fund.

The current account deficit is expected to widen in 2024, driven by reduced tourism receipts and declining international phosphates prices, but it should gradually narrow as imports are contained and foreign tourist arrivals recover. The external sector outlook remains sensitive to the ongoing Middle East conflict, posing significant risks to Jordan's economy and adding uncertainty to an otherwise broadly positive outlook.

To reduce poverty and promote shared prosperity, focus should be on developing sectors that support inclusive, private sector-driven job creation. Investing in green infrastructure is crucial for securing water and energy resources while creating employment opportunities for high- and low-skilled workers. Maintaining macroeconomic stability and effective debt management is essential for sustainable growth and resilience. Additionally, a robust safety net is necessary to protect the poorest and most vulnerable populations from potential economic shocks.

TABLE 2 Jordan / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	3.7	2.6	2.7	2.4	2.6	2.6
Real GDP growth, at constant factor prices	3.7	3.0	2.9	2.4	2.7	2.7
Agriculture	6.6	3.9	5.9	3.8	2.4	2.4
Industry	2.7	4.4	3.5	3.0	2.5	2.4
Services	4.0	2.3	2.4	2.0	2.8	2.8
Inflation (consumer price index)	1.3	4.2	2.1	2.0	2.2	2.4
Current account balance (% of GDP)	-8.0	-7.8	-3.7	-4.8	-4.6	-4.3
Net foreign direct investment inflow (% of GDP)	1.3	2.6	1.5	1.4	1.6	1.9
Fiscal balance (% of GDP)[a]	-6.2	-5.6	-5.1	-5.3	-5.0	-4.6
Revenues (% of GDP)	24.7	25.7	25.3	25.9	26.2	26.5
Expenditures (% of GDP)[a]	30.9	31.4	30.4	31.2	31.2	31.1
Consolidated Debt (% of GDP)[b]	87.5	88.6	89.2	89.1	88.4	87.1
Unconsolidated Debt (% of GDP)[b]	108.8	111.2	113.8	113.9	114.9	115.0
Primary balance (% of GDP)[a]	-1.9	-1.5	-0.4	-0.1	0.4	0.9
GHG emissions growth (mtCO2e)	3.8	3.1	0.8	0.9	1.8	2.0
Energy related GHG emissions (% of total)	59.1	58.5	57.2	57.1	56.6	56.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Including the Adjustment on receivables and payables (use of cash) as per IMF Country Report No. 23/49.
b/ Consolidated debt coverage excludes the SSC's investment arm holdings. Projections indicate that SSC's financial surplus will gradually decline, turning into a deficit, causing the consolidated debt to converge to the unconsolidated debt over time.

KUWAIT

Table 1	2023
Population, million	4.3
GDP, current US$ billion	149.9
GDP per capita, current US$	34770.0
School enrollment, primary (% gross)[a]	101.9
Life expectancy at birth, years[a]	80.3
Total GHG emissions (mtCO2e)	155.0

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2015); Life expectancy (2022).

As one of the world's smallest yet richest countries, a comprehensive fiscal and economic reform is necessary to support sustainable growth and address structural challenges. With oil and gas comprising over 90 percent of exports and government revenue, Kuwait's economy is lagging in diversification and FDI attraction. A further moderation in economic activity is anticipated in 2024, with stabilization expected over the medium term. OPEC+ production cuts, weaker global conditions, and subdued domestic demand weigh on growth. Key risks to the outlook include global uncertainties, oil market volatility, and the ongoing political deliberations on critical reforms, where progress is anticipated as efforts toward resolution continue.

Key conditions and challenges

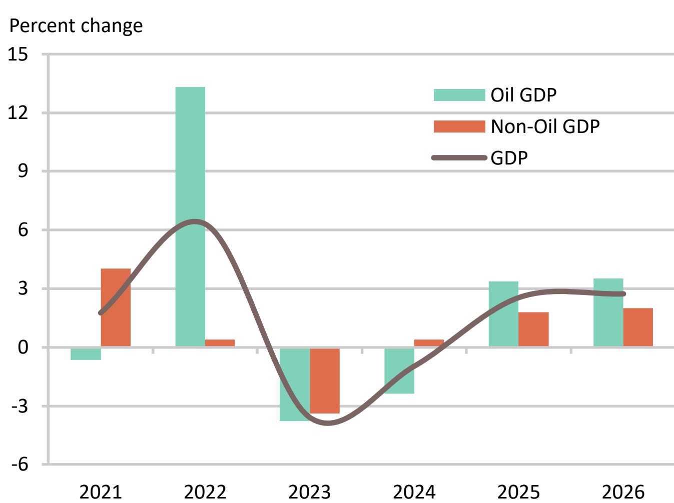
Kuwait's long-term economic outlook remains heavily reliant on hydrocarbon revenues. While the Kuwait Investment Authority's (KIA) substantial foreign assets safeguard macroeconomic stability, they are insufficient to fully mitigate the impact of global oil market volatility and the expected decline in long-term oil demand. Key challenges include the risks from fluctuating oil production and prices, potential global economic slowdown, and increasing climate-related shocks. Historically, frequent governmental changes and tensions between Kuwait's executive and legislative branches weighed on the investment environment and hindered the reform process. With the appointment of a new government in May 2024, resolving the political gridlock will be crucial for advancing economic diversification and reform efforts. Kuwait's government is navigating those challenges amid oil receipts fluctuations and increasing expenditures, with ongoing non-oil revenue generation playing a critical role. Prudent fiscal management remains crucial in navigating the uncertainties of the global economic environment, and in achieving a resilient and diversified economic structure. Environmental priorities, including water resource management and energy efficiency, are being addressed through investments in sustainable infrastructure and renewable energy. Although favorable oil receipts may provide short-term fiscal relief.

Recent developments

Economic activity contracted moderately, with GDP declining by 2.7 percent year-on-year in Q1-2024, following a 4.4 percent contraction in the previous quarter. The oil sector has further contracted by 9.8 percent year-on-year, compared to a 6.8 percent decline in Q4-2023, largely due to OPEC+ production cuts implemented in January 2024. In contrast, the non-oil sector demonstrated a robust rebound, growing at 4.7 percent in Q1-2024 after a contraction of 2.3 percent in the previous quarter driven by recoveries in key sectors such as manufacturing, transport, and services. The S&P Global Kuwait PMI indicates improvement in non-oil private-sector activities, reaching 52.2 in Q2-2024, up from an average of 50.8 in 2023, driven by increases in output and new orders.

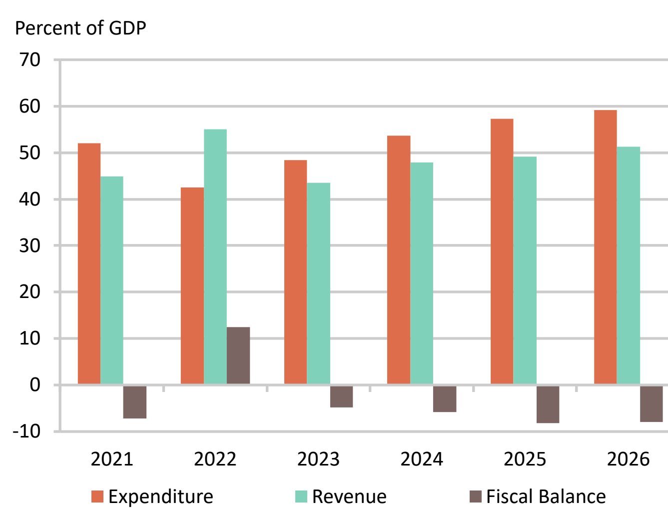
Oil revenue fluctuations also influenced the fiscal position, with the deficit reaching 1.56 billion dinars in March 2024 (12.6 percent of Q1 2024 GDP), highlighting the fiscal challenges linked to reduced oil receipts. Rising government expenditures across various sectors have also contributed to the deterioration. The reliance on oil revenues remains a key vulnerability in the fiscal framework, exposing it to external shocks. Proceeding with the introduction of a Value Added Tax (VAT), in line with GCC practices, alongside other fiscal measures, is essential to broadening

FIGURE 1 Kuwait / Annual real GDP growth



Sources: Kuwait CSB, IMF WEO, and World Bank staff estimates.

FIGURE 2 Kuwait / Public finances



Sources: World Bank and IMF WEO.
Notes: Exclude investment income and FGF transfers.

the revenue base and addressing current fiscal risks. Structural reforms, particularly in public financial management and private sector development, are crucial to reduce the dependence on hydrocarbons.

Inflationary pressures are easing to 2.8 percent In June 2024 down from 3.6 percent in 2023, reflecting the impact of tighter monetary policy. The deceleration is further supported by a slower pace of increases in food and housing prices, marking the lowest rate in the past three years.

Sound macroprudential policies and strong financial sector oversight by the Central Bank of Kuwait (CBK) have ensured continued financial stability. The CBK maintains a discount rate of 4.25 percent, ensuring financial sector stability through strong capital and liquidity buffers. Nonperforming loans remain low at 1.7 percent as of Q2 2024, reflecting sound banking sector fundamentals. Reserves remained at a comfortable level, equivalent to 4.6 months of imports as of Q1 2024.

The labor market posted a strong performance in 2023 relative to 2022: total employment increased by 9 percent, corresponding to a net addition of about 173,000 employed. The positive trends are driven by the employment of non-Kuwaiti nationals in the private sector which posted an employment growth by almost 17 percent. By contrast, Kuwaiti nationals were largely absorbed by the government sector, whereas their employment declined in the private sector, particularly among Kuwaiti women (-2.5 percent). The ILO projects a virtually stable employment-to-population ratio and unemployment rate in 2024 relative to 2023. The unemployment rate is projected at 2.1 percent overall, and at 0.9 percent among men and 5.8 percent among women. Youth are projected to face the highest unemployment rates at 9.1 percent among men ages 15-24 and 29.8 percent among their female counterparts.

The external sector continues to face pressures, with, the trade balance contracted by 12 percent year-on-year in Q1 2024. Consequently, the current account surplus continued to moderate, following its decline to 32.9 percent of GDP in the previous year. In contrast, refined fuel production is increasing, supported by the full commissioning of the Al-Zour refinery, which became fully operational in late 2023.

Outlook

In 2024, GDP is projected to contract by 1 percent, reflecting a 2.4 percent reduction in oil production due to extended OPEC+ output cuts, with a gradual phase-out expected after September. With the gradual recovery of oil output and stable external conditions, overall GDP is projected to grow by 2.5 percent in 2025 and 2.7 percent in 2026. The non-oil sector is expected to grow by 0.4 percent, underpinned by rising domestic demand and supported by infrastructure development and (assumed implementation of) structural reforms, while risks associated with power supply disruptions remain.

Inflation is projected to further moderate to an average of 3.1 percent in 2024 helped by continued monetary policy tightening. Monetary tightening is also expected to keep credit growth subdued, while the CBK's robust regulatory framework will safeguard financial stability and ensure the persistence of financial sector resilience within evolving global monetary conditions. Inflation is expected to moderate to an average of 3.1 percent in 2024, supported by prudent monetary policy measures and moderate further to 2.7 and 2.5 percent in 2025 and 2026 respectively. Credit growth is expected to remain subdued, reflecting these policies, while the CBK's strong regulatory framework will continue to uphold financial stability and reinforce the resilience of the financial sector amid shifting global monetary conditions.

The fiscal deficit is estimated to reach 5.8 percent of GDP in 2024 and continue to widen over the medium term as current policies lead to an expansionary fiscal stance. The reliance on oil as the primary revenue source challenges fiscal predictability. Targeted policies to diversify the economic base and increase non-oil revenues are essential for strengthening fiscal resilience. Long-term fiscal stability depends on the timely and effective implementation of these reforms to mitigate risks from oil price volatility.

In 2024, the current account surplus is projected to reach 21.6 percent of GDP, primarily affected by lower oil exports and is expected to further narrow to 17.8 percent of GDP by 2026. Oil production is expected to decline through the remainder of 2024 due to the extension of OPEC+ production cuts until end-September, but a recovery is anticipated from 2025 as these cuts are gradually lifted.

TABLE 2 Kuwait / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	1.8	6.3	-3.6	-1.0	2.5	2.7
Private consumption	3.2	1.8	1.1	1.8	2.5	2.4
Government consumption	2.9	3.9	1.2	1.5	2.4	2.5
Gross fixed capital investment	3.9	2.2	0.6	2.9	2.6	2.6
Exports, goods and services	2.2	12.0	-3.6	-2.5	2.9	3.0
Imports, goods and services	5.7	6.3	5.7	2.8	2.9	2.6
Real GDP growth, at constant factor prices	1.8	6.3	-3.6	-1.0	2.5	2.7
Agriculture	0.5	1.1	0.1	0.5	1.2	1.2
Industry	2.2	7.9	0.1	0.7	2.9	2.6
Services	1.4	4.2	-8.8	-3.6	2.1	3.0
Inflation (consumer price index)	3.4	4.0	3.6	3.1	2.7	2.5
Current account balance (% of GDP)	23.9	32.4	26.2	21.6	20.2	17.8
Fiscal balance (% of GDP)[a]	-7.2	12.5	-4.8	-5.8	-8.1	-7.9
GHG emissions growth (mtCO2e)	6.4	3.9	0.4	3.4	6.2	6.8
Energy related GHG emissions (% of total)	66.7	66.5	64.8	64.1	64.3	64.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Based on fiscal year cycle (April to March 31). Fiscal balances exclude investment income and FGF transfers.

LEBANON

Table 1	2023
Population, million	5.8
GDP, current US$ billion	20.1
GDP per capita, current US$	3477.7
National poverty rate[a]	27.4
Gini index[a]	31.8
Life expectancy at birth, years[b]	74.4
Total GHG emissions (mtCO2e)	23.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2011).
b/ Most recent WDI value (2022).

Since October 2023, and as a direct spillover of the conflict in the Middle East, military confrontation on the southern border with Israel has been escalating, adding strain to Lebanon's crisis-ridden economy. The conflict has damaged key sectors like tourism and agriculture, caused infrastructure destruction, and triggered a consumption shock from mass displacement, driving a GDP contraction of 0.8 percent in 2023. Before the significant escalation of conflict in September 2024, real GDP was projected to contract by 1 percent in 2024. The ongoing conflict is inflicting a heavy human toll and widespread destruction, leaving its impact on Lebanon's economy severe and uncertain.

Key conditions and challenges

Military confrontation between Lebanon and Israel has been steadily escalating in South Lebanon since October 2023, resulting in hundreds of deaths and thousands of injuries. By August 2024, 102,523 individuals were displaced from Southern Lebanon. Tens of thousands of households in South Lebanon have lost their livelihoods, and hundreds of houses have been destroyed amid massive destruction to local infrastructure.

The conflict has introduced another shock to Lebanon's already crisis-ridden economy. While the economic contraction was anticipated to bottom out in 2023, following five years of sustained sharp contraction totaling 34 percent of real GDP, the conflict and its spillovers have had negative knock-on effects on economic growth in 2023, continuing into 2024. The primary channel of impact in 2023 and 2024 H1 has been the fall in receipts from tourism services due to a sharp decrease in tourist arrivals, the main remaining pillar of economic growth. The prolonged economic contraction undermines Lebanon's prospects for economic recovery, amidst continued institutional and political paralysis, and lack of political will for reforms.

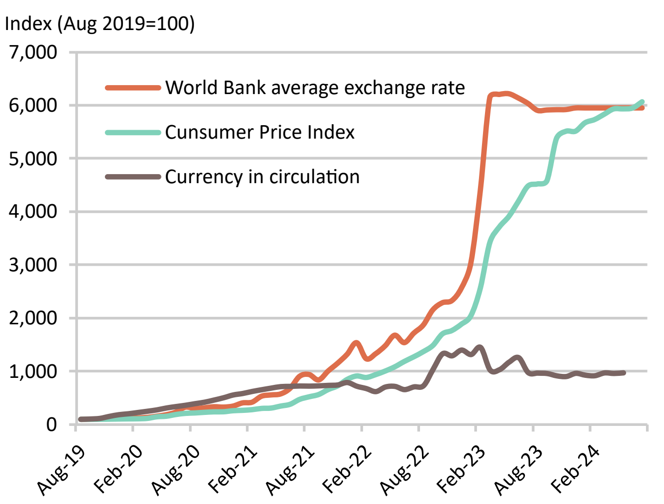
According to the 2024 Lebanon Poverty and Equity Assessment, monetary poverty among Lebanese households has tripled (from 11 percent in 2012 to 33 percent in 2022 across Akkar, Beirut, Bekaa, North Lebanon, and most of Mount Lebanon). The poverty gap—measuring how far the poor are below the poverty line—has also widened. Since 2019, rampant inflation and a depreciating currency have severely eroded purchasing power, leading to increased food insecurity and changing consumption habits. Income inequality has deepened, with wealthier households often shielded by dollarized incomes, while poorer families struggle to cope by cutting expenses, particularly on food, and relying on savings, borrowing, and external assistance.

Recent developments

The conflict has led to a substantive shock to tourism receipts in 2023 Q4, following nine months of an upward trajectory, driving an estimated economic contraction of 0.8 percent in 2023. The conflict has caused significant destruction and internal displacement from South Lebanon and El Nabatieh governorates, which have weighed on consumption and economic activity.

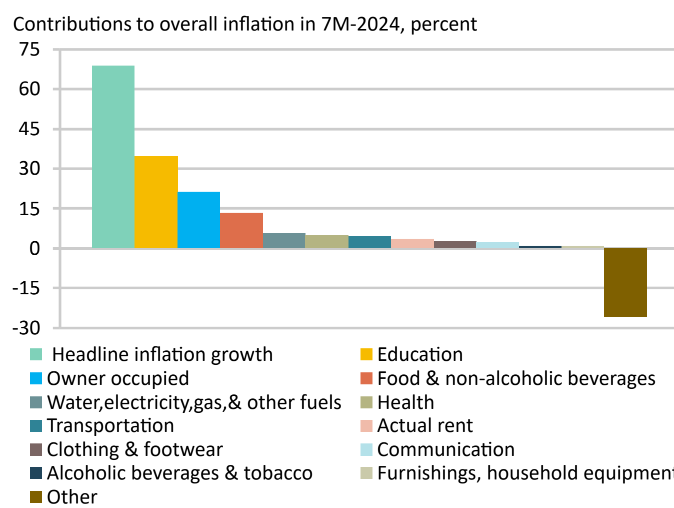
The fiscal surplus of 2023 is expected to extend into 2024. Increased revenues, resulting from the correction of exchange rate mis-valuations for customs and taxes, and expenditure restraints in part driven by the lack of a ratified budget in 2023, resulted in an estimated fiscal surplus of 0.5 percent in 2023, with revenues and expenditures at 13.7 percent and 13.2 percent of GDP, respectively. In addition, monetary financing of the budget has been halted since July 2023, further supporting the overall fiscal and primary surplus. The 2024

FIGURE 1 Lebanon / Exchange rate depreciation drives the surge in consumer prices



Sources: Lebanese authorities and World Bank staff calculations.

FIGURE 2 Lebanon / Inflation of basic items propelled overall inflation, hurting the poor and the middle class



Sources: Lebanese authorities and World Bank staff calculations.

government budget, ratified in February 2024, projected a zero fiscal balance with revenues and expenditures at 13.6 percent of GDP (based on World Bank GDP estimates for 2024). 2024 revenues are expected to exceed estimations of the ratified government budget and reach about 15 percent of GDP. This is in part due to better-than-expected tax collection rates in 2024 H1. As expenditures are expected to remain below collected revenues, a fiscal surplus (on a cash basis) of 0.2 percent is projected for 2024. However, the fiscal balance does not take into account past accumulated arrears (including overdue invoices from certain line ministries and public institutions, arrears owed to bilateral and multilateral organizations, and more recently Iraqi fuel import dues).

The Lebanese pound has been stable at 89,500 LBP/US$ since July 2023, following years of rapid depreciation. The stabilization of the exchange rate is primarily supported by higher fiscal revenue from taxes and fees in LBP cash. Increased fiscal revenues coupled with the lack of need for monetary financing of the budget, has led to a decrease in currency in circulation by 31.2 percent in 2023, easing exchange rate pressures. Furthermore, the termination of the Sayrafa platform, coupled with caps on spending by line ministries—despite such spending being below the (monthly) spending ceiling approved in the budget—and exchange rate operations of State-Owned Enterprises, curbed money supply and the demand for $US. Central bank gross reserves (liquid reserves) have increased by US$546 million in the first five months of 2024, reaching US$10.2 billion. The increase in liquid reserves has been primarily driven by the halt of the Sayrafa platform and monetary financing of the government budget since July 2023, and BdL purchases of US$ supply from foreign currency inflows.

Exchange rate stabilization since the second half of 2023 has driven a steady deceleration in monthly inflation. The acceleration of inflation to 221.3 percent in 2023, was primarily on account of the steep depreciation of the LBP in the first half of 2023. Since then, the exchange rate stabilization has led to a steady decrease in month-to-month inflation, to an average of 1.2 percent between August and December 2023 (excluding October which witnessed a six-fold increase in the education CPI component). Year-on-year inflation has also started to decelerate in 2024, registering a double-digit figure for the first time in March after recording triple-digit figures since July 2020; annualized inflation has decreased to 35.4 percent in July 2024.

Despite the ongoing economic crisis and sovereign default, Lebanon continued to post a significant current account (CA) deficit in 2023, driven primarily by a trade-in-goods deficit. Following a dramatic increase to 34.6 percent of GDP in 2022, the current account deficit slightly decreased to 28.1 percent of GDP in 2023. Although the trade-in-services balance remained positive, its contribution to reducing the current account deficit diminished due to the shock to tourism receipts in 2023 Q4. That being said, historically weak BOP data and the prevalence of a pervasive dollarized cash economy are likely to skew official estimates of hard currency inflows to Lebanon, potentially overstating the current account deficit.

Outlook

In 2024, the impact of the ongoing conflict has intensified, marked by escalating military confrontation, widespread destruction, displacement, and shocks to tourism and consumption. Before the significant escalation in September 2024, real GDP was projected to contract by 1 percent. However, this escalation, which has resulted in a severe human toll, further mass displacement, and substantial physical damage, is likely to drive a significantly steeper contraction that remains difficult to assess. As more components of the CPI basket become increasingly dollarized, and assuming exchange rate stability is maintained for the remainder of 2024, inflation is projected to decline to double digits, with an expected yearly average of 45 percent.

TABLE 2 **Lebanon** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e
Real GDP growth, at constant market prices	-7.0	-0.6	-0.8	-1.0
Private consumption	2.1	2.3	0.2	-0.6
Government consumption	-76.0	34.9	-18.4	16.6
Gross fixed capital investment	-67.6	-88.6	4.5	-31.6
Exports, goods and services	13.1	0.3	-1.1	-3.7
Imports, goods and services	-12.2	3.5	-0.3	-0.1
Real GDP growth, at constant factor prices	-5.3	-0.6	-0.8	-1.0
Agriculture	-7.1	-0.8	-0.2	-1.0
Industry	-6.9	-0.6	0.1	-1.0
Services	-4.9	-0.6	-1.0	-1.0
Inflation (consumer price index)	150.0	171.2	221.3	45.7
Current account balance (% of GDP)	-14.7	-34.6	-28.1	-20.0
Net foreign direct investment inflow (% of GDP)	8.5	2.2	2.9	1.2
Fiscal balance (% of GDP)	0.9	-2.9	0.5	0.2
Revenues (% of GDP)	7.5	6.1	13.7	15.0
Debt (% of GDP)	172.5	179.7	179.7	142.0
Primary balance (% of GDP)	1.8	-2.5	1.4	0.6
GHG emissions growth (mtCO2e)	-16.6	-6.1	2.7	-4.8
Energy related GHG emissions (% of total)	68.5	68.6	73.1	72.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

LIBYA

Table 1	2023
Population, million	6.9
GDP, current US$ billion	45.1
GDP per capita, current US$	6544.3
School enrollment, primary (% gross)[a]	106.9
Life expectancy at birth, years[a]	72.2
Total GHG emissions (mtCO2e)	99.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2006); Life expectancy (2022).

Libya continues to suffer from political divisions over the transparency, control, and benefits of the oil wealth. Tensions recently escalated over the appointment of the Governor and Board of Directors for the recently unified Central Bank after efforts to prepare a single Budget stalled. A prolonged or escalated crisis could disrupt oil and gas production and exports, fuel and food import, salary payments, and the security conditions. The key medium-term challenge for Libya is to peacefully rebuild and diversify the economy.

Key conditions and challenges

Libya is embroiled in a political dispute over the management and governance of the Central Bank of Libya (CBL). In August 2024, the Presidential Council issued a decision to change the Governor and renew the Board of Directors which was rejected by other political forces. In response to the heightening tensions, the United Nations Mission in Libya started to mediate between the parties in the search for peaceful solution to the CBL crisis.

On top of its monetary policy functions, the CBL plays a pivotal role in the country's oil wealth and fiscal management. It receives the oil revenues from the National Oil Company and pays the salaries of civil servants in the entire territory, which is controlled by the two parallel governments, the Tripoli-based Government of National Unity and the Benghazi-based Government of National Stability. Political tensions over the transparency and sharing of the oil wealth have been common since 2021 due to the alleged misappropriation of oil revenues, large fuel imports and contraband to neighboring countries, high public spending on wages and energy subsidies, and investment spending in the Eastern part of the country financed by unauthorized printing of money. Progress was made over the past years to reunify the Benghazi and Tripoli branches of the CBL, but criticism remained over the absence of a full and well-functioning Board of Directors. Efforts to prepare a unified 2024 Budget for the entire territory stalled.

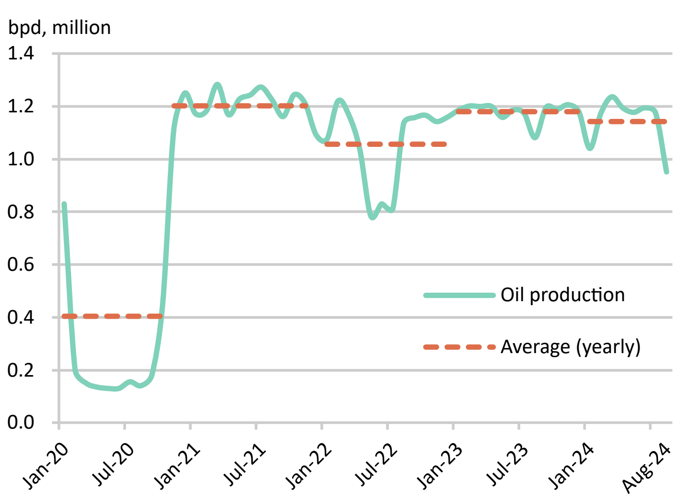
The Libyan economy is driven by the oil and gas sector and remains undiversified with a large public sector. In 2023, the oil and gas sector represented 60 percent of GDP, 94 percent of exports, and 97 percent of government revenues. The private sector is underdeveloped and employs less than 14 percent of the workforce.

Social conditions have deteriorated over the past years due to high unemployment, income disparities, and poor public infrastructure and services. The unemployment rate is estimated at 15.3 percent (National Labor Force Survey 2022) with higher rates among women and youth, estimated at 18.4 and 23.1 percent, respectively. Access to basic services, such as water, is becoming more challenging, particularly in the aftermath of the floods in Derna (2023) and Ghat and Tahala (2024), and the groundwater upsurge in Zliten.

Recent developments

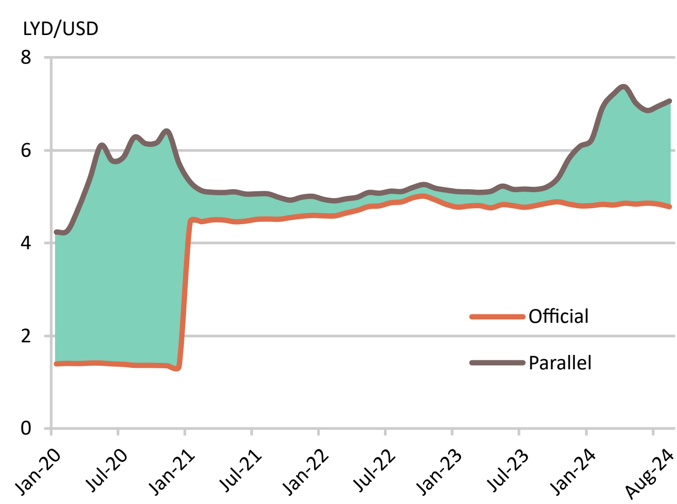
Oil production during the first seven months of 2024 hovered around the same level of the previous year or 1.2 million barrels per day (mbpd). With the closure of major oil fields announced by the East-based Government of National Stability on August 28 in the wake of the CBL crisis, oil production plummeted to 0.5 mbpd creating ripples in international oil markets. According to the National Oil Corporation, Libya

FIGURE 1 Libya / Crude oil production



Sources: Libyan authorities and World Bank staff calculations.

FIGURE 2 Libya / LYD/USD exchange rate in the official and parallel markets



Sources: Libyan authorities and World Bank staff calculations.

lost US$120 million of oil receipts during the first 3 days of the blockades.

Oil revenues were already declining prior to the CBL crisis due to lower energy prices. They reached US$10.5 billion in January-July 2024 or 5.4 percent lower than in 2023. Consequently, the fiscal surplus narrowed from 4.6 to 1.7 percent of GDP during the first seven months of 2023 and 2024 as spending also increased. According to official data, public spending increased by 9.7 percent during this period driven by higher wages and subsidies.

Although oil prices declined, the trade surplus widened during the first seven months of 2024 because Libyan firms found it more difficult to import. The trade surplus widened to 16 percent of GDP during the first five months of 2024, compared to 9 percent of GDP during the same period in 2023 due to a 12 percent contraction in imports. The latter is driven by the tighter access to foreign currencies and the implementation of foreign currency transaction fees in early March 2024. While the Libyan Dinar (LYD) was overall stable in nominal terms, the LYD to USD exchange rate gap between the official and parallel markets widened. During the first seven months of 2024, the gap averaged 43 percent compared to 7.2 percent during the same period in 2023 driven by the higher demand for foreign exchange fueled by high public spending, the reported money printing in the East to finance reconstruction projects, and higher fuel imports and contraband. The gap widened further to 53 percent during early September 2024 amid the CBL crisis.

The inflation rate, which is compiled for Tripoli region only, averaged 1.9 percent during the first seven months of 2024 compared to 2.7 percent during the same period in 2023 driven by lower food and housing prices. While not yet visible in the official data, the import financing constraints discussed above have likely increased inflationary pressures since Libya imports about 80 percent of its food consumption.

Outlook

Assuming the opposing political forces agree to appoint a new central bank governor and a Board of Directors and end the ongoing dispute, oil production is expected to resume and average 1 mbpd for 2024. As a result, oil GDP will contract by 15 percent driving overall GDP to shrink by 10 percent during this year. Growth of non-oil GDP is expected to average 1.3 percent during the forecast period driven primarily by consumption. As oil output recovers in 2025 and 2026, GDP growth is anticipated to rebound to 12 percent in the medium term.

Using official data, inflation in Tripoli is likely to stay controlled at 2.5 percent in 2024 and 2025 assuming the CBL crisis is resolved promptly and reflecting moderating global commodity prices, as well as a generous subsidy system in Libya.

Furthermore, with the fall of oil receipts and relaxing foreign currency constraints by the CBL, both fiscal and external balances are expected to deteriorate in 2024 registering a deficit of 5.7 and 21 percent of GDP, respectively. Both balances should improve in the medium term as oil output recovers.

A prompt and effective resolution of the CBL crisis is critical for Libya's economic prospects and citizens' welfare. A prolonged or escalated crisis could disrupt the ability of institutions to manage the economy and maintain basic services such as oil and gas production and exports, fuel and food import and distribution, salary payments, and in the worst scenario, it could lead to a deterioration in the security conditions.

TABLE 2 Libya / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	28.3	-8.3	10.2	-10.1	10.7	13.1
Private consumption	-0.3	-1.3	5.3	0.7	2.9	2.8
Government consumption	-2.0	-1.1	5.5	1.0	1.1	1.1
Gross fixed capital investment	-6.9	-1.3	-10.7	-23.9	-24.9	16.7
Exports, goods and services	126.1	-19.9	7.1	-16.8	23.1	18.8
Imports, goods and services	46.6	-13.9	-16.5	-2.4	2.0	2.0
Real GDP growth, at constant factor prices	30.6	-11.8	11.7	-10.1	10.8	13.0
Agriculture	6.0	10.0	6.8	4.0	6.0	4.0
Industry	45.0	-17.0	17.8	-13.8	18.0	15.2
Services	9.2	-1.9	1.2	-3.4	-2.1	8.9
Inflation (consumer price index)	2.8	4.6	2.3	2.5	2.4	2.9
Current account balance (% of GDP)	16.1	21.2	3.0	-21.8	-5.7	4.8
Fiscal balance (% of GDP)	12.5	2.7	-0.1	-5.7	1.9	5.3
Revenues (% of GDP)	66.5	64.1	57.9	71.1	71.2	67.0
Debt (% of GDP)	98.3	74.5	61.0	90.4	83.2	64.3
Primary balance (% of GDP)	12.5	2.7	-0.1	-5.7	1.9	5.3
GHG emissions growth (mtCO2e)	51.0	-4.9	-4.0	-5.6	4.0	3.9
Energy related GHG emissions (% of total)	38.5	37.3	36.9	28.8	30.1	31.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

MOROCCO

Table 1	2023
Population, million	37.8
GDP, current US$ billion	144.4
GDP per capita, current US$	3817.1
National poverty rate[a]	3.9
Lower middle-income poverty rate ($3.65)[b]	9.8
Gini index[a]	40.5
School enrollment, primary (% gross)[c]	114.2
Life expectancy at birth, years[c]	75.0
Total GHG emissions (mtCO2e)	93.0

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022).
b/ Most recent value (2013).
c/ Most recent WDI value (2022).

Morocco weathered overall well the recent overlapping economic and climate shocks thanks to a strong macroeconomic policy framework and government response. Although a prolonged drought will decelerate the economy in 2024, non-agricultural GDP is expected to strengthen, driven by export-oriented sectors, construction, and domestic demand amid easing inflation. Ongoing reforms promise significant development gains, but additional structural changes are needed to create more good jobs in the private sector and enhance economic opportunities for youth and women.

Key conditions and challenges

Despite a confluence of severe shocks (the COVID-19 pandemic, a prolonged drought, a high commodity prices-led inflationary surge, and a devastating earthquake) Morocco has demonstrated remarkable economic resilience thanks to a strong macroeconomic policy framework and proactive government response.

The Moroccan authorities have also responded to this turbulent period by advancing reforms that hold the potential to set the economy on a stronger and more inclusive long-term development trajectory. In the human capital sphere, Morocco is expanding health insurance coverage, deploying a wide-ranging cash transfer program, and implementing an education reform to improve learning outcomes. On the fiscal and economic management front, the government is advancing a tax reform program to bolster domestic revenue mobilization, reducing butane gas subsidies, and implementing an SOE reform to improve their governance, competitive neutrality, and performance. On climate adaptation and mitigation, Morocco is deploying large infrastructure investments to cope with water scarcity and has committed to ambitious decarbonization targets in energy generation.

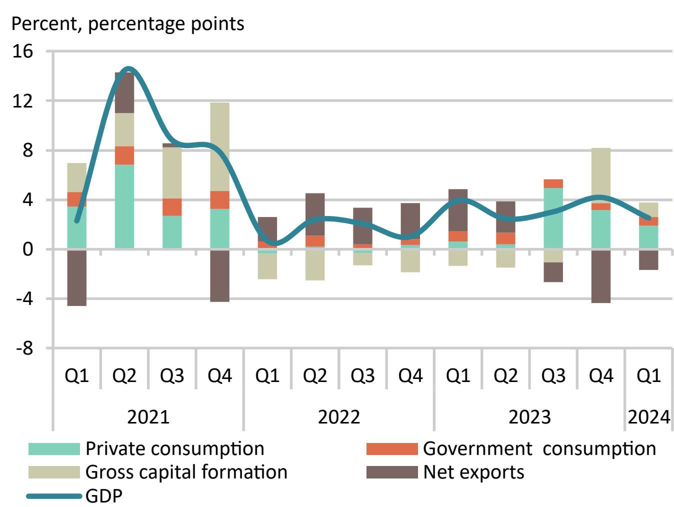
The government recently pledged to prioritize job creation in the years to come as the labor market remained weak. Reported inactivity rates have increased by over 8 percentage points over the past two decades and the unemployment rate remains 4 percentage points higher than its pre-pandemic level. Durably addressing this challenge would require a comprehensive strategy to improve the dynamism of the private sector and bolster productivity, address informality, overcome the low female labor force participation (19 percent in 2023), and raise the skills of the workforce.

Recent developments

After expanding by 3.4 percent in 2023, real GDP growth moderated to 2.5 percent in Q1 2024 due to a 5 percent contraction of agriculture as cereal production fell by 43 percent amid the drought. At 3.5 percent, non-agricultural growth stayed more robust. Domestic demand is regaining momentum, with private consumption and gross capital formation expanding by 3 and 3.6 percent respectively in Q1 2024, facilitated by a sharp drop in annual inflation from a peak of 10.1 percent in early 2023 to 1.3 percent in July 2024. Inflation expectations have also declined, prompting the central bank to reduce the policy rate by 0.25 ppts to 2.75 percent in July.

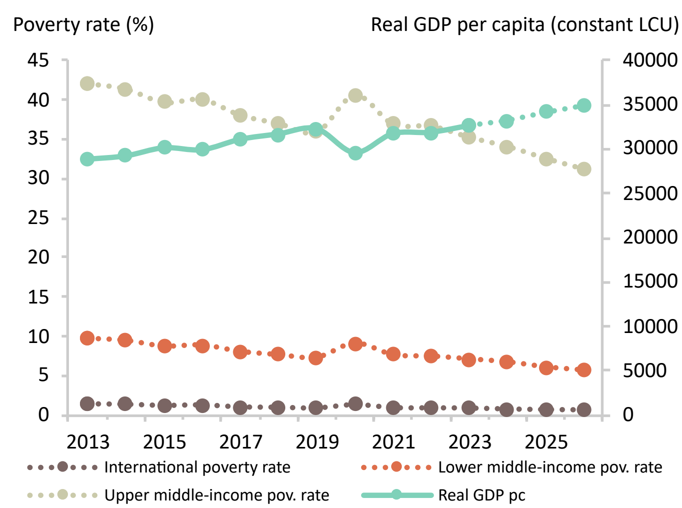
Morocco's external position continues to strengthen. The current account deficit narrowed from 3.5 to 0.6 percent of GDP in 2023 and recorded a surplus in Q1 2024 driven by lower energy prices, robust growth of phosphates and manufacturing

FIGURE 1 Morocco / Real GDP growth and contributions to real GDP growth



Sources: Haut Commissariat au Plan (HCP) and World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

exports, rebounding tourism inflows and strong remittances. After a weak 2023, net FDI flows have more than doubled in the first five months of 2024, and new large greenfield projects have been announced, especially in green hydrogen and the production of battery components for electric vehicles. The exchange rate was overall stable, and the dollar value of reserves increased by 3 percent in 2024, covering more than five months of imports.

Morocco has made gradual progress in improving its budgetary situation since the pandemic, and the fiscal deficit declined from 5.4 to 4.4 percent of GDP in 2022-2023. However, despite robust tax revenues, spending pressures have increased the budget deficit during the first seven months of 2024. The government has passed an additional budget appropriation of 0.9 percent of GDP to finance a salary increase for civil servants and support SOEs.

Recent shocks have had large welfare impacts, especially for poorer rural households. Official statistics indicate that, in 2022, poverty measured by the national line was only marginally lower than in 2014 (3.9 vs. 4.8 percent), while social and spatial welfare disparities increased. Nevertheless, the rise in per capita GDP and the fall in inflation (particularly for food) are estimated to have resulted in a modest reduction of poverty in 2023.

Outlook

Real GDP growth is projected to decline to 2.9 percent in 2024, before accelerating to 3.9 percent in 2025. This fluctuation stems primarily from the agricultural sector, expected to contract by 4.6 percent in 2024 and rebound by 8.2 percent in 2025, assuming climatic conditions normalize. Non-agricultural growth is anticipated to moderately accelerate to 3.7 percent in 2024, driven by the strong performance of phosphates, export-oriented manufacturing, and a revitalized construction sector, supported by a new homebuyer assistance program and declining interest rates, ongoing post-earthquake reconstruction efforts, and preparation for major sport events (2025 African Cup of Nations and 2030 World Cup). Domestic demand should strengthen, as FDI and public infrastructure projects provide additional momentum for investment while private consumption continues to recover despite a temporary increase in inflation due to the butane gas subsidy reform.

The ongoing recovery of domestic demand and higher agricultural imports are expected to widen the current account deficit to 1 and 1.4 percent of GDP in 2024 and 2025, still significantly below historical averages. FDI inflows are expected to accelerate as announced greenfield projects continue to materialize. Spending pressures are expected to slow the ongoing fiscal consolidation process in 2024, but the budget deficit should fall over the medium-term, resulting in a moderate decline in the debt to GDP ratio by 2026.

Poverty is projected to continue declining in 2024-26 as the economy gains dynamism, inflation stabilizes and the government deploys the new cash transfer program, which could mitigate the impact of the drought in rural areas. However, enrollment of informal workers in the compulsory health insurance scheme is progressing slowly. As the government aims to enforce contributions to the system, some workers (particularly farmers) might be encouraged to misreport their employment status, further hindering formalization. The ability of Morocco to reduce poverty and inequality in the longer-term rests heavily on addressing the structural constraints to private sector dynamism and job creation.

TABLE 2 **Morocco** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	8.2	1.5	3.4	2.9	3.9	3.4
Private consumption	6.8	0.0	3.7	2.6	3.1	2.8
Government consumption	7.2	3.0	4.1	4.5	4.1	3.6
Gross fixed capital investment	7.5	-4.0	1.9	3.9	3.8	4.5
Exports, goods and services	7.9	20.5	8.8	8.7	7.9	8.3
Imports, goods and services	10.4	9.5	7.4	8.2	6.3	7.4
Real GDP growth, at constant factor prices	7.9	1.6	3.2	2.9	3.9	3.4
Agriculture	19.0	-11.8	1.6	-4.6	8.2	0.7
Industry	7.8	-2.7	1.3	3.8	3.3	3.4
Services	5.7	6.8	4.4	3.6	3.4	3.7
Inflation (consumer price index)	1.4	6.6	6.1	1.5	2.7	2.4
Current account balance (% of GDP)	-2.3	-3.6	-0.6	-1.0	-1.3	-1.9
Net foreign direct investment inflow (% of GDP)	1.1	1.2	0.2	1.5	1.6	1.7
Fiscal balance (% of GDP)	-6.0	-5.4	-4.4	-4.2	-3.8	-3.4
Revenues (% of GDP)	25.3	28.7	28.3	28.8	27.0	26.3
Debt (% of GDP)	69.4	71.5	70.0	68.6	68.2	67.6
Primary balance (% of GDP)	-3.7	-3.2	-2.3	-2.1	-1.7	-1.4
International poverty rate ($2.15 in 2017 PPP)[a,b]	1.0	0.9	0.9	0.8	0.7	0.7
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	7.7	7.5	7.1	6.7	6.1	5.7
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	36.9	36.7	35.3	34.1	32.6	31.2
GHG emissions growth (mtCO2e)	7.8	-0.4	0.3	2.3	2.5	2.9
Energy related GHG emissions (% of total)	73.5	73.6	73.5	74.1	74.6	75.3

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 2013-ENCDM. Actual data: 2013. Nowcast: 2014-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2013) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

OMAN

Table 1	2023
Population, million	4.6
GDP, current US$ billion	108.8
GDP per capita, current US$	23428.5
School enrollment, primary (% gross)[a]	90.1
Life expectancy at birth, years[a]	73.9
Total GHG emissions (mtCO2e)	114.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2022).

Economic activity continues to perform well despite OPEC+ oil production cuts, driven by the expansion of nonhydrocarbon activities, notably in construction, manufacturing, and services, but fiscal revenues and exports proceeds remain tied to oil market developments. However, a commitment to economic diversification continues to shore up fiscal and external positions, keeping them in surplus over the medium term. Employment growth is driven by female employment, which is estimated to increase twice the rate observed among men. Downside risks to the outlook include oil market volatility, climate change risks, and potential spillovers from the escalating of conflict in the Middle East.

Key conditions and challenges

Under its Vision 2040 development plan, Oman is determined to diversify its income sources and achieve sustainable development. The expansion of nonhydrocarbon activities has helped supporting economic activity despite OPEC+ oil production cuts, notably in construction, manufacturing, and services.

The utilization of windfall savings to reduce public debt in 2023 was an important step to bring it down by almost a half of its peak of nearly 68 percent of GDP in 2020, thereby improving Oman's credit rating, but more efforts are needed to decouple fiscal revenue from oil proceeds. In January 2024, Oman Investment Authority (OIA) launched the "Future Fund Oman", worth of US$5.2 billion, to invest in a wide range of industries, attract foreign investments, and support the private sector over the next five years, mainly in tourism, manufacturing, green energy, and logistics, among other.

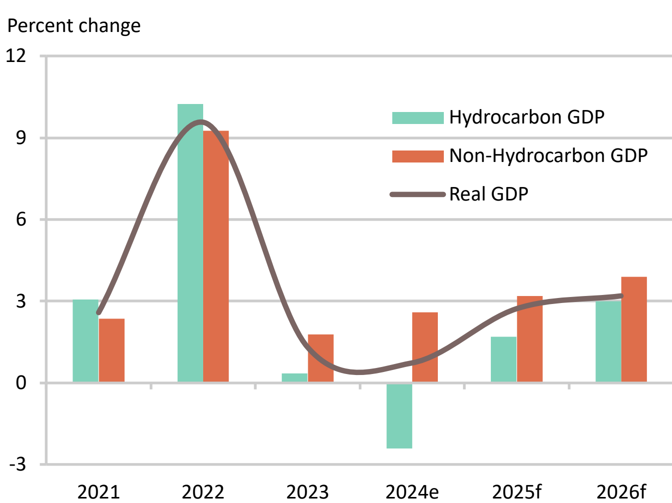
The new social protection law, which has become effective in January 2024, introduced a range of non-contributory social benefits, underscoring Oman's commitment to supporting its vulnerable population despite its increased fiscal burden. In addition, a series of new measures were announced in July 2024 to regulate the labor market and boost private-sector employment among nationals. Key measures include adding 30 new professions to the list of jobs reserved for Omani citizens and providing financial incentives to companies hiring Omanis, with potential government contributions to salaries. This is expected to help contain the public wage bill, alleviate budgetary pressures, and address the high youth unemployment challenge.

Recent developments

Real GDP growth reached 1.7 percent y-o-y during Q1 2024 supported by non-oil activities, which grew by 4.5 percent, reflecting strong performance of agriculture, refined petroleum products, and services sector (particularly transportation and storage). However, oil activity contracted by 3.3 percent reflecting the adjustment to OPEC+ quotas. Average headline inflation slightly inched up by an average of 1.6 percent y-o-y during the first seven months of 2024, signaling higher prices of food and non-alcoholic beverages groups and miscellaneous goods and services, up by 3 and 3.2 percent y-o-y, respectively.

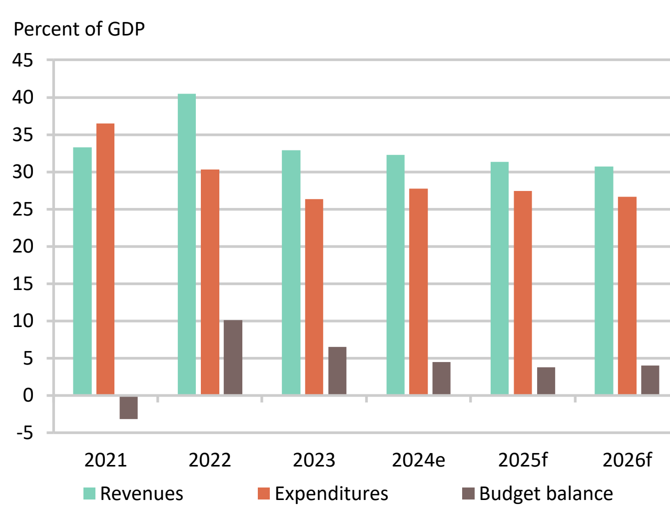
Fiscal revenues declined by 0.4 percent in July-2024 y-o-y, largely attributed to the decline in gas revenue (down by 18 percent). The latter is due to the adopted for collecting gas revenue starting from 2023. It is now reported net of the cost of gas purchase and transportation, as gas-related operations were hived off to Integrated Gas Company. This contraction in gas activity was partially offset by a 9 percent rise in oil revenues. On the other hand, public spending increased by

FIGURE 1 Oman / Real annual GDP growth



Sources: Oman authorities, World Bank staff projections, and IMF projections.

FIGURE 2 Oman / General government operations



Sources: Oman authorities and World Bank staff projections.

4.3 percent during the same period, reflecting a 33 percent and 46 percent y-o-y increase in development expenditures and other expenses, respectively. Accordingly, Oman's overall fiscal surplus narrowed to 0.9 percent of GDP in July-2024, down from 1.7 percent of GDP during the same period of 2023. Public debt stood at RO14.4 billion (US$37.5 billion) by end of June-2024, declining from 36.5 percent of GDP by end 2023 to 33.9 percent of GDP during the first half of 2024, and underscoring the authorities' commitment to containing public debt.

The trade balance recorded a surplus of US$9.5 billion (8.6 percent of GDP) during H1-24, as hydrocarbon and non-hydrocarbon exports increased by 5.3 and 8.1 percent y-o-y, respectively. Gross foreign assets remain sizable at US$18.2 billion by end-June 2024 (up by US$1.1 billion y-o-y).

Overall, employment increased by about 2.5 percent in 2023 y-o-y, and is projected to increase at about the same rate (2.4 percent) in 2024. Past and projected employment growth is driven by female employment that is estimated to increase at twice the rate observed among men. The National Strategy for the Advancement of Omani Women aims to support women in the workforce and includes measures to promote women's education, skills training, and career development, as well as initiatives to support women entrepreneurs and business owners. The rate of job seekers is estimated at 3.1 percent in May 2024, down from 3.6 percent in May 2023. Although the rate among women ages 25-29 was the highest at 22.2 percent in May 2024, it posted a reduction of almost 4 percentage points relative to the same month of 2023.

Outlook

Oman's economic growth is expected to decelerate in the short-term but later accelerate. More specifically, real GDP growth is projected to reach 0.7 percent in 2024, impacted by the extension of oil production cuts. Nonhydrocarbon growth will remain robust expanding at an estimated 2.6 percent on continued reforms and investment projects but remains insufficient to drive an overall acceleration in GDP growth. Growth is however expected to accelerate during 2025-26 (to 2.7 and 3.2 percent, respectively), driven by a recovery in oil and gas production as Duqm refinery reaches its full capacity, and supported by a rebound in agricultural and construction activities and a robust services sector. Inflation will remain contained at an average of 1.3 percent over 2024-26, reflecting the peg to a strong U.S. dollar, and the cap on fuel prices.

Comfortable hydrocarbon revenues, increased nonhydrocarbon revenues, and prudent fiscal discipline are expected to keep fiscal balance in surplus in the medium-term. Overall fiscal balance is expected to record a surplus of 4.5 percent of GDP in 2024, marking a decline from the previous year due to higher social spending. The fiscal surplus will remain around 4 percent of GDP during 2025-26, in line with oil prices projections. Accordingly, public debt is expected to continue its downward trajectory over the medium term with continued net repayments.

Similarly, the current account is estimated to register a surplus of 1.7 percent of GDP in 2024, mainly supported by nonhydrocarbon export revenues. It is expected to remain in surplus in 2025-26 supported by solid nonhydrocarbon exports. This will help Oman rebuild its foreign reserves and improve the country's resilience against external shocks.

Downside risks for Oman stem from the volatility of oil prices, and global energy transition which could pose significant challenges to fiscal and external balances, increase gross financing needs, and disrupt the government's reform program. The implementation of the new social protection law which includes large benefits of some programs, will entail a fiscal burden on the budget in 2024. Geopolitical risks associated with a potential escalation of the conflict in the Middle East add new uncertainties related to oil price volatility and disruptions in supply chains. On the upside, additional fiscal and diversification measures, accelerating production at the Duqm refinery project, and increased foreign direct investments from regional partners, would spur growth and strengthen fiscal and external positions.

TABLE 2 Oman / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	2.6	9.6	1.3	0.7	2.7	3.2
Private consumption	1.7	9.0	2.8	2.4	3.3	3.1
Government consumption	5.3	4.0	1.7	2.1	2.3	2.1
Gross fixed capital investment	-15.7	2.5	3.1	3.7	4.2	4.4
Exports, goods and services	12.2	16.5	1.1	0.7	3.3	3.0
Imports, goods and services	13.3	19.6	3.8	3.3	3.7	3.3
Real GDP growth, at constant factor prices	2.7	9.6	1.7	0.7	2.7	3.2
Agriculture	9.5	-8.5	6.9	-4.5	1.5	1.4
Industry	1.2	9.4	0.1	-2.3	2.1	2.3
Services	4.2	10.8	3.4	4.5	3.5	4.2
Inflation (consumer price index)	1.7	2.5	0.9	1.0	1.4	1.6
Current account balance (% of GDP)	-5.5	5.1	1.4	1.7	2.7	2.3
Net foreign direct investment inflow (% of GDP)	4.2	3.9	5.6	3.5	3.6	3.8
Fiscal balance (% of GDP)	-3.2	10.1	6.6	4.5	3.8	4.0
Revenues (% of GDP)	33.3	40.5	32.9	32.3	31.3	30.7
Debt (% of GDP)	61.3	40.1	36.5	35.6	35.0	34.7
Primary balance (% of GDP)	0.0	12.6	9.1	7.1	6.4	6.6
GHG emissions growth (mtCO2e)	6.6	6.3	4.7	3.4	4.3	0.5
Energy related GHG emissions (% of total)	68.1	69.3	70.2	70.7	71.5	71.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

PALESTINIAN TERRITORIES

Table 1	**2023**
Population, million	5.2
GDP, current US$ billion	17.4
GDP per capita, current US$	3372.3
National poverty rate[a]	32.8
Gini index[a]	32.5
School enrollment, primary (% gross)[b]	91.8
Life expectancy at birth, years[b]	73.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2023).
b/ Most recent WDI value (2022).

One year since the outbreak of the Middle East conflict, centered in Gaza, the Palestinian territories have experienced a historic economic decline. In Gaza, the economy has plunged into the deepest recession ever recorded for the Strip, as the conflict has led to a near complete halt of economic activity. The knock-on effects in the West Bank have been severe due to massive job losses, shrinking consumption, and a deepening fiscal crisis for the Palestinian Authority (PA). The outlook heavily hinges on the conflict's evolution and extent of movement and access restrictions imposed by Israel.

Key conditions and challenges

Between 2017 and 2022, the Palestinian real GDP grew by a mere 0.6 percent annually. Economic potential has been heavily curtailed by the restrictions relating to the Israeli occupation of the West Bank and a near-blockade of Gaza. According to the Government of Israel, restrictions are in place to enhance the security of Israel and its citizens. A combination of depressed aid inflows, COVID-19, low private capital attraction, incomplete reform efforts by the PA, and the divide between the West Bank and Gaza, further stifled the economy. Amid sluggish growth, high unemployment, dwindling aid, and lack of traditional economic policy instruments, the fiscal situation in the Palestinian territories has progressively deteriorated.

The conflict has worsened income per capita disparities across the territories. In 2023, GDP per capita in Gaza was US$1,087–a fifth of the West Bank's at US$5,081. Recent World Bank data show an 11 percent drop in the Palestinian Gross National Income (GNI) per capita in 2023, which shifted the territories' income classification from higher-middle income status–prior to the conflict–to lower-middle income. Poverty has followed a similar trend as according to the national household survey from 2016/17, almost half of the Gaza population lived below the upper-middle income poverty line ($6.85 2017 PPP a day), compared to less than 10 percent in the West Bank.

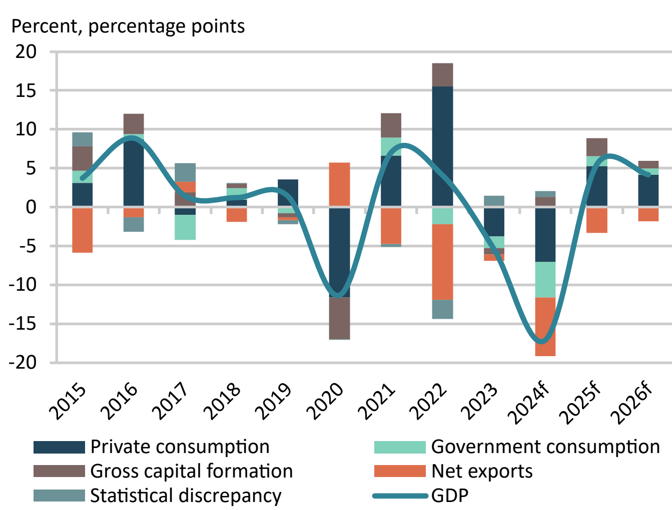
Recent developments

Since the conflict's outbreak, the Palestinian economy has dramatically plummeted. According to the Palestinian Central Bureau of Statistics (PCBS), after a 29 percent year-on-year (y-o-y) contraction in Q4 of 2023, the territories registered their largest decline on record in Q1 of 2024, with real GDP declining by 35 percent.

In Gaza, an almost complete halt to economic activity is reflected in a staggering 86 percent GDP drop in Q1 2024. Consequently, the share of the Strip's economy in the Palestinian economy has fallen from 17 percent (prior to the conflict) to less than 5 percent currently. In parallel, the shock in the West Bank was largely triggered by tighter restrictions on movement within cities and denied access for Palestinian commuters to the Israeli labor market and more recently an Israeli military operation in the North of the West Bank. This, coupled with increased withholdings by Israel on clearance revenues payable to the PA, escalated an already dire fiscal crisis, and contributed to causing a 25 percent GDP contraction in the West Bank in Q1 2024 (y-o-y).

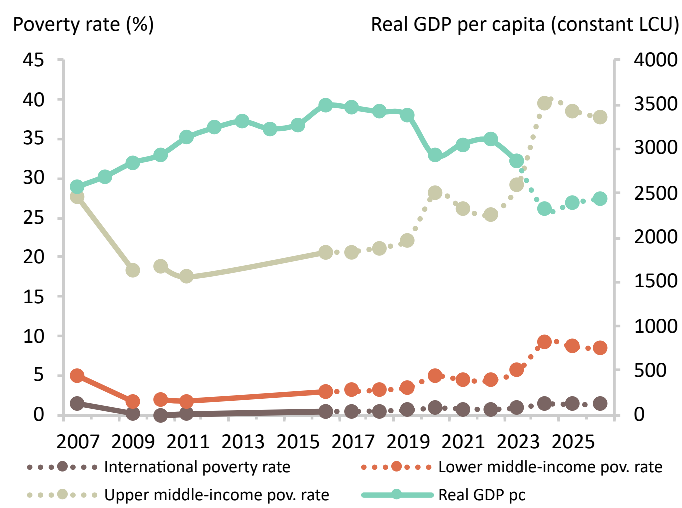
In August 2024, prices in Gaza almost stabilized with the consumer price inflation (CPI) increasing by 2.0 percent only,

FIGURE 1 Palestinian territories / Real GDP growth and contributions to real GDP growth



Sources: Palestinian Central Bureau of Statistics and World Bank estimates.

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



Source: World Bank. Notes: see Table 2.

month-on-month, due to larger aid provisions. But, on a yearly basis, it soared by 248 percent, reflecting major supply chain disruptions. In the context of widespread essential goods shortages, most Gazan households have experienced a massive crunch in their purchasing ability, regardless of their financial means. In the West Bank, price trends continue to be relatively stable, with the CPI for August 2024 being only 1.6 percent higher than the previous month.

The PA's fiscal crises escalated in 2024, as Israel increased deductions from revenues that are payable to the PA (clearance revenues), which represent the PA's main source of income. Since October 2023, these transfers have roughly halved, and were fully halted for a couple of months in mid-2024 until being resumed on June 30, 2024. This, on top of the natural decline in revenues given the economic contraction and the low levels of aid, forced the PA to further delay and reduce salary payments to an average of 60-70 percent, since October 2023. Official data by the PA Ministry of Finance (MoF) for the first six months of 2024 indicate that their financing need, after aid and considering clearance revenue deductions, reached US$803 million. This gap was mostly filled with borrowing from domestic banks and arrears to the private sector, public employees, and the pension fund. On the upside, various development partners–especially the EU and the World Bank–recently signaled large increases in financial aid flows, over the short term, which could help cover a portion of the fiscal deficit.

The ongoing conflict in Gaza and the economic contraction in the West Bank have had a severe impact on an already weak labor market. Based on a recent report by the PCBS and the International Labor Organization (ILO), it is estimated that unemployment in the Palestinian territories exceeded 50 percent in June 2024–the highest on record. In Gaza, unemployment soared to 79 percent, while in the West Bank it was estimated at 35 percent due to the abrupt loss of commuters' jobs in Israel and the settlements as well as job losses in the local economy.

The sharp contraction of GDP per capita will result in a rapid increase in the poverty rate. The national poverty rate at the international line of $6.85 a day is estimated to have stood at around 25.5 percent in 2022. The conflict pushed this up to almost 30 percent in 2023, with the expectation that this will have increased further to around 35.5 percent in 2024–by far the highest it has been in at least 20 years.

Outlook

Fixed asset losses will limit economic activity in Gaza at least for the medium term. Workers' mobility within the West Bank and to the Israeli market will largely shape growth outcomes in the West Bank. The Palestinian economy is expected to contract by 17 percent in 2024. Assuming that reconstruction efforts start in 2025, growth should start its rebound, while GDP levels are not anticipated to recover to the pre-conflict baseline any time soon. Consequently, the poverty rate is expected to remain high, exceeding 30 percent, in the outlook.

On the fiscal front, an increase in clearance revenue transfers to pre-conflict levels is assumed, as well as a gradual uptick in domestically managed taxes, reflecting rebounding economic activity. This will drive revenues up, improving the fiscal deficit over the medium term. However, these assumptions are subject to extreme uncertainty.

Downside risks remain elevated. The severity of the economic contraction will hinge on the evolution of the conflict and the resolution of the clearance revenues dispute. Absent a cessation of the hostilities and a substantial increase in external aid, the risks of disorderly fiscal adjustments cannot be excluded.

TABLE 2 Palestinian territories / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	7.0	4.1	-5.4	-17.1	5.5	4.2
Private consumption	7.5	17.7	-3.8	-7.0	4.6	3.7
Government consumption	10.3	-9.3	-7.0	-22.4	6.5	4.3
Gross fixed capital investment	13.7	12.2	-3.4	5.0	7.0	2.7
Exports, goods and services	17.3	5.9	5.7	4.6	5.0	2.7
Imports, goods and services	14.8	19.7	3.0	12.4	5.0	2.7
Real GDP growth, at constant factor prices	6.2	1.4	-6.0	-17.1	5.5	4.2
Agriculture	-0.7	-5.6	-11.5	-15.0	7.0	8.0
Industry	4.5	3.5	-8.6	-13.0	2.8	2.7
Services	7.5	1.6	-4.7	-18.4	6.1	4.2
Inflation (consumer price index)	1.2	3.7	5.9	35.8	2.5	2.2
Current account balance (% of GDP)	-9.8	-10.6	-16.6	-18.1	-17.9	-16.7
Net foreign direct investment inflow (% of GDP)	1.6	2.0	0.6	-1.5	-1.2	-1.2
Fiscal balance (% of GDP)	-5.8	-1.8	-3.9	-12.0	-8.7	-8.5
Revenues (% of GDP)	25.0	27.2	26.9	17.9	21.2	21.5
Debt (% of GDP)	56.0	53.1	58.4	68.8	72.7	76.9
Primary balance (% of GDP)	-5.1	-1.1	-3.3	-11.2	-7.9	-7.6
International poverty rate ($2.15 in 2017 PPP)[a,b]	0.8	0.8	1.0	1.5	1.4	1.4
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	4.5	4.5	5.7	9.4	8.8	8.5
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	26.1	25.4	29.1	39.6	38.6	37.7

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-PECS. Actual data: 2016. Nowcast: 2017-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2016) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

QATAR

Table 1	2023
Population, million	3.1
GDP, current US$ billion	213.0
GDP per capita, current US$	69542.5
School enrollment, primary (% gross)[a]	102.1
Life expectancy at birth, years[a]	81.6
Total GHG emissions (mtCO2e)	125.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2020); Life expectancy (2022).

Qatar's non-hydrocarbons sector continues to spearhead diversification efforts, bolstered by the implementation of the Third National Development Strategy (NDS3) and the promotion of services, including tourism and knowledge-based sectors. Nevertheless, economic growth is expected to be modest in 2024-25, affected by the hydrocarbon output that is expected to remain stagnant until a significant liquefied natural gas (LNG) expansion in 2026. External and fiscal surpluses are projected to persist in the medium term, supported by the North Field LNG expansion. Key challenges emanate from the escalating geopolitical tensions and volatile energy prices.

Key conditions and challenges

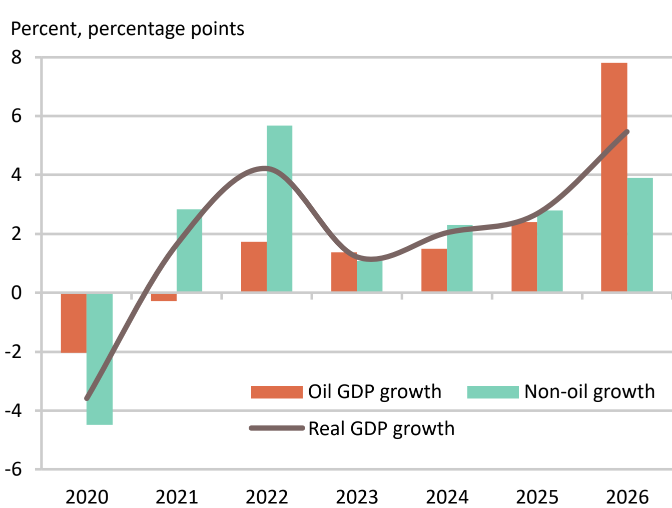
A rapidly expanding non-hydrocarbons sector underscores Qatar's commitment to long-term economic diversification, supported by the Third National Development Strategy (NDS3) launched in January 2024 to accelerate progress toward Qatar National Vision 2030. Tourism plays a pivotal role in this diversification, with a rapid annual increase in visitor numbers. Additionally, Qatar is prioritizing the information technology sector, targeting a 50 percent growth by 2024, supported by near-comprehensive broadband and 5G coverage. The imminent launch of the National Health Strategy 2024-2030 will further reinforce the goals of NDS3. The Qatar Investment Authority (QIA), the world's eighth-largest sovereign wealth fund, is expanding investments in technology, healthcare, aerospace, and energy transition while shifting focus to India, China, and Southeast Asia, driven by Asia's strong growth projections for 2024.

However, challenges persist, including volatile hydrocarbon prices, geopolitical tensions, and risks associated with growing reliance on China as a principal trade partner, which could expose Qatar to economic disruptions if China's economy weakens.

Recent developments

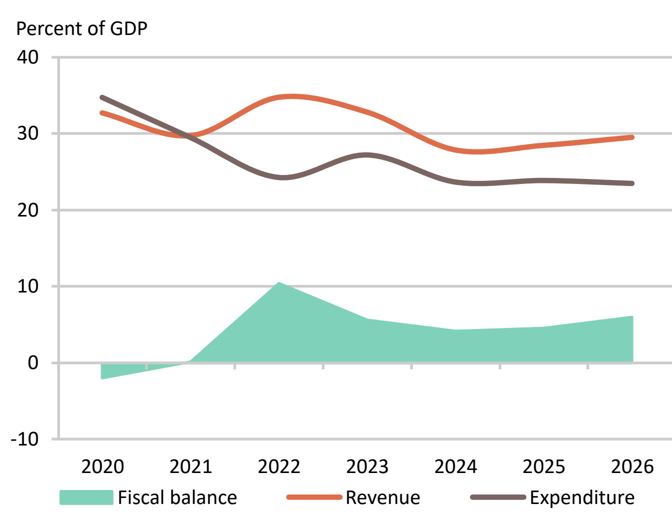
Economic growth in Qatar has remained muted following the fading impact of the 2022 FIFA World Cup, with a 1.2 percent increase in 2023. The hydrocarbon sector expanded by 1.4 percent, while the non-hydrocarbon sector grew by 1.1 percent, with notable gains in transportation, accommodation, and food services, highlighting the lasting benefits of the World Cup on tourism. High-frequency data indicates a strong start for non-hydrocarbon activities in 2024, with the PMI reaching 55.9 in June—the highest since July 2022—underpinned by a thriving tourism sector. Bolstered by the AFC Asian Cup, visitor numbers surged by 28 percent in the first half of 2024, reaching 2.6 million in H1-2024. A simplified visa regime and diverse offerings also contributed to Qatar's record-high tourist numbers. Additionally, Qatar has expressed its intention to bid for the 2036 Summer Olympic Games, reinforcing its global sporting ambitions. In the hydrocarbon sector, despite global challenges in the natural gas market due to disruptions from shipping attacks in the Red Sea and the ongoing Russia-Ukraine conflict, Qatar's LNG production expansion is expected to yield long-term benefits. Qatar has secured offtake agreements with firms in Germany, France, and Italy, with several contracts extending to mid-century. Additionally, Qatar is forging new trade relations with growth markets in East and South Asia, exemplified by two new 10-year naphtha supply agreements with

FIGURE 1 Qatar / Annual real GDP growth



Source: World Bank.

FIGURE 2 Qatar / Fiscal balance



Source: World Bank.

Japan and India signed in June 2024. Inflation has decelerated to 1.5 percent in H1-2024, the lowest since 2020, supported by government subsidies, the delayed impact of past interest rate hikes, and lower global food prices.

Lower global LNG prices resulted in a shrinking fiscal surplus as oil and gas revenue dropped by 15 percent y-o-y in H1-2024, coupled with lower non-oil receipts. However, the large influx of tourists continues to boost services export revenues, resulting in a slightly wider current account balance from US$7 billion in Q4 2023 to US$9.4 billion in Q1 2024. International reserves and foreign currency liquidity remain robust, reaching QAR 252.3 billion (US$69.3 billion) in August 2024—covering 15.5 months of imports and growing by 4 percent compared to August 2023.

Key labor market indicators remained stable in 2023 relative to 2022: the unemployment rate was stable at 0.13 percent and the employment-to-population ratio at 88.7 percent with modest improvement among both men and women (ILO). In 2024, total employment is projected to increase by 1 percent relative to 2023 on average, with the largest growth expected to take place among women (2.4 percent compared with 0.8 percent among men). The total number of unemployed is also expected to rise by 4.5 percent in 2024 and to reach 0.134 percent as a share of the labor force. The overall increase is ascribable to the dynamic projected for women that will further contribute to widen the gender gap, particularly among the youth.

Outlook

Economic growth in Qatar is expected to be subdued in 2024-25 as output in the hydrocarbons sector remains flat ahead of a planned major (85 percent) expansion in LNG production by 2026. This expansion is set to reestablish Qatar as the world's leading LNG producer, making the energy sector a key long-term growth driver. Real GDP growth in Qatar is expected to strengthen slightly, to an average of 2.4 percent in 2024-25, until it jumps to 5.5 percent in 2026, primarily on account of the increased gas capacity. Non-hydrocarbon growth is projected to stay strong at 2.3 percent in 2024, supported by new infrastructure projects, an expanding manufacturing sector, and a rapidly growing tourism industry. The hydrocarbon sector is expected to remain at 1.5 percent in 2024 due to capacity constraints, but a significant boost is anticipated between Q4 2025 and 2027 with the North Field expansion. Inflation is expected to remain stable at around 1.6 percent in 2024-25, contained by generous fuel and food subsidies, cheaper imports, and monetary tightening.

Despite further moderation in global energy prices, Qatar's fiscal and current account balances are expected to remain in surplus over the coming years. The fiscal surplus is projected to narrow to 4.4 percent of GDP in 2024-25, influenced by capacity constraints in LNG production and declining energy prices. The long-delayed implementation of value-added tax (VAT), anticipated in 2025, can help mitigate some reductions in hydrocarbon revenues and support fiscal stability. Similarly, the current account surplus is expected to narrow in the short to medium term but should remain robust at 14.5 percent in 2024, buoyed by strong energy and services (tourism) exports.

TABLE 2 Qatar / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	1.6	4.2	1.2	2.0	2.7	5.5
Private consumption	3.4	5.2	1.8	3.5	3.5	4.3
Government consumption	2.8	4.1	1.2	1.2	1.8	2.3
Gross fixed capital investment	2.3	3.1	1.4	2.2	2.1	2.4
Exports, goods and services	2.4	4.7	2.0	2.7	3.6	7.2
Imports, goods and services	4.7	6.5	4.1	4.7	3.9	3.8
Real GDP growth, at constant factor prices	1.6	4.2	1.2	2.0	2.7	5.5
Agriculture	0.5	6.7	1.5	2.1	2.4	2.9
Industry	0.7	4.2	1.2	2.0	3.3	7.0
Services	3.5	4.1	1.3	2.0	1.3	2.4
Inflation (consumer price index)	2.3	5.0	3.1	1.3	1.9	1.9
Current account balance (% of GDP)	14.6	26.8	17.1	14.5	14.1	15.5
Net foreign direct investment inflow (% of GDP)	-0.7	-1.0	-0.1	-0.7	-0.6	-0.5
Fiscal balance (% of GDP)	0.2	10.4	5.6	4.2	4.6	6.0
Revenues (% of GDP)	29.7	34.7	32.8	27.8	28.5	29.5
Debt (% of GDP)	58.6	42.5	44.2	37.1	35.7	32.2
Primary balance (% of GDP)	1.5	11.7	6.9	5.3	5.7	7.1
GHG emissions growth (mtCO2e)	1.4	3.3	0.9	1.9	2.2	4.0
Energy related GHG emissions (% of total)	71.1	71.9	72.1	72.6	73.2	74.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

SAUDI ARABIA

Table 1	2023
Population, million	36.9
GDP, current US$ billion	1069.0
GDP per capita, current US$	28934.7
School enrollment, primary (% gross)[a]	102.7
Life expectancy at birth, years[a]	77.9
Total GHG emissions (mtCO2e)	790.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2022).

Economic growth continues to be suppressed by the extended oil output cuts but is projected to gradually pick up in FY2025 given a likely increase in oil production starting in 2025. The non-oil sector is estimated to grow at a stable rate. The fiscal, monetary, and external sectors are healthy with low fiscal deficit and inflation, and a current account surplus. Geopolitical uncertainty (and the impact on oil demand and prices), lack of productivity growth, and fiscal risks of domestically financed megaprojects are the main downside risks.

Key conditions and challenges

Saudi Arabia is implementing a bold economic diversification agenda of Vision 2030 to reduce its dependence on oil. As a result, the share of non-oil activities in GDP has increased from around 65 to 67 percent between 2016 and 2023. However, this improvement has been partly driven by reduced oil production rather than exceptional non-oil growth. Since 2016, the oil sector has not grown on average while the non-oil sector grew by an average of 2.2 percent.

Three key challenges can impede the country's goals of economic diversification. First, Saudi Arabia witnessed a decline in economic productivity levels in recent years, implying a decline in the efficiency of using factors of production (labor and capital) for production. Since 2016, Total Factor Productivity has declined by 1.6 per annum on average. Firm-level data from the World Bank Enterprise Survey reveals even larger productivity gaps, underscoring a substantial drag on growth.

Second, the economic diversification agenda relies heavily on domestic financing through its US$925 billion Sovereign Wealth Fund (SWF)—the Public Investment Fund (PIF)—which has seen a sharp increase in domestic investments from 67 to 76 percent of total assets between 2022 and 2023. While utilizing the PIF to finance development helps offsetting the weak foreign direct investment (FDI) inflows, it introduces fiscal risks in the form of (i) undermining the SWF core macro-stabilization function, and (ii) a potential misallocation of capital towards projects that may not yield an adequate risk-adjusted return on investment.

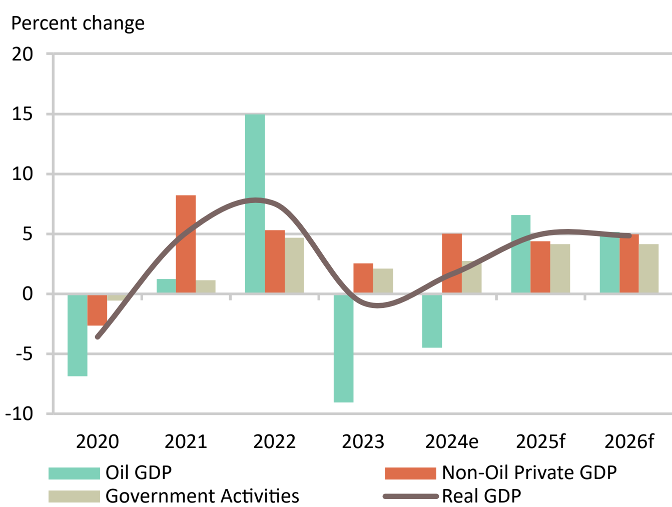
Finally, the uncertain regional context with the conflict in the Middle East, carries a risk of spillover into a broader regional conflict. While a broader conflict could drive up oil prices and generate fiscal windfalls, a negative impact could materialize through other channels including a likely increase in logistics costs, economic downturn in trading partners, and deterred foreign investment.

Recent developments

Economic activity contracted in real terms by 0.4 percent (y/y) in Q2-2024, driven by a contraction of the oil sector by 8.5 percent. Oil production averaged at 8.9 million bpd during January-July, driving down overall growth forecasts. Conversely, and a testament to the diversification efforts undertaken over the past few years, the non-oil private sector experienced strong growth of 4.4 percent (y/y), driven primarily by a robust service sector growth (+5 percent). The wholesale, restaurant, and hotel sector led with 5.9 percent (y/y) growth, reflecting robust tourism, followed by the transport and communication sector at 4.9 percent (y/y).

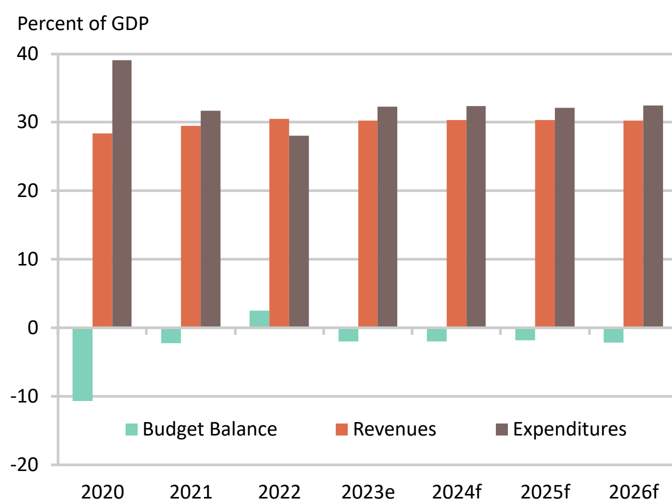
On the fiscal side, ample fiscal buffers exist despite a widening deficit during Q1 and Q2-2024, respectively. The deficit

FIGURE 1 Saudi Arabia / Annual real GDP growth



Sources: GASTAT Saudi Arabia and World Bank staff estimates.

FIGURE 2 Saudi Arabia / Central government operations



Source: World Bank.

expansion is primarily due to increased government spending, with municipal services seeing the largest rise at 116 percent in H1 2024, driven by Saudi Arabia's enhanced financial support for local services and infrastructure. Public administration followed with a 30 percent increase in spending.

On the monetary side, CPI inflation remains contained at 1.5 percent in July 2024 (down from 2.5 percent in 2022), supported by the local currency peg to the U.S. dollar and despite large public spending. However, while overall inflation is subdued, the housing sector witnessed much higher inflation at 9.3 percent in July. The food and beverage sector recorded a modest increase of 0.4 percent, and the transport sector experienced the largest deflation, at 3.5 percent.

The trade balance deteriorated owing to investment-driven increases in imports. This, in addition to lower proceeds and heightened volatility in oil exports resulted in a narrower current account surplus of 2.8 percent of GDP in Q1-2024, down from 5.6 percent of GDP in Q1-2023.

Labor market outcomes remain stable but mixed, with a decline in both the unemployment rate and the labor force participation rate. The unemployment rate declined to 3.5 percent in Q1-2024 (relative to 4.2 percent in Q1-2023). The overall labor force participation rate declined to 66 percent in Q1-2024, down from 66.9 percent in Q1-2023, with the decline largely ascribable to non-Saudi women. The decline among non-Saudi women is also explaining the lower employment-to-population ratio between Q1-2023 and Q1-2024, while the ratio among Saudi women increased to 30.7 percent (+1 percentage point) over the same period. The number of Saudis working in the private sector in Q1-2024 is estimated at 2.3 million up from 2.2 million in Q1-2023, while employment of non-Saudi nationals increased to 8.5 million relative to 7.7 million a year before.

Outlook

GDP growth forecast for 2024 has been revised downward to 1.6 percent due to lower-than-expected oil production but is still an improvement from the contraction of 0.8 percent in 2023. Growth is expected to rebound to an average of 4.9 percent in 2025-2026 as oil production increases. The oil production quota is expected to increase from the current cap of 8.9 million bpd to 9.98 million bpd during 2025 as announced by OPEC+. This is forecast to boost oil GDP growth by 6.6 and 5.1 percent for 2025 and 2026 respectively, reversing an estimated contraction of 4.5 percent in 2024.

The non-oil sector is estimated to maintain steady growth in the coming years. The services sector, critical to Saudi Arabia's economic diversification agenda, is expected to grow at a stable average rate of 5.8 percent in 2024-2026. The anticipated increase in oil production is also expected to strengthen the external sector in 2025-2026. The current account surplus is projected to increase from 3.0 percent of GDP in 2024 to 4.8 and 6.7 percent of GDP in 2025 and 2026, respectively. The fiscal and monetary sectors are estimated to stay stable over the next two years, assuming no significant external shocks. The planned increase in oil production in 2025-26 is likely to keep the fiscal deficit within reasonable bounds between -1.8 and -2.2 percent of GDP and a low average debt-to-GDP ratio of 28.1 percent over the period. Inflation is also projected to remain stable in the coming years.

TABLE 2 Saudi Arabia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	5.1	7.5	-0.8	1.6	4.9	4.8
Private consumption	9.5	4.9	5.3	3.3	3.0	3.1
Government consumption	0.8	9.3	5.7	0.7	4.9	3.5
Gross fixed capital investment	10.5	21.3	5.3	5.0	5.0	5.0
Exports, goods and services	5.6	20.5	-6.5	-3.8	7.0	6.7
Imports, goods and services	8.3	12.4	9.9	4.3	5.0	4.0
Real GDP growth, at constant factor prices	4.6	8.2	-1.4	1.7	5.0	4.9
Agriculture	2.2	4.0	4.1	2.0	2.0	2.0
Industry	1.7	12.4	-6.0	-2.3	3.7	3.5
Services	7.6	4.5	2.9	5.3	6.1	6.1
Inflation (consumer price index)	3.1	2.5	2.3	2.1	2.3	2.2
Current account balance (% of GDP)	4.8	13.7	4.0	3.0	4.8	6.7
Net foreign direct investment inflow (% of GDP)	-0.2	0.1	-1.2	-1.1	-1.1	-1.1
Fiscal balance (% of GDP)	-2.2	2.5	-2.0	-2.0	-1.8	-2.2
Revenues (% of GDP)	29.5	30.5	30.2	30.3	30.3	30.2
Debt (% of GDP)	26.9	23.8	26.2	27.7	27.6	29.1
Primary balance (% of GDP)	-1.4	3.2	-1.1	-1.1	-0.9	-1.2
GHG emissions growth (mtCO2e)	3.1	3.6	4.4	-1.7	0.2	3.2
Energy related GHG emissions (% of total)	68.6	68.5	68.6	66.8	65.4	65.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

SYRIAN ARAB REPUBLIC

Table 1	**2023**
Population, million	23.2
GDP, current US$ billion	17.5
GDP per capita, current US$	753.6
International poverty rate ($2.15)[a]	24.8
Lower middle-income poverty rate ($3.65)[a]	67.0
School enrollment, primary (% gross)[b]	79.6
Life expectancy at birth, years[b]	72.3
Total GHG emissions (mtCO2e)	48.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2022).

Macroeconomic conditions in Syria have worsened further due to prolonged armed conflict, low crop production, soaring food prices, and diminished humanitarian aid and fiscal subsidies. Subject to extraordinarily high uncertainty, real GDP is projected to contract by 1.5 percent in 2024 and 1.0 percent in 2025, extending the 1.2 percent decline in 2023. Consistent with a continued decline in per-capita GDP, extreme poverty is forecast to increase to 28.8 percent in 2023, 33.1 percent in 2024 and 37.4 percent in 2025.

Key conditions and challenges

The Syrian Conflict continues to be the deadliest conflict of this century. Between 2011 and 2023, Uppsala Conflict Data Program (UCDP) recorded more than 409,000 battle-related deaths in Syria—more than any other conflict of the past three decades. With no prospects of an imminent political settlement, the Syrian conflict has become one of the most protracted conflicts in recent history.

A decade of conflict has had devastating economic and social consequences for Syria. According to official statistics, Syria's gross domestic product (GDP) shrank by 53 percent between 2010 and 2022. Nighttime light (NTL) data, a proxy of economic activity, suggests a significantly larger impact from the conflict: an 84 percent contraction in economic activity from 2010 to 2023. The Syrian conflict has further triggered one of the largest waves of displacement since World War II. By the end of 2023, more than half of Syria's pre-conflict population remains displaced, including 7.2 million internally displaced persons (IDPs) and 6.5 million refugees abroad.

The conflict has weakened Syria's capacity to absorb external economic shocks. In recent years, the economy has faced multiple external shocks, including spillover effects from economic crises in neighboring Lebanon and Turkiye starting in late 2019; the COVID-19 pandemic and subsequent cholera outbreak; the spike in global commodity prices following the war in Ukraine; the February 2023 earthquakes in Syria and Turkiye; and more recently, the increased attacks and trade disruptions related to the ongoing Middle East conflict since October 2023.

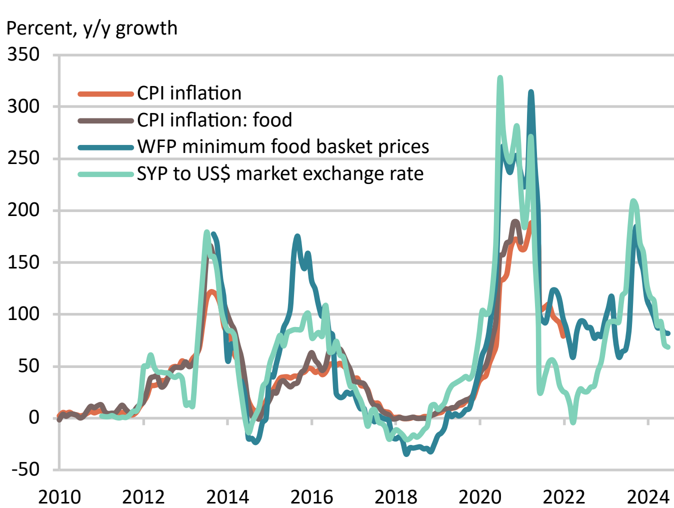
In 2022, almost 25 percent of the Syrian population lived in extreme poverty. This increase in extreme poverty, which was almost non-existent before the war, has been driven by significant increases in the cost of living coupled with continued deterioration in economic conditions. A full two-thirds of the population (67 percent) lived under the lower middle-income poverty line in 2022, equivalent to approximately 14.5 million Syrians.

Recent developments

The conflict in Syria has intensified further. The Armed Conflict Location and Event Data Project (ACLED) recorded 3,429 conflict-related deaths and 8,065 violent events in the first seven months of 2024, an increase of 7 and 38 percent, respectively, compared to the same period in 2023. The intensified conflict in Syria includes an escalation of military operations in northeast Syria that have targeted critical infrastructure, as well as increased attacks and airstrikes in the Syrian desert, southern Syria, and the Damascus region.

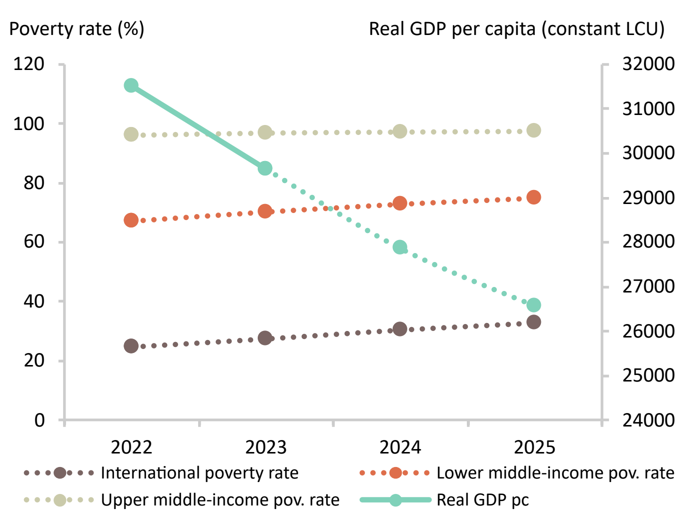
Macroeconomic conditions in Syria continue to deteriorate. Wheat and olive crop production, two of Syria's most vital agricultural products, has fallen by around a quarter in 2024, driven by heatwaves,

FIGURE 1 Syrian Arab Republic / Inflation and exchange rate



Sources: Central Bureau of Statistics of Syria, WFP Market Price Watch Bulletin, and World Bank estimates.

FIGURE 2 Syrian Arab Republic / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

droughts, and shortages of agricultural inputs. Although the Syrian pound has stabilized somewhat after years of sharp depreciation, by June 2024, it had lost nearly 69 percent of its value in the parallel market compared to one year ago. Over the same period, food prices, as proxied by the World Food Programme's (WFP) minimum food basket price index, were 82 percent higher than in the previous year, reflecting the combined impact of local currency devaluation and cuts in food and fuel subsidies.

Aid flows to Syria have declined, and access to humanitarian assistance has become more challenging. According to the UN Financial Tracking Service (FTS), only US$767 million in funding was received for humanitarian assistance within Syria during the first eight months of 2024—a 66 percent drop compared to the same period last year. As of August 2024, the Humanitarian Response Plan for Syria is just 26 percent funded, falling far short of the required US$4 billion. According to the REACH Humanitarian Situation Overview in Syria (HSOS) surveys, by June 2024, humanitarian aid access, especially for food, has notably declined in northern Syria compared to a year ago.

Outlook

Syria's protracted economic contraction is projected to extend into 2025 due to a multitude of challenges stemming from conflicts both within Syria and across the region. Subject to extraordinarily high uncertainty, real GDP is projected to contract by 1.5 percent in 2024 and 1.0 percent in 2025, extending the 1.2 percent decline in 2023; this projection assumes that the regional conflict will remain largely contained over the coming year. Consistent with a continued decline in per-capita GDP, extreme poverty is forecast to increase to 28.8 percent in 2023, 33.1 percent in 2024, and 37.4 percent in 2025, pushing over a third of the population into extreme poverty.

Heightened regional tensions pose considerable downside risks to the economy. Escalating cross-border attacks and the growing threat of a resurgence of the Islamic State, marked by increased assaults in Syria, could severely damage infrastructure, further disrupting supply chains and driving up logistics costs. A broader regional conflict could elevate commodity prices, negatively affecting Syria as a net food and fuel importer. Syria may also face further challenges in securing international assistance due to increased humanitarian disasters in the region, which may divert resources from donors, potentially worsening malnutrition, exacerbating poverty, and increasing the likelihood of disease outbreaks.

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

	2021	2022	2023	2024e	2025f
Real GDP growth, at constant market prices[a]	1.9	0.7	-1.2	-1.5	-1.0
Inflation (consumer price index)	118.8	63.7	92.5	37.7	11.3
Fiscal balance (% of GDP)	-6.0	-4.6	-4.3	-4.1	-3.8
International poverty rate ($2.15 in 2017 PPP)[b,c]	..	24.8	28.8	33.1	37.4
Lower middle-income poverty rate ($3.65 in 2017 PPP)[b,c]	..	67.0	71.4	75.1	78.6
Upper middle-income poverty rate ($6.85 in 2017 PPP)[b,c]	..	96.0	97.1	97.6	97.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
a/ Projections based on nighttime light data.
b/ Calculations based on 2022-HNAP. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.
c/ Projection using neutral distribution (2022) with pass-through = 1 (High (1)) based on GDP per capita in constant LCU.

TUNISIA

Table 1	2023
Population, million	12.5
GDP, current US$ billion	51.1
GDP per capita, current US$	4103.6
National poverty rate[a]	16.6
Lower middle-income poverty rate ($3.65)[a]	2.2
Upper middle-income poverty rate ($6.85)[a]	16.2
Gini index[a]	33.7
School enrollment, primary (% gross)[b]	103.9
Life expectancy at birth, years[b]	74.3
Total GHG emissions (mtCO2e)	40.0

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021).
b/ Most recent WDI value (2022).

Tunisia's economic outlook remains challenging and uncertain. Economic growth and job creation stagnated in 2024 amid a persistent drought and low demand. With tighter external financing, the government has increasingly relied on domestic borrowing from the Central Bank and commercial banks. Containing the inflation and raising capital inflows are important near-term challenges. Stabilizing the economy and accelerating its recovery will require the implementation of ambitious fiscal policy, state-owned enterprises, and pro-competition reforms.

Key conditions and challenges

Tunisia faces challenging economic conditions and slow reform implementation. As growth and private job creation stagnated after the 2011 revolution, the State stepped in as an employer of last resort and price stabilizer through subsidies. This caused a deterioration of the fiscal and the current account deficits, public debt, and contingent liabilities. The COVID-19 pandemic, inflation, and the ongoing drought have exacerbated these longstanding vulnerabilities. While the current account has recently improved, the authorities have relied more on domestic borrowing to finance the Budget in recent years, including Central Bank financing in 2020 and 2024.

Tunisia's growth prospects hinge on decisive structural reforms to address economic distortions and fiscal pressures. The priority reforms include rationalizing public expenditures, making the tax system fairer, improving the public administration and state-owned enterprises, and reducing the barriers to the entry of new firms and foreign direct investment (FDI). Progress in these reforms is critical to stabilize the macroeconomic situation, accelerate the recovery, and lay the foundation for a more sustainable economic growth.

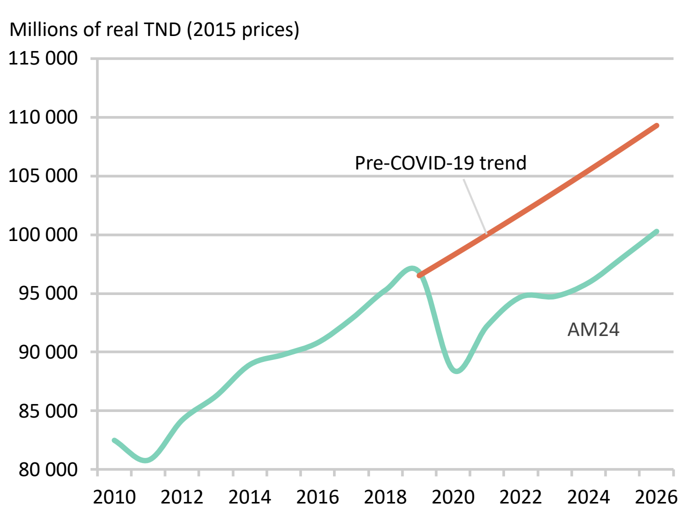
Recent developments

Tunisia's growth has been modest and volatile since the sharp COVID-related contraction in 2020 (-8.6 percent). That is due to a drought, uncertain external financing conditions, the low domestic and external demand, and the slow pace of economic reforms. After a moderate rebound in 2021 (4.3 percent) and in 2022 (2.7 percent), the economy stalled in 2023 (0 percent growth) and failed to gain momentum in the first half of 2024 (+0.6 percent on an annual basis).

The merchandise trade deficit narrowed to 6.4 percent of GDP in the first 7 months of 2024, down 5.6 percent a year before, amidst more benign global prices and robust olive oil exports. As a result, the current account deficit in the first semester declined to 1.4 percent of GDP between 2023 and 2024, also aided by the moderate growth in tourism receipts (+6.7 percent in the first 8 months of 2024).

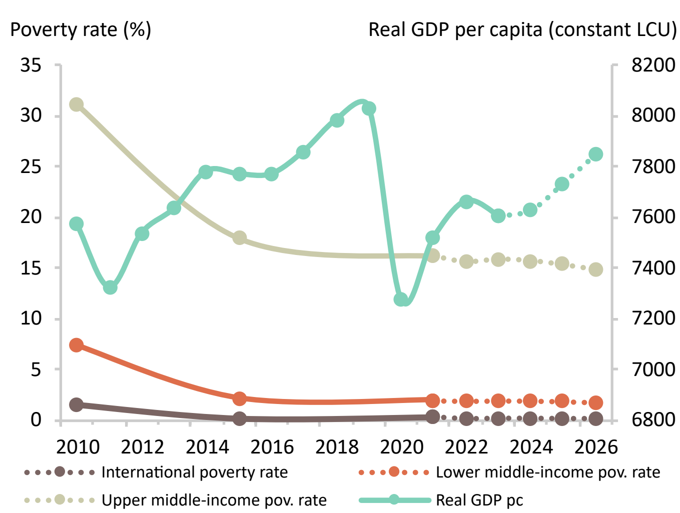
While the decline in commodity prices and the energy and food subsidy bill provide some respite, the pressure on public finances remains elevated as public expenditure reforms continue to falter amid low growth. The fiscal deficit continues to be considerably higher than in the pre-COVID period (6.7 percent of GDP in 2023 up from 2.9 percent in 2019). This contributes to the challenges in financing the public debt, which between 2019 and 2023 increased from 67.8 to 80.1 percent of GDP (excluding government guarantees and SOE debts). Gross financing needs have

FIGURE 1 Tunisia / Real GDP: Actual, forecast and pre-COVID-19 trend



Sources: World Bank estimates and National Institute of Statistics.

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



Source: World Bank. Notes: see Table 2.

also increased from 7.9 percent of GDP in 2019 to 11.9 percent of GDP in 2023 with four-fifths due to debt amortization, up.

Tunisia's access to international financing remains limited and FDI—while increasing by 26.7 percent in the first half of 2024—covers less than a quarter of the current account deficit and external debt reimbursement combined. As a result, the authorities have increasingly relied on domestic sources to cover the external financing needs. These include a TND 7 billion (US$ 2.3 billion) from the Central Bank financing facility established in February 2024 (equivalent to 4 percent of GDP and a quarter of 2024 financing needs) and a syndicated loan from domestic banks for US$ 185 million (in both US$ and Euro).

Inflation continued to moderate since the peaks of February 2023 (10.4 percent), declining to 6.7 percent in August 2024 (from 7 percent in July). The decline appears to be driven by both lower global prices and weak domestic demand. However, while the economy is operating below potential, supply-side issues continue to keep inflation above both the pre-COVID average (5.3 percent) and food inflation is higher (9.4 percent), which presents a particular challenge for lower-income households.

With the current rate of economic growth, the unemployment rate increased to 16 percent in Q2 2024 from 15.6 percent a year before as the labor force participation rate also declined, hovering 1.5 percentage points below the pre-COVID rate, which suggests a higher number of discouraged workers.

Outlook

Given the underperformance of key sectors, including agriculture, oil and gas and garments, the economy in 2024 is expected to grow by 1.2 percent, half the rate forecast at the beginning of the year. If financing conditions and external demand eventually improve, growth is expected to reach 2.2 and 2.3 percent in 2025 and 2026 respectively. With this growth rate, real GDP in 2024 would still be below its pre-COVID-19 level, a full four years after the pandemic.

The budget deficit is expected to decline somewhat to 6.0 percent of GDP in 2024 (compared to 6.7 percent of GDP in 2023) as subsidies and the wage bill are contained in real terms and tax revenues increase moderately. Gross financing needs are expected to rise to 16.1 percent of GDP in 2024 (from 13.8 percent in 2023) due to significant external debt service.

The current account deficit is projected to decline slightly to 2.3 percent of GDP in 2024 with moderate growth in tourism and improving terms of trade. With FDI projected to increase, albeit from a low base, and minimal portfolio investments, external borrowing would remain an important source of financing of the current account as well as of debt reimbursement.

The 2024-26 growth forecast is subject to significant downside risks. In the near term, more persistent or severe drought, weak demand in Europe, elevated inflation, and tight external financing conditions would significantly raise growth and macroeconomic stability challenges for Tunisia. Medium-term prospects would improve markedly should Tunisia implement fiscal and pro-competition reforms.

Poverty using the Lower Middle Income Poverty Line (US$3.65/person/day line in 2017 PPP term) is projected to continue its gradual decline, reaching 2.0 percent in 2024, 1.9 percent in 2025 and further decreasing to 1.8 percent in 2026. Similarly, poverty at the Upper-Middle Income Poverty Line (US$6.85 per person per day in 2017 PPP terms) is projected to decrease to 15.7 percent in 2024 (down from 15.9 percent in 2023) and is expected to decline to 14.9 percent by 2026.

TABLE 2 Tunisia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	4.3	2.7	0.0	1.2	2.2	2.3
Private consumption	2.4	2.2	-0.6	2.4	3.8	3.5
Government consumption	1.5	-1.2	-2.4	1.9	1.9	-1.8
Gross fixed capital investment	3.2	1.8	-7.7	6.0	-0.5	3.4
Exports, goods and services	11.9	17.3	10.4	0.0	4.0	4.0
Imports, goods and services	10.9	11.5	5.7	3.7	5.0	4.5
Real GDP growth, at constant factor prices	4.3	2.6	-0.1	1.2	2.2	2.3
Agriculture	-2.3	1.9	-16.1	8.5	5.9	5.9
Industry	9.8	0.7	-1.0	-3.5	-0.2	-0.3
Services	3.5	3.4	2.7	1.9	2.6	2.6
Inflation (consumer price index)	5.7	8.3	9.3	7.0	6.0	5.0
Current account balance (% of GDP)	-6.0	-8.7	-2.6	-2.3	-2.0	-1.8
Net foreign direct investment inflow (% of GDP)	-1.1	-1.3	-1.3	-1.5	-1.5	-1.5
Fiscal balance (% of GDP)	-7.6	-6.7	-6.8	-6.0	-4.3	-2.5
Revenues (% of GDP)	25.7	28.5	27.2	28.6	27.8	28.1
Debt (% of GDP)	79.9	79.9	79.6	80.2	79.9	79.2
Primary balance (% of GDP)	-4.7	-3.5	-3.1	-2.3	-0.3	1.3
International poverty rate ($2.15 in 2017 PPP)[a,b]	0.3	0.2	0.2	0.2	0.2	0.2
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	2.0	2.0	2.0	2.0	1.9	1.8
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	16.2	15.6	15.9	15.7	15.4	14.9
GHG emissions growth (mtCO2e)	8.2	0.1	0.0	0.5	2.1	2.3
Energy related GHG emissions (% of total)	68.5	68.0	68.3	67.9	68.1	68.1

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 2021-NSHBCSL. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2021) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

UNITED ARAB EMIRATES

Table 1	2023
Population, million	9.5
GDP, current US$ billion	477.6
GDP per capita, current US$	50185.0
School enrollment, primary (% gross)[a]	115.8
Life expectancy at birth, years[a]	79.2
Total GHG emissions (mtCO2e)	256.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2020); Life expectancy (2022).

The United Arab Emirates (UAE) maintains its status as a key regional hub for trade, finance, and tourism, supported by significant progress in economic diversification and reduced reliance on hydrocarbon revenues. Economic growth remains positive in 2024, although constrained by OPEC+ production adjustments, with a stronger recovery projected for 2025. Major risks to the outlook include heightened geopolitical tensions, substantial oil price fluctuations, and continued global financial tightening.

Key conditions and challenges

UAE's macroeconomic conditions are shaped by a robust non-oil sector, supported by prudent fiscal and monetary policies. Despite the recent contraction in oil production and the anticipated subdued output in 2024, the OPEC+ agreement to raise the UAE's quota signals a gradual shift, with voluntary production cuts being reversed over time. A phased increase in oil output is set to occur between January and September 2025, reinforcing external buffers and sustaining fiscal stability. Hydrocarbon revenues continue to underpin the fiscal framework, while ongoing structural reforms—including the introduction of Corporate Income Tax and the gradual phase-out of the business fee regime—are enhancing fiscal resilience and broadening the economic base. These reforms, alongside strong non-oil sector performance, provide a stable foundation for continued economic strength.

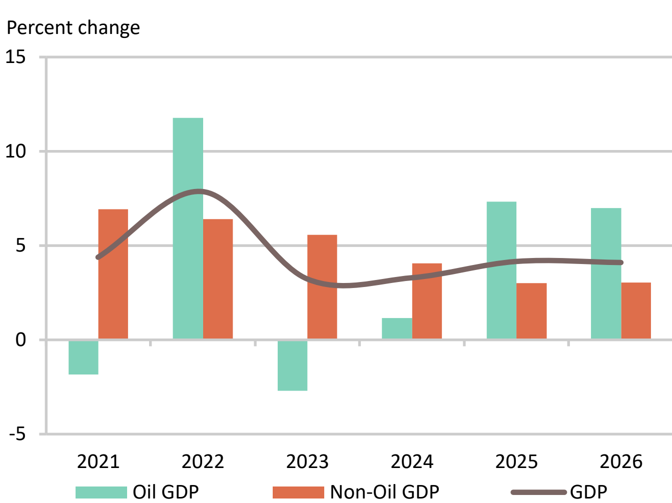
Key risks to growth are primarily linked to potential OPEC+ decisions to extend production quotas cuts, as well as the extension or escalation of the conflict in the Middle East conflict, given its adverse impact on oil price volatility and disruption in key sectors notably tourism and trade. Specifically, the disruption of Red Sea trade routes would lead to further increase in shipping costs and rerouting, particularly affecting the Asia-Europe trade corridor. This situation particularly poses substantial downside risks to the transport and logistics sectors, with the potential to negatively impact overall economic growth through the heightened supply chain cost and inefficiencies.

Recent developments

Following a deceleration in real GDP growth to 3.2 percent in 2023, driven by subdued global demand and OPEC+ production adjustments, the UAE economy remains nonetheless resilient, supported by a strong non-oil sector performance. Overall, the non-oil private sector remained robust, as indicated by a rise in the PMI to 54 in August 2024, driven by increases in output, new orders, and employment. In particular, financial services, hospitality, and transportation sectors are witnessing significant growth. Tourism also expanded, with tourist arrivals increasing by 11 percent year-on-year in Q1 2024. Passenger traffic at Abu Dhabi's Zayed International Airport surged by 36 percent. In contrast, the oil sector saw a 4 percent decline in production compared to the same period in 2023, averaging 2.9 million barrels per day over the first four months of 2024. However, gas production grew by 14.3 percent in Q1 2024, helping to offset the lower oil output.

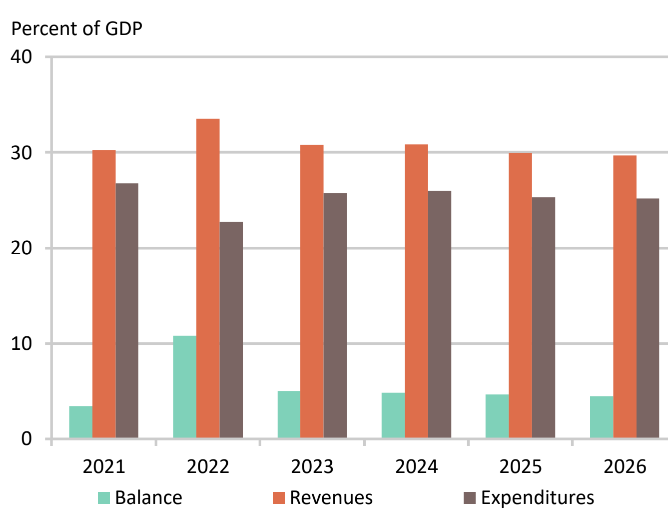
National inflation averaged 2.3 percent in H1 2024, with Dubai's inflation, consistent with the national trend, reaching 3.9 percent. This was primarily driven by elevated transport costs, while housing and utilities prices continued to

FIGURE 1 United Arab Emirates / Annual real GDP growth



Sources: UAE authorities, IMF WEO, and World Bank staff estimates.

FIGURE 2 United Arab Emirates / Public finances



Sources: UAE authorities, IMF WEO, and World Bank staff estimates.

rise, reflecting rapid population growth linked to recent visa reforms.

The banking sector remains robust, with non-performing loans ratio falling to 5 percent in Q1-2024, down from 6.4 percent in Q1-2023, and private sector credit growth sustained at 6.7 percent.

Public finances remain strong. The net fiscal balance remained positive at approximately 6 percent of GDP in Q1 2024, despite a narrowing of the fiscal surplus due to lower oil-related revenues. Total revenues contracted by 23 percent to 25,4 percent of Q1 2024 GDP. Government expenditure decreased by 20 percent to 19,3 percent of GDP, driven by declines in both current and capital spending. Overall, the fiscal accounts remain sustainable and have been further bolstered by the recent introduction of corporate income taxation.

The current account continues to maintain a surplus, driven by oil exports revenues and rising non-oil exports, helped by Free trade agreements with key Asian and African markets.

Employment growth remains robust in 2024, similar to 2023 trends (ILO estimates). The employment-to-population ratio is expected to reach 80.3 percent on average in 2024, with a stronger growth projected to be seen among women. This is possibly an effect of the gender balance strategy 2026 the country adopted to achieve gender balance by fostering, among other things, economic participation, financial inclusion. Total unemployment rate is projected to remain roughly stable y-o-y at about 2.7 percent in 2024. Youth unemployment rates remain substantially high, though on a downward trajectory since 2022. The gap in unemployment rates between youth and the whole labor force (15+) is especially wide among women, with projected rates of 21.7 percent among young women and 7.6 percent among women ages 15+ for 2024.

Outlook

Real GDP growth is expected to accelerate in the short- to medium-term, with overall GDP projected to grow by 4.1 percent in 2025 and 2026, supported by the recovery in oil production and stable external conditions. Economic activity is estimated to reach 3.3 percent in 2024, driven by a sustained expansion of 4.1 percent in the non-oil sector, which remains a key driver of economic growth, underpinned by robust performance across sectors such as tourism, real estate, construction, transportation, and manufacturing, and supported by the recovery in global economic activity. Oil output growth is forecast at 1.2 percent in 2024, with voluntary production cuts expected to be gradually reversed, leading to a phased increase in output between January and September 2025. Despite this positive outlook, risks remain elevated, including potential delays in OPEC+ production increases, decisions by other member countries regarding oil output, and the adverse economic effects of ongoing geopolitical tensions in the Middle East, which could weigh on UAE's overall economic outlook.

In 2024, inflation is projected to reach 2.2, supported by earlier interest rate hikes and base effects, and is expected to remain contained at approximately 2.1 percent through 2025-26.

The fiscal surplus, while still supported by oil revenues and robust non-oil economic growth, is projected to continue its declining trajectory to 4.9 and 4.7 percent of GDP in 2024 and 2025 respectively. The expansion of non-oil revenues and the broadening of the tax base, driven by the introduction of a federal corporate tax, continue to play a central role. The ongoing implementation of fiscal revenue reforms, along with the maintenance of prudent and well-coordinated fiscal policies tailored to individual emirates, is expected to continue to support overall fiscal sustainability.

The current account surplus, estimated at 7.5 percent of GDP for 2024, is expected to decline further to 7.4 and 7.3 percent in 2025 and 2026 respectively, indicating a deterioration, despite continued efforts to diversify the external sector. Expansion into non-oil sectors and emerging markets in South Asia and East Africa is, however, expected to strengthen non-oil export revenues. However, export performance remains subject to fluctuations in the oil production level and price and is dependent on the re-establishment of secure trade corridors.

TABLE 2 United Arab Emirates / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	4.4	7.9	3.2	3.3	4.1	4.1
Private consumption	5.0	9.0	5.1	5.5	3.9	4.0
Government consumption	1.4	3.5	3.0	3.5	3.0	2.8
Gross fixed capital investment	9.6	6.0	5.9	4.3	3.5	3.3
Exports, goods and services	6.8	8.4	3.6	3.5	4.6	4.6
Imports, goods and services	8.8	7.4	5.3	4.8	4.1	4.1
Real GDP growth, at constant factor prices	4.4	7.9	3.2	3.3	4.1	4.1
Agriculture	3.8	3.4	3.5	3.5	3.0	3.0
Industry	1.3	8.8	1.2	1.2	4.6	4.5
Services	7.4	7.1	5.1	5.2	3.7	3.8
Inflation (consumer price index)	-0.1	4.8	1.6	2.2	2.1	2.0
Current account balance (% of GDP)	11.5	11.7	9.2	7.5	7.4	7.3
Fiscal balance (% of GDP)[a]	3.5	10.8	5.1	4.9	4.7	4.5
Revenues (% of GDP)	30.2	33.6	30.8	30.8	30.0	29.7
Debt (% of GDP)	35.1	31.4	29.6	27.9	26.5	25.3
Primary balance (% of GDP)	3.7	11.1	5.3	5.1	4.8	4.7
GHG emissions growth (mtCO2e)	2.5	3.7	-0.8	0.7	0.6	1.0
Energy related GHG emissions (% of total)	72.9	73.6	72.9	72.7	72.4	72.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Consolidated fiscal balance.

REPUBLIC OF YEMEN

Table 1	2023
Population, million	34.1
GDP, current US$ billion	18.8
GDP per capita, current US$	552.0
School enrollment, primary (% gross)[a]	83.9
Life expectancy at birth, years[a]	63.7
Total GHG emissions (mtCO2e)	25.0

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2016); Life expectancy (2022).

Amid the continued blockade of the IRG's oil exports by the Houthis and the escalating conflict in the Middle East, Yemen faces an increasingly grim reality. The modest economic rebound in 2022 was short-lived, with 2023 and 2024 witnessing new, sharp declines in GDP per capita. Food insecurity has reached a historic high, and poverty is more severe and widespread. The outlook remains bleak as stalled peace negotiations and regional conflicts continue to hinder immediate prospects for lasting peace and recovery. Yemen's future hinges on resolving these conflicts, securing donor support, and committing to peace, reconstruction, and reforms.

Key conditions and challenges

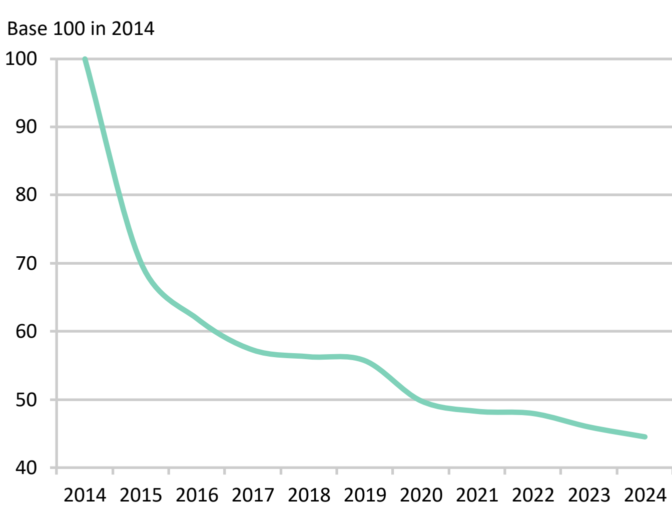
Yemen's humanitarian crisis is deeply rooted in its ongoing conflict and the highly fragmented political and economic landscape that has developed over the years. Since the onset of the conflict in 2015, the country has witnessed a staggering 54 percent contraction in real GDP per capita, plunging most Yemenis into poverty and severely eroding human capital. This is reflected in Yemen's precipitous drop in its score on the Human Development Index, where it ranked 186 out of 192 countries as of 2024. Indicators of wasting, stunting, and being underweight, collected in 2023, are also some of the highest in the world. The conflict has also intensified the country's fragmentation into two distinct economic zones, each governed by its unique set of institutions, resulting in increasing disparities.

Following some economic recovery in 2022 driven by the UN-sponsored truce, Yemen's economy contracted again in 2023 and 2024. The oil blockade has dampened growth and exacerbated IRG's fiscal and monetary challenges. Additionally, since October 2023, the escalation of the conflict in the Middle East and related Houthi involvement in the Red Sea has further undermined Yemen's economic and social conditions. As of end-August 2024, the ACLED Dashboard for Red Sea Attacks recorded around 355 incidents of violence linked to Houthi actions in the Red Sea. As a result, the volume of traffic through the strategic Suez Canal and Bab El-Mandeb Strait—carrying 30 percent of world container shipping—has dropped by half.

At the same time, Yemen continues to face deep structural challenges. Growth prospects in the oil sector depend on durable peace and financial and technical resources to restart oil production. Non-oil activity—mainly trade and agriculture—continues to be severely constrained by the conflict conditions, interruptions in essential service delivery, and acute input shortages. While remittances and aid help alleviate social conditions, these flows, too, are affected by conflict conditions. Critically, Yemen remains one of the most vulnerable countries to climate change impacts.

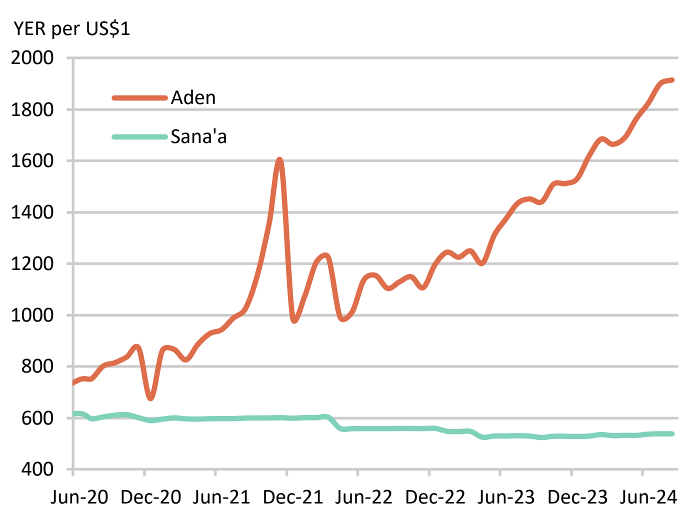
Living conditions for most Yemenis have become increasingly dire. In July 2024, 62 percent of households reported inadequate food consumption, representing a dramatic increase of 24 percent in IRG areas and 30 percent in Houthi areas since last year. In some governorates, severe food deprivation more than doubled. This is due to further depreciation of the Yemeni Riyal (YER) and reduced humanitarian food assistance. Phone surveys reveal that many households have resorted to extreme measures, with 19 percent turning to child labor or engaging in high-risk work. Those with poor food consumption are grappling with compounding vulnerabilities, including higher levels of acute and chronic health conditions, and symptoms of mental health disorders. These factors reinforce a vicious cycle of poverty and eroding human capital.

FIGURE 1 Republic of Yemen / Real GDP per capita



Source: World Bank staff calculations.

FIGURE 2 Republic of Yemen / Exchange rate trend: Sana'a and Aden



Sources: Telegram Exchange Market Group and World Bank staff calculations.

Recent developments

The ongoing Houthi blockade on IRG's oil exports, escalating tensions in the Red Sea, and domestic unrest have negatively impacted Yemen's economy in 2024. Oil-GDP has remained stagnant after a sharp 60 percent drop in 2023. Meanwhile, the non-oil sector faces mounting challenges due to rising uncertainty, hostile actions, and widespread protests. Particularly concerning is the escalating tension between the Houthis and the IRG over the regulation of the banking sector. On April 2, 2024, the CBY-Aden issued a mandate requiring banks in Sana'a to relocate to Aden or risk disconnection from SWIFT. This directive escalated tensions until July 23rd, when the IRG and Houthis agreed to de-escalate by reversing recent actions against banks and expanding Yemenia Airways' international flights. This followed a dire warning from the World Food Programme about a looming liquidity crisis and threat of hunger in Yemen.

The IRG's fiscal revenues, excluding grants, continued to decline in the first half of 2024, although donor support helped decrease the fiscal deficit. According to the Ministry of Finance in Aden, IRG revenues, excluding grants, fell by 42 percent in H1-2024, following a sharp 50 percent drop in 2023. Meanwhile, fiscal expenditures continued to rise. However, external emergency support provided some relief, with Saudi Arabia extending budget support, including disbursements totaling US$550 million in the first half of 2024.

External pressures continued to mount, leading to a depreciation of the YER in the Aden market. The suspension of IRG oil exports, combined with continued dependance on imports, intensified external pressures, causing the YER to depreciate in the Aden market from 1,531 per US dollar at the end of 2023 to 1,915 by August 20, 2024.

Outlook

Overall, the economy is expected to deteriorate further in 2024. National GDP is projected to contract by 1.0 percent in real terms, following a 2.0 percent decline in 2023. Oil-GDP is likely to remain stagnant, assuming the current conflict conditions continue and preclude oil exports in IRG-controlled areas from resuming. The ongoing blockade on IRG oil exports, coupled with persistent dependence on imported goods and services, is expected to widen the current account deficit to 25 percent of GDP, putting additional pressure on the YER. As a result, consumer prices across Yemen are anticipated to rise by 16.3 percent. However, donor support to the IRG and a reduction in expenditures are expected to decrease the IRG's fiscal deficit from 6.1 percent of GDP in 2023 to approximately 3.5 percent in 2024, despite the decline in revenues excluding grants.

The economic outlook for 2025 also remains grim. With stalled peace negotiations and ongoing regional and domestic tensions, our forecast assumes that there is no resumption of oil exports in 2025. Consequently, real GDP is projected to grow at a modest 1.5 percent, reflecting only marginal improvements in the non-oil sector. The services sector, particularly transportation, may see slight gains due expanded operations of Yemenia Airways under the UN-mediated agreement.

Significant downside risks could further destabilize Yemen's economy. This is attributed to the potential escalation of Houthi attacks in the Red Sea. While Yemen's imports and prices have remained relatively stable so far, the ongoing conflict increases risks of broader supply shortages and rising import costs due to increased shipping expenses, war premiums, and insurance costs. On the domestic front, tensions as those seen in 2024 within the banking sector could reemerge, posing serious threats to the economy by disrupting humanitarian aid, essential imports, remittances, and key sources of livelihood.

However, if a lasting truce or peace agreement is achieved, Yemen could experience large and sustained growth within months. Achieving a lasting truce or peace agreement could pave the way for rapid economic recovery, driven initially by the recovery of internal transport and trade, resulting in lower costs and increased employment and incomes. With additional external financial assistance and reconstruction efforts supported by development partners, and post-conflict reforms, Yemen could achieve accelerated and sustained growth within a short to medium time.

TABLE 2 **Republic of Yemen** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f
Real GDP growth, at constant market prices	-1.0	1.5	-2.0	-1.0	1.5
Inflation (consumper price index)[a]	31.5	29.5	0.9	16.3	20.7
Current account balance (% of GDP)	-14.2	-17.7	-20.3	-25.0	-25.7
Fiscal balance (% of GDP)	-0.9	-2.7	-6.1	-3.5	-4.0
Revenues (% of GDP)	7.3	9.5	6.0	7.4	6.6
Debt (% of GDP)	93.6	77.9	100.4	106.4	102.1
Primary balance (% of GDP)	0.2	-1.7	-4.4	-1.6	-2.1
GHG emissions growth (mtCO2e)	-0.1	-2.6	-3.4	-1.5	-0.3
Energy related GHG emissions (% of total)	32.0	31.3	30.3	29.7	29.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
a/ Inflation rates refer to end-of-period figures.

South Asia

Annual Meetings 2024

Afghanistan
Bangladesh
Bhutan
India
Maldives
Nepal
Pakistan
Sri Lanka

AFGHANISTAN

Afghanistan's economy grew by 2.7 percent in FY2023-24, partially recovering from a 27 percent contraction following the Taliban's takeover. Growth in agriculture, industry, and services contributed to the recovery. Humanitarian aid and inward remittances supported aggregate demand. However, the outlook remains subdued, with high downside risks due to persistent deflation, a trade deficit, and restrictive laws, particularly affecting women's rights. Afghanistan's long-term economic prospects depend on internal policy reforms and external aid.

Key conditions and challenges

Afghanistan faces numerous socio-economic challenges since the Taliban's return to power, including a sharp decline in international aid, frozen foreign reserves, persistent deflation, growing trade deficit, restrictive laws particularly affecting women's rights, and persistently low levels of human capital. Private consumption remains constrained, and nearly half of the population lives in poverty with fewer quality jobs and increased unemployment, particularly affecting youth and women. The Interim Taliban Administration (ITA) has strengthened domestic revenue mobilization efforts, but progress is insufficient to offset the reduction in external support. Afghanistan's underdeveloped infrastructure, particularly in energy and transportation, hinders industrial and commercial productivity, especially in rural areas.

Recent developments

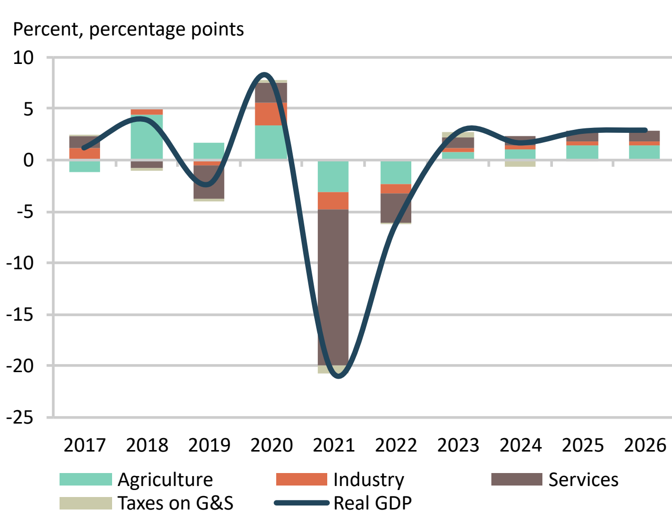
In FY2023-24, Afghanistan's GDP began to expand. Agriculture expanded by 2.1 percent and the industrial sector by 2.6 percent, supported by a halving of the business receipt tax (BRT) for industries and lower tariffs on raw and semi-raw materials. The services sector grew by 2.3 percent, with notable contributions from wholesale and retail trade and transportation. However, the education sub-sector declined by 9.4 percent, and the health and social services sub-sector declined by 3.1 percent. On the demand side, private consumption increased by 6.2 percent, with government consumption contributing modestly at 1.1 percent. However, overall growth in aggregate demand was constrained by the decline in investment and exports.

Headline inflation fell in April 2023 and remained negative throughout the Afghan fiscal year. Domestic prices declined by 7.7 percent on average in FY2023-24. Core inflation, excluding volatile food and energy prices, was also negative, falling by about 3 percent by the end of the FY in March 2024.

Declining prices, notably in food, have supported a progressive improvement in Afghan households' self-reported welfare. According to the latest estimates (Spring 2023), monetary poverty is at 48.3 percent, a 4-percentage point decline compared to the same period in 2020. Poverty in urban areas remains on an upward trend, reflecting the lack of quality job opportunities while improvement in the security situation, better access to markets, and a good agriculture season supported a decline in poverty in rural areas. Afghan households have coped with the crisis by increasing their labor supply. However, a weak labor demand has caused a doubling of unemployment and a 25 percent increase in underemployment between 2020 and 2023.

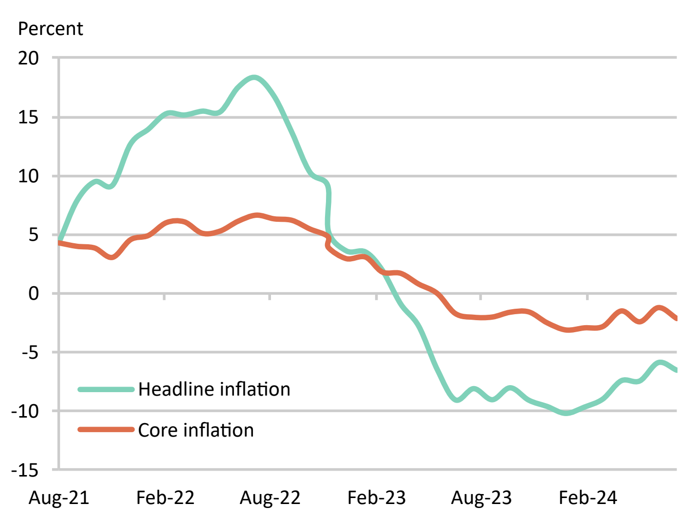
Afghan women continue to suffer the consequences of restrictive policies. Between 2022 and 2023, girls' secondary school enrollment collapsed from 14 percent to 3 percent

FIGURE 1 Afghanistan / Real GDP growth and contributions to real GDP growth



Sources: National Statistic and Information Authority (NSIA) and World Bank staff.

FIGURE 2 Afghanistan / The country is facing deflation



Sources: NSIA and World Bank staff projections.

due to the ban on secondary education. While more women have entered the labor force to support their households' livelihoods compared to 2020, limited mobility and other restrictions largely reduce their employment opportunities to home production in the manufacturing sector. The Morality Law recently promulgated, if fully enforced, could further restrict women's socio-economic inclusion and the country's development prospects.

Afghanistan's current account deficit increased to 13.5 percent of GDP in FY2023-24, driven by a growing trade deficit and declining foreign aid. Despite increased remittance inflows, total income from abroad declined by approximately two percentage points of GDP, falling to 33.7 percent. Financing the current account deficit has been challenging due to limited foreign direct investment and limited borrowing capacity.

Despite improvements in domestic revenue mobilization, the fiscal deficit (cash-basis) widened to 1.4 percent of GDP in FY2023-24. Operating expenditures increased by 0.3 percentage points to 15.6 percent of GDP, while development expenditures grew from 0.8 percent of GDP in FY2022-23 to 1.3 percent in FY2023-24. The fiscal deficit was potentially financed by a reduction in deposits at the central bank.

Outlook

Economic activity is expected to grow modestly over the medium term, averaging 2.75 percent annually from 2024 to 2026, with agriculture growing faster than the rest of the economy Domestic prices are expected to stabilize in the second half of FY2023-24, with inflation turning positive.

With projected GDP growth barely at par with that of the population, per capita GDP is expected to stagnate and poverty to remain above 40 percent. Moreover, vulnerability to falling into poverty because of shocks remains a concern, as does unemployment and job quality challenges.

The current account deficit in Afghanistan is projected to increase to 17.7 percent of GDP in the forecast period, up from 13.5 percent in FY2023-24 driven by a high trade deficit accounting for 40 percent of GDP. Exports of goods and services are expected to decline by two percentage points, stabilizing around 10 percent of GDP, while imports are expected to slightly exceed 50 percent of GDP. Total income from abroad is expected to decline to around 22 percent of GDP, and financing of the current account deficit will remain a challenge, even more so in a context of declining aid.

The fiscal deficit is expected to narrow to 0.7 percent in FY2024-25, with a balanced budget projected for FY2025-26 and FY2026-27. Revenue collection has improved during the first four months of FY2024-25, totaling AFN 69.7 billion, marking an 11 percent increase from the previous year, primarily driven by higher non-tax revenues. With borrowing constraints, the revenue increase is expected to be matched by a corresponding rise in expenditure.

Afghanistan's economic outlook faces major risks, including political instability that weakens investor confidence and long-term planning. The country's isolation and lack of international recognition limit access to foreign aid, investment, and trade, slowing its economic recovery. A high current account deficit strains foreign reserves, and with limited financial options, the central bank struggles to manage currency stability, which could lead to inflation. The ITA relies heavily on customs duties and non-tax revenues but falling exports and lower tax income make it harder to balance the budget. The agriculture sector, which provides a livelihood for 40 percent of the population, remains vulnerable to climate change and weather shocks, leading to potentially severe impacts on poverty and food security.

BANGLADESH

Table 1	2023
Population, million	169.4
GDP, current US$ billion	414.4
GDP per capita, current US$	2445.6
International poverty rate ($2.15)[a]	5.0
Lower middle-income poverty rate ($3.65)[a]	30.0
Upper middle-income poverty rate ($6.85)[a]	74.1
Gini index[a]	33.4
School enrollment, primary (% gross)[b]	117.7
Life expectancy at birth, years[b]	73.7
Total GHG emissions (mtCO2e)	260.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2022).

Real GDP growth is expected to slow from 5.2 percent in FY24 to 4.0 percent in FY25, driven by subdued investment and industrial growth in the aftermath of student-led protests and persistent social grievances. Extreme poverty is projected to have increased to 6.1 percent in FY24, and inequality to increase over one Gini index point. Job creation, revenue mobilization, and financial sector reforms are key priorities for robust growth in the medium to long term and to support the new poor to improve their welfare and be lifted out of poverty.

Key conditions and challenges

On August 8, 2024, an interim government took office following the resignation of the former Prime Minister. The timing of the next election remains uncertain. The interim government will need to address persistent high inflation, declining reserves, and elevated financial sector vulnerabilities to stabilize the economy. Despite disruptions in economic activity, the transition is an opportunity to implement a wide-ranging reform agenda.

Deterioration in labor market conditions may have contributed to people's discontent. Labor force participation declined from 61.2 in 2022 to 60.9 in 2023 and reached 59.9 percent in the first half of 2024. Employment has also reduced, particularly in 2024 (1.2 percentage points variation), and the unemployment rate remained almost stagnant at around 3.5 percent. This dynamic is mainly driven by discouraged workers leaving the market as they cannot find jobs.

Comprehensive reforms to create more jobs, address financial sector vulnerabilities, strengthen public sector performance, and improve revenue mobilization will be critical to support growth. In the medium term, Bangladesh will need to improve governance, boost human capital, address climate risks and diversify exports to counter reduced market access following the graduation from UN Least Developed Country (LDC) status in 2026.

Recent developments

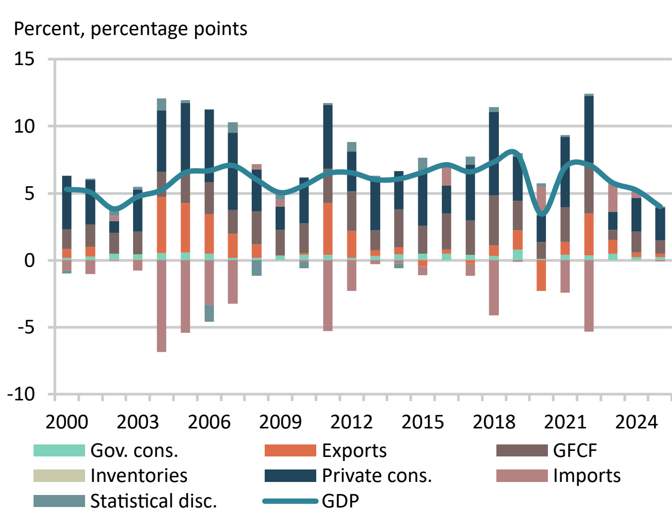
Prior to the interim government taking office, the turmoil disrupted economic activity, particularly in the industrial and service sectors.

Before the transition, real GDP grew by 5.2 percent in FY24. On the supply side, GDP growth was primarily driven by industry, which expanded by 5.8 percent—lower than the decadal average of 9.5 percent, impacted by energy shortages, import restrictions, and monetary tightening. Services growth also slowed to 5.3 percent as domestic purchasing power declined due to persistent inflation. Agricultural growth remained modest at 3.3 percent.

The current account deficit almost halved to US$6.5 billion (1.4 percent of GDP) in FY24 from US$11.6 billion in FY23, as the trade deficit improved, and remittance inflows grew by 10.7 percent. In May 2024, Bangladesh Bank adopted a crawling peg exchange rate system and devalued the exchange rate. As of September 8, foreign exchange reserves declined by US$2.3 billion since June 2024 to reach US$19.4 billion, (3.2 months of import coverage).

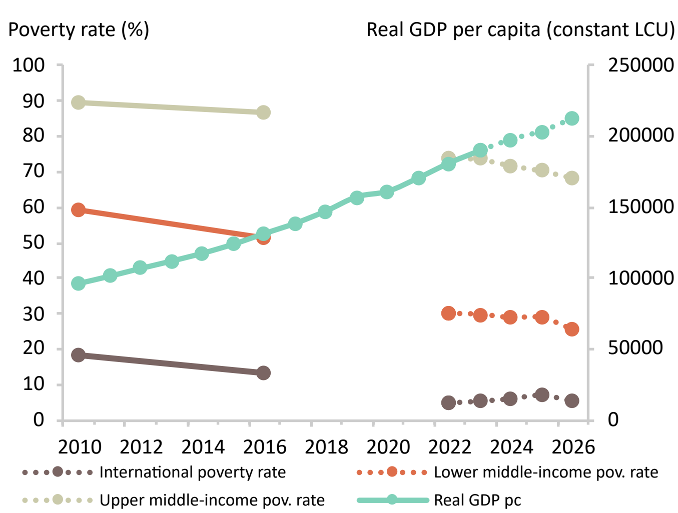
Inflation remained elevated, averaging 9.7 percent in FY24, due to high food and import prices. In response, the policy rate was raised by 100 basis points in FY25 to 9.5 percent (cumulatively by 425 basis points

FIGURE 1 Bangladesh / Real GDP growth and contributions to real GDP growth



Sources: Bangladesh Bureau of Statistics and World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

since May 2022). The cap on bank lending rates was abolished to improve monetary transmission. The financial sector remains vulnerable to high non-performing loans.

Higher inflation and reduced employment opportunities impacted families' welfare, who consume a much higher percentage of income in food and goods affected by inflation. Workers in industry and services were especially affected, facing job losses of around 4.8 percent and wage reductions (by 2.3 and 0.7 percent), likely pushing their families into extreme poverty. Consequently, extreme poverty at the USD 2.15 (2017 PPP) threshold is projected to increase by 0.7 percentage points (or affect 1.2 million people) in 2024. Some families—particularly in agriculture or receiving remittances—were able to maintain their welfare. The opposing trends have likely exacerbated inequality, with the Gini index increasing by 1.1 points over the year.

The fiscal deficit was 4.5 percent of GDP in FY24. Revenue growth was robust but remained one of the lowest globally at 8.5 percent of GDP. Expenditure is estimated to have increased modestly to 13.0 percent of GDP, driven by current expenditure. The public debt to GDP ratio increased to 38.8 percent but remained sustainable.

Outlook

Real GDP growth is projected to decline to 4.0 percent in FY25 but could range between 3.2 and 5.2 percent. The wide range of the projection reflects the unavailability of credible data in recent months and significant uncertainties around the outlook. These uncertainties are expected to keep investment and industrial growth subdued in the short term. Recent floods are expected to moderate agriculture growth. Growth is expected to rise gradually, benefiting from critical financial sector reforms, increased revenue mobilization, improved business climate, and trade.

Export growth is anticipated to remain positive, despite short-term challenges due to high input costs, weak global demand, and uncertainties within the manufacturing sector. Remittances are projected to stay robust in FY25, supported by the adoption of the crawling peg exchange rate regime. The financial account will likely remain in surplus, supported by budget assistance from development partners. Foreign exchange reserves are expected to stabilize in FY25, albeit with some downward pressure due to external payment requirements to foreign energy suppliers.

The growth slowdown in FY25 will exacerbate the situation for the most disadvantaged populations and increase disparities. Extreme poverty is expected to rise to 7.0 percent, pushing an additional 1.7 million people into extreme poverty. According to the upcoming Poverty Assessment, about 6 out of 10 individuals are estimated to have used their savings to maintain household consumption. Conversely, households benefitting from robust remittance inflows will improve their welfare, but the contrasting effect will widen inequality by 1.4 Gini points.

The fiscal deficit is projected to remain below 5.0 percent of GDP over the medium term. In the short term, total expenditure as a share of GDP is expected to decline due to contractionary fiscal policy. Over the medium- to long-term, strengthening revenue performance will be crucial to expand investments in infrastructure and human capital.

Downside risks to the outlook have increased substantially. Increased political instability, poor corporate governance, and the potential insolvency of some banks could worsen an already weak financial sector. Persistently elevated inflation, weak global demand, energy shortages, and climate shocks could lower the growth outlook further and exacerbate vulnerability to falling into poverty.

TABLE 2 Bangladesh / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2020/21	2021/22	2022/23	2023/24e	2024/25f	2025/26f
Real GDP growth, at constant market prices[a]	6.9	7.1	5.8	5.2	4.0	5.5
Private consumption	8.0	7.5	2.0	3.9	3.8	4.8
Government consumption	6.9	6.2	8.5	3.5	3.5	9.2
Gross fixed capital investment	8.1	11.7	2.2	4.8	3.1	6.4
Exports, goods and services	9.2	29.4	8.0	2.7	2.1	4.5
Imports, goods and services	15.3	31.2	-9.8	-2.5	0.4	5.1
Real GDP growth, at constant factor prices[a]	7.0	7.2	6.2	5.3	4.0	5.5
Agriculture	3.2	3.1	3.4	3.3	3.0	3.1
Industry	10.3	9.9	8.4	5.8	3.3	5.4
Services	5.7	6.3	5.4	5.3	4.7	6.0
Inflation (consumer price index)	5.6	6.1	9.0	9.7	9.5	9.0
Current account balance (% of GDP)	-1.1	-4.2	-2.8	-1.4	-0.9	-0.5
Net foreign direct investment inflow (% of GDP)	0.3	0.4	0.4	0.4	0.3	0.4
Fiscal balance (% of GDP)	-3.7	-4.6	-4.6	-4.5	-4.3	-4.6
Revenues (% of GDP)	9.4	8.5	8.2	8.5	8.3	8.7
Debt (% of GDP)	32.4	33.8	37.0	38.8	40.6	41.8
Primary balance (% of GDP)	-1.7	-2.6	-2.5	-1.9	-1.4	-1.6
International poverty rate ($2.15 in 2017 PPP)[b,c]	..	5.0	5.4	6.1	7.0	5.5
Lower middle-income poverty rate ($3.65 in 2017 PPP)[b,c]	..	30.0	29.8	29.0	29.0	25.9
Upper middle-income poverty rate ($6.85 in 2017 PPP)[b,c]	..	74.1	73.7	71.8	70.2	68.0
GHG emissions growth (mtCO2e)	7.3	5.0	2.7	1.8	2.0	2.6
Energy related GHG emissions (% of total)	42.3	44.1	44.6	44.7	44.9	45.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ FY23 estimates based on BBS provisional estimates.
b/ Calculations based on SAR-POV harmonization, using 2022-HIES. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.
c/ Projections using microsimulation methodology.

BHUTAN

Table 1	2023
Population, million	0.8
GDP, current US$ billion	2.9
GDP per capita, current US$	3717.8
International poverty rate ($2.15)[a]	0.0
Lower middle-income poverty rate ($3.65)[a]	0.5
Upper middle-income poverty rate ($6.85)[a]	8.4
Gini index[a]	28.5
School enrollment, primary (% gross)[b]	103.8
Life expectancy at birth, years[b]	72.2
Total GHG emissions (mtCO2e)	-5.1

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2022).

Economic growth rose to 5.3 percent in FY23/24 and is projected to increase further in the short to medium term due to the commissioning of new hydropower plants and recovery of the tourism sector. Fiscal performance improved with a series of consolidation measures. The current account deficit (CAD) is expected to improve with increased hydropower, non-hydropower (mining and forestry), and tourism exports and reduced cryptocurrency equipment imports. Despite significant progress, 19 percent of Bhutanese remain vulnerable to falling into poverty.

Key conditions and challenges

Bhutan's real GDP growth is driven by the public-led hydropower sector, resulting in growth spikes during the construction and completion of hydropower plants. However, the hydropower sector employs less than one percent of the labor force while the subsistence agriculture sector employs over 40 percent. High youth unemployment rate (19.2 percent in 2024) and limited labor opportunities, especially for skilled workers, increased emigration, with 9 percent of Bhutanese living abroad. Generous provision of public services and low tax revenue have led to persistent fiscal deficits. Major national investment in cryptocurrency mining has further pressured international reserves and worsened CAD since FY21/22, already strained by import reliance. The new government aims to transform its economy through the 13th Five-Year Plan (FYP) launched in July 2024 focusing on private sector development, job creation, infrastructure investments, and public sector reforms.

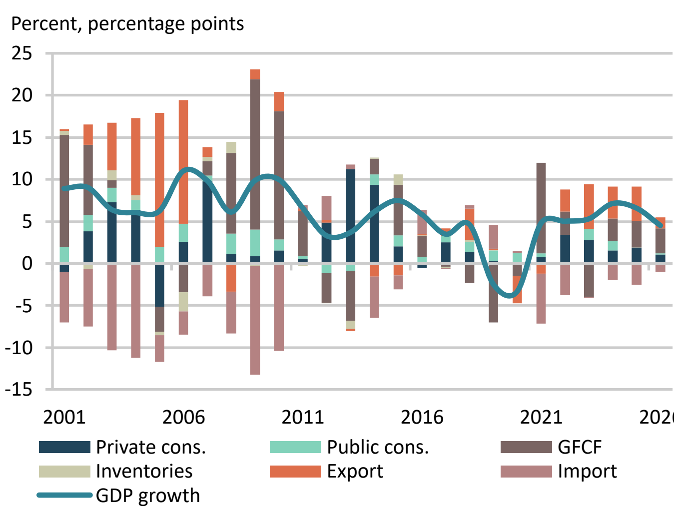
Economic growth contributed to poverty reduction during 2017-2022. Extreme poverty ($2.15/day) was nearly eliminated, and those living below $3.65/day and $6.85/day dropped sharply. Remittances were crucial to improving welfare among recipient households. Without remittances, the poverty rate would be substantially higher with an estimated 24,000 more people (3 percent of Bhutanese) classified as poor. Poverty reduction was more salient in rural areas. Non-monetary well-being dimensions such as education and sanitation also improved. However, vulnerability to climate shocks and spatial inequalities persist, with the poverty rate ranging from 1.5 percent in Thimphu to 41 percent in Zhemgang. As measured by the Gini index, monetary inequality improved from 37 to 28, yet spatial disparities persist.

Downside risks to the economic outlook persist. Domestic risks include delays in hydropower projects, which affect growth, and fiscal and external balances. Delayed fiscal consolidation and materialization of financial sector contingent liabilities could further erode fiscal buffers. External risks include rising and volatile commodity prices due to geopolitical tensions, natural disasters, and climate-related hazards, which could impact livelihoods and infrastructure development. Continued emigration of skilled labor continues to weigh on the economy and is likely to have a negative effect in the medium term.

Recent developments

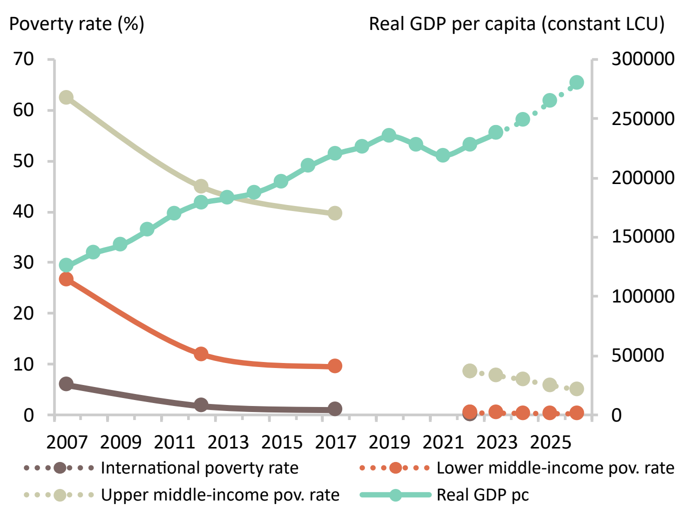
Real GDP grew by 5.3 percent in FY23/24 (July 2023 to June 2024), supported by the recovery of the tourism sector and growth of the non-hydropower industry (base metals and ferro-silicon). The agriculture sector returned to the pre-pandemic growth rate of 3.4 percent after stagnating in previous years. Industry growth stalled at 0.2 percent, due to contraction in the hydropower and construction sectors,

FIGURE 1 Bhutan / Real GDP growth and contributions to real GDP growth



Sources: National Account Statistics and National Statistics Bureau (NSB).

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



Source: World Bank. Notes: see Table 2

accounting for 72 percent of the industry sector, despite strong growth in mining and quarrying. The services sector grew by a robust 8.7 percent, led by tourism-related services. Demand side growth was driven by non-hydropower exports and consumption. Headline inflation decelerated from 4.6 to 4.3 percent, due to lower food and non-food inflation.

The fiscal deficit narrowed by 3.9 percentage points in FY23/24 to 0.8 percent of GDP, driven by improved domestic revenue and reduced capital expenditures despite major increase in public sector wages. Current expenditures increased due to a major salary hike for public servants ranging from 55 to 74 percent, aimed at curbing the high attrition rate of public servants. Capital expenditure remained low in FY23/24, as most of the capital spending of the 12th FYP was frontloaded in FY20/21 to support pandemic recovery.

The CAD remains elevated at 22.7 percent of GDP in FY23/24, albeit significantly narrowed from a peak of 34 percent in the previous year despite lower hydropower exports, due to a reduction in cryptocurrency mining related IT imports and continued recovery of the tourism sector. Hydropower exports declined, despite the commissioning of the Nikachhu hydropower plant, due to increased domestic consumption, reflecting the higher electricity needs for energy-intensive cryptocurrency mining operations. Gross international reserves increased modestly to US$624 million in June 2024 (4.7 months of imports).

Outlook

Real GDP growth is projected to rise to 7.2 percent in FY24/25, led by commissioning of Puna-II hydropower plant and growth in the non-hydropower industry and tourism sectors. On the demand side, growth is supported by non-hydropower exports and 13th FYP-related public investments. Medium-term growth will be driven by robust electricity production, construction, and services sectors on the supply side and growth of exports and public investment on the demand side. The lifting of housing construction loans moratorium and launching of the collateral-free concessional credit line in FY24/25 is expected to boost investments and growth.

Poverty reduction is expected to continue, with the $6.85/day poverty rate falling to 5.9 percent in FY24/25 and 5.0 percent in FY25/26. However, a substantial share of the population (19 percent of the total population or 200,000) remains vulnerable to poverty due to climate change hazards, with nearly half of the poor exposed to landslides (forthcoming Bhutan Poverty and Equity Assessment, 2024).

The fiscal deficit is expected to widen before improving in the medium term with consolidation and rising revenues. The fiscal deficit is projected to increase to 4.4 percent in FY24/25, driven by increase in capital expenditure for the 13th FYP. Goods and Services Tax implementation and one-off profit transfers from commissioning of Puna II in FY25/26, along with BTN 100 billion (US$1.2 billion) grant from the Indian government will boost revenue. Primary non-wage recurrent expenditure is expected to moderate. Public debt will remain elevated, rising to 122 percent of GDP in FY25/26 but considered sustainable as most of it is linked to hydropower loans. However, rising debt service may limit the fiscal space for social spending.

The CAD is projected to decline to 17.5 and 9.3 percent of GDP in FY24/25 and FY25/26, before moderating further in the medium term. This is driven by continued reduction of cryptocurrency and hydropower plants construction related imports. Export is projected to grow with higher hydropower exports from the commissioning of Puna-II, increased non-hydropower (mining and timber), and tourism exports. As a result, international reserves are projected to increase to US$717 million in FY24/25 (5.1 months of import coverage).

TABLE 2 Bhutan / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2020/21	2021/22	2022/23	2023/24e	2024/25f	2025/26f
Real GDP growth, at constant market prices	-3.3	4.8	5.0	5.3	7.2	6.6
Private consumption	0.3	1.5	6.9	5.6	3.1	3.7
Government consumption	5.4	1.9	-0.5	6.4	5.2	0.3
Gross fixed capital investment	-3.4	25.4	5.6	-7.6	5.9	7.3
Exports, goods and services	-10.4	-3.6	9.8	19.1	12.0	12.3
Imports, goods and services	-0.5	13.2	7.5	0.2	4.0	5.5
Real GDP growth, at constant factor prices	-2.3	4.9	4.8	5.2	7.2	6.6
Agriculture	2.7	0.1	0.1	3.4	5.3	5.0
Industry	-5.9	4.8	2.7	0.2	10.1	12.9
Services	-1.2	6.3	7.4	8.7	6.1	3.3
Inflation (consumer price index)	8.2	5.9	4.6	4.3	1.1	4.0
Current account balance (% of GDP)	-11.1	-28.1	-34.0	-22.7	-17.5	-9.3
Fiscal balance (% of GDP)	-5.8	-7.0	-4.7	-0.8	-4.4	-2.5
Revenues (% of GDP)	30.9	25.1	25.3	26.4	26.5	29.6
Debt (% of GDP)	123.3	118.8	116.1	110.7	104.8	121.6
Primary balance (% of GDP)	-4.8	-5.6	-3.0	1.1	-2.4	0.5
International poverty rate ($2.15 in 2017 PPP)[a,b]	..	0.0	..	..	..	..
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	..	0.5	0.4	0.3	0.3	0.2
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	..	8.4	7.7	6.9	5.9	5.0
GHG emissions growth (mtCO2e)	0.1	-1.7	-1.8	-1.6	-1.6	-1.5
Energy related GHG emissions (% of total)	-14.3	-15.6	-17.0	-18.3	-19.5	-20.7

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 SAR-POV harmonization, using 2022-BLSS. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2022) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

INDIA

Table 1	2023
Population, million	1428.6
GDP, current US$ billion	3567.1
GDP per capita, current US$	2496.9
School enrollment, primary (% gross)[a]	112.0
Life expectancy at birth, years[a]	67.7
Total GHG emissions (mtCO2e)	3672.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2023); Life expectancy (2022).

Despite a subdued global backdrop, the Indian economy expanded by 8.2 percent in FY23/24, reflecting strong growth in manufacturing and construction. This strong momentum is projected to continue over the medium term as a nascent private investment cycle is expected to firm up. Employment and worker participation rates increased in 2022-23, but high rates of tertiary youth unemployment, low rates of paid employment for women, and poor job quality remain a concern.

Key conditions and challenges

Between 2000 and 2019, economic growth averaged 6.6 percent annually, per capita GDP grew more than two-fold, and extreme poverty was reduced by two-thirds. The strong performance coincided with deeper global integration and improvements in the business environment. The COVID shock caused a deep contraction (by 5.8 percent in FY20/21) but the economy rebounded swiftly, averaging 8 percent growth over the following three fiscal years. However, by the end of FY23/24, the economy was still 7 percent smaller than it would have been under its pre-pandemic growth trajectory.

Despite significant welfare gains, 44 percent of the population still lived below the lower middle-income poverty line and 12.9 percent below the extreme poverty line in FY21/22 (see footnote a/). Consumption-based inequality has remained steady but high (Gini index of 33). Access to services varies widely across states, with multidimensional poverty ranging from less than 1 percent in Kerala to 35 percent in Bihar. New data shows that the compound annual growth in real per capita consumption averaged 3 percent between 2011-12 and 2022-23 (Inflation-adjusted; Household Consumption and Expenditure Surveys), with wide variation within and across states (8.5 percent in Sikkim versus only 0.9 percent in rural Nagaland and 0.6 percent in urban West Bengal).

Risks to the medium-term outlook are manageable. Unexpected climatic shocks could delay agricultural recovery and heightened geopolitical tensions could affect commodity prices. However, India's large domestic market, diversified economy, and adequate foreign exchange reserves provide significant resilience against these shocks.

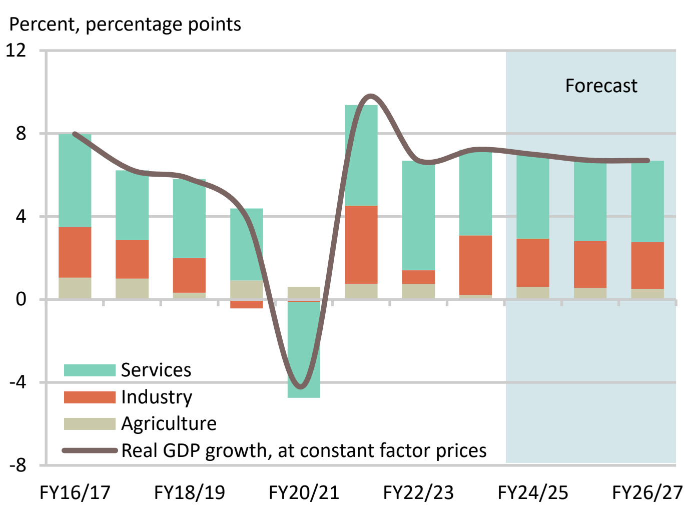
To sustain its robust growth trajectory, India should deepen factor market reforms and improve the business environment to stimulate private investment; focus on skill development and improving educational outcomes to maximize its demographic dividend; and leverage global markets by reducing trade barriers and costs.

Recent developments

India grew 8.2 percent in FY23/24, remaining the fastest-growing major economy. After contracting in FY22/23, manufacturing output expanded by 9.9 percent in FY23/24, reflecting increased demand from the construction sector. Service sector growth, while robust, moderated to 7.6 percent as the post-pandemic recovery slowed and unfavorable monsoons muted agricultural growth. On the demand side, increased investment, especially in public infrastructure and private real estate, offset a slowdown in private consumption as rural income growth moderated.

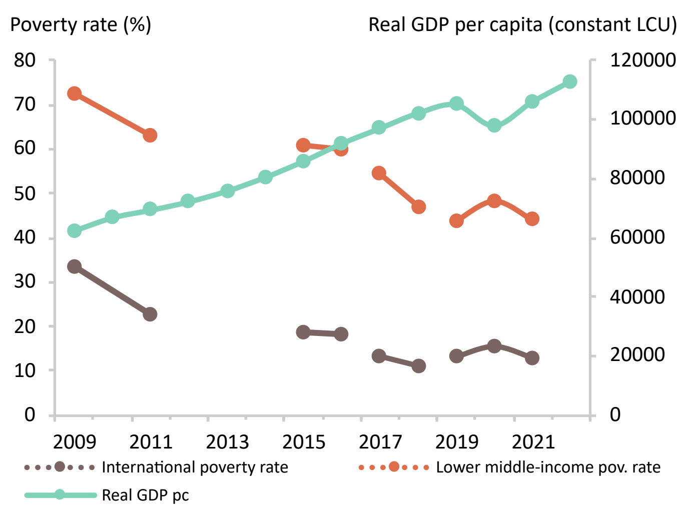
Headline inflation slowed to 5.4 percent in FY23/24, primarily thanks to lower fuel prices. However, food price inflation continued to be high and volatile, posing risks

FIGURE 1 India / Real GDP growth and contributions to real GDP growth at factor cost



Sources: National Statistics Office (NSO) and World Bank.
Note: FY16/17 refers to the fiscal year 2016-17 (April 2016-March 2017) and so on.

FIGURE 2 India / Actual poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

to welfare as about one-third of the population is undernourished. Persistent food inflation can further worsen malnutrition and stunting among vulnerable groups. As of August 2024, the Reserve Bank of India has kept the policy rate unchanged at 6.5 percent since February 2023.

In 2022-23, net employment growth exceeded the increase in the working-age population. The worker-population ratio increased across all groups, with women experiencing a five percentage point rise to 30.8 percent. However, despite the improvement, youth unemployment rates remained elevated and paid employment for women is still low. Job quality also remained a concern; 74 percent of the added jobs were in self-employment, of which 43 percent were unpaid. Over one-fifth of workers are in low-skill, elementary occupations, and informality prevails in agriculture (where nearly all jobs are informal) and paid non-farm employment (of which only 22 percent are formal). Two in five employed individuals earned incomes insufficient to keep an average family above the lower middle-income poverty line, and a quarter of workers did not earn enough to lift a family out of extreme poverty.

The general government fiscal deficit narrowed to 8.5 percent of GDP in FY23/24, from 9.6 percent in FY22/23, thanks to consolidation at the central level. Strong tax revenue growth and stable current spending more than offset a 28 percent increase in capital spending. However, public debt-to-GDP rose to 83.9 percent in FY23/24 due to slowed nominal GDP growth.

The current account deficit narrowed to 0.7 percent of GDP in FY23/24 from 2.0 percent in FY22/23. The merchandise balance improved, aided by declining global commodity prices, while services trade maintained a surplus. Net foreign direct investment dropped sharply due to increased repatriation, but foreign portfolio investment inflows increased ahead of India's inclusion in global bond indices. India's foreign exchange reserves rose to US$670 billion, providing an ample buffer.

Outlook

Growth is projected to remain strong at around 7 percent over the medium term. Agricultural growth is expected to recover to 4.1 percent in FY24/25, thanks to improved monsoon, and services and manufacturing sectors are projected to grow above 7 percent. On the demand side, government consumption will likely remain subdued due to continued fiscal consolidation, but private consumption is expected to rise with improved rural incomes. Although public investment growth may moderate, private corporate investment growth is set to increase, driven by growing consumer demand. Exports are projected to grow faster amid recovering global trade conditions and expected rate cuts by major central banks. Robust growth, particularly in rural incomes, should sustain poverty reduction, but more labor-intensive growth is needed to accelerate this trend.

Headline inflation continued to fall in Q1 FY24/25 and is projected to reach RBI's 4 percent target over the medium term, barring major climate shocks. Food price inflation remains volatile but is expected to ease with favorable monsoon conditions.

The overall fiscal deficit is projected to narrow thanks to continued strong revenue growth (from improved compliance and a broader tax base) and modest spending growth. Thus debt-to-GDP is projected to decline to around 82 percent by FY26/27.

The current account deficit is projected to widen to around 1.5 percent of GDP over the medium term due to increased domestic demand and is expected to be adequately financed by gradually improved foreign (direct and portfolio) investment flows. India's ample foreign exchange reserves are expected to remain sufficient, covering about eight months of imports.

TABLE 2 India / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021/22	2022/23	2023/24	2024/25e	2025/26f	2026/27f
Real GDP growth, at constant market prices	9.7	7.0	8.2	7.0	6.7	6.7
Private consumption	11.7	6.8	4.0	5.7	6.0	6.1
Government consumption	0.0	9.0	2.5	4.3	5.0	5.0
Gross fixed capital investment	17.5	6.6	9.0	7.8	7.7	7.7
Exports, goods and services	29.6	13.4	2.6	7.2	7.2	7.9
Imports, goods and services	22.1	10.6	10.9	4.1	6.3	7.3
Real GDP growth, at constant factor prices	9.4	6.7	7.2	7.0	6.7	6.7
Agriculture	4.6	4.7	1.4	4.1	3.9	3.7
Industry	12.2	2.1	9.5	7.6	7.3	7.2
Services	9.2	10.0	7.6	7.4	7.1	7.1
Inflation (consumer price index)	5.5	6.7	5.4	4.5	4.1	4.0
Current account balance (% of GDP)	-1.2	-2.0	-0.7	-1.1	-1.2	-1.6
Net foreign direct investment inflow (% of GDP)	1.2	0.8	0.3	1.0	1.2	1.5
Fiscal balance (% of GDP)	-9.5	-9.6	-8.5	-7.8	-7.5	-7.3
Revenues (% of GDP)	20.6	21.5	21.9	21.9	21.9	21.7
Debt (% of GDP)	84.8	82.5	83.9	83.7	83.0	82.0
Primary balance (% of GDP)	-4.3	-4.4	-3.1	-2.5	-2.2	-2.1
International poverty rate ($2.15 in 2017 PPP)[a]	12.9	..	..	..	..	..
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a]	44.1	..	..	..	..	..
GHG emissions growth (mtCO2e)	7.7	4.4	2.8	2.8	2.8	3.2
Energy related GHG emissions (% of total)	68.5	69.5	70.3	70.9	71.2	71.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Estimates are based on the Uniform Recall Period using survey-to-survey imputation (Roy and van der Weide (2022)). These estimates will be revised based on the 2022-23 Household Consumption Expenditure Survey when finalized. Extreme poverty line is defined at $2.15 per capita per day, and lower middle-income poverty line at $3.65 per capita per day (2017 PPP).

MALDIVES

Table 1	2023
Population, million	0.5
GDP, current US$ billion	6.6
GDP per capita, current US$	12678.3
Upper middle-income poverty rate ($6.85)[a]	3.9
Gini index[a]	29.3
School enrollment, primary (% gross)[b]	97.8
Life expectancy at birth, years[b]	80.8
Total GHG emissions (mtCO2e)	2.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2019), 2017 PPPs.
b/ Most recent WDI value (2022).

Economic growth is projected to remain robust over the medium term, driven by strong performance in the tourism sector. However, long-standing fiscal and external imbalances, including a recent sharp decline in official reserves, raise substantial liquidity and solvency concerns. A major fiscal adjustment is urgently required to address these vulnerabilities and ensure macroeconomic stability, which could increase vulnerability to falling into poverty. Cushioning the impact on the poor and vulnerable from income and welfare losses will be critical.

Key conditions and challenges

Tourism, the key driver of economic growth, continues to support economic activity and fiscal revenues with increased arrivals from China, Russia, and the UK. However, a decline in spending per tourist has moderated the impact of the sector's strong performance on overall growth.

Large increases in government spending and reliance on external non-concessional financing for infrastructure projects in recent years have worsened external and fiscal vulnerabilities and significantly increased public debt. Persistent large current account and fiscal deficits have led to a major depletion in already limited official reserves. Pressure on fiscal accounts this year has been aggravated by the government's continued provision of blanket subsidies, capital injections to underperforming state-owned enterprises (SOEs), and high levels of public health spending. The unavailability of finance has led to a notable reduction in capital spending, an accumulation of expenditure arrears, and concerns about the financial health of the construction industry.

To tackle the economic difficulties, the government announced a homegrown fiscal reform agenda in February 2024, including reforms that phase out existing subsidies and replace them with a targeted cash transfer scheme, improving health spending efficiency and rationalizing capital expenditure. Overnight subsidy removal, if uncompensated, could cause poverty ($6.85 per person per day, 2017 PPP) to almost double nationally and in the atolls. However, the implementation of these reforms has yet to commence, and it will also require candid and timely communication to the public.

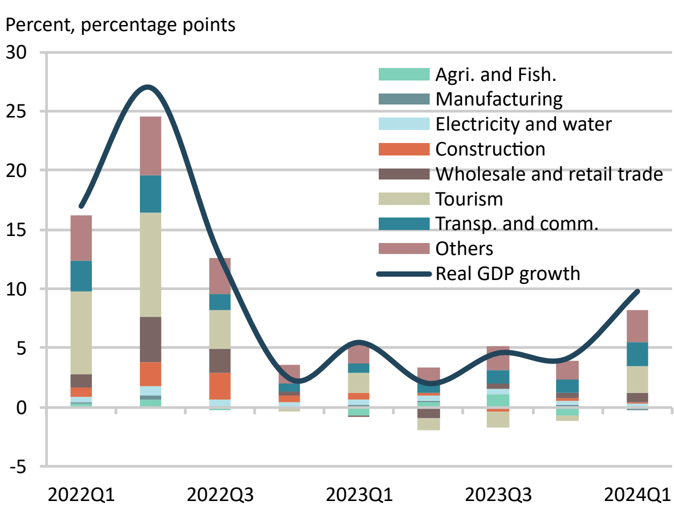
Recent developments

The economy grew by 4.1 percent (y-o-y) in 2023 and 9.8 percent (y-o-y) in Q12024. Tourist arrivals reached 1.3 million in August and are projected to reach a historical high of 2 million in 2024 (8.6 percent above 2023). However, due to a continued decrease in spending per tourist, these higher arrivals are not expected to significantly increase growth, with real GDP growth projected at 4.7 percent in 2024.

Domestic inflation remained low at an average of 0.5 percent (y-o-y) in H12024. However, food inflation experienced a sharp increase, reaching an average of 6.7 percent (y-o-y) in the same period, increasing costs of living for all, especially for less well-off households (who spend 35.2 percent of their budget on food).

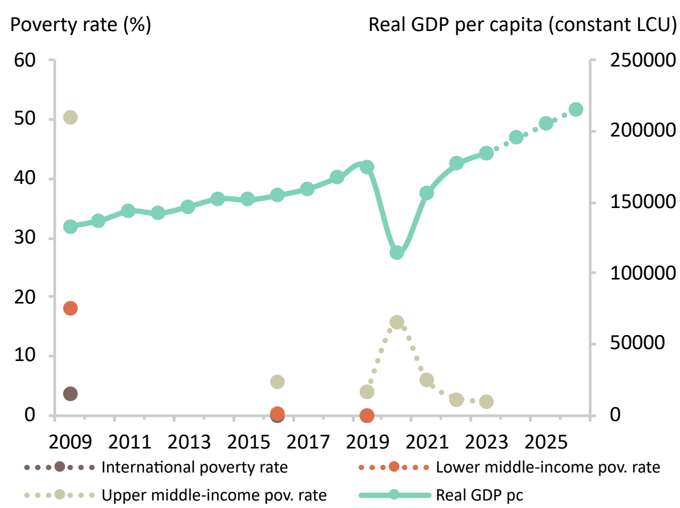
A decline in fish exports of 45.5 percent (y-o-y) and growth in goods imports of 6.4 percent (y-o-y) in H12024, widened the trade deficit to US$1.5 billion in H12024, from US$1.4 billion in H12023. Higher import costs and external debt repayments also put significant pressure on official reserves, which fell from US$590.5 million

FIGURE 1 Maldives / Real GDP growth and contributions to real GDP growth



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

in December 2023 to US$395.4 million in July 2024 (from 1.4 to 0.9 months of imports). Similarly, usable reserves declined from US$179 million to an all-time low of US$43.7 million in the same period.

While recurrent expenditure declined by 7.2 percent (y-o-y) in H12024, lower than expected due to delayed subsidy reforms, capital expenditure declined by 47.6 percent (y-o-y) in H12024 due to infrastructure project cuts. Overall, total expenditure is expected to moderate in 2024, yet this will be overshadowed by the buildup of expenditure arrears. With lower revenue collections, which declined by 5.7 percent (y-o-y) in H12024 due to lower non-tax revenues, the estimated fiscal deficit at end-June remained at 12.8 percent of GDP—similar to 2023. Given the authorities have not published monthly and weekly fiscal developments since end-June, this has led to further concerns over the country's fiscal situation.

With the persistence in domestic and external financing difficulties, the central bank's (MMA) exposure to government securities rose further to 61.0 percent of its total financial assets by mid-2024, from 58.2 percent in 2023.

Outlook

Supported by tourism, the economy is projected to grow by 4.7 percent on average over the medium term—lower than the pre-pandemic average of 7.4 percent. This outlook is predicated on a major fiscal adjustment—including the negative impacts on real household incomes and a reduction in government consumption and investment—and more moderate spending per tourist. Inflation is projected to rise significantly over the medium term, due to the planned subsidy reform.

Assuming a timely implementation of the government's fiscal reform package, including a meaningful spending reduction, the fiscal deficit is expected to narrow from 12.7 percent of GDP in 2023 to 6.1 percent of GDP in 2026. As a result, public debt is projected to gradually decline from 122.8 percent of GDP in 2023 to 111.4 percent of GDP in 2026.

The poverty outlook remains uncertain, depending on the timing and scope of reforms, the impact on labor markets, and the design of cash transfers. In the absence of mitigating transfers, subsidy removal could double poverty rates. Assuming a budget of MVR 1.2 billion, a universal cash transfer would only partly offset the welfare losses, but a more generous targeted cash transfer to the bottom 60 percent of the population could fully compensate.

The current account deficit is expected to narrow from 21.2 percent of GDP in 2023 to 12.1 percent of GDP in 2026, supported by robust growth in service exports and slower growth in imports. High external financing needs—including significant debt servicing—are expected to sustain pressure on official reserves and threaten overall macroeconomic stability.

Major downside risks exist. Any shock to the tourism sector could worsen the growth outlook. Limited domestic and external financing may exacerbate liquidity and solvency concerns, especially considering the approaching spike in external debt servicing payments. A major fiscal adjustment is urgently required to ensure macroeconomic stability. Any delay in fiscal reforms could lead to a further deterioration of current vulnerabilities and an unprecedented economic shock.

TABLE 2 Maldives / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	37.7	13.9	4.1	4.7	4.7	4.6
Real GDP growth, at constant factor prices	33.8	15.0	3.5	4.7	4.7	4.6
Agriculture	-0.7	3.1	0.8	-7.5	3.4	2.9
Industry	-4.6	25.2	7.6	2.3	1.6	0.9
Services	43.4	14.7	3.1	5.8	5.2	5.1
Inflation (consumer price index)	0.5	2.3	2.9	2.3	7.8	4.5
Current account balance (% of GDP)	-8.6	-16.3	-21.2	-15.9	-13.7	-12.1
Net foreign direct investment inflow (% of GDP)	12.2	11.9	12.1	12.0	12.2	12.0
Fiscal balance (% of GDP)	-14.2	-11.6	-12.7	-9.4	-7.8	-6.1
Revenues (% of GDP)	26.4	30.6	33.5	31.9	34.1	33.6
Debt (% of GDP)	116.4	112.3	122.8	119.3	114.9	111.4
Primary balance (% of GDP)	-11.6	-8.0	-8.6	-4.1	-3.1	-1.5
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	5.8	2.7	2.3	..	..	..
GHG emissions growth (mtCO2e)	4.9	13.4	9.0	8.6	8.3	8.0
Energy related GHG emissions (% of total)	75.5	77.7	78.8	79.9	80.8	81.7

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 SAR-POV harmonization, using 2019-HIES. Actual data 2019. Nowcast based on microsimulations using sectoral GDP growth rates, and food and non-food inflation separately: 2021-2023.
b/ Nowcast and projections are not available.

NEPAL

Table 1	2023
Population, million	30.9
GDP, current US$ billion	40.9
GDP per capita, current US$	1324.0
International poverty rate ($2.15)[a]	0.4
Lower middle-income poverty rate ($3.65)[a]	7.5
Upper middle-income poverty rate ($6.85)[a]	44.1
Gini index[a]	30.0
School enrollment, primary (% gross)[b]	123.0
Life expectancy at birth, years[b]	70.5
Total GHG emissions (mtCO2e)	50.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2022).

Growth accelerated in FY24, driven by tourism, hydropower, and remittance-driven private consumption. Reduced recurrent spending lowered the fiscal deficit, while lower imports and higher remittances led to the first current account surplus in years. Despite reduced monetary poverty, 14.5 million Nepalis remain vulnerable to climate risks, and millions may fall back into poverty due to climate shocks and persistently weak local economic opportunities. While medium-term growth is projected to be around 5 percent, risks remain, including political.

Key conditions and challenges

Nepal's economy has demonstrated remarkable resilience, growing at an average of 4.5 percent over the past decade despite significant external shocks. Over 20 percent of the population is classified as poor using the revised national poverty line. However, welfare has significantly improved in the last decade, mainly due to increased remittances. As a result, extreme poverty, applying the international poverty line of $2.15 per day, has been nearly eliminated, and the percentage of Nepalis living on less than $3.65/day and $6.85/day has significantly reduced. Consumption inequality has also decreased, with the Gini index falling from 32.8 to 30.0 and the prosperity gap narrowing. Without remittances, over 2.6 million more people would be classified as poor. Human capital has improved, with 94 percent of households gaining electricity access, up from 70 percent. Progress includes reduced distance to public hospitals and increased availability of paved roads. Spatial inequalities persist, with the poorest provinces like Sudurpashchim and Karnali experiencing longer distances to paved roads and lower electricity access compared to national averages.

Vulnerability to climate shocks also remains a challenge. Although poverty reduction is particularly salient in rural areas, poverty remains predominantly rural. Poverty incidence varies significantly across provinces, with the poverty rate (based on the national poverty line) as high as 34.2 percent in Sudurpashchim and as low as 11.9 percent in Gandaki. Inequality (Gini index) in urban areas (30.3) is higher than in rural areas (28.7). Sluggish job creation with a high youth unemployment rate (22.7 percent in 2022/2023) makes emigration a preferred option for Nepalis across the income distribution (particularly the young male), contributing to a loss of skilled workforce.

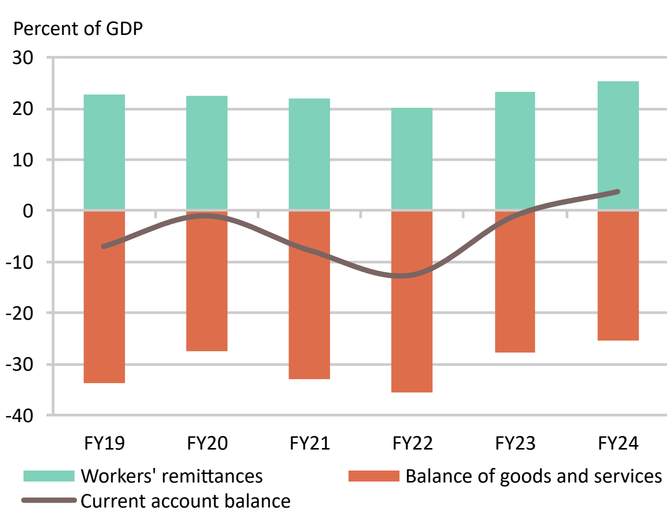
Despite these positive developments, Nepal's per capita income level remains below its peers. Persistent challenges such as low productivity and weak international competitiveness hinder sustained high growth rates. Additionally, challenges related to the effective implementation of federalism and other governance issues constrain economic progress.

Recent developments

Growth accelerated to 3.9 percent in FY24, from 2 percent in FY23. The services sector was a key driver, fueled by a surge in tourist arrivals that boosted activities in transportation, accommodation, and food services. Increased hydropower and paddy productions also supported growth. On the demand side, high remittances boosted private consumption, while low capital spending kept public investment subdued.

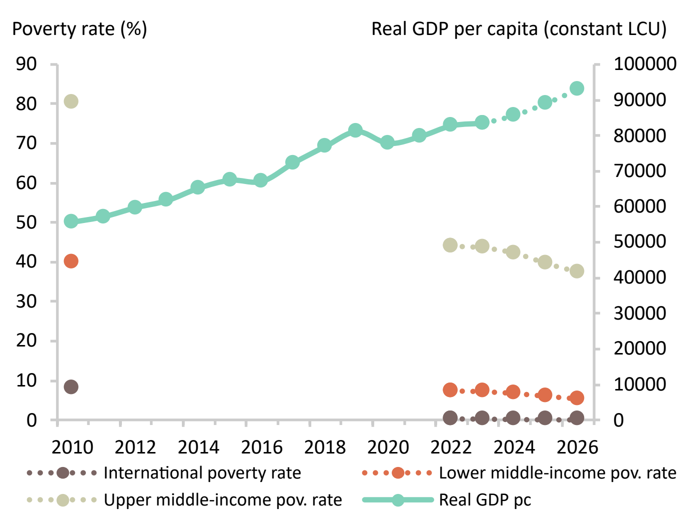
Headline inflation fell to 5.4 percent in FY24 from 7.7 percent in FY23, below the central

FIGURE 1 Nepal / The current account balance turned positive in FY24



Sources: World Bank staff calculations and Nepal Rastra Bank.

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



Source: World Bank. Notes: see Table 2.

bank's 6.5 percent target, mainly due to reduced non-food and services inflation.

The current account balance turned positive for the first time in eight years in FY24, driven by increased remittances from record migration in FY23 and lower imports of intermediate goods. Exports increased due to record-high electricity exports and growth in export services from higher tourist arrivals. Consequently, foreign reserves grew, reaching 13 months of import cover at end-FY24.

The fiscal deficit narrowed to a seven-year low of 2.6 percent of GDP in FY24, largely due to reduced recurrent expenditure driven by austerity measures and lower intergovernmental transfers. Domestic revenue collection improved slightly, with increases in both trade and non-trade revenues. The fiscal deficit was financed through a combination of domestic and external concessional borrowings. Public debt reached 42.7 percent of GDP by end-FY24. However, Nepal remains at a low risk of debt distress due to both external and overall public debt.

The central bank reduced the policy rate twice in FY24, from 7 percent to 5.5 percent, to stimulate private sector credit. However, credit as a proportion of GDP remained stagnant, while non-performing loans rose to a record 4 percent.

Outlook

Growth is projected to accelerate to 5.1 percent in FY25 and 5.5 percent in FY26. The wholesale, retail, construction, and manufacturing, which together account for over one-fifth of the GDP, are poised to benefit from the central bank's loosening of monetary policy and easing of regulatory requirements. This is anticipated to stimulate private investment, while remittance-driven private consumption, along with hydropower and tourism exports, is expected to bolster growth.

Inflation is anticipated to remain moderate due to declining global commodity prices and increased agricultural production. As a result, the poverty ($3.65/day) is expected to decline to 6 percent in 2025 and 5.4 percent in 2026. However, 14.5 million people are vulnerable to falling into poverty due to climate change hazards, particularly in the northern mountainous areas.

The current account surplus is expected to moderate in FY25 in response to increased imports. However, a projected increase in net electricity exports is expected to partially offset this. Remittances are expected to stabilize at around 25 percent of GDP following the peak migration in FY23. Under the baseline scenario, foreign reserves are projected to remain sufficient to cover imports for over nine months at end-FY26.

A gradual reduction in the fiscal deficit is expected over the medium term, driven by decreased recurrent expenditure and revenue measures. New tax measures in the FY25 budget and the implementation of the Domestic Revenue Mobilization Strategy are anticipated to increase revenue collection. While planned capital expenditure is projected to rise, its execution is likely to remain constrained by the slow implementation of the national project bank. Public debt is also expected to decline due to smaller fiscal deficits and higher economic growth.

While Nepal's medium-term outlook remains generally positive, it faces several downside risks. Increased financial sector vulnerabilities could curtail private sector credit. Political instability might lead to inconsistent policies, deterring investors. Delays in implementing capital expenditures could negatively impact growth. Externally, regional instability and trade disruptions could reduce tourism and domestic demand. Emigration is crucial for poverty reduction, but high vulnerability persists due to a weak labor market and reliance on inadequate and non-responsive social assistance programs.

TABLE 2 Nepal / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	4.8	5.6	2.0	3.9	5.1	5.5
Private consumption	8.0	6.8	0.7	1.1	1.8	2.9
Government consumption	-1.7	9.6	-21.2	-11.1	5.8	5.5
Gross fixed capital investment	9.8	3.4	-10.0	18.4	16.5	13.1
Exports, goods and services	-21.3	34.1	3.3	18.1	11.3	13.2
Imports, goods and services	18.8	16.4	-18.7	-2.3	10.4	9.7
Real GDP growth, at constant factor prices	4.5	5.3	2.3	3.5	5.1	5.5
Agriculture	2.8	2.4	2.8	3.0	3.3	3.4
Industry	6.9	10.7	1.4	1.3	4.9	7.5
Services	4.7	5.3	2.4	4.5	6.1	6.0
Inflation (consumer price index)	3.6	6.3	7.7	5.4	5.0	4.5
Current account balance (% of GDP)	-7.7	-12.5	-0.9	3.9	2.6	1.7
Net foreign direct investment inflow (% of GDP)	0.4	0.4	0.1	0.1	0.2	0.2
Fiscal balance (% of GDP)	-4.0	-3.6	-5.8	-2.6	-2.2	-1.9
Revenues (% of GDP)	23.3	22.9	19.3	19.4	20.0	20.3
Debt (% of GDP)	39.9	40.5	42.9	42.7	42.2	41.3
Primary balance (% of GDP)	-3.2	-2.7	-4.5	-1.1	-0.8	-0.7
International poverty rate ($2.15 in 2017 PPP)[a,b]	..	0.4	0.3	0.3	0.2	0.2
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	..	7.5	7.3	6.8	6.1	5.4
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	..	44.1	43.6	42.3	39.6	37.4
GHG emissions growth (mtCO2e)	3.2	-1.1	-0.4	3.6	3.8	4.1
Energy related GHG emissions (% of total)	32.6	31.3	30.1	31.4	32.7	34.4

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 SAR-POV harmonization, using 2022-LSS-IV. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2022) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

PAKISTAN

Table 1	2023
Population, million	240.5
GDP, current US$ billion	338.2
GDP per capita, current US$	1406.1
International poverty rate ($2.15)[a]	4.9
Lower middle-income poverty rate ($3.65)[a]	39.8
Upper middle-income poverty rate ($6.85)[a]	84.5
Gini index[a]	29.6
School enrollment, primary (% gross)[b]	84.4
Life expectancy at birth, years[b]	66.4
Total GHG emissions (mtCO2e)	520.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ Most recent WDI value (2022).

Pakistan's economy stabilized in FY24, supported by strong agricultural growth, improved macroeconomic policies, new external financing, easing import controls, and political uncertainty. However, with policy tightening, elevated inflation, and so far limited structural reforms, growth will remain below potential, and labor income, employment, and human capital accumulation rates will decrease. Monetary poverty will remain high. Policy uncertainty, limited policy buffers, and the financial sector pose substantial risks to the outlook.

Key conditions and challenges

Pakistan faced an economic crisis at the beginning of FY24 with heightened risks of debt default. Political uncertainty, fiscal and external imbalances, and global monetary tightening led to pressures on domestic prices and foreign reserves. Measures to manage imports and capital outflows were introduced, disrupting local supply chains, economic activity and exacerbating inflationary pressures.

The situation has improved significantly since then, even if risks remain high. With the approval of the IMF Stand-By Arrangement in July 2023, exchange rate flexibility was restored, import controls were relaxed, and fiscal consolidation measures were introduced. Political uncertainty also lessened post-elections. Coupled with strong agricultural growth, the economy began recovering in FY24. However, overall real labor income declined, and with elevated inflation, poverty rose in FY24.

Downside risks remain high, with the recovery expected to continue but predicated on the new IMF-EFF program remaining on track and on additional external financing inflows. Continued fiscal restraint will dampen aggregate demand, income, employment, and poverty alleviation. Heavy banking sector exposure to the sovereign, domestic policy uncertainty, federal-provincial government political misalignments, and geopolitical instability pose significant risks.

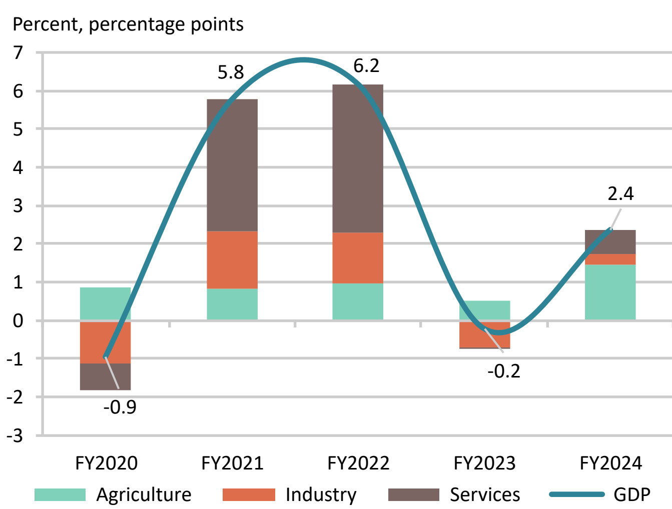
Recent developments

After contracting by 0.2 percent y-o-y in FY23, real GDP growth at factor cost rose to 2.4 percent in FY24. On favorable weather conditions, agriculture growth reached a 19-year high of 6.3 percent (Figure 1), real agricultural labor income grew by 5 percent and the sector's share in GDP rose to 22.7 percent. As easing external pressures permitted the lifting of import and capital controls, the industry and services sectors grew by a modest 1.5 percent and 1.1 percent, respectively. Tepid growth in non-agricultural sectors led to falling real wages for construction, trade, and transportation, while employment and labor force participation rates and job quality indicators have not risen. These together with fiscal consolidation and high inflation led to a poverty rate of 40.5 percent in FY24 and an additional 2.6 million Pakistanis falling below the poverty line (Figure 2).

The current account deficit (CAD) narrowed to 0.2 percent of GDP in FY24 from 1.0 percent in FY23 due to a smaller trade deficit on lower domestic demand and global commodity prices. With fresh multilateral and bilateral inflows, the balance of payments swung from a deficit in FY23 to a surplus of 0.8 percent of GDP in FY24. International reserves increased to US$10.6 billion at end-FY24, equivalent to 1.9 months of imports, while the Rupee appreciated modestly against the U.S. dollar.

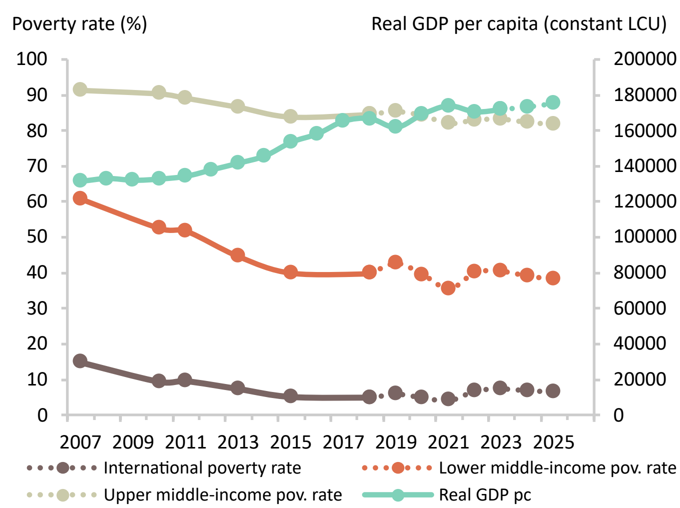
Headline inflation decelerated to an average of 23.4 percent in FY24 from 29.2 percent in FY23 owing to high base effects,

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



Sources: Pakistan Bureau of Statistics and World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

currency appreciation, and slower food inflation, which lowered price pressures for the poor, vulnerable, and aspiring middle-class households who allocate 42 to 48 percent of their budgets to food. However, energy inflation rose to 65 percent, while core inflation including transportation remained elevated in rural areas. Higher indirect taxes have also driven further price increases for consumer goods and services. These have adversely affected the poor, vulnerable, and aspiring middle-class households, who allocate 23 to 28 percent of their budgets to energy, housing, and transportation services. Official remittances rose in nominal terms, but only 3.2 percent of the poorest households receive these directly, while currency appreciation and high domestic inflation reduced their real value. Depressed economic activity in the construction, trade, and manufacturing sectors has likely reduced internal remittance income. With slower inflation, the central bank reduced the policy rate by a cumulative 450 bps to 17.5 percent.

The overall fiscal deficit narrowed by 0.9 percentage point to 6.8 percent of GDP in FY24 due to fiscal tightening. With higher direct taxes and hikes in the petroleum development levy, total revenues rose more than non-interest expenditures, contributing to a primary surplus of 0.9 percent of GDP. However, interest spending rose, crowding out public investment. Social protection expenditures increased while development expenditures declined, weakening social service delivery and delaying reductions in alarmingly high stunting and learning poverty rates.

Outlook

The recovery is expected to continue, with real GDP growth reaching 2.8 percent in FY25, as the economy benefits from the availability of imported inputs, easing domestic supply chain disruptions and lower inflation. Business confidence will also improve with credit rating upgrades, reduced political uncertainty, and fiscal tightening measures, such as the devolvement of constitutionally mandated expenditures to the provinces and higher agricultural income taxes. However, output growth will remain below potential as tight macroeconomic policy, elevated inflation, and policy uncertainty continue to weigh on activity. Limited growth in real wages and employment will keep the poverty rate near 40 percent through FY26. However, with continued progress on reforms and macroeconomic stability, poverty reduction is expected to gradually resume.

With high base effects and lower commodity prices, inflation will slow to 11.1 percent in FY25 but remain elevated due to higher domestic energy prices, expansionary open market operations, and new taxation measures. These price conditions are likely to exert more pressure on poor and vulnerable households by limiting real labor income growth to less than one percent in FY25. On the external front, the CAD is forecast to remain low at 0.6 percent of GDP in FY25 but widen as domestic demand recovers.

The fiscal deficit is projected to increase to 7.6 percent of GDP in FY25 due to higher interest payments but gradually decrease in fiscal tightening and falling interest payments. Fiscal consolidation will lead to continued high energy inflation and higher taxes on goods and services, which will worsen monetary poverty, welfare, and human development outcomes.

TABLE 2 Pakistan / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2020/21	2021/22	2022/23	2023/24e	2024/25f	2025/26f
Real GDP growth, at constant market prices	6.5	4.8	0.0	2.8	2.8	3.2
Private consumption	9.4	7.0	2.6	2.5	2.7	3.3
Government consumption	1.8	-1.3	-3.9	-4.2	6.8	5.8
Gross fixed capital investment	3.7	4.6	-14.9	-2.4	2.6	2.8
Exports, goods and services	6.5	5.9	3.2	2.0	1.3	3.2
Imports, goods and services	14.5	11.0	1.8	-4.0	3.4	4.6
Real GDP growth, at constant factor prices	5.8	6.2	-0.2	2.4	2.8	3.2
Agriculture	3.5	4.2	2.3	6.3	1.9	2.8
Industry	8.2	7.0	-3.7	1.5	3.1	3.2
Services	5.9	6.7	0.0	1.1	3.0	3.3
Inflation (consumer price index)	8.9	12.2	29.2	23.4	11.1	9.0
Current account balance (% of GDP)	-0.8	-4.7	-1.0	-0.2	-0.6	-0.7
Net foreign direct investment inflow (% of GDP)	0.5	0.5	0.2	0.4	0.5	0.5
Fiscal balance, including grants (% of GDP)	-6.0	-7.8	-7.7	-6.8	-7.6	-7.3
Revenues (% of GDP)	12.4	12.1	11.5	12.5	13.9	12.9
Debt (% of GDP)	77.6	80.6	81.6	72.4	73.8	74.7
Primary balance, including grants (% of GDP)	-1.1	-3.1	-0.9	0.9	0.7	-0.1
International poverty rate ($2.15 in 2017 PPP)[a,b]	5.0	4.2	6.8	7.4	6.9	6.6
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	39.5	35.5	40.2	40.5	39.1	38.2
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	84.1	81.9	83.0	83.2	82.2	81.7
GHG emissions growth (mtCO2e)	4.6	4.1	2.4	4.1	4.4	4.4
Energy related GHG emissions (% of total)	44.3	44.5	44.0	44.4	45.0	45.5

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 SAR-POV harmonization, using 2018-HIES. Actual data: 2018. Nowcast: 2019-2024. Forecasts are from 2024 to 2025.
b/ Poverty projections based on microsimulations using 2018-HIES and aggregate macroeconomic indicators (see Barriga-Cabanillas et al (2024), forthcoming).

SRI LANKA

Table 1	**2023**
Population, million	22.2
GDP, current US$ billion	84.4
GDP per capita, current US$	3792.8
International poverty rate ($2.15)[a]	1.0
Lower middle-income poverty rate ($3.65)[a]	11.3
Upper middle-income poverty rate ($6.85)[a]	49.3
Gini index[a]	37.7
School enrollment, primary (% gross)[b]	96.9
Life expectancy at birth, years[b]	76.6
Total GHG emissions (mtCO2e)	34.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2019), 2017 PPPs.
b/ Most recent WDI value (2022).

The economy has stabilized with positive growth, low inflation, a steady exchange rate, and improved fiscal and external balances amid the debt service suspension. However, poverty and inequality remain high. Continued macro stability hinges on policy consistency and the successful completion of the external debt restructuring. Prospects for medium-term growth and poverty reduction depend on the design and sustained implementation of key structural reforms.

Key conditions and challenges

The economy has stabilized since late 2023 following the deep economic crisis. Sri Lanka defaulted in 2022 amid unsustainable debt and depleted reserves, driven by macroeconomic mismanagement and long-standing structural weaknesses, and exacerbated by exogenous shocks. However, reforms implemented since 2022, including cost-reflective utility pricing, new revenue measures, a return to prudent monetary policy, and domestic debt restructuring, have helped regain macroeconomic stability.

After contracting by 7.3 percent (year-on-year, y-o-y) in 2022, the economy grew in the last two quarters of 2023, limiting the annual contraction to 2.3 percent. Inflation moderated to single digits in mid-2023, down from a peak of 69.8 percent (y-o-y) in September 2022. The rupee appreciated by 10.8 percent (y-o-y) in 2023 after sharply depreciating by 81.2 percent the year before. Due to the recovery of tourism receipts and remittances and increased inflows from development partners, usable official reserves increased to US$3.0 billion (equivalent to 2.1 months of imports) by end-2023, compared to US$500 million at end-2022. In June 2024, the International Monetary Fund successfully completed the second review of the Extended Fund Facility program.

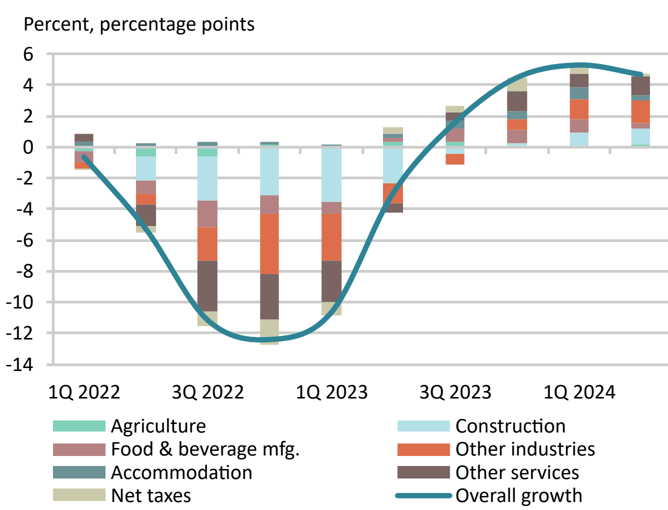
Despite progress, external debt servicing remains suspended while negotiations with external creditors continue. Household budgets remain stretched due to tax and price increases, as well as jobs and income losses. Real wages contracted by 16.9 and 22 percent between 2021 and 2024, in the private and public sectors, respectively. Food insecurity remains high, and poverty has nearly doubled to 23.4 percent in 2024. Sustained implementation of key structural reforms—related to fiscal and debt management, the financial sector, social assistance, state-owned enterprises, and trade and investment—will determine the prospects for medium-term growth and poverty reduction.

Recent developments

The economy grew by 5 percent (y-o-y) in H1 2024, driven by a rebound in the industrial sector—particularly in construction and food and beverage manufacturing—as well as strong performance in tourism-related services. Private consumption remained weak as household disposable incomes continued to be depressed. Labor force participation continued to decline (from 49.9 percent in Q1 2023 to 47.1 percent in Q1 2024). Food insecurity was widespread, with 23.7 percent of households being food insecure and 26 percent of households consuming an inadequate diet in 2023.

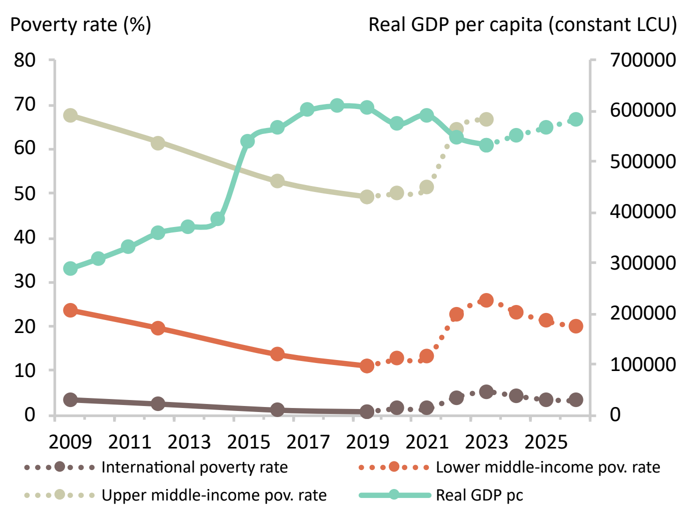
Headline inflation, measured by the Colombo Consumer Price Index, remained in the low single digits throughout 2024 (0.5 percent, y-o-y, in August 2024), supported by downward adjustments in administered

FIGURE 1 Sri Lanka / Real GDP growth and contributions to real GDP growth (production side)



Sources: Department of Census and Statistics and World Bank calculations.
Note: Food and beverage manufacturing includes production of tobacco products and accommodation includes food and beverage services.

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



Source: World Bank. Notes: see Table 2.

prices, currency appreciation, and improved supply conditions, whilst demand remained subdued. With inflation well below target, the central bank maintained an accommodative stance, cutting policy rates by 75 basis points (bps) between March and July 2024 (a cumulative 725 bps reduction since May 2023), pushing commercial bank lending and deposit rates downwards. Despite this, growth in credit to the private sector remained sluggish at 6.9 percent in July 2024 (y-o-y).

The merchandise trade deficit increased by 18.3 percent (y-o-y) in the first seven months of 2024 as import demand gradually recovered. However, increased tourism receipts (66.1 percent, y-o-y) and remittances (11 percent, y-o-y) in the first eight months, the continued suspension of debt servicing, and inflows from development partners contributed to a balance of payment surplus during this period. As a result, usable official reserves increased to US$4.5 billion (equivalent to 3 months of imports) by the end of August 2024, and net foreign assets of the banking system turned positive in May 2024 for the first time in four years. With improved foreign exchange liquidity, the rupee appreciated by 7.3 percent between January and August 2024.

The primary surplus, achieved in 2023, strengthened further in the first six months of 2024, as new measures, including an increase in the VAT rate and removal of VAT exemptions, led to a 42.6 percent increase in tax revenues, while expenditures remained tightly controlled. The overall fiscal deficit declined as the interest bill fell, driven by lower borrowing costs.

Outlook

Faster-than-expected macroeconomic stabilization has improved the short-term growth outlook to 4.4 percent (y-o-y) in 2024. Continued implementation of structural reforms will, however, be key to raising the medium to long-term growth potential. Poverty (below $3.65 per person per day, 2017 PPP) is expected to decline gradually but remain above 20 percent until 2026. Inflation is likely to remain below the central bank's target of 5 percent in 2024, and gradually increase towards the medium-term target as demand picks up. The current account is projected to remain in surplus in 2024, driven by tourism and remittances, and with the restriction on importing personal vehicles only being phased out from 2025. Debt restructuring and continued fiscal consolidation are expected to reduce the overall fiscal balance in the medium term.

While recent economic performance has been sound, macroeconomic stability remains fragile and is predicated on the consistent implementation of key fiscal, financial, and monetary policies. Given limited fiscal and external buffers, however, downside risks remain high. These include a protracted or insufficiently deep debt restructuring, policy uncertainty (including direction and pace of policy reform and the potential fiscal impact of electoral promises), and medium-term scarring effects of the crisis. Financial sector risks need to be carefully monitored as elevated non-performing loans and high exposure to the sovereign hinder financial sector stability. Poverty outcomes will hinge on reform design and sequencing, as well as the adequacy and targeting of compensating transfers. Inequality is estimated to remain high and increases in stunting and malnutrition are expected to increase spatial and intergenerational inequalities in the absence of compensating mechanisms and sustained growth. On the upside, a strong and sustained implementation of the structural reform program could boost confidence and attract fresh capital inflows.

TABLE 2 Sri Lanka / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	4.2	-7.3	-2.3	4.4	3.5	3.1
Private consumption	2.7	-0.5	-1.6	2.2	2.6	2.9
Government consumption	-2.8	1.4	-5.4	-0.1	2.4	1.8
Gross fixed capital investment	6.5	-24.5	-8.4	14.0	7.0	4.6
Exports, goods and services	10.1	10.2	12.0	4.3	3.6	3.4
Imports, goods and services	4.1	-19.9	6.5	4.7	3.9	3.7
Real GDP growth, at constant factor prices	3.9	-7.0	-2.6	4.4	3.5	3.1
Agriculture	1.0	-4.2	2.6	1.5	1.5	1.5
Industry	5.7	-16.0	-9.2	10.4	6.4	4.1
Services	3.4	-2.6	-0.2	2.3	2.5	2.9
Inflation (consumer price index)	6.0	46.4	17.4	3.0	4.5	5.1
Current account balance (% of GDP)	-3.7	-2.0	1.8	..	..	..
Net foreign direct investment inflow (% of GDP)	0.7	1.2	0.8	-0.9	-1.0	-1.0
International poverty rate ($2.15 in 2017 PPP)[a]	1.5	4.1	5.2	4.3	3.5	3.3
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a]	13.1	22.7	25.9	23.4	21.3	20.1
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a]	51.2	64.4	66.6	64.3	63.3	62.0
GHG emissions growth (mtCO2e)	1.2	-5.8	-2.4	6.2	6.1	5.9
Energy related GHG emissions (% of total)	59.7	57.8	56.2	58.5	60.7	62.7

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 SAR-POV harmonization, using 2019-HIES. Actual data: 2019. Nowcast: 2020-2023. Forecasts are from 2024 to 2026.

Sub-Saharan Africa

Annual Meetings 2024

Angola
Benin
Botswana
Burkina Faso
Burundi
Cabo Verde
Cameroon
Central African Republic
Chad
Comoros
Congo, Dem. Republic
Congo, Republic
Côte d'Ivoire
Equatorial Guinea
Eritrea
Eswatini
Ethiopia
Gabon
Gambia, The
Ghana
Guinea
Guinea-Bissau
Kenya
Lesotho
Liberia
Madagascar
Malawi
Mali
Mauritania
Mauritius
Mozambique
Namibia
Niger
Nigeria
Rwanda
São Tomé and Príncipe
Seychelles
Sierra Leone
Somalia
South Africa
South Sudan
Sudan
Tanzania
Togo
Uganda
Zambia
Zimbabwe

ANGOLA

Table 1	2023
Population, million	36.7
GDP, current US$ billion	90.5
GDP per capita, current US$	2462.5
International poverty rate ($2.15)[a]	31.1
Lower middle-income poverty rate ($3.65)[a]	52.9
Upper middle-income poverty rate ($6.85)[a]	78.0
Gini index[a]	51.3
School enrollment, primary (% gross)[b]	88.6
Life expectancy at birth, years[b]	61.9
Total GHG emissions (mtCO2e)	110.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ Most recent WDI value (2022).

Angola's economy started to recover from 2023's shocks—extended maintenance shutdowns at major oil fields, exchange rate depreciation, and gasoline price hikes. Growth is projected at 3.2 percent in 2024. Yet, broad-based structural constraints limit economic diversification. Delivering on fiscal consolidation, especially through gradual fuel subsidy removal, is critical to preserve fiscal sustainability and increase development spending. By 2026, about 36 percent of the population is projected to continue to be living with less than US$2.15 per day.

Key conditions and challenges

Economic growth, built on an oil boom from the mid-2000s, has been challenged since 2014 with declining and volatile global oil prices, shrinking oil production, the COVID-19 pandemic, and tightening global monetary conditions. Real GDP contracted by 0.5 percent annually on average over 2015-23, and real GDP per capita fell back close to its 2004 level. Angola has mostly registered current account surpluses since the 2000s, but the external sector is vulnerable to oil proceeds volatility, notably for foreign currency supply. Around 80 percent of public debt remains in foreign currencies, increasing exchange rate risks.

With rising macroeconomic fragilities, Angola has implemented reforms to reduce its vulnerability to external shocks and reliance on oil. The Central Bank of Angola's (BNA) autonomy has been enhanced and the exchange rate regime has become more flexible and transparent. The government has increased gasoline and diesel prices in June 2023 and April 2024, respectively, to gradually remove fuel subsidies and reorient spending, including towards social safety nets. Steps have also been taken to improve fiscal transparency, reform state-owned enterprises, and combat corruption.

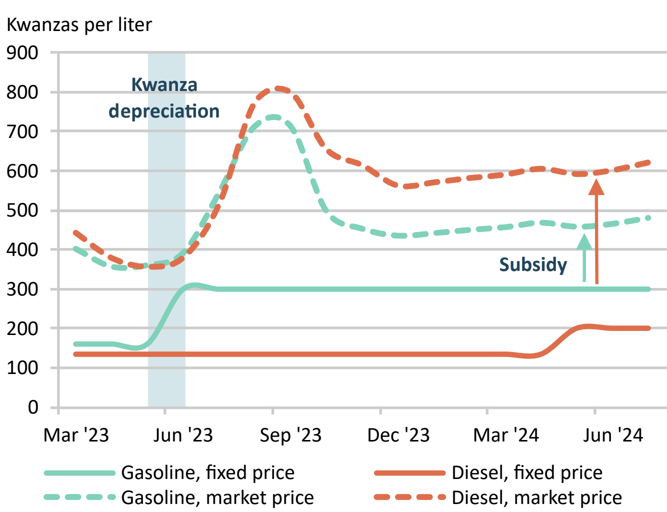
Structural constraints are hampering economic potential and diversification. The oil sector accounts for 25 percent of GDP, 60 percent of tax revenue, and 95 percent of exports. The country suffers from institutional weaknesses, ranking in the lower 40 percentile on Worldwide Governance Indicators, including the lower 20 percentile on Government Effectiveness and Rule of Law. Angola is also vulnerable to droughts and floods.

Angola, a lower middle-income country, grapples with human development challenges, and ranks among the world's most unequal economies, with a Gini index over 51. About 31.1 percent of the population lived on less than US$2.15/day in 2018. The labor market has a high share of informal jobs, concentrated in low-productivity sectors. High fertility rates (and adolescent pregnancies), maternal and neonatal deaths, and child stunting underscore the need to develop human capital. With declining oil production and the global climate transition, Angola needs new drivers for sustainable and inclusive growth and to preserve macroeconomic stability. It has a high economic potential, with vast land and natural resources, a young population, and a strategic location that can be used to leverage global and regional value chains, notably through the Lobito corridor.

Recent developments

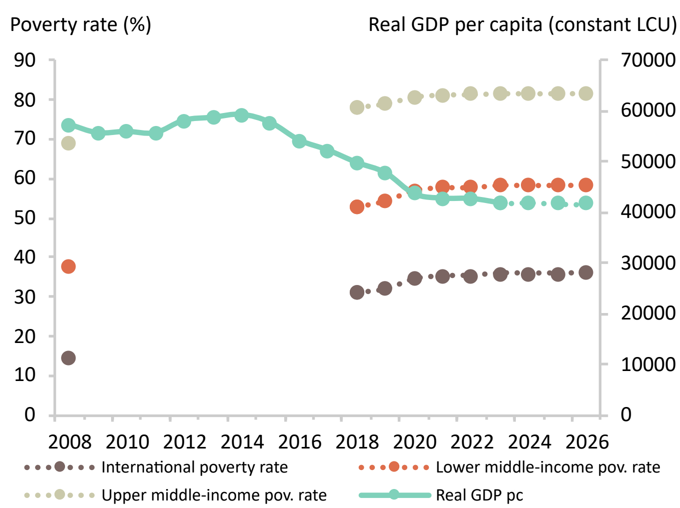
After growing by 1 percent in 2023, because of lower oil production, an exchange rate and fuel price hikes shocks, real GDP grew by 4.1 percent on annual terms in the first quarter of 2024 (Q1-24), the biggest expansion since Q1-15. This rebound was

FIGURE 1 Angola / Gasoline and diesel prices and subsidies



Sources: IGAPE, Ministry of Finance of Angola, and World Bank.

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



Source: World Bank. Notes: see Table 2.

driven by recovery in oil production and the services sector (domestic trade and transport and storage). Angola registered a stronger current account surplus in H1-24 supported by higher oil exports.

The fiscal situation remains constrained. Higher global oil prices for the Angolan crude (US$84.2 per barrel over January-July 2024) and domestic production (1.12 million barrels per day over the first half of the year—H1) than assumed in the budget ($65 per barrel and 1.06 million oil barrels per day) are supporting revenue, following a drop in 2023. However, the 40-percent currency depreciation in May-June 2023 pushed up debt service costs and fuel subsidies. This has constrained public spending, resulting in capital spending cuts and the acceleration of the fuel subsidy reform, despite an escrow agreement with a Chinese creditor that helped ease debt service pressure.

The exchange rate market has stabilized in 2024, with reduced parallel market premiums and a more gradual depreciation, around 10 percent up to mid-September. Increasing food prices, and last year's exchange rate shock and fuel price hikes, kept inflation high, averaging 26.9 percent year-on-year in H1, despite the BNA raising the policy rate by 250 basis points to 19.5 percent since November 2023. Rising inflation, and declining per capita income, have strained household purchasing power, especially for the less well-off. More than a third of the population is projected to be living on less than US$2.15/day in 2024. Significant progress has been made in building social safety nets through the Kwenda cash transfer program, which currently benefits about 1.5 million rural households. However, urban households remain unprotected and vulnerable to rising food prices.

Outlook

Real GDP growth is expected to rebound to 3.2 percent in 2024, driven by improvements in maintenance-related oil production bottlenecks. However, due to structural constraints, real GDP growth is projected to average 2.9 percent over 2025-26, and real per capita GDP is expected to stagnate.

Monetary policy tightening and the projected conservative fiscal stance are expected to help contain inflationary pressures, though inflation is still projected above 10 percent by 2026. High inflation, which adversely affects living standards and limited fiscal space is expected to lead to persistently high poverty, projected to stay at around 36 percent by 2026, highlighting the importance of further strengthening social safety nets and preserving development spending, especially in human capital.

Angola's fiscal situation is expected to remain sustainable provided the authorities successfully implement their consolidation program. The overall fiscal balance is projected to average 0.1 percent of GDP annually over 2024-26. Public debt-to-GDP is projected to decline to 57 percent by 2026, down from about 89 percent in 2023. External balances are expected to remain relatively strong, with international reserves coverage projected around 7 months of imports over 2024-26.

Risks to the outlook are high and titled to the downside. A shock to global oil prices could affect economic growth and further constrain fiscal policy. Prolonged elevated inflation could fuel social discontent and resistance to further fuel subsidy reform.

TABLE 2 **Angola** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices[a]	1.2	3.0	1.0	3.2	2.9	2.9
Private consumption	3.7	4.0	3.1	4.3	4.3	4.5
Government consumption	-1.7	8.4	-18.8	1.0	1.0	1.0
Gross fixed capital investment	5.4	8.5	-5.3	1.2	2.4	2.6
Exports, goods and services	-8.6	3.3	-6.2	2.5	1.7	0.9
Imports, goods and services	-3.8	26.1	-6.8	-4.6	3.1	3.1
Real GDP growth, at constant factor prices	-0.1	3.1	0.6	3.2	2.9	2.9
Agriculture	17.2	3.9	2.7	4.3	4.6	5.0
Industry	-8.3	1.8	-1.0	2.8	2.4	2.0
Services	6.2	4.2	1.8	3.5	2.9	3.4
Inflation (consumer price index)	25.8	21.4	13.6	27.4	16.1	11.9
Current account balance (% of GDP)	11.8	10.4	4.6	3.8	0.7	-0.2
Net foreign direct investment inflow (% of GDP)	-4.6	-5.9	-2.4	-1.9	-1.3	-0.9
Fiscal balance (% of GDP)	-0.4	3.3	-1.1	0.5	0.0	-0.2
Revenues (% of GDP)	22.7	27.7	20.4	20.9	19.4	18.2
Debt (% of GDP)	87.9	69.5	88.8	72.0	64.6	56.9
Primary balance (% of GDP)	4.8	7.3	4.2	6.2	5.6	5.5
International poverty rate ($2.15 in 2017 PPP)[b,c]	35.2	35.4	35.9	35.9	35.9	36.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[b,c]	57.7	57.7	58.3	58.2	58.3	58.3
Upper middle-income poverty rate ($6.85 in 2017 PPP)[b,c]	81.3	81.4	81.6	81.6	81.7	81.7
GHG emissions growth (mtCO2e)	-1.9	-0.8	-0.4	-2.1	-2.6	-2.8
Energy related GHG emissions (% of total)	12.6	12.2	12.0	11.7	11.0	10.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ This macro-framework is using the national accounts in base year 2002. New national account statistics with 2015 as base year are under preparation.
b/ Calculations based on 2018-IDREA. Projection using neutral distribution (2018) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.
c/ Actual data: 2018. Nowcast: 2019-2023. Forecasts are from 2024 to 2026.

BENIN

Table 1	2023
Population, million	13.7
GDP, current US$ billion	19.8
GDP per capita, current US$	1440.7
International poverty rate ($2.15)[a]	12.7
Lower middle-income poverty rate ($3.65)[a]	43.4
Upper middle-income poverty rate ($6.85)[a]	81.4
Gini index[a]	34.4
School enrollment, primary (% gross)[b]	113.0
Life expectancy at birth, years[b]	60.0
Total GHG emissions (mtCO2e)	26.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ Most recent WDI value (2022).

Growth remained strong in 2023 and the first quarter of 2024, bolstered by rising industrial and agricultural production, along with resilient services. Inflation has been contained, and the fiscal deficit is expected to continue declining to 3.7 percent of GDP in 2024. Debt is projected to decrease to 51.3 percent of GDP by 2026. The outlook is subject to downside risks, including climate shocks, rising security challenges, and trade uncertainty.

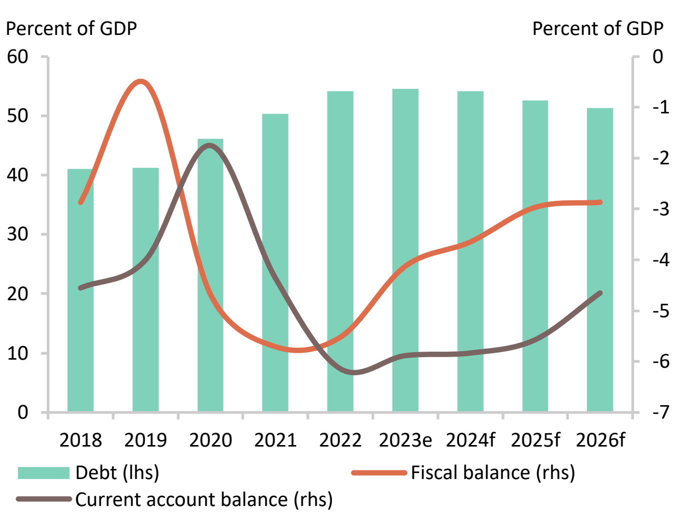
Key conditions and challenges

Benin's macroeconomic performance improved significantly over the last years, supported by a robust track record of reform implementation. Growth has been resilient and inflation has been moderate despite various shocks, including climate, trade disruption, and security challenges. However, sustained growth has not translated into rapid poverty reduction. Benin's elasticity between increases in GDP per capita and decreases in poverty is 0.26 against an average of 1.1 for Sub-Saharan Africa in 2018-2021. While growth has been supported by physical capital accumulation, notably backed by ambitious public investment plans, human capital accumulation remains low and generally below peer countries. The informal sector, representing a significant proportion of the economy (86 percent of companies in 2023), contributes to low total factor productivity, impeding structural transformation. Looking ahead, Benin faces important structural challenges to sustain its development momentum and foster inclusiveness. Continued efforts to improve revenue mobilization and create the necessary fiscal space for critical investments in human capital, infrastructure and buffers against future shocks are particularly relevant.

Recent developments

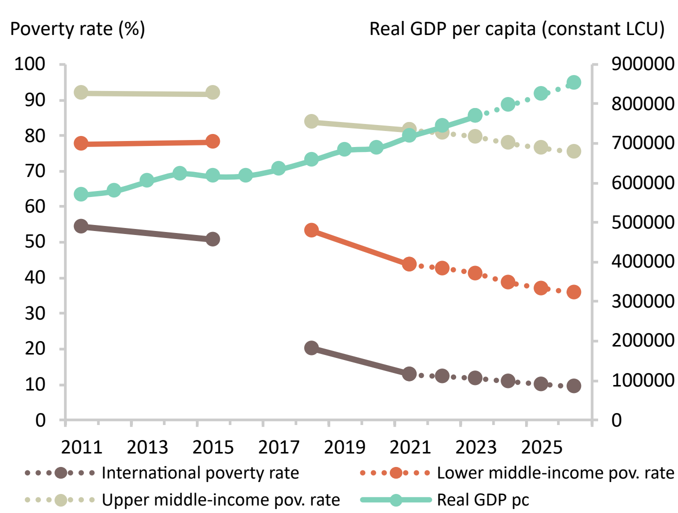
Benin's economy expanded by 6.3 percent year-on-year (y/y) in 2024Q1, from 6.2 percent in 2023Q1. Despite the closure of the border with Niger, the services sector remained strong as growing trade with other partners and tourism-related sub-sectors offset the impact, while buoyant agro-food manufacturing, construction, and agriculture sectors helped sustain a robust growth momentum. Despite shocks and increased pressure on food and energy prices, a good harvest and the appreciation of the CFAF against the Nigerian naira contributed to inflation moderating to 1 percent y/y in July 2024, down from 3.9 percent a year earlier. As a result, the lower middle-income poverty rate ($3.65 in 2017 PPP) decreased from 41 percent in 2023 to 38.5 percent in 2024. The Central Bank of West African States (BCEAO) has kept its policy interest rates unchanged since December 2023 at 3.5 percent for liquidity calls and 5.5 percent for the marginal lending facility. The WAEMU Inflation rate has been on a downward trend since peaking in 2022 but remains above the 1 to 3 percent WAEMU target band, at 4.4 percent y/y in July 2024, and regional foreign exchange reserves remain low, covering only 3.5 months of import in 2024Q1. Credit to the private sector grew in Benin by 15.8 percent at end-June 2024, and nonperforming loans improved to 4.4 percent at end-March 2024, from 6.5 percent at end-March 2023.

FIGURE 1 Benin / Key macroeconomic balances



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

A strong revenue performance helped reduce the fiscal deficit to 4.1 percent of GDP in 2023 and should enable further consolidation to 3.7 in 2024 as revenues rose by 13 percent y/y in the first five months. Despite a 30.6 percent y/y increase in domestically financed investment, due to the execution of the government action plan (PAG2), the overall increase in public expenditure (11.8 percent) remained below the strong revenue increase. Ongoing fiscal consolidation has led to a decline in debt from 54.5 percent of GDP in 2023 to 52.1 percent at end-June 2024. Active debt management, including the issuance of a US$750 million Eurobond in February 2024, and Liquidity Management Operations improved debt sustainability. The current account deficit (CAD) narrowed to 5.9 percent of GDP in 2023, thanks to higher export revenues and remittances. This trend carried over into 2024Q1, with exports increasing by 35.2 percent y/y, driven by strong cotton and a significant increase in soybean exports. Project and SDG loans along with foreign direct investment (FDI) were the main external financing sources.

Outlook

Growth is projected to stabilize at 6.3 percent in 2024 and remain around 6.4 percent in 2025-2026. The expansion of the construction and agro-food industry subsectors driven by increasing agricultural output and the development of the export-driven GDIZ - Glo-Djigbé Industrial Zone, are expected to bolster growth. The expected reopening of the border with Niger and the improvement of customs relations with Nigeria coupled with the modernization of the port of Cotonou, will further support the services sector. On the demand side, strong investment, driven by the completion of infrastructure projects and foreign investment in expansion of the GDIZ will balance the end of investment in the Niger-Benin pipeline and support growth. Rising export crop value added are expected to support growth, while consumption remains strong amid lower inflation. Inflation in Benin is expected to average 1.3 percent, supported by an improved supply of staples and the easing of global food prices.

The regional inflation rate is expected to align with the WAEMU target by 2025, while regional reserves are expected to rise gradually, supported by the resumption of international bond issuances, recovering exports and monetary policy easing in the Euro Area.

With strong revenue performances and contained current expenditures, the fiscal deficit is projected to converge toward the 3 percent WAEMU target. Public debt is expected to reach 51.3 percent of GDP by 2026. As exports rise, the CAD is expected to narrow to 4.6 percent of GDP in 2026. Financing of the CAD will come from FDI, Eurobonds and project loans. Poverty rates are expected to trend downward, with the lower middle-income poverty rate ($3.65 in 2017 PPP) declining from 38.5 percent in 2024 to 35.6 percent by 2026, supported by strong per capita economic growth.

In a context of rising uncertainties, the risks to the outlook are tilted to the downside. In addition to natural disasters such as floods and droughts, Benin faces increasing security challenges in the north and heightened trade instability. While Benin remains politically stable, political uncertainties remain.

TABLE 2 Benin / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	7.2	6.3	6.4	6.3	6.4	6.3
Private consumption	4.8	5.0	4.0	4.2	3.9	3.9
Government consumption	8.5	3.5	11.4	9.9	8.9	8.0
Gross fixed capital investment	17.8	13.0	12.0	8.3	8.3	7.5
Exports, goods and services	12.6	19.1	6.2	9.6	10.1	10.0
Imports, goods and services	16.8	18.5	8.8	7.6	7.2	6.5
Real GDP growth, at constant factor prices	6.6	6.0	6.3	6.3	6.4	6.3
Agriculture	5.2	4.8	5.1	5.4	5.5	5.5
Industry	9.1	7.9	7.3	8.0	8.1	7.8
Services	6.6	6.0	6.6	6.1	6.4	6.3
Inflation (consumer price index)	1.7	1.4	2.8	1.4	1.3	1.2
Current account balance (% of GDP)	-4.4	-6.1	-5.9	-5.8	-5.6	-4.6
Net foreign direct investment inflow (% of GDP)	1.7	1.9	1.6	1.6	1.6	1.7
Fiscal balance (% of GDP)	-5.7	-5.5	-4.1	-3.7	-3.0	-2.9
Revenues (% of GDP)	14.1	14.3	15.0	15.2	15.7	16.1
Debt (% of GDP)	50.3	54.2	54.5	54.1	52.6	51.3
Primary balance (% of GDP)	-3.5	-3.9	-2.5	-1.9	-1.3	-1.2
International poverty rate ($2.15 in 2017 PPP)[a,b]	12.7	12.3	11.7	10.8	10.0	9.2
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	43.4	42.5	41.0	38.5	37.0	35.6
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	81.4	80.5	79.5	77.7	76.4	75.2
GHG emissions growth (mtCO2e)	-0.4	0.3	-1.7	0.3	1.1	1.7
Energy related GHG emissions (% of total)	30.6	29.7	27.2	26.1	25.6	25.4

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 2021-EHCVM. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.

BOTSWANA

Table 1	2023
Population, million	2.7
GDP, current US$ billion	19.7
GDP per capita, current US$	7367.2
International poverty rate ($2.15)[a]	15.4
Lower middle-income poverty rate ($3.65)[a]	38.0
Upper middle-income poverty rate ($6.85)[a]	63.5
Gini index[a]	53.3
School enrollment, primary (% gross)[b]	93.7
Life expectancy at birth, years[b]	65.9
Total GHG emissions (mtCO2e)	61.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2015), 2017 PPPs.
b/ WDI for School enrollment (2021); Life expectancy (2022).

Botswana's growth is projected to decline to 1 percent in 2024 from 2.7 in 2023, partly owing to a weak global diamond market. Higher public investment and measures to support households are set to increase the fiscal deficit to 6 percent of GDP. The slowdown highlights the urgent need for structural reforms to diversify the economy, create better jobs, and reduce poverty (14.3 percent at the $2.15 line) and unemployment (27.6 percent).

Key conditions and challenges

Botswana's past economic success can be attributed to strong governance, prudent economic policies and management of its diamond wealth, and commitment to human capital development. Nonetheless, challenges in diversifying the economy have constrained economic growth and development. The heavy reliance on the diamond industry exposes Botswana to commodity price volatility and fiscal vulnerabilities. A large public-sector footprint inhibits private-sector development and investment, resulting in low export diversification, low job creation, and sluggish productivity growth. Reforms to improve the regulatory and business environment to stimulate firm entry and growth could help reduce the high unemployment rate, particularly among youth, a main driver of the country's high poverty and inequality. The unemployment rate stood at 27.6 percent in 2024Q1, and the poverty rate is projected at 14.3 percent in 2023 using the International Poverty Line (IPL) of US$2.15 per day (2017 PPP).

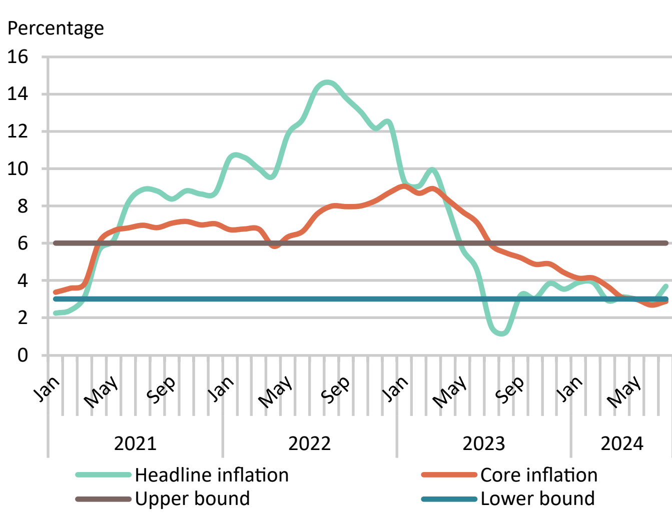
High vulnerability to climate change compounds these challenges and calls for priority investments in climate adaptation, and comprehensive strategies on sustainable water management, agricultural resilience, and public health. Botswana has the potential to contribute to the global green transition, including by promoting the development of its renewable energy potential.

To mitigate risks associated with fluctuations in diamond prices and ensure stable and inclusive economic growth, Botswana needs to diversify its economy by developing tradable and labor-intensive non-mineral sectors like agriculture and manufacturing. This could be supported by prioritizing high-return projects, improving the quality of public spending, and ensuring prudent fiscal policy to preserve financial buffers. The adoption of policies geared towards enhancing productivity is crucial, including those that develop labor force skills, improve the regulatory framework to facilitate business operations, and enhance the efficiency and accountability of state-owned enterprises.

Recent developments

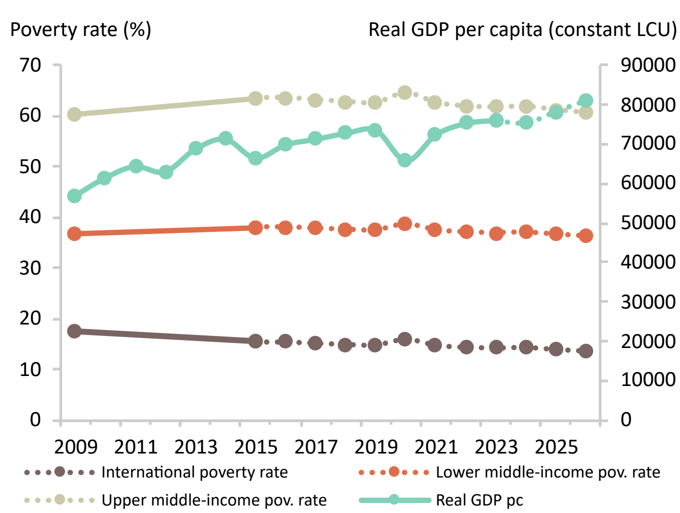
Botswana's economy contracted by 1.8 percent q-o-q in 2024Q1, after a 0.9 percent contraction in 2023Q4. This downturn is primarily attributed to a 24.8 percent decline in mining value added, and to a lesser extent to the 0.7 percent y-o-y contraction in the non-mining private sector. The diamond industry is grappling with significant headwinds caused by oversupply and high inventory levels, largely due to aggressive buying during the post-pandemic recovery phase. Moreover, the industry is faced with pressure from changing consumer preferences and competition from lab-grown diamonds.

FIGURE 1 Botswana / Inflation has receded and remains within the objective range



Source: Statistics Botswana.

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



Source: World Bank. Notes: see Table 2.

Headline inflation has remained within the Central Bank's target range of 3-6 percent, except for March and June when it dipped below the lower bound. In 2024H1, it averaged 3.3 percent, compared with 5.0 in 2023H1. Favorable inflation outcomes and the widening negative output gap have led the Bank of Botswana to reduce the policy rate by a cumulative 75 basis points since December 2023 to 1.9 percent, significantly below the SACU regional average.

The fiscal deficit in FY23/24 reached 3.2 percent of GDP, exceeding the planned deficit of 2.6 percent, owing to lower revenues and higher spending. As of 2024Q1, revenues were 19 percent of GDP compared to 31 percent in 2023Q1, mostly due to the decline in diamond revenues. Drought relief measures in FY24/25, including subsidies to farmers and grants to vulnerable groups, are estimated at about 0.5 percent of GDP. Public debt remained stable at 22.7 percent of GDP and the share of domestic debt has increased from prepandemic levels of 8.7 percent of GDP in 2019 to 12.2 percent in 2023. While foreign exchange reserves levels are adequate at 8.4 months of imports in 2024H1, the government investment account has been drawn down from P19.1 billion in July 2023 to P4.1 billion in May 2024. The trade balance remained in deficit in 2024H1 mostly due to weak exports.

Outlook

Real GDP growth is projected to decline to 1 percent in 2024 from 2.7 percent in 2023, before recovering to an average of 5.1 percent over the medium term, as the global diamond market recovers. The lower growth rate reflects a slowdown in both mining and non-mining private sector growth. Poverty is expected to remain at 14.3 percent based on the International Poverty Line (IPL) of US$2.15 per day (2017 PPP).

The fiscal deficit in 2024 is projected to widen to 6 percent in FY2024/25, driven by higher goods and services at 2.6 percent in 2023 compared to 6.6 percent in 2024 (5.6 percent of GDP) and capital expenditures (9.9 percent of GDP compared to 7.9 percent in 2023). Consequently, the public debt ratio is projected to rise to 24.5 percent of GDP.

Inflation is projected to remain within the Central Bank objective range of 3 to 6 percent. The current account is expected to weaken to a deficit of 2 percent of GDP in 2024 on account of weaker terms of trade and lower global demand for diamonds, and then improve to record a 1.4 percent surplus in 2025 as the global demand for diamonds rebounds.

The outlook remains uncertain and depends heavily on the path of the diamond market. The pending divestment of the diamond company De Beers by its majority shareholder could bring uncertainties to the industry and its supply chain. Climate shocks, especially droughts, continue to pose a threat to agriculture and tourism. Supply disruptions and global demand fluctuations could intensify commodity price volatility. Inflation risks are tilted to the upside, as commodity price volatility could lead to price and real sector volatility, budgetary pressures, and cost of living increases. Delays in planned fiscal consolidation could further erode fiscal and external buffers, increasing Botswana's vulnerability to external shocks. The slowdown in 2024 is yet another important reminder of the limitations of Botswana's growth model and the need for implementation of structural reforms crucial to private sector development, economic diversification, and the achievement of development goals.

TABLE 2 Botswana / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	11.8	5.6	2.7	1.0	5.3	4.9
Private consumption	2.4	3.0	5.6	3.4	2.8	2.2
Government consumption	4.0	2.5	4.0	3.2	3.0	2.7
Gross fixed capital investment	-0.3	0.3	4.2	3.0	2.6	2.3
Exports, goods and services	31.7	-5.4	-13.8	18.7	10.8	10.2
Imports, goods and services	2.3	-11.7	-7.4	3.6	5.6	5.2
Real GDP growth, at constant factor prices	11.9	5.9	2.7	1.0	5.3	4.9
Agriculture	-1.0	1.2	1.3	1.2	1.6	1.4
Industry	19.3	7.7	2.3	3.0	4.6	4.7
Services	8.1	5.0	3.0	-0.3	5.9	5.1
Inflation (consumer price index)	6.7	12.2	5.1	3.0	4.5	4.5
Current account balance (% of GDP)	-1.8	-1.2	-0.6	-2.0	1.4	1.1
Net foreign direct investment inflow (% of GDP)	-5.6	2.9	3.4	0.9	0.5	0.5
Fiscal balance (% of GDP)[a]	0.0	0.0	-3.2	-6.0	-1.6	-0.6
Revenues (% of GDP)	31.9	28.6	28.0	28.1	28.3	28.0
Debt (% of GDP)[b]	22.4	20.6	22.7	24.5	22.7	22.3
Primary balance (% of GDP)[a]	0.5	0.6	-2.3	-5.0	-1.3	0.0
International poverty rate ($2.15 in 2017 PPP)[c,d]	14.8	14.4	14.3	14.3	13.9	13.6
Lower middle-income poverty rate ($3.65 in 2017 PPP)[c,d]	37.5	37.0	36.9	37.0	36.6	36.3
Upper middle-income poverty rate ($6.85 in 2017 PPP)[c,d]	62.6	61.9	61.7	61.8	61.2	60.6
GHG emissions growth (mtCO2e)	16.8	-0.2	-1.1	-3.6	0.8	1.7
Energy related GHG emissions (% of total)	10.4	10.5	10.3	10.4	10.5	10.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Fiscal balances are reported in fiscal years (April 1st -March 31st).
b/ Refers to Public and Publicly Guaranteed debt.
c/ Calculations based on 2009-CWIS and 2015-BMTHS. Actual data: 2015/16. Nowcast: 2017-2023. Forecasts are from 2024 to 2026.
d/ Projection for $2.15 poverty uses annualized elasticity (2009-2015) with pass-through = 0.87 based on GDP per capita in constant LCU. Higher poverty lines use regional elasticity.

BURKINA FASO

Table 1	2023
Population, million	23.3
GDP, current US$ billion	20.9
GDP per capita, current US$	898.3
International poverty rate ($2.15)[a]	25.3
Lower middle-income poverty rate ($3.65)[a]	60.7
Upper middle-income poverty rate ($6.85)[a]	88.1
Gini index[a]	37.4
School enrollment, primary (% gross)[b]	82.4
Life expectancy at birth, years[b]	59.8
Total GHG emissions (mtCO2e)	64.0

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ Most recent WDI value (2022).

GDP growth is projected to increase to 3.7 percent in 2024 (1.1 percent per capita), from 3.0 percent in 2023, supported by services and agriculture. Inflation is projected to increase to 3.4 percent. The extreme poverty rate remains unchanged at 26.5 percent. Downside risks to the outlook relate to the political transition, rising insecurity, impacts of the Economic Community of West African States (ECOWAS) withdrawal, climate shocks, and high borrowing costs limiting fiscal space for priority spending.

Key conditions and challenges

Insecurity and political instability remain the primary obstacles to sustained economic growth. The regime changes of 2022 have led to a significant decline in international development funding and private sector investment. The security-related disruptions of industrial gold mining activities, which in 2023 represented 77 percent of exports, 16 percent of GDP, and 22 percent of government revenue, have had economic repercussions. Additionally, the displacement of communities has undermined productivity in agriculture, a sector already susceptible to climate shocks. The number of recorded security-related fatalities was 6,044 between January and August, compared to 5,931 in the same period of 2023.

On January 28, 2024, Burkina Faso, Mali, and Niger issued a joint communiqué announcing their 'immediate' withdrawal from ECOWAS. According to the revised ECOWAS Treaty, a notification period of one year is required to leave ECOWAS. The three countries remain members of WAEMU. Subsequently, on July 6, 2024, the three countries signed the Treaty establishing the Confederation of Sahel States. These events have contributed to heightened political and policy uncertainty. Moreover, the transitional government under President Captain Traoré was extended by five years, starting on July 2, 2024.

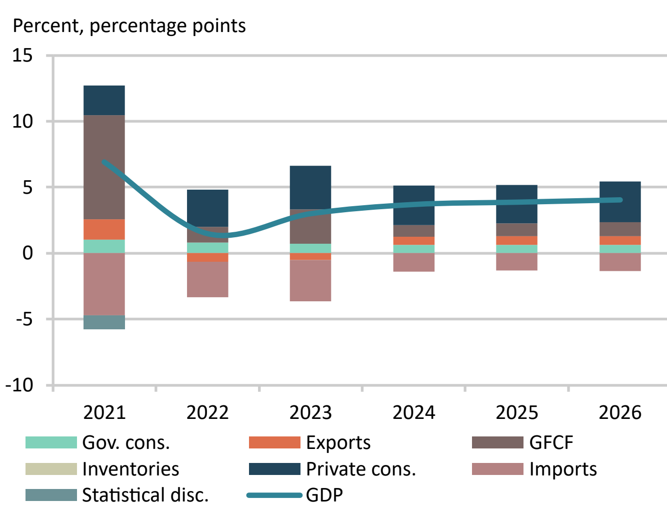
Recent developments

GDP growth accelerated in Q1 2024 (+4.0 percent y/y) and is expected to reach 3.7 percent in 2024 (1.1 percent per capita). The agricultural sector is expected to grow above average (+4.2 percent), especially in cereal crops. The industrial sector is projected to recover (+2.8 percent) but insecurity continues to disrupt mining. Services are expected to remain robust (+4.0 percent), driven by public administration, trade, and repair services. Consumption and private investment will drive growth, while net exports will contribute negatively. The current account deficit is expected to decline from an estimated 8.0 percent of GDP to around 6 percent in 2024 as mining exports benefit from a sharp rise in gold prices.

After a significant reduction in headline inflation in 2023 to 0.7 percent, inflation surged to a 12-month high of 5.7 percent y/y in August 2024. Food prices rose sharply (10.6 percent y/y) due to security and logistical supply constraints and price speculation given irregular rainfall in August. With a delayed start of the agricultural season, annual average inflation is projected at 3.4 percent in 2024.

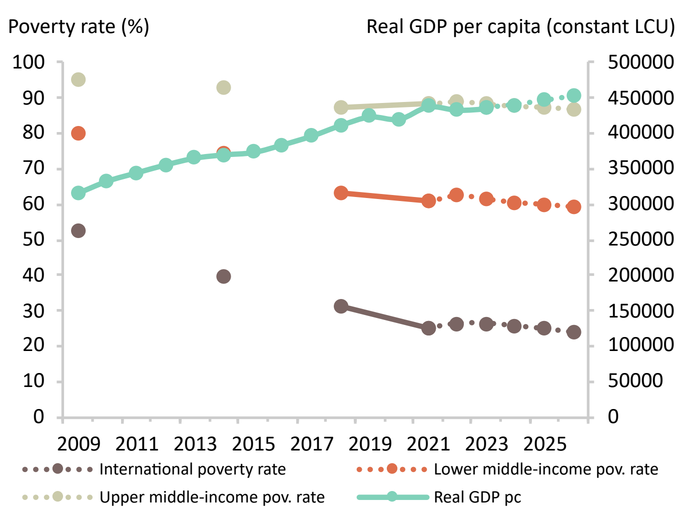
The Central Bank of West African States (BCEAO) has kept its policy interest rates unchanged since December 2023 at 3.5 percent for liquidity calls and 5.5 percent for the marginal lending facility. The WAEMU inflation rate has been on a downward trend since peaking in 2022 but is currently above the 1 to 3 percent

FIGURE 1 Burkina Faso / Real GDP growth and contributions to real GDP growth



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

WAEMU target, at 4.4 percent y/y in July 2024, and regional foreign exchange reserves remain low, covering only 3.5 months of import in Q1 2024.

After increases in 2021 and 2022 due primarily to high food price inflation, extreme poverty has remained unchanged at over 26 percent since 2022. Urban areas saw a small decrease in poverty in 2024, driven by moderate growth in industry and services sectors. The humanitarian situation remains dire, with over 2 million internally displaced persons, and an estimated 2.7 million people (11.9 percent of the population) facing severe food insecurity between June and August 2024.

The fiscal deficit for 2024 is projected to decline to 5.9 percent of GDP, underpinned by a rise in non-tax revenues and a substantial reduction in capital expenditures. The fiscal deficit will predominantly be financed through domestic borrowing from the regional market, where Burkina has faced a significant surge in interest rates exceeding 9 percent for 12-month bills. Consequently, public debt is anticipated to rise to 54.2 percent of GDP by end 2024.

Outlook

If the security situation remains unchanged, and assuming an orderly ECOWAS withdrawal that limits negative impacts to lower trade with non-WAEMU ECOWAS states, growth could settle at its new potential of around 4.0 percent (1.5 percent per capita) over 2025-26. Mining production is expected to recover with the opening of new mines in 2025, and agricultural and service sector growth are anticipated to remain robust but lower than pre-conflict levels.

Despite the government's fiscal consolidation efforts, the WAEMU ceiling of 3 percent of GDP will likely not be reached within the next 2-3 years, and public debt as a share of GDP is anticipated to increase until 2026.

The regional inflation rate is expected to align with the WAEMU target by 2025, while regional reserves are expected to rise gradually, supported by the resumption of international bond issuances, recovering exports, and monetary policy easing in the Euro Area.

Extreme poverty is expected to decrease slightly over the medium term, by approximately 1 percentage point per year, with the number of extreme poor remaining above 6 million. Accelerating poverty reduction will require higher growth per capita, particularly in agriculture, which employs 71 percent of the poor.

The economic outlook is subject to significant downside risks, including a deterioration in the security situation, political instability, climatic shocks, commodity price volatility, and regional defragmentation. An ECOWAS withdrawal that has gaps in agreements could lead to larger disruptions in the free movement of goods, services, capital, and labor and could have spillover effects onto trade in the WAEMU zone. However, if new trade opportunities are realized, these negative impacts could be mitigated. Burkina Faso may also continue to face elevated borrowing costs, which could reduce development expenditures, amid increasing demands for defense and security spending. The revised Mining Code could boost revenues but may face implementation challenges.

TABLE 2 Burkina Faso / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	6.9	1.5	3.0	3.7	3.9	4.1
Private consumption	3.4	4.4	5.0	4.4	4.3	4.5
Government consumption	6.6	5.2	4.5	3.7	3.8	3.7
Gross fixed capital investment	34.8	4.2	8.9	2.9	3.1	3.4
Exports, goods and services	6.5	-2.8	-2.2	3.0	3.1	3.3
Imports, goods and services	15.5	8.2	9.0	3.8	3.5	3.7
Real GDP growth, at constant factor prices	6.9	1.5	3.0	3.7	3.9	4.1
Agriculture	-4.1	5.7	1.1	4.2	4.3	4.4
Industry	11.0	-7.8	2.2	2.8	3.1	3.3
Services	10.3	5.2	4.3	4.0	4.1	4.3
Inflation (consumer price index)	3.9	14.1	0.7	3.4	2.5	2.3
Current account balance (% of GDP)	0.4	-7.2	-8.0	-6.2	-6.0	-5.8
Net foreign direct investment inflow (% of GDP)	0.5	0.3	0.3	0.4	0.4	0.4
Fiscal balance (% of GDP)	-7.5	-10.3	-6.5	-5.9	-5.3	-4.8
Revenues (% of GDP)	20.3	20.9	21.3	20.8	21.3	21.5
Debt (% of GDP)	55.4	56.4	53.4	54.2	54.8	55.2
Primary balance (% of GDP)	-5.8	-8.5	-4.2	-3.3	-2.7	-2.2
International poverty rate ($2.15 in 2017 PPP)[a,b]	25.3	26.5	26.5	25.8	25.1	24.2
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	60.7	62.6	61.5	60.5	60.0	59.2
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	88.1	89.0	88.2	87.6	87.3	86.8
GHG emissions growth (mtCO2e)	2.5	3.7	4.1	4.3	4.3	4.2
Energy related GHG emissions (% of total)	10.9	11.2	11.5	11.9	12.3	12.7

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 2021-EHCVM. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.

BURUNDI

Table 1	2023
Population, million	13.2
GDP, current US$ billion	3.5
GDP per capita, current US$	267.3
International poverty rate ($2.15)[a]	62.1
Lower middle-income poverty rate ($3.65)[a]	86.2
Gini index[a]	37.5
School enrollment, primary (% gross)[b]	103.9
Life expectancy at birth, years[b]	62.0
Total GHG emissions (mtCO2e)	8.1

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2020), 2017 PPPs.
b/ Most recent WDI value (2022).

Growth rebounded to 2.7 percent in 2023, driven by robust agricultural output, but momentum weakened in 2024, with real growth projected at 2.2 percent, due to persistent fuel shortages, power supply disruptions, and climatic shocks. Poverty reduction has remained elusive, constrained by insufficient growth relative to demographic expansion and, more recently, sustained high inflation. The medium-term outlook is clouded by considerable risks, particularly regarding the timeline for exchange rate unification and regional instability.

Key conditions and challenges

Burundi's economy remains in a cycle of fragility, marked by entrenched poverty and ongoing challenges such as political instability, rapid population growth, and environmental degradation. The economy is heavily dependent on agriculture, which employs over 85 percent of the workforce but contributes only 40 percent to GDP, largely through low-productivity subsistence farming. Export crops are limited to coffee and tea. Industrial activity is minimal, accounting for 17 percent of GDP. Efforts to develop the country's significant deposits of minerals essential for the energy transition are stymied by poor logistics and infrastructure. Structural imbalances persist, with low export-to-import coverage (30 percent in 2023 vs. 55 percent average in Sub-Saharan Africa), while environmental degradation is further hampering agricultural productivity. Insufficient resources and infrastructure fall short of meeting the demands of a growing population, thereby obstructing sustainable development.

Burundi's recent economic history has been significantly impacted by the political crisis of 2015, leading to persistent macroeconomic imbalances. These include high fiscal and current account deficits (CAD), limited external financing, a growing gap between official and parallel exchange rates, and fiscal dominance over monetary policy. The situation is further worsened by rising domestic debt and insufficient investment in infrastructure and human capital.

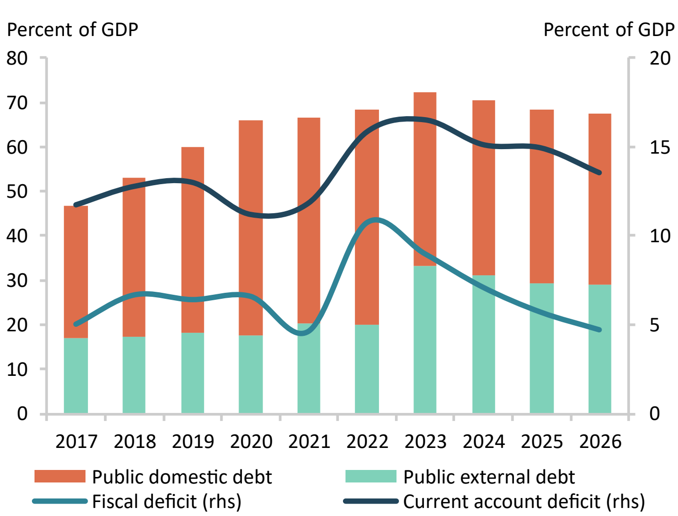
Poverty is widespread and elevated. As of 2023, poverty affects an estimated 62 percent of the population (at $2.15 per capita/day in 2017 PPP). The provision of basic public services does not meet the population's needs, with only 48 percent of adolescents enrolled in secondary school and 30 percent of girls out of school. Chronic malnutrition is widespread, with 55.8 percent of children under five affected by stunting, a figure likely worsened by recent food inflation and food insecurity.

Reforms focused on sustaining public finances, enhancing the allocation and effectiveness of public expenditures, eliminating exchange rate market distortions, revitalizing the private sector, attracting foreign direct investment, and fostering growth in mining, digital, and agro-industrial sectors will be crucial for placing the country on a sustainable development path.

Recent developments

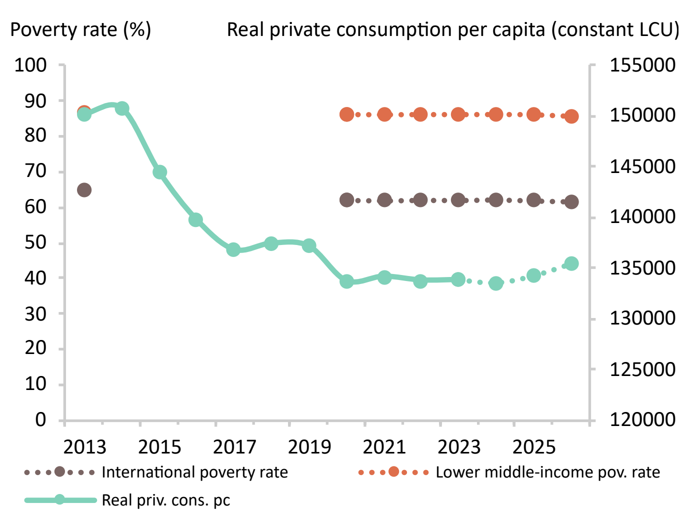
Growth accelerated to 2.7 percent in 2023, up from 1.8 percent in 2022, driven by favorable rainfall and robust investment. Industry and services felt the pinch of fuel shortages and flaring premiums on the forex parallel market. On the demand side, growth was underpinned by government and private sector spending. Inflation averaged 27.1 percent, driven by surges in food and fuel prices. By December, it fell to 17.8 percent, with food inflation dropping

FIGURE 1 Burundi / Public debt, fiscal and current account deficits



Sources: Official statistics and World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

to 23.1 percent from 39.8 percent, supported by improved rainfall.

The fiscal deficit narrowed to 9.0 percent of GDP in 2023, down from 10.7 percent in 2022, due to reduced non-recurring expenditures and a modest revenue increase. The deficit has been largely financed through domestic short-term, high-interest loans from commercial banks and Central Bank advances. Subsequently, public debt climbed to 72.4 percent of GDP from 68.4 percent in 2022. The CAD remains high, at 16.6 percent, influenced by soaring oil prices and sluggish exports, mainly due to delayed mining contract negotiations and under-performance in the coffee and tea sectors.

By August 2024, Burundi's gross international reserves covered 1.2 months of imports, down from 1.6 months in August 2022. The foreign exchange rate premium surged to 142.3 percent in September 2024, up from 51.6 percent a year earlier. Inflation remained elevated at 18.6 percent year-on-year in August 2024, though down from 27.5 percent in August 2023, driven by higher food and transport costs, and increased import costs due to higher exchange rate premiums. Inflation disproportionately affects the poor, who tend to spend a larger income share on food, potentially deepening poverty and adversely impacting human capital as households cope by reducing meals, liquidating assets, or resorting to child labor.

Outlook

Growth is projected to slow to 2.2 percent in 2024, driven by persistent fuel shortages since March 2024, escalating premiums in the foreign exchange parallel market, and continued high inflation. Over the medium term, growth is projected to average 3.9 percent in 2025-26, driven by agriculture, mining, and government spending. Favorable rainfall, improved power generation, and eased foreign exchange restrictions will support a rebound in services and industry. In 2024, inflation is projected to moderate to 22.8 percent, owing to the positive effects of easing food prices, supported by favorable rainfall and restrictions on cereals exports to neighboring countries.

The fiscal deficit is expected to decline to 7.1 percent of GDP in 2024, driven by cuts in capital and current spending, alongside improved domestic revenue collection. Fiscal deficit is anticipated to decline further to 4.7 percent by 2026, owing to tax administration digitization and phased reductions in non-essential spending. Public debt is projected to remain elevated, decreasing slightly to 70.6 percent of GDP in 2024. Debt is expected to decrease further, reaching 67.4 percent of GDP in 2026. The CAD is projected to moderate to 15.9 percent of GDP in 2024 and ease further to 13.6 percent by 2026, driven by the resumption of mining exports and the positive impact of forex reforms.

Burundi's economic growth is insufficient compared to its demographic expansion, with the population projected to double by 2050, resulting in stagnating per capita GDP levels. Given the current trends, poverty is projected to remain high and stable, at nearly 62 percent in 2024-26. Structural reforms are crucial to expanding the private non-farm sector and enhancing agricultural productivity.

Reducing the misalignment between official and parallel exchange rates, alongside growth-enabling macro-structural reforms, could stabilize fuel supply, boost exports, and attract foreign investment, thereby strengthening external and fiscal accounts. However, agricultural setbacks due to adverse weather conditions or a prolonged closure of the Rwanda border could undermine growth prospects. Furthermore, failure to consolidate fiscal accounts could heighten fiscal risks and external vulnerabilities. A disruption to the IMF program might restrict access to concessional financing and aid, further deteriorating external and fiscal accounts.

TABLE 2 Burundi / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	3.1	1.8	2.7	2.2	3.5	4.2
Private consumption	3.0	2.4	2.7	2.4	3.2	3.5
Government consumption	2.9	5.9	5.4	3.2	5.2	4.6
Gross fixed capital investment	3.9	4.0	8.1	7.3	9.2	12.3
Exports, goods and services	3.4	5.8	7.8	7.8	10.8	13.2
Imports, goods and services	3.2	7.0	7.0	5.7	7.0	7.3
Real GDP growth, at constant factor prices	3.1	1.8	2.7	2.2	3.5	4.2
Agriculture	3.4	-0.8	2.8	3.1	3.9	4.2
Industry	3.0	3.2	2.7	1.2	2.9	4.1
Services	2.9	3.1	2.6	2.0	3.4	4.2
Inflation (consumer price index)	8.3	18.8	27.1	22.8	20.4	16.2
Current account balance (% of GDP)	-11.9	-15.9	-16.6	-15.2	-15.0	-13.6
Net foreign direct investment inflow (% of GDP)	0.3	0.3	0.0	-0.1	-0.1	-0.1
Fiscal balance (% of GDP)	-4.6	-10.7	-9.0	-7.1	-5.7	-4.7
Revenues (% of GDP)	23.8	22.8	24.9	25.8	26.9	27.6
Debt (% of GDP)	66.6	68.4	72.4	70.6	68.4	67.4
Primary balance (% of GDP)	-1.6	-8.2	-6.7	-4.4	-2.9	-2.1
International poverty rate ($2.15 in 2017 PPP)[a,b]	61.9	62.1	62.0	62.2	61.9	61.6
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	86.1	86.2	86.2	86.2	86.1	85.8
GHG emissions growth (mtCO2e)	3.5	2.9	2.9	2.8	2.7	2.5
Energy related GHG emissions (% of total)	10.1	10.0	10.0	9.9	9.9	9.8

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 2020-EICVMB. Actual data: 2020. Nowcast: 2021-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2020) with pass-through = 0.87 (Med (0.87)) based on private consumption per capita in constant LCU.

CABO VERDE

Table 1	2023
Population, million	0.5
GDP, current US$ billion	2.6
GDP per capita, current US$	5083.2
International poverty rate ($2.15)[a]	4.6
Lower middle-income poverty rate ($3.65)[a]	19.3
Upper middle-income poverty rate ($6.85)[a]	50.9
Gini index[a]	42.4
School enrollment, primary (% gross)[b]	96.4
Life expectancy at birth, years[b]	74.7
Total GHG emissions (mtCO2e)	0.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2015), 2017 PPPs.
b/ WDI for School enrollment (2021); Life expectancy (2022).

Cabo Verde is rebounding well from global shocks, buoyed by strong tourism performance. Growth is projected to reach 5.2 percent in 2024 and, along with moderating inflation, will contribute to reducing poverty (US$3.65 per-person per-day-2017 PPP) to 14.0 percent. Strong revenue collection is supporting fiscal consolidation, but debt servicing pressures continue. Potential global price spikes, weakened tourism demand, and limited progress with SOE reforms pose downside risks to the outlook.

Key conditions and challenges

Cabo Verde has made remarkable economic and social progress since independence, but growth has slowed in the last decade and this small open economy was one of the hardest-hit by the COVID pandemic. The archipelago faces challenges in terms of connectivity and infrastructure development, translating into high costs of services, including electricity. Economic growth—driven by tourism, remittances, and foreign direct investment (FDI)—has been robust but increasingly volatile over the last decade—falling from an average of 7.5 percent in the 2000s to 2.8 in the 2010s. A heavy reliance on the all-inclusive tourism model, strong state presence in the economy, and limited linkages between FDI-benefiting sectors and the rest of the economy has led to limited value addition. The pandemic, soaring commodity prices, and local drought, have underscored vulnerabilities and accentuated debt risks, including the dominance of the tourism sector, the absence of buffers to shocks, and poor performing state-owned enterprises (SOEs).

Fiscal and structural reforms are needed to build buffers against external economic and climate-related shocks; increase private sector productivity to benefit from the thriving tourism sector; and reduce internal transport costs and market fragmentation, thus sustaining higher growth.

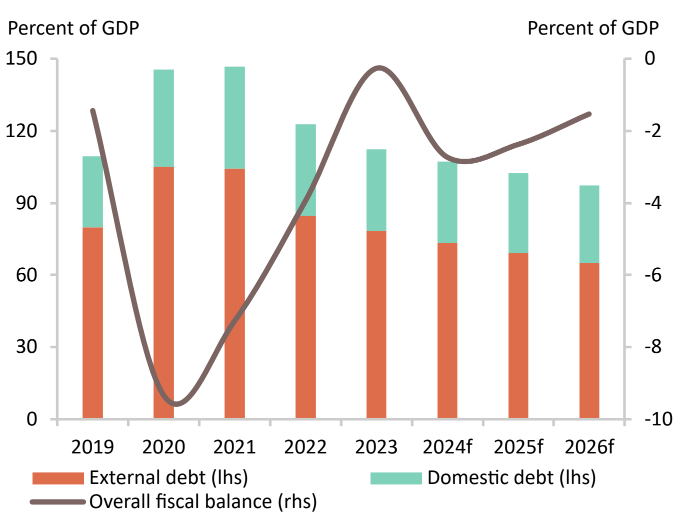
Recent developments

The economy is emerging well from recent shocks with tourism playing a key role. Growth reached 5.1 percent in 2023, with a record-high 1 million tourist arrivals allowing accommodation and transport to contribute 3 percentage points (pp) of growth. On the demand side, private consumption and exports remain drivers of growth—while investments lag pre-pandemic levels. Strong growth in the services sector and lower inflation contributed to a 0.5pp reduction in poverty (US$3.65 per-person per-day-2017 PPP) to reach 15.0 percent in 2023. Unemployment fell to 10.3 percent —below pre-pandemic levels.

The momentum has continued in 2024: strong activity in services and a positive contribution from agriculture after years of drought drove GDP growth of 10.2 percent in Q1 (y/y). Business surveys show improved economic confidence, particularly in tourism, commerce and construction sectors. Inflationary pressures are subsiding in line with global food and energy prices. Headline inflation averaged 1.3 percent in July 2024 (y/y), having improved considerably in 2023 (3.7 percent, from 7.9 percent in 2022). Food inflation, a quarter of the CPI basket, averaged 3.3 percent. Price stability has allowed for monetary policy tightening in attempts to mitigate capital flight and safeguard the peg.

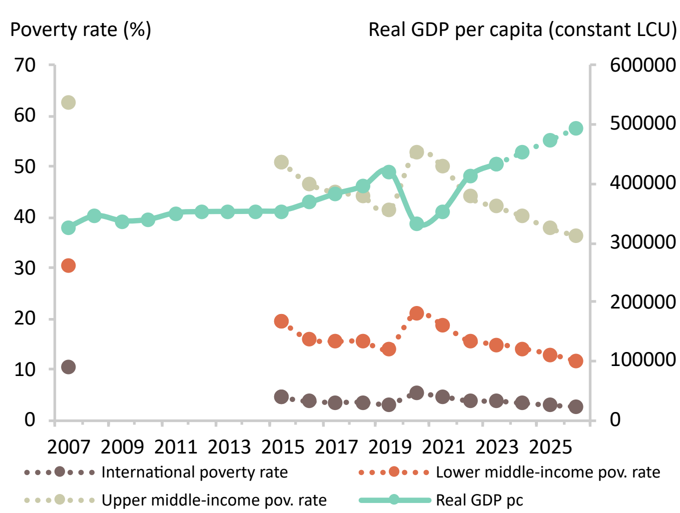
Increased tourism receipts and slower growth in goods imports reduced the

FIGURE 1 Cabo Verde / Debt composition and fiscal balance



Sources: Government of Cabo Verde and World Bank estimates.

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



Source: World Bank. Notes: see Table 2.

current account deficit (CAD) to 2.5 percent of GDP in 2023 (3.4 percent in 2022). While exports have been strong in H1-2024, imports show signs of picking up—particularly for capital goods—reflecting easing inflation and tourism investments. FDI and concessional loans remain the primary sources of financing, and reserves—above 5 months of import cover—are adequate to support the currency peg.

Fiscal consolidation remains a priority and is supported by strong revenue performance. Cabo Verde recorded a 20-year high primary surplus of 2 percent in 2023, although the overall deficit shrank to 0.3 percent (3.9 percent in 2022). As such, public debt narrowed by 10pp to 112.2 percent of GDP. Revenue performance remained strong in H1-2024—up 8 percent y/y. Spending has been modest but is expected to pick up as implementation of public investments accelerates in H2-2024. Debt servicing pressures are mounting, in part, reflecting increased domestic borrowing due to the pandemic. Financing needs will continue to be supported through concessional external borrowing and use of longer-term domestic bonds.

Outlook

Output is set to expand by 5.2 percent in 2024, with the entry of low-cost international air travel further supporting growth in tourism and a positive, albeit very modest, contribution from agriculture. Over the medium-term, growth will be supported by the implementation of structural reforms aimed at improving public sector efficiency and crowding in private investment. Inflation is expected to decline further in 2024 and converge to around 2 percent over the medium-term—ensuring price stability. Easing inflation, together with activity in services and industry sectors, is expected to result in poverty finally declining to reach the pre-pandemic level of 14.0 percent by end 2024. This trend is set to continue in the medium-term, with poverty falling to 13.0 percent in 2025 and 11.6 percent by 2026.

The CAD will widen this year and peak at 4.1 percent of GDP by 2025, as exports gradually stabilize, and imports accelerate, in line with the implementation of the PIP and ongoing investments in the tourism sector. Reserves are set to remain at above 5 months of prospective imports, enough to support the currency peg.

Improved execution of the investment budget, coupled with adjustments to public servants' wages, will contribute to widening the overall deficit to 2.7 percent of GDP. This is despite strong revenue collection due to improved tax administration, broadening of the tax base, as well as proceeds from ongoing privatization processes for SOEs. These developments, along with efforts to contain current expenditure could reduce the fiscal deficit to 1.5 percent of GDP by 2026 and bring public debt to about 97.3 percent of GDP. Accelerated restructuring of key SOEs and prudent management of contingent liabilities remains central to this trend.

The outlook is subject to downside risks, including potential commodity price spikes due to geopolitical tensions, weaker external demand in tourism markets and limited progress with the SOE reform agenda, which could undermine the fiscal consolidation and weaken growth. Climate-related shocks remain a concern, given the country's high vulnerability.

TABLE 2 Cabo Verde / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	7.0	17.4	5.1	5.2	4.9	4.8
Private consumption	10.1	13.7	7.7	6.0	5.5	5.4
Government consumption	10.0	-6.9	1.3	8.1	1.7	0.4
Gross fixed capital investment	2.4	-17.1	-27.9	2.1	6.5	6.3
Exports, goods and services	-2.9	89.8	4.5	10.8	6.1	5.7
Imports, goods and services	5.4	14.4	-8.0	11.0	6.0	5.2
Real GDP growth, at constant factor prices	7.0	16.1	5.2	5.1	4.9	4.8
Agriculture	-7.0	-13.4	-7.1	5.8	5.7	5.7
Industry	0.4	8.0	1.2	2.9	3.0	3.2
Services	9.5	19.7	6.6	5.4	5.1	5.0
Inflation (consumer price index)	1.9	7.9	3.7	1.6	2.0	2.0
Current account balance (% of GDP)	-12.1	-3.4	-2.5	-3.5	-4.1	-3.9
Net foreign direct investment inflow (% of GDP)	4.5	4.8	5.8	4.8	4.6	4.4
Fiscal balance (% of GDP)	-7.3	-3.9	-0.3	-2.7	-2.4	-1.5
Revenues (% of GDP)	23.5	22.0	24.6	26.5	25.1	24.3
Debt (% of GDP)	146.8	122.8	112.2	107.1	102.4	97.3
Primary balance (% of GDP)	-5.0	-1.7	2.0	-0.5	-0.2	0.7
International poverty rate ($2.15 in 2017 PPP)[a,b]	4.8	3.8	3.8	3.3	2.9	2.7
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	18.7	15.5	15.0	14.0	13.0	11.6
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	50.1	44.1	42.2	40.3	38.0	36.6
GHG emissions growth (mtCO2e)	2.3	0.6	4.3	4.0	4.3	4.4
Energy related GHG emissions (% of total)	82.6	83.7	83.8	84.1	84.3	84.6

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 2015-IDRF. Actual data: 2015. Nowcast: 2016-2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.

CAMEROON

Table 1	2023
Population, million	28.6
GDP, current US$ billion	47.7
GDP per capita, current US$	1663.5
International poverty rate ($2.15)[a]	23.0
Lower middle-income poverty rate ($3.65)[a]	46.7
Upper middle-income poverty rate ($6.85)[a]	76.0
Gini index[a]	42.2
School enrollment, primary (% gross)[b]	110.7
Life expectancy at birth, years[b]	61.0
Total GHG emissions (mtCO2e)	128.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ Most recent WDI value (2022).

Cameroon's economic growth shows signs of recovery after its slowdown in 2023. However, the growth rate remains below the target set out in the Nation's development strategy (NDS30), implying limited poverty reduction and persistent scarcity of job opportunities. Sustained fiscal consolidation should keep the deficit at 0.8 percent of GDP in 2024 and support a further fall in public debt-to-GDP ratio. While growth prospects are more favorable, risks remain, including the upcoming presidential elections and commodity price volatility.

Key conditions and challenges

Cameroon's economy has shown resilience in the face of external shocks, but multiple structural weaknesses prevent it from reaching its potential. The overlapping crises between 2020 and 2023 resulted in average annual GDP growth of only 2.6 percent, far below the NDS30 targets, and stagnant per capita incomes. Growth is further hampered by poor quality of infrastructure, especially electricity, roads, and limited internet connectivity. Other factors include underdevelopment of the financial system and heavy dependence on commodity exports. The growing effects of climate change and fragility remain challenges to stronger growth and poverty reduction. Cameroon needs a major rethink of its growth model, placing stronger emphasis on private sector participation, redefining the role of the state in the economy, and addressing low labor productivity.

Poverty rates have remained virtually unchanged since 2001. Combined with rapid population growth, this has resulted in a significant increase in the absolute number of extreme poor Cameroonians, surpassing 6.6 million in 2023. Inequality in Cameroon remains high, with a consumption Gini coefficient of 42.2, indicating significant disparities in living standards between regions, as well as urban and rural areas. Furthermore, fragility is increasing, as nine out of Cameroon's ten regions are now affected by conflict, including spillovers from neighboring countries.

Recent developments

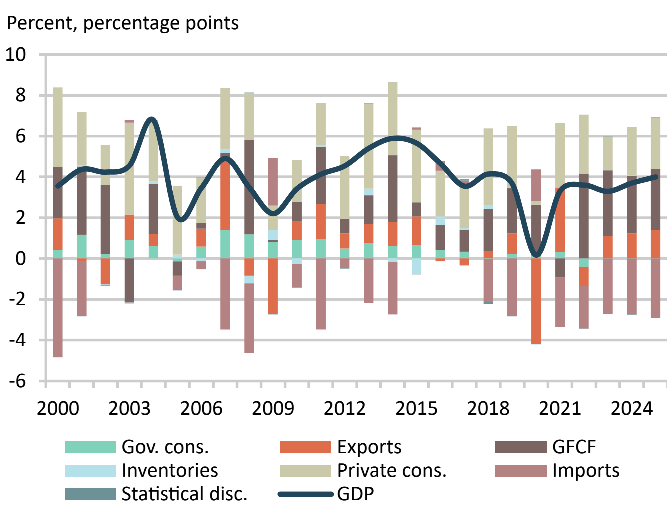
Cameroon's economic recovery slowed down in 2023, with real GDP expanding by only 3.3 percent, down from 3.6 percent in 2022, due to the decline in transportation activities following high input costs in this sector, and the depletion of oil fields and energy supply shortages in the industry sector. A rebound occurred in the first quarter of 2024 with real GDP growing by 3.7 percent y-o-y, fostered by good performance of services and export-oriented agricultural production thanks to improved yields and higher prices in international markets.

The current account deficit increased to 4.1 percent of GDP in 2023 from 3.6 percent in 2022, mainly driven by the continuous decline in oil production and exports. The deficit remained at a high level for the same reason in the first quarter of 2024, at 4.7 percent of GDP, up from 3.1 percent in the previous quarter.

Average inflation has declined to 5.7 percent as of the end of June 2024 from 7.7 percent one year ago, tempered by the restrictive monetary policy stance of the regional central bank (BEAC), easing foreign inflation and government price control measures, despite the rise in pump prices in February 2024.

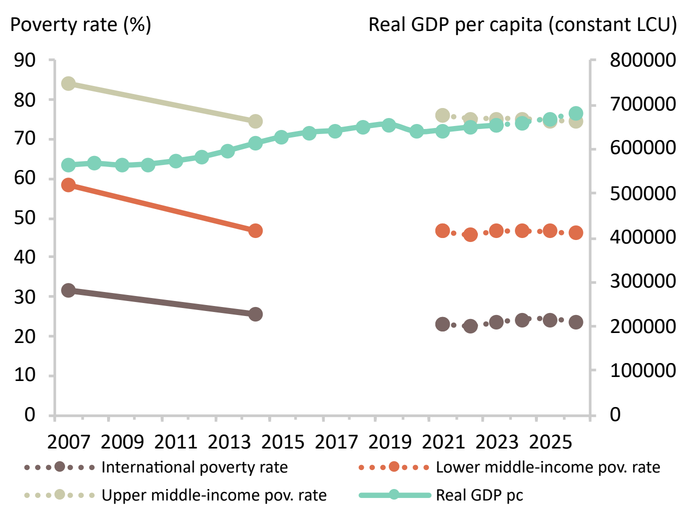
The fiscal deficit continued to decline in 2023 to 0.8 percent of GDP, down from 1.1 percent in 2022, supported by reduced

FIGURE 1 Cameroon / Real GDP growth and contributions to real GDP growth



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

fuel subsidies and capital spending and significantly improved tax collection. Public debt fell from 44.6 percent of GDP to 42.0 between December 2023 and June 2024. Cameroon's public debt is deemed sustainable, even though with a high risk of debt distress due to liquidity ratios breaching the thresholds.

To address the inflationary effects of these measures, tax breaks have been offered to sectors like agriculture, and the minimum wage and public sector salaries have been raised. However, considering the substantial number of poor and vulnerable Cameroonians working in the informal sector, it is expected that these measures will have minimal impact on poverty reduction.

Outlook

The medium-term outlook is moderately positive, with real GDP growth projected to 3.7 percent in 2024 and slightly above four percent in 2025 and 2026. This is driven by the following factors that should have a knock-on effect on other economic sectors: (i) an improved energy supply from the full commissioning of the Nachtigal hydroelectric dam which represents one-third of the current energy supply, and (ii) scaled-up public investment, especially in infrastructure, with the aim to reach 7.0 percent of GDP by 2027 from 3.9 percent in 2023.

Higher public revenues will support scaled-up public investment, while the fiscal deficit would remain at 0.8 percent of GDP in 2024, and around 1 percent of GDP in the medium term, allowing the debt-to-GDP ratio to decrease. While public investment in infrastructure projects under the NDS30 is projected to increase, improvements in the fiscal accounts in 2024 will be pursued through higher tax revenue collection and a better control of current expenditures, especially fuel subsidies that are expected to decline following an increase in pump price in February 2024.

Average inflation will continue to decline from 4.7 percent in 2024 to 3.0 percent in 2026, under the effects of BEAC's restrictive monetary policy stance.

The current account deficit will remain over the medium term at around 4.0 percent of GDP, reflecting the decline in oil production driven by oil field depletion, and the higher imports needed for the scaled-up public investment program.

Real per capita growth is forecasted to be insufficient to reduce poverty over the next three years and consequently, an additional 600,000 people will join the ranks of the population living in extreme poverty which, by 2026, could grow to a total of 7.2 million people. The outlook remains subject to risks associated with (i) commodity price volatility; (ii) a persistent security crisis; (iii) lower-than-expected budget support from external donors, (iv) persistent shortages in energy supply, (v) lower-than-expected public investment, (vi) possible tensions around the presidential elections in October 2025.

TABLE 2 Cameroon / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	3.3	3.6	3.3	3.7	4.0	4.2
Private consumption	4.7	4.2	2.4	3.5	3.7	3.8
Government consumption	2.6	-3.3	0.2	0.2	0.3	0.2
Gross fixed capital investment	-3.0	14.4	10.1	8.3	8.4	8.8
Exports, goods and services	19.8	-5.1	6.4	7.0	7.7	8.0
Imports, goods and services	9.0	7.3	9.2	8.8	8.9	9.2
Real GDP growth, at constant factor prices	3.3	3.6	2.9	3.7	4.0	4.2
Agriculture	2.9	3.2	2.5	2.9	3.1	3.3
Industry	4.1	3.6	2.5	3.6	4.3	4.2
Services	3.0	3.6	3.3	3.9	4.1	4.5
Inflation (consumer price index)	2.5	6.3	7.4	4.7	3.5	3.0
Current account balance (% of GDP)	-4.0	-3.6	-4.1	-4.2	-4.3	-4.0
Fiscal balance (% of GDP)	-2.9	-1.1	-0.8	-0.8	-1.0	-1.1
Revenues (% of GDP)	14.8	16.8	17.2	17.6	17.9	18.0
Debt (% of GDP)	48.1	45.3	44.6	42.2	39.2	38.1
Primary balance (% of GDP)	-1.9	-0.3	0.3	0.3	0.1	-0.1
International poverty rate ($2.15 in 2017 PPP)[a,b]	23.0	22.5	23.4	24.2	24.3	23.5
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	46.7	46.0	46.7	46.8	46.7	46.2
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	76.0	75.2	75.2	75.1	74.7	74.4
GHG emissions growth (mtCO2e)	-1.0	0.4	0.9	2.2	2.4	2.1
Energy related GHG emissions (% of total)	7.0	7.0	7.0	7.1	7.1	7.3

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 2021-ECAM-V. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.

CENTRAL AFRICAN REP.

Table 1	2023
Population, million	5.7
GDP, current US$ billion	2.6
GDP per capita, current US$	457.6
International poverty rate ($2.15)[a]	65.7
Lower middle-income poverty rate ($3.65)[a]	85.8
Upper middle-income poverty rate ($6.85)[a]	96.2
Gini index[a]	43.0
School enrollment, primary (% gross)[b]	110.7
Life expectancy at birth, years[b]	54.5
Total GHG emissions (mtCO2e)	56.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ Most recent WDI value (2022).

With fuel import shortages unresolved and repeated power outages in 2024, economic stagnation persists, with growth projected at just 0.7 percent. In this context, the country is navigating a difficult macro-fiscal situation. Unless the authorities secure sufficient grant support for 2025, there are concerns about the state's ability to cover its wage bill and fulfill its obligations without accumulating arrears in the foreseeable future.

Key conditions and challenges

The Central African Republic (CAR) remains entrenched in poverty and fragility despite its wealth of natural resources, notably gold and diamonds. Adversely impacted by conflict, external shocks, and policy missteps, its income per capita has fallen by a third since the escalation of the civil war in late 2012. It is now among the poorest countries in the world, with two-thirds of its population living in extreme poverty. Additionally, the country has been unable to resolve fuel shortages since 2022, particularly those affecting about 80 percent of all fuel imports made via the Ubangui River. CAR's public finances are under immense pressure due to weak revenue mobilization and social sector spending pressures, exacerbated by a de facto freeze on budget support from key development partners out of their concern over governance, use of fiscal resources to finance security-related expenses, and policy missteps. CAR remains at high risk of debt distress, with debt pressures having grown substantially in recent years, and with substantial liquidity risks that could jeopardize the government's ability to pay for civil service salaries and essential public services.

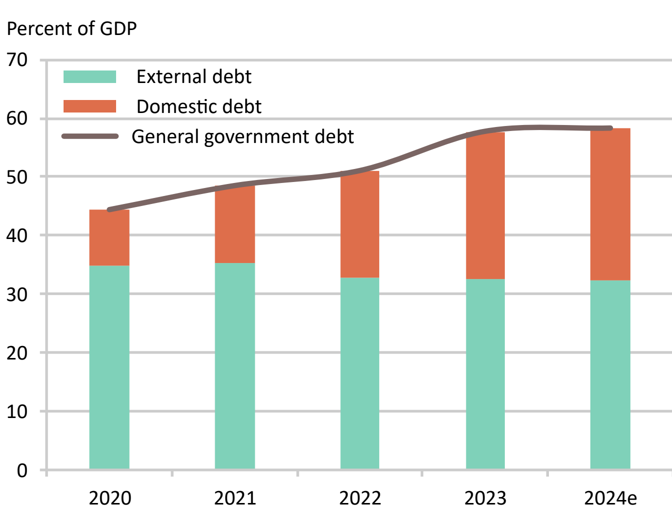
The successful implementation of policy reforms under the IMF's ECF program and support from other development partners is crucial for restoring macro-fiscal stability. Critical areas for reform include revising the petroleum price structure and procurement system, to ensure sustainable fuel provision, strengthening domestic revenue mobilization, fiscal transparency, and enhancing debt management and sustainability.

Recent developments

The economy has stagnated since 2023, partly due to a 13 percent drop in gold production, possibly linked to smuggling in conflict zones. However, the primary cause is the delay and uncertainty around the river campaign for fuel imports, which normally represent 80-85 percent of the total. Fuel shortages, now in their third year, continue to disrupt local trade and production. While requisitioning some fuel stations in Greater Bangui and the black market have prevented immediate collapse, the situation remains critical due to limited reserves. Additionally, potential malfunctions at Boali, and the need to rehabilitate the old power line to Bangui, have reduced nighttime light activity in Bangui during the first half of 2024 (2024H1) compared to 2023H1, impacting small businesses without reserves or alternative power.

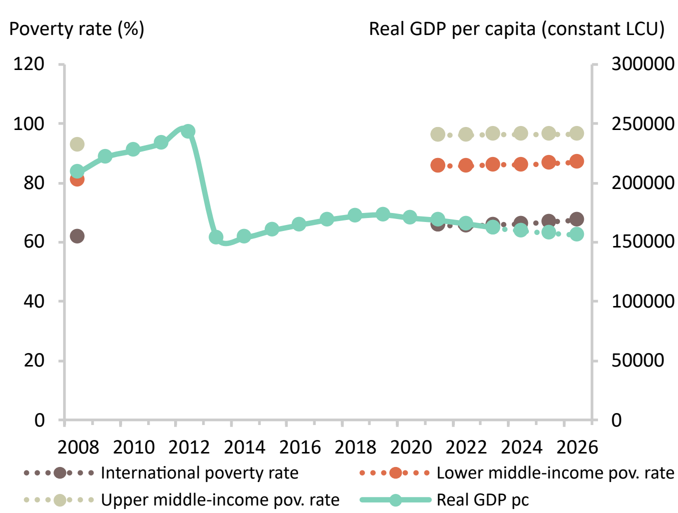
Regional monetary tightening, alongside economic stagnation, has kept monthly inflation below 2 percent since February 2024, mainly due to moderated food and housing prices. The BEAC has maintained a tight monetary policy, keeping the policy rate at five percent following a cumulative

FIGURE 1 Central African Republic / The composition of public debt in recent years



Source: World Bank.

FIGURE 2 Central African Republic / Actual and projected poverty rates and real GDP per capita



Source: Word Bank. Notes: see Table 2.

increase of 175 basis points since November 2021, and has scaled back liquidity absorption since early 2024.

The fiscal deficit has reduced since 2023 due to forced consolidation, especially on domestically financed capital spending, fiscal reforms, and increased grant financing, despite spending overruns on certain spending items, such as foreign missions and equipment for local armed forces. The detrimental fiscal direct and indirect impact of fuel shortages on revenue collection should be limited if fuel reserves remain.

Although gold production has fallen, the current account deficit has stabilized around 9.2 percent of GDP since 2023 due to improved terms of trade and favorable gold prices. Challenges remain due to a lack of competitiveness and weak global value chain connections.

Extreme poverty remains pervasive and deep in CAR, with 65.7 percent of the population living below the international extreme poverty line of USD 2.15 (2017 PPP) per person per day. CAR also exhibits significant spatial inequality. Approximately 74.4 percent of rural Central Africans live below the national poverty line, compared with 61.1 percent of urban residents. Regional disparities are also notable: in Bangui, the poverty rate at the national poverty line is 40.1 percent, considerably lower than the average of 73.3 percent for all other regions combined, and less than half the poverty rate of CAR's poorest region, Haut Oubangui, where 84.7 percent of the population lives in poverty. Despite a decline in overall price inflation since 2023, poverty is expected to remain high due to weak economic performance and a decrease in per capita income.

Outlook

The projected growth rate for 2024 has been downgraded from 1.3 percent (Spring estimates) to 0.7 percent, mirroring last year's underperformance, due to lower gold production and fuel shortages. Real GDP growth is projected to recover gradually, reaching 1.6 percent in 2025-26, partly due to base effects and the effective implementation of policy adjustments aimed at improving fuel supply after three years of shortages. Inflation is expected to slow down to 1.5 percent by the end of 2024. However, poverty is likely to remain high due to declining per capita income, compounded by already severe household budget constraints and a weak economic recovery.

The fiscal deficit is expected to improve from 3.5 percent in 2023 to 2.8 percent in 2024. The overall fiscal balance is projected to gradually deteriorate in 2025 and 2026 in the absence of strong grants commitment from donor partners. However, this would be partially mitigated by significant efforts in DRM, including the digitalization of procedures and payments, the collection of excise duties, VAT, and miscellaneous revenues, as well as reforms in reference prices for timber and fuel pump prices, and revisions to the tax exemptions and VAT system. Public debt should stabilize at 58.3 percent of GDP in 2024, with domestic debt reaching 25.9 percent of GDP. The current account balance is projected to slightly improve due to increased gold production in the western prefectures and higher local sawnwood production, but it will remain in significant deficit from 2025 onwards, due to the energy, equipment, and food bill.

Risks to the outlook remain skewed heavily to the downside. The 2025 presidential election could pose risks to security and stability. A reversal of recent security gains could negatively affect key sectors such as food production and processing, mining, transport, and retail, slowing economic growth and complicating the country's efforts to emerge from fragility.

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

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	1.0	0.5	0.7	0.7	1.1	2.0
Private consumption	1.3	0.0	1.2	1.5	1.9	2.3
Government consumption	-3.8	-8.2	3.5	-4.5	-4.4	-1.9
Gross fixed capital investment	-15.9	-4.5	-2.7	-1.4	-0.5	2.1
Exports, goods and services	-5.3	2.6	9.0	1.3	2.4	3.2
Imports, goods and services	-11.5	-5.5	5.5	0.8	1.7	2.7
Real GDP growth, at constant factor prices	1.5	1.0	0.7	0.7	1.1	2.0
Agriculture	2.7	2.2	2.3	1.7	2.4	2.9
Industry	-1.7	-3.9	-0.5	-0.5	0.5	1.2
Services	2.2	2.4	0.1	0.4	0.3	1.6
Inflation (consumer price index)	4.3	5.6	3.0	1.5	2.3	2.9
Current account balance (% of GDP)	-11.1	-12.7	-9.1	-9.2	-8.7	-8.3
Fiscal balance (% of GDP)	-6.0	-5.3	-3.5	-2.8	-3.5	-3.8
Revenues (% of GDP)	13.7	12.3	14.4	14.4	13.4	13.3
Debt (% of GDP)	48.5	51.1	57.7	58.3	57.9	57.3
Primary balance (% of GDP)	-5.7	-4.9	-2.9	-1.9	-2.5	-2.8
International poverty rate ($2.15 in 2017 PPP)[a,b]	65.7	65.3	65.8	66.1	66.8	67.4
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	85.8	85.6	86.1	86.1	86.5	87.0
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	96.2	96.1	96.4	96.4	96.5	96.5
GHG emissions growth (mtCO2e)	1.5	-0.2	-0.2	-0.2	-0.2	-0.2
Energy related GHG emissions (% of total)	0.4	0.4	0.4	0.5	0.5	0.5

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 2021-EHCVM. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.

CHAD

Table 1	2023
Population, million	18.3
GDP, current US$ billion	13.6
GDP per capita, current US$	745.0
International poverty rate ($2.15)[a]	30.8
Lower middle-income poverty rate ($3.65)[a]	62.8
Upper middle-income poverty rate ($6.85)[a]	88.8
Gini index[a]	37.4
School enrollment, primary (% gross)[b]	90.4
Life expectancy at birth, years[b]	53.0
Total GHG emissions (mtCO2e)	123.8

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2022).

2024 GDP growth is expected to slow to 3 percent (-0.1 percent per capita) despite increased oil exports and public spending, as economic spillovers from the war in Sudan continue. Inflation will increase to 6.5 percent exacerbated by flooding, which has led to extreme levels of food insecurity. The poverty rate is expected to increase to 36.4 percent. Downside risks to the outlook include regional instability, insecurity, and further climate shocks.

Key conditions and challenges

Chad's economic growth has been volatile and weak, reflecting the dependence on the oil sector, which accounts for 85 percent of exports and 56 percent of fiscal revenues. Economic diversification efforts are ongoing, with measures aimed at industrializing the livestock sector, facilitating access to inputs to the agro-pastoral sector, and limiting barriers to trade with non-CEMAC countries.

Chad is also among the world's most vulnerable countries to climate change. Insufficient rains as well as frequent intense flooding—most recently in 2022 and this year—adversely impact agriculture production, which, together with conflict and displacement, has led to chronic food insecurity.

Ending the political transition, President Mahamat Idriss Deby was declared the winner of the May 2024 presidential election, with limited violence. Security remains tenuous, with threats by Boko Haram in the Lake Chad region, and the armed FACT rebellion in the north. According to the International Organization for Migration, an estimated 910,000 people have crossed the border into Chad since the start of the crisis in Sudan in April 2023, including 213,339 Chadian returnees. The war in Sudan, as well as the rebellion from Libya, has induced higher humanitarian spending as well as military expenditures to secure the borders.

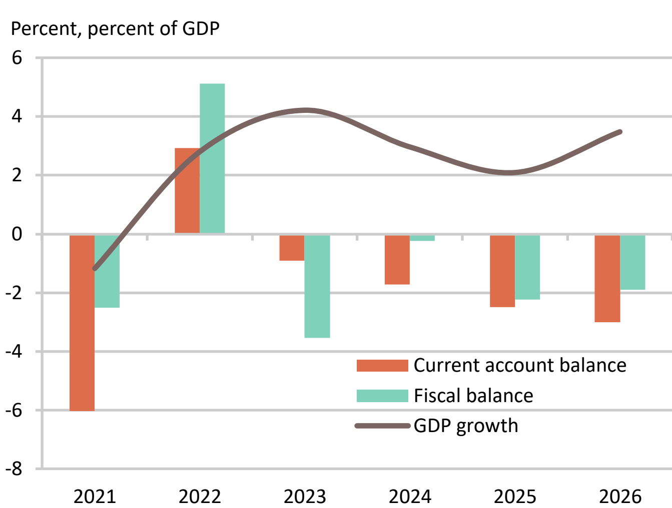
Recent developments

Despite the strain caused by the ongoing refugee crisis—placing heavy demands on local resources and increasing fiscal pressures—Chad's economy is expected to sustain 3 percent growth in 2024 (-0.1 percent per capita). Non-oil GDP growth is estimated to be 2.7 percent, down from 4.1 percent in 2023, as the growth of public investment decelerates. On the supply side, industry is expected to contribute 1.3 percentage points (pps) to growth, supported by a modest increase in oil production, followed by agriculture (1 pp), which has been negatively impacted by the major flooding, and services (0.7 pps). Net exports are expected to be the main driver on the demand side (+1.1 pps), with the volume of Q1 oil exports having increased 8.4 percent compared to the same period in 2023. Government investment and consumption are expected to contribute 0.6 and 0.3 pps to growth, respectively.

The current account deficit is expected to slightly widen to 1.7 percent of GDP. Demand for imported goods (from investment and military expenditures and humanitarian-related operations in support of Sudanese refugees) remains high, with terms of trade declining.

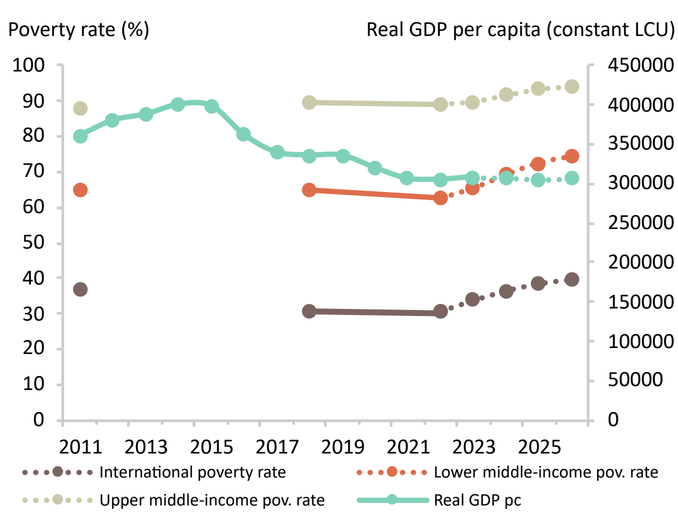
Inflation, after easing to 4.1 percent in 2023, is projected to surge to 6.5 percent in 2024, due to higher food and transport prices. The poverty rate is estimated to increase by 2.6 ppts to 36.4 percent in 2024 with a total of 6.9 million in extreme poverty. Since mid-July, floods following

FIGURE 1 Chad / GDP growth, current account, and fiscal balance



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

heavy rains have affected over 1.5 million people, destroyed 259,000 hectares of crops, and caused the loss of nearly 70,000 heads of livestock. An estimated 3.4 million people (20 percent of the population) are facing severe food insecurity between June and August 2024.

The Bank of Central African States (BEAC) has maintained its tight monetary policy stance to contain inflationary pressures and support the external viability of the exchange rate arrangement. The BEAC policy rate was maintained at five percent following a cumulative increase by 175 basis points between November 2021 and March 2023. Weekly liquidity injections were discontinued in early 2023 and BEAC has scaled down its liquidity absorption operations since the beginning of 2024.

The fiscal deficit is expected to narrow from 3.5 percent of GDP in 2023 to 0.2 percent in 2024, despite increasing expenditures (+8.8 percent) in response to humanitarian needs, flooding, and presidential and local elections. The consolidation is driven by higher tax revenues (+20.5 percent), stemming from tax modernization and digitalization efforts, and oil revenues (+17.2 percent). Windfalls resulting from the increase in fuel prices and dividends from the Société de raffinage de N'Djamena have likewise contributed. Total public debt is projected to increase from 38.5 percent in 2023 to 41.4 percent of GDP in 2024.

Outlook

Growth is projected to average 2.8 percent (-0.3 percent per capita) over 2025-2026, as public investment is expected to fall from the highs of 2023-2024. Non-oil GDP growth is projected at an average of 3.3 percent. After three consecutive years above the target range, inflation is projected to moderate to an average of 3.1 percent in the medium term.

The 2024 lean season is projected to be one of the worst in recent years. Flood damages and crop losses will lead to a drop in production and household incomes, and as a result, the extreme poverty rate is expected to increase by 2 ppts to 38.4 percent in 2025, which translates into an additional 588,000 people in extreme poverty. Continued security restrictions, low social protection coverage, and the ongoing Sudan crisis is expected to restrict poverty reduction, with extreme poverty projected to reach 39.6 percent in 2026.

With declining oil prices forecasted and elevated public spending, fiscal accounts are projected to remain in deficit in the medium-term. As a result, public debt is projected to reach 42.6 percent of GDP in 2026. The current account deficit is projected to expand to an average of 2.8 percent of GDP over 2025-2026.

The outlook is subject to multiple downside risks, including lower-than-anticipated oil prices, regional instability, heightened insecurity, and further climate shocks and natural disasters. A prolonged Sudan war could worsen the humanitarian crisis, strain public finances, and increase inflationary pressures. Meanwhile, the conclusion of the political transition presents an upside risk if the government implements reforms that improve productivity, economic diversification, and growth.

TABLE 2 **Chad** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	-1.2	2.8	4.2	3.0	2.1	3.5
Private consumption	1.6	2.7	3.6	1.3	3.4	3.5
Government consumption	3.7	-1.5	-7.0	9.6	0.1	4.9
Gross fixed capital investment	-4.3	-6.1	54.1	3.9	-2.4	0.5
Exports, goods and services	-0.4	5.0	2.9	4.0	0.9	4.1
Imports, goods and services	5.1	2.0	16.0	1.8	1.1	3.1
Real GDP growth, at constant factor prices	-1.2	2.8	4.1	3.0	2.1	3.5
Agriculture	6.2	2.0	5.0	3.1	3.4	3.5
Industry	-4.6	4.1	3.3	4.1	-0.5	3.3
Services	-4.3	2.3	4.1	1.9	3.2	3.7
Inflation (consumer price index)	1.0	5.8	4.1	6.5	3.2	3.0
Current account balance (% of GDP)	-6.0	2.9	-0.9	-1.7	-2.5	-3.0
Fiscal balance (% of GDP)	-2.5	5.1	-3.5	-0.2	-2.2	-1.9
Revenues (% of GDP)[a]	16.3	23.5	18.3	22.5	21.4	20.7
Debt (% of GDP)	55.9	42.3	38.5	41.4	41.8	42.6
Primary balance (% of GDP)	-1.3	6.6	-2.4	1.2	-0.1	-0.4
International poverty rate ($2.15 in 2017 PPP)[b,c]	..	30.8	33.8	36.5	38.4	39.6
Lower middle-income poverty rate ($3.65 in 2017 PPP)[b,c]	..	62.8	65.5	69.2	72.4	74.1
Upper middle-income poverty rate ($6.85 in 2017 PPP)[b,c]	..	88.8	89.7	91.5	93.3	94.1
GHG emissions growth (mtCO2e)	2.8	2.1	2.0	2.0	2.1	1.9
Energy related GHG emissions (% of total)	2.3	2.2	2.2	2.2	2.2	2.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ 2024 data includes one-off non-oil, non-tax revenues, such as windfalls from the increase in the fuel price and dividends from the Société de raffinage de N'Djamena.
b/ Calculations based on 2022-EHCVM. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.
c/ Projections using microsimulation methodology.

COMOROS

Table 1	2023
Population, million	0.9
GDP, current US$ billion	1.3
GDP per capita, current US$	1527.5
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]	63.7
Total GHG emissions (mtCO2e)	0.8

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2014), 2017 PPPs.
b/ WDI for School enrollment (2018); Life expectancy (2022).

The economy continues recovering from Cyclone Kenneth and COVID-19, driven by private consumption and investments in tourism and transport infrastructure. Growth is expected to gradually increase to 4.3 percent over the medium-term. Despite a slow start to 2024, fiscal consolidation efforts are expected to narrow the deficit and reduce public debt, creating fiscal space for poverty-reducing investments. The financial sector remains a contingent liability and a priority area for reform.

Key conditions and challenges

Comoros has faced significant structural challenges, leading to low economic growth and stagnating income per capita over the past decades. From 2001 to 2022, the GDP per capita increased by only US$367 (constant 2017 PPP US$), one of the lowest among peer nations. The economy relies heavily on private sector consumption, particularly from grandes mariages—large traditional weddings that drive spending but do little to foster sustainable growth. Weak institutions, a small population, and geographic remoteness have hindered broader economic progress, contributing to persistent poverty, and causing Comoros to lag other small island nations.

Political economy factors have shaped Comoros' economic trajectory, contributing to growth volatility over the past 40 years. Despite improved political stability in the last two decades, economic expansion remains sluggish, constrained by several structural challenges. State-owned enterprises (SOEs) dominate key sectors, limiting competition and stifling the development of the small private sector. Low human capital and productivity further hamper economic progress, while limited access to finance curtails entrepreneurship and business growth. Additionally, the dominance of traditional systems and informal power structures weakens state institutions, compounding governance issues and impeding effective policy implementation.

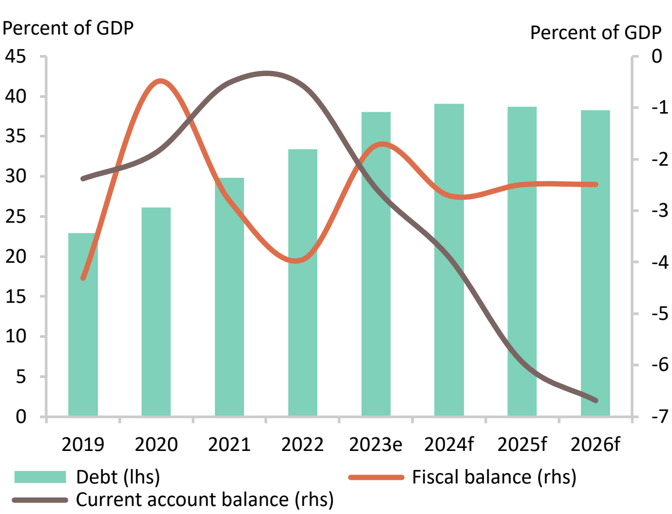
The quality of policy design and pace of implementation hindered economic growth and kept poverty rates at around 38 percent (using $3.65 per day at 2017 PPP) for the past decade. Weak revenue collection, driven by numerous tax exemptions and widespread administrative inefficiencies, undermines fiscal sustainability. In addition, a high risk of debt distress limits the government's ability to secure adequate funding. Furthermore, Comoros faces significant climate risks, such as cyclones and rising sea levels, which disrupt economic activity, exacerbate poverty, and threaten long-term development.

Recent developments

The economy grew 3 percent in 2023. Economic activity was disrupted by post-election demonstrations in January 2024, but increased private consumption driven by the grands mariages and continued robust tourism are expected to mitigate this. On the supply side, the construction sector benefited from the continuation of large public infrastructure investments, such as the construction of the El Maarouf Hospital and Galawa Hotel. Average headline inflation has fallen to 3.7 percent in the first half of 2024, driven by lower commodity prices, from 12.4 and 8.5 percent in 2022 and 2023, further supporting private consumption.

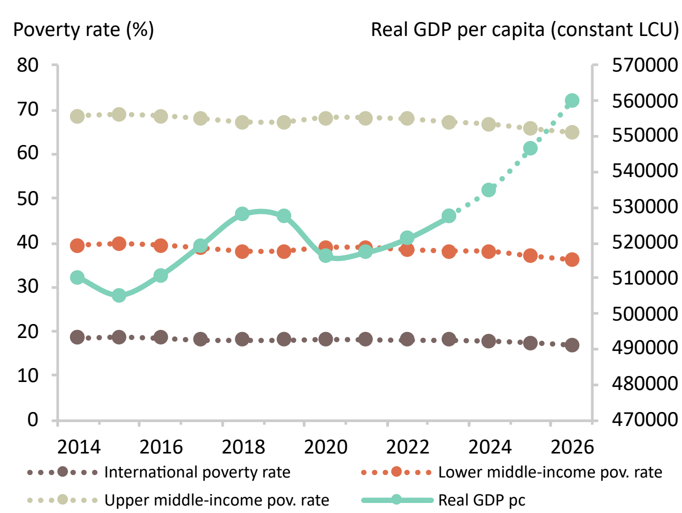
Increased grants complemented improved expenditure rationalization and

FIGURE 1 Comoros / Selected macroeconomic imbalance indicators



Sources: National authorities and World Bank staff estimates and forecasts.

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



Source: World Bank. Notes: see Table 2.

domestic revenue mobilization efforts to narrow the fiscal deficit from 4 percent in 2022 to 1.7 percent in 2023. However, increased expenditure pressure from spending overruns on the El Maarouf hospital, the cholera outbreak, and repairing storm damage as well as lower-than-expected domestic revenue mobilization in the first quarter of 2024 appear to have slowed the pace of the fiscal consolidation. Public debt reached 38 percent in 2023 from 33.4 in 2022, but is considered sustainable.

Domestic credit growth declined from 3.5 percent in December 2023 (year-on-year) to -2.7 percent in June 2024, driven by a sharp decline in credit to public enterprises as they regained access to external trade credit. Private sector credit growth also fell over the same period. This decline reinforces vulnerability in a financial sector that is characterized by a high level of non-performing loans, declining provision rates, and insolvent institutions.

Stronger domestic demand translated into high import demand and contributed to the widening of the current account deficit to 2.6 percent of GDP in 2023, up from 0.6 percent in 2022, despite strong remittances. International reserves remained at adequate levels, partly aided by higher financing from international financial institutions. Foreign direct investment has continued to remain stable at 0.5 percent of GDP.

Outlook

Growth is expected to converge to 4.3 percent in the medium-term, driven primarily by private consumption, as well as public investment in the El Maarouf hospital, the Galawa hotel, and the rehabilitation or construction of transport infrastructure. The base effect from election expenditure in 2023 will normalize government consumption. The stop-start progress of these projects will continue causing volatility in capital expenditure. The restructuring of contingent liabilities in the SOE sector would improve debt sustainability and create fiscal space that can be invested in human and economic capital. Updating the law on tax exemptions would broaden the tax base and strengthen domestic revenue mobilization, improving fiscal sustainability. It would also encourage business formalization, further boosting revenue collection and supporting sustainable economic growth through better public services and a fairer tax system. The poverty rate is expected to remain at around 38 percent in 2024.

Lower imported inflation, from lower global commodity prices, is expected to contribute to lower headline inflation, forecasted at 1.7 percent in 2025. Fiscal consolidation, enhanced SOE performance, and increased expenditure efficiency are expected to reduce the fiscal deficit to 2.5 percent of GDP by 2026. Public debt is projected to fall to 38.2 percent of GDP by 2026. The current account deficit is expected to average 6.7 percent of GDP over the mid-term, as major public investments contribute to a widening of the trade deficit, offsetting the impact of continued strong remittances. International reserves are expected to cover 7-8 months of imports.

Downside risks to the outlook include contingent liabilities, especially in the financial sector, threatening debt sustainability, prolonged global geopolitical tensions and the occurrence of natural disasters and other climate events. The 2024 elections may impact the pace of execution of investment projects and the implementation of key fiscal and governance reforms. The ongoing cholera outbreak may exacerbate vulnerabilities by increasing healthcare costs, reducing labor productivity, and disrupting livelihoods, particularly in affected rural areas.

TABLE 2 Comoros / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	2.1	2.8	3.0	3.5	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	-3.4	-0.3	9.4
Gross fixed capital investment	9.6	-62.2	69.8	-11.5	10.3	-6.9
Exports, goods and services	48.2	100.8	-10.1	4.6	4.9	5.5
Imports, goods and services	7.7	-4.0	8.2	-4.3	3.7	1.5
Real GDP growth, at constant factor prices	2.0	2.6	3.0	3.5	4.0	4.3
Agriculture	3.4	-2.6	4.1	1.9	3.7	3.5
Industry	-0.2	13.4	3.0	3.5	4.0	4.3
Services	1.8	3.0	2.5	4.3	4.2	4.7
Inflation (consumer price index)	0.0	12.4	8.5	3.3	1.7	2.1
Current account balance (% of GDP)	-0.5	-0.6	-2.6	-3.9	-5.9	-6.7
Fiscal balance (% of GDP)	-2.8	-4.0	-1.7	-2.7	-2.5	-2.5
Revenues (% of GDP)	17.0	14.2	15.8	17.5	15.7	15.8
Debt (% of GDP)	29.8	33.4	38.0	39.1	38.7	38.2
Primary balance (% of GDP)	-2.5	-3.7	-1.4	-2.4	-2.2	-2.2
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)	1.1	1.9	1.8	1.9	2.1	1.9
Energy related GHG emissions (% of total)	53.2	53.7	54.0	54.3	54.6	54.8

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.

DEMOCRATIC REP. OF CONGO

Table 1	2023
Population, million	102.3
GDP, current US$ billion	67.0
GDP per capita, current US$	655.2
International poverty rate ($2.15)[a]	78.9
Lower middle-income poverty rate ($3.65)[a]	92.1
Upper middle-income poverty rate ($6.85)[a]	97.7
Gini index[a]	44.7
School enrollment, primary (% gross)[b]	122.4
Life expectancy at birth, years[b]	59.7
Total GHG emissions (mtCO2e)	689.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2020), 2017 PPPs.
b/ Most recent WDI value (2022).

DRC inaugurated a new government following reelection of President Tshisekedi for another term, reassuring investors and development partners on reforms continuity. However, a GDP slowdown is expected in 2024 owing to the mining sector's deceleration. Medium-term growth prospects remain favorable despite considerable downside risks from commodity price volatility and intensification of regional conflicts. Elevated food price may constrain the fight against poverty.

Key conditions and challenges

The Democratic Republic of Congo (DRC) has the world's second largest rainforest and vast metal deposits but is still struggling to spur economic development and make a dent in poverty. The country has a narrow export base (copper and cobalt account for 80 percent of the total export) and depends heavily on food imports despite its agricultural potential, making it vulnerable to external shocks. Weak institutions, poor governance, state capture by vested interests, vulnerability to natural hazards and climate change are hindering development prospects.

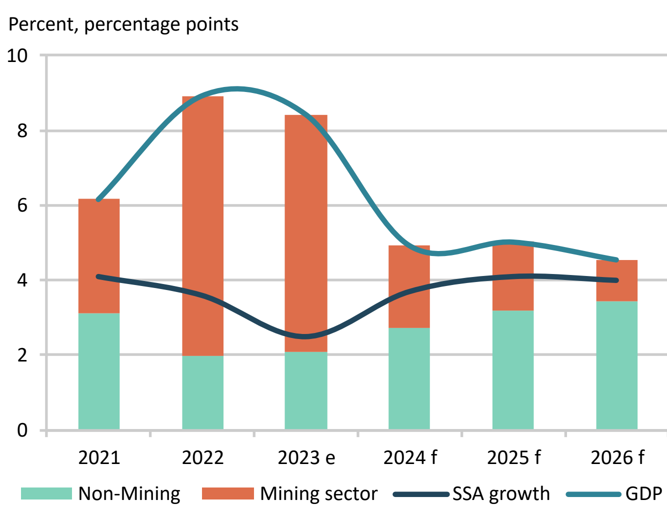
Low human capital (index of 0.37 in 2020) affects particularly the youth, 53 percent of whom are unemployed. Jobs remain informal (88.6 percent), as 65 percent of workers are in low-productivity subsistence agriculture, and growth is not filtering to the poorest. Public spending covers mainly operating outlays and suffers from inefficiencies. Subpar digital and transport infrastructures contribute to poor prospects of developing an integrated domestic market. Additional challenges from an underdeveloped financial system characterized by limited market contestability, elevated credit cost, and a deficient justice system have produced an unconducive business environment. The government relies on state-owned enterprises (SOEs) for the provision of critical services and the management of key economic sectors (e.g. mining, water, electricity). However, persistent SOEs' underperformance has become a source of fiscal stress and macro-financial risks. Moreover, the government support to SOEs received through guarantees, subsidies, tax exemptions, and forfeiture of dividends are a drag on the budget.

Violence in eastern DRC has caused over seven million internally displaced people (IDP) as of June 2024 and is exacerbating the challenges facing the country, with adverse impact on poor households' livelihoods. Cyclical conflicts and pervasive fragility are fundamental obstacles to inclusive development in DRC. The authorities have prioritized the Inga mega-hydropower dam program, which could boost growth, reduce poverty, and raise living standards in the DRC and the African region.

Recent developments

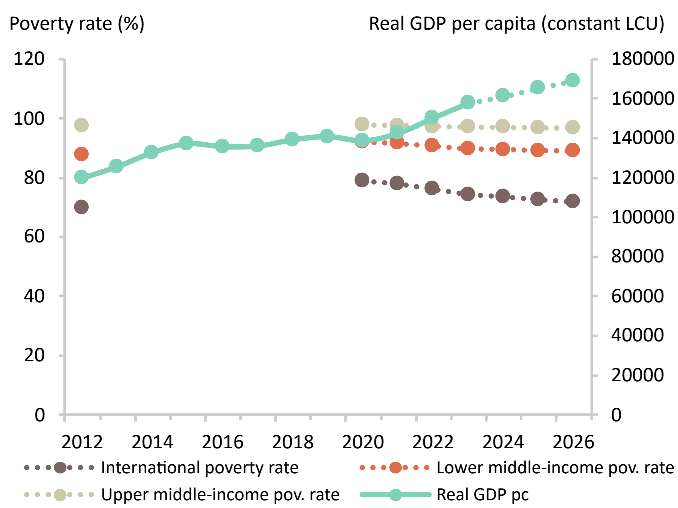
Following President Tshisekedi's reelection, a new government led by Prime Minister Judith Suminwa Tuluka, the first woman ever to become Head of Government in the DRC, was inaugurated in June 2024, signaling reform continuity. In July, the IMF completed the final review of the Extended Credit Facility (ECF) arrangement, marking the DRC's first successful completion of an IMF program. The ECF supported government efforts to maintain macroeconomic stability and build resilience.

FIGURE 1 Democratic Republic of Congo / Real GDP growth and contributions to real GDP growth



Source: DRC authorities.

FIGURE 2 Democratic Republic of Congo / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

These positive developments boosted investor confidence, and the Central Bank of Congo's (BCC) Business Confidence Index (BCI) increased during the first half of 2024 (H1-24). The BCI, which tracks all sectors except agriculture, was up 35.9 percent year on year (y-o-y) in June 2024, mostly driven by the mining sector. Favorable copper price offset falling prices of cobalt, and boosted export earnings in H1-24, improving the country's external position. The trade balance advanced to a 7.8 percent of GDP surplus from 0.5 percent of GDP deficit in H1-23. Gross international reserves peaked to US$6.0 billion in July, marking a 27.7 percent y-o-y increase, and representing 2 months of imports.

To help alleviate inflation pressures, the BCC kept the key policy rate at 25 percent following the 1,400 basis points hike in June 2023. Headline inflation eased to 15.2 percent y-o-y in July 2024 from the high of 23.8 percent in December 2023. Food inflation also moderated to 14.3 percent from 21.2 percent. Exchange rate depreciation decelerated to 14.6 percent y-o-y in July 2024 from 24.5 percent in December 2023. Despite higher security spending, good domestic revenue performance and contained non-priority spending improved the fiscal position, with primary balance recording a 0.4 percent of GDP surplus in June 2024 from a deficit (0.8 percent of GDP) in June 2023. However, the mpox outbreak would likely weaken this performance. Based on GDP growth, poverty is estimated to have declined from 76 percent in 2020 to 74.3 percent in 2023.

Outlook

Copper production expansion is expected to assuage the mining sector headwinds from sluggish cobalt prices. Higher government spending to deliver on its ambitious program will boost investment and support growth, which is forecast to reach 4.9 percent in 2024. Over the medium term, growth is expected to average 4.7 percent, driven by the mining sector. In the near future, poverty will remain high despite an anticipated decline of about 1.0 percent per annum from 74.3 percent in 2023 to 71.6 percent in 2026.

The overall positive developments in the export sector are expected to continue to support an improved external position with the current account deficit narrowing to 3.7 percent of GDP on average in the medium-term. Continued foreign direct investment (FDI) inflows will contribute to foreign exchange reserves accumulation and support exchange rate stability, providing room for the BCC to anchor its medium-term price stability objective. Despite exceptional security-related spending pressures, stringent monetary policy and fiscal consolidation efforts will further contribute to moderate inflation.

The path ahead is challenging, with risks such as volatile commodity prices, rising energy and global food prices eroding household incomes, ongoing conflict in the East, and escalating regional and global conflicts affecting exports and FDI. Failure to contain the mpox outbreak will further strain DRC's weak health system, undermining inclusive growth and poverty reduction. Key reforms include better public fund management, tackling corruption (including in the justice system), enhancing SOE performance, and boosting market competition. Reinforcing the institutional framework to reduce disaster risks and the impact of climate change will be essential for inclusive growth and poverty reduction. This is also key for DRC to successfully position itself as a solution country for the global climate crisis thanks to its hydropotential, vast rainforest, and endowment in green minerals.

TABLE 2 Democratic Republic of Congo / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	6.2	8.9	8.4	4.9	5.0	4.6
Private consumption	4.3	3.1	3.2	2.1	1.7	3.0
Government consumption	21.7	22.2	-12.9	17.1	8.1	2.5
Gross fixed capital investment	50.2	27.1	16.0	11.6	8.4	7.3
Exports, goods and services	8.2	18.9	15.8	17.1	9.4	8.1
Imports, goods and services	43.6	24.9	12.3	15.0	8.0	7.5
Real GDP growth, at constant factor prices	6.2	8.9	8.4	5.0	5.0	4.6
Agriculture	2.4	2.4	2.2	2.0	2.5	2.5
Industry	7.8	16.1	14.3	8.1	6.0	5.2
Services	5.8	2.7	2.8	1.4	4.4	4.4
Inflation (consumer price index)	9.0	9.3	19.9	17.2	8.8	7.0
Current account balance (% of GDP)	-1.1	-4.8	-5.7	-4.4	-3.7	-3.5
Fiscal balance (% of GDP)	-1.9	-0.5	-1.6	-2.2	-1.0	-0.9
Revenues (% of GDP)	12.6	16.7	14.5	16.1	15.6	15.4
Debt (% of GDP)	24.4	23.1	22.8	21.7	20.1	18.6
Primary balance (% of GDP)	-1.5	-0.1	-1.3	-1.8	-0.6	-0.5
International poverty rate ($2.15 in 2017 PPP)[a,b]	77.9	76.0	74.3	73.5	72.5	71.7
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	91.6	90.6	89.7	89.5	89.1	88.9
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	97.6	97.2	97.0	96.9	96.8	96.7
GHG emissions growth (mtCO2e)	-0.1	0.2	0.2	0.1	0.1	0.1
Energy related GHG emissions (% of total)	1.3	1.2	1.2	1.2	1.2	1.1

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 2020-EGI-ODD. Actual data: 2020. Nowcast: 2021-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2020) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

REPUBLIC OF CONGO

Table 1	2023
Population, million	6.1
GDP, current US$ billion	15.3
GDP per capita, current US$	2508.8
International poverty rate ($2.15)[a]	35.4
Lower middle-income poverty rate ($3.65)[a]	59.1
Upper middle-income poverty rate ($6.85)[a]	83.5
Gini index[a]	48.9
School enrollment, primary (% gross)[b]	87.7
Life expectancy at birth, years[b]	63.1
Total GHG emissions (mtCO2e)	29.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2011), 2017 PPPs.
b/ Most recent WDI value (2022).

Income per capita is expected to decline by 0.2 percent in 2024, resulting from a modest growth rate of 2.1 percent. Hence, the poverty rate is projected to slightly increase. Tax reforms are aiding domestic resource mobilization, maintaining a budget surplus projected at 2.8 percent of GDP in 2024, down from 3.6 percent in 2023. The growth outlook has improved but remains vulnerable to oil production decline, oil price volatility, and delays in structural reforms.

Key conditions and challenges

From 2015 to 2023, annual real GDP contracted by an average of 1.9 percent, leading to a 32 percent cumulative fall in income per capita. The economic recession began with the oil price downturn in 2014-2016, exacerbated by public spending cuts and domestic arrears accumulation, which in turn reduced private investment. The COVID-19 pandemic prolonged the recession, reducing GDP per capita to early 1970s levels. Hence, extreme poverty increased from 33.5 percent in 2015 to 46.6 percent in 2022, reversing previous progress in poverty reduction.

The failure to adjust public spending when oil revenue started to decline has led to a sharp increase in the debt-to-GDP ratio from 42.3 percent in 2014 to a peak of 103.5 percent in 2020 and moderating to 96 percent in 2023. Thus, Congo was classified in 2017 as being in "debt distress" with unsustainable debt. Debt restructuring and debt management reforms have made Congo's debt sustainable since 2021, but the country remains in debt distress due to ongoing restructuring and audit of domestic arrears.

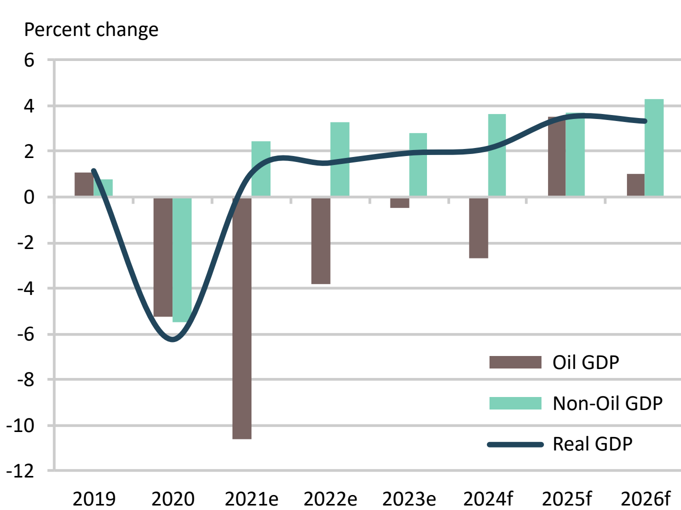
Reliance on oil revenues makes the economy vulnerable to oil production decline and price volatility, which adversely affects long-term growth prospects. Sustainable development requires diversifying national assets and strengthening institutions, human and physical capital, and balanced use of natural capital.

Recent developments

In 2023, the economy grew by 1.9 percent, leading to a 0.4 percent decline in GDP per capita. The Congolese economy continues to experience modest growth, driven by the non-oil sectors. Non-oil growth in 2024H1 was driven by agriculture and manufacturing. Government support (tariff exemptions, protected agricultural zones, agricultural mechanization centers, etc.) and private sector investment boosted agricultural growth, while strong external demand for cement and new breweries drove manufacturing growth. Oil production declined by 2.7 percent in 2024H1 due to aging equipment and fields.

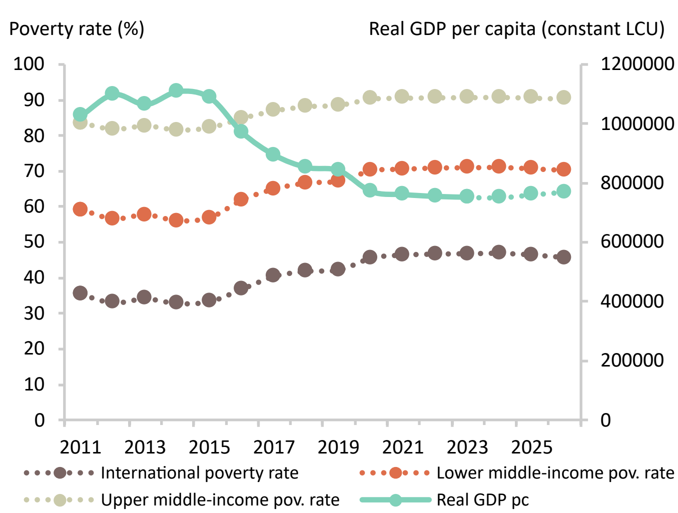
Despite reduced oil revenues, the budget recorded a surplus in 2024Q1 due to improved tax revenue mobilization, fuel subsidy cuts, and restrained public spending. Domestic tax and customs revenue increased by 14 percent and 21 percent, respectively (y-o-y) in 2024Q1 while exemptions granted by the state were down by 9 percent at the same period. Public spending decreased, due to lower spending on goods and services and investment. After declining to 86.6 percent in 2022, the debt-to-GDP ratio reached 96 percent in 2023 due to audited domestic arrears. The current account surplus declined to 8.6 percent of GDP in 2023 due to decreasing export receipts and high import bills from investment in the gas production center construction.

FIGURE 1 Republic of Congo / Real GDP growth



Source: World Bank.

FIGURE 2 Republic of Congo / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

The banking sector remains solvent but vulnerable to non-performing loans. As of 2023H1, bank deposits and loans to the private sector increased in the first quarter of 2024. Inflationary pressures persisted at the beginning of 2024, driven by last year's fuel price increase, and cement and beer prices hike. The Bank of Central African States (BEAC) maintained its tight monetary policy stance to contain inflation and support the external viability of the exchange rate arrangement. After a cumulative increase of 175 basis points between November 2021 and March 2023, the BEAC has maintained its policy rate at 5 percent. Weekly liquidity injections were discontinued in early 2023 and BEAC has scaled down its liquidity absorption operations since the beginning of 2024.

The poverty rate rose to 46.76 percent in 2023 due to negative GDP per capita growth.

Outlook

The Congolese economy should experience modest growth of 2.1 percent in 2024 and an average of 3.4 percent in 2025-2026. The oil sector, projected to grow by 2.3 percent between 2025 and 2026, will be supported by the renewal of equipment and oil fields thanks to upcoming investments. The non-oil sector, projected to reach an average growth rate of 4.3 percent in 2025-26, will be underpinned by the continued momentum in agriculture and industry. Non-oil activities will also be supported by the increase in domestic demand that is expected to result from the continued clearance of domestic arrears, the gradual increase in social spending and public investment. Bank deposits and loans to the private sector are expected to continue to rise in 2024 as a result of the upcoming payment of domestic arrears. Inflationary pressures are expected to persist, reaching 3.8 percent in 2024, returning to the BEAC target of 3 percent by 2025. GDP per capita growth is projected to remain negative in 2024 at -0.2 percent. The poverty rate is thus expected to marginally increase to 46.8 percent in 2024, before declining to an average of 46.0 percent in 2025-26.

The fiscal surplus is projected to decline to 2.8 percent of GDP in 2024 and further to 1.9 percent in 2025-2026 due to the anticipated drop in oil prices. The projected medium-term rise in social spending and capital expenditure should have a negative impact on the budget surplus. However, new investments in oil equipment and fields may bolster oil production and thus preserve fiscal surplus. Congo's debt-to-GDP ratio remains high and a source of fiscal risk but is projected to decline to 86.6 percent in 2025-2026 thanks to recent reforms. The expected decline in exports should reduce the current account surplus to 2.9 percent, while the expected slowdown in imports should help preserve the surplus in 2024.

The recovery faces low growth prospects with risks predominantly to the downside, including oil price volatility, weaker global demand, postponed oil investments, tighter financing conditions, adverse weather conditions, and weak reform implementation. However, the expected expansion of the gas industry presents an upside risk for growth, public finances, and the balance of payments.

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

	2021e	2022e	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	1.0	1.5	1.9	2.1	3.5	3.3
Private consumption	11.5	5.0	4.9	5.6	4.7	5.0
Government consumption	2.1	-5.0	0.6	1.3	1.9	1.5
Gross fixed capital investment	14.0	10.0	8.6	7.0	4.4	5.1
Exports, goods and services	-1.0	-0.7	1.0	-0.7	4.2	2.5
Imports, goods and services	25.0	5.9	8.9	6.5	6.3	4.9
Real GDP growth, at constant factor prices	1.0	1.5	1.9	2.0	3.5	3.3
Agriculture	1.9	3.0	2.8	2.8	3.4	3.7
Industry	-3.3	-0.6	0.7	1.1	4.6	3.5
Services	2.0	3.1	2.9	2.8	3.2	3.4
Inflation (consumer price index)	2.0	3.0	4.3	3.8	3.0	3.0
Current account balance (% of GDP)	11.6	15.4	8.6	2.9	1.5	1.8
Net foreign direct investment inflow (% of GDP)	2.2	7.9	9.5	4.8	5.1	4.9
Fiscal balance (% of GDP)	1.2	7.9	3.6	2.8	1.9	1.9
Revenues (% of GDP)	21.1	28.6	24.3	24.0	23.6	23.5
Debt (% of GDP)	92.1	86.6	96.0	94.7	89.3	83.8
Primary balance (% of GDP)	3.1	10.2	6.4	5.6	4.7	4.6
International poverty rate ($2.15 in 2017 PPP)[a,b]	46.4	46.6	46.8	46.8	46.4	45.7
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	70.6	70.9	71.0	71.1	70.7	70.3
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	90.6	90.7	90.8	90.8	90.6	90.4
GHG emissions growth (mtCO2e)	-4.1	2.8	2.5	2.2	1.5	1.2
Energy related GHG emissions (% of total)	15.1	15.4	16.0	16.6	17.6	18.7

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 2011-ECOM. Actual data: 2011. Nowcast: 2012-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2011) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

CÔTE D'IVOIRE

Table 1	2023
Population, million	28.9
GDP, current US$ billion	78.9
GDP per capita, current US$	2731.8
International poverty rate ($2.15)[a]	9.7
Lower middle-income poverty rate ($3.65)[a]	38.4
Upper middle-income poverty rate ($6.85)[a]	76.4
Gini index[a]	35.3
School enrollment, primary (% gross)[b]	93.8
Life expectancy at birth, years[b]	58.9
Total GHG emissions (mtCO2e)	54.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ Most recent WDI value (2022).

Despite global turbulence and tightened financial conditions, economic growth should reach 6.5 percent in 2024. Steadfast revenue-based fiscal consolidation and debt management have bolstered investor confidence, with improved terms of trade, supporting macroeconomic sustainability. Increased oil production and ongoing structural and climate reforms could sustain growth. Extreme poverty incidence declined to 10.3 percent in 2024 from 10.7 percent in 2023, due to lower inflation, higher cocoa prices, and improved growth.

Key conditions and challenges

The Ivorian economy proved remarkably resilient against global and regional crises, averaging 6.7 percent real growth (4.1 percent per capita) over 2021-2022, though below pre-pandemic levels. Poverty declined from 39.5 percent to 37.5 percent between 2018 and 2021, highlighting a low growth transmission to poverty reduction, with a persistent and significant urban-rural divide. Rising geopolitical and climate uncertainties underscore the need for improved growth quality through deeper structural reforms and increased fiscal space, to meet the government's ambition to halve poverty and achieve upper-middle-income status by 2030. Increasing fiscal space requires sustained domestic revenue mobilization, particularly through tax revenue, as well as improved expenditure efficiency.

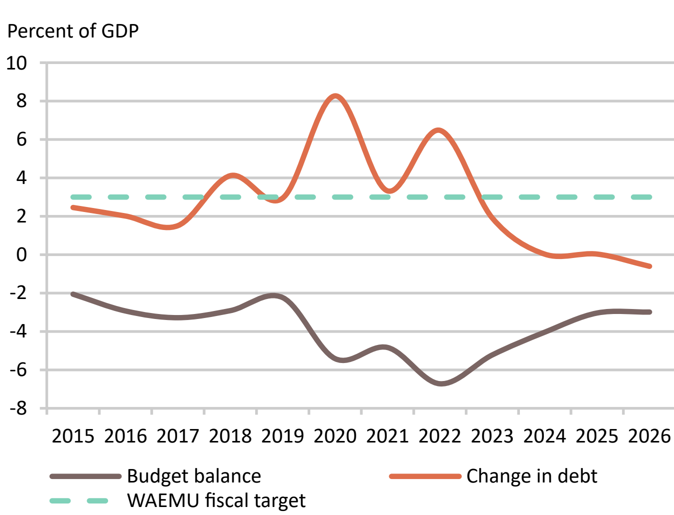
Strong economic management and prospects and promising hydrocarbon production have improved investor perception, leading to risk rating upgrades by major rating agencies. Headwinds include persistent geopolitical tensions, leading to commodity price volatility, supply-chain disruptions, and rising borrowing costs. Heightened regional insecurity could dampen foreign direct investment and shift public expenditure towards security at the expense of social sectors. Climate change also poses a significant challenge to development prospects.

Recent developments

Despite global and regional turbulence and tightened financial conditions, growth remained robust at 6.2 percent in 2023 and should rebound to 6.5 percent in 2024, driven by strong public and private investment as well as private consumption. Higher frequency data during H1-2024 compared to H1-2023 indicate that activity remains buoyant. Formal employment rose 7.4 percent thanks to buoyant activity and the implementation of the government's youth program, while higher farmgate cocoa prices (+50 percent), supported domestic demand. Electricity consumption growth accelerated from 7.8 percent to 11.6 percent, despite tariff increases and colder weather. Agriculture output was mixed as heavy rains hindered major export commodities. Cocoa and cashew output declined by 5 percent and 18.7 percent, respectively. Despite slowing manufacturing and construction, industry output grew 5.5 percent, bolstered by buoyant oil (+92.4 percent) and gold production (+20.5 percent). Services performed strongly, with the retail trade turnover index rising 12.5 percent, driven by digital communication and transportation.

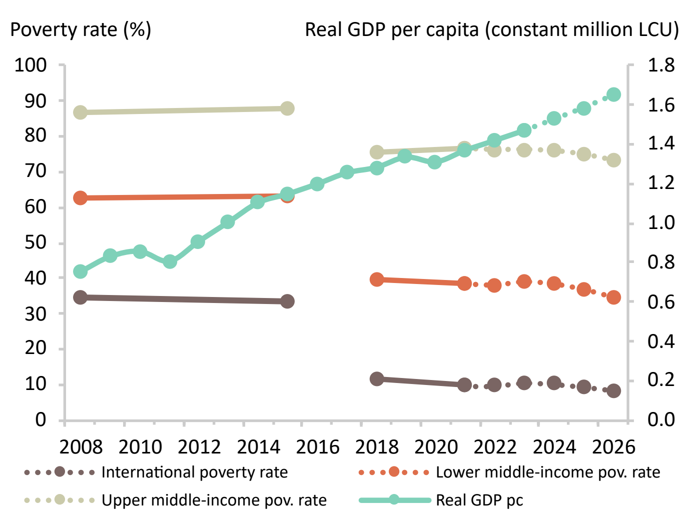
The fiscal deficit decreased from 6.8 percent of GDP in 2022 to 5.2 percent in 2023 due to strong tax collection and reduced crisis-related subsidies. It further declined to 1.6 percent of GDP in H1-2024 as revenue growth (+10.7 percent) outpaced expenditure (+5.5 percent), aiming for a 4 percent target in 2024. Gross fiscal financing needs totaling

FIGURE 1 Côte d'Ivoire / Budget balance and change in public debt



Source: World Bank.

FIGURE 2 Côte d'Ivoire / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

6 percent of GDP were covered regionally (one-third) and externally (two-thirds), partly from February's Eurobond issuance. Despite lower production, high cocoa prices and tax measures should sustain revenue in H2-2024 and improve the current account deficit (CAD) to 6.1 percent of GDP in 2024 from 7.9 percent in 2023. Terms of trade improved significantly (+14.5 percent) in H1-2024 as export prices grew (+6.6 percent) while import prices fell (-6.9 percent), boosting the trade balance of goods by 125 percent.

Money supply growth slowed to 3.4 percent mid-2024 from 10 percent in 2023, due to deceleration in credit to the private sector (+7.6 percent vs. 21 percent mid-2023), public sector claims (+6.7 percent vs. 13 percent), and an increase in net external assets (-8.9 percent). Combined with moderating commodity prices, this decelerated inflation to 3.8 percent from 4.4 percent in 2023, despite energy prices increasing (+11.1 percent) due to the loosening of fuel subsidies and higher electricity tariffs. Core inflation fell to 2.8 percent (y/y), within the regional central bank's 1-3 percent target band.

The Central Bank of West African States (BCEAO) has maintained its policy interest rates at 3.5 percent for liquidity calls and 5.5 percent for the marginal lending facility since December 2023. Although WAEMU's inflation rate has decreased since its 2022 peak, it remains above the regional target, at 4.4 percent y/y in July 2024. Regional foreign exchange reserves remain low, covering only 3.5 months of imports in 2024Q1.

Extreme poverty incidence is projected to fall to 10.3 percent in 2024, a 0.4 percentage point drop from 2023. This decrease marks a turning point after three years of increasing extreme poverty incidence from 2021 to 2023. Higher cocoa farmgate prices would boost nominal gains growth in agriculture, benefiting 45.8 percent of the workforce, 76.6 percent of rural workers, and 70.2 percent of the poor. These gains, along with lower food inflation and expanding industry and services, would help reduce poverty.

Outlook

Growth should average 6.5 percent in 2025-2026, supported by prudent macroeconomic and structural policies and expanding extractive sectors. Together with sustained investments in transport and digital infrastructure, and agricultural value chain development, this could also boost productivity and growth potential. The "Calao" oil field exploitation could considerably boost prospects, further investor confidence, and ease financing conditions.

Domestic revenue mobilization under the new Medium-Term Revenue Strategy aims to: reduce the fiscal deficit to the 3 percent regional target in 2025; stabilize debt at 58 percent of GDP; and allow for sustained priority social and infrastructure spending. Improving terms of trade and private sector-led export diversification should boost the trade balance and narrow the CAD. The regional inflation rate should align with its target by 2025, while regional reserves are expected to rise gradually, supported by the resumption of international bond issuances, recovering exports, and monetary policy easing in the Euro Area. Continued inflation decline and broad-based growth could reduce extreme poverty to 9.4 in 2025 and 8.4 percent in 2026.

Risks to the outlook remain tilted to the downside. Climate change could hinder agricultural production. Heightened global and regional tensions, notably an escalation of the conflicts in the Middle East or the Sahel, could revert progress on market sentiment, inflation, and foreign reserves, tightening financing conditions, and exacerbating debt vulnerabilities.

TABLE 2 Côte d'Ivoire / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	7.1	6.2	6.2	6.5	6.4	6.6
Private consumption	5.3	4.4	2.8	3.0	3.5	3.6
Government consumption	6.1	11.1	4.9	-2.5	-1.9	1.2
Gross fixed capital investment	15.1	14.1	18.2	22.9	4.2	13.5
Exports, goods and services	17.3	49.4	8.6	4.0	16.0	13.2
Imports, goods and services	15.9	58.4	10.5	8.5	6.6	13.0
Real GDP growth, at constant factor prices	6.1	6.6	6.1	6.5	6.4	6.6
Agriculture	7.7	4.3	-1.7	4.7	4.3	5.5
Industry	5.2	7.3	6.1	8.4	7.8	8.6
Services	5.9	7.1	8.8	6.2	6.4	6.1
Inflation (consumer price index)	4.2	5.2	4.4	3.6	3.0	2.0
Current account balance (% of GDP)	-3.9	-7.7	-7.9	-6.1	-3.1	-3.0
Net foreign direct investment inflow (% of GDP)	1.5	2.0	1.7	3.8	3.8	3.3
Fiscal balance (% of GDP)	-4.8	-6.7	-5.2	-4.0	-3.0	-3.0
Revenues (% of GDP)	15.7	15.2	16.3	16.8	17.6	17.9
Debt (% of GDP)	51.4	57.9	59.8	59.8	59.9	59.3
Primary balance (% of GDP)	-2.9	-4.5	-2.6	-1.6	-0.5	-0.6
International poverty rate ($2.15 in 2017 PPP)[a,b]	9.7	9.8	10.7	10.3	9.4	8.4
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	38.4	38.0	38.9	38.3	36.9	34.8
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	76.4	76.1	76.1	75.8	74.9	73.4
GHG emissions growth (mtCO2e)	3.1	1.7	0.3	0.1	1.2	1.3
Energy related GHG emissions (% of total)	25.5	26.2	25.7	25.1	25.0	24.9

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 2021-EHCVM. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.

EQUATORIAL GUINEA

Table 1	2023
Population, million	1.7
GDP, current US$ billion	12.1
GDP per capita, current US$	7066.6
School enrollment, primary (% gross)[a]	51.2
Life expectancy at birth, years[a]	61.2
Total GHG emissions (mtCO2e)	13.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2022).

After contracting by 5.7 percent in 2023, economic activity in Equatorial Guinea is projected to pick up in 2024 mainly supported by stronger hydrocarbon output. Fiscal and external positions are expected to improve thanks to higher hydrocarbon earnings but will deteriorate in the medium term as hydrocarbon production declines. A more pronounced decline in oil production and prices than expected, a sustained tightening of global financial conditions, global trade disruptions, and a decline in demand from main export partners represent downside risks to the outlook.

Key conditions and challenges

Equatorial Guinea's oil dependent economy has contracted over the past decade amid a shrinking hydrocarbon sector, declining investment, and a series of external and domestic shocks. Between 2013 and 2023, economic activity contracted by 4.1 percent per year, on average. GNI per capita was estimated at US$5,240 in 2023, a 58 percent decrease compared to its peak level in 2008.

Structural reforms are needed to prevent long-term economic decline, by diversifying growth drivers and building fiscal stability through domestic revenue mobilization efforts and more efficient public spending. Reforms have been adopted in recent years to improve governance and the business environment, including the passage of an anti-corruption law, the signature of a decree establishing a treasury single account, the drafting of a procurement law and a revised tax law, and more recently the passage of a presidential decree that introduces economic and financial measures in support of the sustainability of the economy and public finances. Yet, weaknesses persist in the governance of extractive revenues, human capital outcomes, and the business environment, preventing the country from achieving sustained, diversified, and inclusive growth.

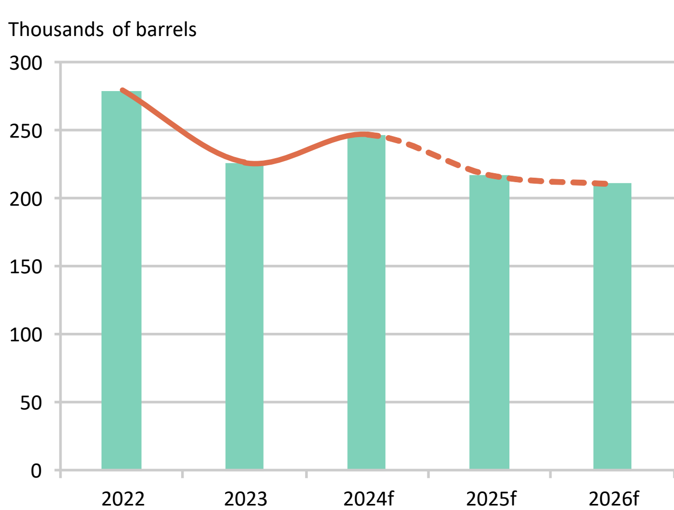
Despite its upper middle-income status, Equatorial Guinea ranks only 133rd out of 193 countries on the Human Development Index. Living standards remain low with life expectancy at birth estimated at 60.7 years. The II National Household Survey report, scheduled to be released in 2024, will fill knowledge gaps in poverty and inequality, enabling evidence-based policies to boost human development and reduce poverty.

Recent developments

Following two years of recovery, the Equatoguinean economy contracted in 2023 with a real GDP growth rate of -5.7 percent, driven by lower hydrocarbon output. Production of oil and gas contracted by 21.7 percent and 13.5 percent, respectively, on the back of recent incidents at Zafiro and FPSO Serpentina platforms. However, the hydrocarbon sector has been showing signs of recovery. Preliminary data indicate a pick-up in hydrocarbon production (5.6 percent increase in 2024Q2, year-on-year). The current account deficit widened to 1.6 percent of GDP in 2023 (from 0.9 percent of GDP in 2022) on account of declining hydrocarbon export earnings.

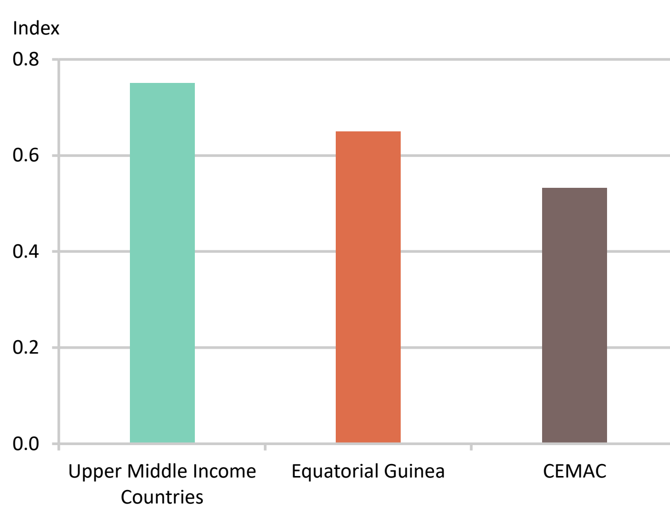
Lower oil production led to a 74 percent decline in oil revenues in 2023 and reduced the fiscal surplus to 2.6 percent of GDP in 2023, compared to 11.6 percent in 2022. Meanwhile, the non-oil fiscal deficit widened to 16.4 percent of GDP in 2023, compared to 12.7 percent of GDP in 2022. Preliminary data for 2024H1 indicate a decrease in revenues and spending by 12 percent and 7 percent, year-on-year,

FIGURE 1 Equatorial Guinea / Hydrocarbon production (in thousands of barrels per day of oil equivalent)



Sources: National authorities and World Bank.

FIGURE 2 Equatorial Guinea / Human Development Index



Source: United Nations Development Programme.
Note: CEMAC = Economic and Monetary Community of Central African States.

respectively. Over the period 2019-23, CFAF 572.2 billion (or 9.5 percent of GDP) out of the CFAF 1,382.5 billion was paid to reduce outstanding debt to construction companies. Nonetheless, as GDP shrank in 2023, public debt increased as a share of GDP from 35 percent in 2022 to 36.6 percent in 2023.

The Bank of Central African States (BEAC) has tightened its monetary policy since 2022 to contain inflationary pressures and support the exchange rate arrangement. The BEAC policy rate was maintained at five percent following a cumulative increase of 175 basis points between November 2021 and March 2023. Weekly liquidity injections were discontinued in early 2023 and BEAC has scaled down its liquidity absorption operations since the beginning of 2024. Inflation decreased from 4.9 percent in 2022 to 2.4 percent in 2023, due to containment measures by the BEAC and the agreement to import food products from Serbia, and the reduction of some import tariffs on imports. However, it inched up to 2.8 percent in August 2024, driven by higher prices of food and non-alcoholic beverages, housing, water, electricity, gas, and other fuels. High levels of non-performing loans—32 percent of total loans in end-2023—remain a source of banking system vulnerability.

Outlook

The Equatoguinean economy is set to grow by 4.7 percent in 2024, driven by a rebound in the hydrocarbon sector thanks to expected repairs at hydrocarbon platforms following recent incidents. Barring strong structural reforms and substantial new hydrocarbon discoveries, average annual growth is projected at -2.6 percent in 2025-2026, reflecting mostly declining hydrocarbon production. Following a projected improvement in 2024, the current account balance is forecast to deteriorate over the medium term to an average of –2.7 percent of GDP over 2025-2026 due to declining hydrocarbon export earnings. The fiscal balance is projected to improve to 3.4 percent of GDP in 2024 thanks to an increase in hydrocarbon revenues and fiscal consolidation but will decrease in 2025-26 as hydrocarbon revenues continue to decline.

Risks to the outlook are tilted to the downside. A stronger decline in hydrocarbon production or prices would reduce the fiscal space and risk external stability given Equatorial Guinea's overdependence on oil. Global trade disruptions affecting commodity and food prices amid a protracted war on Ukraine would increase food insecurity, especially for the most vulnerable, as the country relies heavily on food imports. A further tightening of global financial conditions and lower demand from China and India, Equatorial Guinea's main export partners, could also undermine growth. On the upside, the government is continuing its efforts to optimize hydrocarbon reserves.

The secular decline in hydrocarbon reserves indicates the need for Equatorial Guinea to adopt a new growth model and better leverage the remaining hydrocarbon resources to unlock alternative sources of growth. Ultimately, implementing the country's economic diversification vision will require efforts to advance the governance and anti-corruption agenda, facilitate trade, boost human capital development, and improve the business environment and public financial management.

TABLE 2 Equatorial Guinea / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	0.9	3.7	-5.7	4.7	-4.4	-0.8
Private consumption	2.0	3.1	2.2	2.1	2.0	2.1
Government consumption	4.3	8.5	2.4	-8.6	3.9	3.3
Gross fixed capital investment	6.8	7.2	5.1	-1.5	-1.1	-1.0
Exports, goods and services	-5.1	7.6	-5.5	12.6	-7.2	-1.7
Imports, goods and services	-3.4	13.9	10.4	4.5	3.0	3.2
Real GDP growth, at constant factor prices	0.9	3.6	-5.9	4.7	-4.4	-0.8
Agriculture	6.5	6.2	2.2	2.3	2.1	1.9
Industry	-2.9	2.0	-11.9	6.2	-11.0	-2.5
Services	7.3	5.9	2.7	2.8	4.1	1.1
Inflation (consumer price index)	-0.1	4.9	2.4	2.9	3.3	3.0
Current account balance (% of GDP)	-2.1	-0.9	-1.6	-0.9	-2.6	-2.7
Net foreign direct investment inflow (% of GDP)	5.2	5.0	1.2	1.0	0.8	0.7
Fiscal balance (% of GDP)	2.6	11.6	2.6	3.4	1.5	0.2
Revenues (% of GDP)	15.4	26.9	22.3	22.0	20.8	19.7
Debt (% of GDP)	43.0	35.0	36.6	35.3	34.3	33.7
Primary balance (% of GDP)	3.7	12.7	3.7	4.5	2.7	1.4
GHG emissions growth (mtCO2e)	7.8	5.5	-7.2	5.7	-7.7	-3.2
Energy related GHG emissions (% of total)	29.6	34.7	32.6	39.1	36.5	36.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

ERITREA

Table 1	2023
Population, million	3.7
GDP, current US$ billion	2.7
GDP per capita, current US$	712.3
School enrollment, primary (% gross)[a]	72.0
Life expectancy at birth, years[a]	66.6
Total GHG emissions (mtCO2e)	6.8

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2019); Life expectancy (2022).

The Colluli potash mine project is expected to support a modest increase in GDP growth to an estimated 2.8 percent in 2024. Lower global food prices are expected to help reduce inflation to 5.1 percent in 2024. Downside risks to the outlook include production delays at the Colluli mine, global commodity price volatility, geopolitical and regional tensions, and climate vulnerabilities.

Key conditions and challenges

Eritrea is an agriculture-driven economy and relies on mining sector exports. Approximately 70 percent of the population lives in rural areas and relies on rainfed farming, livestock, and fisheries activities. Despite its vast agricultural potential, Eritrea's rural economy is a subsistence one, with low agricultural productivity. The country is vulnerable to climate change, with frequent weather shocks posing a heavy burden on the economy and livelihoods. Eritrea emerged from a decade of international isolation with the lifting of UN sanctions in November 2018. During that period, the government relied on domestic sources of growth. Competition is severely constrained by state-owned enterprises' dominance and government restrictions. In practice, there is no fundamental right for either foreign or domestic private entities to establish or run business enterprises free from government interference. Zinc, copper, and gold account for over 90 percent of exports, so fluctuations in metal prices and demand from China, a key trading partner, are a key source of vulnerability.

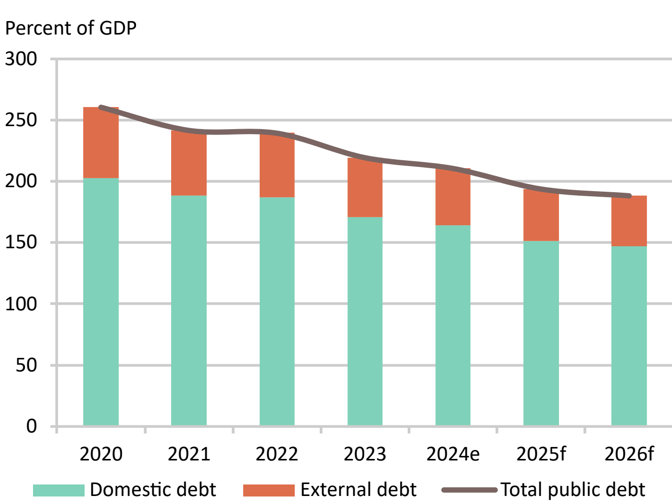
Economic fundamentals have been hampered by fiscal dominance and an underdeveloped financial sector. Monetary policy under a fixed exchange rate regime (pegged to the US dollar) seems ineffective and has been undertaken through administrative measures. Its effectiveness is further weakened by fiscal dominance and an underdeveloped financial sector. The absence of a competition law framework discourages foreign capital inflows. Strict import restrictions limit the demand for foreign currency in the context of low foreign exchange reserves. Informal cross-border trade appears to be less affected since the conflict in northern Ethiopia ended, giving cross-border trade a boost.

The conditions that prevailed over the past decade have led to severe data production capacity constraints. National accounts data are limited to unofficial GDP estimates produced by the Ministry of Finance that the government does not endorse. Inflation estimates cover only the capital city, Asmara, and full balance of payment accounts are not produced. Poverty statistics have not been produced for more than a decade.

Recent developments

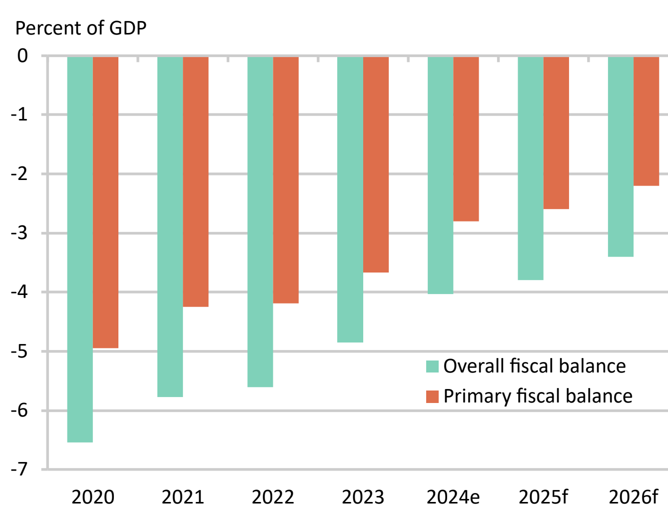
Real GDP growth was estimated at 2.6 percent in 2023, mainly driven by the construction of the Colluli potash mining project. Meanwhile, inflation moderated to just over 6 percent in 2023, underpinned mainly by easing global food and energy prices, providing some respite for households. Zinc prices fell by 24 percent in 2023 and continued declining by 2 percent in first eight months of 2024 (yoy). However, copper prices remained relatively high, while rising global risk aversion and geo-political risk has pushed global gold prices to multi-decade highs, contributing to higher export revenues.

FIGURE 1 Eritrea / Evolution of total public debt



Sources: Ministry of Finance, Planning, and Economic Development, IMF, and World Bank staff estimate.

FIGURE 2 Eritrea / Primary and overall fiscal balances



Sources: Ministry of Finance, Planning and Economic Development, IMF, and World Bank staff estimates.

Higher export revenues and lower fuel and food imports helped maintain the current account surplus above 14 percent of GDP. Notwithstanding such large surpluses, international reserves are estimated at around three months of imports.

Strong mining export revenues have also supported government revenues. Public debt was estimated at around 219 percent of GDP at end-2023, of which nearly 80 percent is owed to domestic banks. The country is in debt distress, and as of May 2024, Eritrea was at a pre-decision point in the Highly Indebted Poor Countries (HIPC) list.

Following an engagement hiatus in 2020, Eritrea has begun to re-engage with international development partners and revitalize some bilateral relations since 2023. The African Development Bank approved US$49.9 million in 2023 to build a 30-megawatt solar photovoltaic power plant in Dekemhare, which is scheduled to be completed in 2027. The Chinese company Sichuan Road and Bridge Group has acquired a 50 percent stake in the Colluli project, with an estimated operation start in 2026.

Outlook

GDP growth is projected to modestly increase to 2.8 percent in 2024 and 3.0 percent in 2025, as domestic demand is boosted in the short term by progress in the construction of the Colluli mine, and projected to reach 3.3 percent in 2026 once the mine begins production. As global food prices eased in 2024, average inflation is expected to decrease further to 5 percent in 2024 and 5.2 percent in 2025. The current account surplus is expected to remain large at around 14 percent of GDP in 2024, helped by robust mining sector performance amid tight import controls. Gradual fiscal consolidation and sustained mining sector receipts should support a narrowing of the fiscal deficit to 4 percent of GDP in 2024, with fiscal consolidation continuing over the medium term. The economic recovery is expected to support a reduction in the public debt-to-GDP ratio, from 211 percent in 2024 to 188 percent in 2026. The poverty rate is not expected to decline significantly in the coming years. Significant improvements in the agricultural sector and increased productive employment in urban areas are critical to addressing the widespread deprivation in the country.

Significant downside risks include weaker-than-expected global or Chinese demand for commodity exports and related volatility in metals and minerals prices, production delays at the Colluli mine, spillovers from Sudan conflict, and rising geopolitical tensions and an increasing degree of isolation reflected in the recent flight suspension by Ethiopia Airlines to Eritrea. Moreover, climate vulnerabilities could intensify in the coming years, increasing an already high risk of food insecurity.

Eritrea's re-engagement with the international community could help to significantly reduce external arrears and provide much-needed financing to build essential infrastructure over the medium term. This would help reduce the risks associated with climate change, and foster the development of the private and financial sectors, which could enhance job creation and promote inclusive growth.

TABLE 2 Eritrea / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	2.9	2.5	2.6	2.8	3.0	3.3
Private consumption	3.0	3.6	4.0	4.3	4.1	4.1
Government consumption	14.0	5.7	3.7	4.1	4.1	4.1
Gross fixed capital investment	39.1	13.1	22.7	3.6	12.5	14.9
Exports, goods and services	31.0	9.2	5.1	3.7	4.1	4.1
Imports, goods and services	21.6	11.0	5.3	4.1	4.3	4.3
Real GDP growth, at constant factor prices	2.9	2.5	2.6	2.8	3.0	3.3
Agriculture	4.5	1.6	3.5	3.6	3.2	3.2
Industry	1.4	3.2	2.9	3.3	3.3	3.1
Services	5.3	1.3	1.5	1.2	2.2	3.8
Inflation (consumer price index)	6.6	7.4	6.4	5.1	5.2	5.2
Current account balance (% of GDP)	14.0	13.0	14.1	14.2	14.2	15.8
Net foreign direct investment inflow (% of GDP)	1.4	1.3	1.2	1.2	1.0	1.0
Fiscal balance (% of GDP)	-5.8	-5.6	-4.8	-4.0	-3.8	-3.4
Revenues (% of GDP)	26.7	27.0	27.6	28.5	28.7	29.1
Debt (% of GDP)	241.7	239.8	219.4	210.6	193.8	188.3
Primary balance (% of GDP)	-4.2	-4.2	-3.7	-2.8	-2.6	-2.2
GHG emissions growth (mtCO2e)	0.9	0.9	1.0	1.4	1.4	1.4
Energy related GHG emissions (% of total)	12.0	12.2	12.2	12.4	12.6	13.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

ESWATINI

Table 1	2023
Population, million	1.2
GDP, current US$ billion	4.6
GDP per capita, current US$	3822.9
International poverty rate ($2.15)[a]	36.1
Lower middle-income poverty rate ($3.65)[a]	58.0
Upper middle-income poverty rate ($6.85)[a]	78.1
Gini index[a]	54.6
School enrollment, primary (% gross)[b]	120.9
Life expectancy at birth, years[b]	56.4
Total GHG emissions (mtCO2e)	3.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2016), 2017 PPPs.
b/ WDI for School enrollment (2019); Life expectancy (2022).

Real GDP is projected to grow by 4.6 percent in 2024, driven by higher exports and public spending financed by higher Southern African Customs Union (SACU) revenues. The fiscal deficit is projected to narrow but high public expenditure arrears and heavy dependence on (volatile) SACU revenues will remain sources of vulnerabilities. Inflation is projected to fall below 4.5 percent, while the poverty rates will stay elevated.

Key conditions and challenges

Structural challenges in the business environment, fiscal policy, and state-owned enterprises have constrained growth and hindered broad-based improvements in living standards over the past few decades. After achieving 8 percent average economic growth from 1980 until 1994, GDP growth fell to an annual average of 3 percent from 1996 to 2023, as many big firms relocated to South Africa, and Eswatini's economy became increasingly dependent on government-driven consumption. Fostering development entails shifting from state-led growth to private-sector-led growth and increasing the effectiveness of fiscal policy. These could in turn improve the country's attractiveness as an investment destination relative to its neighbors and help address several structural challenges in the business climate.

Strengthening public financial management could improve the efficiency and effectiveness of government spending. Key public financial management challenges include limited planning, budgeting, and expenditure controls. Large arrears to the private sector (at over 5 percent of GDP as of July 2024) reflect financing gaps and deficiencies in procurement and cash management. Addressing these challenges will require adequate implementation of the 2017 Public Financial Management Act and the introduction of an Integrated Financial Management Information System (IFMIS). In 2023, a large increase in SACU revenues has allowed the government to finance higher public spending, but this might prove difficult to reverse when these revenues decline. The recent creation of the SACU Stabilization Fund is a step forward in reducing fiscal risks.

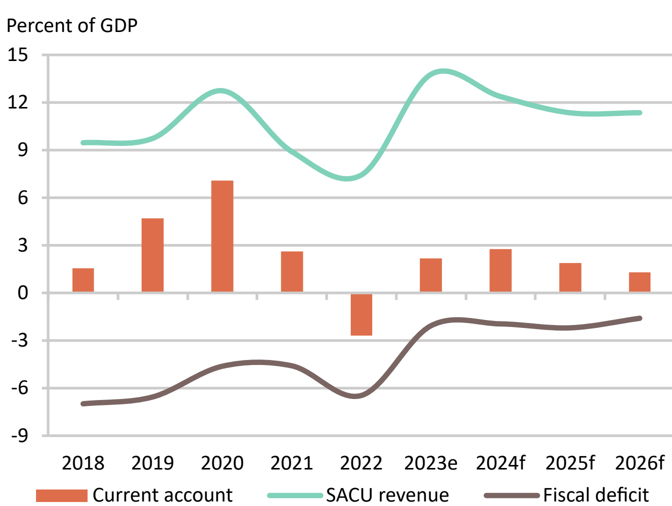
Eswatini's social indicators are lagging those of other lower middle-income countries The most recent labor force survey puts unemployment at 33.3 percent in 2021, the highest rate on record in over a decade and over 50 percent of the population continues to live below the US$3.65/day (2017 PPP) lower middle-income country poverty line. High and persistent inequality (54.6 percent Gini index in 2016) is also a risk to social stability.

Recent developments

Overall, the economy performed well during the first half of 2024, supported by both domestic and foreign demand. The sustained increase in SACU revenues boosted domestic demand and lifted growth in the service sector. Merchandise exports increased by 14 percent over the past 12 months. Despite high interest rates, credit extended to businesses and households increased, indicating some uptick in economic activity. Nevertheless, construction activities declined during this period.

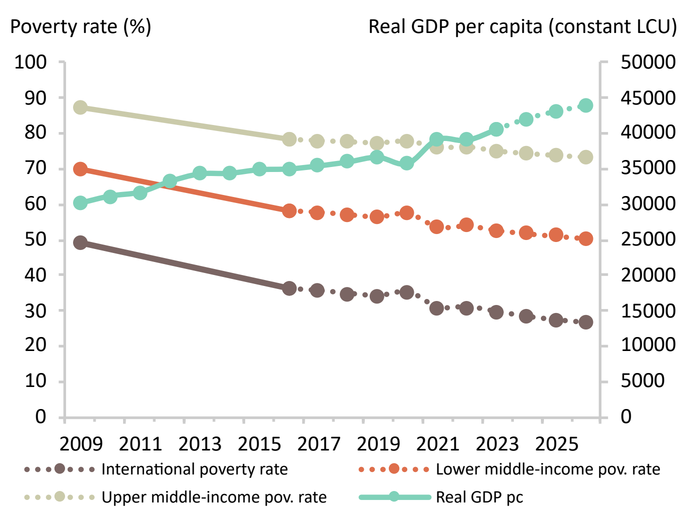
Inflationary pressures eased in the first seven months of 2024, partly due to the easing of global inflation drivers. Annual

FIGURE 1 Eswatini / SACU revenues and macroeconomic variables



Sources: Eswatini Ministry of Finance and World Bank staff projections.

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



Source: World Bank. Notes: see Table 2.

inflation averaged 4.2 percent during this period compared to 5.4 percent during the same period in 2023. Food inflation declined from double digits to single digits. The Central Bank has maintained its repo rate at 7.5 percent since July 2023—aligned with the monetary policy stance in South Africa but 75 basis points lower.

The fiscal situation has improved driven by high SACU revenues, yet high public expenditure arrears still require urgent resolution. The fiscal deficit is estimated to have declined to 2.0 percent of GDP in 2023 (from 6.5 percent in 2022) as SACU revenues more than doubled. Notwithstanding the surge in revenues expenditure arrears increased from 4.9 percent at the end of 2023 to over 5.0 percent of GDP in July 2024, reflecting deficiencies in cash flow management and commitment controls. Public debt declined to below 40 percent of GDP and the government deposited E750 million into Revenue Stabilization Fund during 2024H1.

The trade surplus more than doubled year-on-year in January-July 2024. The 14 percent increase in exports was driven mainly by soft drink concentrate and sugar exports while the 10 percent increase in imports was partly driven by capital and energy products. Nevertheless, the level of international reserves remained below 3 months of imports.

Limited formal job creation and the high concentration of employment in low value-added activities such as subsistence agriculture constrain poverty reduction.

Outlook

Real GDP growth is projected to remain strong at 4.6 percent in 2024, driven by higher exports and domestic spending financed from higher SACU revenues. Rising external demand is expected to pull manufacturing and other exports. High SACU revenues in 2024 are projected to ease fiscal and external pressures, but the situation is complicated by financing challenges and associated expenditure arrears. The fiscal deficit is projected to remain at 2.0 percent of GDP in 2024, on account of higher SACU revenues. Public debt is projected to remain below 40 percent of GDP. In the medium-term fiscal deficit may increase due to declining SACU revenue. The current account surplus is projected to increase in 2024. Nevertheless, gross official reserves are projected to remain below 3 months of import cover, as the government uses SACU reserves to finance the fiscal deficit.

Improvement in household welfare will be constrained by lower agricultural production (due to factors such as erratic rainfall, and insufficient investments in inputs) and structural challenges including low job creation and access to services and markets. Poverty, based on the lower-middle-income country poverty line ($3.65), is projected to decline slightly from 54 percent in 2022 to 51.9 percent in 2024 and 51.2 percent in 2025.

Growth is projected to gradually decline in the medium term as less favorable external demand reduces SACU revenues. The main drivers of growth over the medium term are expected to be investments in the mining and energy sectors, and the commencement of Phase I of the Mkhondvo-Ngwavuma Water Augmentation Program. Inflation is projected to remain within the 3-6 percent target band, reflecting easing global inflationary trends.

Risks to the outlook include global uncertainties and lower-than-expected growth in South Africa that could reduce exports. Fiscal risks could emanate from lower SACU receipts and spending pressures. Interest rate differentials with South Africa are a risk to potential capital outflows.

TABLE 2 Eswatini / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	10.7	0.5	4.8	4.6	3.5	2.9
Private consumption	5.7	-5.3	4.1	4.5	3.8	3.2
Government consumption	-10.6	-0.3	9.7	2.2	0.8	1.6
Gross fixed capital investment	11.4	-10.8	1.0	3.0	2.3	1.2
Exports, goods and services	8.8	-0.4	8.0	4.0	2.6	2.4
Imports, goods and services	14.0	3.4	7.0	2.7	2.0	2.0
Real GDP growth, at constant factor prices	10.7	0.2	4.8	4.6	3.5	2.9
Agriculture	4.6	5.1	-2.5	3.3	1.9	1.8
Industry	17.9	-0.3	1.5	5.6	4.4	3.0
Services	7.1	-0.1	8.2	4.2	3.1	3.0
Inflation (consumer price index)	3.7	4.8	5.0	4.4	5.4	5.0
Current account balance (% of GDP)	2.6	-2.7	2.2	4.8	2.7	2.1
Net foreign direct investment inflow (% of GDP)	1.2	0.7	1.1	0.9	1.1	1.1
Fiscal balance (% of GDP)	-4.6	-6.5	-2.1	-2.0	-2.2	-1.6
Revenues (% of GDP)	25.1	24.0	29.7	29.4	27.6	27.4
Debt (% of GDP)	37.9	42.2	41.0	39.7	38.7	38.5
Primary balance (% of GDP)	-2.7	-4.2	0.9	0.5	0.4	1.0
International poverty rate ($2.15 in 2017 PPP)[a,b]	30.9	31.0	29.6	28.2	27.2	26.5
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	53.7	54.0	52.8	51.9	51.2	50.5
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	76.1	76.2	75.1	74.4	73.9	73.5
GHG emissions growth (mtCO2e)	7.3	0.6	0.8	2.9	4.2	4.5
Energy related GHG emissions (% of total)	47.2	46.8	46.3	47.0	48.2	49.2

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: 2017-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2016) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

ETHIOPIA

Table 1	2023
Population, million	126.5
GDP, current US$ billion	171.3
GDP per capita, current US$	1353.5
International poverty rate ($2.15)[a]	27.0
Lower middle-income poverty rate ($3.65)[a]	65.0
Upper middle-income poverty rate ($6.85)[a]	90.9
Gini index[a]	35.0
School enrollment, primary (% gross)[b]	85.5
Life expectancy at birth, years[b]	65.6
Total GHG emissions (mtCO2e)	201.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2015), 2017 PPPs.
b/ Most recent WDI value (2022).

Ethiopia liberalized its foreign exchange market, removing a significant obstacle to economic growth and stability. Complementary structural reforms support the transition to private sector-led growth and improve economic management. A safety net budget expansion is expected to help cushion the poor from the short-term impacts of these reforms. The persistence of widespread fragility, poverty, and pressing humanitarian needs pose challenges to sustaining reform momentum.

Key conditions and challenges

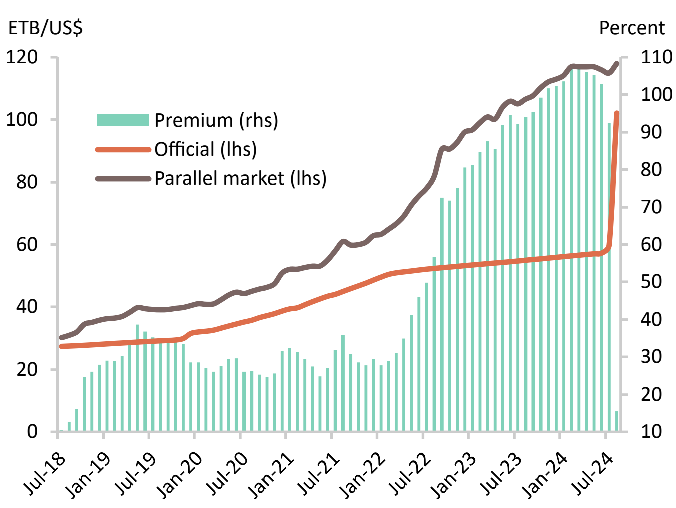
Between 2004-2018, Ethiopia was among the world's fastest-growing economies. The state-led development model improved infrastructure and living standards but relied on an overvalued currency, unsustainable debt, and strict regulations limiting private investment. This approach hurt competitiveness, fueled inflation, and drained resources. The model did not boost productivity enough to transform the economy or provide jobs for about two million new job seekers annually. Global trade integration remains limited, and growing budget constraints sharply reduced social and capital spending. Human capital levels have stayed low, and 70 percent of the workforce still depends on agriculture. As this model faltered, multiple crises hit: COVID-19, Russia's invasion of Ukraine, the Tigray conflict, and droughts. As a result, growth declined and economic imbalances worsened, leading to a debt default in late 2023. Living standards have deteriorated for the first time in over two decades. The Tigray conflict displaced over 20 million people, resulting in large humanitarian and reconstruction needs (estimated at US$20 billion). About 15 million people rely on food aid.

To stabilize the economy and revive growth, the government announced major reforms in late July 2024. This included an immediate shift to market-determined exchange rates, the removal of most current account restrictions, and the modernization of the monetary policy framework. These reforms are supported by an IMF program, World Bank Development Policy Financing, and proposed debt relief through the G20 Common Framework. Uncertainty remains high, but there are early signs that the forex market is stabilizing after the initial reforms. Ethiopia's challenge now is to sustain and deepen these reforms to translate economic improvements into tangible benefits for people: higher incomes, more jobs, and better public services.

Recent developments

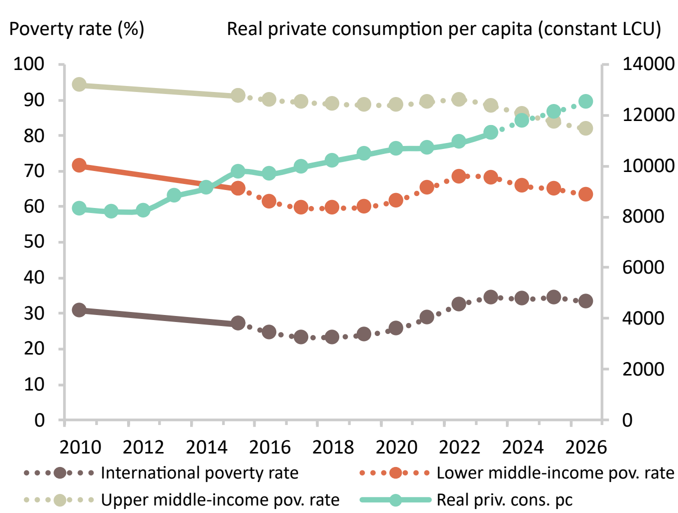
Growth rebounded to 7.2 percent in FY23 after the Tigray conflict ended. It remained strong in FY24, boosted by better harvests and agricultural reforms. However, increasing forex shortages and falling revenues (below 7 percent of GDP in FY24) intensified economic pressures. The parallel forex market premium exceeded 100 percent, and international reserves hit critical lows. This weakened manufacturing and services. Declining revenues and foreign assistance forced fiscal cuts, reducing capital spending and regional grants. The fiscal deficit decreased to 1.8 percent in FY24, reducing the need for highly inflationary monetary financing from the central bank which fuels inflation. Inflation has fallen steadily in 2024 from about 30 percent in the two previous years to 18.6 percent in July 2024. Public debt as a share of GDP continued to decline due

FIGURE 1 Ethiopia / Nominal exchange rate of Ethiopian Birr (ETB)



Source: National Bank of Ethiopia.

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



Source: World Bank. Notes: see Table 2.

to tight borrowing limits. Import suppression, lower global commodity prices, and higher Ethiopian Airlines exports helped limit the current account deficit to about 2.8 percent of GDP in FY24.

After the forex market reforms, the weighted average US Dollar exchange rate depreciated by 91 percent, and the parallel market premium narrowed to about 7 percent. Large IMF and World Bank disbursements linked to the reforms have boosted international reserves.

Measures to recapitalize the Commercial Bank of Ethiopia and strengthen banking supervision aim to enhance financial stability and efficiency. Despite increased risks from the banking sector's higher net open position due to forex reforms, the sector remains adequately capitalized.

Recent conflicts, economic shocks, and high population growth have likely increased poverty and lowered household welfare nationwide. The reforms aim to reverse these trends by accelerating rural agricultural market activity, improving rural land tenure and security, and expanding urban and rural safety net coverage and benefits. These recent measures focus on addressing poverty and improving overall welfare.

Outlook

Short-term economic activity is expected to slow due to tighter monetary policies and investor uncertainty. However, growth should recover as conditions stabilize and forex availability improves. Continued reforms and expected debt relief will increase private and public investment, raising medium-term growth to about 7 percent.

Inflation is likely to rise to about 30 percent due to higher import costs and utility tariff adjustments. It is expected to decrease to low double digits by FY26 as the impacts of one-off price adjustments fade and reforms ease supply constraints. Phased fuel and fertilizer price increases will help manage inflation. Improved forex availability will increase demand for imports, contributing to a wider current account deficit in FY25. The deficit should then narrow as import suppression eases and exports become more competitive. Tax reforms and increased development assistance are expected to support a recovery in public spending levels, reversing the trend of declining real expenditure in recent years.

To cushion the short-term impacts of macroeconomic reforms on poverty (mainly through higher prices), the government will significantly expand social assistance spending. This includes a nearly five-fold increase in social assistance spending, wage increases for the lowest-paid civil servants, and a temporary social spending package worth 1.1 percent of GDP. These measures will boost beneficiary payments and extend coverage to more permanent and temporary recipients. The government is also phasing in fuel and fertilizer price increases and safeguarding essential food and medicine imports from price spikes.

In the medium term, the reforms are expected to generate more employment opportunities for the poor and increase demand for agricultural products in both domestic and international markets. This should ultimately improve living conditions and accelerate poverty reduction.

However, significant risks remain. Lower-than-expected forex inflows, unforeseen financial exposures, and the intensification of conflict could undermine growth, private investment, and efforts to stabilize the economy.

TABLE 2 Ethiopia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2020/21	2021/22	2022/23	2023/24e	2024/25f	2025/26f
Real GDP growth, at constant market prices	6.3	6.4	7.2	6.1	6.5	7.1
Private consumption	3.0	4.5	6.1	6.9	5.5	5.6
Government consumption	12.2	1.5	-16.0	-9.3	29.7	1.1
Gross fixed capital investment	7.6	11.0	11.2	10.3	5.2	9.7
Exports, goods and services	5.5	11.7	-0.8	4.5	11.2	11.0
Imports, goods and services	2.0	10.8	-4.1	13.0	9.9	8.1
Real GDP growth, at constant factor prices	6.3	6.4	7.2	6.1	6.5	7.1
Agriculture	5.5	6.0	6.3	6.0	6.0	5.9
Industry	7.3	4.8	6.9	4.4	5.2	7.1
Services	6.3	7.9	8.0	7.3	7.7	8.1
Inflation (consumer price index)	20.2	33.7	32.6	27.0	29.9	16.2
Current account balance (% of GDP)	-2.7	-4.0	-2.8	-2.8	-4.5	-3.2
Fiscal balance (% of GDP)	-2.5	-4.2	-2.7	-1.8	-2.5	-2.0
Revenues (% of GDP)	10.7	8.2	7.9	7.6	9.1	10.6
Debt (% of GDP)	56.6	54.4	42.7	36.3	32.5	31.1
Primary balance (% of GDP)	-2.0	-3.6	-2.1	-1.2	-1.9	-1.4
International poverty rate ($2.15 in 2017 PPP)[a,b]	28.7	32.4	34.3	33.9	34.3	33.1
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	65.0	68.3	68.0	65.7	64.8	63.1
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	89.3	90.0	88.2	85.8	83.6	81.7
GHG emissions growth (mtCO2e)	-2.8	1.4	3.5	3.2	2.6	2.3
Energy related GHG emissions (% of total)	14.0	14.3	14.3	14.2	14.2	14.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Growth projections reflect limited available information, and are subject to revision as better data becomes available.
a/ Calculations based on 2015-HICES. Actual data: 2015. Nowcast: 2016-2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.

GABON

Table 1	2023
Population, million	2.4
GDP, current US$ billion	20.1
GDP per capita, current US$	8231.1
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]	100.6
Life expectancy at birth, years[b]	65.7
Total GHG emissions (mtCO2e)	19.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2017), 2017 PPPs.
b/ Most recent WDI value (2022).

Gabon's economy grew by 2.4 percent in 2023, a lower growth compared to 2022, impacted by logistical disruptions. Triggered by the August 2023 coup, the ongoing political transition is an opportunity for reforms, with many actions underway. An orderly return to constitutional order will be crucial to avoid social, economic, and financing risks. Strong reforms are required to reverse the current trend and set the country on a poverty reduction path, without compromising public finances.

Key conditions and challenges

The August 2023 coup was followed by a peaceful transition in Gabon, with significant institutional changes. A national dialogue was held in April 2024 and a new constitution should be adopted by referendum by end-2024. Legal and policy reforms and investments are being made in roads, airports, energy and water, a new public bank for SME support, agriculture, housing, and social areas.

Several development challenges persist. Despite Gabon's resource wealth, extractives-based growth remains insufficient, vulnerable to price fluctuations, and unable to create enough jobs. One-third of the population lives in poverty, twice as much in rural areas. High urbanization has concentrated poverty in cities like Libreville and Port-Gentil. Income inequality is stark, youth unemployment is high and informality limits job opportunities. Infrastructure gaps hinder growth and investment.

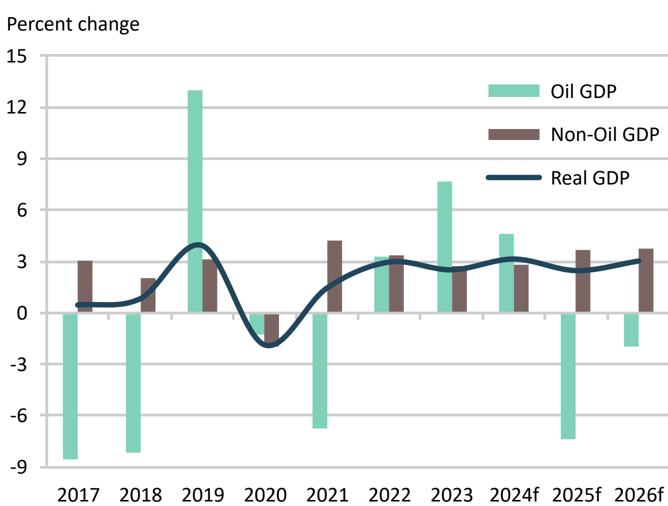
While major transparency initiatives are underway, such as the planned publication of oil contracts and validation of Gabon's EITI membership, governance challenges impede efficient resource use. High social expectations—that the political transition will tangibly improve living conditions—are translating into higher spending, and worsening fiscal and debt pressures. For instance, fuel subsidies have been expanded, at a significant fiscal cost. Substantial efforts are being made to clear past payment arrears, but accumulation of new ones remains a challenge. High fiscal and liquidity risks led Moody's and Fitch to downgrade Gabon's ratings, while the IMF's May 2024 debt sustainability analysis assessed a high risk of debt distress, noting a significant deterioration in debt sustainability since the previous assessment in 2022.

As outlined in the National Development Plan for the Transition, reforms are needed to create jobs and local value-addition in sustainable forestry, mining, agriculture, and fisheries. Improving access to credit, labor skills, infrastructure, and public action, is essential for higher growth. The return to constitutional order within the announced timetable is crucial to avoid accentuating financing risks. Optimizing revenues and improving spending discipline, efficiency, and targeting will be key to reinforcing fiscal sustainability.

Recent developments

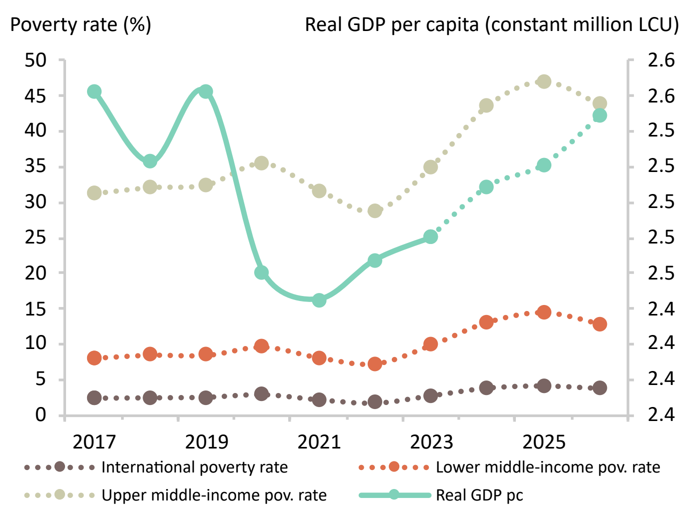
In 2023, Gabon's GDP grew by 2.4 percent, a lower growth rate compared to 2022, as landslides caused railway blockages that affected manganese and wood exports. As the new government restored international relations and accelerated public investments, the coup did not significantly affect growth, except for the impact of nighttime curfews on services. Demand-side growth was led by oil exports and public investment. The economy grew by 1.1 percent

FIGURE 1 Gabon / Growth of real GDP, real oil GDP, and real non-oil GDP



Sources: Official government data and World Bank calculations.

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



Source: World Bank. Notes: see Table 2.

in 2024Q1 (q-o-q), led by higher-than-expected oil output and a recovering wood production, boosted by stronger Asian and European demand.

The current account surplus remained high at 28.5 percent of GDP in 2023, supported by commodity exports, despite increased imports due to higher public spending.

Despite stronger tax collection, higher expenditures increased the overall fiscal deficit to 1.0 percent of GDP in 2023, bringing the non-oil primary balance to -12.7 percent of non-oil GDP, due to electoral spending and the resumption of public service hiring, new social measures, and public works launched in late 2023. Additional debt components were identified since the transition, bringing public debt to 72.1 percent of GDP in 2023. In 2024Q1, higher-than-anticipated oil prices benefited oil revenues, which, combined with spending below budgetary forecasts, led to an estimated fiscal surplus of 1.5 percent of GDP.

At 1.0 percent in June (y-o-y), inflation continued to ease in early 2024, in view of expanded price ceilings on essential goods, fuel subsidies, and a tight monetary policy. The BEAC kept the policy rate at five percent following a cumulative 175 basis point increase between November 2021 and March 2023, discontinued weekly liquidity injections in early 2023, and scaled-down liquidity absorption operations since early 2024. Yet, credit to firms expanded by 23.3 percent in June 2024 (y-o-y), with private demand coming notably from oil and construction.

Lower growth compared to 2022 and insufficient job creation increased poverty. The share of Gabonese living under $6.85 per day (in 2017 PPP) is estimated to have reached 35.1 percent in 2023, or nearly 855,000 people.

Outlook

Moderate growth is projected to continue, at around 2.9 percent in 2024-26. Depleting reserves would start to reduce oil output in 2025, but growth would be sustained by expanding the wood industry, oil palm and rubber plantations, and the entry into production of new iron and manganese deposits. Also, major public projects would drive construction and services.

The current account surplus would reduce gradually over the years. Lower oil production would affect exports, while imports would decline more gradually in the context of constrained fiscal space.

Slightly decreasing oil prices and lower production would reduce oil revenues in the coming years. Further spending increases in response to significant spending pressures, coming from capital expenditures, fuel subsidies, other social measures, and the 2025 elections would worsen the fiscal situation. A deteriorating fiscal position, with deficits averaging 4.3 percent of GDP in 2024-26, would, without corrective measures to contain spending such as fuel subsidies, aggravate Gabon’s debt situation.

Inflation should remain below the 3.0 regional convergence criteria. Yet, the prevalence of non-labor-intensive oil and mining industries, lack of private sector growth, and mismatching labor skills result in high unemployment. Joblessness and underfunded, poorly targeted social protection are expected to sustain elevated poverty levels, projected to reach 39.0 percent by 2025. The absolute number of individuals living in poverty in Gabon is expected to surpass one million by 2026.

External risks for Gabon's outlook include oil price shocks, lower Asian demand, stricter global financial conditions, and worsening geopolitical conflicts that could increase inflation and trade disruptions. Internally, delays in the transition could compromise stability and access to finance, and a stronger focus on the political agenda could stall growth-enabling reforms.

TABLE 2 Gabon / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	1.5	3.1	2.4	3.1	2.4	3.0
Private consumption	-1.4	-0.3	2.1	1.4	1.6	3.0
Government consumption	3.2	3.8	1.5	4.8	1.0	-2.1
Gross fixed capital investment	12.7	8.5	6.1	-2.3	4.7	-2.0
Exports, goods and services	12.8	12.9	-2.5	7.5	-2.2	-0.1
Imports, goods and services	17.4	12.5	1.3	1.5	0.0	-4.1
Real GDP growth, at constant factor prices	3.5	3.5	2.5	3.1	2.4	3.0
Agriculture	19.2	9.7	-2.0	1.8	4.0	6.6
Industry	3.2	3.4	3.8	2.8	-1.1	4.2
Services	1.3	2.5	2.5	3.6	4.3	1.7
Inflation (consumer price index)	1.1	4.3	3.7	2.4	2.3	2.2
Current account balance (% of GDP)	27.3	34.4	28.5	30.7	27.2	27.9
Net foreign direct investment inflow (% of GDP)	2.2	4.7	5.6	4.9	4.6	4.5
Fiscal balance (% of GDP)	-1.9	-0.8	-1.0	-1.2	-6.0	-5.7
Revenues (% of GDP)	15.3	21.1	23.4	23.9	20.5	19.0
Debt (% of GDP)	68.5	57.0	72.1	71.5	77.3	79.1
Primary balance (% of GDP)	0.9	1.8	1.9	1.9	-2.8	-2.5
International poverty rate ($2.15 in 2017 PPP)[a,b]	2.3	2.3	2.8	3.0	3.5	3.3
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	8.2	8.3	9.9	10.8	11.3	11.1
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	31.7	31.8	35.1	37.0	39.1	39.0
GHG emissions growth (mtCO2e)	-2.8	-1.4	-1.6	0.0	0.0	0.7
Energy related GHG emissions (% of total)	14.2	14.2	13.1	11.8	10.6	9.6

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: 2018-2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.

THE GAMBIA

Table 1	2023
Population, million	2.8
GDP, current US$ billion	2.4
GDP per capita, current US$	853.1
International poverty rate ($2.15)[a]	17.2
Lower middle-income poverty rate ($3.65)[a]	47.0
Upper middle-income poverty rate ($6.85)[a]	80.6
Gini index[a]	38.8
School enrollment, primary (% gross)[b]	93.7
Life expectancy at birth, years[b]	62.9
Total GHG emissions (mtCO2e)	3.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2020), 2017 PPPs.
b/ WDI for School enrollment (2023); Life expectancy (2022).

Economic growth is expected to accelerate to 5.6 percent in 2024 as favorable rainfall supported agricultural production while increased tourism bolstered services. Inflation would moderately decrease to 14.4 percent and poverty will decline. The fiscal deficit is expected at 2.6 percent of GDP, driven by a moderate increase in domestic revenue and lower capital spending. High inflation, debt vulnerabilities, balance of payment pressures, and global geopolitical tensions cloud the outlook.

Key conditions and challenges

The Gambia is leveraging its democratic transition that began in 2016 but still faces constraints that hinder its economic transformation, job creation and poverty reduction. The Gambia has recorded resilient growth, with real GDP rising by 4.9 percent (2.2 percent per capita) on annual average over 2017-2023, higher than the 2.8 percent (-0.4 percent per capita) on annual average over 1990-2016. There was a modest increase in productivity. However, global shocks in 2020 reversed these productivity gains. The recovery was hindered by governance and institutions challenges, a weak business environment, and climatic shocks, which prevented a labor shift to relatively more productive sectors.

These weaknesses are coupled with downside risks from high dependence on imports of essential goods and services, putting persistent pressure on the balance of payments. Fiscal risks remain substantial, given State-Owned Enterprises (SOEs) contingent liabilities and the high dependence on external grant financing due to low domestic revenue mobilization. High public debt also crowds out private sector credit.

In 2023, an estimated 16.1 percent of the population lived in extreme poverty (measured at the international poverty line of $2.15 in 2017 PPPs). While poverty rates were higher in rural areas (28.1 percent, compared with 6.3 percent in urban areas), the poor remain spatially concentrated in Kanifing and Brikama. Persistent poverty reflects profound deficits in human capital endowments, weak formal labor markets, the high prevalence of low-productivity jobs, and exposure to shocks, including climate events.

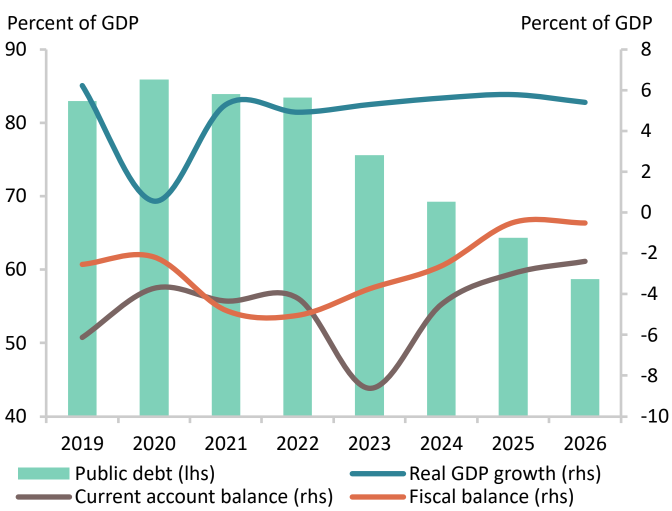
A National Development Plan 2023-2027 is being implemented to consolidate democratic governance, accelerate growth, and build resilience to shocks. Its implementation entails significant financing and capacity needs.

Recent developments

Growth is expected to accelerate to 5.6 percent (3.0 percent per capita) in 2024, driven mainly by agriculture and services, which benefit from favorable rainfall and increased tourism. Industry decelerated following the completion of major infrastructure projects in preparation for the Organization of Islamic Cooperation (OIC) Summit. Private investment and consumption, supported by remittances, and public consumption driven by the hosting of the OIC Summit, boosted growth on the demand side. Inflation is set to slow only moderately to 14.4 percent in 2024, driven mainly by import prices.

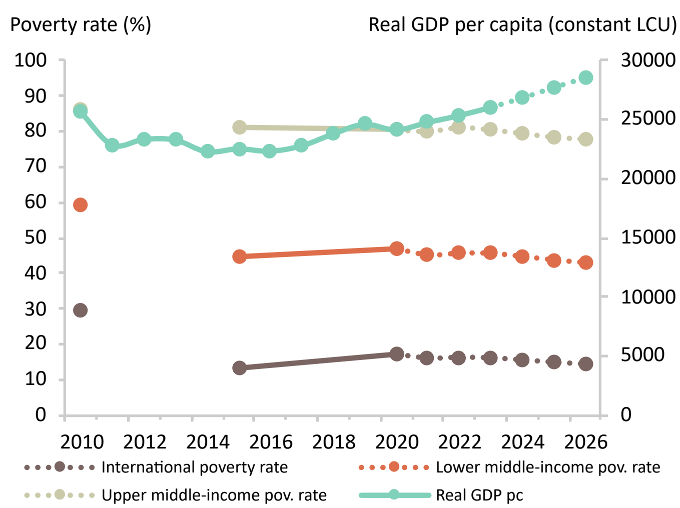
The fiscal deficit is expected at 2.6 percent of GDP in 2024, down from 3.7 percent in 2023, driven by a moderate increase in domestic revenue and a decrease in capital spending. Public debt is expected to continue to decline to 69.3 percent

FIGURE 1 The Gambia / Real GDP growth, current account balance, 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.

of GDP in 2024, from 75.6 percent in 2023. Nevertheless, The Gambia remains at high risk of debt distress. The current account deficit (CAD) is projected to be almost halved to 4.5 percent of GDP in 2024, supported by increased tourism, higher remittances, and a decrease in investment-related imports. The Central Bank of the Gambia has maintained a tight monetary stance, keeping its policy rate high at 17 percent in August 2024, unchanged since August 2023. International reserves, while remaining at comfortable levels, are projected to decline to 4.7 months of imports in 2024, down from 4.9 months in 2023, with about an annual average of 11 percent depreciation expected in the nominal exchange rate. The banking industry continues to be stable, with healthy financial soundness indicators.

Higher labor incomes—driven by a gradual recovery of tourism, public construction works, and a successful harvest—supported household consumption. Extreme poverty is expected to decline to 15.5 percent in 2024. While inflation, especially for food prices, remains around 17.0 percent and continues to erode household purchasing power, soaring remittances are expected to contribute to higher private consumption and better household living standards.

Outlook

Growth is projected to average 5.6 percent (3.2 percent per capita) in 2025-26, driven by increased broad-based economic growth. However, it is expected to decelerate in 2026 as a result of capital spending-based fiscal consolidation. Agriculture and services are expected to sustain growth, assuming favorable rainfall and continued recovery of tourism. Robust remittances will sustain private sector demand, which, together with infrastructure programs, are expected to drive growth. Inflationary pressures, reflecting the restrictive monetary policy and easing global supply conditions, are predicted to ease to 8.2 percent in 2025-2026, stimulating private consumption.

Rising economic activity, higher remittances, and declining inflationary pressure are expected to improve household welfare. Consequently, the extreme poverty rate is expected to decrease to 14.8 percent in 2025. Nonetheless, structural impediments to poverty reduction remain. Investments in better access to health and education facilities and stronger private sector-led growth with higher productivity jobs will be critical for future inclusive growth.

The CAD is expected to narrow to 2.7 percent of GDP in 2025-2026, reflecting robust remittances, a decrease in investment-related imports, and strong export growth. The Central Bank intends to keep a tight monetary policy stance to ensure inflation firmly declines. The fiscal deficit is projected to narrow to 0.5 percent of GDP over 2025-26, supported by spending control efforts, including aligning expenditure with available resources, and ongoing domestic revenue mobilization reforms, including a single window platform, an e-tracking of transit trucks, digital tracing system, a digital weighbridge, the rental tax compliance system, the reduction in fuel subsidies and increases in some administrative fees. Public debt is projected to decrease to an average of 61.5 percent of GDP in 2025-26, supported by the fiscal path. Nevertheless, The Gambia is expected to remain at high risk of debt distress, and the end of the debt-service deferrals in 2024 could weigh on debt sustainability and economic growth.

TABLE 2 **The Gambia** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	5.3	4.9	5.3	5.6	5.8	5.4
Private consumption	7.2	3.4	3.3	3.8	4.1	4.2
Government consumption	-7.9	2.3	2.4	5.6	3.0	3.1
Gross fixed capital investment	-8.7	15.1	13.8	10.9	10.2	8.0
Exports, goods and services	-27.2	8.5	18.9	20.0	21.5	22.8
Imports, goods and services	-15.2	16.2	11.0	10.0	9.8	9.6
Real GDP growth, at constant factor prices	5.3	4.9	5.3	5.6	5.8	5.4
Agriculture	13.7	3.6	3.7	6.6	5.7	5.5
Industry	2.9	3.1	9.3	2.9	6.1	5.0
Services	2.8	6.0	4.7	6.2	5.8	5.5
Inflation (consumer price index)	7.4	11.5	16.9	14.4	9.8	6.6
Current account balance (% of GDP)	-4.3	-4.2	-8.6	-4.5	-3.0	-2.4
Fiscal balance (% of GDP)	-4.8	-5.0	-3.7	-2.6	-0.5	-0.5
Revenues (% of GDP)	16.8	17.7	20.4	21.2	21.1	21.0
Debt (% of GDP)	83.9	83.4	75.6	69.3	64.3	58.7
Primary balance (% of GDP)	-1.8	-2.9	-1.6	0.4	2.8	2.4
International poverty rate ($2.15 in 2017 PPP)[a,b]	16.1	16.3	16.1	15.5	14.8	14.2
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	45.1	45.7	45.6	44.7	43.6	42.7
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	80.2	81.3	80.6	79.5	78.4	77.8
GHG emissions growth (mtCO2e)	0.7	1.6	2.6	2.7	2.6	2.5
Energy related GHG emissions (% of total)	23.4	24.2	25.1	25.8	26.5	27.2

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 2020-IHS. Actual data: 2020. Nowcast: 2021-2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.

GHANA

Table 1	2023
Population, million	34.1
GDP, current US$ billion	76.2
GDP per capita, current US$	2234.2
International poverty rate ($2.15)[a]	25.2
Lower middle-income poverty rate ($3.65)[a]	48.8
Upper middle-income poverty rate ($6.85)[a]	78.5
Gini index[a]	43.5
School enrollment, primary (% gross)[b]	96.5
Life expectancy at birth, years[b]	63.9
Total GHG emissions (mtCO2e)	20.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2016), 2017 PPPs.
b/ Most recent WDI value (2022).

Progress toward comprehensive debt restructuring and wide-reaching reforms under the macroeconomic stabilization program has put Ghana on a path to fiscal sustainability. Currency stabilization and tight monetary policy are gradually reducing inflation despite lingering pressures among persistently high food prices, which strain the purchasing power of households. To reach Ghana's economic potential, improvements are needed in revenue mobilization, expenditure management, and growth-enhancing structural reforms.

Key conditions and challenges

Ghana has made notable progress towards economic stabilization, addressing severe macroeconomic imbalances that peaked in 2022. The nation experienced a surge in public debt due to fiscal responses to external shocks, losing access to international financial markets, and which led to debt distress, declining international reserves, and rising inflation. To combat these issues, Ghana implemented significant macroeconomic policy adjustments, including comprehensive debt restructuring and fiscal consolidation. Sustaining the recovery will require continued progress in tax policy, revenue administration, public financial management reforms, and structural reforms in the energy and cocoa sectors. The government's program is supported by an IMF Extended Credit Facility (approved in May 2023) and the World Bank's Development Policy Operations.

Poverty in Ghana had been declining since the 1990s, but the COVID-19 pandemic marked an inflection point and poverty has been rising since 2020. Weak economic growth, constrained government spending, and high inflation, especially among food prices, have eroded living standards, pushing more people into poverty and at risk of food insecurity.

Recent developments

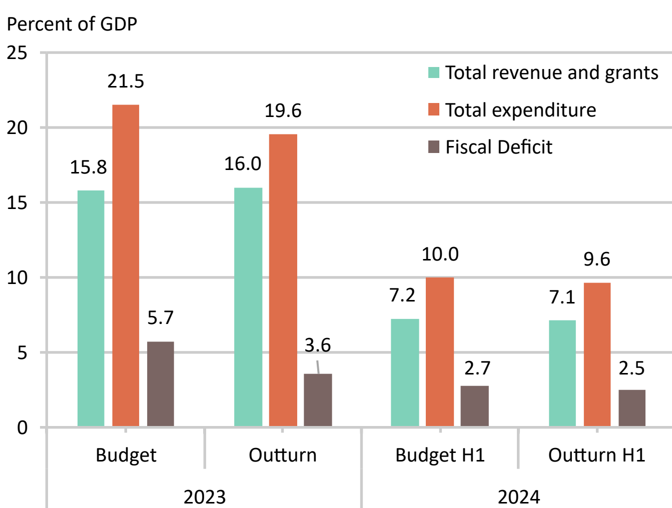
GDP growth in the first half of 2024 exceeded expectations at 5.9 percent, up from 2.8 percent in 2023H1. Industry (8.1 percent y-o-y), led by a strong rebound in the oil and gas sector, drove the expansion. Agriculture grew by 5.1 percent, with notable improvements in crop production (despite significant contraction in cocoa), while the services sector grew by 4.5 percent, down from the 6 percent in 2023H1, with slower growth in almost all services sub-sectors.

Tight monetary policy and stable exchange rates tamed high inflation in 2023, from a peak of 54.1 percent in December 2022 to 23.2 percent in December 2023. However, disinflation slowed in 2024, with inflation at 20.4 percent y-o-y in August, due to higher food prices and renewed pressures on the Ghana cedi which depreciated by 18.6 percent against the US Dollar in 2024H1, compared to 5.8 percent in the previous six months.

The current account was in surplus in the first half of 2024, rising to 1.5 percent of GDP, from 1.1 percent in 2023H1. This reflects robust remittance flows, spurred by Fintech reforms, and reduced interest payments due to the external debt service suspension. Gross international reserves increased from US$5.9 billion (2.7 months of import cover) in December 2023 to US$6.9 billion (3.1 months of import cover) in June 2024, supported by an improved trade surplus and foreign exchange inflows from multilateral.

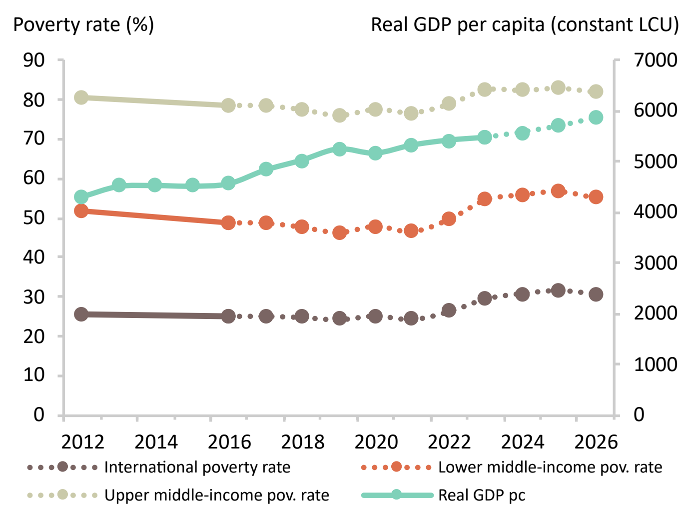
The January-June 2024 fiscal outturn was favorable, with the primary deficit on

FIGURE 1 Ghana / Fiscal targets and outturn



Sources: Ministry of Finance and World Bank.

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



Source: World Bank. Notes: see Table 2.

target at 0.2 percent of GDP and the overall deficit lower than planned. Total revenue and grants slightly underperformed at 7.1 percent of GDP, due to lower oil and gas receipts. However, total expenditure was 9.6 percent of GDP, below the mid-year target, owing to capital spending cuts and lower interest expenditure. In June, Ghana concluded debt negotiations with its official creditors to restructure US$5.4 billion of bilateral debt and reached a preliminary deal with bondholders to restructure US$13 billion in Eurobond debt.

The banking sector demonstrated resilience after the 2023 domestic debt exchange, with banking assets growing by 33.3 percent in the first half of 2024. Capital adequacy ratios remained stable at 14.3 percent with regulatory reliefs and improved to 10.6 percent without them, up from 7.4 percent the previous year. However, the non-performing loan ratio worsened to 24.1 percent from 18.7. For full recovery, continued profit growth, recapitalization, and stringent credit standards are vital.

High inflation and tepid economic growth have worsened household welfare. An estimated 29.5 percent of the population lived in extreme poverty (measured at the international poverty line of US$2.15 per day) in 2023, up 3.1 percentage points from the previous year. At the Lower-Middle Income Country (LMIC) poverty line of US$3.65 per day, 54.7 percent of the population was considered poor in 2023.

Outlook

Growth projections for 2024 are revised upwards to 4 percent, balancing the strong first-half performance against the tight fiscal and monetary policy environment, elevated interest rates that dampen private consumption and investment, and drought conditions affecting agricultural production—assuming losses are partially mitigated by the government emergency response. Over the medium term, growth is expected to strengthen as stabilization solidifies and reforms take effect. By 2026, growth should accelerate to around 5 percent, supported by stronger non-extractive sector performance, especially in agriculture and services, and favorable conditions in extractive industries, including small-scale gold mining and new oil reserves.

The fiscal deficit forecast for 2024 is revised down to 4.2 percent of GDP, reflecting nominal GDP adjustments and robust consolidation efforts. Over the medium term, the government plans to broaden the tax base and improve compliance by strengthening the regulatory framework and digitalizing service delivery. Amendments to the Fiscal Responsibility Act and the establishment of a Fiscal Council should further strengthen fiscal discipline.

Poverty rates are expected to rise until 2026, peaking in 2025 at 31.5 percent—levels last seen in the late-2000s—before dipping to 30.6 percent. At the LMIC line, rates may hit 55.1 percent by 2026. This trend correlates with limited growth in services and agriculture, sectors where many poor and vulnerable households work, and increasing prices surpassing income growth for the poorest.

The outlook faces multiple risks, including the drought impact, commodity price volatility, exchange rate uncertainties, high domestic financing needs, and potential pre-election policy shifts, while energy sector shortfalls threaten fiscal consolidation. Delays in implementing structural reforms under the IMF program could also erode international creditor confidence.

TABLE 2 Ghana / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	5.1	3.8	2.9	4.0	4.2	4.9
Private consumption	0.8	4.8	4.6	4.9	5.0	5.7
Government consumption	82.1	-31.7	-8.0	-0.4	-2.5	0.9
Gross fixed capital investment	4.5	28.6	3.9	3.0	5.5	2.6
Exports, goods and services	69.1	9.6	5.8	4.1	4.4	5.6
Imports, goods and services	113.8	13.8	6.3	3.6	5.0	4.0
Real GDP growth, at constant factor prices	5.4	3.7	2.9	4.0	4.2	4.9
Agriculture	8.5	4.2	4.5	2.3	4.2	4.9
Industry	-0.5	0.6	-1.2	4.3	3.5	3.4
Services	9.4	6.2	5.5	4.5	4.9	5.9
Inflation (consumer price index)	10.0	31.5	40.3	23.2	11.5	8.0
Current account balance (% of GDP)	-3.7	-2.3	-1.4	-2.5	-2.0	-2.0
Net foreign direct investment inflow (% of GDP)	2.0	2.0	1.7	2.0	3.0	2.1
Fiscal balance (% of GDP)[a]	-11.4	-11.0	-3.5	-4.2	-3.8	-3.1
Revenues (% of GDP)	15.3	15.6	16.0	17.3	17.9	18.4
Debt (% of GDP)[a,b]	76.7	88.7	86.1	82.4	79.4	76.0
Primary balance (% of GDP)[a]	-4.1	-3.6	0.6	0.5	1.5	1.5
International poverty rate ($2.15 in 2017 PPP)[c,d]	24.5	26.4	29.4	30.8	31.5	30.6
Lower middle-income poverty rate ($3.65 in 2017 PPP)[c,d]	46.6	49.7	54.7	56.0	56.8	55.1
Upper middle-income poverty rate ($6.85 in 2017 PPP)[c,d]	76.5	78.8	82.6	82.5	83.1	82.0
GHG emissions growth (mtCO2e)	11.8	10.8	8.7	4.1	3.5	4.1
Energy related GHG emissions (% of total)	131.2	123.8	117.9	117.2	116.1	115.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Fiscal and debt forecasts do not factor in the impact of the ongoing Debt Restructuring (DR) as the process is yet to conclude.
b/ Starting from 2022, public debt numbers include, in addition to central government debt, explicitly guaranteed (and certain implicitly guaranteed) SOE debt, cocobills issued by Cocobod, and reconciled domestic arrears to suppliers.
c/ Calculations based on 2016-GLSS-VII. Actual data: 2016. Nowcast: 2017-2023. Forecasts are from 2024 to 2026.
d/ Projections using microsimulation methodology.

GUINEA

Table 1	2023
Population, million	14.2
GDP, current US$ billion	22.2
GDP per capita, current US$	1564.4
International poverty rate ($2.15)[a]	13.8
Lower middle-income poverty rate ($3.65)[a]	46.6
Upper middle-income poverty rate ($6.85)[a]	86.8
Gini index[a]	29.6
School enrollment, primary (% gross)[b]	98.0
Life expectancy at birth, years[b]	59.0
Total GHG emissions (mtCO2e)	45.0

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ Most recent WDI value (2022).

Growth is set to slightly decelerate in 2024 partly due to the impact of the December 2023 fuel depot explosion. The fiscal deficit is projected to widen to 3.0 percent in 2024 as capital spending increases. Growth is projected to rise in 2025-26 supporting poverty reduction. The delay in the political transition presents downside risks, while the start of the Simandou iron mining project represents an upside risk.

Key conditions and challenges

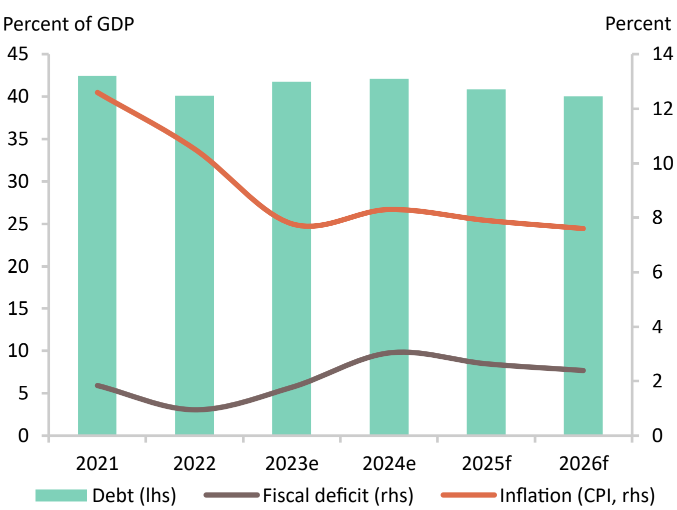
Growth was robust during 2019-2023, averaging 5.3 percent (2.8 percent per capita), driven mainly by the mining sector but also by productivity gains in agriculture. However, weak mining linkages to non-mining sectors, headwinds from Dutch-disease dynamics, and external shocks limited job creation and poverty reduction—Guinea's international poverty rate, measured at a $3.65 threshold for LMICs, averaged 47.7 percent over the same period. Guinea has abundant natural resources, a growing population, and a privileged geographic location. The Simandou iron ore project, with exports expected by 2026, has the potential to transform Guinea's economy and create jobs if appropriate reforms are implemented. However, harnessing its resources remains Guinea's greatest challenge especially as the ongoing mining boom and the associated appreciation of the real effective exchange rate are affecting the competitiveness of non-mining sectors and diversification. Boosting growth and poverty reduction requires overcoming low levels of human capital, large infrastructure gaps, an underdeveloped financial sector, weak institutional capacity, and large gender gaps in education, earnings, agricultural productivity, and low political representation. Reforms are also needed to lower ineffective subsidies and boost public spending efficiency and revenue mobilization, particularly from mining, to create space for public investment.

Recent developments

After growing at 6.7 percent (4.3 percent per capita) in 2023, supported by strong mining sector performance, growth is expected to moderate to 5.3 percent in 2024, partly due to the impact of the December 2023 fuel depot explosion and power outages on the non-mining sector. Growth in the mining sector remains robust, with bauxite production up 17 percent y/y in 2024Q1 and gold exports up 7 percent, driven by increased investment and the start of production by new formal sector enterprises. On the demand side, a surge in mining-related investment and public infrastructure spending continues to drive growth and contributes to the slight increase in the debt-to-GDP ratio to an estimated 42.1 percent in 2024. Increased capital spending and higher interest payments, combined with slightly lower revenues due to the impact of the explosion on the non-mining sector, widen the fiscal deficit, estimated to reach 3.0 percent of GDP by end-2024 up from 1.8 percent in 2023.

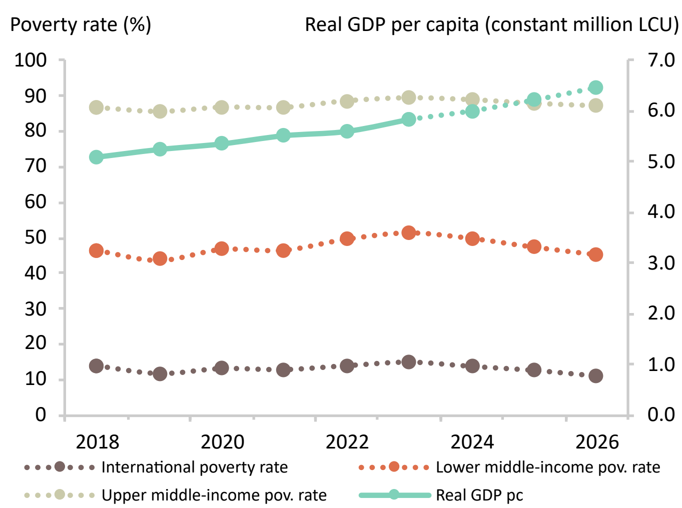
Inflation accelerated to an average of 8.5 percent in 2024H1 (up from 7.8 percent in 2023), due to the temporary impacts of the December 2023 fuel depot explosion and to lower electricity supply. However, inflation has fallen from its peak of 9.3 percent y/y in January 2024, immediately after the explosion, to 8.1 percent in June 2024. With inflation starting to ease,

FIGURE 1 Guinea / Public debt, fiscal deficit, and inflation



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

the central bank maintained its policy rate at 11 percent and the reserve requirement ratio at 13 percent. The increase in real GDP per capita, combined with a deceleration in food inflation, is expected to reduce the poverty rate (less than US$3.65 per day, 2017 PPP) to 49.9 percent in 2024 (down from 51.4 percent in 2023).

The current account deficit is estimated to widen to 12.5 percent of GDP in 2024 due to a significant decline in the trade surplus, linked to foreign direct investment (FDI) related imports. FDI, the main source of external financing and largely mining-related, is estimated to reach 17.4 percent of GDP.

Outlook

After a temporary deceleration in 2024, growth is projected to regain momentum in 2025-2026, averaging 6.2 percent (excluding Simandou mine operations expected by 2026), driven mainly by investment (private and public) expected to increase by an annual average of 24 percent. Inflation is anticipated to decline to an average of 7.8 percent in 2025-26, helped by lower food prices and prudent monetary policy including minimal deficit financing by the central bank. The $3.65 international poverty rate is projected to fall to an average of 46.5 percent in 2025-26 due to the easing of food prices. Given the limited poverty gains from mining-driven growth, redistribution mechanisms to vulnerable populations and productivity gains in non-mining sectors will be required for inclusive growth.

The fiscal deficit would decline to around 2.5 percent in 2025-2026, in line with continued prudent fiscal policies. Tax revenues are projected to increase gradually to 13.4 percent of GDP in 2026, supported by tax administration reforms and additional mining revenues from the implementation of the bauxite reference price mechanism since July 2022. Electricity subsidies are expected to decline, driven by tariff adjustments and as utility reforms bear fruit, notably the continued rollout of prepaid meters and intensified bill collection efforts. The debt-to-GDP ratio would decline to 40.0 percent of GDP by 2026.

The current account deficit is projected to remain high, averaging 10.9 percent of GDP in 2025-26, as the FDI-induced trade deficit persists. FDI is projected to average 14.5 percent of GDP in 2025-26, while the real effective exchange rate would continue to appreciate. Downside risks include uncertainties in the timing of the political transition, which could slow reform implementation, and spillovers from conflicts elsewhere in the world, which could trigger a new wave of trade disruptions and inflation. On the upside, the start of the Simandou iron mine operations would boost exports and growth.

TABLE 2 **Guinea** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	5.6	4.0	6.7	5.3	6.0	6.4
Private consumption	1.5	3.9	4.0	3.8	4.2	4.4
Government consumption	5.7	-5.7	1.4	3.9	5.4	5.3
Gross fixed capital investment	3.5	1.9	44.5	40.0	36.8	12.0
Exports, goods and services	30.4	-5.3	8.0	6.5	6.7	7.0
Imports, goods and services	-3.5	-13.3	16.1	19.0	20.0	8.7
Real GDP growth, at constant factor prices	5.6	4.3	6.7	5.3	6.0	6.4
Agriculture	9.0	6.0	5.5	5.3	5.9	6.0
Industry	4.5	5.7	10.9	8.3	9.0	9.3
Services	4.9	2.5	4.0	2.6	3.3	3.9
Inflation (consumer price index)	12.6	10.5	7.8	8.3	7.9	7.6
Current account balance (% of GDP)	1.4	-0.6	-10.7	-12.5	-13.6	-8.3
Net foreign direct investment inflow (% of GDP)	10.7	12.6	14.6	17.4	17.9	11.1
Fiscal balance (% of GDP)	-1.8	-0.9	-1.8	-3.0	-2.6	-2.4
Revenues (% of GDP)	14.6	13.7	14.7	14.4	15.2	15.8
Debt (% of GDP)	42.4	40.1	41.8	42.1	40.9	40.0
Primary balance (% of GDP)	-0.8	0.0	-1.2	-2.0	-1.6	-1.4
International poverty rate ($2.15 in 2017 PPP)[a,b]	12.8	13.8	14.8	13.7	12.6	11.1
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	46.6	49.7	51.4	49.9	47.5	45.4
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	86.8	88.7	89.5	89.0	88.0	87.3
GHG emissions growth (mtCO2e)	3.1	3.0	3.1	3.1	3.2	3.3
Energy related GHG emissions (% of total)	11.1	11.1	11.3	11.6	11.8	12.0

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 2018-EHCVM. Actual data: 2018. Nowcast: 2019-2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.

GUINEA-BISSAU

Table 1	**2023**
Population, million	2.2
GDP, current US$ billion	2.0
GDP per capita, current US$	921.3
International poverty rate ($2.15)[a]	26.0
Lower middle-income poverty rate ($3.65)[a]	60.2
Upper middle-income poverty rate ($6.85)[a]	89.1
Gini index[a]	33.4
School enrollment, primary (% gross)[b]	113.3
Life expectancy at birth, years[b]	59.9
Total GHG emissions (mtCO2e)	4.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ WDI for School enrollment (2010); Life expectancy (2022).

Stronger cashew exports and falling inflation will support growth of 5 percent in 2024, reducing poverty to 23.4 percent ($2.15 per-person per-day PPP 2017). Expenditure rationalization, improved revenue mobilization and higher grants will support fiscal consolidation and reduce public debt. Progress with institutional reforms hinges on the resolution of the current political instability. Additional downside risks to the outlook include shocks to the cashew sector and climatic shocks.

Key conditions and challenges

Raw cashew nuts exports, approximately 90 percent of merchandise exports, determine economic performance. Cashew production is dispersed among smallholder farmers, whose income supports overall economic activity. Poverty remains widespread—particularly in rural areas. Human development indicators are among the lowest in the world, and low access to basic services contributes to exclusion and marginalization. Political instability is chronic in Guinea-Bissau, the world's most coup-prone country. Regional uncertainty and upcoming elections may further stoke domestic tensions.

Access to credit is limited and the enabling environment for private sector-led growth is weak due to poor infrastructure, low levels of human capital, and limited public services. Investments to improve infrastructure have picked up but are mostly donor financed as fiscal space is limited by low domestic revenue mobilization and a relatively high wage bill.

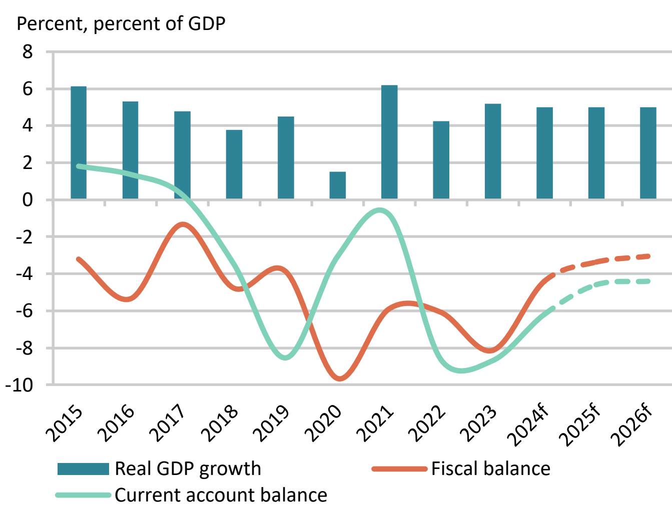
Transparency and governance of state-owned enterprises, especially the national electricity and water company, EAGB, is limited. EAGB accrues substantial public debt through government guaranteed letters of credit. Identifying contingent fiscal liabilities is difficult, increasing fiscal risks, amplifying debt vulnerabilities, and limiting the capacity to absorb shocks. Banks undercapitalization and non-performing loans, which doubled to 9.3 percent in 2023, continue to make the banking sector another possible source of contingent liabilities.

Recent developments

Growth will remain robust at 5 percent (2.8 percent per capita) in 2024, from 5.2 percent in 2023, reflecting rebounding services and private demand. Cashew production will likely fall short of the 2023 output due to a plague affecting the crop. Increased activity in fisheries supports overall growth in agriculture. Higher farmgate prices and lower food prices will boost private consumption while exports are projected to increase, with higher external demand and anti-smuggling reforms. This will partly compensate for lower investments and government spending. Headline inflation averaged 3.2 percent in August 2024, down from 7.2 percent in 2023. Extreme poverty ($2.15 per-person per-day PPP 2017) is expected to fall to 23.4 percent. Agricultural growth combined with subdued inflation, especially among food items, contributed to this decline.

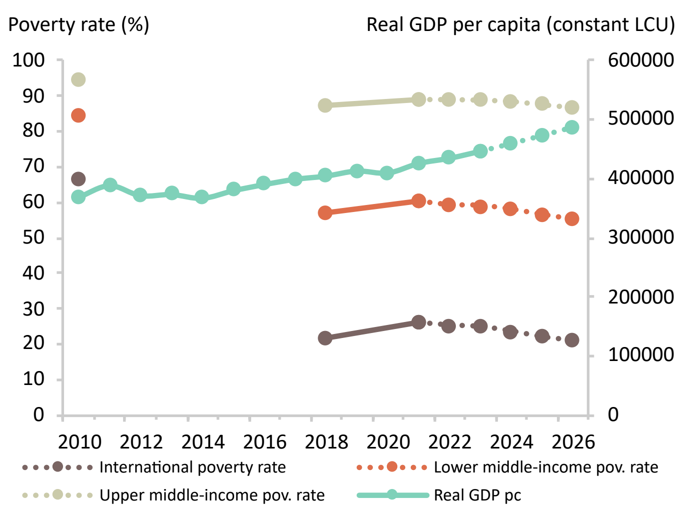
Declining average cashew prices and higher imported fuel and food prices accentuated external pressures in 2023, putting the current account deficit (CAD) at 8.7 percent of GDP. Chronic infrastructure and logistical issues at the port of Bissau are causing congestion and slowing the rate of exports. While cashew exports are expected to reach 200,000 tons, problems at

FIGURE 1 Guinea-Bissau / Evolution of main macroeconomic indicators



Sources: Ministry of Finance and World Bank.

FIGURE 2 Guinea-Bissau / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

the port are expected to extend the export period to November. High cashew exports and lower import costs (given easing inflation) will narrow the CAD to 6.2 percent of GDP in 2024.

The fiscal position deteriorated in 2023 to 8.1 percent of GDP, reflecting a combination of poor revenue performance, higher-than-expected discretionary spending, and debt servicing pressures. The authorities took measures to address fiscal slippages, including the removal of rice and fuel subsidies in April 2024 and tighter control of discretionary spending. This, along with a hiring freeze that has limited wage bill growth, improved domestic revenue mobilization, and higher donor grants, could reduce the fiscal deficit to 4.4 percent (5.2 percent including planned arrears clearance) in 2024, with public debt falling to 77.5 percent of GDP.

The Central Bank of West African States (BCEAO) has kept its policy interest rates unchanged since December 2023 at 3.5 percent for liquidity calls and 5.5 percent for the marginal lending facility. Since peaking in 2022, the WAEMU Inflation rate has been on a downward trend at 4.4 percent y/y in July 2024, but remains above the 1 to 3 percent WAEMU target. Regional foreign exchange reserves remain low, covering only 3.5 months of imports in 2024Q1.

Outlook

Growth is expected to remain at 5 percent (2.8 percent per capita) over the medium term, with agriculture remaining key. Greater diversification in the energy mix and improved conditions for the government to renegotiate the existing Karpower contract will reduce energy costs and stimulate the real sector. Continued easing of inflationary pressures and a strong cashew season will encourage private consumption.

Favorable weather conditions and dividends from government investments into agricultural inputs over the last few years should support strong cashew production. Continued efforts to curtail smuggling will improve exports. Consequently, the CAD is projected to reach 4.4 percent of GDP by 2026, mostly financed by concessional loans and grants. Higher revenue collection and greater spending discipline could lower the fiscal deficit to 3 percent of GDP by 2026, with public debt falling to 72 percent of GDP. The pace of the fiscal adjustment is highly dependent on greater revenue mobilization, strengthened expenditure controls, and increased grant financing. It is subject to considerable uncertainty given the country's ongoing political volatility.

The regional inflation rate is expected to align with WAEMU target by 2025, while regional reserves are expected to rise gradually, supported by the resumption of international bond issuances, recovering exports, and easing monetary policy in the Euro Area. Robust agricultural production is expected to continue in 2025 and, with lower food prices, will reduce poverty rates to 21.8 percent. Further progress is expected in 2026, with poverty reaching 20.7 percent and almost 40,000 people getting out of extreme poverty (versus 2024). Household purchasing power will improve with higher cashew prices and lower food prices, benefiting the poorest who spend a higher share of their income on food.

The outlook is subject to substantial downside risks stemming from political instability, climate and agricultural shocks, and uncertainty of energy sector operations.

TABLE 2 Guinea-Bissau / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	6.2	4.2	5.2	5.0	5.0	5.0
Private consumption	15.7	3.6	0.2	4.5	4.3	4.1
Government consumption	16.0	7.0	5.5	-8.8	-3.4	3.8
Gross fixed capital investment	-5.0	13.8	23.6	8.6	9.0	4.8
Exports, goods and services	15.0	-6.5	-3.1	12.2	8.6	7.1
Imports, goods and services	4.0	2.5	0.8	3.0	5.0	4.0
Real GDP growth, at constant factor prices	6.1	4.8	5.2	5.0	5.0	5.0
Agriculture	5.4	6.1	7.8	4.3	4.2	4.1
Industry	5.6	4.8	5.0	5.1	5.2	5.3
Services	6.9	3.8	3.3	5.4	5.6	5.6
Inflation (consumer price index)	3.3	7.9	7.2	3.5	2.0	2.0
Current account balance (% of GDP)	-0.8	-8.6	-8.7	-6.2	-4.6	-4.4
Fiscal balance (% of GDP)	-5.9	-6.1	-8.1	-4.4	-3.4	-3.0
Revenues (% of GDP)	19.1	15.3	13.7	15.3	15.6	15.8
Debt (% of GDP)	79.0	80.8	79.3	77.5	74.7	72.0
Primary balance (% of GDP)	-4.3	-4.7	-5.5	-1.8	-0.9	-0.5
International poverty rate ($2.15 in 2017 PPP)[a,b]	26.0	25.2	24.8	23.4	21.8	20.7
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	60.2	59.2	58.8	57.8	56.2	54.9
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	89.1	89.1	88.8	88.6	87.6	86.9
GHG emissions growth (mtCO2e)	-3.8	1.4	2.6	1.8	1.9	2.0
Energy related GHG emissions (% of total)	7.8	8.0	8.1	8.2	8.3	8.4

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 2021-EHCVM. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.

KENYA

Table 1	**2023**
Population, million	55.1
GDP, current US$ billion	108.1
GDP per capita, current US$	1961.0
International poverty rate ($2.15)[a]	36.1
Lower middle-income poverty rate ($3.65)[a]	70.1
Upper middle-income poverty rate ($6.85)[a]	91.3
Gini index[a]	38.7
School enrollment, primary (% gross)[b]	97.2
Life expectancy at birth, years[b]	62.1
Total GHG emissions (mtCO2e)	77.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ Most recent WDI value (2022).

Economic growth is slowing from the strong rebound of 2023 and is estimated at 5.0 percent in 2024. Poverty remains high as the link between growth and poverty reduction has weakened. Inflation is falling and the exchange rate has stabilized, showing the government's commitment to a stronger macroeconomic policy framework. However, the revenue-led fiscal consolidation strategy has proved challenging, especially after the mid-2024 protests. The outlook remains subject to elevated risks.

Key conditions and challenges

Kenya's macroeconomic environment is improving, with receding inflation and a more stable exchange rate that supports the incomes of households and firms. However, structural imbalances persist and undermine Kenya's aspirations to become an upper-middle-income country. Fiscal and current account pressures associated with increasing public spending, high fiscal deficits, and growing debt during recent years expose Kenya to macroeconomic volatility. Productivity, a key driver of economic growth, grew little during the last decade, limiting income growth and more and better jobs. The increasing frequency and intensity of climate shocks, as shown by severe floods across the country earlier this year, is threatening the livelihood of Kenyans, especially the poor.

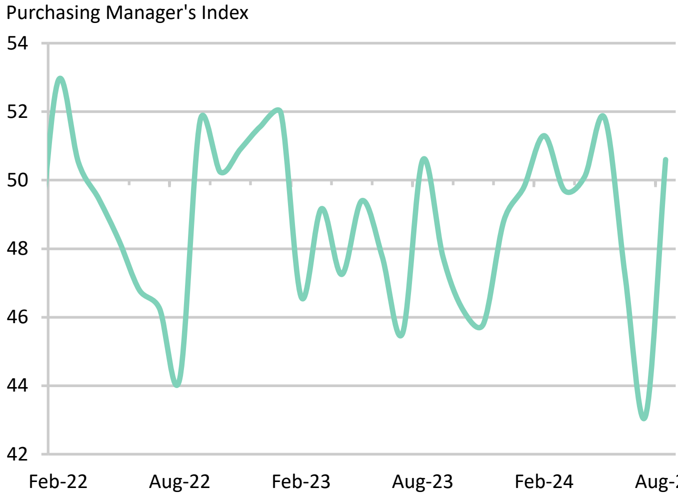
Moreover, economic growth is not sufficiently inclusive, and the link between growth and poverty reduction has weakened. Adverse climate shocks are lowering agricultural productivity, especially in arid and semi-arid counties. Good paying jobs in services favor skilled workers, while poorer and low-skilled workers struggle to access productive jobs. Going forward, structural reforms that raise productivity of the private sector, expand access to skills, increase access to capital, and strengthen households' resilience to climate shocks are needed.

Fiscal consolidation efforts continue, though not without challenges. Kenya's sovereign credit ratings have been downgraded, reflecting heightened risks to public finances. Expenditure-side measures to contain the wage bill, transfers to public sector entities, and intermediate consumption, along with the rationalization of non-priority projects, remain important. In addition, improving the efficiency and transparency of public expenditures, including continuous efforts to reduce corruption, is critical. Although tax revenues have been underperforming, recent protests highlight the need for further progressive and equitable fiscal reforms.

Recent developments

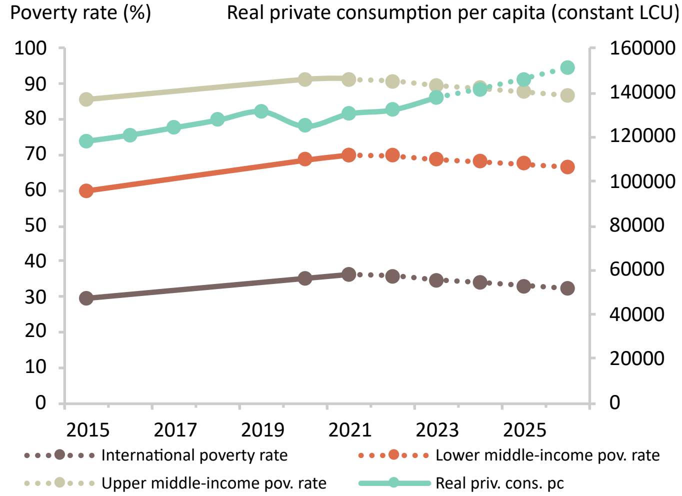
Kenya's GDP growth is decelerating in 2024, following the strong cyclical rebound in 2023. Real GDP expanded by 5 percent during the first quarter (Q1-24) of 2024, compared to 5.5 percent in Q1-23 and 5.6 percent for the full year of 2023. The agriculture and services sectors continued to show resilience, with agriculture supported by favorable rainfall earlier in the year. The international poverty rate (US$2.15) is estimated to have declined from 35.8 percent in 2022 to 34.7 percent in 2023. However, manufacturing is underperforming. The Purchasing Managers' Index (PMI) contracted in four out of the first eight months of 2024, an indication of deteriorating market conditions. Overall, the industry sector grew by 0.1 percent during Q1-24, year-on-year

FIGURE 1 Kenya / Purchasing Managers' Index (PMI)



Source: S&P Global.

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



Source: World Bank. Notes: see Table 2.

(y-o-y); all subsectors grew less than in the same quarter a year before.

The tighter monetary policy framework has shown to be effective. Inflation fell to 4.4 percent by August 2024 (y-o-y) from 6.6 percent in December 2023, within the Central Bank of Kenya (CBK) 5±2.5 percent target range, while monthly real credit growth to the private sector slowed to 6.6 percent month-on-month (m-o-m) in June (December 2023: 8.3 percent). FX reserves rose to US$7.3 billion or 3.8 months of imports as of end-August, 8 percent above the December 2023 figure. On the external front, goods exports are recovering, growing by 5.0 percent in the last 12 months up to June 2024, thanks primarily to higher exports of agricultural products. Imports are recovering too, but at a slower rate. Consequently, the current account deficit (CAD) reached 3.7 percent of GDP in the 12 months up to June 2024.

Fiscal consolidation efforts continued during FY2023/24. Still, despite growing by 14.5 percent, revenues fell short by 1.2 percent of GDP from the target for the fiscal year and the fiscal deficit reached 5.6 percent of GDP. Gross public debt reached 65.5 percent of GDP by the end of FY2023/24, almost half of it being external debt.

Outlook

GDP is projected to grow by 5.0 percent in 2024 and by 5.1 percent on average in 2025-2026. Severe floods, subdued business sentiment following the mid-2024 protests, and reduced public spending will weigh on growth in the short and medium term. However, the materialization of reforms and a continued commitment to macroeconomic prudence are expected to boost private investment. The CAD is expected to remain between 4.0-4.1 percent of GDP, with exports and foreign direct investments increasing in the medium term as trade agreements are implemented and global financial conditions ease further. Eventually, credit growth is expected to accelerate as the CBK implements a more accommodative monetary policy; on August 2024, the CBK lowered its policy rate by 25 basis points to 12.75 percent.

The fiscal adjustment is projected to be slower than anticipated amid the more challenging socio-political environment. Yet, expenditure rationalization efforts are expected to contain public spending; the fiscal deficit is projected at 4.3 percent of GDP in FY2024/25.

Real per capita incomes are expected to increase, and the poverty rate to continue its downward trend. However, this decline is slow and vulnerable to a reversal in the event of shocks. The US$2.15 poverty rate is expected to fall to 34.0 percent in 2024.

The outlook is subject to elevated risks. Failure to achieve fiscal consolidation targets would exacerbate Kenya's debt vulnerabilities. Continued social and political tensions could further dampen investor confidence and challenge fiscal consolidation efforts, while additional climate hazards could resume inflationary pressures. Reduced growth of the economies of international partners could undermine Kenyan exports and remittances, while increased global geopolitical risks might raise commodity prices and harm Kenya, a net commodity importer. Upside risks are linked to faster-than-expected normalization in global financing conditions and lower commodity prices.

TABLE 2 Kenya / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	7.6	4.9	5.6	5.0	5.1	5.1
Private consumption	6.4	3.3	6.2	5.6	5.4	5.4
Government consumption	6.0	8.1	3.5	0.9	0.6	1.0
Gross fixed capital investment	10.8	-0.8	1.9	2.3	6.2	7.1
Exports, goods and services	15.3	11.9	-4.5	5.5	9.8	10.1
Imports, goods and services	22.2	4.6	-3.1	1.3	5.6	7.2
Real GDP growth, at constant factor prices	7.1	4.5	5.4	5.0	5.1	5.1
Agriculture	-0.4	-1.5	6.5	4.8	5.0	5.1
Industry	7.5	3.9	1.9	1.1	2.9	3.6
Services	9.6	6.6	6.2	6.1	5.7	5.4
Inflation (consumer price index)	6.1	7.6	7.7	5.0	5.0	5.0
Current account balance (% of GDP)	-5.2	-5.0	-4.0	-4.0	-4.1	-4.1
Net foreign direct investment inflow (% of GDP)	0.0	0.3	0.2	0.8	1.0	1.3
Fiscal balance (% of GDP)	-7.3	-5.9	-5.6	-5.0	-3.8	-3.3
Revenues (% of GDP)	16.8	16.9	16.8	17.0	18.4	19.8
Debt (% of GDP)	68.1	69.9	68.7	65.1	63.3	60.3
Primary balance (% of GDP)	-2.5	-0.8	-0.3	0.8	1.5	1.6
International poverty rate ($2.15 in 2017 PPP)[a,b]	36.1	35.8	34.7	34.0	33.2	32.4
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	70.1	69.8	68.8	68.2	67.4	66.7
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	91.3	90.9	89.6	88.8	87.8	86.8
GHG emissions growth (mtCO2e)	-4.8	-0.3	4.6	6.6	7.5	6.8
Energy related GHG emissions (% of total)	28.4	29.9	29.8	29.3	28.7	28.6

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 2013-, 2018-, and 2021-KCHS. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.
b/ Projection using point to point elasticity at regional level with pass-through = 1 based on private consumption per capita in constant LCU.

LESOTHO

Table 1	2023
Population, million	2.3
GDP, current US$ billion	2.2
GDP per capita, current US$	962.8
International poverty rate ($2.15)[a]	32.4
Lower middle-income poverty rate ($3.65)[a]	54.6
Upper middle-income poverty rate ($6.85)[a]	81.0
Gini index[a]	44.9
School enrollment, primary (% gross)[b]	87.3
Life expectancy at birth, years[b]	53.0
Total GHG emissions (mtCO2e)	3.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2017), 2017 PPPs.
b/ WDI for School enrollment (2023); Life expectancy (2022).

Growth will be driven by investments associated with Phase II of the Lesotho Highlands Water Project (LHWP-II), increasing in 2024 and 2025, and moderating thereafter. Structural weaknesses limit private investments, export potential, and job creation. Consequently, the poverty rate will remain high, at around 36 percent, using the international poverty line of $2.15 per day. Weaker global and regional growth, the impact of climate change, and uncertainties regarding the extension of AGOA beyond 2025 pose downside risks.

Key conditions and challenges

Lesotho faces the challenge of adopting a new development model based on private sector dynamism to reduce poverty. A large public sector, cumbersome and unclear business regulations, and difficulties in obtaining credit deter investment. Despite high public investment, significant infrastructure gaps persist, discouraging private investment and inhibiting participation in global value chains.

Over the past years, weak demand has had negative impacts on the country's main exports (apparel and textile, water, and diamonds). Uncertainty regarding the extension of the African Growth and Opportunities Act (AGOA) beyond September 2025 has already caused some companies in the textile sector to leave the country, resulting in higher unemployment. Furthermore, the lack of private sector dynamism and skill mismatches limit job creation.

Private sector job creation is essential to help bring down the unemployment rate from an estimated 22.5 percent in 2019 and contribute to reducing high poverty rates. Over one-third of the population was estimated to live on less than US$2.15 per day (2017 PPP) in 2023. Lesotho also faces a legacy of high inequality and is in the top quintile of countries with the most unequal income distribution. Poverty is high in rural highlands limiting access to services and market opportunities.

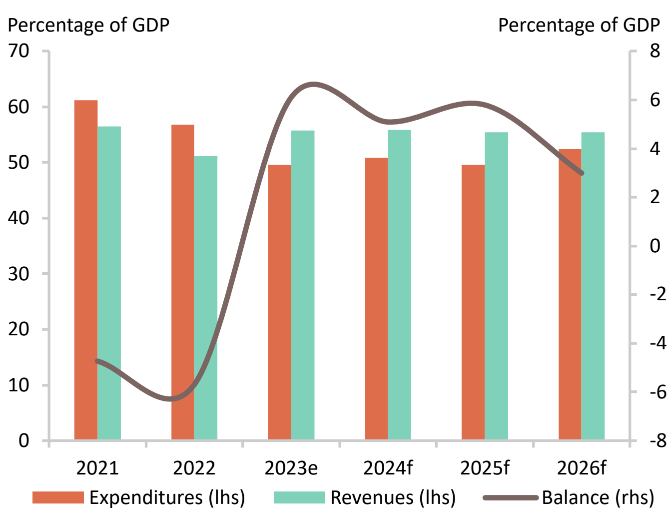
The accumulation of arrears remains the main threat to macroeconomic stability due to volatile Southern African Customs Union (SACU) receipts, a rigid budget structure, poor cash management, and deficiencies in government procurement procedures. The enactment of the Public Procurement Act in 2023 is a step forward to curtail arrear accumulation by prohibiting public procurement outside of the Integrated Financial Management Information System (IFMIS). Implementation of several fiscal reforms, notably procurement regulations and the Public Financial Management Act, would help improve macroeconomic coordination, budgeting processes, capital budget execution rates from low levels, and the overall effectiveness of fiscal policy in supporting growth.

Recent developments

The implementation of the large LHWP-II project gathered pace, fueling economic growth. The economy expanded by 2.0 percent in the first quarter of 2024, compared to a 1.2 percent contraction in the same quarter of 2023. Moderately strong growth was seen in most sectors, except for 'Business Services', 'Public Administration', and 'Other Services', which contracted.

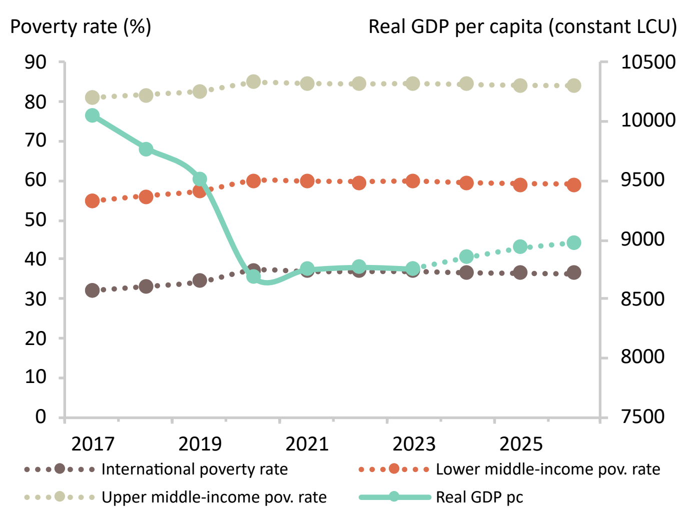
The number of employees in companies supported by the Lesotho National Development Corporation (LNDC) decreased annually from 38,282 to 34,555 between June 2023 and June 2024 as some textile companies reduced their workforce

FIGURE 1 Lesotho / Fiscal surpluses in the medium-term



Sources: WDI and World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

in response to fewer orders from the U.S. The headline inflation rate declined to 6.7 percent in July 2024 from its peak of 9.8 percent in July 2022, owing mainly to lower fuel and food prices. However, domestic food prices remain high because of imported inflation caused by the weaker currency, and higher transportation and intermediation costs associated with the severe drought caused by El Niño in Southern Africa.

The fiscal balance improved from a 1 percent surplus in December 2023 to a surplus of 4.5 percent of GDP in June 2024, driven by increased SACU revenues and water royalties. The implementation of the Public Procurement Act of 2023 helped contain the growth in expenditures on goods and services. The public debt stock declined to 55 percent of GDP in June, from 56.9 percent of GDP in March 2024, in part due to Treasury bonds buyback.

The current account deficit (CAD) narrowed from 1.7 percent in March to 0.8 percent of GDP in June 2024, as both primary and secondary income accounts improved, linked to higher returns from commercial banks and the central bank, and higher SACU revenue, respectively. In contrast, the trade deficit widened due to higher imports related to LHWP-II and lower exports associated to weak global demand for diamonds and lower textile output.

Outlook

The growth outlook is tightly linked to the LHWP-II project cycle and is expected to be subdued beyond the project's time horizon. The expected recovery of the diamond sector will also support exports. The launch of the Millenium Challenge Corporation Compact II in 2025 will lay the foundations for more robust exports and growth beyond the projection period. However, weak growth in South Africa and persistent structural constraints will continue to restrain private investment, weighing on the country's economic potential.

The annual inflation rate is expected to average 6.4 percent in 2024 and gradually moderate to an average of 5.3 percent from 2025 to 2026, in line with movements in energy and food prices. Inflation is expected to stay high due to increased food prices caused by El Niño and higher fuel prices due to supply chain disruptions and exchange rate depreciation.

Elevated SACU transfers and higher water royalties are expected to improve fiscal and external balances. As a result, the CAD is expected to improve in 2024 and worsen in 2025, as imports associated with LHWP-II reach their peak, despite an expected recovery in the global demand for diamonds. Fiscal performance is projected to improve over the medium term, with Lesotho expected to record fiscal surpluses, on account of the SACU revenues windfall and higher water royalties, after a period of persistent fiscal deficits. Fiscal surpluses provide an opportunity to embark on an ambitious set of fiscal and structural reforms to promote growth and alleviate poverty, including through prioritizing pro-growth capital investments. More specifically, establishing a macroeconomic stabilization fund coupled with introducing fiscal rules would be an important step forward to promote macroeconomic stability and growth.

Risks are tilted to the downside. Slower regional and global growth could dent exports and remittances. Climate shocks can reduce agricultural output, threatening livelihoods. An important downside risk to exports and jobs is that of Lesotho losing preferential access to the US market if AGOA is not extended beyond 2025. Consequently, the US$2.15 per day poverty rate is projected to change little and hover around 36 percent.

TABLE 2 Lesotho / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	1.9	1.3	0.9	2.5	2.3	2.0
Private consumption	-6.7	9.1	3.8	3.8	3.9	3.9
Government consumption	-5.3	2.4	2.2	18.1	6.9	9.6
Gross fixed capital investment	6.5	12.1	46.1	9.1	35.3	20.9
Exports, goods and services	5.1	36.7	2.2	2.2	2.2	2.0
Imports, goods and services	-0.4	22.5	10.3	10.8	11.3	10.5
Real GDP growth, at constant factor prices	1.9	1.3	0.9	2.5	2.3	2.0
Agriculture	-16.0	12.5	2.4	1.5	2.3	2.5
Industry	4.7	5.0	5.0	5.3	5.0	5.0
Services	2.3	-0.5	-0.5	1.6	1.3	0.8
Inflation (consumer price index)	6.0	8.3	6.4	6.4	5.4	5.1
Current account balance (% of GDP)	-7.9	-12.0	-2.9	-1.3	-2.8	-1.0
Net foreign direct investment inflow (% of GDP)	1.2	1.2	1.4	1.9	1.4	1.3
Fiscal balance (% of GDP)	-4.7	-5.7	9.2	7.0	1.6	-0.7
Revenues (% of GDP)	56.5	51.1	55.7	57.7	57.3	60.5
Debt (% of GDP)	57.8	57.7	55.8	53.4	49.8	46.4
Primary balance (% of GDP)	-3.2	-4.3	10.4	8.0	2.6	0.3
International poverty rate ($2.15 in 2017 PPP)[a,b]	37.0	37.0	37.0	36.7	36.6	36.5
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	59.7	59.6	59.7	59.3	59.0	58.9
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	84.8	84.7	84.7	84.5	84.3	84.2
GHG emissions growth (mtCO2e)	1.9	2.0	2.3	2.4	2.7	2.0
Energy related GHG emissions (% of total)	62.1	62.5	62.9	63.3	63.7	63.6

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-CMSHBS. Actual data: 2017. Nowcast: 2018-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2017) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

LIBERIA

Table 1	2023
Population, million	5.4
GDP, current US$ billion	4.2
GDP per capita, current US$	782.5
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]	72.9
Life expectancy at birth, years[b]	61.1
Total GHG emissions (mtCO2e)	16.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2016), 2017 PPPs.
b/ Most recent WDI value (2022).

Liberia's economy expanded by an estimated 4.7 percent in 2023 and is expected to maintain this momentum. Inflationary pressures have eased since peaking in fiscal year 2023. Although the medium-term outlook is positive, it still depends on preserving macroeconomic stability, prudent fiscal consolidation, and continued implementation of structural reforms in key enabling sectors. The risks to the outlook are tilted to the downside as poor governance, fiscal lapses, and volatility in commodity prices could jeopardize macroeconomic stability and growth.

Key conditions and challenges

Liberia is confronted with development challenges, which include substantial deficiencies in human development and infrastructure, a reliance on global commodity markets, a limited revenue base, and extensive spending requirements. The country's real GDP per capita stood at $704 in 2023, indicating a 12.7 percent decline since 2013. Most development measures, such as access to healthcare, education, and basic utilities are below regional and international benchmarks. From 2012 and 2022, Liberia's ratings on the Worldwide Governance Indicators for government effectiveness and control of corruption deteriorated markedly, reflecting inadequate and unequal service delivery, weak institutional and administrative capacities, and limited transparency and accountability. Liberia needs reforms in its institutional and business environment, investments in human capital, and improvements in basic services and infrastructure to achieve sustained and inclusive growth, improve governance in the public sector, and strengthen resilience.

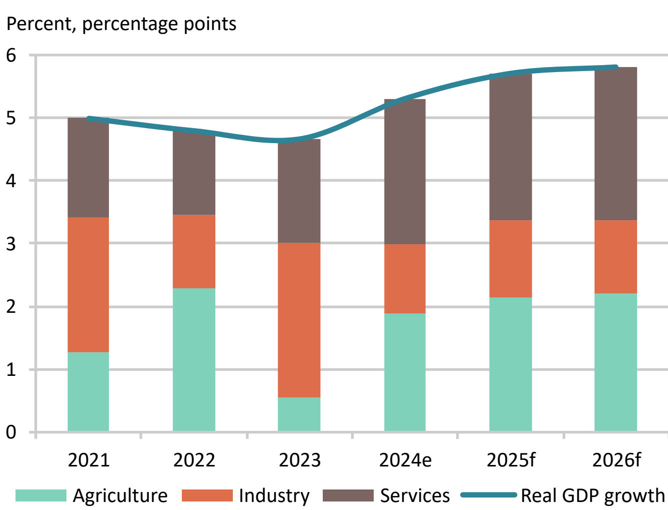
Recent developments

Despite the challenges, Liberia's economy showed resilience and expanded by 4.7 percent in 2023. The industrial sector demonstrated robust growth of 13.9 percent, primarily driven by gold mining and construction. The services sector grew by 3.7 percent, driven by the financial and hospitality subsectors, increased trade and transport activities, and improved access to electricity. Output in the agriculture sector grew by a modest by 1.4 percent, reflecting declines in palm oil and rubber production. On the demand side, continued recovery in private consumption, increased public-sector spending, and a surge in gold exports were the main drivers of growth. With the recovery in growth in the last three years, poverty declined slightly in 2023. The share of the population living below the international poverty line (i.e., on less than US$2.15 per person per day) fell by 0.5 percentage points to 28 percent.

Headline inflation moderated to 6.2 percent year-on-year (y/y) in June 2024, from 12.4 percent in June 2023, while core inflation fell to 3.5 percent (y/y) from 12.8 percent in June 2023. Food inflation declined from 26.9 percent in December 2023 to 11.6 percent in June 2024. The easing inflationary pressures reflect a tight monetary policy and broadly stable exchange rates. The exchange rate depreciated by 3.0 percent during H1-2024 compared to 11.9 percent in H1-2023, while the policy rate was kept at 20.0 percent, well above inflation.

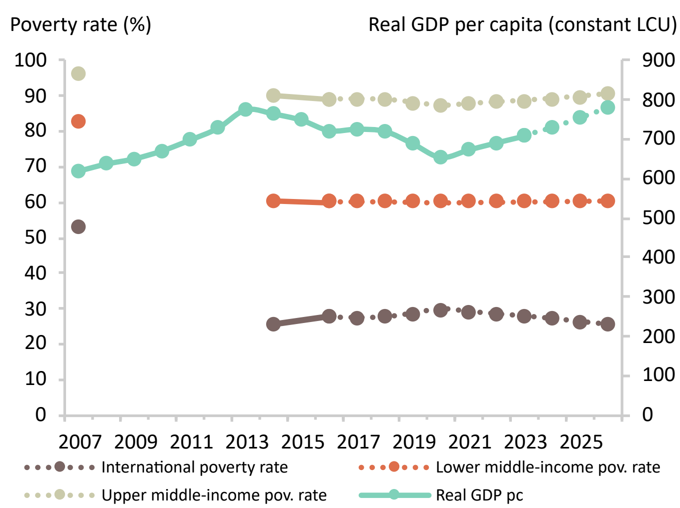
The fiscal deficit in 2023 reached an unsustainable 7.1 percent of GDP due to a decline in revenues and grants and an increase in consumption spending. The fiscal deficit was financed by concessional resources and direct borrowing from the Central Bank. To address this, the new

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



Sources: Liberian authorities and World Bank staff estimates and projections.

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



Source: World Bank. Notes: see Table 2.

government has proposed a revised budget that aims for a 2.3 percent spending cut that affects capital spending, social benefits, subsidies, and grants. The objective is to achieve a fiscal adjustment of 3.5 percent of the GDP in 2024. Public debt hovered around 56 percent of GDP by the end of 2023, up from 53 percent in 2022.

The savings and investments gap widened during 2023, leading to a current account deficit (CAD) of 26.4 percent of GDP. Exports increased by 8.2 percent, slower than the 16.6 percent growth in 2022, while imports expanded by 27.2 percent due to higher petroleum products and machinery prices, leading to a higher trade deficit. The CAD was financed by net IMF credit, loans, and drawdowns of gross official reserves. Consequently, gross external reserves fell to US$486 million in 2023 from US$644 million in 2022, covering about two months of imports. Notably, financial-sector vulnerabilities moderated. Non-performing loans ratio dropped to 11.2 percent from 16.4 percent in 2022, and the banking sector remained adequately capitalized.

Outlook

Renewed interest and investment in mining, coupled with continued implementation of critical reforms in key enabling sectors, are expected to unlock Liberia's growth potential in the medium term. The economy is expected to expand by 5.3 percent in 2024 and nearly 6 percent by 2026 supported by: (i) significant foreign direct investments (FDI) in the iron ore sector, (ii) sustained strength in the gold sector, and (iii) increased infrastructure investment. The government has prioritized agriculture and developed a sector plan with a focus on increasing productivity.

In 2024 and beyond, inflation is expected to moderate, provided prudent monetary and fiscal policies are maintained. Headline inflation is projected to decrease to 7.7 percent in 2024, down from 10.1 percent in 2023, and reach 5.5 percent by 2026.

A large share of the population will remain in poverty until inclusive growth and low inflation can provide a conducive environment to recover their livelihoods. Current poverty projections will be revised as they under-estimate upward pressures on poverty, by not considering the impact of inflation on purchasing power.

Liberia's CAD is projected to decrease in 2024 but will stay high averaging 22 percent in the medium term. The elevated CAD is due to capital imports for vital infrastructure and investments, requiring trade improvements and ongoing external financial support. The deficit will be financed by FDI, project grants, and concessional loans.

Fiscal deficit is expected to decrease averaging 3.2 percent during 2024-2026 anchored on improved revenue mobilization and expenditure management.

Risks to the outlook are tilted to the downside as weak governance, fiscal slippages, and fluctuations in commodity prices could undermine macroeconomic stability and growth.

TABLE 2 Liberia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	5.0	4.8	4.7	5.3	5.7	5.8
Private consumption	4.7	3.3	3.5	3.7	3.8	3.9
Government consumption	0.2	-5.7	0.0	-12.7	-5.8	3.0
Gross fixed capital investment	-7.9	9.4	36.2	2.9	7.4	8.7
Exports, goods and services	14.7	7.7	23.6	21.1	11.2	6.1
Imports, goods and services	1.8	3.1	25.1	6.9	5.2	4.0
Real GDP growth, at constant factor prices	4.8	4.8	4.7	5.3	5.7	5.8
Agriculture	3.3	5.9	1.4	5.0	5.7	5.9
Industry	13.3	6.7	13.9	5.8	6.3	6.0
Services	3.0	2.8	3.7	5.4	5.3	5.7
Inflation (consumer price index)	7.8	7.6	10.1	7.7	6.0	5.5
Current account balance (% of GDP)	-17.8	-17.7	-26.4	-23.7	-21.6	-20.6
Fiscal balance (% of GDP)	-2.4	-5.6	-7.1	-3.6	-3.2	-2.7
Revenues (% of GDP)	27.2	21.5	20.4	20.8	21.2	21.6
Debt (% of GDP)	53.2	53.4	55.7	59.9	59.5	57.9
Primary balance (% of GDP)	-1.6	-4.6	-6.1	-2.7	-2.3	-1.8
International poverty rate ($2.15 in 2017 PPP)[a,b]	29.1	28.5	27.9	27.2	26.5	25.7
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	60.6	60.6	60.6	60.6	60.6	60.6
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	87.7	88.2	88.6	89.1	89.8	90.4
GHG emissions growth (mtCO2e)	0.1	3.2	3.2	3.1	3.1	3.2
Energy related GHG emissions (% of total)	4.2	4.2	4.1	4.0	4.0	3.9

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 2014-HIES and 2016-HIES. Actual data: 2016. Nowcast: 2017-2023. Forecasts are from 2024 to 2026.
b/ Projection using point-to-point elasticity (2014-2016) with pass-through = 0.7 based on GDP per capita in constant LCU.

MADAGASCAR

Table 1	2023
Population, million	30.3
GDP, current US$ billion	15.8
GDP per capita, current US$	520.7
International poverty rate ($2.15)[a]	80.7
Lower middle-income poverty rate ($3.65)[a]	92.4
Upper middle-income poverty rate ($6.85)[a]	98.2
Gini index[a]	42.6
School enrollment, primary (% gross)[b]	138.2
Life expectancy at birth, years[b]	65.2
Total GHG emissions (mtCO2e)	40.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2012), 2017 PPPs.
b/ Most recent WDI value (2022).

GDP growth is projected at 4.5 percent in 2024, supported by agriculture, mining, and private investment. Higher agriculture output and tighter monetary policy eased inflation from the double-digit peak in March 2023. Growth is expected to average 4.6 percent over 2024-26, conditional on sustained structural reforms. Poverty is expected to remain high at 80 percent (international poverty line of US$2.15, 2017 PPP). Key downside risks include weaker than expected financial performance of major SOEs, power shortages, and weather shocks.

Key conditions and challenges

The real per capita income has declined 60 percent since 1975. The international poverty rate (US$2.15 international poverty line, 2017 PPP, poverty rate henceforth) stands at 80 percent. The multidimensional poverty rate, which encompasses access to basic services such as health, education, and living conditions, stands at 69 percent and is the fifth highest globally. Madagascar has not been able to leverage its comparative advantage in commodity exports to accelerate structural transformation, and low-productivity agriculture accounts for the largest share of value added. Extractives, construction, and public works were the main growth drivers but were also the most affected by COVID-19.

Governance and institutional challenges hindered the development. State capture in key sectors reduced market contestability and vested interests impeded reforms, including for the state-owned utility company (JIRAMA). Low human capital, slow economic transformation, and a high vulnerability to climate and external shocks undermine growth. Labor market participation remains low at 58.8 percent, and 51.2 percent for women, compared with 66.9 percent for men.

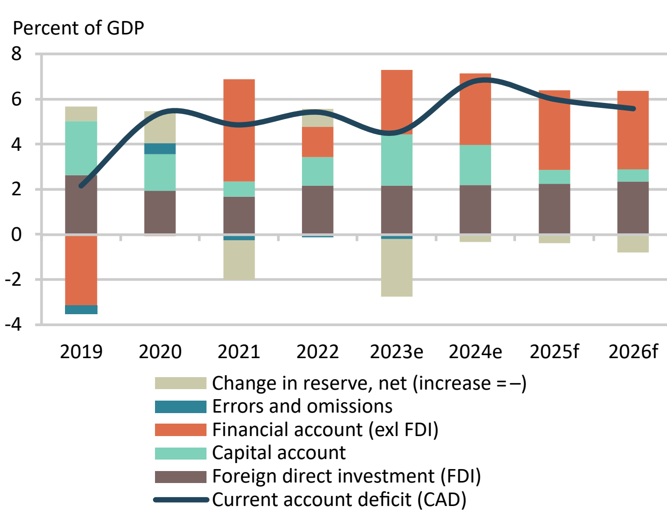
Intensifying climate-related disasters, including cyclones, droughts, water stresses, and rising temperatures have exerted a heavy toll on the economy and the population, on top of an inadequate supply of food and energy.

Reducing persistent poverty and promoting high and resilient growth would require improved governance and business climate conducive to private investments including climate-resilient investment, deepened structural reforms in key sectors (mining, telecommunications), and closing the gap in human and physical capital accumulation.

Recent developments

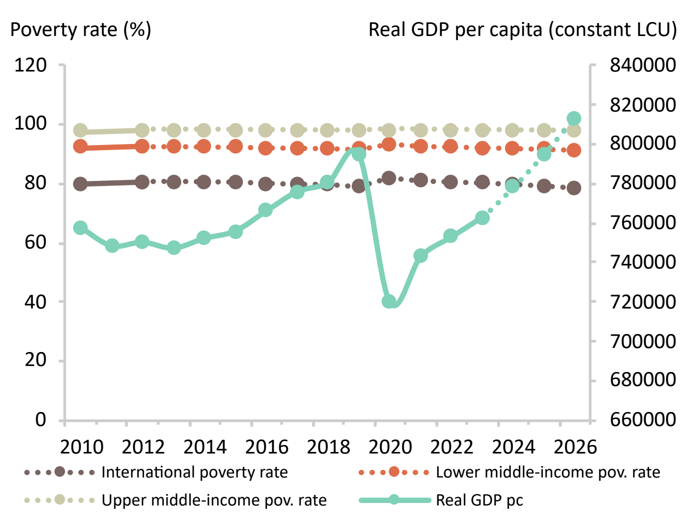
Growth is projected to increase to 4.5 percent in 2024 from 3.8 percent in 2023, driven by agriculture, mining (graphite, chromium, mica), manufacturing (notably textile), and telecommunications. Tourism continued its post-pandemic recovery, with tourist arrivals between January and July 2024 matching 88 percent of the 2019 level. Employment was relatively stable with labor demand expressed mainly from the industry and service sectors while most of the companies in the agriculture sector reported reduced employment. Higher agriculture output and tighter monetary policy eased inflation to 7.6 percent in July 2024 from the peak of 12.4 percent in March 2023. Increased domestic rice production in 2023 helped contain rice price increases (20 percent of household expenses), although prices remained elevated due to market distortions. Persistent inflation prompted the central bank to raise both the deposit facility rate and the marginal lending rate

FIGURE 1 Madagascar / Current account deficit financing



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

by 50 basis points, to 9.5 percent and 11.5 percent, respectively, in August 2024.

The current account deficit (CAD) widened to 3.5 percent of GDP in the first semester of 2024 (2024H1), from 1.8 percent of GDP (y/y) in 2023 following a sharp contraction in the volumes and prices of main exports (nickel, cobalt, cloves). The price of vanilla remained subdued at around US$50 per kilogram during the export season, offsetting the boost in the export volume. The CAD was mainly financed by official external financing which also helped stabilizing international reserves at 5.7 months of imports since end-2023. The Ariary slightly appreciated against major currencies over 2024H1.

The budget execution (cash basis) reached 43.7 percent of the annual projection by end-June 2024, mainly on salary and externally-financed investment, while the execution rate for domestically-financed investment was low at 8.3 percent. Tax revenue collection stood at 38.5 percent of the annual projection, undermined by weak international trade and a high reliance on trade-related revenues, which usually contribute half of the total tax revenue. The fiscal deficit stood at 1.2 percent of GDP by June 2024, financed mainly by external financing. A revised budget adopted in June 2024 adjusted downward expenditure and revenue projections while increasing transfers to JIRAMA and subsidies on fuel pump prices. The public debt stood at 55.6 percent of GDP by end 2023.

Outlook

Growth is projected to average 4.6 percent over 2024-26, driven by industry (textile, mining) and services. The growth projection assumes sustained implementation of the structural reforms that have been initiated recently, including those aiming at strengthening market contestability in key sectors such as mining and digital, and at improving the investment climate. Food and energy will continue to drive inflation but inflation is projected to decline, due to continued monetary tightening and more effective monetary policy as the central bank advances with its new policy operational framework.

The poverty rate is projected to decline slightly to 79.5 percent in 2024, mainly due to higher agricultural output. Low-productivity and low-wage activities within the primary sector remain prominent, urging the need for the creation of more and better jobs. In addition, a better education level is also crucial for higher labor market participation.

The CAD is projected to progressively decrease over 2024-26, reflecting rising exports (mining, tourism) and lower oil prices. Gross reserves are expected to be adequate in the medium term, supported by foreign direct investment inflows and official transfers.

The fiscal deficit is projected to stabilize around 3.9 percent of GDP over 2024-26, supported by improved spending efficiency, conditional on sustained reforms for the operational and financial recovery of JIRAMA, and increased revenue collection notably from mining (production and exports expected to resume after the enactment of the new mining code). Public debt is expected to stabilize at around 55.9 percent of GDP over the medium term. Madagascar remains at moderate risk of debt distress.

The outlook is subject to downside risks associated with the weak financial performance of major state-owned enterprises weighing on public finance, frequent power outages impacting downstream sectors, and high vulnerability to external shocks including commodity price fluctuations and adverse weather.

TABLE 2 Madagascar / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	5.7	4.0	3.8	4.5	4.6	4.7
Private consumption	6.0	-9.3	-12.3	3.0	3.2	3.3
Government consumption	0.2	34.4	1.9	0.2	0.3	0.4
Gross fixed capital investment	12.7	-13.4	10.1	6.6	6.8	6.9
Exports, goods and services	55.0	29.5	12.6	1.0	11.2	11.3
Imports, goods and services	12.7	13.1	-2.9	-0.9	11.0	11.2
Real GDP growth, at constant factor prices	6.5	4.0	3.5	4.5	4.6	4.7
Agriculture	-1.6	0.9	4.1	4.0	4.3	4.3
Industry	19.7	11.2	2.4	4.6	4.6	4.7
Services	7.3	3.5	3.6	4.7	4.7	4.9
Inflation (consumer price index)	5.8	8.2	9.9	7.4	7.1	6.7
Current account balance (% of GDP)	-4.9	-5.4	-4.5	-6.8	-6.0	-5.6
Net foreign direct investment inflow (% of GDP)	1.7	2.2	2.2	2.2	2.3	2.4
Fiscal balance (% of GDP)	-2.8	-5.5	-4.1	-3.8	-3.8	-4.0
Revenues (% of GDP)	10.9	10.9	13.8	13.0	11.9	12.6
Debt (% of GDP)	51.9	53.9	55.6	55.5	55.8	56.3
Primary balance (% of GDP)	-2.2	-5.0	-3.4	-2.9	-2.9	-3.0
International poverty rate ($2.15 in 2017 PPP)[a,b]	81.0	80.6	80.2	79.7	79.1	78.4
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	92.6	92.4	92.2	91.9	91.7	91.4
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	98.2	98.1	98.1	98.0	97.9	97.8
GHG emissions growth (mtCO2e)	-1.1	1.1	1.0	1.3	1.0	1.0
Energy related GHG emissions (% of total)	12.5	12.9	12.9	13.3	13.7	14.1

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 2012-ENSOMD. Actual data: 2012. Nowcast: 2013-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2012) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

MALAWI

Table 1	2023
Population, million	20.9
GDP, current US$ billion	14.1
GDP per capita, current US$	673.7
International poverty rate ($2.15)[a]	70.1
Lower middle-income poverty rate ($3.65)[a]	89.1
Upper middle-income poverty rate ($6.85)[a]	97.3
Gini index[a]	38.5
School enrollment, primary (% gross)[b]	126.4
Life expectancy at birth, years[b]	62.9
Total GHG emissions (mtCO2e)	22.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2019), 2017 PPPs.
b/ Most recent WDI value (2022).

Malawi's economic situation remains challenging. A severe drought in 2024 has exacerbated macroeconomic imbalances and added to successive poor harvests and high food prices. Food insecurity is hindering poverty reduction, with nearly three-quarters of the population living in extreme poverty. The financing of high fiscal deficits and rising food prices are fuelling inflation. Real GDP is projected to grow only 1.8 percent in 2024, and an acceleration is expected in 2025 if reforms implementation progresses.

Key conditions and challenges

Over the past two years, the low economic growth in Malawi remained below population growth, resulting in a decline in per capita GDP. The agricultural sector, which employs most of the workforce and continues to rely primarily on rain-fed production, faces declining productivity and real income. Diversification efforts and increased irrigation are proceeding slowly, making the country more susceptible to economic and climatic shocks, and further exacerbating socioeconomic challenges.

In the past three years, food insecurity has been increasing, especially towards the end of the year. El Niño induced poor harvest exacerbates food insecurity, which is worsened by higher food prices given that households increasingly rely on markets to complement their own food production. As a result, efforts to reduce poverty are falling short, and the proportion of people living on less than US$2.15 per day is still above 71 percent in 2024, which is higher than during the COVID-19 pandemic.

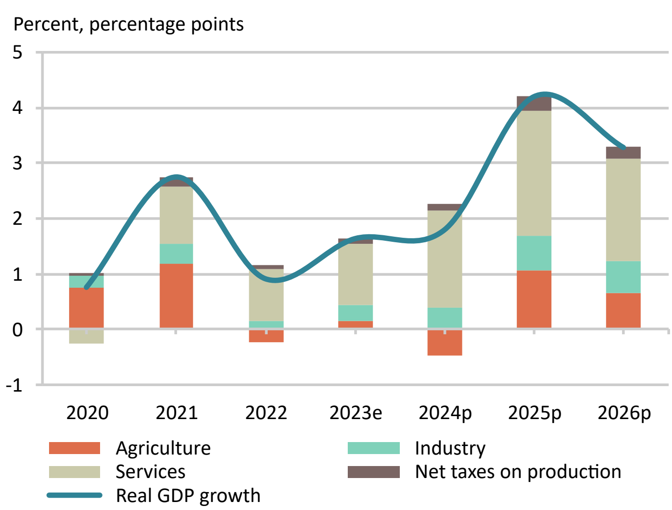
Persistent and widening fiscal and current account deficits, an unsustainable debt burden, capital controls, and trade distortions have contributed to economic volatility, policy uncertainty, and a vicious cycle of crises. The authorities initiated several fiscal and structural reforms, including external debt restructuring, to restore macroeconomic stability and create foundations for sustainable and inclusive long-run growth. However, implementation of these reforms has been piecemeal, and momentum is further slipping in advance of the September 2025 general elections. Debt restructuring negotiations have proceeded slowly, with the authorities only concluding negotiations with China. Negotiations with commercial creditors (Afreximbank and TDB) and other bilateral creditors (Saudi Fund, Kuwait Fund, and Abu Dhabi Fund) are still ongoing. Multiple price distortions, including an overvalued official exchange rate, remain prevalent in the economy and have resulted in widespread resource misallocation and complicated efforts toward macroeconomic stabilization.

Recent developments

Real GDP is estimated to have grown only by 1.6 percent year-on-year in 2023 affected by the unavailability of inputs amid forex constraints and the impact of Tropical Cyclone Freddy. Poverty has remained stubbornly high, at over 71 percent, as real GDP contracted in per capita terms in 2023 (based on the poverty line of US$2.15 a day).

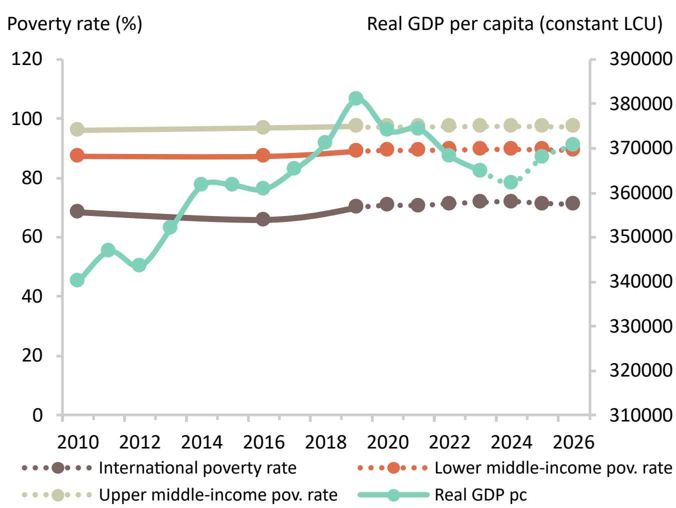
The current account deficit remained high at 16.1 percent of GDP, putting pressure on official reserves, which persistently remained below 1 month of import cover in 2023. The commitment to increasing exchange rate flexibility announced in November 2023 has yet to be consistently

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



Source: World Bank staff estimates and projections.

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



Source: World Bank. Notes: see Table 2.

implemented. The exchange rate premium in the informal market has widened further, reflecting increasing distortions in the foreign exchange market.

Despite the tight monetary policy stance pursued by the Reserve Bank of Malawi (RBM), inflation at 33.7 percent remains elevated, driven by supply side constraints and the high fiscal deficit. The recent drought has constrained grain supply, further increasing prices for maize, the country's staple, by 16 percent in August 2024 year-on-year and disproportionately affecting the poor. Any resort to monetary financing of the deficit could further heighten inflationary pressures in 2024.

Fiscal revenues grew by 0.6 percentage points to 16.8 percent of GDP in 2023, buoyed by a good performance in tax revenue and grants disbursements by development partners. Despite this positive development, the country registered the highest fiscal deficit in sub-Saharan Africa, at 10.2 percent of GDP, due to fiscal slippages and the recapitalization of the RBM to compensate for exchange rate losses.

Outlook

Real GDP is projected to grow modestly by 1.8 percent in 2024—a third consecutive contraction in per capita terms. El Niño-induced drought conditions weighed on agricultural production. Maize production in the 2023-24 cropping season is more than 20 percent below the food target set by the government. Further, unavailability of foreign exchange continues to constrain the importation of raw materials and production inputs. Real GDP growth is projected at 4.2 percent in 2025 due to agricultural sector recovery and spillovers towards manufacturing and transportation subsectors.

The current account deficit is estimated to reach 18.7 percent of GDP in 2024, putting further pressure on official reserves estimated at US$119.9 or 0.5 months of import cover in August 2024. Imports are expected to continue rising given sustained demand for strategic commodities, including fuel, fertilizer, and food, while the impact of the prolonged drought is expected to constrain export growth. Over the medium-long term, ongoing investments in commercialized agriculture and the mining sector are expected to boost economic activity and increase exports, but these are likely to take several years to materialise.

Poverty and food insecurity are expected to increase in 2024 amidst this challenging economic environment. Nearly 30 percent of the population is expected to face crisis-level food insecurity during the lean season and poverty is expected to reach 72.0 percent of the population by the end of 2024.

The outlook is subject to significant downside risks, including continued fiscal slippages, which could entrench macroeconomic instability. Failure to address external imbalances may continue to result in input shortages. Upside risks include faster-than-expected development of the mining sector, an increase in non-debt creating flows, especially grants to the budget, and a rapid conclusion of debt-restructuring negotiations.

TABLE 2 Malawi / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	2.8	0.9	1.6	1.8	4.2	3.3
Private consumption	2.6	0.6	3.8	4.7	4.8	5.6
Government consumption	-1.1	-5.8	14.8	5.3	7.6	-0.8
Gross fixed capital investment	6.5	12.4	-14.3	-6.5	0.4	-14.1
Exports, goods and services	2.5	3.1	3.5	8.8	6.7	6.0
Imports, goods and services	2.5	3.9	3.9	9.6	6.3	3.9
Real GDP growth, at constant factor prices	2.8	0.9	1.6	1.8	4.2	3.3
Agriculture	5.2	-1.0	0.6	-2.0	5.0	3.0
Industry	1.9	0.9	1.6	2.1	3.3	3.1
Services	2.0	1.8	2.1	3.3	4.2	3.5
Inflation (consumer price index)	9.3	20.9	28.7	33.6	27.3	22.6
Current account balance (% of GDP)	-15.2	-17.3	-16.1	-18.7	-16.5	-14.4
Net foreign direct investment inflow (% of GDP)	0.8	1.6	1.5	1.2	1.1	1.0
Fiscal balance (% of GDP)	-8.4	-10.3	-10.2	-7.7	-9.9	-6.4
Revenues (% of GDP)	15.1	16.2	16.8	16.6	16.7	16.5
Debt (% of GDP)	67.2	75.5	90.3	85.4	83.2	79.5
Primary balance (% of GDP)	-4.4	-5.8	-5.6	-3.3	-5.7	-3.1
International poverty rate ($2.15 in 2017 PPP)[a,b]	70.6	71.3	71.7	72.0	71.3	71.1
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	89.4	89.5	89.7	89.8	89.5	89.5
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	97.4	97.5	97.5	97.5	97.5	97.4
GHG emissions growth (mtCO2e)	0.9	1.5	1.6	1.6	1.4	1.6
Energy related GHG emissions (% of total)	8.0	8.1	8.1	8.1	8.1	8.1

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 2019-IHS-V. Actual data: 2019. Nowcast: 2020-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2019) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

MALI

Table 1	2023
Population, million	23.3
GDP, current US$ billion	20.2
GDP per capita, current US$	869.0
International poverty rate ($2.15)[a]	20.8
Lower middle-income poverty rate ($3.65)[a]	56.1
Upper middle-income poverty rate ($6.85)[a]	85.9
Gini index[a]	35.7
School enrollment, primary (% gross)[b]	72.6
Life expectancy at birth, years[b]	59.4
Total GHG emissions (mtCO2e)	52.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ Most recent WDI value (2022).

GDP growth is projected to reach 3.7 percent in 2024 (0.6 percent per capita), supported by agriculture and services, while continuing electricity shortages are expected to hinder industrial production. The extreme poverty rate is projected to fall to 20.8 percent, supported by lower inflation of 1.2 percent. The outlook is subject to downside risks from rising insecurity, impacts of the Economic Community of West African States (ECOWAS) withdrawal, climate shocks, and continuing high borrowing costs.

Key conditions and challenges

Mali's economy remains under-diversified with little structural change over the last three decades. Agriculture and low-productivity services dominate the economic and employment landscape, while manufacturing is limited to agro-industries and cotton ginning. Gold and cotton exports expose the economy to commodity prices and climatic shocks. Per capita GDP growth stagnated over the last decade, limiting poverty reduction efforts, while human development indicators show mixed progress.

Persistent insecurity, a weakened social contract, and limited investments are key bottlenecks to inclusive and sustainable growth. In combination with the absence of the State in remote areas, this has increasingly disrupted service delivery. The recurrence of conflict represents a political and security risk, which could be potentially mitigated by the successful implementation of the roadmap outlined by the Dialogue Inter-Malians for Peace and National Reconciliation, concluded in May 2024.

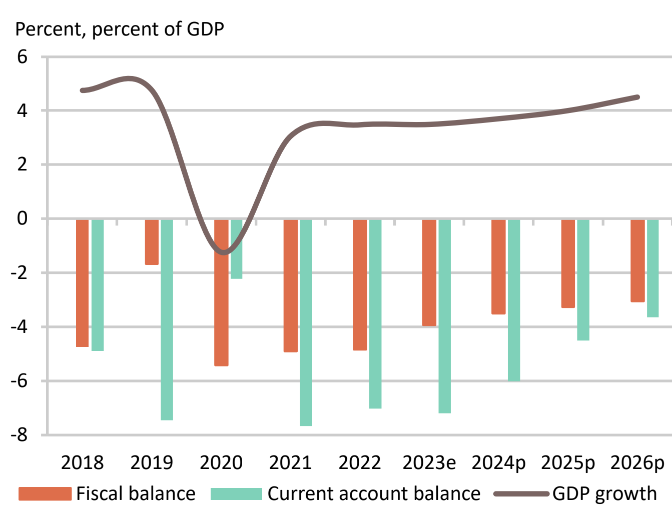
On January 28, 2024, in a joint communiqué, Burkina Faso, Mali and Niger announced their 'immediate' withdrawal from ECOWAS. According to the revised ECOWAS Treaty, a notification period of one year is required to leave ECOWAS. The three countries remain members of WAEMU. Subsequently, on July 6, 2024, the three countries signed the Treaty establishing the Confederation of Sahel States. These events have contributed to heightened political and policy uncertainty, including the timetable for elections in Mali.

Recent developments

GDP growth is expected to increase slightly from 3.5 percent in 2023 to 3.7 percent in 2024 (0.6 percent per capita). Services are expected to grow (+4.2 percent), albeit less than in 2023, supported by a stronger than expected telecommunications sector (+11 percent in Q1 y/y). Agriculture is expected to rebound (+3.6 percent), driven by a successful cotton campaign. Industry is projected to slightly recover (+2.5 percent), driven by construction and food manufacturing, while electricity shortages continue to disrupt the production of fertilizers and metallurgy. Private consumption is expected to be the principal driver on the demand side, contributing 3.3 percentage points (pps), followed by private investment (+1.5 pps), especially in telecommunications. The current account deficit is expected to narrow to 6 percent of GDP, driven by the rebound in cotton exports (+ 7.4 percent in Q1 y/y), lithium production, and improved terms of trade.

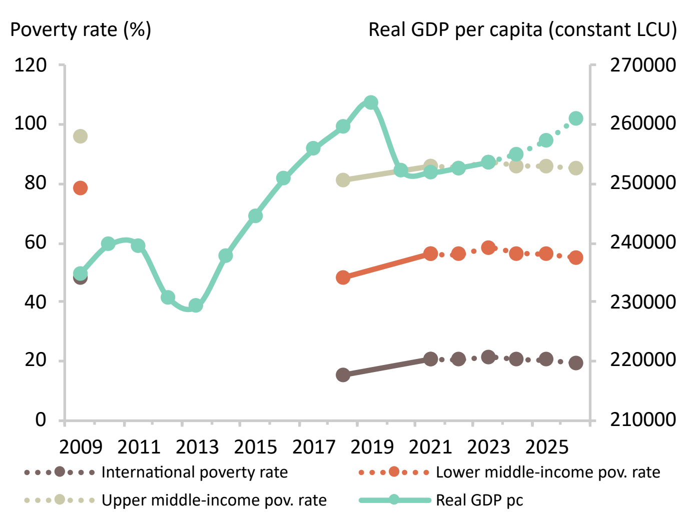
Inflation is expected to fall to 1.2 percent in 2024, due to stronger agricultural output and lower import costs. These dynamics will help the extreme poverty rate, which had increased to 21.5 percent in 2023, to fall back to 20.8 percent in 2024. However,

FIGURE 1 Mali / Real GDP growth, current account, and fiscal balances



Sources: Malian Government and World Bank.

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



Source: World Bank. Notes: see Table 2.

the humanitarian situation remains serious, with over 330,000 internally displaced persons, in addition to an estimated 1.4 million people (6 percent of the population) facing severe food insecurity between June and August 2024, a situation being exacerbated by major flooding during the rainy season.
The Central Bank of West African States (BCEAO) has kept its policy interest rates unchanged since December 2023 at 3.5 percent for liquidity calls and 5.5 percent for the marginal lending facility. The WAEMU Inflation rate has been on a downward trend since peaking in 2022 but is currently above the 1 to 3 percent WAEMU target, at 4.4 percent y/y in July 2024, and regional foreign exchange reserves remain low, covering only 3.5 months of import in 2024Q1.
The fiscal deficit is expected to narrow to 3.5 percent of GDP in 2024, supported by higher tax revenues (+20.7 percent in Q1 2024 y/y)—the impact of tax digitalization efforts. On the expenditure side, the large public wage bill is expected to decrease to 9 percent of GDP in 2024. The fiscal deficit will predominantly be financed through domestic borrowing from the regional market, where Mali has faced a significant surge in interest rates, exceeding 9 percent for 12-month bills. While total public debt is expected to increase to 57 percent of GDP in 2024, the risk of debt distress remains moderate.

Outlook

Real GDP growth is forecasted to increase to an average of 4.3 percent over 2025-26, supported by agriculture and telecommunication services, and assuming the security situation doesn't deteriorate, some improvement in electricity supply, and an orderly ECOWAS withdrawal that limits negative impacts to lower trade with non-WAEMU ECOWAS states. The Government's fiscal consolidation efforts are expected to enable it to converge to the WAEMU ceiling of 3 percent by 2026. Inflation is forecasted to converge towards the BCEAO target of 2 percent in 2026. The regional inflation rate is projected to align with WAEMU target by 2025, while regional reserves are expected to rise gradually, supported by the resumption of international bond issuances, recovering exports, and monetary policy easing in the Euro Area.
The extreme poverty rate is expected to decline by 1.1 percentage points over the medium term, reaching 19.7 percent in 2026, but the number of poor is projected to increase by nearly 20,000 people over the period.
The outlook remains subject to downside risks related to a persistent electricity crisis, rising insecurity and displacement, and further climatic shocks. An ECOWAS withdrawal that has gaps in agreements could lead to larger disruptions in the free movement of goods, services, capital, and labor and could have spillover effects onto trade in the WAEMU zone. However, if new trade opportunities are realized, these negative impacts could be mitigated. Mali may also continue to face elevated borrowing costs, which could lead to reductions in growth-enhancing investments, amid increasing demands for defense and security spending. On the upside, strong improvements in electricity trade, production, and supply and reduced regional tensions would ease market uncertainty and support investment.

TABLE 2 **Mali** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	3.1	3.5	3.5	3.7	4.0	4.5
Private consumption	3.0	4.0	3.9	4.0	4.1	4.1
Government consumption	5.8	7.6	16.7	-0.3	0.7	1.9
Gross fixed capital investment	4.8	1.0	-3.6	6.7	6.0	6.7
Exports, goods and services	-1.0	18.1	-3.9	2.8	4.3	5.1
Imports, goods and services	14.1	0.7	2.3	3.9	4.3	4.3
Real GDP growth, at constant factor prices	3.0	4.3	3.4	3.7	4.0	4.5
Agriculture	1.4	2.4	2.3	3.6	4.5	4.5
Industry	1.0	3.7	2.0	2.5	3.5	3.5
Services	5.1	5.8	4.9	4.2	3.9	4.9
Inflation (consumer price index)	4.0	9.7	2.1	1.2	2.0	2.0
Current account balance (% of GDP)	-7.7	-7.0	-7.2	-6.0	-4.5	-3.7
Net foreign direct investment inflow (% of GDP)	3.0	2.6	2.5	3.2	3.1	2.9
Fiscal balance (% of GDP)	-4.9	-4.8	-3.9	-3.5	-3.3	-3.0
Revenues (% of GDP)	22.0	19.8	23.6	23.4	23.7	22.2
Debt (% of GDP)	50.4	51.8	55.9	57.0	57.2	56.1
Primary balance (% of GDP)	-3.5	-3.4	-2.2	-1.5	-1.3	-1.2
International poverty rate ($2.15 in 2017 PPP)[a,b]	20.8	20.7	21.5	20.8	20.4	19.7
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	56.1	56.0	58.4	56.6	56.0	54.9
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	85.9	85.6	87.2	86.1	85.7	85.1
GHG emissions growth (mtCO2e)	4.1	4.3	2.7	4.2	4.8	5.1
Energy related GHG emissions (% of total)	16.4	17.4	16.6	16.8	17.3	18.0

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 2021-EHCVM. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.

MAURITANIA

Table 1	2023
Population, million	4.9
GDP, current US$ billion	10.6
GDP per capita, current US$	2183.7
International poverty rate ($2.15)[a]	5.4
Lower middle-income poverty rate ($3.65)[a]	25.8
Upper middle-income poverty rate ($6.85)[a]	68.0
Gini index[a]	32.0
School enrollment, primary (% gross)[b]	86.7
Life expectancy at birth, years[b]	64.7
Total GHG emissions (mtCO2e)	14.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2019), 2017 PPPs.
b/ WDI for School enrollment (2020); Life expectancy (2022).

Growth is expected to remain robust in 2024 after a strong performance in 2023. The fiscal and external positions are projected to improve. Monetary policy tightening and lower food and energy prices supported inflation easing in mid-2024. The poverty headcount rate (US$3.65-a-day) is expected to decline to 27.4 percent in 2024. The outlook is subject to downside risks stemming from delayed gas production, climate change and regional insecurity.

Key conditions and challenges

The service sector constitutes the largest share of Mauritania's economy, but extractives will continue to drive exports and growth in the near term. The first phase of the Greater Tortue Ahmeyim (GTA) Offshore gas will start in mid-2025, boosting exports and supporting domestic power generation. The expansion in iron ore production and transformation will support the narrowing of the current account deficit (CAD) and further boost growth. Post-election policies are expected to focus on supporting growth while maintaining fiscal discipline and building the prerequisites for a diversified, resilient, and inclusive economy.

Ambitious reforms will be needed in building, using, and protecting human capital, improving the efficiency of public investments and the overall quality of infrastructure, boosting productivity and innovation, increasing female labor participation and job quality, strengthening the business climate and strengthening governance and resilience to climate shocks.

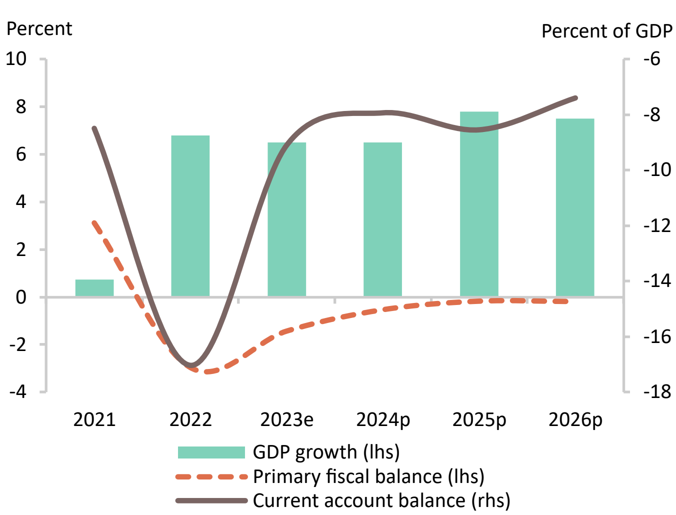
Poverty reduction remains dependent on agricultural activities and sensitive to inflation. Indeed, the last 2019 household survey suggests that agricultural activities and food products represent 45 and 57 percent of the total income and consumption of the poor, respectively.

Recent developments

Economic activity is expected to remain robust at 6.5 percent in 2024 (3.7 percent per capita), supported by the expansion of services and by increases in iron ore and fish exports of 15 and 43 percent y-o-y in the first half of 2024. Overall, real exports grew by 15 percent over the same period. Compared to the same period in 2023, industrial production witnessed a solid start in the first quarter of 2024 (+11.5 percent), thanks to strong mining, manufacturing, and construction activities. Private demand was strong thanks to increases in electricity and fuel consumption. Inflation continued its downward trend, driven by tighter monetary policy and lower food and oil prices. It reached 3 percent (y/y) in July 2024, compared to 4 percent (y/y) in July 2023. This downward trend is expected to continue through 2024 to reach an annual average inflation of 2.7 percent (y/y).

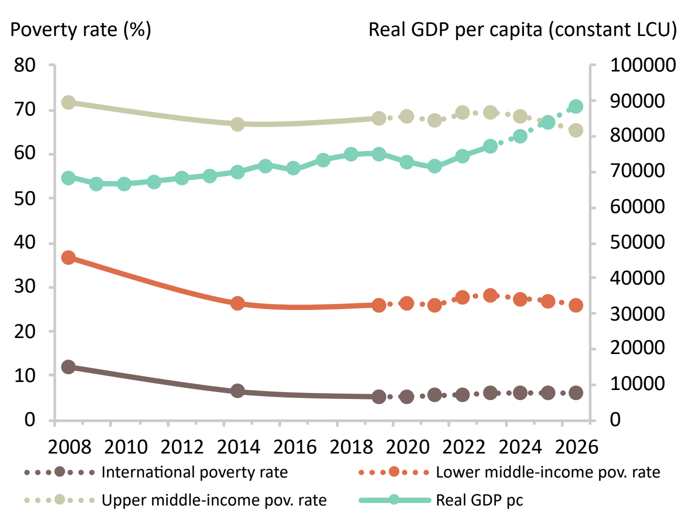
A decline of 2.0 percent in real per capita value-added in the agricultural sector is expected to slightly increase the poverty rate (at US$3.65-a-day) in rural areas, from 41.6 percent in 2023 to 41.9 percent in 2024. Conversely, this poverty rate is expected to decline in urban areas from 13.7 percent to 12.0 percent, in line with higher real per capita value-added in industrial (+4.7 percent) and services activities (+5.6 percent). As a result, poverty is expected to decrease slightly from 28.1 percent to 27.4 percent despite inflation

FIGURE 1 Mauritania / Evolution of main macroeconomic indicators



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

being halved, to 2.7 percent. Poverty incidence slowly recovered its downward trajectory in 2024, after rising post-COVID.

Over the first six months of 2024, the fiscal balance registered a surplus of 0.3 percent of GDP, compared to a deficit of 0.9 percent of GDP over the same period in 2023, and to a deficit of 2.4 percent over the full year 2023. This surplus was driven by a combination of higher tax revenues, lower current transfers, and lower spending on goods and services. Debt-to-GDP ratio fell to 47.2 percent of GDP in 2023 and is expected to further decrease in 2024. External debt remains sustainable, and the risk of debt distress is moderate.

The CAD improved to 9.1 percent of GDP in 2023, reflecting lower imports of capital goods, oil, and food. The trade balance improved further in the first half of 2024, supported by lower food imports, lower imports in the extractive industry, and higher exports of fish and iron ore. The CAD, projected at 7.9 percent of GDP for 2024, will be financed mostly by Foreign Direct Investments (FDI) in the extractive industry.

The Central Bank of Mauritania maintained a tight monetary policy and continued to absorb substantial liquidity. The Ouguiya depreciated by 0.9 percent against the dollar (as of end-July) with the introduction of the new foreign exchange platform in December 2023. The financial sector remained sound with strengthened regulations.

Outlook

Growth will pick up in 2025-2026, averaging 7.6 percent (4.8 percent per capita) supported by the start of gas production and exports, higher public investments, an improved net external position, and sustained private demand. The industrial sector and services will remain the main drivers of the real GDP growth on the supply side. Average inflation is projected to stabilize around 2 percent with lower food and oil prices. The CAD is projected to average 8 percent of GDP with gas exports and lower imports in the extractive industry.

The US$3.65-a-day poverty rate is expected to fall to 26.9 and 25.9 percent in 2025 and 2026 respectively, in line with lower inflation and higher value-added per capita growth in all sectors. Similarly, poverty is expected to decline in urban and rural areas in 2025 to 11.5 and 41.3 percent, respectively. This decline should continue in 2026.

The fiscal deficit will narrow to an average of 1 percent of GDP in 2025-2026, supported by higher revenue mobilization, lower energy subsidies, and lower current transfers. Budgetary pressures from the government's ambitious public investment program remain.

Risks to the outlook remain elevated. A slowdown in FDI inflows due to a delay in the second and third phases of the GTA project, and a slowdown in the main trading partners' growth, would weigh on medium-term growth, fiscal and external prospects. Mauritania is also exposed to various climatic shocks such as drought and floods, which affect human capital, household incomes, and agricultural production. Regional insecurity in the Sahel remains a risk.

TABLE 2 Mauritania / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	0.7	6.8	6.5	6.5	7.8	7.5
Private consumption	3.3	3.9	4.2	4.6	4.8	5.0
Government consumption	26.8	14.3	10.6	8.4	7.1	6.9
Gross fixed capital investment	12.1	3.4	-15.3	9.3	7.4	7.1
Exports, goods and services	-12.9	16.8	3.5	8.6	12.3	10.6
Imports, goods and services	-3.3	15.3	-1.5	5.0	4.6	3.6
Real GDP growth, at constant factor prices	0.0	9.8	4.3	6.5	7.8	7.5
Agriculture	-2.9	8.7	-1.0	1.5	1.6	1.6
Industry	-11.5	12.5	5.8	8.4	10.8	9.6
Services	10.7	8.6	5.8	7.5	8.4	8.4
Inflation (consumer price index)	3.6	9.6	4.9	2.7	2.0	2.0
Current account balance (% of GDP)	-8.5	-17.0	-9.1	-7.9	-8.5	-7.4
Net foreign direct investment inflow (% of GDP)	11.5	14.7	8.0	5.1	4.9	4.5
Fiscal balance (% of GDP)	2.3	-3.8	-2.4	-1.5	-1.0	-1.0
Revenues (% of GDP)	23.0	24.7	22.5	23.3	24.1	24.6
Debt (% of GDP)	52.4	48.5	47.2	44.9	45.0	45.3
Primary balance (% of GDP)	3.1	-3.0	-1.4	-0.5	-0.2	-0.2
International poverty rate ($2.15 in 2017 PPP)[a,b]	5.6	5.9	6.2	6.3	6.3	6.3
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	26.0	27.7	28.1	27.4	26.9	25.9
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	67.8	69.2	69.5	68.7	67.2	65.4
GHG emissions growth (mtCO2e)	2.8	2.9	3.2	3.2	3.4	3.4
Energy related GHG emissions (% of total)	31.3	31.6	32.2	32.8	33.7	34.5

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 2019-EPCV. Actual data: 2019. Nowcast: 2020-2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.

MAURITIUS

Table 1	2023
Population, million	1.3
GDP, current US$ billion	14.6
GDP per capita, current US$	11553.5
Lower middle-income poverty rate ($3.65)[a]	1.8
Upper middle-income poverty rate ($6.85)[a]	13.5
Gini index[a]	36.8
School enrollment, primary (% gross)[b]	102.9
Life expectancy at birth, years[b]	73.5
Total GHG emissions (mtCO2e)	7.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2017), 2017 PPPs.
b/ WDI for School enrollment (2021); Life expectancy (2022).

Mauritius' economy is expected to grow by 5.6 percent in 2024, supported by a pick-up in tourism and investment in response to easing labor regulations for foreigners. Inflation is projected to fall to 4.9 percent by year-end, aided by lower commodity prices. The poverty rate is projected to decline from 10 percent in 2023 to 8 percent by 2025. Export challenges and fiscal pressures pose downside risks to growth and fiscal sustainability.

Key conditions and challenges

Over the past 50 years, the island archipelago of Mauritius has transitioned from a low-income to an upper-middle-income country. Sustained average growth of 4–6 percent in the decades before the COVID-19 pandemic allowed it to reach high-income status in 2020 briefly. Strong growth and the focus on social programs helped the country reduce poverty rates from 19 percent to 11 percent between 2012 and 2019. More recently, the swift post-pandemic economic rebound demonstrated the country's resilience, made possible by decisive health and fiscal responses amid a supportive business environment. Poverty is projected to have fallen to around 9 percent by 2024 after a dramatic increase to 16 percent during COVID-19 in 2020.

To achieve high-income status, Mauritius must overcome its structural challenges, such as an aging population and labor shortages, which have weakened export competitiveness. As an island economy, Mauritius is also increasingly vulnerable to climate shocks, particularly droughts and tropical cyclones. Social spending commitments amidst an aging demographic are straining fiscal resources, limiting the fiscal space to invest in productive capital projects, supporting climate adaptation efforts, and deploying countercyclical policies to mitigate shocks.

To surmount these challenges, Mauritius would need to prioritize productivity-enhancing reforms, foster women's participation in the workforce, and bolster macroeconomic resilience. This includes building fiscal buffers by enhancing revenue collection and optimizing social spending, improving the quality of education, and fostering private sector-led innovation.

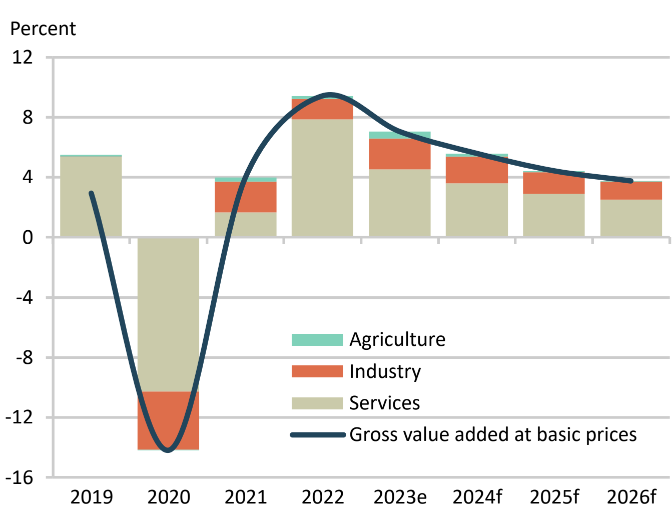
Recent developments

Real GDP grew by 6.4 percent in 2024Q1, driven by residential investments and financial services, which grew by 60 percent and 6.1 percent, respectively, while higher international tourist arrivals supported demand for transport and accommodation services. However, lower purchase orders due to external competition and labor shortages led to declining goods exports.

Higher labor demand from tourism, construction, and the financial sectors resulted in a decline in unemployment to 6.3 percent in 2024Q1. Youth unemployment has declined 10 percentage points to 18.8 percent between 2022Q1 and 2024Q1, while female labor participation has increased from 41.9 to 48.5 percent in the same period. Recent policies to foster women participation in the labor force include the extension of maternal and paternal leave by two weeks and three weeks, respectively.

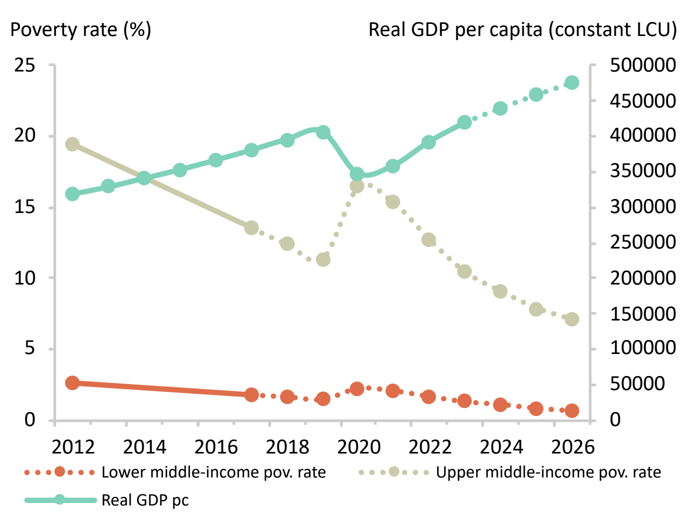
Inflation has declined despite the temporary spike in the aftermath of Cyclone Belal in January 2024, due to moderation in global commodity prices and lower inflation in key trading partners.

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



Sources: National Bureau of Statistics and World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

Consequently, headline and core inflation fell to 4.3 and 3.7 percent in July 2024, down from 10.5 and 6.7 percent last year. Recently the BOM reduced the policy rate from 4.5 percent to 4 percent.

The decrease in goods exports led to the widening of the current account deficit to USD 179 million in 2024Q1, up from USD 89 million in the same period last year. The re-routing of funds by global business companies to other countries also contributed to net foreign direct investment outflows of USD 320 million in 2024Q1. These factors contributed to a 4.9 percent rupee depreciation against the US dollar in the first half of 2024, with the BOM intervening to stabilize the foreign exchange market. Nevertheless, the central bank maintained adequate reserves, with gross official reserves standing at USD 7.9 billion in July 2024, equivalent to 12 months of import cover.

As the general election approaches, fiscal policy is expected to remain expansionary. In FY23/24, spending rose by 12.9 percent and is expected to increase by 17 percent in FY24/25. Underperformance in taxes on income, profits, and capital gains contributed to a lower overall tax revenue growth of 8.7 percent, almost half of the target of the FY23/24 Budget (15.6 percent). As a result, the budget deficit rose to 5.5 percent of GDP, exceeding the target by 1.2 percentage points. Consequently, the public debt-to-GDP ratio increased to 77.6 percent from an anticipated 74.5 percent.

Outlook

The near-term outlook is generally positive, with real GDP expected to reach 5.6 percent in 2024. Growth is expected to be supported by higher international tourist arrivals, sustained public investments, and social spending despite lower exports of goods. The more relaxed requirements for foreign professionals to work in Mauritius are expected to narrow the skills gap over the medium term and support private investments. Annual inflation is projected to settle at 4.2 percent in 2024, supported by a softening in global commodity prices. However, the ongoing fiscal expansion is expected to cause the government budget deficit to remain around 5 percent of GDP. In 2025, real GDP growth is expected to gradually converge to the long-term trend and ease to about 4.4 percent, with inflation expected to reach 4.2 percent. With growth expected to be sustained, the poverty rate is projected to fall to about 7 percent by 2026.

Risks to the outlook are balanced. The easing of global financing conditions could lead to higher financing flows. Fair and transparent elections can strengthen stability and further support private-sector investment. On the downside, sluggish global economic growth could affect the demand for Mauritius' exports. Weather shocks would weaken growth and generate inflationary and fiscal pressures.

Enhancing the investment climate and bolstering financial service integrity, including by strengthening currency convertibility and the anti-money laundering framework, could attract private capital for climate adaptation and energy transitions. Additionally, gradual fiscal consolidation is necessary to build fiscal buffers for macroeconomic resilience.

TABLE 2 Mauritius / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices[a]	3.3	8.9	7.0	5.6	4.4	3.8
Private consumption	3.0	3.3	3.2	3.7	3.5	4.0
Government consumption	-2.2	6.4	-4.7	3.4	4.1	4.9
Gross fixed capital investment	13.9	7.8	31.0	14.1	9.0	6.1
Exports, goods and services	11.5	40.2	-1.3	1.7	3.8	1.1
Imports, goods and services	7.3	10.2	1.8	2.1	4.8	3.0
Real GDP growth, at constant factor prices	4.0	9.4	7.0	5.6	4.4	3.8
Agriculture	7.3	5.5	13.6	6.3	3.1	1.6
Industry	10.9	6.8	10.5	8.7	6.7	5.5
Services	2.2	10.3	5.9	4.7	3.9	3.4
Inflation (consumer price index)	4.0	10.8	7.0	4.2	3.5	3.8
Current account balance (% of GDP)	-13.0	-11.1	-5.5	-5.3	-4.3	-4.1
Net foreign direct investment inflow (% of GDP)	-21.1	-72.3	-2.9	-2.0	-1.3	-1.3
Fiscal balance (% of GDP)[b]	-9.4	-5.2	-5.2	-5.6	-5.4	-5.3
Revenues (% of GDP)	24.9	24.9	23.7	24.5	24.5	24.4
Debt (% of GDP)[b]	88.0	80.9	78.5	79.1	76.4	74.7
Primary balance (% of GDP)[b]	-6.7	-2.7	-2.5	-2.7	-2.6	-2.5
Lower middle-income poverty rate ($3.65 in 2017 PPP)[c,d]	2.1	1.7	1.3	1.1	0.8	0.7
Upper middle-income poverty rate ($6.85 in 2017 PPP)[c,d]	15.3	12.7	10.4	9.0	7.9	7.0
GHG emissions growth (mtCO2e)	4.6	4.3	3.1	4.0	3.3	4.3
Energy related GHG emissions (% of total)	59.8	60.7	60.8	61.2	61.3	61.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Historical demand-side data is being revised due to a consistency problem.
b/ Fiscal balances are reported in fiscal years (July 1st - June 30th). For the purpose of this report, the fiscal year data has been converted to calendar year data.
c/ Calculations based on 2017-HBS. Actual data: 2017. Nowcast: 2018-2023. Forecasts are from 2024 to 2026.
d/ Projection using neutral distribution (2017) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

MOZAMBIQUE

Table 1	2023
Population, million	33.9
GDP, current US$ billion	21.0
GDP per capita, current US$	618.2
International poverty rate ($2.15)[a]	74.5
Lower middle-income poverty rate ($3.65)[a]	88.6
Gini index[a]	50.3
School enrollment, primary (% gross)[b]	121.2
Life expectancy at birth, years[b]	59.6
Total GHG emissions (mtCO2e)	115.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2019), 2017 PPPs.
b/ Most recent WDI value (2022).

Economic growth is expected to slow to 4.0 percent in 2024 due to subdued activity in agriculture and extractive sectors. Despite fiscal consolidation efforts, pressures remain from a high wage bill and rising debt service. Growth is projected to stay at 4 percent over the medium term, with poverty declining slightly from 74.7 to 73.4 percent. Risks include global market volatility, natural disasters, the conflict in northern Mozambique, and slower progress on fiscal consolidation.

Key conditions and challenges

Mozambique experienced strong economic growth before 2016, with an average growth rate exceeding 7 percent between 2000 and 2015. However, multiple shocks between 2016 and 2021, including the hidden debt crisis, cyclones, COVID-19, and conflict in northern Mozambique, severely impacted economic activity and reversed poverty reduction.

The economy remains heavily reliant on natural resources, with extractive industries driving growth. Agriculture, which employs over 72 percent of the population, suffers from low productivity and high vulnerability to climatic shocks, contributing to high and entrenched rural poverty. Frequent natural disasters undermine economic activity and food security, exacerbating poverty, which was projected at 74.7 percent in 2023 when measured by the US$2.15 poverty line. High underemployment and inequality are significant barriers to economic inclusion, while the informal sector, encompassing over 80 percent of the labor force, dominates the labor market, leaving many workers without social protection.

Despite recent fiscal consolidation efforts, fiscal pressures remain elevated. The wage bill, pensions, and debt-service costs amounted to nearly 90 percent of tax revenues during 2021-2023, limiting resources for non-salary spending on education, health, social protection, and other vital services. This hampers medium-term growth prospects and poverty reduction. Additional financing constraints include a high risk of public debt distress, the lack of access to international markets, and a shallow domestic market.

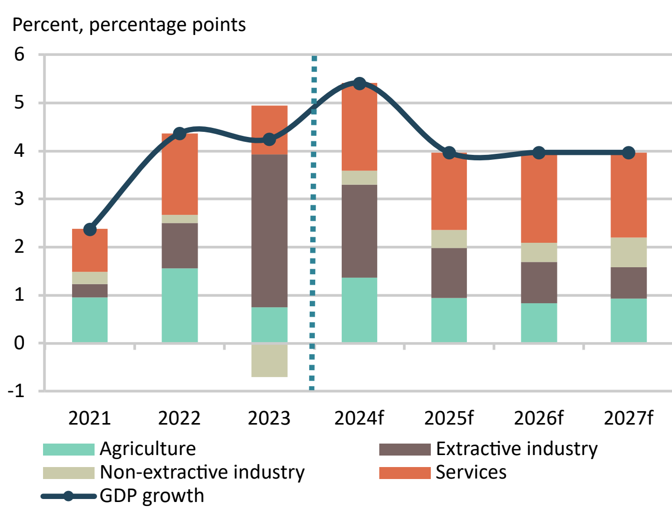
A more resilient and inclusive economic model is essential to create jobs, reduce poverty, and manage vulnerabilities to shocks. Reducing wage bill pressures, enhancing spending efficiency, and improving debt management are crucial for fiscal sustainability. In parallel, managing future LNG revenue streams effectively, improving access to finance, and addressing infrastructure and regulatory challenges are critical for job creation, structural transformation, and reducing fragility, particularly given the upcoming elections.

Recent developments

GDP growth decelerated to 3.9 percent in the first half of 2024 (H1-2024), down from 6.2 percent in H1-2023, due to lower growth contribution by the extractives and agriculture sectors. Gas production at the Coral South facility, which started in 2022, attained its maximum capacity in 2023, and remain at those levels in 2024. Growth in the agricultural sector declined from 4.6 percent in H1-2023 to 1.4 percent this year, largely due to heavy rains at the end of Q1-2024.

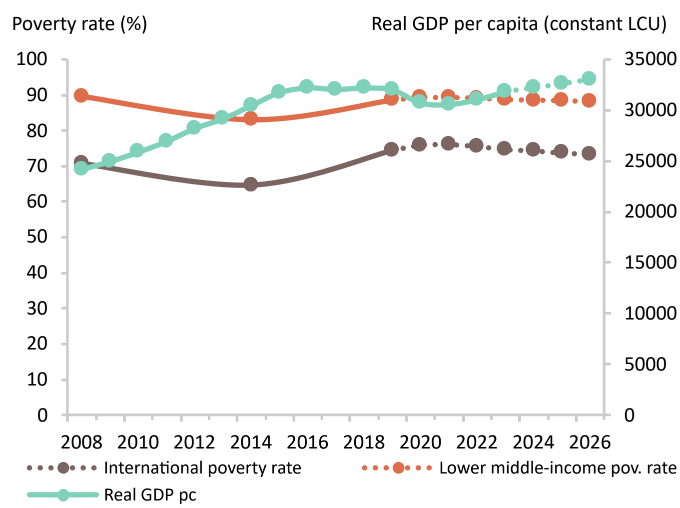
nflation continued to decline, owing to a combination of lower global oil and food prices and a stable exchange rate. The Central Bank reduced the benchmark

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



Sources: National Bureau of Statistics and World Bank estimates.

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



Source: World Bank. Notes: see Table 2.

interest rate from 17.25 to 14.25 percent between January and July 2024, as inflation eased. However, average commercial rates have remained above 20 percent, partly due to the high mandatory reserve requirement rate on local currency deposits of 39 percent.

The external sector position has slightly improved in H1-2024 with the current account deficit narrowing from $1.5 billion to $1.3 billion due to higher volume of gas exports and lower capital goods imports. This deficit was mainly financed by foreign direct investment into the extractive sector, amounting to $1.5 billion in H1-2024. Consequently, gross international reserves rose from 2.7 to 3.2 months of imports.

The fiscal deficit including grants has remained roughly stable, from MZN 14,963 million in H1-2023 to MZN 14,267 million in H1-2024 due to increasing grants and income tax revenue. Public debt is assessed as sustainable in a forward-looking sense, with total public debt at 94 percent of GDP as of December 2023. In June 2024, the government of Mozambique reached an agreement with creditors to settle the remaining 2014-15 disputed loans. This settlement does not materially affect debt sustainability.

Outlook

Economic growth is expected to moderate to 4 percent in 2024 due to a lower contribution of the extractives sector. In the medium term, the economy is projected to maintain a 4 percent growth rate supported by the recovery in agriculture after the climate shocks of H1-2024 and growth in services. Inflation is projected to decrease from 7.1 to 2.8 percent during 2023-2026, owing to low and stable global prices. Despite an expected reduction in the poverty rate, from 74.7 to 73.4 percent, the total number of individuals living in poverty is projected to increase by 1.7 million due to rapid population growth.

The current account deficit is expected to widen from 14.8 percent to 28.8 percent of GDP between 2024-2026, driven by higher imports of goods linked to megaprojects, while exports are projected to remain stable. The current account deficit is expected to be financed primarily through a combination of foreign direct investment inflows related to these megaprojects and potential drawdowns on foreign exchange reserves.

The fiscal deficit is projected to narrow from 4.3 to 1.3 percent of GDP between 2023 and 2026, contingent on consolidation measures that are expected to increase revenue by 1.8 percentage points, strengthen tax compliance, and control expenditure, including the implementation of a fiscal rule limiting wage bill growth, and the adequate management of arrears. This rule could reduce the wage bill from 15.2 to 13.6 percent of GDP over the forecast period. Public debt is forecasted to slightly decline from 97.5 to 95.7 percent of GDP between 2024 and 2026.

The outlook is subject to substantial downside risks related to extreme climate events, a slower pace or reversal in the implementation of fiscal reforms due to the upcoming presidential elections, and deterioration of the security situation in the north. A worsening fiscal stance may increase the risk of debt refinancing and rollover of domestic debt.

TABLE 2 Mozambique / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	2.4	4.4	5.4	4.0	4.0	4.0
Private consumption	5.8	7.2	9.1	4.9	6.7	6.8
Government consumption	-4.0	5.1	6.7	3.6	-1.1	1.7
Gross fixed capital investment	0.7	23.8	-43.0	8.9	8.3	4.6
Exports, goods and services	16.8	26.5	-5.3	3.0	3.0	3.0
Imports, goods and services	9.7	30.9	-25.2	6.5	6.8	6.4
Real GDP growth, at constant factor prices	2.4	4.5	6.0	4.0	4.0	4.0
Agriculture	3.4	5.5	3.8	3.0	3.2	3.2
Industry	1.7	4.6	13.8	3.0	3.0	3.0
Services	2.1	3.7	3.1	5.3	5.2	5.0
Inflation (consumer price index)	6.4	10.3	7.1	3.1	2.8	2.8
Current account balance (% of GDP)	-22.6	-36.4	-11.6	-14.8	-22.3	-28.8
Net foreign direct investment inflow (% of GDP)	31.4	13.0	12.0	9.8	14.1	14.4
Fiscal balance (% of GDP)[a]	-4.5	-4.1	-4.3	-2.4	-1.1	-1.3
Revenues (% of GDP)	26.9	27.8	29.0	29.9	30.5	31.2
Debt (% of GDP)	104.4	96.8	93.9	97.5	98.7	95.7
Primary balance (% of GDP)[a]	-2.1	-1.2	-0.6	0.5	1.8	1.6
International poverty rate ($2.15 in 2017 PPP)[b,c]	76.1	75.6	74.7	74.4	73.8	73.4
Lower middle-income poverty rate ($3.65 in 2017 PPP)[b,c]	89.3	89.1	88.7	88.6	88.4	88.2
GHG emissions growth (mtCO2e)	3.7	0.2	3.3	1.3	1.3	1.4
Energy related GHG emissions (% of total)	10.1	9.6	12.0	12.8	13.6	14.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Figure includes once-off capital gains revenues in 2017, estimated at 2.7 percent of GDP.
b/ Calculations based on 2019-IOF. Actual data: 2019. Nowcast: 2020-2023. Forecasts are from 2024 to 2026.
c/ Projection using neutral distribution (2019) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

NAMIBIA

Table 1	2023
Population, million[a]	2.6
GDP, current US$ billion	12.4
GDP per capita, current US$	4742.8
International poverty rate ($2.15)[b]	15.6
Lower middle-income poverty rate ($3.65)[b]	33.3
Upper middle-income poverty rate ($6.85)[b]	57.3
Gini index[b]	59.1
School enrollment, primary (% gross)[c]	133.0
Life expectancy at birth, years[c]	58.1
Total GHG emissions (mtCO2e)	25.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Latest official estimates. Preliminary results from the 2023 census suggest a population of 3.0 million vs the 2.6 million used here.
b/ Most recent value (2015), 2017 PPPs.
c/ Most recent WDI value (2022).

GDP growth is projected to gather pace, supported by foreign direct investment inflows, a rebound in exports, and the dissipation of drought effects. Lower inflation and monetary easing should also support domestic consumption. Subdued investment outside the capital-intensive industrial sector and skills gaps are expected to continue to weigh on job creation. The poverty rate is projected at 17.2 percent in 2024 under the international poverty line of $2.15 per day.

Key conditions and challenges

Sound macroeconomic management and positive spillovers from the commodity super cycle helped Namibia reach upper middle-income status in 2009. The economy expanded at a robust pace during 2010-2015, averaging above 5 percent, anchored by high investment rates, growing demand for services, and fiscal stimulus. Resource wealth has been used to increase access to public services, including health and education, and expand social protection, allowing for steady progress in poverty reduction. Based on the international poverty line of $2.15 per day (2017 PPP), the poverty rate declined from 35.9 percent in 2003/04 to 15.6 percent in 2015/16. A structural break in growth occurred starting in 2016, driven by the end of the commodity cycle, the completion of major investment projects, drought, and fiscal consolidation. The COVID-19 shock exacerbated these challenges. Real per capita income growth was negative over 2016-2020.

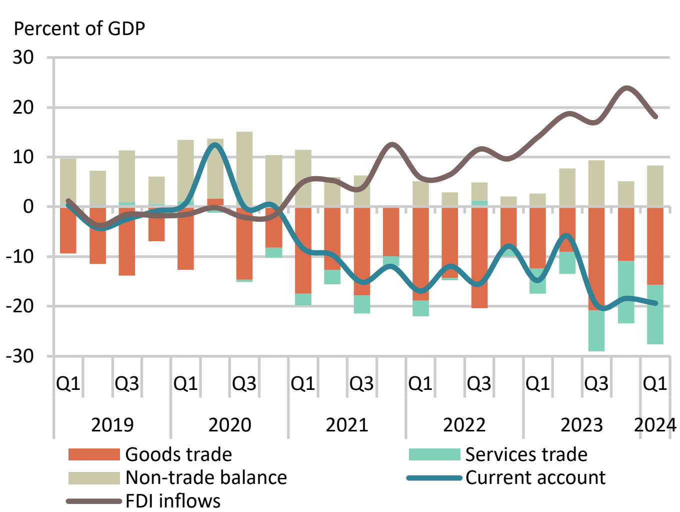
Notwithstanding the progress made since independence, many social indicators continue to lag those of peers, and there are significant spatial and gender disparities. Poverty is high for Namibia's level of development, and the country ranks amongst the most unequal in the world (Gini index at 59.1 in 2015). Structurally high unemployment, which is estimated at above 20 percent, is explained in part by low private investment outside the natural resource sector, slow job creation, and skills scarcities. Most of the working population is engaged in low-skilled work in the informal sector.

Namibia's path to more inclusive growth and poverty reduction necessitates a comprehensive reform agenda to improve skills and boost productivity, and encourage more private sector investment outside the natural resources sectors. This could spur a structural shift away from the current growth model based on a large state footprint and on extractives, which entails a high vulnerability to volatile commodity prices. Large mega projects in the mineral and energy sector that could materialize over the coming years offer an opportunity to boost economic development via building value chains.

Recent developments

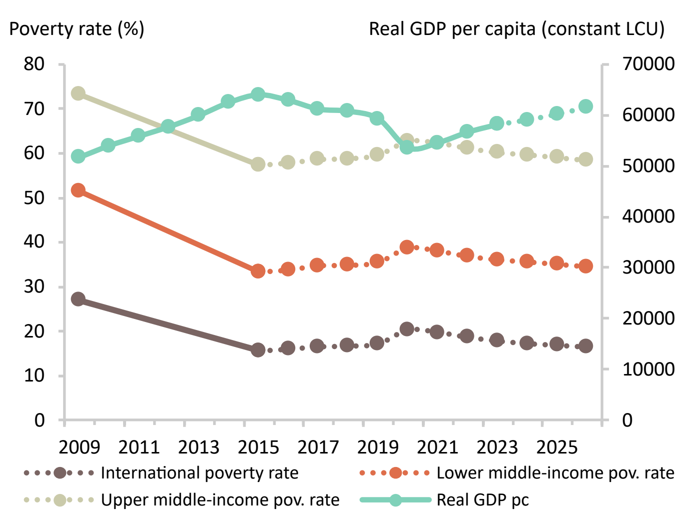
Namibia's economy continued to expand in 2024H1 although at an estimated lower pace. A severe drought, declining mineral revenues, and slowing foreign direct investment (FDI) from the highs in 2023 contributed to the lower growth. Mining activity, which accounted for up to half of GDP growth in recent years, is growing at a moderate pace. Non-mining activity continues to recover but output in several job-rich sectors including construction, manufacturing, and financial services remains below pre-COVID-19 levels. Household consumption is recovering from low levels in 2023, as inflation is easing, but a weak labor market, high interest

FIGURE 1 Namibia / Current account balance and foreign direct investment



Sources: National Statistics Agency and World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

rates, and low savings continue to weigh on household demand.

The current drought lowered agricultural crop yields and worsened food insecurity, leading the Government to declare a State of Emergency in May. About 1.4 million people face high levels of acute food insecurity, more than twice the number estimated in mid-2023.

A favorable cycle for Southern African Customs Union (SACU) revenues, which increased 72 percent, continues to support external and fiscal balances, with the fiscal deficit narrowing to 3.6 percent of GDP in FY2023/24. The SACU revenue windfall was absorbed into higher expenditure. The public debt ratio declined to 69 percent of GDP, helped by robust GDP growth, but remains high relative to the peer country average.

Lower diamond sales and FDI-related imports caused the current account deficit to widen to 19.4 percent of GDP in 2024Q1. FDI inflows helped finance the deficit.

Monetary policy remained broadly aligned with the South African Reserve Bank's restrictive stance although the Bank of Namibia lowered its policy rate by 25 basis points in August, signaling the start of an easing cycle. Headline inflation slowed to 4.9 percent in 2024H1 from 6.5 percent in 2023H1.

Outlook

Growth is expected to slow to 3.1 percent in 2024 before increasing over the medium term. Slower growth in 2024 is driven by weaker export demand, the impact of drought, tight monetary conditions, and base effects. Through 2025-2026, investment growth is projected to remain firm with significant upside potential. Household spending growth is expected to increase, supported by lower inflation and monetary policy easing. Headline inflation is expected to stabilize around 4.5 percent in the medium term. In the context of an uneven recovery and drought, which has affected the well-being of subsistence farmers, poverty is expected to remain high at 17.2 percent in 2024 based on the $2.15 per day international poverty line.

The increase in government expenditure is expected to be limited in 2025, including in the public wage bill. However, due to the anticipated decline in SACU revenues, the fiscal deficit is expected to reach 4.9 percent of GDP in FY2025/26. The public debt ratio is projected to decline given steady economic growth and the Government's plan to pay off at least two-thirds of the $750 million Eurobond maturing in October 2025 using savings from its sinking fund.

The risks to the economic outlook are balanced. The FDI outlook is favorable but with a high degree of uncertainty around the timing and implementation of large-scale industry projects, including the $10 billion Hyphen green hydrogen project and the development of offshore oil fields which have not reached FID. These investments could be transformational, bringing substantial revenues to finance infrastructure and education. Downside risks stem from climate shocks, challenges in the diamond sector, and global geopolitical tensions which would impact exports negatively. Lack of fiscal discipline could undermine efforts to continue to reduce the high public debt-to-GDP ratio and high-interest payments. Given the expected fall in SACU revenues, containing public expenditure remains a priority.

TABLE 2 **Namibia** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	3.6	5.3	4.2	3.1	3.7	3.9
Private consumption	14.6	9.5	4.7	5.2	5.5	5.6
Government consumption	1.3	0.6	1.0	1.4	0.7	0.5
Gross fixed capital investment	18.0	10.0	69.3	10.3	10.7	11.1
Exports, goods and services	-2.1	22.9	14.1	1.2	4.6	4.8
Imports, goods and services	20.2	23.0	22.7	6.1	7.5	7.5
Real GDP growth, at constant factor prices	1.5	4.6	4.0	3.1	3.7	3.9
Agriculture	1.6	1.7	-3.4	-1.9	1.1	2.0
Industry	0.5	11.3	9.2	4.7	5.5	6.0
Services	1.9	2.2	2.7	3.0	3.1	3.1
Inflation (consumer price index)	3.6	6.1	5.9	4.6	4.5	4.5
Current account balance (% of GDP)	-11.4	-12.9	-14.8	-15.1	-15.1	-14.5
Net foreign direct investment inflow (% of GDP)	6.7	8.4	21.2	10.5	10.9	11.0
Fiscal balance (% of GDP)	-8.5	-5.3	-3.6	-4.3	-4.9	-4.6
Revenues (% of GDP)	29.6	30.3	34.8	34.6	31.6	30.4
Debt (% of GDP)[a]	72.7	70.5	70.1	69.0	68.1	66.8
Primary balance (% of GDP)	-3.9	-0.8	1.8	0.9	-0.1	0.1
International poverty rate ($2.15 in 2017 PPP)[b,c]	19.7	18.6	17.8	17.2	16.9	16.5
Lower middle-income poverty rate ($3.65 in 2017 PPP)[b,c]	38.0	36.8	36.0	35.6	35.0	34.5
Upper middle-income poverty rate ($6.85 in 2017 PPP)[b,c]	62.3	61.1	60.1	59.7	59.0	58.4
GHG emissions growth (mtCO2e)	1.9	2.6	1.0	2.7	3.3	3.5
Energy related GHG emissions (% of total)	14.8	15.0	15.6	15.8	16.0	16.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Refers to Public and Publicly Guaranteed debt.
b/ Calculations based on 2015-NHIES. Actual data: 2015. Nowcast: 2016-2023. Forecasts are from 2024 to 2026.
c/ Projection using neutral distribution (2015) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

NIGER

Table 1	2023
Population, million	27.2
GDP, current US$ billion	16.7
GDP per capita, current US$	613.9
International poverty rate ($2.15)[a]	50.6
Lower middle-income poverty rate ($3.65)[a]	83.1
Upper middle-income poverty rate ($6.85)[a]	96.3
Gini index[a]	32.9
School enrollment, primary (% gross)[b]	65.0
Life expectancy at birth, years[b]	62.1
Total GHG emissions (mtCO2e)	52.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ Most recent WDI value (2022).

Growth in 2024 is expected to recover to 5.7 percent (1.8 percent per capita) with the sanctions lifted in February 2024 and resumption of financing. However, the expected boost from oil exports has been dampened by the trade dispute with Benin, which has also pushed up food prices. The outlook is subject to downside risks, including a prolonged trade dispute, impacts of the Economic Community of West African States (ECOWAS) withdrawal, climate shocks, and worsening insecurity.

Key conditions and challenges

Niger's economy is agriculture dependent and vulnerable to climate shocks. With low productivity and high population growth, around half of the population lives in extreme poverty, aggravated by gender disparities and weak human capital development.

Niger's relative stability in the Sahel had led to a significant increase in international development assistance and investment. This changed with the military coup on July 26, 2023, which led to ECOWAS and WAEMU economic sanctions, border closures lasting nearly 7 months, and a pause in development assistance. On January 28, 2024, in a joint communiqué, Burkina Faso, Mali and Niger announced their 'immediate' withdrawal from ECOWAS. The three countries remain members of WAEMU. Subsequently, on July 6, 2024, the three countries signed the Treaty establishing the Confederation of Sahel States. These events have heightened political and policy uncertainty.

With the completion of the Niger-Benin pipeline, oil production was expected to rise from 15,000 to 107,000 barrels/day by 2024, increasing the importance of oil in exports, revenues, and GDP, and providing revenues to Benin. The land border with Benin remains closed as of mid-September, with Nigerien authorities citing security concerns. The Beninese authorities allowed two shipments of oil to be loaded and exported to China before preventing additional shipments. In response, Nigerien authorities have shut down the pipeline and stopped oil production for exports since mid-June.

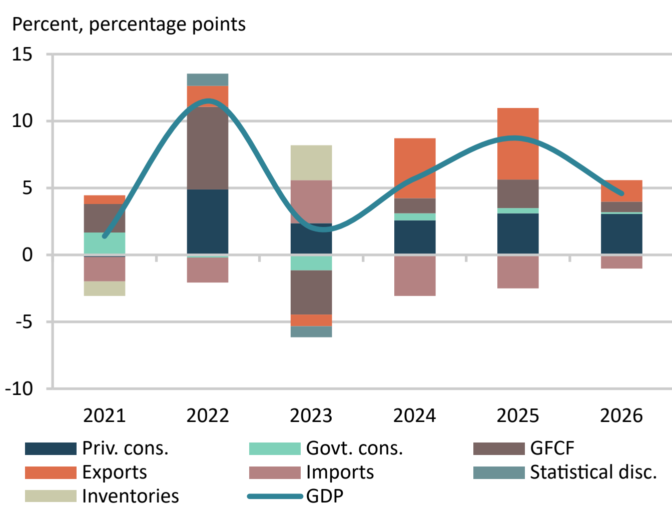
Recent developments

The political crisis in 2023 is estimated to have reduced GDP growth to 2.0 percent in 2023 (-1.7 percent per capita). Growth in 2024 is expected to recover with the sanctions lifted in February 2024 and the resumption of financing. However, the expected boost from large-scale oil exports has been dampened. Growth in 2024 is projected at 5.7 percent (1.8 percent per capita), based on an expected total oil production of 11.2 million barrels, compared to 9.1 percent growth if oil production had reached 16.6 million barrels. On the supply side, in addition to industry (oil), agriculture is expected to contribute 2.6 percentage points (pps) to growth. Exports, driven by oil, is expected to be the main driver on the demand side (+4.5 pps), followed by private consumption (+2.6 pps).

Trade disruptions due to the border closure with Benin have fueled an increase in food prices, leading the year-on-year inflation rate to rise from 1.7 percent in June 2023 to 15.5 percent in June 2024. The annual average inflation rate is expected to reach 8.5 percent.

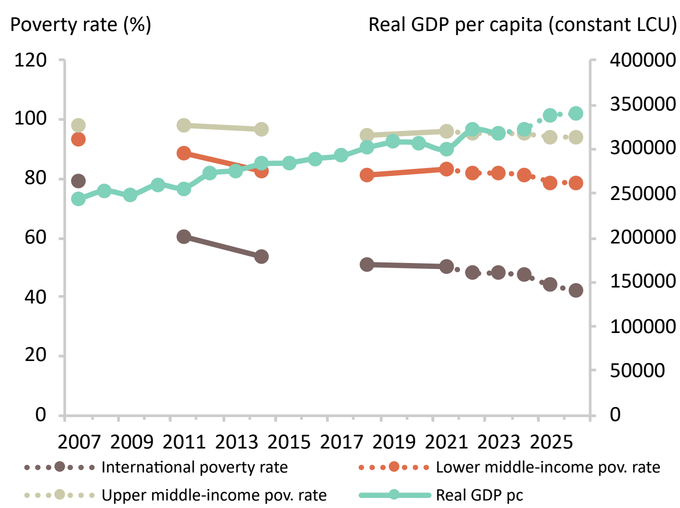
Despite higher inflation, the extreme poverty rate is projected to decrease to 47.5 percent

FIGURE 1 Niger / Real GDP growth and contributions to real GDP growth



Source: World Bank estimates.

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



Source: World Bank. Notes: see Table 2.

in 2024 due to positive agriculture growth. However, 13.1 percent of the population is facing severe food insecurity, around 300,000 people are internally displaced due to insecurity, and floods in August destroyed thousands of homes and led to hundreds of deaths.

The Central Bank of West African States (BCEAO) has kept its policy interest rates unchanged since December 2023 at 3.5 percent for liquidity calls and 5.5 percent for the marginal lending facility. The WAEMU inflation rate has been on a downward trend since peaking in 2022 but remains above the 1 to 3 percent WAEMU target, at 4.4 percent y/y in July 2024, and regional foreign exchange reserves remain low, covering only 3.5 months of import in 2024Q1.

Given lower than expected oil revenues, the fiscal deficit in 2024 is expected to remain above the WAEMU target at 4.4 percent of GDP. At the end of April 2024, the government had accumulated CFAF 701.8 billion in external and domestic/regional debt arrears. However, by the end of June, Niger had cleared CFAF 533.8 billion and resumed bond issuances on the regional market, albeit at higher rates, exceeding 9 percent for 12-month bills. The clearance was assisted by a US$400 million loan from China secured by oil exports; the pause in oil exports complicates the repayment.

Outlook

GDP growth is expected to average 6.5 percent over 2025-2026, supported by oil production and exports (scaling up in 2025) and improvements in agricultural output due to an expansion in irrigated land. This assumes the security situation doesn't deteriorate and an orderly ECOWAS withdrawal that limits negative impacts to lower trade with non-WAEMU ECOWAS states. As domestic financing is expected to remain costly, the fiscal deficit is expected to narrow and average 3.6 percent over 2025-2026, with public debt declining to 50.6 percent by 2026. The current account deficit is projected to narrow and average 4.1 percent over 2025-26 on the back of oil exports.

Inflation is projected to remain high at an average of 5.4 percent over 2025-26, partly due to higher import costs. The regional inflation rate is expected to align with WAEMU target by 2025, while regional reserves are expected to rise gradually, supported by the resumption of international bond issuances, recovering exports and monetary policy easing in the Euro Area.

Despite projected higher inflation in 2025-26, the extreme poverty rate is projected to decrease significantly to 42.5 percent by 2026, driven by the strong GDP and agriculture output growth projections. The outlook remains subject to significant downside risks, including a deterioration of the security situation, commodity price volatility and climatic shocks. An ECOWAS withdrawal that has gaps in agreements could lead to larger disruptions in the free movement of goods, services, capital, and labor and could have spillover effects onto trade in the WAEMU zone. However, if new trade opportunities are realized, these negative impacts could be mitigated. Sustained or escalated tensions between Benin and Niger could lead to higher trade costs and delay oil exports.

TABLE 2 Niger / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	1.4	11.5	2.0	5.7	8.5	4.6
Private consumption	-0.2	7.0	3.5	3.8	4.6	4.7
Government consumption	9.8	-1.2	-7.0	3.5	2.9	1.2
Gross fixed capital investment	7.7	21.1	-10.4	4.0	7.6	2.8
Exports, goods and services	6.7	14.4	-8.1	45.2	39.1	9.2
Imports, goods and services	6.9	6.5	-12.0	13.3	10.1	4.1
Real GDP growth, at constant factor prices	1.0	11.6	2.1	5.7	8.5	4.6
Agriculture	-5.1	27.0	3.1	6.5	6.8	5.2
Industry	4.1	-0.9	3.9	12.1	5.6	3.4
Services	5.4	4.9	0.1	1.1	12.2	4.5
Inflation (consumer price index)	2.9	3.9	3.7	8.5	6.7	4.2
Current account balance (% of GDP)	-7.8	-9.8	-9.3	-8.3	-3.8	-2.9
Net foreign direct investment inflow (% of GDP)	2.1	3.9	3.2	1.6	1.7	1.7
Fiscal balance (% of GDP)	-3.4	-6.8	-5.4	-4.4	-3.9	-3.2
Revenues (% of GDP)	18.2	14.9	10.5	10.9	11.4	11.1
Debt (% of GDP)	51.3	51.7	54.7	53.3	51.3	50.6
Primary balance (% of GDP)	-2.2	-5.6	-4.5	-3.8	-3.5	-2.8
International poverty rate ($2.15 in 2017 PPP)[a,b]	50.6	48.4	48.4	47.5	44.2	42.5
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	83.1	81.8	81.7	81.0	78.8	78.2
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	96.3	95.5	95.5	95.2	94.2	93.9
GHG emissions growth (mtCO2e)	5.0	5.0	4.0	4.7	5.0	4.7
Energy related GHG emissions (% of total)	7.4	8.1	7.8	8.0	8.4	8.5

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 2021-EHCVM. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.

NIGERIA

Table 1	2023
Population, million	225.5
GDP, current US$ billion	363.6
GDP per capita, current US$	1612.6
International poverty rate ($2.15)[a]	30.9
Lower middle-income poverty rate ($3.65)[a]	63.5
Upper middle-income poverty rate ($6.85)[a]	90.8
Gini index[a]	35.1
School enrollment, primary (% gross)[b]	86.7
Life expectancy at birth, years[b]	53.6
Total GHG emissions (mtCO2e)	397.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ Most recent WDI value (2022).

Nigeria has undertaken difficult but necessary reforms to turn around its development trajectory after policy missteps and multiple shocks which have deepened and broadened poverty. Positive results are beginning to show. Inflation is decreasing after reaching a peak high, the fiscal position is improving, and foreign exchange reserves have steadily grown. To maintain momentum, Nigeria must contain inflation, boost non-oil revenues, and avoid deficit monetization to support growth and fiscal stability.

Key conditions and challenges

Nigeria's economic outlook has improved due to recent macroeconomic reforms, but overcoming structural barriers is essential to drive faster and more inclusive growth. Maintaining momentum on reforms is crucial. Authorities have followed through on their commitment to stop monetizing the deficit and are implementing measures to increase non-oil tax revenues. The Central Bank of Nigeria (CBN) is maintaining a tighter monetary policy and a unified, market-driven exchange rate. Given increased poverty together with worsening food insecurity partly driven by high food inflation, the Government is rolling out temporary, targeted cash transfers aimed at supporting 15 million recipients and their families through NGN 75,000 in three tranches (directly benefiting over 67 million Nigerians).

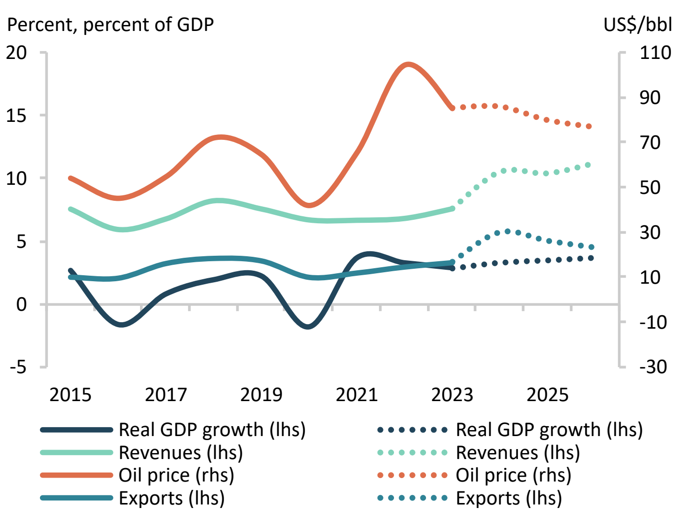
While macro stabilization is essential and currently underway, by itself it is insufficient to enable Nigeria to reach its growth potential. Sustained efforts and the establishment of a credible track record are necessary to achieve sustained progress. Economic growth has struggled to keep pace with population growth, contributing to poverty exacerbated by double-digit inflation. Measures such as monetary tightening, exchange rate flexibility, and revenue-driven fiscal adjustments are rebuilding confidence in the coherence and sustainability of policies, creating a more favorable environment for business expansion and job creation. However, for Nigeria to achieve faster and sustained progress, it must also address structural constraints that impede inclusive growth, including weak governance, poor infrastructure, limited access to electricity and connectivity, insecurity, significant trade restrictions, and poor human development outcomes.

Recent developments

Growth slowed from 3.3 percent in 2022 to 2.9 percent in 2023, due to weak crude oil production, policy missteps including currency demonetization in Q1-2023, and spillovers from 2022 floods. In H1-2024 growth was modest at 2.9 percent. Services, especially financial and telecommunications, continue to drive growth. The oil sector also contributed to growth although production remains significantly below potential.

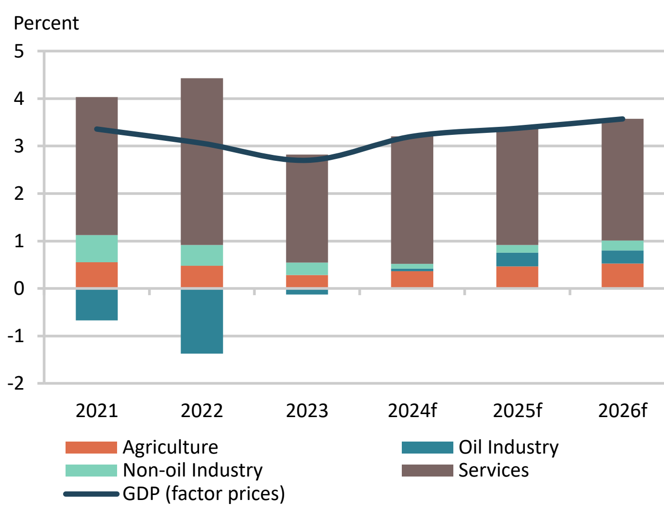
With rising inflation, the CBN raised the monetary policy rate by 850 basis points between February and September 2024, increased the cash reserve ratio from 32.5 to 50 percent, conducted open market operations, and halted deficit financing. Year-on-year inflation thus declined from 33.4 percent in July 2024 to 32.15 percent in August. However, labor incomes have not kept pace, pushing an additional 14 million Nigerians into poverty in 2024. An estimated 47 percent of Nigerians now live in poverty (or below the international poverty line of US$2.15 2017 PPP).

FIGURE 1 Nigeria / Oil price, exports, government revenues, and real GDP growth



Sources: Nigerian National Bureau of Statistics, WDI, and World Bank.

FIGURE 2 Nigeria / Real GDP growth and sectoral contributions to real GDP growth



Sources: Nigerian National Bureau of Statistics and World Bank.

The Federal Government's fiscal deficit narrowed from 6.2 percent of GDP in H1-2023 to 4.4 percent in H1-2024 driven by higher non-oil revenues due to the removal of implicit foreign exchange subsidies and reforms enhancing revenue transparency and accountability from Government Owned Enterprises and Ministries, Departments and Agencies. Revenue growth was accompanied by restrained expenditures. Despite this, public and publicly guaranteed debt is projected to rise from 49 percent of GDP in 2023 to 51 percent in 2024 due to FX unification which affects external debt valuation. However, public debt levels remain sustainable, though susceptible to shocks.

The current account surplus increased to 1.7 percent of GDP in 2023 and rose to 5.8 percent in Q1-2024 due to lower petroleum and non-petroleum products imports. Financial account balance improved in 2023 and may further increase in 2024, driven by stronger foreign direct and portfolio investments. Gross reserves increased from US$32.9 bn end-2023 to US$36.3 bn in August 2024.

Outlook

GDP growth is expected to increase to 3.7 percent by 2026 with a 2.1 percent population growth, highlighting the need for significantly higher per capita growth to boost living standards. Agricultural output is estimated to steadily pick up. Oil production should increase towards year-end. Non-oil industrial sector may experience modest yet steady growth, with ongoing structural challenges. Growth is estimated to be driven by services. Despite the September petrol hike, disinflation is projected in coming years averaging 18.1 percent in 2026 due to monetary tightening. Consequently, poverty is estimated at 52 percent in 2026. Reforms to protect the poorest against inflation and boost livelihoods through more productive work are key for Nigerians to escape poverty. A tight monetary stance while avoiding reliance on ways and means remains crucial for moderating inflation.

A positive fiscal outlook is anticipated if the government implements its ambitious tax reforms, controls inefficient expenditures, and adopts a plan to gradually phase out the implicit gasoline subsidy. This also relies on avoiding a return to multiple exchange rate regimes and sector-specific implicit subsidies. The fiscal deficit is estimated to narrow to 3.7 percent of GDP in 2026 with an improved debt trajectory.

A current account surplus is projected at 3.0 percent in 2026. While oil export revenues are anticipated to decline due to lower global prices and pledged crude oil obligations, rising non-oil exports from a more competitive exchange rate and reduced oil imports from increased domestic refining, are expected to partially offset this. Remittances are projected to return to their 2020 levels, helped by the unified, market-reflective FX rate.

A slower-than-expected disinflation could worsen food insecurity, while adverse weather may reduce agricultural output, increase food prices, and exacerbate poverty. Increasing non-oil revenues and safeguarding oil revenues is important. Avoiding deficit monetization will help rebuild confidence, manage inflation, and reduce borrowing costs.

TABLE 2 Nigeria / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	3.6	3.3	2.9	3.3	3.5	3.7
Real GDP growth, at constant factor prices	3.4	3.1	2.7	3.3	3.4	3.6
Agriculture	2.1	1.9	1.1	1.5	1.9	2.2
Industry	-0.5	-4.6	0.7	0.9	2.5	2.7
Services	5.6	6.7	4.2	4.9	4.4	4.5
Inflation (consumer price index)	17.0	18.8	24.7	31.7	23.5	18.1
Current account balance (% of GDP)	-0.8	0.7	1.7	4.5	3.6	3.0
Net foreign direct investment inflow (% of GDP)	-1.2	0.1	-0.6	-1.2	-1.2	-1.0
Fiscal balance (% of GDP)	-6.6	-4.6	-5.3	-4.3	-4.5	-3.7
Revenues (% of GDP)	6.7	6.8	7.6	10.5	10.3	11.2
Debt (% of GDP)	38.8	40.3	49.1	51.1	49.9	48.6
Primary balance (% of GDP)	-3.9	-1.6	-1.8	-0.3	-0.6	-0.2
International poverty rate ($2.15 in 2017 PPP)[a,b]	35.6	37.1	41.4	47.2	50.7	52.5
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	67.2	68.7	72.1	76.2	78.2	79.0
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	91.1	92.0	92.8	94.0	94.5	94.4
GHG emissions growth (mtCO2e)	1.4	2.1	2.2	3.2	2.2	2.9
Energy related GHG emissions (% of total)	37.5	38.3	38.6	39.3	39.5	40.0

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 2018-LSS. Actual data: 2018. Nowcast: 2019-2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.

RWANDA

Table 1	2023
Population, million	14.1
GDP, current US$ billion	13.7
GDP per capita, current US$	974.4
International poverty rate ($2.15)[a]	52.0
Lower middle-income poverty rate ($3.65)[a]	78.0
Upper middle-income poverty rate ($6.85)[a]	92.2
Gini index[a]	43.7
School enrollment, primary (% gross)[b]	134.9
Life expectancy at birth, years[b]	67.1
Total GHG emissions (mtCO2e)	8.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2016), 2017 PPPs.
b/ Most recent WDI value (2022).

Rwanda's strong economic momentum continued in 2024 with 9.7 percent growth in the first quarter—led by services, manufacturing, and food production. Inflationary pressures have eased due to improvements in domestic food production, and lower commodity prices, and the tight monetary policy stance by the central bank. Real GDP growth is projected at 7.7 percent on average in 2024–2025. Poverty is projected to decrease by 1.4 pp between 2024 and 2026 driven by solid growth in private consumption.

Key conditions and challenges

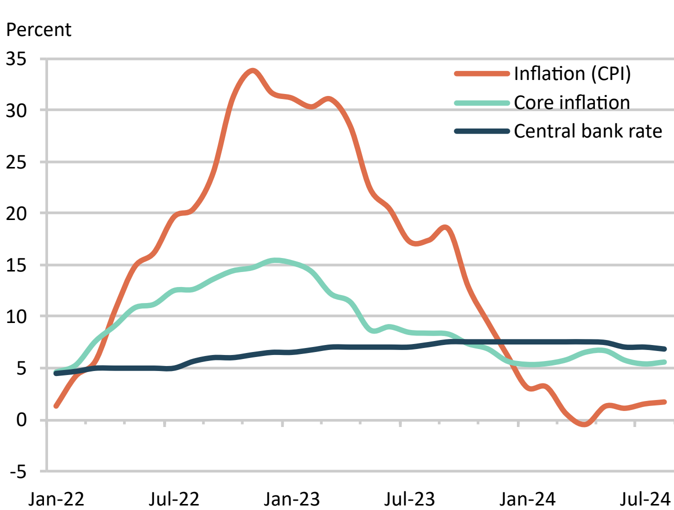
From 2009 to 2019, Rwanda's GDP per capita increased at a rate of 4.5 percent per year, surpassed only by Ethiopia among Sub-Saharan African (SSA) economies. Rwanda has also achieved substantial gains in educational attainment, health services delivery, and access to basic services. However, the economy faces major constraints. The heavy emphasis on public investment has neither generated sufficient jobs nor resulted in rapid gains in productivity. The Human Capital Index (HCI) places Rwanda 160th out of 174 countries. The highest food inflation in 15 years (63 percent in March 2023) triggered by insufficient rainfall, likely affected poor households and highlighted the importance of increasing productivity in agriculture to improve incomes of rural households and food availability and security for the country. Moving Rwanda to the next stage of development will require greater reliance on private sector investment to enhance economic activity, raise incomes, and provide the financing needed to address infrastructure shortfalls, and to increase the responsiveness of poverty to economic growth. Critical areas to enable rapid private sector development, include enhancing competition, building firms' capabilities, increasing access to finance, fostering development and diffusion of information and communication technologies, and innovation.

Recent developments

After averaging 8.2 percent in 2022-2023, real GDP increased by 9.7 percent in the first quarter of 2024, driven by robust private consumption—reflecting the creation of more than half a million jobs, year-on-year (y-o-y)—and strong investment. On the supply side, growth was driven by the continued expansion in services and industry in 2023 and the recovery in food production in early 2024.

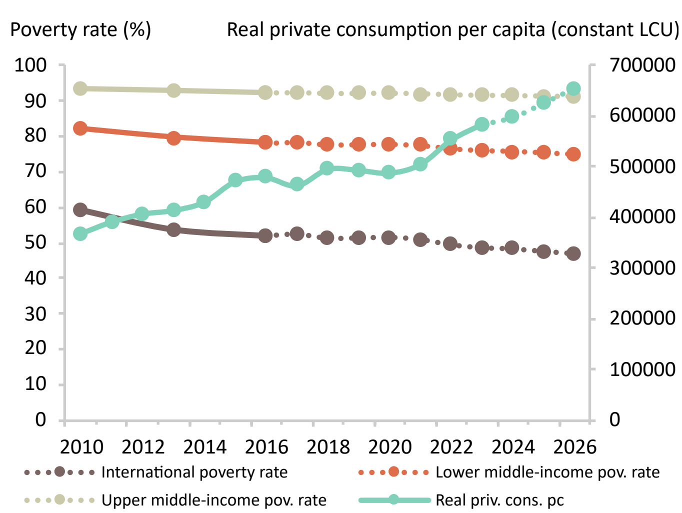
The National Bank of Rwanda's (NBR) tighter monetary stance, along with improvements in domestic food production and lower commodity prices, have contained inflationary pressures. NBR hiked the policy rate by 50 basis points in August 2023 to 7.5 percent (Figure 1). Inflation fell to 5.0 percent year-on-year in August 2024 from the peak of 22.7 percent in November 2022. Food and non-alcoholic beverages inflation is at 1.6 percent (y-o-y) in August 2024. Lower food inflation eased the pressure on household budgets, especially the poor. The franc depreciated against the U.S. dollar by about 18 percent in 2023. Fearing the inflationary effect of this depreciation, the NBR has doubled its dollar sales to commercial banks to US$10 million per week from US$5 million. In Dec. 2023, official foreign reserves were 6 percent higher than in Dec. 2022 due to the disbursements of the World Bank's development policy financing (US$125 million) and IMF's program (US$138.8 million). International reserves remained adequate at about 4.1 months of

FIGURE 1 Rwanda / Headline and core inflation and central bank rate



Sources: National Institute of Statistics of Rwanda and National Bank of Rwanda.

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



Source: World Bank. Notes: see Table 2.

imports at end-2023, despite the widening current account deficit.

The FY24 (July 1, 2023-June 30, 2024) budget envisages a temporary fiscal expansion to cushion the effects of recent floods. Reconstruction spending is estimated at around 3 percent of GDP over the next five years, of which two-thirds will be disbursed in FY24–FY25. The resulting creation of jobs in construction is expected to benefit lower-income households. Despite this, the government remains committed to fiscal prudence through improved domestic revenue mobilization, spending rationalization, and increased transparency and efficiency. Relying largely on concessional loans to finance the deficit, Rwanda's public debt is sustainable despite increases in the stock to an estimated 71.6 percent of GDP in 2023. Poverty is projected to stand at 48.4 percent in 2024.

Outlook

GDP is projected to grow at 7.7 percent on average in 2024–26, driven by strong private investment and favorable agricultural conditions. After weak performance in the last two years, agriculture is expected to rebound due to favorable weather. The Manufacture and Build to Recover Program will support growth in construction and manufacturing activities. Continued growth in global tourism demand will support the services sector. Driven by average growth in private consumption of 3.8 percent a year in 2024-2026, poverty is projected to decline to 47.0 percent in 2026.

The current account deficit is projected to remain large in 2024 due to increased imports required for the post-flood reconstruction and for the large airport construction project. Sustained strong foreign direct investment inflows and concessional financing will cover external financing needs. Inflation is expected to gradually return within NBR's medium-term inflation rate target of 5 percent with symmetric boundaries of ± 3.

The government is committed to prudent fiscal management. In the FY24–FY26 budget framework, the government projects spending cuts largely through streamlining and gradually reducing subsidies particularly those related to energy and fuel. It is critical to reduce electricity subsidies in a way that keeps electricity affordable for low-income households. The authorities are also planning to strengthen the oversight, governance, and risk management of state-owned enterprises. The government also intends to improve revenue administration and cut tax rates while broadening the tax base through measures in the Medium-Term Revenue Strategy. Under this baseline, public debt would peak at 76 percent of GDP in 2024 before gradually improving over the medium term.

The outlook is subject to substantial downside risks. An intensification of the conflict in the Middle East could lead to further disruptions to the global economy, thus affecting Rwanda through a reduced global demand for its exports. Limited access to concessional resources and lower external demand fueled by monetary tightening in advanced economies pose further downside risks. The main risk on the domestic front is linked to the increasing frequency of weather and climate shocks, which could disrupt agricultural output, again negatively affecting incomes and food security for rural households, and reigniting inflationary pressures on food.

TABLE 2 Rwanda / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	10.9	8.2	8.2	7.6	7.8	7.5
Private consumption	6.0	12.1	8.0	4.5	6.8	6.8
Government consumption	13.7	10.6	3.1	14.6	10.1	8.1
Gross fixed capital investment	9.6	-12.6	4.5	15.0	10.7	7.2
Exports, goods and services	2.4	29.4	25.8	13.1	11.2	11.2
Imports, goods and services	2.7	17.9	14.4	12.6	10.9	8.9
Real GDP growth, at constant factor prices	10.6	7.8	8.6	7.6	7.8	7.5
Agriculture	6.4	1.6	1.7	6.6	5.5	5.4
Industry	13.3	5.0	10.2	9.5	9.3	9.0
Services	11.9	12.2	11.2	7.3	8.3	7.9
Inflation (consumer price index)	1.1	12.1	15.4	6.8	5.0	5.0
Current account balance (% of GDP)	-11.1	-9.7	-11.9	-11.3	-10.1	-10.2
Net foreign direct investment inflow (% of GDP)	2.1	2.4	3.3	3.9	4.4	4.5
Fiscal balance (% of GDP)	-8.4	-6.3	-5.2	-5.2	-5.2	-5.2
Revenues (% of GDP)	25.9	24.5	22.8	22.8	22.8	22.8
Debt (% of GDP)	74.4	69.9	73.0	76.0	75.1	72.0
Primary balance (% of GDP)	-6.4	-4.2	-3.0	-3.0	-3.0	-3.0
International poverty rate ($2.15 in 2017 PPP)[a,b]	51.1	49.6	48.7	48.4	47.7	47.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	77.5	76.5	76.0	75.8	75.3	74.9
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	92.0	91.7	91.6	91.5	91.4	91.2
GHG emissions growth (mtCO2e)	5.3	2.1	1.5	4.1	3.9	4.2
Energy related GHG emissions (% of total)	29.1	28.3	27.5	28.6	28.9	29.2

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 2010-EICV-III and 2016-EICV-V. Actual data: 2016. Nowcast: 2017-2023. Forecasts are from 2024 to 2026.
b/ Projection using average elasticity (2010-2016) with pass-through = 0.25 based on private consumption per capita in constant LCU.

SÃO TOMÉ AND PRÍNCIPE

Table 1	2023
Population, million	0.2
GDP, current US$ billion	0.7
GDP per capita, current US$	2949.4
International poverty rate ($2.15)[a]	15.7
Lower middle-income poverty rate ($3.65)[a]	45.0
Upper middle-income poverty rate ($6.85)[a]	79.7
Gini index[a]	40.7
School enrollment, primary (% gross)[b]	109.6
Life expectancy at birth, years[b]	68.8
Total GHG emissions (mtCO2e)	0.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2017), 2017 PPPs.
b/ Most recent WDI value (2022).

Growth recovery has been modest since 2022, constrained by low energy supply, and declining external financing. It is projected at 1.1 percent in 2024 and to gradually improve in the medium-term supported by tourism, agriculture, and renewed external financing. In 2024, the poverty rate is estimated at 15.7 percent, indicating stagnation in poverty reduction efforts. Risks result from lower external financing, slow energy reforms, and climate shocks.

Key conditions and challenges

São Tomé and Príncipe (STP) is a small two-island state located in the Gulf of Guinea off the coast of Central Africa. The country is home to a vast untapped natural wealth, including beaches, rainforests, and a biodiversity that offers unique opportunities for growth. These, however, are hampered by structural challenges typical of small island states, such as limited institutional capacity, lack of productive diversification, high import dependence, low economies of scale, and high vulnerability to climate shocks.

Economic growth has been primarily driven by an unsustainable public investment growth model financed through official development assistance, in the form of concessional loans and grants. Meanwhile, the private sector remains weak, mainly concentrated in tourism activities and agricultural exports, including cocoa, palm oil, and coffee. The decline and volatility of external financing have further slowed down economic growth. Persistent energy shortages, climate shocks, and the high volatility of fuel and food prices—triggered by global geopolitical turmoil—also hamper growth.

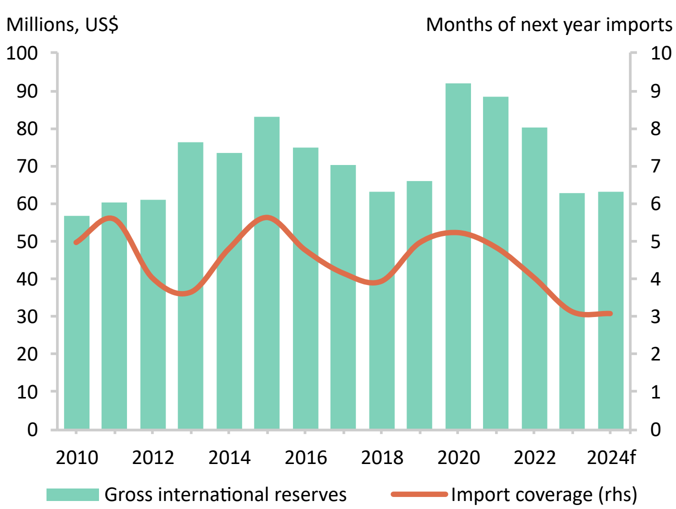
Weak GDP per capita gains in recent years combined with limited job opportunities, hindered poverty reduction, and exacerbated the vulnerability of the poorest. A defining characteristic of poverty in STP is the limited access to education, basic services, and social protection, which exacerbates economic and climate-related shocks. As a result, the poorest bear the brunt of these shocks amid rising living costs and struggle to meet their daily needs.

STP's energy sector has been a key constraint to growth and a source of fiscal and debt vulnerabilities, as approximately 97 percent of electricity generation relies on expensive fuel imports. Following the loss of a preferential credit purchase arrangement with Angola, STP faced an unprecedented energy crisis in 2023, which paralyzed economic activity for several weeks. Contingent liabilities related to the energy SOE's debt are estimated at around 31.1 percent of GDP.

Recent developments

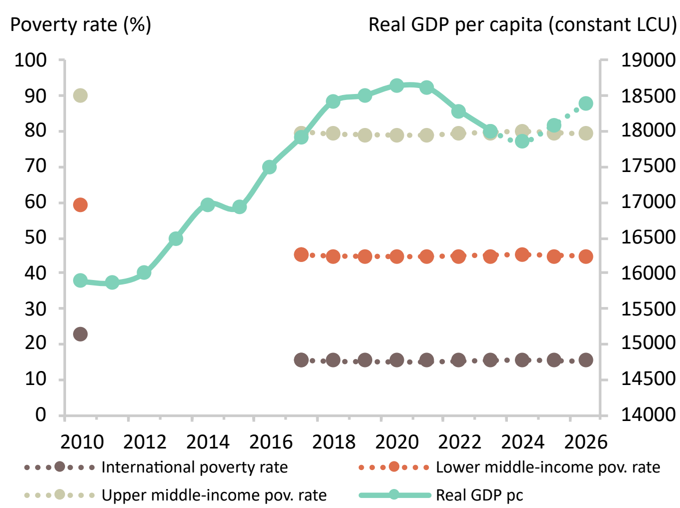
In the first half of 2024, real GDP growth is estimated to have slightly improved relative to 2023 as electricity supply improved and the tourism sector recovered. Tourism services exports increased by 44 percent in the first quarter (Q1) year-on-year. However, lower external financing than projected in the budget weighed negatively on economic activity, and escalating living costs led to strikes for higher wages in several sectors. The largest palm oil producer faced a paralyzing two-month strike in Q1, negatively impacting exports—palm oil accounts for about 29 percent of merchandise exports. In addition, the education sector was paralyzed for 38 days, adversely affecting approximately 80,000 children.

FIGURE 1 São Tomé and Príncipe / Gross international reserves



Sources: São Tomé and Príncipe authorities' data; IMF and World Bank staff estimates.

FIGURE 2 São Tomé and Príncipe / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

Inflationary pressures have started to slow down from Q2, as the Central Bank tightened liquidity conditions. As a result, inflation declined from a peak of 19.2 percent year-on-year (y-o-y) in April 2024 to 12.2 percent y-o-y in July, and the monetary base contracted by 7.2 percent from January to July. The fiscal position remained constrained, especially due to low external grants and high-fuel-related imports. Despite a slight improvement in the current account deficit (CAD) in Q1, international reserves continued to decline to finance energy imports, putting at risk the country's fragile macroeconomic situation and its capacity to import. Credit to the private sector remained low in the first half of 2024, following a strong contraction in 2023.

The labor market remained depressed, with the unemployment rate estimated at 14.2 percent in 2023, affecting women and youth the most, and STP suffers from rising levels of emigration. Adverse macrofiscal conditions coupled with high inflation continued to affect the livelihoods of the poorest, straining households' purchasing power. Approximately 15.7 percent of the population is projected to be living on less than US$2.15/day in 2024, indicating persistent poverty challenges.

Outlook

Real GDP growth is projected to gradually increase in the medium term, reaching 3.6 percent by 2026. This outlook is expected to be driven by the implementation of energy reforms to enhance energy efficiency, which in turn, should help strengthen tourism and other economic activities, and by agricultural exports. Externally funded investments, such as the rehabilitation of the main coastal road, improving coastal areas, and upgrading fishing vessels will also support growth. However, increasing emigration will continue to drain labor and skills away from the primary and tertiary sectors, thereby limiting stronger economic growth.

Inflation is projected to gradually decline to 7.5 percent by 2026, thanks to tighter monetary policy, fiscal consolidation, and declining global commodity prices. The anticipated fiscal consolidation, along with the full impact of VAT implementation, is expected to improve STP's fiscal position in the medium term. Public debt is also expected to moderately decrease. However, the lack of fiscal space could limit short-term social spending and constrain immediate poverty alleviation efforts.

The CAD is projected to decline to 7.2 percent of GDP in 2024, and 5.5 percent in 2026, supported the implementation of expected energy reforms and subsequent decline in fuel demand, a stronger tourism sector, and fiscal consolidation. International reserves remain weak, covering 2.8 months of prospective imports, but are projected to improve in the medium term with the resumption of external financing and the implementation of energy reforms.

Nonetheless, limited progress is expected in terms of poverty alleviation, with the poverty rate projected to decrease only slightly to 15.5 percent by 2026.

Risks to the outlook include postponed external financing disbursements, slow implementation of energy reforms, and climate shocks.

TABLE 2 São Tomé and Príncipe / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	1.9	0.2	0.4	1.1	3.3	3.6
Real GDP growth, at constant factor prices	2.6	1.2	-1.1	1.1	3.3	3.6
Agriculture	-0.3	-13.6	-12.4	-9.5	-7.6	3.4
Industry	-6.4	6.4	-7.0	3.3	9.5	4.9
Services	5.0	1.5	1.1	1.5	2.7	3.3
Inflation (consumer price index)	8.2	18.0	21.1	16.1	12.0	7.5
Current account balance (% of GDP)	-19.2	-14.7	-12.2	-7.2	-5.9	-5.5
Net foreign direct investment inflow (% of GDP)	3.9	23.9	5.1	4.3	5.7	6.5
Fiscal balance (% of GDP)	-4.7	-4.6	0.1	-2.0	0.1	0.4
Revenues (% of GDP)	19.8	25.5	22.0	20.4	21.5	21.6
Debt (% of GDP)	77.8	68.8	49.0	43.6	38.7	35.1
Primary balance (% of GDP)	-4.5	-4.0	0.8	-0.9	1.0	1.1
International poverty rate ($2.15 in 2017 PPP)[a,b]	15.4	15.6	15.7	15.7	15.6	15.5
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	44.6	44.8	45.0	45.1	44.9	44.8
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	79.0	79.3	79.6	79.8	79.5	79.2
GHG emissions growth (mtCO2e)	1.3	0.5	0.1	-0.1	0.3	0.6
Energy related GHG emissions (% of total)	36.6	36.5	36.3	36.0	35.9	35.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Projection using point to point elasticity at regional level with pass-through = 0.7 based on GDP per capita in constant LCU.
b/ Actual data: 2017. Nowcast: 2018-2023. Forecasts are from 2024 to 2026.

SEYCHELLES

Table 1	2023
Population, million	0.1
GDP, current US$ billion	2.1
GDP per capita, current US$	17499.1
International poverty rate ($2.15)[a]	0.5
Lower middle-income poverty rate ($3.65)[a]	1.2
Upper middle-income poverty rate ($6.85)[a]	6.7
Gini index[a]	32.1
School enrollment, primary (% gross)[b]	97.6
Life expectancy at birth, years[b]	73.8
Total GHG emissions (mtCO2e)	0.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ Most recent WDI value (2022).

The economy is expected to grow by 3.7 percent in 2024, driven by tourism, telecommunications, and construction. Commitment to fiscal consolidation is expected to result in a primary surplus by enhancing revenue mobilization through new tax measures and by managing public debt to bolster economic resilience. While the nation navigates social challenges and climate risks, upcoming flight routes and the 2025 elections present both opportunities and uncertainties for sustained growth.

Key conditions and challenges

Seychelles is a small archipelagic country with 121,355 citizens and has the highest GNI per capita in Africa. The economy achieved high-income status in 2015, supported by successful macroeconomic and structural reforms and driven largely by a dynamic tourism sector. However, the island state faces intensifying vulnerabilities due to its limited economic diversification, insularity, small size, remoteness, susceptibility to climate shocks, and social challenges. A high dependence on tourism and fisheries, as well as on imports, creates vulnerability to external shocks. These shocks are transmitted through disruptions in international travel and tourism demand, fluctuations in fishing stocks, and volatility in the prices of essential goods, such as food and fuel.

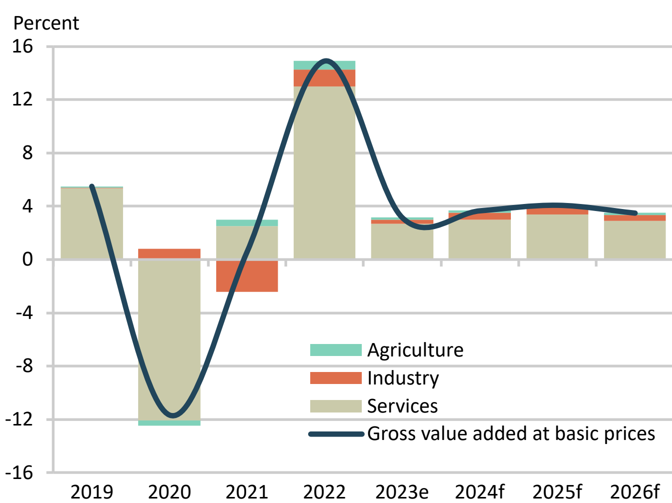
As a small island state, Seychelles is increasingly vulnerable to adverse climate effects. Most disasters are triggered by monsoon rains, floods, and landslides—as was the case in December 2023, when these hazards, combined with an explosion in an industrial zone, triggered the declaration of a state of emergency and resulted in damages estimated at 2.2 billion rupees (7.4 percent of GDP). Over $670 million (4 percent of GDP) is needed annually to address climate risks and build resilience. This requires an increase in fiscal space, through prudent public expenditure management, stronger revenue mobilization, tapping into international climate funds, and reforms to address climate risks.

While the country has an unemployment rate of 3.2 percent and has nearly eliminated extreme poverty, pockets of socioeconomic vulnerability remain, with 25.3 percent of the population classified as poor based on the national poverty line (US$267 per person/month). Growing substance abuse, teenage pregnancy, and violence against women compound these challenges and put the youth at risk, thus undermining efforts to build human capital.

Recent developments

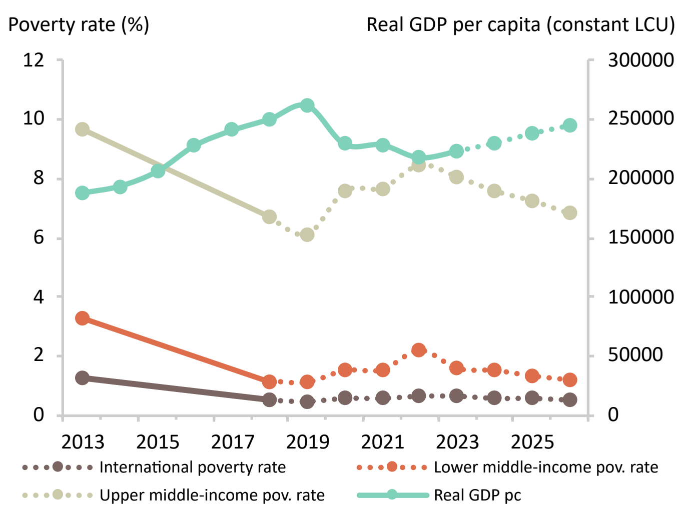
Growth is estimated at 3.2 percent in 2023, with services contributing 2.7 percentage points. Tourist arrivals increased by 5.7 percent but remained 9 percent below pre-pandemic levels. The telecommunications sector grew by 15 percent, reflecting improved service offerings. New hotel and resort projects, along with renovations, spurred a 7 percent growth in the construction sector. Earnings from tourism account for 46 percent of GDP and 42 percent of exports. However, continued reliance on imports widened the current account deficit to 7.2 percent of GDP in 2023 from 6.8 percent in 2022. Despite this, foreign reserves increased by 6.7 percent to US$682 million compared to 2022, covering 3.8 months of imports.

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



Sources: National Bureau of Statistics and World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

Public sector salaries were revised up in 2023, increasing total average earnings by 4.6 percent, compared to the 0.1 percent growth in 2022. The continued recovery in tourism contributed to an increase in annual average employment by 2.2 percent, following growth of 8.1 percent in 2022. Concurrently, households benefited from a 1 percent decline in prices in 2023, due to exchange rate appreciation. Core inflation remained negative at -0.9 percent yet headline inflation increased to 0.4 percent by mid-2024 due to utility tariff hikes and higher freight costs associated with the Red Sea crisis. Falling prices prompted the Central Bank to reduce its monetary policy rate from 2.0 percent to 1.75 percent in April 2024 to support economic growth. The more expansive monetary policy stance is expected to boost credit, which grew by 7.4 percent in 2023.

The government remains focused on enhancing fiscal resilience and debt sustainability through fiscal consolidation efforts that began in 2021. These efforts have yielded a primary surplus of 1.7 percent of GDP and an overall deficit of 1.2 percent of GDP in 2023, helping bring down public debt to 58.4 percent of GDP by the end of 2023.

Outlook

The economy is projected to grow by 3.7 percent in 2024, driven by tourism, telecommunications, and construction. New flight connections, especially between the United Arab Emirates and Madagascar through Seychelles are expected to boost tourism and trade. Reliance on imports is anticipated to result in a current account deficit of 7.3 percent of GDP in 2024, with an average of 8.4 percent over the medium term. A financial account surplus, stemming from net direct investments, is expected to help finance the current account deficit. The anticipated increase in utility tariffs and modest currency depreciation are unlikely to exert significant upward pressure on inflation, which is projected at 1.2 percent in 2024 and 2.9 percent over the medium term. Hence, the Central Bank intends to maintain an accommodative monetary policy, while closely monitoring foreign currency inflows and the valuation of the rupee. Consequently, the poverty rate at $6.85/day (upper-middle-income poverty line) is expected to be 7.6 percent in 2024, down from 8 percent in 2023.

Continued fiscal consolidation is expected to yield a primary surplus of 1.0 percent of GDP in 2024. The reduction in VAT refunds, particularly those related to hotel constructions and renovations, could increase business tax revenue, further supported by revised tax rates and improved compliance. Particularly, the tourism sustainability levy introduced in 2023 is expected to increase revenue by 0.7 percent of GDP in 2024, reflecting a full year of compliance. Additionally, amendments to the transfer pricing regulations will support revenue collection efforts.

Risks to the outlook include higher global commodity prices, external tourism shocks, and climate impacts. Upside risks include stronger tourism growth and higher public investment. However, global conflicts and competition in the tourism sector pose additional risks, alongside domestic challenges in monetary policy transmission, climate change impacts on coastal infrastructure, and risky behaviors of the youth. Political tensions ahead of the September 2025 elections could result in policy uncertainty and escalate the aforementioned risks.

TABLE 2 Seychelles / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	0.6	14.9	3.2	3.7	4.1	3.5
Private consumption	11.8	5.8	2.7	1.6	3.9	3.7
Government consumption	-1.7	-12.9	12.0	6.9	1.5	0.5
Gross fixed capital investment	-22.8	6.9	-1.7	16.6	16.7	7.9
Exports, goods and services	20.7	26.7	1.3	1.3	1.8	2.8
Imports, goods and services	19.0	8.7	2.1	2.6	3.5	3.2
Real GDP growth, at constant factor prices	0.6	14.9	3.2	3.7	4.1	3.5
Agriculture	17.8	21.0	4.7	4.6	4.6	4.6
Industry	-13.4	8.1	2.1	3.6	3.8	3.1
Services	3.2	16.0	3.3	3.6	4.1	3.5
Inflation (consumer price index)	9.8	2.7	-1.1	1.2	2.3	3.0
Current account balance (% of GDP)	-9.0	-6.8	-7.2	-7.3	-7.8	-8.4
Net foreign direct investment inflow (% of GDP)	9.4	10.9	13.2	11.0	13.1	13.4
Fiscal balance (% of GDP)	-5.8	-1.4	-1.2	-1.4	-0.9	-0.7
Revenues (% of GDP)	33.2	30.0	32.5	33.6	34.7	34.6
Debt (% of GDP)	73.6	61.1	58.4	61.0	60.6	58.2
Primary balance (% of GDP)	-2.9	0.6	1.7	1.0	1.5	1.6
International poverty rate ($2.15 in 2017 PPP)[a,b]	0.6	0.7	0.7	0.6	0.6	0.5
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	1.5	2.2	1.6	1.5	1.3	1.2
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	7.7	8.4	8.0	7.6	7.2	6.8
GHG emissions growth (mtCO2e)	2.2	7.1	6.5	6.7	6.8	6.6
Energy related GHG emissions (% of total)	77.5	78.1	78.5	78.9	79.1	79.3

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 2018-HBS. Actual data: 2018. Nowcast: 2019-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2018) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

SIERRA LEONE

Table 1	2023
Population, million	8.8
GDP, current US$ billion	6.4
GDP per capita, current US$	726.3
International poverty rate ($2.15)[a]	26.1
Lower middle-income poverty rate ($3.65)[a]	64.3
Upper middle-income poverty rate ($6.85)[a]	89.9
Gini index[a]	35.7
School enrollment, primary (% gross)[b]	151.7
Life expectancy at birth, years[b]	60.4
Total GHG emissions (mtCO2e)	10.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ Most recent WDI value (2022).

The economy continues to face significant challenges from both global and domestic sources. Despite showing resilience amid concurrent shocks, policy slippages have exacerbated macroeconomic conditions and worsened living standards. While efforts to restore stability have made modest progress, there is a clear need for more robust macroeconomic management and cohesive policies to sustain growth momentum and achieve lasting macroeconomic stability.

Key conditions and challenges

Sierra Leone continues to face significant challenges that have impeded sustained growth and structural transformation. Over the past decade, the country has experienced periods of robust growth interrupted by shocks—the twin shocks of Ebola and commodity price collapse between 2014-15, natural disasters (flooding and mudslides), the COVID-19 pandemic, and Russia's invasion of Ukraine. These shocks eroded the gains made and, together with policy missteps, caused GDP growth to slow down and worsened macroeconomic conditions. Since 2020, economic woes have sparked intermittent protests and political strife, including a contested election in June 2023 and an attempted coup in November 2023, although political calm has been reestablished.

Despite a pickup in GDP growth since 2021, the economy is facing headwinds from structural weaknesses and policy slippages. Weak domestic revenue collection, expenditure overruns, and significant losses in the electricity sector have fed high inflation (topping 50 percent in 2023) and rising borrowing costs. The risk of public debt distress remains elevated due to heightened liquidity risks from servicing both external and domestic debt. Two-thirds of the debt is external, mainly owed to multilaterals, while domestic debt, primarily in the form of one-year treasury bills, is owed to commercial banks, posing significant rollover risk. The energy sector remains a significant constraint on growth and presents a substantial fiscal risk, particularly with the increasing arrears owed to independent power producers (IPPs).

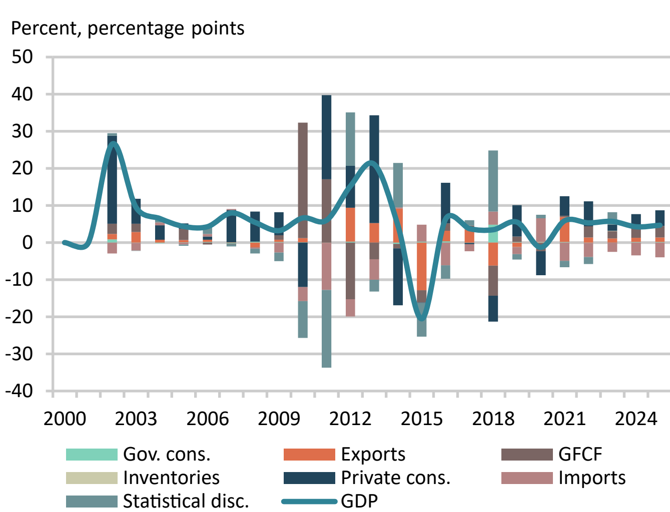
Recent developments

Growth surprised on the upside in 2023 reaching 5.7 percent, up from 5.3 percent in 2022, driven by strong industrial performance, mostly in iron ore production, which more than compensated for a slowdown in agriculture and services. Investment and exports supported growth on demand side while private consumption remained weak, adversely affected by high inflation's impact on household purchasing power.

Despite improvements in the primary deficit in 2023, domestic revenue stood at 7.4 percent of GDP, one of the lowest in the world. Overall deficit decreased only slightly—to 4.9 percent from 5.3 percent in 2022—due to higher-than-budgeted expenditures on security, clearance of arrears, and interest payments. The deficit was mainly financed domestically as revenues, despite improvement, remained low. The debt-to-GDP ratio declined from 53.5 percent to 46.2 percent, as high inflation reduced the real value of debt.

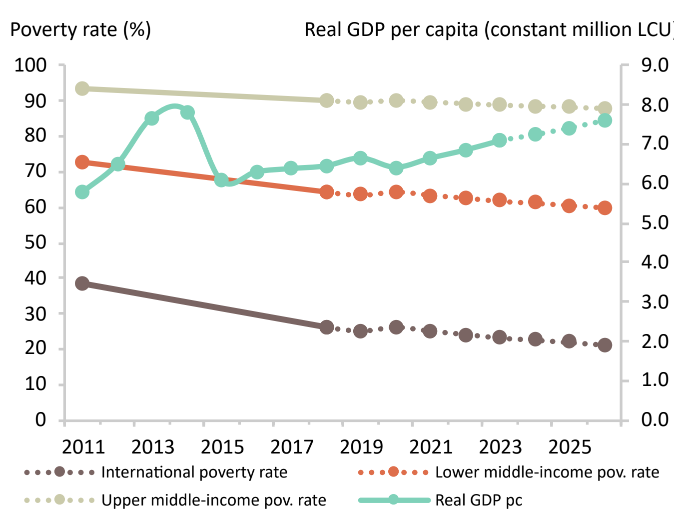
Monetary policy has been tightened to tackle inflation, which remains elevated despite moderating to 25.5 percent by

FIGURE 1 Sierra Leone / Real GDP growth and contributions to real GDP growth



Sources: Statistics Sierra Leone and World Bank.

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



Source: World Bank. Notes: see Table 2.

August 2024. The Bank of Sierra Leone's (BSL) purchase of government securities expanded base money growth, although this has slowed as the BSL unwinds these purchases. Banks remain heavily exposed to sovereign risk as government securities account for about 40 percent of bank financial assets.

Driven by strong iron ore exports and moderated import growth the current account deficit (CAD) slightly narrowed to 5 percent of GDP in 2023 from 5.4 percent in 2022. The CAD was primarily financed by foreign direct investments, but the CAD's financing overall was partial, causing international reserves to decline to 1.8 months of imports by July 2024 from 2.6 months of imports in 2023.

In 2018, the international extreme poverty rate, measured at US$2.15 per person per day (2017 PPP), was 26.1 percent. Rising food prices have likely intensified household deprivations to the point where many families are now facing hunger. Current poverty projections will be revised as they under-estimate upward pressures on poverty, by not considering the impact of inflation on purchasing power.

Outlook

Growth is projected to slow to 4.3 percent in 2024 due primarily to declining global iron ore prices impacting the mining sector, the main driver of growth. Over the medium term, growth is expected to converge to its long-run potential of 4.7 over 2025-26, underpinned by a resurgence in the service sector and improved agricultural productivity. The recovery in services will be supported by the easing of inflation which is expected to boost household consumption and enhance retail trade. The agricultural sector will be bolstered by the government's flagship 'Feed Salone' initiative to attain food self-sufficiency.

The fiscal deficit is projected at 3.2 percent of GDP in 2024 (0.5pp above target) due to incomplete implementation of all revenue measures in the 2023 and 2024 finance acts and expenditure pressure from the energy utility. In the medium term, the deficit is expected to decline to 1.3 percent of GDP by 2026 assuming the authorities remain committed to fiscal consolidation, including improvements in public financial management, cash management, and ongoing reforms in wage bill management and the energy sector. While the cost of domestic debt remains elevated, public debt is expected to decrease as a share of GDP, reaching 38.3 percent by 2026. The current account deficit is projected to narrow to 4 percent, driven by improved trade balance and increased external inflows.

While persistent inflation has eroded consumers' purchasing power, poverty projections indicate a declining trend as inflation slows. To ensure sustained poverty reduction, Sierra Leone must promote inclusive growth, strengthen social protection systems, and implement more targeted interventions, especially as demographic pressures intensify.

This outlook is subject to several downside risks. Deviation from the current consolidation effort would undermine fiscal and debt sustainability. External risks stem from global commodity prices, global demand, and higher imported inflation. Weather shocks may constrain agricultural growth and poverty reduction.

TABLE 2 Sierra Leone / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	5.9	5.3	5.7	4.3	4.7	4.7
Private consumption	5.8	7.4	1.8	4.4	4.7	4.9
Government consumption	3.2	-0.7	0.5	2.8	2.8	4.9
Gross fixed capital investment	2.4	22.2	12.8	15.3	16.8	17.8
Exports, goods and services	69.8	9.0	7.0	6.8	7.3	7.3
Imports, goods and services	24.0	15.8	9.3	12.5	13.5	14.9
Real GDP growth, at constant factor prices	5.9	5.3	5.7	4.3	4.7	4.7
Agriculture	2.2	3.0	2.4	2.4	3.0	3.0
Industry	8.0	9.9	14.4	7.0	7.1	7.1
Services	8.2	5.4	4.7	4.5	4.8	4.9
Inflation (consumer price index)	11.9	27.0	46.7	30.5	20.0	12.6
Current account balance (% of GDP)	-5.0	-5.4	-5.1	-4.3	-4.1	-4.0
Net foreign direct investment inflow (% of GDP)	4.9	4.7	3.1	5.0	6.1	8.4
Fiscal balance (% of GDP)	-3.9	-5.3	-4.9	-3.2	-2.2	-1.3
Revenues (% of GDP)	12.4	10.9	10.4	11.7	12.6	13.4
Debt (% of GDP)	48.6	53.5	46.2	43.1	41.5	38.3
Primary balance (% of GDP)	-2.2	-3.5	-2.5	-0.9	-0.2	0.4
International poverty rate ($2.15 in 2017 PPP)[a,b]	25.1	24.2	23.2	22.7	22.0	21.3
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	63.5	62.7	61.8	61.3	60.6	60.0
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	89.6	89.2	88.8	88.6	88.3	88.0
GHG emissions growth (mtCO2e)	8.1	3.2	1.6	1.6	1.7	1.8
Energy related GHG emissions (% of total)	10.7	10.4	10.3	10.3	10.4	10.3

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 2011-SLIHS and 2018-SLIHS. Actual data: 2018. Nowcast: 2019-2023. Forecasts are from 2024 to 2026.
b/ Projection using point-to-point elasticity (2011-2018) with pass-through = 0.4 based on GDP per capita in constant LCU.

SOMALIA

Table 1	**2023**
Population, million[a]	15.8
GDP, current US$ billion[b]	11.0
GDP per capita, current US$	694.6
Gini index[c]	37.0
School enrollment, primary (% net)[c]	25.0
Life expectancy at birth, years[d]	56.1
Total GHG emissions (mtCO2e)	42.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ Estimates based on 2013 population estimates by UNFPA and assume an average annual population growth of 2.8%.
b/ Somalia revised GDP series, released in June 2024.
c/ Somalia Integrated Household Budget Survey 2022 (SNBS, 2023).
d/ Most recent WDI value (2021).

Economic growth continues to accelerate, albeit at a modest pace, supported by improved agriculture production, private consumption, and exports. Real GDP growth is expected to rise to 4.4 percent in 2024, from 4.2 percent in 2023. Continued favorable rains and declining global commodity prices are contributing to further easing of inflation. Nevertheless, recurrent shocks and insecurity remain significant threats to growth prospects and sustained poverty reduction.

Key conditions and challenges

The economy continued to rebound from a severe five-season drought. Progress in state- and institution building has been further strengthening the growth environment. Further progress hinges on continued reform progress, the security situation (including international support following the end of the African Union Transition Mission), and building buffers against shocks to which Somalia is currently highly exposed. Multiple and overlapping climate-related and external shocks have interrupted the country's growth trajectory and slowed the transition from fragility. Real GDP growth averaged only 2.1 percent annually in 2019–23 with an average negative real GDP per capita growth of 0.7 percent. Growth does not generate the jobs needed to reduce poverty. As a result, poverty remains high and widespread, with recurrent shocks increasing the risk of more people falling into poverty. Somalia experienced a multitude of shocks between 2020 and 2022. These shocks more often impacted poorer households and poorer regions. Projections based on GDP per capita growth suggest that poverty increased from 71 percent in 2019 to 74 percent in 2022, based on the US$2.15/day poverty line.

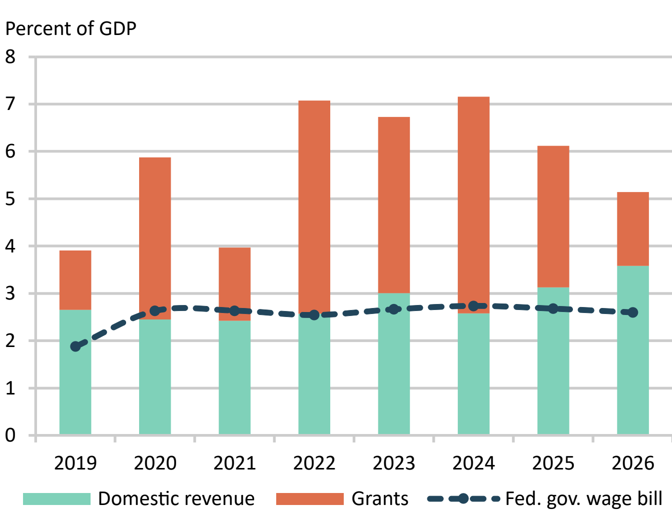
Now that Somalia has graduated from the Heavily Indebted Poor Countries (HIPC) Initiative, it will be essential for the authorities to maintain macroeconomic stability and continue policy implementation. This includes accelerating domestic revenue mobilization reforms, improving the effectiveness of spending in social sectors, containing the wage bill, efficient security spending, advancing Public Finance Management reforms, and further strengthening of debt management. Macroeconomic stability and development in Somalia rely on a sustained and substantial flow of concessional finance.

Recent developments

In 2023, sustained favorable rains improved agricultural production and led to better food security and higher private consumption. Exports recovered faster than imports, as livestock exports rebounded. Private sector credit growth contributed to strengthening investment, particularly in construction and real estate. Remittances increased significantly, bolstered by the moderation of global inflation and the uptick in economic growth in several host countries. The trade deficit is estimated to slightly narrow to 60.2 percent of GDP in 2024 compared to 62.6 percent in 2023, as livestock exports improved. Consequently, the current account deficit is estimated to narrow to 9.0 percent of GDP in 2024, from 10.8 percent in 2023.

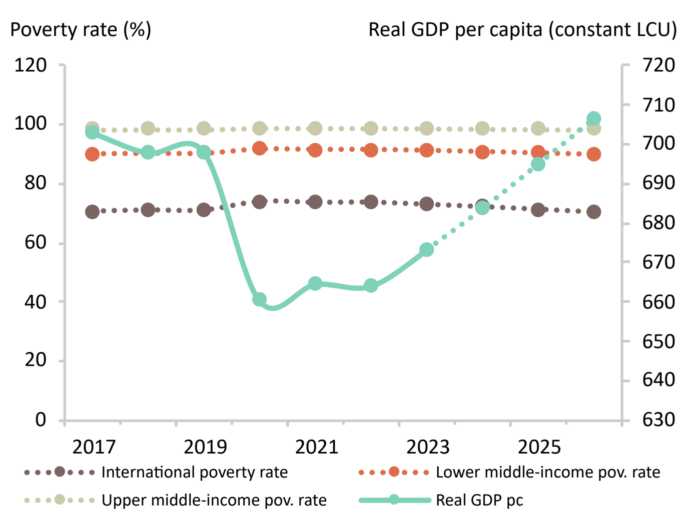
Food and fuel prices have been moderating and with them inflation, with July 2024 inflation at 5.5 percent (y-o-y) compared to 6 percent in July 2023. Annual average inflation is expected to slow down to 4.6 percent in 2024, in line with

FIGURE 1 Somalia / Federal government revenue sources and wage bill



Sources: Somalia authorities and World Bank estimates.

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



Source: World Bank. Notes: see Table 2.

the easing of global commodity prices, improved agricultural production, and the de facto dollarization of the economy. The easing of inflation together with the absence of a drought in 2023-24 is projected to make poverty revert down to 72 percent by 2024.

The fiscal surplus is estimated at 0.3 percent of GDP in 2024, supported by higher grants and prudent spending. Domestic revenue remains exceptionally low but is slowly improving due to the strengthening of customs administration, broadening of the tax base, and digitization of taxes on road use and rental income. The government's expenditures grew at a slower pace compared to revenue and were driven by an increased wage bill, and security and social services spending. With limited fiscal space, capital spending accounted for only 0.3 percent of GDP in 2024. External debt is expected to decline to 5.6 percent of GDP in 2024, down from 6.4 percent in 2023, following HIPC relief in 2023.

Outlook

Real GDP growth is expected to accelerate to 4.4 percent in 2024, from 4.2 percent in 2023, and to pick up to 4.5 percent in the medium term, as structural reforms pay off and public and private investment scale up. The outlook is also anchored on the continued recovery of the agriculture sector, which will improve household incomes, food security, and exports. Foreign direct investment is expected to trend upward in the medium term, following HIPC Completion Point. Remittances are projected to increase, bolstered by the moderation of global inflation and the upgrade of the growth outlook in several host countries. However, the outlook is subject to downside risks, including climate shocks, intensified domestic insecurity, and regional geopolitical pressures.

Inflation is expected to continue a downward trend to around 3.6 percent over the medium term as fuel and food prices slow down. The current account deficit is estimated to widen gradually owing to Somalia's dependence on major imports for consumer and investment goods as well as its limited export capacity.

Higher per capita growth, lower inflation, and increasing incomes due to improved rains are expected to reduce poverty in the medium term, albeit slowly. The reduction in poverty is expected to accelerate in 2025 and 2026, reaching a poverty rate of 70 percent in 2026, down from 72 percent in 2024. However, poverty will remain amongst the highest in Sub-Saharan Africa. Accelerating the pace of poverty reduction will require macroeconomic stability, enhanced security, and reduced conflict, and policy interventions that focus on increasing human capital, creating jobs, and strengthening climate resilience, especially for rural and nomadic livelihoods.

TABLE 2 Somalia / Macro poverty outlook indicators (percent of GDP unless indicated otherwise)[a]

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	3.5	2.7	4.2	4.4	4.5	4.5
CPI inflation (annual percentage change)	4.6	6.8	6.1	4.6	4.0	3.6
Current account balance	-7.3	-8.2	-10.8	-9.0	-11.2	-11.2
Trade balance	-50.9	-62.5	-62.6	-60.2	-57.4	-55.7
Private remittances	22.3	21.0	21.6	20.1	19.9	20.1
Official grants	18.1	26.8	21.3	23.6	19.6	17.9
Fiscal balance[b]	-0.8	-0.1	0.2	0.3	-0.2	-0.9
Domestic revenue	2.4	2.6	3.0	2.6	3.1	3.6
External grants	1.5	4.5	3.7	4.6	3.0	1.6
Total expenditure	4.8	7.2	6.6	6.9	6.3	6.0
Compensation of employees	2.6	2.5	2.7	2.7	2.7	2.6
External debt	41.4	37.5	6.4	5.6	5.8	7.0
International poverty rate ($2.15 in 2017 PPP)[c,d]	73.6	73.6	72.9	72.2	71.3	70.5
Lower middle-income poverty rate ($3.65 in 2017 PPP)[c,d]	91.6	91.6	91.3	90.9	90.5	90.0
Upper middle-income poverty rate ($6.85 in 2017 PPP)[c,d]	98.8	98.9	98.8	98.7	98.6	98.6
GHG emissions growth (mtCO2e)	-0.8	-1.1	-0.1	1.1	1.7	1.1
Energy related GHG emissions (% of total)	1.4	1.5	1.5	1.4	1.4	1.4

Source: World Bank, IMF, and FGS. Emissions data sourced from CAIT and OECD.
Notes: e = estimate; f = forecast.
a/ GDP baseline estimates 2021-23 are by Somalia National Bureau of Statistics (SNBS, June 2024).
b/ Federal Government of Somalia (FGS).
c/ Calculations based on Takamatsu et al. (2022) "Rapid Consumption Method and Poverty and Inequality Estimation in Somalia Revisited." Actual data: 2017. Nowcast: 2021–23. Forecasts are from 2024–26.
d/ Projection using neutral distribution (2017) with pass-through = 1 (High) based on GDP per capita in constant LCU.

SOUTH AFRICA

Table 1	2023
Population, million	60.4
GDP, current US$ billion	380.7
GDP per capita, current US$	6301.5
International poverty rate ($2.15)[a]	20.5
Lower middle-income poverty rate ($3.65)[a]	40.0
Upper middle-income poverty rate ($6.85)[a]	61.6
Gini index[a]	63.0
School enrollment, primary (% gross)[b]	98.1
Life expectancy at birth, years[b]	61.5
Total GHG emissions (mtCO2e)	513.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2014), 2017 PPPs.
b/ WDI for School enrollment (2021); Life expectancy (2022).

Despite the decline in power cuts since early 2024, the medium-term growth trajectory remains hampered by several supply-side structural constraints (infrastructure bottlenecks, weak business environment, low productivity). Given a large government debt burden, expenditure restraint remains critical to safeguarding fiscal sustainability. As a result of slow growth, progress on social outcomes is expected to remain limited, with the projected upper-middle-income poverty rate hovering at about 63 percent.

Key conditions and challenges

South Africa's economy expanded by an average of 0.8 percent over the period 2014-2023, below the population growth rate, leading to a decline in real income per capita to its 2007 level. A series of structural constraints on the supply side of the economy (infrastructure bottlenecks, weak business environment, low productivity) and a decline in the efficiency of fiscal policy have hindered economic growth. Higher public spending, mainly on wages, has not translated into faster economic growth while contributing to a rapid increase in public debt, which reached 74.1 percent of GDP in 2023, up from 42.8 percent a decade ago.

On the social front, access to basic services increased in the post-apartheid period, but weak state capacity has limited further progress. In the context of low economic growth, the unemployment rate (32.4 percent in 2023) and inequality (Gini index of 63) remain among the world's highest. More than 8 million people are unemployed, most for more than a year. Weak job creation has hampered poverty reduction. About 63 percent of the population is estimated to live below the $6.85 upper-middle-income threshold in 2024, corresponding to 2.2 million more poor people than in the pre-COVID-19 period.

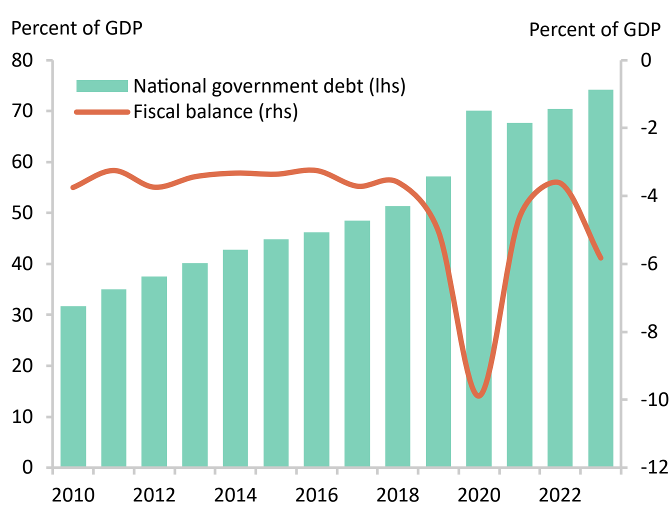
To improve economic and social outcomes, greater urgency is needed to address binding structural constraints to growth. Recent successes in the network industries, notably electricity, have demonstrated that opening markets to competition and ensuring a just transition to protect the poorest against adjustment costs could help generate faster and more inclusive growth. The 2024 general elections ushered in a shift in the political landscape with the ANC losing its parliamentary majority for the first time in the democracy era. A Government of National Unity (GNU) has been in office since June 2024.

Recent developments

Economic growth has remained modest at 0.4 percent (y/y) in the first half of 2024. While energy supply has stabilized, with no rotational load shedding since late March 2024, political uncertainty associated with the May elections affected private sector spending. GDP growth increased to 0.4 percent q/q in 2024Q2 after stagnation in the previous quarter, mainly underpinned by financial services which contributed 0.3 percentage points and smaller contributions from other sectors. On the spending side, higher household and government consumption were partly offset by weaker investment and net exports.

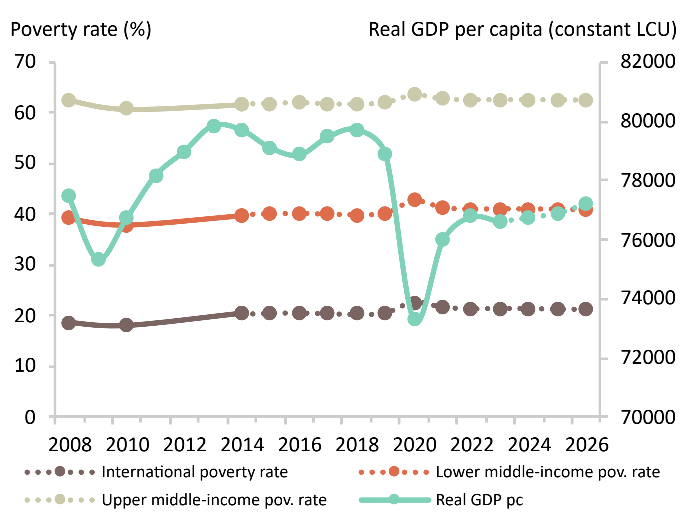
Reflecting the weak growth environment, the unemployment rate increased for a third successive quarter reaching 33.5 percent in 2024Q2 and 42.6 percent when using the expanded definition that includes discouraged workers.

FIGURE 1 South Africa / Fiscal balance and debt



Sources: National Treasury and World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

Headline inflation eased to 5.3 percent in 2024H1, down from 6.6 in 2023H1. However, the high food inflation episode of 2022-2023 represents a persistent shock to the households, as their vulnerability to hunger increased from 19 percent to 22 percent over this period. To anchor inflationary expectations, monetary policy has remained restrictive. However, the SARB reduced its policy rate by 25 basis points to 8.00 percent in September, beginning an easing cycle.

National government expenditure increased 3.7 percent y/y while revenue was up 2.7 percent in the first quarter of FY2024/25. The government has since received the first tranche payout from its GFECRA account at the SARB, amounting to 1.1 percent of GDP. This account captures FX reserve valuation gains and losses due to Rand movements, which the government will use to reduce debt. The fiscal deficit is estimated at 5.8 percent of GDP in FY2024/25, similar to the FY2023/24 level, while national government debt is estimated at 74.7 percent of GDP during this period.

Outlook

GDP growth is expected to reach 1.1 percent in 2024, before increasing to 1.5 percent in 2025 and 1.7 percent in 2026. Increased electricity supply and implementation of ongoing reforms in the transport sector are expected to boost economic activity. Household consumption is expected to rebound starting in 2025, supported by the stabilization of inflation. Headline inflation is expected to stabilize around 4.5 percent, reducing cost of living pressures and giving room for the SARB to reduce its policy rate further. Investment is projected to rebound from 2025 onwards in the context of lower interest rates and a slight increase in aggregate demand.

Progress on social outcomes is expected to remain limited given modest job creation. The poverty rate, based on the upper middle-income poverty line, is expected to remain at about 63 percent between 2024 and 2026—with the absolute number of poor increasing from 38.2 million in 2024 to 38.9 million in 2026.

The current account deficit is expected to widen in the medium term, reaching 2.8 percent of GDP by 2026, largely owing to less favorable terms of trade and stronger import growth. The deficit is expected to be financed by capital inflows.

Fiscal policy is expected to be prudent, aiming to stabilize debt by 2026. However, this will require containing expenditure pressures, including on the wage bill, support to SOEs, and new unfunded initiatives such as health insurance. The fiscal deficit is expected to widen marginally to 5.9 percent of GDP in 2025, before narrowing with the end of budgetary support for Eskom. The debt ratio is projected to reach 77.6 percent in 2026.

Risks to the outlook are significant. An uncertain pace of implementation of structural reforms, weaker trading partner growth, a sustained period of high global interest rates, and climate shocks are among the key risks. Government expenditure restraint will be critical to safeguard fiscal sustainability.

TABLE 2 South Africa / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	5.0	1.9	0.7	1.1	1.5	1.7
Private consumption	6.2	2.5	0.7	0.8	1.6	1.6
Government consumption	0.6	0.6	1.9	1.0	-0.1	-0.1
Gross fixed capital investment	-0.4	4.8	3.9	0.9	4.3	4.3
Exports, goods and services	9.7	6.8	3.7	0.6	2.8	3.0
Imports, goods and services	9.6	15.0	3.9	-1.2	3.1	3.1
Real GDP growth, at constant factor prices	4.7	1.9	0.7	1.1	1.5	1.7
Agriculture	5.6	2.0	-4.8	-2.1	2.5	2.5
Industry	6.5	-2.6	-0.4	0.0	1.2	1.8
Services	4.0	3.4	1.2	1.6	1.6	1.6
Inflation (consumer price index)	4.5	6.9	6.0	4.8	4.5	4.5
Current account balance (% of GDP)	3.7	-0.5	-1.6	-1.5	-2.6	-2.8
Net foreign direct investment inflow (% of GDP)	9.5	1.7	1.7	1.5	1.6	1.6
Fiscal balance (% of GDP)[a]	-4.6	-3.6	-5.8	-5.8	-5.9	-4.2
Revenues (% of GDP)	27.7	28.0	27.2	27.2	27.2	27.3
Debt (% of GDP)	67.6	70.5	74.1	74.7	76.8	77.6
Primary balance (% of GDP)	-0.4	0.9	-0.8	-0.6	-0.6	1.0
International poverty rate ($2.15 in 2017 PPP)[b,c]	21.7	21.5	21.5	21.5	21.4	21.4
Lower middle-income poverty rate ($3.65 in 2017 PPP)[b,c]	41.4	41.1	41.1	41.1	41.1	40.9
Upper middle-income poverty rate ($6.85 in 2017 PPP)[b,c]	62.8	62.6	62.6	62.6	62.6	62.5
GHG emissions growth (mtCO2e)	1.6	0.7	-1.5	1.3	1.6	1.7
Energy related GHG emissions (% of total)	76.7	76.7	76.2	76.2	76.2	76.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ The Eskom debt-relief arrangement is reported above the line, in expenditures.
b/ Calculations based on 2014-LCS. Actual data: 2014. Nowcast: 2015-2023. Forecasts are from 2024 to 2026.
c/ Projection using neutral distribution (2014) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

SOUTH SUDAN

Table 1	2023
Population, million	11.1
GDP, current US$ billion	4.6
GDP per capita, current US$	418.0
International poverty rate ($2.15)[a]	67.3
Lower middle-income poverty rate ($3.65)[a]	86.5
Upper middle-income poverty rate ($6.85)[a]	96.6
Gini index[a]	44.1
School enrollment, primary (% gross)[b]	81.9
Life expectancy at birth, years[b]	55.6
Total GHG emissions (mtCO2e)	68.1

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2016), 2017 PPPs.
b/ WDI for School enrollment (2021); Life expectancy (2022).

A significant drop in oil production derailed economic growth, despite better harvests. Food insecurity and extreme poverty remain high because of high inflation, climate and external shocks, declining official development assistance, structurally weak governance, inadequate service delivery, and localized conflict. The conflict in Sudan poses acute risks to macroeconomic stability, exacerbating fiscal pressures and pressing humanitarian needs. A loss of momentum in the political transition could amplify these risks.

Key conditions and challenges

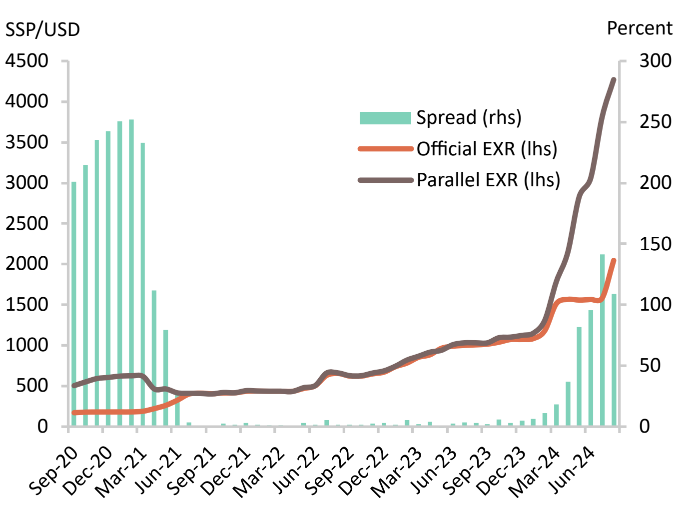
More than a decade after independence, South Sudan's development prospects remain constrained by fragility, heavy reliance on oil revenue and external financing, and limited state capacity to deliver public services. Acute humanitarian and macroeconomic challenges have been further compounded by the conflict in neighboring Sudan that has disrupted the flow of oil through pipelines in Sudan. These developments fuel a macroeconomic and fiscal crisis, given that oil accounts for nearly all exports and about 90 percent of government revenues. Fiscal capacity to counter the large decline in oil production or global oil and food price shocks remains highly constrained by severe challenges in the governance of oil sector revenues and weak fiscal discipline. Furthermore, the limited fiscal resources are used to repay non-concessional debts or flow to the security sector. South Sudan remains at high risk of both external and domestic debt distress, with a substantial downside risk on sustainability and falling into debt distress. Critical social expenditures are mainly financed by humanitarian official development assistance that is under pressure due to competing global needs. The 2018 peace agreement ended five years of civil war; however, the transition period for its full implementation has been repeatedly extended, including the recent two-year extension to February 2027.

IMF-backed reforms, beginning in 2021, fostered macroeconomic stability and revived the non-oil private sector. However, the disruption in oil production and exports undermined economic stability and reversed the gains from exchange rate reforms and higher oil prices. Extreme poverty is widespread, with more than 70 percent of the population living on less than US$2.15 per day based on projections from the most recent available data. Food insecurity is acute, affecting 9 million people (78 percent of the population), exacerbated by high food prices and floods. Additionally, 2 million people are internally displaced, while 2.1 million remain refugees in neighboring countries. The conflict in Sudan has also led to over 700 thousand Sudanese refugees and South Sudanese returnees entering the country, intensifying the humanitarian crisis. The country is highly vulnerable to climate shocks reflected in the increased severity, durations, and spread of annual floods.

Recent developments

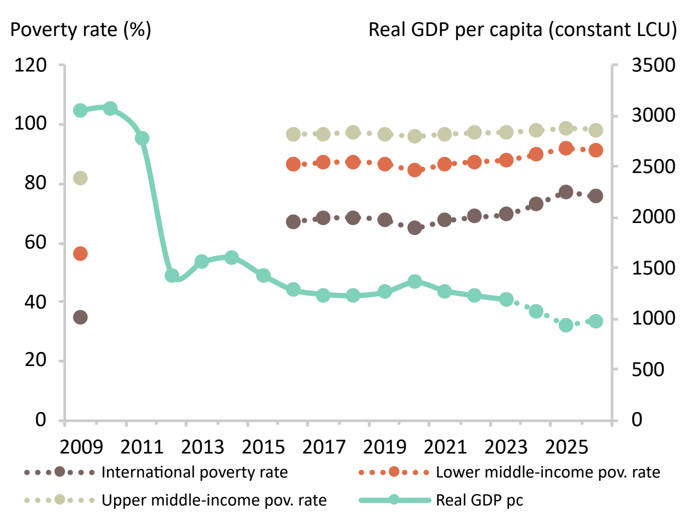
Macroeconomic conditions have significantly deteriorated over the past year with the economy contracting by an estimated 7.8 percent in FY2023/24. While the agricultural sector, mainly crop production, expanded by 1.8 percent, the non-agricultural sector has been affected by heightened political uncertainty, lower trade flows, and higher food inflation due to significant currency depreciation in recent months. The oil sector has come under

FIGURE 1 South Sudan / Exchange rate developments



Sources: Bank of South Sudan and World Bank.

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



Source: World Bank. Notes: see Table 2.

pressure following damages to the pipeline in Sudan and heightened geo-political tensions in the Red Sea. Since February 2024 oil production plunged to 50,000bpd from 150,000 previously. Moreover, Petronas International Corporation, the main operator of South Sudan's oil fields, submitted a request for arbitration to ICSID against the government of South Sudan over the takeover of its assets by the state-owned Nilepet.

Inflation soared to 107 percent in July, as the South Sudan pound depreciated, supply shortages intensified, including due to sharply lower cross border trade of essential food items mainly from Uganda, and as transport costs increased. Loss of revenue led the government to return to deficit monetization. As a result, since the beginning of 2024, the official exchange rate depreciated by 89 percent, and the premium in the parallel market widened to 75 percent.

In FY2023/24, fiscal pressures proved more significant than anticipated. Despite lower oil production in the second half of FY24, oil revenues increased by 23 percent in nominal terms while non-oil revenues rose by 91 percent, helped by an increase in custom valuation exchange rate from SSP90 to SSP300, which remains substantially low, suspension of discretionary exemptions and improved compliance, as well as due to high inflation. Preliminary fiscal outturns exceeded outlays by 36 percent, with overall spending increasing by 50 percent, mainly due to higher operational and capital expenditures. As a result, the fiscal deficit reached 3 percent of GDP. Further, the FY25 draft budget envisages a deficit amounting to 45 percent of the total expenditures, with no clear financing plans.

The current account balance deteriorated following the decline in oil export revenues, while partly cushioned by reduced imports and large net transfers, mainly humanitarian aid flows.

Outlook

Real GDP is expected to decline by 11.4 percent in FY2024/25, due to the drop in oil production and uncertainty regarding future production. The non-oil sector`s rebound is expected to be constrained by floods that disrupt agricultural production. Growth is projected to rebound to 6 percent in FY2025/26, predicated on oil output recovery and non-oil activities gradually picking up, supported by easing inflation and increased public spending. The pressure on the current account is expected to increase due to continued decline in oil revenues, higher debt-service obligations, and a decline in international aid.

Putting the economy on a sustainable growth path requires the full implementation of the 2018 peace accord and the organization of fair and transparent elections. Currently, the transitional period is extended to February 2027, and elections are postponed to December 2026. Meanwhile, ensuring budget credibility and disciplined execution, refraining from monetization of fiscal deficit, are critical to restoring macroeconomic stability, improving governance, and fostering inclusive growth.

Extreme poverty is expected to remain high at over 70 percent in the medium term as real growth prospects are limited in the short-term. This underscores the urgency of fiscal and public financial management reforms to generate budgetary resources to increase social expenditures. While digital solutions to modernize tax administration, efforts to expand the tax base and to strengthen the management and transparency of oil revenues could help, fiscal pressures are expected to remain substantial given sizable debt-service obligations, the need to clear legacy arrears, and increase social and humanitarian expenditures.

TABLE 2 **South Sudan** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	-5.1	-2.3	-1.3	-7.8	-11.4	6.1
Real GDP growth, at constant factor prices	-5.1	-2.3	-1.3	-7.8	-11.4	6.1
Agriculture	-4.0	-1.8	-1.7	1.8	1.8	2.5
Industry	-2.3	-4.8	-4.3	-17.2	-26.5	8.7
Services	-9.7	1.7	3.6	3.5	2.9	4.8
Inflation (consumer price index)	43.1	22.0	18.0	35.0	47.0	24.6
Current account balance (% of GDP)	-5.5	4.6	5.1	3.2	-3.3	-1.6
Net foreign direct investment inflow (% of GDP)	0.9	0.9	0.8	0.6	1.1	0.8
Fiscal balance (% of GDP)	-6.8	-5.9	1.8	-3.1	-7.1	-2.4
Revenues (% of GDP)	30.9	28.8	28.8	28.4	21.0	29.0
Debt (% of GDP)	57.6	56.9	40.3	43.3	52.3	49.9
Primary balance (% of GDP)	-4.4	-3.8	2.8	-2.4	-6.2	-1.6
International poverty rate ($2.15 in 2017 PPP)[a,b]	67.5	68.8	69.7	73.0	77.1	75.7
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	86.6	87.6	88.1	89.9	92.0	91.5
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	96.7	97.1	97.3	97.8	98.4	98.2
GHG emissions growth (mtCO2e)	-5.6	0.3	1.0	0.9	0.8	1.1
Energy related GHG emissions (% of total)	2.8	2.8	2.8	2.6	2.4	2.5

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-HFS-W3. Actual data: 2016. Nowcast: 2017-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2016) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

SUDAN

Table 1	2023
Population, million	48.1
GDP, current US$ billion	109.3
GDP per capita, current US$	2271.2
International poverty rate ($2.15)[a]	15.3
Lower middle-income poverty rate ($3.65)[a]	49.7
Upper middle-income poverty rate ($6.85)[a]	86.2
Gini index[a]	34.2
School enrollment, primary (% gross)[b]	77.8
Life expectancy at birth, years[b]	65.6
Total GHG emissions (mtCO2e)	126.1

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2014), 2017 PPPs.
b/ WDI for School enrollment (2018); Life expectancy (2022).

Sudan's humanitarian crisis has worsened with famine, widespread infrastructure destruction, trade disruptions, and 12 million displaced due to the conflict. The economy is expected to shrink to two-thirds of its pre-conflict size after a second year of double-digit contraction, with a sharp rise in poverty. The loss of productive capacity and human capital will likely hinder post-conflict recovery and have lasting effects on poverty.

Key conditions and challenges

The conflict between the Sudanese Armed Forces (SAF) and the Rapid Support Forces (RSF), which started in April 2023, has intensified despite peace negotiations. The death toll has risen, and food insecurity has reached alarming levels, affecting over half of Sudan's population (25.6 million) with 2 percent (755,000) at catastrophic risk of famine. Recent floods in the eastern region have exacerbated the humanitarian crisis, leading to a major Cholera outbreak, as declared by the Minister of Health.

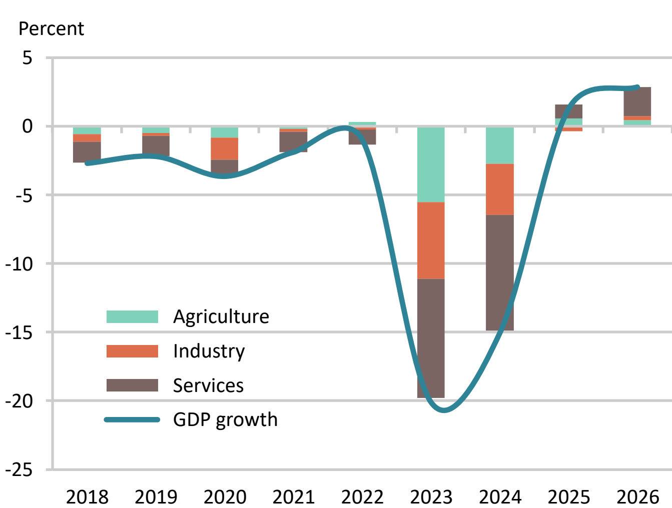
The conflict has severely damaged Sudan's economy, affecting industry, agriculture, and the oil sector, while halting education and destroying health facilities in affected areas. About 10 million people are internally displaced, and over 2 million have fled to neighboring countries. The collapse of government institutions has disrupted public spending, and the exodus of people has reduced tax base and caused a sharp decline in revenues due to decreased economic activity and demand.

The economy had already been on a downward trajectory pre-conflict due to a multitude of shocks that were exacerbated by political crises. Weak investment in physical and human capital during the oil boom years (2000-2010) and stalled structural reforms exacerbated the socio-economic impact of the secession of South Sudan in 2011. Sudan lost 75 percent of its revenues (mostly from crude oil exports, as oil fields are located in South Sudan) compounding macroeconomic vulnerabilities and fragility and GDP growth averaged -1.3 percent during 2011-18. Economic activity continued to decline over the period 2018-22, affected by growing political instability, hyperinflation amid currency pressures, and fiscal deficit monetization. Efforts to stabilize the economy, rein in subsidies, and unify the exchange rate sparked a nascent economic recovery that was derailed by the COVID pandemic and by the 2021 military intervention that halted debt relief efforts under HIPC and suspended foreign assistance inflows. As a result, over the last decade, average per capita growth was negative.

Recent developments

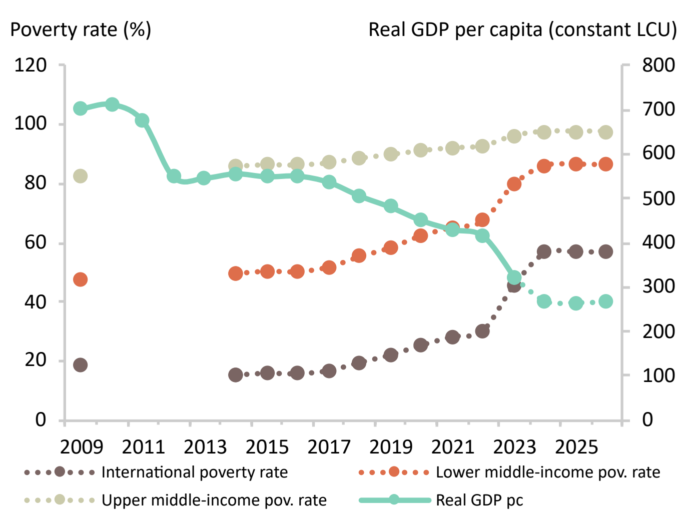
The conflict has caused a collapse in domestic demand and economic activity, eroding state capacity and spreading to previously safe regions like Gazira, Sennar, and White Nile States. This has disrupted agriculture and trade, exacerbating food insecurity and displacement. Low crop production seriously threatens food availability. The severe impact of the conflict on the telecommunications infrastructure and fuel supply has resulted in extensive outages, isolating people and disrupting aid. There are some indications that trade is being redirected through new routes to Egypt, Port Sudan,

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



Sources: National Bureau of Statistics and World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

and South Sudan to bypass conflict. Gold exports through official channels recovered to $428 million in the first quarter of 2024, but this is still far below the pre-conflict average of $2.3 billion. Exports through informal channels are likely to remain significant and serve as a key source of financing during the conflict.

Inflation soared to 194 percent year-on-year by July 2024, among the highest globally, driven by rising food, fuel prices, rents, goods shortages, and currency depreciation, with the parallel market rate dropping from SDG 561/US$ at the end of 2022 to SDG 2260/US$ in July 2024. All fuel in Sudan is now imported due to the shutdown of the Khartoum refinery (Al-Jaili). The World Food Program food basket average price tripled between the first half of 2023 and the same period of 2024.

Most banks relocated their headquarters to Port Sudan, operating with reduced capacity, with one bank sanctioned by the US in January for funding conflict. Extreme poverty incidence, the share of the population living on less than $2.15 per day, has almost doubled from 33 percent in 2022 to 64 percent in 2024.

Outlook

The outlook remains highly uncertain. The economy is anticipated to further contract by 15.1 percent in 2024, following an estimated 20.1 percent contraction in 2023, reflecting a large decline in private consumption and investment. On the supply side, a major driver is the damage to the services sector (medical, educational, telecommunications, retail and wholesale services), which is mostly concentrated in Khartoum.

In the event of a cessation of conflict, economic indicators would start improving. Assuming that conflict ends in the next several months, a modest recovery of 1.3 percent could happen in 2025, and the economy would grow further by 2.9 percent in 2026. This scenario assumes improvements in security, as well as improvements in macroeconomic fundamentals and a resumption in international funding. Even in this positive scenario, real GDP would stay well below pre-conflict levels.

Although slowing, inflation is expected to remain in double-digits reflecting continued currency pressures and broad-based destruction of supply capacity. Extreme poverty is expected to remain high at around 64 percent in the medium term.

Over the medium term, the fiscal outlook is expected to face continued challenges, marked by a widening fiscal deficit, with a rise in expenditures, to 9.8 percent of GDP, despite a projected uptick in revenues to 6.2 percent of GDP by 2026. The external current account deficit is estimated to widen to -3.2 percent of GDP in 2024 due to a decline in primary and secondary incomes. It will deteriorate further to 17.5 percent of GDP in 2025, with a marginal improvement to 14.1 percent of GDP by 2026. This is partly due to an anticipated increase in gold exports as the government regains control over mines, although the recovery of imports is expected to outpace that of the exports as domestic capacity takes time to rebound. Public debt is expected to remain elevated due to ongoing fiscal challenges and the absence of debt relief under the HIPC initiative.

The economic outlook faces considerable risks from stalled peace talks, posing a threat to recovery efforts by worsening fiscal imbalances and deterring foreign investment and aid.

TABLE 2 Sudan / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	-1.9	-1.0	-20.1	-15.1	1.3	2.9
Private consumption	-0.9	-0.8	-18.0	-17.3	-0.9	1.4
Government consumption	-9.6	1.9	-36.5	-4.3	11.6	17.3
Gross fixed capital investment	-2.1	1.2	-20.0	-22.9	-1.5	1.8
Exports, goods and services	8.0	12.0	-39.9	36.4	18.8	5.0
Imports, goods and services	-0.5	8.7	-22.3	-25.7	-10.8	8.0
Real GDP growth, at constant factor prices	-1.9	-1.0	-20.0	-15.1	1.3	2.9
Agriculture	-0.6	1.0	-16.3	-7.6	1.5	1.2
Industry	-0.7	-0.7	-19.7	-13.1	-1.1	1.1
Services	-3.9	-3.0	-23.7	-24.2	3.3	6.6
Inflation (consumer price index)	359.7	164.2	65.8	180.2	89.4	33.1
Current account balance (% of GDP)	-7.3	-6.0	-0.6	-3.2	-17.6	-14.1
Net foreign direct investment inflow (% of GDP)	-1.6	-1.3	-0.7	-1.4	-1.2	-1.1
Fiscal balance (% of GDP)	-0.3	-1.7	-3.8	-3.2	-3.5	-3.5
Revenues (% of GDP)	10.5	10.0	4.8	3.4	4.5	6.2
Debt (% of GDP)[a]	215.6	183.6	167.3	146.5	147.4	134.9
Primary balance (% of GDP)	-0.3	-1.4	-3.7	-3.2	-3.5	-3.5
International poverty rate ($2.15 in 2017 PPP)[b,c]	28.3	30.3	45.6	56.7	57.3	57.1
Lower middle-income poverty rate ($3.65 in 2017 PPP)[b,c]	65.3	67.4	79.8	86.2	86.6	86.5
Upper middle-income poverty rate ($6.85 in 2017 PPP)[b,c]	92.2	92.8	96.1	97.6	97.6	97.6
GHG emissions growth (mtCO2e)	1.6	-0.3	-1.8	-0.6	0.5	2.2
Energy related GHG emissions (% of total)	17.2	17.0	15.2	15.9	16.9	18.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Debt projections do not include any restructuring achieved during the HIPC process.
b/ Calculations based on 2014-NBHS. Actual data: 2014. Nowcast: 2015-2023. Forecasts are from 2024 to 2026.
c/ Projection using neutral distribution (2014) with pass-through = 1 (Med (0.87)) based on GDP per capita in constant LCU.

TANZANIA

Table 1	2023
Population, million	67.4
GDP, current US$ billion	78.1
GDP per capita, current US$	1158.8
International poverty rate ($2.15)[a]	44.9
Lower middle-income poverty rate ($3.65)[a]	74.3
Upper middle-income poverty rate ($6.85)[a]	92.3
Gini index[a]	40.5
School enrollment, primary (% gross)[b]	95.5
Life expectancy at birth, years[b]	66.8
Total GHG emissions (mtCO2e)	167.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ Most recent WDI value (2022).

Tanzania's growth has remained resilient accompanied by low Inflation. Fiscal and current account deficits are narrowing on the back of improved tax collection and strong trade performance. Pressures in the foreign exchange market persist. The medium-term outlook is positive, with GDP growth expected to align more closely with its long-term potential, supported by ongoing structural reforms and improved business environment. However, risks remain, including delays in the completion of structural reforms, climate-related shocks, and a weakened global economic environment.

Key conditions and challenges

Tanzania has successfully navigated recent external and weather-related shocks, including the COVID-19 crisis, tightening of global financing conditions, and protracted droughts and more frequent floods. Sound macroeconomic fundamentals have underpinned the robust post-pandemic rebound. The primary drivers of this growth have been rising gross fixed investments, particularly in public infrastructure, and expanding modern sectors such as industry and services.

However, growth has not been sufficiently inclusive and has not led to a commensurate poverty reduction. Limited structural transformation has kept two-thirds of Tanzanian workers in the agriculture sector, which accounts for less than 30 percent of total economic output. The recent flooding and other climate-related hazards have highlighted the need to enhance agricultural productivity and strengthen its resilience to maintain economic growth and poverty reduction. These challenges also require fast-tracking the reforms for enhancing Tanzania's private sector investments and expanding spending on human development and social protection for more inclusive and sustainable growth.

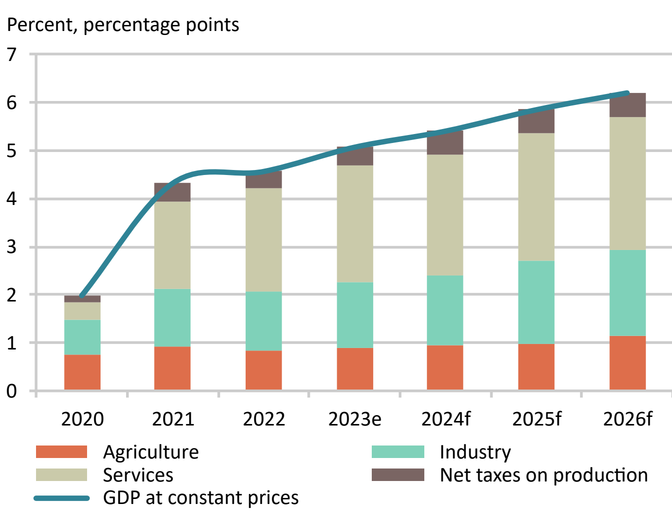
Disequilibrium in the foreign exchange market has emerged as another near-term concern. Despite a greater exchange rate flexibility and tight monetary policy, a parallel exchange rate market has emerged since mid-2023. While the exchange rate premium has remained below 10 percent and is estimated to have narrowed more recently thanks to strong export performance, it is important for Tanzania to build on its strong foundations of sound macroeconomic policies, including both fiscal and monetary policies, and facilitate a well-functioning forex market by removing the distortions.

Recent developments

In the first quarter of 2024, GDP growth accelerated to 5.6 percent year-on-year (y-o-y) building on 5.1 percent in 2023. Leading indicators affirm that the economy has maintained this strong momentum in the second quarter. On the supply side, growth was primarily driven by the industry and services sectors, including manufacturing, electricity, construction, tourism, trade, and financial services. Growth in agriculture declined to 3.1 percent, compared to 5 percent in Q1 of 2023 and 4.2 percent in 2023, amid weather-induced shocks including protracted droughts followed by frequent floods.

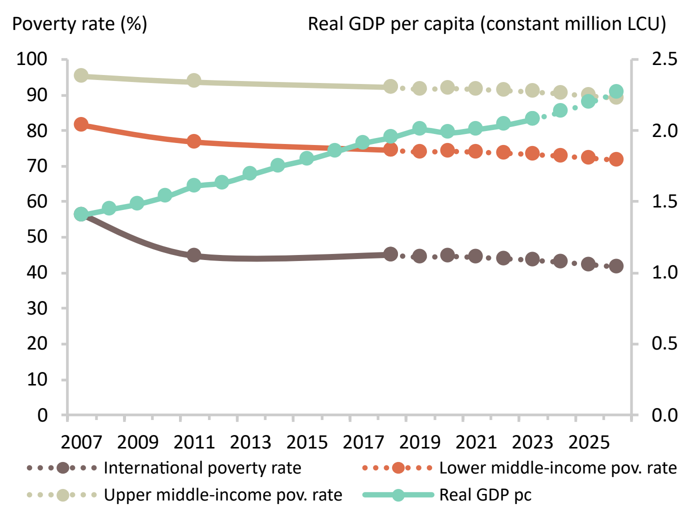
Inflation declined from 3.3 percent in July 2023 to 3.0 percent in July 2024 (y-o-y), well below the Bank of Tanzania's (BoT) medium-term target of 5 percent. Despite low and slowing inflation, the Bank of Tanzania continued to tighten its monetary policy stance to restore the equilibrium in forex market. Following the hike in the policy rate by 50 basis points, the growth rate of extended

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



Source: World Bank staff estimates and projections (2020-2026).

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



Source: World Bank. Notes: see Table 2.

broad money (M3) decelerated to 12.2 percent in May.

Tanzania's fiscal position has strengthened, despite a 0.3 percentage points increase in interest payment as a share of GDP. The overall fiscal deficit declined from 4.0 percent of GDP during the first 11 months of FY2022/23 to 3.3 percent of GDP during the first 11 months of FY2023/24, driven by improved tax collections coupled with spending restraint in primary expenditure. Primary fiscal deficit declined from 2.1 percent of GDP to 1.2 percent over the same period.

Bolstered by favorable terms of trade, the current account deficit narrowed from 4.2 percent of GDP in Q1-2023 to 2.4 percent of GDP in Q1-2024. Net foreign direct investment inflows continued to recover after a long period of decline and are currently estimated at around 2 percent of GDP. Despite strengthened external conditions and a greater flexibility of the exchange rate resulting in over 12 percent depreciation of the Tanzanian shilling against the USD during the past one year, the tensions in the foreign exchange markets that emerged in 2023 have persisted albeit with a relatively low parallel market premium.

Poverty, measured at the international poverty line of US$2.15 a day, is estimated to be on a declining trajectory to reach 42.9 percent in 2024, down by 0.5 percentage points since 2023.

Outlook

The growth is projected at 5.4 percent in 2024, accelerating further over the medium term to 6 percent and translating into a 3.1 percent annual growth in GDP per capita. This will be underpinned by robust public investment, improved business environment, and enhanced export competitiveness. Inflation is anticipated to remain between 3 and 4 percent over the medium term. Fiscal deficit is expected to narrow to 3.4 percent of GDP in 2024, thanks to strengthened revenue mobilization and strong fiscal discipline, and medium-term fiscal and debt outlook remains positive. Domestic financing is expected to play a larger role in the overall deficit financing over the medium term. Ongoing structural reforms aimed at strengthening export competitiveness and the business climate are expected to reduce current account deficit further to 2.6 percent of GDP in 2024 and further to 2 percent by 2026.

Poverty is expected to decline further from 42.9 percent in 2024 to 41.6 percent by 2026 driven by a positive macroeconomic outlook and the government's continued implementation of reforms and interventions aimed at enhancing agricultural productivity, developing human capital, and strengthening business environment for more inclusive growth and job creation.

Medium-term risks are skewed towards the downside. These include trade and investment fragmentation risks due to heightened geopolitical tensions, weaker-than-expected global economic growth, incomplete implementation of Tanzania's structural reforms, and intensifying spillovers from climate-related disasters. On the upside, the commencement of a flagship LNG project to commercialize natural gas discoveries, combined with decisive policy measures to improve the business environment and reinforce private-public partnerships, could boost investment sentiment, create numerous high-quality jobs, and further spur economic growth.

TABLE 2 Tanzania / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	4.3	4.6	5.1	5.4	5.8	6.2
Private consumption	2.3	4.6	2.2	3.0	3.2	3.5
Government consumption	9.0	8.4	10.7	7.2	8.3	5.6
Gross fixed capital investment	7.8	9.6	5.7	5.8	7.6	8.9
Exports, goods and services	5.2	10.2	13.2	12.9	8.6	7.3
Imports, goods and services	9.6	23.7	7.5	6.3	6.1	5.7
Real GDP growth, at constant factor prices	4.3	4.6	5.1	5.3	5.8	6.2
Agriculture	3.7	3.3	3.6	3.8	4.0	4.8
Industry	4.1	4.3	4.8	5.1	6.0	6.3
Services	4.8	5.6	6.2	6.4	6.7	6.9
Inflation (consumer price index)	3.7	4.3	3.8	3.2	3.4	3.7
Current account balance (% of GDP)	-3.4	-7.3	-3.8	-2.6	-2.5	-2.0
Net foreign direct investment inflow (% of GDP)	1.7	1.9	2.1	2.0	2.2	2.5
Fiscal balance (% of GDP)	-5.3	-3.7	-4.1	-3.4	-3.3	-2.8
Revenues (% of GDP)	14.1	15.2	14.9	15.5	15.5	15.8
Debt (% of GDP)	39.6	42.5	44.6	48.4	48.2	47.9
Primary balance (% of GDP)	-3.6	-1.9	-2.0	-1.2	-1.2	-0.7
International poverty rate ($2.15 in 2017 PPP)[a,b]	44.3	44.0	43.5	42.9	42.3	41.6
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	73.8	73.6	73.2	72.8	72.3	71.8
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	91.7	91.3	90.9	90.4	89.8	89.1
GHG emissions growth (mtCO2e)	2.7	0.4	0.8	1.0	1.1	1.2
Energy related GHG emissions (% of total)	13.5	13.4	13.4	13.4	13.6	13.7

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 2013- and 2018-HBS. Actual data: 2018. Nowcast: 2019-2023. Forecasts are from 2024 to 2026.
b/ Projection using point to point elasticity at regional level with pass-through = 0.7 based on GDP per capita in constant LCU.

TOGO

Table 1	2023
Population, million	9.1
GDP, current US$ billion	9.2
GDP per capita, current US$	1013.6
International poverty rate ($2.15)[a]	26.6
Lower middle-income poverty rate ($3.65)[a]	58.8
Upper middle-income poverty rate ($6.85)[a]	86.8
Gini index[a]	37.9
School enrollment, primary (% gross)[b]	122.5
Life expectancy at birth, years[b]	61.6
Total GHG emissions (mtCO2e)	9.8

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ Most recent WDI value (2022).

Growth is expected to moderate in 2024-25 to an average of 5.4 percent, reflecting fiscal consolidation and subdued global demand. Reforms and slowing inflation will support private consumption and investment, while cuts in public spending and revenue mobilization efforts will bring the fiscal deficit back to 3 percent of GDP by 2025. Rising insecurity, geopolitics, and climate shocks represent downside risks, with faster reform implementation an upside risk.

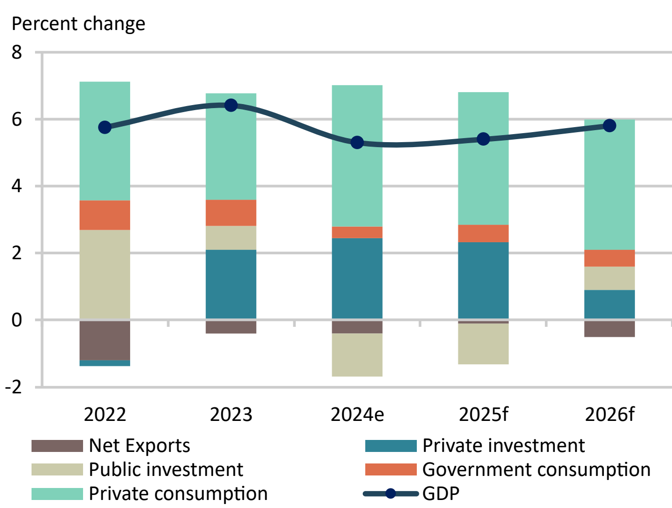
Key conditions and challenges

Despite facing a series of shocks since the COVID-19 pandemic, Togo's economy has shown resilience, with growth recovering to an average of 6.1 percent between 2021 and 2023. Nevertheless, high inflation (averaging 5.8 percent over the period 2021-23) and considerable disparities in economic opportunities and access to basic services between rural and urban areas continued to hinder progress in reducing poverty, inequality, and fragility in Togo. While fiscal stimulus measures helped support growth in the post-COVID period, fiscal consolidation efforts are now urgently needed to put public finance back on a sustainable trajectory. With the country grappling with increasing regional uncertainty and insecurity, and climate stress, fostering more inclusive growth and boosting the resilience of vulnerable populations will require implementing a growth-friendly fiscal consolidation strategy that preserves priority investments and social programs, and pursuing structural reforms to bolster private investment and job creation. Embracing climate-smart agricultural practices and developing sustainable agriculture value chains will be particularly critical to reduce the rural-urban divide and accelerate structural transformation in the face of climate change.

Recent developments

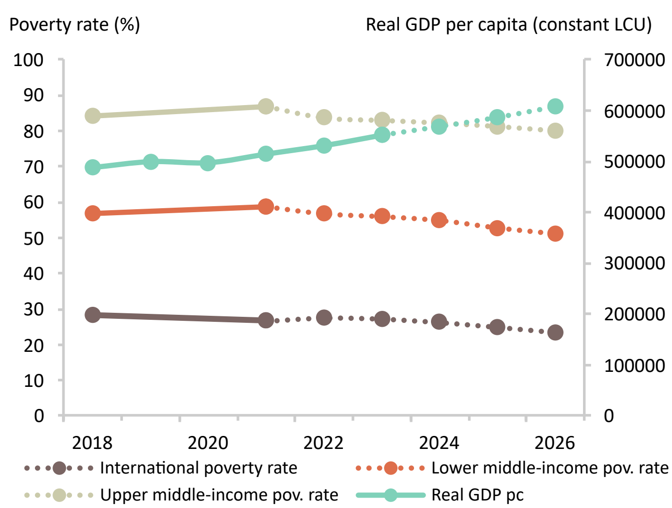
Growth is expected to reach an estimated 5.3 percent in 2024 (2.9 percent in per capita terms). On the supply side, a robust agriculture season and sustained services sector activity have helped support growth, while industrial activity has shown signs of deceleration, suggesting that a weak global environment and slowing demand from neighboring countries have taken a toll. Aggregate demand is supported by robust private investment and strengthening consumer spending as inflation moderates, but should slow from 2023 due to fiscal consolidation efforts, weak global demand, and regional uncertainties. Indeed, the government has stepped up its efforts to boost revenues and reduce spending, particularly on goods and services and public subsidies. However, elevated security spending, new economic and social infrastructure investments, and the effect of a one-off recapitalization of the state-owned bank UTB are expected to maintain the fiscal deficit at a still elevated 6.1 percent of GDP in 2024 (4.5 percent when excluding the recapitalization of UTB). Households' purchasing power has been supported by moderating inflation since 2023 but an uptick in food price inflation around mid-2024 warrants close monitoring. In this context, the extreme poverty rate (<$2.15 in 2017 PPP) is expected to slightly decline to 26.2 percent in 2024 from 27.2 percent in 2023.
The Central Bank of West African States (BCEAO) has kept its policy interest rates

FIGURE 1 Togo / Real GDP growth and contributions to real GDP growth



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

unchanged since December 2023 at 3.5 percent for liquidity calls and 5.5 percent for the marginal lending facility. The WAEMU Inflation rate has been on a downward trend since peaking in 2022 but remains above the 1 to 3 percent WAEMU target, at 4.4 percent y/y in July 2024, and regional foreign exchange reserves remain low, covering only 3.5 months of import in 2024Q1.

Outlook

Growth is expected to strengthen marginally in 2025, to 5.4 percent, and more significantly in 2026, to 5.8 percent (3.5 percent per capita). This modest acceleration will be supported by ongoing and planned private investment projects, notably in the industrial sector and a recovery in consumer spending as inflationary pressures continue to taper down. Exports will provide an additional boost from 2025 onwards as the global economy regains some strength. The current account deficit is expected to narrow gradually to 3.4 percent in 2026, mostly driven by accelerating exports. The regional inflation rate is expected to align with WAEMU target by 2025, while regional reserves are expected to rise gradually, supported by the resumption of international bond issuances, recovering exports and monetary policy easing in the Euro Area.

Fiscal consolidation efforts to reduce the fiscal deficit to 3 percent of GDP by 2025 will be significant in the short term. These efforts will mostly be driven by decelerating capital spending on the expenditure side, as well as by tax and customs reforms on the revenue side. The appointment of a new government in August 2024 should help anchor those consolidation efforts. While external debt risks remain moderate, elevated domestic debt continues to imply a high risk of overall debt distress until 2026. The poverty rate is projected to decline to 23.5 percent in 2026, supported by rising GDP per capita and easing inflation. The outlook is subject to downside risks, including spillovers from the crisis in the Sahel region, and rising insecurity in the North that could weigh on investment, trade, and public finance. Unforeseen climate shocks could also impact food security and amplify fragility risks. Upside risks include faster reform implementation, resolution of regional uncertainties, and an easing of financing conditions that could stimulate investment more than currently anticipated.

TABLE 2 Togo / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	6.0	5.8	6.4	5.3	5.4	5.8
Private consumption	12.0	4.7	4.3	5.8	5.4	5.3
Government consumption	0.2	7.2	6.3	2.7	4.3	4.3
Gross fixed capital investment	-0.4	11.3	12.0	4.7	4.5	6.6
Exports, goods and services	8.8	2.8	6.8	3.9	6.8	7.8
Imports, goods and services	14.3	5.3	5.8	4.0	5.4	6.2
Real GDP growth, at constant factor prices	5.3	6.3	6.6	5.3	5.4	5.8
Agriculture	3.3	5.1	4.2	4.3	4.5	5.0
Industry	5.8	6.4	6.7	4.2	6.8	6.1
Services	6.0	6.8	7.6	6.1	5.2	6.0
Inflation (consumer price index)	4.5	7.5	5.3	3.5	3.0	2.7
Current account balance (% of GDP)	-0.9	-3.0	-3.3	-3.6	-3.5	-3.4
Net foreign direct investment inflow (% of GDP)	0.3	0.3	0.4	0.4	0.5	0.5
Fiscal balance (% of GDP)	-4.7	-8.3	-6.6	-6.1	-3.0	-3.0
Revenues (% of GDP)	17.1	17.8	18.2	18.5	18.4	18.5
Debt (% of GDP)	64.8	67.1	67.3	68.0	66.4	64.4
Primary balance (% of GDP)	-2.5	-5.8	-4.4	-3.8	-0.6	-0.7
International poverty rate ($2.15 in 2017 PPP)[a,b]	26.6	27.5	27.2	26.2	24.9	23.5
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	58.8	56.7	55.9	54.8	52.7	51.0
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	86.8	83.6	83.0	82.2	81.3	80.1
GHG emissions growth (mtCO2e)	1.0	2.6	2.5	5.0	5.1	5.2
Energy related GHG emissions (% of total)	25.4	24.5	22.9	23.3	23.9	24.6

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 2021-EHCVM. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.

UGANDA

Table 1	2023
Population, million	48.6
GDP, current US$ billion	42.0
GDP per capita, current US$	864.8
International poverty rate ($2.15)[a]	42.1
Lower middle-income poverty rate ($3.65)[a]	71.8
Upper middle-income poverty rate ($6.85)[a]	91.1
Gini index[a]	42.7
School enrollment, primary (% gross)[b]	105.5
Life expectancy at birth, years[b]	63.6
Total GHG emissions (mtCO2e)	57.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2019), 2017 PPPs.
b/ Most recent WDI value (2022).

The Ugandan economy recorded accelerated growth, supported by continued investment momentum. Headline inflation declined sharply driven by moderating food prices, monetary policy tightening, and relative stability in the exchange rate. On the external side, the current account deficit widened and pressures on the FX reserves increased. Uncertainty created by passing of the Anti-Homosexuality Act in May 2023 is weakening the external financing landscape, however, FDI inflows continued in the Mining sector.

Key conditions and challenges

Intensifying shocks and faltering momentum behind policy reform create challenges for sustaining economic growth and reducing poverty in Uganda. A large share of the population (42.1 percent in 2019) is below the poverty line (US$2.15 2017 PPP per day), while human capital and infrastructure deficits have limited the country's growth potential and social welfare improvement. The challenge of creating productive jobs for the almost one million working-age Ugandans entering the labor market every year is pressing. Although services sector constitutes a large share of GDP, it has created few jobs, mainly informal and low-skilled. Two-thirds of the jobs are in the agriculture sector which is prone to natural disasters and climate shocks are becoming more frequent and severe, while adaptation remains limited due to low capacity.

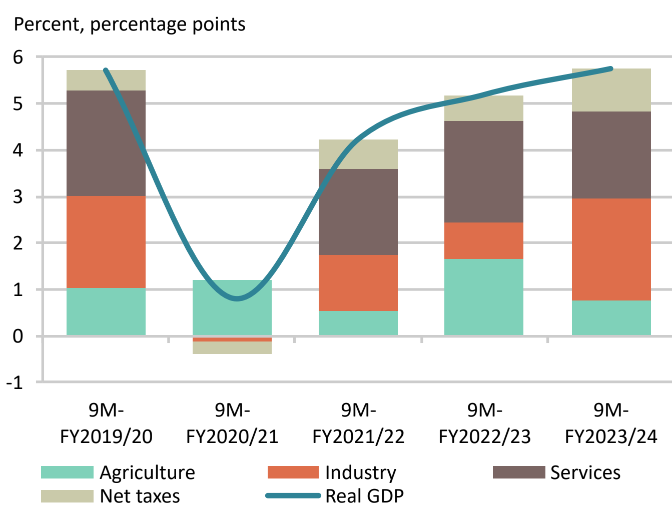
To promote economic growth and reduce poverty over the medium term, the Ugandan economy needs to structurally transform and shift labor into a more productive employment. First, reforms should stimulate private sector investments by reducing the cost of doing business, fostering access to finance, and promoting the uptake of digital and other innovative technologies. Second, the government could shift spending into social sectors and invest more in human capital, alongside measures to reduce inequality and strengthen resilience. Finally, Uganda needs to maintain prudent macroeconomic management alongside structural policies to both avoid real appreciation and loss of competitiveness once oil revenues start flowing in and to build resilience to climate shocks.

Recent developments

Growth is estimated to reach 6.0 percent in FY24 (July 1, 2023–June 30, 2024) from 5.3 percent in FY23, despite global economic instability, geopolitical tensions, and regional conflicts. Growth is supported by favorable weather conditions, investments in the oil sector, and progress on implementation of the Parish Development Model. The first phase of this new government strategy established and fully capitalized 10,585 Savings and Credit Cooperatives in FY23 and disbursed 877 billion shillings in loans to 880,000 households. Industrial sector (25 percent of the economy) remained the top contributor to growth, followed by services (44 percent of the economy). Thanks to an oil-related construction boom, Foreign Direct Investment (FDI) reached US$2.3 billion during the first nine months of FY24.

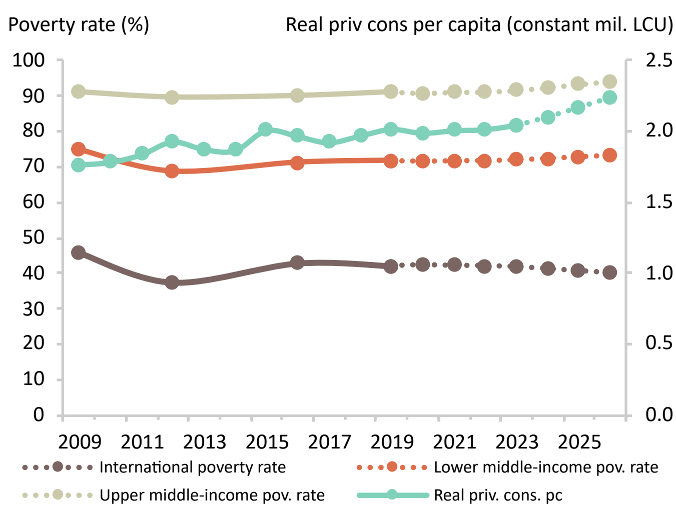
Headline inflation declined to 3.2 percent on average in FY24 from 8.8 percent in FY23 and is below the target of 5.0 percent. This is due to declining food prices,

FIGURE 1 Uganda / Real GDP growth and contributions to real GDP growth



Source: Uganda Bureau of Statistics.

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



Source: World Bank. Notes: see Table 2.

monetary policy tightening, targeted fiscal consolidation, and relative stability in the exchange rate. Prices of food crops grew by only 3.3 percent in FY24 compared to 22.7 percent in FY23. Consistent with decreasing food inflation, a household phone survey in March 2024 showed a reduction in households affected by food price increases to 46 percent, down from 73 percent the previous year. Nonetheless, food insecurity remains a significant issue, particularly for the most vulnerable. Poverty projections for 2024 showed that just over 4 out of every 10 Ugandans were poor in 2024 as measured by the US$2.15 2017 PPP poverty line.

The primary balance decreased to 1 percent of GDP in FY24, reflecting an underperformance of development expenditure, whose execution fell short by 20.5 percent of the approved budget. The share of development spending in GDP decreased by 0.3 percentage points in FY24. Revenues slightly decreased, due to lower-than-anticipated revenues from the value added tax and excise duty, partly because of the lower-than-expected gains from implementing digital tax stamps. The fiscal deficit was financed by domestic and external borrowing.

Outlook

Growth is accelerating supported by agriculture and services and the outlook for FY25 is improving to 6.2 percent. Over the medium term, growth is projected to significantly accelerate to 10.8 percent in FY26 as oil production starts and later returns to around 6 percent as the oil production plateaus. Growth will be also driven by a recovery in tourism. The related projects, such as the Tilenga and Kingfisher oil fields, the East Africa Pipeline, and the Kabalega International Airport are already attracting large foreign and domestic private investment.

The primary balance is expected to deteriorate slightly in FY25, followed by a 0.5 percent surplus in FY26. The government's domestic revenue mobilization strategy is expected to yield 0.5 and 1.3 percent of GDP in FY25 and FY26, respectively. Debt is expected to increase in FY25 to 52.1 percent of GDP before decreasing to 47.9 percent in FY26.

The current account deficit (CAD) is expected to remain elevated in the near term reflecting capital imports for oil production. Over the medium term, once oil exports come on-stream and the oil refinery becomes operational, CAD would improve. Export growth is likely to benefit from the roll-out of reforms envisaged under the African Continental Free Trade Agreement and improvement in trade logistics. FDI flows are projected to remain strong in the near term.

Anticipated oil revenues could help reduce poverty to 40.1 percent in 2026 from 41.3 percent in 2024. However, the actual pace of poverty reduction will depend on how well households can manage and recover from financial shocks. Effective use of oil revenues to improve social protection, infrastructure, and human capital is crucial for sustained poverty alleviation.

A global economic slowdown, geopolitical tensions, and regional instability remain major risks. Middle East conflict escalation may disrupt the global economy, reducing demand for Ugandan exports. The 2026 elections may undermine budget credibility, with fiscal slippages, higher-than-planned borrowing, and distorted social spending. Inflationary pressures could lead to tighter monetary policy, constraining businesses, and incomes. The tourism sector faces risks from health crises and travel restrictions while climate-related droughts and floods threaten agriculture, potentially exacerbating poverty.

TABLE 2 Uganda / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	3.4	4.7	5.3	6.0	6.2	10.8
Private consumption	4.2	3.4	4.4	5.6	5.8	8.7
Government consumption	6.1	-17.4	5.1	6.2	5.3	7.2
Gross fixed capital investment	5.1	20.1	5.5	7.4	8.1	15.3
Exports, goods and services	2.6	-18.6	7.0	8.2	8.4	10.8
Imports, goods and services	8.6	-8.9	3.2	8.4	9.0	8.5
Real GDP growth, at constant factor prices	3.4	4.7	5.3	6.0	6.1	10.8
Agriculture	3.8	4.4	5.0	5.1	5.4	5.8
Industry	3.4	5.4	3.9	5.3	5.6	12.6
Services	3.3	4.4	6.3	6.8	6.8	12.3
Inflation (consumer price index)	2.5	3.7	8.8	3.2	4.6	5.0
Current account balance (% of GDP)	-10.2	-7.9	-7.2	-8.4	-7.7	-5.9
Net foreign direct investment inflow (% of GDP)	2.1	3.1	5.9	6.0	6.3	5.3
Fiscal balance (% of GDP)	-9.5	-7.4	-5.0	-4.8	-5.7	-2.6
Revenues (% of GDP)	14.7	14.2	15.0	14.3	14.8	16.1
Debt (% of GDP)	49.6	50.7	48.3	50.6	52.1	47.9
Primary balance (% of GDP)	-6.8	-4.6	-2.0	-1.0	-1.4	0.5
International poverty rate ($2.15 in 2017 PPP)[a,b]	42.2	42.1	41.8	41.3	40.6	40.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	71.7	71.8	72.0	72.4	72.8	73.3
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	90.9	91.0	91.5	92.4	93.3	94.3
GHG emissions growth (mtCO2e)	1.5	2.5	3.0	3.0	3.2	4.3
Energy related GHG emissions (% of total)	18.0	19.0	20.1	21.1	22.1	23.9

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-UNHS and 2019-UNHS. Actual data: 2019. Nowcast: 2020-2023. Forecasts are from 2024 to 2026.
b/ Projection using point-to-point elasticity (2016-2019) with pass-through = 0.7 based on private consumption per capita in constant LCU.

ZAMBIA

Table 1	2023
Population, million	20.6
GDP, current US$ billion	28.2
GDP per capita, current US$	1370.9
International poverty rate ($2.15)[a]	64.3
Lower middle-income poverty rate ($3.65)[a]	81.0
Upper middle-income poverty rate ($6.85)[a]	93.2
Gini index[a]	51.5
School enrollment, primary (% gross)[b]	94.8
Life expectancy at birth, years[b]	61.8
Total GHG emissions (mtCO2e)	89.8

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2022).

A severe drought has impacted 9.8 million people, with 6.6 million requiring urgent relief. Real GDP growth is projected to decelerate to 2.0 percent in 2024, worsening extreme poverty. This is despite progress made in debt restructuring and an increase in copper prices. From 2025, growth is expected to rebound, driven by foreign direct investment spurred by demand for energy transition minerals, and economic reforms.

Key conditions and challenges

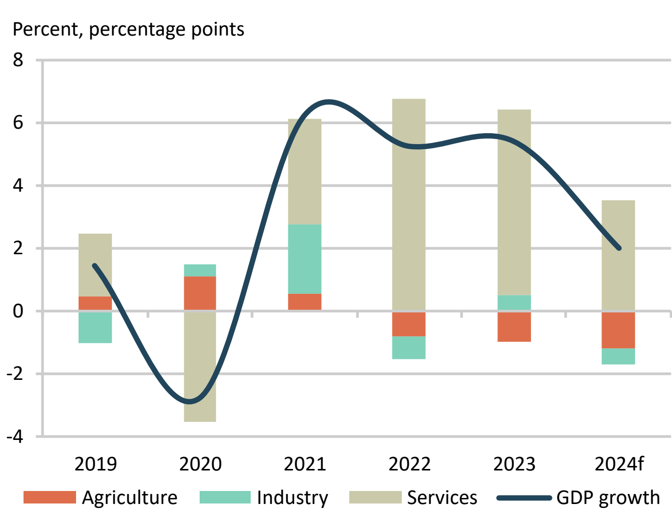
Zambia is a resource-rich and landlocked nation strategically positioned in central Southern Africa. It is seeking to exploit several economic opportunities and its pivotal geographic location to improve livelihoods and tackle high poverty and unemployment. With a population of approximately 20 million and a total land area of 752,610 square kilometers, Zambia has a low population density of around 26 people per square kilometer. While the country is sparsely populated overall, a significant portion of its population resides in urban areas. Since 2011, Zambia has been categorized as a lower middle-income country, but its long-term aspiration is to become an industrialized upper middle-income nation by 2030. With prudent management, the country's abundant natural resources can contribute to sustained and inclusive growth, create fiscal space for investments in human capital and climate adaptation, alleviate poverty, and reduce its debt burden.

However, the country faces significant challenges that have historically hindered sustained, inclusive growth, job creation, economic transformation, and widespread prosperity. Due to weak linkages between capital-intensive extractives and the mainstay subsistence agriculture sector, it has struggled to diversify economic production away from the heavy dependence on mining—mainly copper. Zambia saw remarkable economic growth rates during the commodity Supercycle between 2000 and 2010, supported by debt relief, which translated into significant increases in income per capita and kept public finances in check. However, as the mining boom faded, and despite the expansionary fiscal policies of the 2010s, the economy lacked resilience, and growth could not be sustained, severely reducing average income per capita. Inefficient public investment and widening fiscal deficits, exacerbated by poor state-owned enterprise (SOE) performance, did little to support or diversify economic growth.

Recent developments

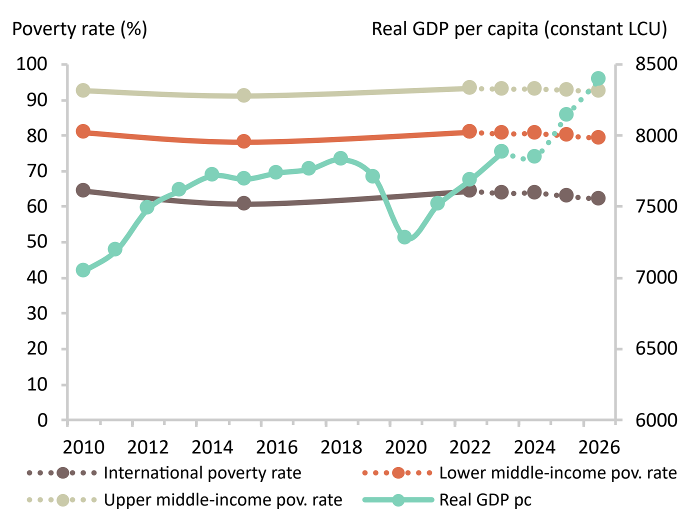
As Zambia's economy was still rebounding from the COVID-19 recession, it faced a severe drought exacerbated by El Niño, impacting 9.8 million people across 84 districts. The climatic disaster has slowed down real GDP growth to 2.2 percent year-on-year (y-o-y) in the first quarter of 2024, down from 4.0 percent in the corresponding period in 2023. The slowdown in growth reflects a contraction in the agricultural sector and subdued administrative and support services, despite some gains in the mining industry. Copper production increased by 6.3 percent in the first half of 2024, driven by rising prices and advantageous open pit mining conditions during unusually dry rainy season. However, this uptick barely cushioned the fall in exports. Still, a steeper drop in imports, spurred by the increased expense of importing under

FIGURE 1 Zambia / Real GDP growth and contributions to real GDP growth



Source: World Bank estimates.

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



Source: World Bank. Notes: see Table 2.

a depreciating exchange rate, along with a rise in grants from cooperating partners and remittances, largely for crisis response, supported the current account. At end-June, gross international reserves increased to 4.3 months of imports from 3.9 months in March 2024, reflecting the front-loaded disbursement by the IMF under the augmented ECF program.

Despite contractionary monetary policy and fiscal prudence, exchange rate depreciation and reduced food supply pushed inflation to 15.5 percent by August 2024, above the Bank of Zambia's target range of 6–8 percent. In June 2024, the authorities submitted a revised 2024 budget to Parliament in consultation with the IMF, allowing a one-time primary deficit at 0.7 percent of GDP in 2024. This came with a reprioritization of spending towards critical livelihood support, postponement of planned public service recruitments, and request for additional external financing to provide fiscal support in response to the drought. The completion of debt restructuring with non-bonded commercial creditors, in addition to official creditors and Eurobond holders, will support restoring debt sustainability. Zambia remains in debt distress since its default on Eurobonds in November 2020.

Outlook

Annual real GDP growth is projected to decelerate to 2.0 percent in 2024, down from an average of 5.7 percent in 2002-2023 which was thanks to firmer services. The deceleration is happening despite a rebound in copper prices and progress on external debt restructuring, hence worsening extreme poverty. Factors impeding growth include an electricity generation deficit surpassing 1,000 megawatts and resulting in daily power outages of more than 17 hours due to historically low water levels in major dams, and a 53.7 percent annual reduction in maize production in 2024. The economy is expected to rebound with growth projected to average 6.3 percent annually in 2025–26. The outlook assumes increased mining production, the effective implementation of reforms, the restoration of debt sustainability, and the normalization of rainfall patterns, which will enhance electricity generation and boost agriculture.

In August 2024, the authorities reversed a contested liquidation and reinstated Vedanta Resources as operator of the Konkola Copper Mine. Additionally, International Resources Holdings secured a 51 percent stake in the previously distressed Mopani Copper Mine. These developments are anticipated to bolster copper production towards the aspiration of 3 million tons annually, further supported by the robust global shift towards low-carbon energy and the recent overhaul of the mining fiscal regime. By end-2023, Zambia had received mining investment pledges exceeding US$5 billion on new and expansion projects that are expected to boost investments and services related to mining and support future exports and FX earnings from the sector. Still, the outlook is subject to significant downside risks, including adverse climate events, a sudden global downturn that could worsen external and fiscal challenges, escalating food and energy prices, and a potential decline in mining output due to lower ore grades. The risk of lagging electricity supply may constrain the anticipated expansion in mining, while the use of tax incentives to stimulate investment could accelerate the already high tax expenditures, potentially undermining the mining sector's contribution to fiscal revenues.

TABLE 2 Zambia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	6.2	5.2	5.4	2.0	6.1	5.9
Private consumption	6.0	5.6	5.7	2.0	7.3	6.0
Government consumption	7.6	6.7	7.3	7.4	5.9	6.2
Gross fixed capital investment	5.4	4.5	5.3	0.8	7.5	7.0
Exports, goods and services	4.6	4.6	3.3	2.5	3.8	4.0
Imports, goods and services	2.5	4.0	4.5	2.3	5.2	4.0
Real GDP growth, at constant factor prices	6.4	5.4	5.7	2.0	6.2	5.9
Agriculture	6.9	-11.0	-15.9	-23.8	27.4	13.3
Industry	7.1	-2.2	1.7	-1.6	3.8	5.0
Services	5.9	12.0	10.0	5.7	5.9	5.8
Inflation (consumer price index)	22.0	11.0	10.9	15.0	12.1	7.0
Current account balance (% of GDP)	11.9	3.8	-1.9	0.0	6.9	5.8
Net foreign direct investment inflow (% of GDP)	3.1	0.6	-0.1	3.9	4.5	4.3
Fiscal balance (% of GDP)	-8.1	-7.8	-6.5	-6.1	-2.8	-3.4
Revenues (% of GDP)	22.4	20.4	21.5	21.4	21.8	21.8
International poverty rate ($2.15 in 2017 PPP)[a,b]	..	64.3	63.7	63.8	62.8	62.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	..	81.0	80.5	80.6	79.9	79.3
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	..	93.2	93.0	93.0	92.7	92.4
GHG emissions growth (mtCO2e)	-3.1	0.6	0.9	1.1	1.4	1.3
Energy related GHG emissions (% of total)	9.2	9.6	10.3	11.1	12.3	13.2

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 2022-LCMS-VIII. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2022) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

ZIMBABWE

Table 1	2023
Population, million	16.7
GDP, current US$ billion	35.2
GDP per capita, current US$	2114.0
International poverty rate ($2.15)[a]	39.8
Lower middle-income poverty rate ($3.65)[a]	64.5
Upper middle-income poverty rate ($6.85)[a]	85.0
Gini index[a]	50.3
School enrollment, primary (% gross)[b]	95.8
Life expectancy at birth, years[b]	59.4
Total GHG emissions (mtCO2e)	117.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2019), 2017 PPPs.
b/ Most recent WDI value (2022).

GDP growth in 2023 is at 5.3 percent and is projected to slow to 2 percent in 2024 due to weak agriculture on the back of severe drought conditions. While the introduction of a new currency, ZiG, in April 2024 moderated inflationary pressures and the exchange rate instability, uncertainties of the ZiG, and high levels of domestic debt dominated in US$ pose macroeconomic risks. Poverty is expected to increase due to the severe droughts of the 2023/24 agricultural season.

Key conditions and challenges

Macroeconomic vulnerabilities and a difficult business environment raise the cost of doing business increasing informality and limiting the pace of structural transformation. The 2024 El-Nino-induced drought triggered a state of National Disaster significantly affecting agriculture, an important sector that largely depends on rainfed crops. The investment climate is further hampered by inadequate electricity supply, as the drought has resulted in power shortages at the Kariba hydro-power station. Hence, after the 2021 COVID-19 rebound, growth has slowed down, though it remains above the average of the Sub-Saharan Africa region.

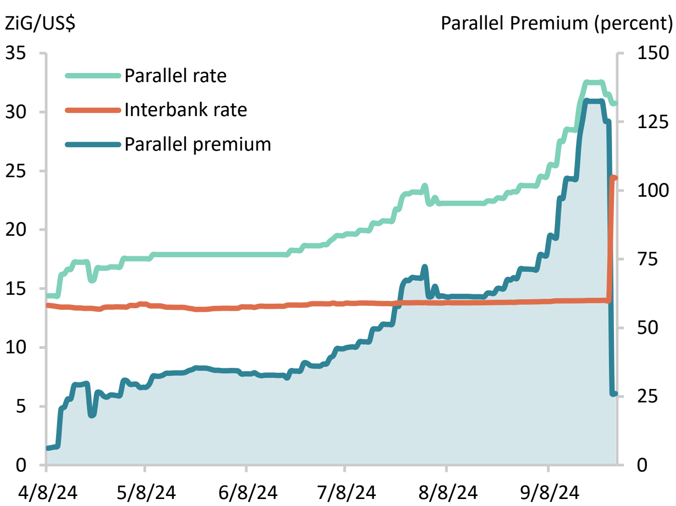
Public debt remains high and unsustainable, and a new challenge is emerging as the government ramps up US$ denominated domestic borrowing. The takeover of the central bank's external debt by the Treasury and a large capital transfer to the Mutapa Investment Fund (8 percent of GDP)—the government's new SOE holding company—heightened debt and fiscal pressures in 2023. Further, limited revenues combined with increased spending led to a significant primary deficit and elevated debt. Additional fiscal pressures arose from the need to deal with El Nino led drought. Despite limited new external borrowing, risks remain elevated due to continued borrowing on non-concessional terms. To restore debt sustainability, a balanced approach is needed that includes increased domestic resource mobilization, fiscal consolidation, improved public debt management, growth-enhancing structural reforms, and resolution of external arrears.

Poverty reduction has been constrained by structural factors including macroeconomic volatility, dependence on low-productivity agriculture combined with a high correlation between weather shocks and agricultural production, low coverage of social assistance programs, and high inequality in income and human capital endowment.

Recent developments

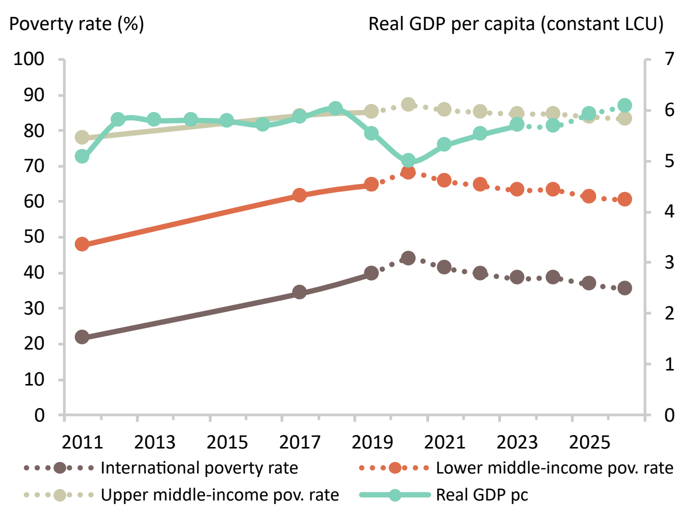
Robust agricultural production and mining investments fueled the post-COVID recovery, with real GDP growth at 6.1 percent in 2022 and 5.3 percent in 2023. However, macroeconomic instability—high inflation and exchange rate volatility—have constrained growth potential. In 2023, reserve money increased by 18 folds, and Zimbabwe dollar (ZWL) inflation hit 700 percent. Following a steep decline of the ZWL in the first few months of 2024, the ZWL was replaced by the ZiG. Inflationary pressures have moderated since the introduction of the ZiG. Monthly inflation has remained below 2 percent between May and August 2024. Yet, there is a risk for renewed inflationary pressures from exchange rate depreciation. The ZiG is under considerable pressure. While the official exchange rate initially stayed stable, the

FIGURE 1 Zimbabwe / Official and parallel market exchange rate, parallel premium



Sources: Zimstat, WDI, and World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

parallel market exchange rate depreciated rapidly, resulting in a parallel premium that exceeded 120 percent at its peak. In response, the central bank devalued the currency in late September, bring the parallel premium down to 26 percent (Figure 1).
The fiscal deficit increased in 2023 to 14 percent of GDP, due to subdued revenue mobilization, and the one-off transfer to the Mutapa Fund. Between 2022 and 2023, Zimbabwe's debt-to-GDP ratio declined from 100.6 to 96.6 percent, in part because of exchange rate dynamics. During the first half of 2024, fiscal pressures have also moderated, in part because of the Treasury's renewed effort towards fiscal consolidation along with tax enhancing measures. The adoption of the ZiG resulted also in a revenue windfall from low inflation. The significant contraction of the agriculture sector due to the drought will have severe consequences on rural incomes and food security.
Trade deficit increased in 2023, reflecting a decline in mineral exports and an increase in imports (particularly for fuel and fertilizer). Yet, the country continued to enjoy a current account surplus in 2023, for the fourth year in a row, thanks to remittances (around 6 percent of GDP in 2022 and 2023).

Outlook

GDP growth is expected to slump to 2 percent in 2024 due to El Niño-induced droughts, lower mining prices, and macroeconomic instability. Agricultural production is expected to fall by over 20 percent. Ongoing power shortages have contributed to decreased industrial growth and disrupted crops that depend on irrigation. The increase in parallel market premium limits formal sector production and demand and brings uncertainty to the new currency. Growth is projected to recover to 6.2 percent in 2025 once the influence of the drought begins to wane and ongoing investment initiatives start to increase mining and manufacturing production.
The fiscal deficit is anticipated to decrease to 2.9 percent in 2024, down from 14 percent in 2023. This is due partly due to a compression in discretionary spending, and capital spending ratio returning to its historical average. Revenue is anticipated to increase significantly due to ZiG's low inflation. The current account is projected to be in deficit due to drought-related higher imports, and lower exports from weak commodity prices but is expected to return to a surplus in 2025. In the medium term, current account improvements will be driven by increased lithium mining activities and a recovery in gold production.
Poverty is expected to increase due to the severe drought of 2023/24. The wards experiencing drought contain almost half of the population and more than 40 percent of the food poor. Food consumption comprises 48 percent of the total expenditure of poor households, compared to 36 percent of non-poor households. Thus, poor households will be relatively more affected by the decline in yields and increase in prices due to the drought, as low-value agriculture is largely autarkic (only about 15 percent of rural households that grew maize in 2017 sold it). The drought-stricken wards also have a significant share of the working-age adults employed in agriculture. This will lead to a fall in agricultural income and worsened food security, especially among agricultural households.

TABLE 2 Zimbabwe / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	8.5	6.1	5.3	2.0	6.2	4.8
Private consumption	9.2	5.1	-0.1	3.4	7.0	5.0
Government consumption	58.9	70.1	13.9	1.0	-4.3	1.1
Gross fixed capital investment	12.8	21.8	14.4	-4.7	14.9	8.4
Exports, goods and services	47.0	43.4	-8.4	1.2	4.2	4.5
Imports, goods and services	61.5	54.0	-11.0	2.0	6.5	5.1
Real GDP growth, at constant factor prices	8.4	6.2	5.5	2.0	6.2	4.8
Agriculture	17.5	6.2	6.3	-21.2	23.6	7.0
Industry	6.4	5.2	3.2	4.1	4.5	4.5
Services	7.7	6.9	6.7	6.1	4.2	4.5
Inflation (consumer price index)	94.1	160.2	257.0	6.0	8.4	5.0
Current account balance (% of GDP)	1.3	0.9	0.4	-0.1	0.8	1.1
Net foreign direct investment inflow (% of GDP)	0.9	1.0	1.6	1.3	1.4	1.5
Fiscal balance (% of GDP)	-2.2	0.1	-14.0	-2.9	-1.7	-1.6
Revenues (% of GDP)	15.3	16.6	14.6	18.5	17.5	17.5
Debt (% of GDP)	58.4	100.5	96.6	87.2	77.0	75.8
Primary balance (% of GDP)	-2.1	0.2	-13.9	-2.4	-0.9	-1.1
International poverty rate ($2.15 in 2017 PPP)[a,b]	41.4	39.8	38.4	38.6	36.8	35.6
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	65.8	64.5	63.3	63.3	61.4	60.5
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	85.6	85.0	84.6	84.6	83.8	83.1
GHG emissions growth (mtCO2e)	1.5	1.3	0.7	-0.5	-0.7	-0.2
Energy related GHG emissions (% of total)	10.5	11.0	11.4	10.6	10.3	10.0

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 2019-PICES. Actual data: 2019. Nowcast: 2020-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2019) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

Macro Poverty Outlook

10/2024

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