MAURITANIA

Table 1	2019
Population, million	4.5
GDP, current US$ billion	7.6
GDP per capita, current US$	1675.8
International poverty rate ($1.9)[a]	6.0
Lower middle-income poverty rate ($3.2)[a]	24.1
Upper middle-income poverty rate ($5.5)[a]	58.8
Gini index[a]	32.6
School enrollment, primary (% gross)[b]	99.9
Life expectancy at birth, years[b]	64.7

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2014), 2011 PPPs.
(b) Most recent WDI value (2018).

Following a pick-up in 2019, the economy will contract by 3.2 percent in 2020 due to the COVID-19 crisis, which is affecting the fishing and services. Consequently, the external and fiscal balances will worsen, debt pressures will increase, and poverty will rise. Growth and poverty reduction are expected to gradually recover over the medium term. Risks are tilted to the downside stemming from a sustained COVID-19 outbreak, climatic hazards, delayed structural reforms, and regional insecurity.

Key Conditions and Challenges

Prior to the COVID-19 crisis, Mauritania's long-term growth model suffered from structural constraints that hindered economic transformation and prevented progress on its development agenda. Despite macroeconomic stability and key institutional reforms, particularly on the fiscal front, growth over the past five years was modest at 3.2 percent, and only 0.4 percent in per capita terms. This low growth reflects an unorganized urbanization and over-reliance on extractive resources, which were not efficiently invested to boost competitiveness in non-extractive sectors. This was coupled by financial vulnerabilities and a business environment impaired by limited competition, low human capital, and poor infrastructure. High import tariffs also shield domestic producers from international competition and impede access to cheap imported inputs. The lack of preferential trade agreements further reduces trade connectivity.

The economic and human impact of the COVID-19 pandemic on Mauritania is severe. The combination of the global recession, disruptions in global supply chains, and measures to contain the spread of the virus will cause the first economic contraction in Mauritania since 2006 and reverse years of poverty reduction. The uncertain nature of the depth and duration of the COVID-19 pandemic exacerbates an economic context already vulnerable to several downside risks. These include sustained low oil prices and technical issues that could affect the development of the GTA gas project, and regional insecurity in the Sahel. Mauritania is also exposed to recurring cycles of droughts that impact agricultural output. Domestically, failures to properly implement structural reforms would undermine non-extractive growth prospects while fiscal risks could arise from contingent liabilities associated with inefficient State-Owned Enterprises.

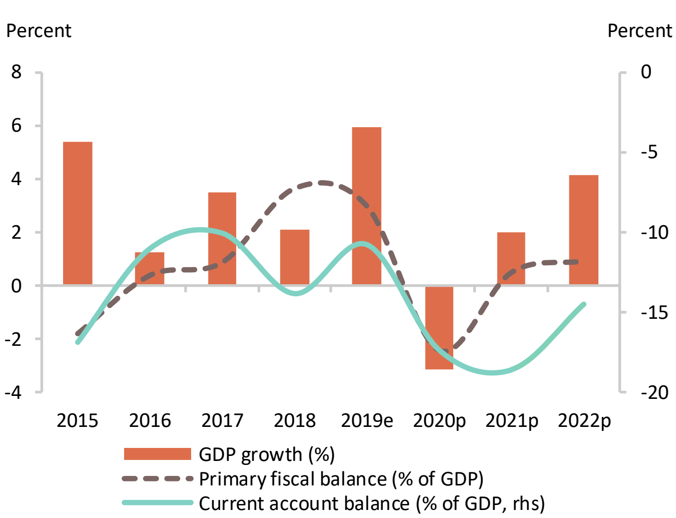
Recent Developments

Following a growth pick-up to 5.9 percent in 2019, economic activity decelerated in early 2020 due to COVID-19. Fishing production dropped in the first half of 2020 due to subdued global demand, and retail and transportation contracted as a result of the lockdown measures. Inflation remained low at 2 percent in July 2020, consistent with a large negative output gap and contained food prices.

After shrinking in 2019, the Current Account Deficit (CAD) widened to 3.8 percent in the first quarter of 2020, up from 3.1 percent in the first quarter of 2019. This deterioration was driven decreased fish exports. As in 2019, the CAD was financed largely by gas related FDI.

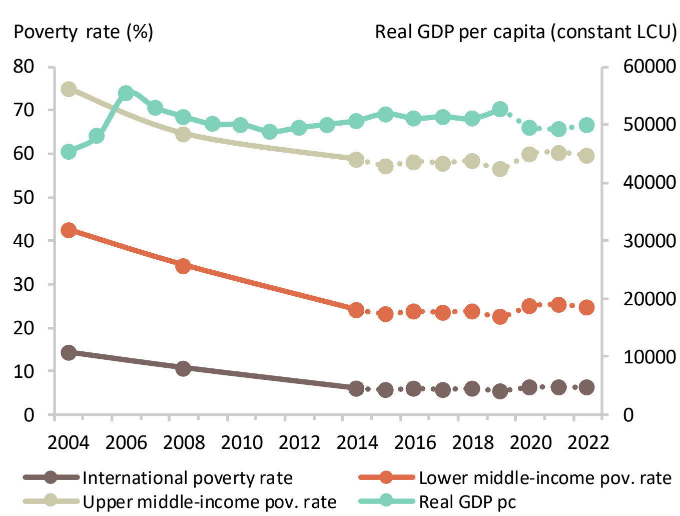
The fiscal balance remained in surplus in 2019 thanks to the maintenance of prudent fiscal policies. The robust fiscal position and high growth reduced the debt-to-GDP

FIGURE 1 Mauritania / Evolution of main macroeconomic indicators



Sources: Mauritanian authorities and World Bank staff calculations

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



Sources: Mauritanian authorities and World Bank staff calculations ratio from 75.7 percent of GDP in 2018 to 71.8 percent in 2019. The first half of 2020 yielded a primary fiscal surplus as the drop in tax revenues due to the pandemic was offset by higher dividends from state-owned enterprises (reflecting last year's strong profits) and cuts in non-essential spending.

Broad money accelerated by 14 percent (yoy) in May 2020 amidst high demand for cash, while credit growth remained strong at 10 percent despite the crisis. However, the banking sector continues to suffer from structural weaknesses as evident by the high ratio of non-performing loans, which stood at 21.5 percent in 2019.

As a result of the crisis, and the related household income loss, the poverty rate (US$ 1.9/day in 2011 PPP) is anticipated to increase from 5.4 percent in 2019 to 6.3 percent in 2020. This increase will be more pronounced in urban areas where social distancing measures reduce economic activities in service sectors and informality is widespread.

Outlook

COVID-19 has significantly worsened Mauritania´s economic outlook. Despite improved terms of trade, growth is projected to contract by 3.2 percent in 2020 (-5.8 percent per capita terms). This first contraction since 2006 will be driven by a slowdown in almost all sectors of the economy. Notwithstanding the high uncertainty, and the long-lasting effects of the crisis, growth would recover to 4.2 percent by 2022. The gradual recovery assumes a rebound in China and Europe, the resumption of extractive projects, and the roll out of a vaccine during 2021.

The CAD is projected to widen to 17.3 percent in 2020, driven by lower export demand for fish, which will offset the improved terms of trade. It is expected to narrow in 2022 as fish and mining exports recover due to a pick-up in international demand. External financing would be met by extractive related FDI and concessional donor financing. As a result, international reserves would remain steady at about 4 months of imports.

Budgetary pressures will increase particularly in the second half of 2020 due to the slowdown in economic activity affecting indirect taxes, the fall in corporate income tax, and the pick-up in social transfers. As a result, the primary fiscal balance will turn into a deficit of 2.4 percent of GDP in 2020. As the economy recovers, the primary balance will return to a surplus, putting the debt-to-GDP ratio back on a downward trend starting 2022.

The authorities are aiming to have a more flexible exchange rate. In that context, the central bank plans to introduce a system to foreign-currency auctions and establish a technical platform to create an interbank foreign exchange market in 2021. This would help enhance the competitiveness of the non-extractive economy

The COVID-19 crisis will undermine poverty reduction as household income will drop due to lower economic activity and social distancing-triggered job losses. As the recovery in 2021-2022 will be driven by the low-labor intensity extractive sector, the international poverty rate is expected to decline only marginally to 6.2 percent in 2022.

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

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	3.5	2.1	5.9	-3.2	2.0	4.2
Private Consumption	2.7	2.7	2.4	-5.6	1.6	2.7
Government Consumption	5.3	4.5	5.0	9.5	2.3	3.7
Gross Fixed Capital Investment	4.0	4.1	5.5	-2.5	4.7	6.5
Exports, Goods and Services	1.6	-4.0	6.0	-3.2	2.5	4.5
Imports, Goods and Services	1.9	0.5	0.7	-1.9	4.1	4.3
Real GDP growth, at constant factor prices	2.9	1.7	5.9	-3.2	2.0	4.2
Agriculture	-2.9	2.1	1.4	0.9	1.5	1.7
Industry	3.3	-8.4	7.2	-1.8	3.9	8.9
Services	5.5	7.7	7.1	-5.4	1.2	2.5
Inflation (Consumer Price Index)	2.3	3.0	2.2	3.4	4.0	3.5
Current Account Balance (% of GDP)	-10.1	-13.8	-10.8	-17.3	-18.6	-14.5
Net Foreign Direct Investment (% of GDP)	8.7	11.0	11.6	7.8	14.9	13.6
Fiscal Balance (% of GDP)	-0.2	2.5	2.1	-3.8	-0.7	-0.2
Debt (% of GDP)	69.6	75.7	71.8	78.8	79.4	77.8
Primary Balance (% of GDP)	0.9	3.7	3.0	-2.4	0.5	0.9
International poverty rate ($1.9 in 2011 PPP)[a,b]	5.8	5.9	5.4	6.3	6.4	6.2
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	23.5	23.8	22.5	25.0	25.4	24.7
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	57.9	58.3	56.6	60.0	60.4	59.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.
(a) Calculations based on 2014-EPCV. Actual data: 2014. Nowcast: 2015-2019. Forecast are from 2020 to 2022.
(b) Projection using neutral distribution (2014) with pass-through = 0.87 based on GDP per capita in constant LCU.