

# GABON

**Table 1** **2019**

Population, million	1.9
GDP, current US\$ billion	16.9
GDP per capita, current US\$	8980.7
International poverty rate (\$ 19) <sup>a</sup>	3.4
Lower middle-income poverty rate (\$3.2) <sup>a</sup>	11.2
Upper middle-income poverty rate (\$5.5) <sup>a</sup>	32.2
Gini index <sup>a</sup>	38.0
School enrollment, primary (% gross) <sup>b</sup>	139.9
Life expectancy at birth, years <sup>b</sup>	66.2

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

(a) Most recent value (2017), 2011 PPPs.

(b) WDI for School enrollment (2011); Life expectancy (2018).

*The COVID-19 outbreak is worsening Gabon's short-term outlook, with economic activity now projected to contract by 2.4 percent in 2020. Lower fiscal revenues would lead to a fiscal deficit of 5.4 percent of GDP in 2020, while the current account deficit would widen to 7.6 percent of GDP. The medium-term outlook suggests a timid recovery with output levels expected to take about three years to return to their 2019 levels, leading to a slight increase of poverty to 32.4 percent in 2022.*

## Recent developments

Growth accelerated to 3.9 percent in 2019 supported by an increase in oil production and dynamic mining and agribusiness sectors, and the fiscal balance (on a commitment basis) shifted from a deficit of 1.3 percent of GDP in 2018 to a surplus of 1.4 percent of GDP in 2019. The gradual clearance of external arrears resulted in a decline of public debt to 59.1 percent of GDP in 2019 but persistent domestic arrears are still weighing on the private and financial sectors. Increased commodity exports, supported by rising commodity prices, narrowed the current account deficit to 0.3 percent of GDP in 2019 while Gabon's imputed reserves at the BEAC increased to 2.5 months of imports in 2019 supported by the new foreign exchange regulation in CEMAC.

Economic activity decelerated sharply at end-June 2020 due to containment measures and weaker commodity prices and global demand. Oil and oil products exports fell by 1.5 percent and 27.7 percent respectively at end-June 2020 (y/y) and wood exports value decreased by 6.6 percent (y/y). Domestic activity also suffered as illustrated by the decline of services. Total non-oil tax revenues declined cumulatively by 11.0 percent in April 2020 (y/y), reflecting weak non-oil economic activity and constraints to tax collection. Additional COVID-19 spending sharply increased, resulting in a financing gap of US\$ 714.5 million (4.4 percent of GDP). The authorities were able to secure about US\$ 317.3

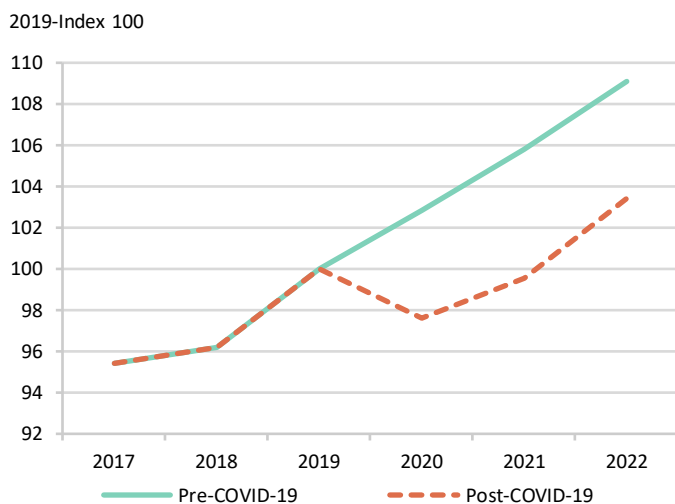
million from the IMF and Euro 100 million from the AfDB to cover the additional financing needs. US\$ 150 million budget support from the World Bank is under preparation, leaving a US\$ 125.6 million (0.8 percent of GDP) financing gap to be covered. About US\$ 25.4 million of additional domestic arrears have been accumulated by the end of May 2020.

Poverty and welfare disparities remained high, with the poverty rate (\$5.5/day, 2011 PPP) expected to increase to 32.6 percent in 2020 because of job losses and decrease of revenues for self-employed in urban areas caused by the COVID-19 outbreak. Inequality, measured by the Gini coefficient, is at a moderate level, but wide geographic disparities exist in living conditions and access to basic services, especially between urban and rural areas. Gabon's social protection system is inefficient, underfinanced, and covers only a small fraction of the poor, explaining the persistent high level of poverty.

## Outlook

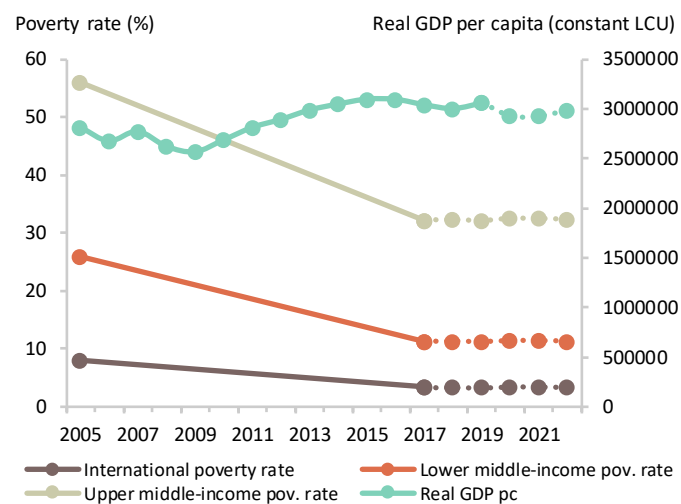
Economic activity is now projected to contract by 2.4 percent in 2020, against an expansion of 3.4 percent anticipated before the COVID-19 pandemic. The medium-term outlook suggests a timid recovery with output levels expected to take about three years to return to their 2019 levels. Growth is projected to reach 2.0 percent in 2021 and 3.9 percent in 2022, supported mainly by sustained private investments in agribusiness, wood and

**FIGURE 1 Gabon / Real GDP Projections, pre and post COVID (levels)**



Source: World Bank calculations.

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



Source: World Bank. Notes: see table 2.

infrastructure thanks to the gradual global recovery.

COVID-19 will, nevertheless, leave lasting economic scars to the economy since output levels are expected to stay below their pre-COVID anticipated levels over the medium term. Inflation is projected to remain below 3 percent in the medium term owing to the projected decline in food prices.

Combined with unanticipated public expenditures, lower fiscal revenues would lead to a fiscal deficit of 5.4 percent of GDP in 2020, against a pre-COVID-19 crisis anticipated surplus of 1.3 percent of GDP. The authorities are expected to revert to the fiscal consolidation path once the fallout from the pandemic subsides, gradually narrowing the fiscal deficit over the medium term. The projected pick-up in tax revenue, combined with efforts to limit tax exemptions and cuts in current spending is expected to offset partly the projected decline in commodity revenues. Public debt is expected to increase sharply to 71.6 percent of GDP in 2020 due to COVID-19 related additional financing needs, before progressively declining to 63.3 percent of GDP in 2022. The current account deficit would widen to 7.6 percent of GDP in 2020, compared to a pre-COVID-19 crisis projected deficit of 2.0 percent of GDP,

before gradually narrowing to 2.8 percent of GDP in 2022 supported by higher oil prices and a resumption of investments in wood and agri-business thanks to the expected progressive global economic recovery.

The negative impact of the COVID-19 pandemic on the most vulnerable would be significant because of constrained access to quality healthcare in rural areas. The short-term impact is more registered by the formal sectors (hotels, restaurants, education and retail trade) but long-term impact would be more significant on informal workers. The fact that social protection is underfinanced, combined with tighter fiscal constraints would worsen the situation. Because of the gradual economic recovery expected in 2021 and 2022, the share of households living with less than \$5.5/day is not expected to decrease, with poverty rate expected to remain at 32.6 percent in 2021 and at around 32.4 percent in 2022.

## Risks and challenges

Projections remain subject to significant uncertainty and to serious downside risks since the economic effects of the pandemic are still unfolding. Because of Gabon's

high dependency on oil, a new downward trend in oil and manganese prices would be harmful. This risk is more important today as OPEC is putting pressure on Gabon to lower its oil production to comply with the quotas set by the organization.

A significant upturn in the number of COVID-19 positive cases in the upcoming months in Gabon and the rest of the world is another major risk for Gabon's outlook. This would translate into a longer-than-expected closure of borders between countries, preventing private investment to pick up as expected to support economic recovery. The negative impact would be significant insofar as the capacities of the health structures located inside the country to cope with a large number of patients are limited.

Despite the challenging context, the Government must preserve public investment and maintain efforts to repay domestic arrears while avoiding additional arrears accumulation to lay the ground for a rapid economic recovery and mitigate the negative social impact in the medium term. In addition to the social protection reform, current reforms to support domestic revenue mobilization, reduce the civil service wage bill and improve the transparency of the management of public spending, in particular capital expenditure, need to be completed.

**TABLE 2 Gabon /** Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
<b>Real GDP growth, at constant market prices</b>	0.5	0.8	3.9	-2.4	2.0	3.9
Private Consumption	0.4	-0.4	0.9	0.8	0.2	1.3
Government Consumption	-1.3	-18.2	1.9	3.7	-6.0	3.9
Gross Fixed Capital Investment	-11.5	8.0	6.1	-4.1	2.5	4.1
Exports, Goods and Services	3.4	4.2	21.2	-7.3	6.8	5.3
Imports, Goods and Services	-7.3	-0.6	20.5	-4.0	2.8	3.0
<b>Real GDP growth, at constant factor prices</b>	1.5	0.9	4.3	-2.4	2.0	3.9
Agriculture	12.2	9.5	7.9	0.6	0.0	22.7
Industry	-6.6	-0.7	7.4	-4.1	3.0	8.0
Services	5.4	0.7	2.1	-1.8	1.7	-1.3
<b>Inflation (Consumer Price Index)</b>	1.1	6.3	3.0	3.0	3.0	2.8
<b>Current Account Balance (% of GDP)</b>	-7.0	-3.2	-0.3	-7.6	-4.6	-2.8
<b>Fiscal Balance (% of GDP)</b>	-2.6	-1.3	1.4	-5.4	-3.6	-2.8
<b>Debt (% of GDP)</b>	62.9	60.6	59.1	71.6	67.4	63.3
<b>Primary Balance (% of GDP)</b>	-0.1	1.1	3.6	-2.3	-0.8	0.1
<b>International poverty rate (\$1.9 in 2011 PPP)<sup>a,b</sup></b>	3.4	3.4	3.4	3.5	3.5	3.4
<b>Lower middle-income poverty rate (\$3.2 in 2011 PPP)<sup>a,b</sup></b>	11.2	11.3	11.2	11.3	11.3	11.3
<b>Upper middle-income poverty rate (\$5.5 in 2011 PPP)<sup>a,b</sup></b>	32.2	32.3	32.1	32.6	32.6	32.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.

Notes: e = estimate, f = forecast.

(a) Calculations based on 2011- and 2017-EGEP. Actual data: 2017. Nowcast: 2018-2019. Forecast are from 2020 to 2022.

(b) Projection using point to point elasticity at regional level with pass-through = 1 based on GDP per capita in constant LCU.