# CENTRAL AFRICAN REP.

| Table 1 | 2019 |
|---|---|
| Population, million | 4.8 |
| GDP, current US$ billion | 2.2 |
| GDP per capita, current US$ | 451.8 |
| Gini index[a] | 56.2 |
| School enrollment, primary (% gross)[b] | 102.0 |
| Life expectancy at birth, years[b] | 52.8 |

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2008), 2011 PPPs.
(b) WDI for School enrollment (2016); Life expectancy (2018)

*The Central African Republic (CAR) economic growth for 2019 is estimated at 3.1 percent but projected to contract by 1.2 percent in 2020 following the COVID-19 pandemic. The outlook remains subject to downside risks arising from more significant socioeconomic impacts of the COVID-19 coupled with uncertainty related to upcoming general elections. The implementation of key structural reforms should remain a key priority focus to consolidate the peacebuilding process and mitigate the adverse impact of COVID-19 on social outcomes.*

## Key conditions and challenges

With an average growth rate of 4.1 percent since 2015 – the highest five-year growth average since independence – CAR entered 2020 with solid economic growth over the past five years. An improved security situation coupled with enhanced macroeconomic stability, foreign trade, investments, and implementation of structural reforms, supported this good economic performance. As the implementation of the peace agreement is materializing, the security and humanitarian situation is improving gradually. Conflict-related incidents and civilian deaths declined from 1,842 and 721 in 2018 to 1,172 and 339 in 2019, respectively. Access to education, health care facilities, and basic social services remain limited throughout the country and under pressure due to a large number of internally displaced persons. This undermines human capital accumulation and its contribution to economic growth – the Human Capital Index is among the lowest in sub-Saharan African countries at 0.29. The formal private sector is small, constrained by several structural challenges including limited access to finance and infrastructure, low skills, gaps in the legal and regulatory frameworks governing economic activities, and a fragile security environment. CAR's economic diversification is limited, making the country particularly vulnerable to commodity price shocks. The global pandemic is exacerbating an already precarious humanitarian situation, with nearly half of the population requiring humanitarian assistance and food insecurity affecting about 35 percent of the population. These pre-existing structural challenges left CAR especially vulnerable to the COVID-19 outbreak and its socioeconomic impact. Economic activity in 2020 is expected to contract further than anticipated due to the global economic recession and disruption in the supply chains.

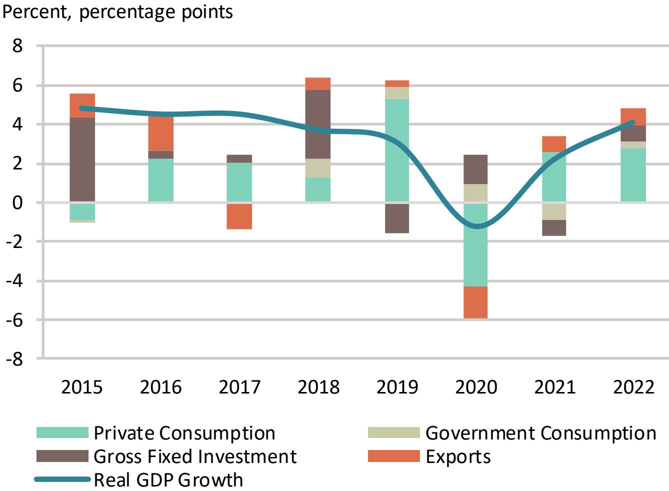
## Recent developments

Hindered by a lower-than-expected performance of the coffee and cotton sectors, the pace of economic recovery slowed to 3.1 percent in 2019, down from 3.7 percent in 2018. On the supply side, economic activity was supported by the dynamic agriculture and services sectors. On the demand side, private consumption continues to be the main driver of economic activity. Public investments decreased from 7.4 percent of GDP in 2018 to 5.6 percent of GDP in 2019, while private investments increased slightly by 0.5 percentage points of GDP in 2019 – leading to an overall decline in gross fixed capital investment.

Higher prices for food and manufactured products, reflecting in part inflationary pressures from the blockade of the Bangui-Douala corridor in March 2019 led to an increase in the consumer price index at 2.8 percent in 2019 from 1.6 percent in 2018.

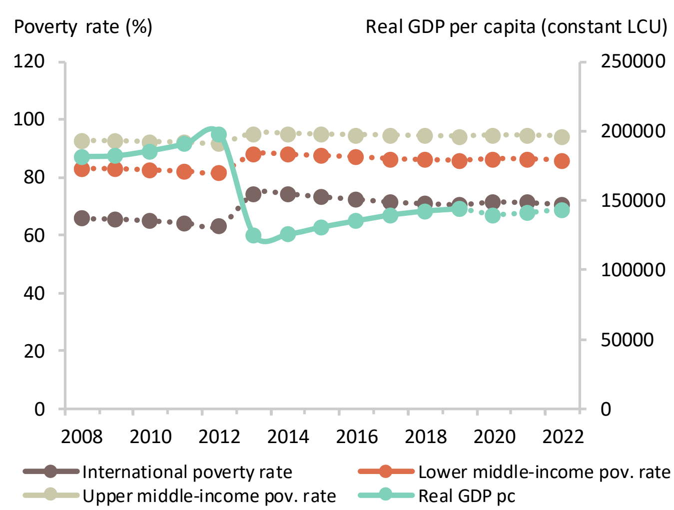
Expenditure rationalization measures combined with efforts to clear domestic

**FIGURE 1 Central African Republic** / Real GDP growth and contributions to real GDP growth.




Sources: CAR Authorities and World Bank.

**FIGURE 2 Central African Republic** / Actual and projected poverty rates and real GDP per capita.




Source: World Bank. Notes see table 2.

arrears maintained public debt on a declining path at 47.9 percent of GDP in 2019, although, CAR remains at high risk of debt distress. Delays in the execution of public investments and an increase in official grants following the peace agreement compensated for the decline in tax revenue in 2019. In this context, the overall fiscal balance posted a surplus of 1.7 percent of GDP in 2019.

The current account balance improved significantly from -8 percent of GDP in 2018 to -4.8 percent of GDP in 2019, thanks to an increase in official grants. Trade balance deteriorated further by 4.3 percent as the import bill increased while exports of goods and services declined slightly. Consequently, the balance of payment is estimated to have generated a lower deficit of 0.7 percent of GDP in 2019, contributing to the increase in foreign reserves in the CEMAC region.

The latest household survey was conducted in 2008, and the recent trends in household consumption and poverty are based on projections. In 2008, nearly 66.3 percent of the population lived with less than $1.9 per day, while the latest projections based on GDP per capita growth, put poverty at around 71 percent of the population in 2019, which equates to about 3.4 million people living in extreme poverty.

## *Outlook*

Economic activity is expected to contract further than anticipated, with real GDP growth projected at -1.2 percent in 2020 due to a deeper global economic recession. As the effects of the pandemic dissipate, economic activity is expected to rebound gradually, contingent on a peaceful transition during the upcoming general elections and the restoration of security across the national territory. In the medium term, CAR's economic growth is forecasted to remain about 2.5 percentage points below pre-COVID-19 projections.

With inflationary pressure resulting from disruptions and delays in the supply chains, the consumer price index is expected to increase by 3.5 percent in 2020 but set to fall below the regional convergence criterion of 3 percent in the medium-term.

The fiscal position is expected to deteriorate in 2020 as government revenues decline and pressure mounts from the expenditure side following the COVID-19 pandemic. The external position is projected to worsen in the medium term as a result of a higher trade deficit and lower investment inflows due to COVID-19. Expansion of social protection and essential services are expected to help to contain the impacts of the pandemic, but extreme poverty will remain high and above its pre-COVID-19 level. With limited fiscal space, the economy is likely to enter a deeper recession if the COVID-19 outbreak lingers, such that the Government is prompted to strengthen and maintain its restrictions measures. Thousands of people are likely to lose their jobs while poverty and inequality will rise to unprecedented levels, especially if combined with a deterioration of the security environment. Further violence and insecurity are likely to deteriorate the humanitarian situation, increase the country risk premium, heighten investment uncertainty and delay the pace of reform agenda, critical to leverage domestic resources, strengthen the social contract and mitigate the adverse impact of COVID-19 on social outcomes.

**TABLE 2 Central African Republic** / 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** | 4.5 | 3.7 | 3.1 | -1.2 | 2.2 | 4.1 |
| Private Consumption | 2.1 | 1.3 | 5.7 | -4.5 | 2.8 | 2.9 |
| Government Consumption | 0.2 | 14.1 | 7.7 | 11.4 | -10.0 | 4.4 |
| Gross Fixed Capital Investment | 3.0 | 26.0 | -9.6 | 4.9 | 0.3 | 5.8 |
| Exports, Goods and Services | -7.7 | 3.8 | 1.9 | -10.2 | 5.7 | 5.6 |
| Imports, Goods and Services | -1.7 | 8.0 | 4.9 | -9.1 | 1.2 | 2.3 |
| **Real GDP growth, at constant factor prices** | 4.3 | 3.6 | 2.6 | -1.1 | 2.2 | 4.1 |
| Agriculture | 3.2 | 3.4 | 3.1 | 4.0 | 5.1 | 6.2 |
| Industry | 1.7 | 1.5 | 2.1 | 1.0 | 4.0 | 4.5 |
| Services | 6.0 | 4.4 | 2.3 | -5.2 | -0.5 | 2.3 |
| **Inflation (Consumer Price Index)** | 4.1 | 1.6 | 2.8 | 3.5 | 2.5 | 2.5 |
| **Current Account Balance (% of GDP)** | -7.7 | -8.0 | -4.8 | -5.1 | -5.7 | -5.4 |
| **Fiscal Balance (% of GDP)** | -1.0 | -1.0 | 1.7 | -4.0 | -2.7 | -1.2 |
| **Debt (% of GDP)** | 50.3 | 50.0 | 47.9 | 47.4 | 45.5 | 43.6 |
| **Primary Balance (% of GDP)** | -0.7 | -0.6 | 2.0 | -3.7 | -2.4 | -0.9 |
| **International poverty rate ($1.9 in 2011 PPP)[a,b]** | 71.6 | 71.1 | 70.7 | 71.6 | 71.4 | 70.8 |

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2008-ECASEB. Actual data: 2008. Nowcast: 2009-2019. Forecast are from 2020 to 2022.
(b) Projection using neutral distribution (2008) with pass-through = 0.7 based on GDP per capita in constant LCU.