

LIBERIA

Recent developments

Table 1 2019

Population, million	5.0
GDP, current US\$ billion	3.1
GDP per capita, current US\$	611.0
International poverty rate (\$ 19) ^a	44.4
Lower middle-income poverty rate (\$3.2) ^a	75.6
Upper middle-income poverty rate (\$5.5) ^a	93.2
Gini index ^a	35.3
School enrollment, primary (% gross) ^b	85.1
Life expectancy at birth, years ^b	63.7

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

Notes:

(a) Most recent value (2016), 2011 PPPs.

(b) WDI for School enrollment (2017); Life expectancy (2018)

Economic activity in Liberia decelerated during the first half of 2020 amid unprecedented slowdown caused by the COVID-19 pandemic. Real GDP is expected to contract by 2.9 percent in 2020. Inflationary pressures moderated over the first half of 2020 due to lower fuel prices and weaker economic activity, but inflation remained high reaching 20.8 percent (y/y). Poverty rate as measured by international lines are expected to increase in 2020. The outlook is subject to high uncertainty and down-side risks stemming from deteriorating global conditions.

Economic activity in Liberia has decelerated during the first half of 2020 amid unprecedented slowdown in global and domestic activity due to the COVID-19 pandemic and public policies designed to contain it. During the first half of 2020, output declined in multiple sectors of the economy. Rubber output fell by 18.8 percent (y/y) in H1 2020, as operations slowed and employment in the agriculture sector declined; while iron ore output dropped by 15.2 percent (y/y), despite a modest recovery in international prices. Gold output also declined by 33.3 percent (y/y) in H1 2020 despite increase in gold prices. Production of the two most important manufactured goods, cement and beverages, was mixed. Cement output remained at 2019 level between January and June while beverages output dropped by 41.5 percent (y/y) during the same period, reflecting the decline in service-sector output and weakening consumption. Pressures on inflation eased during the first half of 2020; but headline inflation remained in double digits in H1 2020 at 20.8 percent, compared to 25.5 percent during the same period last year. Inflation dynamics were driven by lower fuel prices and weaker economic activity. Domestic food prices rose, however, by 37.3 percent in June 2020, compared to 30.4 percent during the same period a year ago as a result of disruption in domestic food supply induced by stringent containment measures. High food prices have

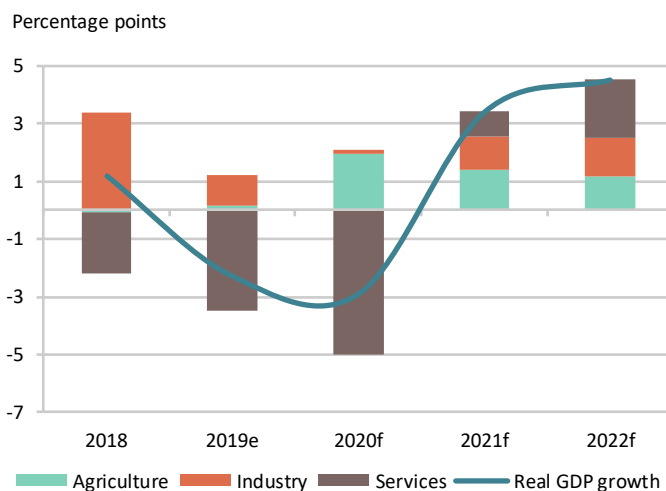
adversely impacted households' welfare with 66.4 percent of households in dire food situation according to the High Frequency Phone Monitoring Survey Report launched in August 2020. In addition, 75.3 percent of households reported job loss and 67.5 percent reported income loss.

The CBL maintained its monetary policy rate at 30 percent during the first five months of the year to help contain inflation but reduced it to 25 percent at end-May 2020 as pressures on inflation eased. Charges on person-to-person fund transfer via internet and mobile banking was suspended intermittently to enhance the use of digital financial services while easing the liquidity pressures. The stock of private sector credit plunged by 4.8 percent as at end-June 2020 while average non-performing loan (NPL) ratio rose to 19.6 percent from 17.2 percent in December 2019, reflecting slowing economic activity and growing vulnerabilities in the banking sector.

The FY2020 budget was revised downward to US\$518 million in May 2020 to reflect the adverse impact of COVID-19 on revenues from taxes on income and profits, goods and services, and international trade, offset partially by a surge in donor financing. The fiscal deficit is expected to decline to 3.7 percent of GDP, from 6.1 percent in FY2019.

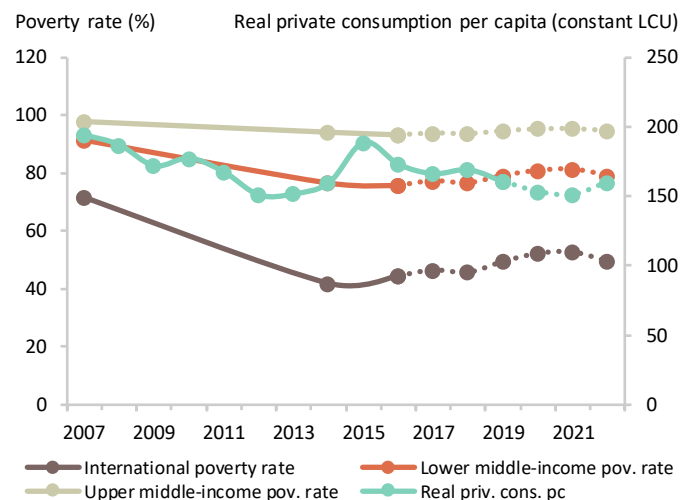
The slowdown in global economic activity has depressed external demand for Liberian exports, muted activity in the manufacturing and services sectors, and disrupted investments in the export-oriented mining, agriculture, and forestry sectors. As a

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



Sources: World Bank Staff calculations based on IMF and CBL data.

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



Source: World Bank. Notes: see Table 2.

result, exports declined by 8.6 percent (y/y) in H1 2020.

The performance of trade showed, however, a marginal improvement in the trade balance, as decline in imports more than offset the decline in exports.

Outlook

Liberia's real GDP is expected to contract by 2.9 percent in 2020 due to decline in output across multiple sectors, reflecting the adverse impact of the COVID-19 pandemic and related containment measures. The share of households living below the international poverty line of US\$1.9/day (2011 PPP) is projected to rise to 52.2 percent in 2020, from 49.4 percent in 2019 due to negative per capita income growth, high food prices, and job loss induced by COVID-19. A recovery in consumption, improvement in business confidence, higher spending on capital, and return to growth in non-mining sector is expected lift the economy to a rebound amid high uncertainty with real GDP projected to rise to an average of 4.0 percent during 2021-22. The inflation rate is expected to moderate to 11 percent by 2022, as CBL maintains a tight monetary policy stance and fiscal consolidation continues.

The overall fiscal deficit is projected to narrow to 3.2 percent of GDP by FY2022, supported by implementation of public sector reforms, including pay reform, revenue mobilization and expenditure management. Liberia's external position is expected to deteriorate in 2020 amid depressed external demand for its exports and lower prices for all its major export commodities except gold.

The current account deficit is projected to widen to 24.3 percent of GDP in 2020, from 22.1 percent in 2019 and remain high over the medium term.

The current-account deficit will be financed by the net use of IMF credit and capital inflows to the agriculture, mining, and infrastructure sectors as the COVID-19 pandemic subsides.

Risks and challenges

The current outlook is surrounded by high level of uncertainty, with risks heavily tilted to the downside. A protracted pandemic, characterized by supply, demand, and terms-of-trade shocks could undermine recovery in various sectors and heighten poverty levels.

A second wave of COVID-19 spread locally could disrupt economic activity further,

induce sharper contraction and slow the pace of recovery over the medium term. Government's inability to execute a clear economic recovery plan supported by a credible budget and appropriate fiscal and monetary policy measures could further weaken Liberia's fiscal and external balances, constrain growth, and inhibit poverty reduction. Limited progress on the needed structural reforms to improve the country's business climate, enhance domestic resource mobilization and public investment efficiency could slow the pace of economic recovery and challenge medium-term prospects.

TABLE 2 Liberia / 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	2.5	1.2	-2.3	-2.9	3.4	4.5
Private Consumption	-1.7	6.0	-2.8	-1.9	1.1	8.6
Government Consumption	1.9	-4.3	4.0	-16.8	-3.0	-7.3
Gross Fixed Capital Investment	-4.1	-13.6	-4.3	2.6	9.1	2.9
Exports, Goods and Services	6.4	-0.3	1.6	-10.2	1.0	1.6
Imports, Goods and Services	-10.9	-13.8	0.4	-7.4	1.3	3.1
Real GDP growth, at constant factor prices	2.5	1.2	-2.3	-2.9	3.4	4.5
Agriculture	-1.1	-0.2	0.4	5.3	3.5	3.0
Industry	16.4	20.0	5.2	0.6	5.2	5.7
Services	1.1	-4.6	-7.9	-12.1	2.2	5.5
Inflation (Consumer Price Index)	13.2	20.4	27.0	17.6	13.5	11.0
Current Account Balance (% of GDP)	-23.4	-23.5	-22.1	-24.3	-24.8	-20.0
Fiscal Balance (% of GDP)	-4.8	-4.8	-6.1	-3.7	-4.1	-3.2
Debt (% of GDP)	34.9	40.3	52.5	57.7	63.0	64.9
Primary Balance (% of GDP)	-4.5	-4.2	-5.4	-2.1	-3.1	-0.9
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	46.5	45.7	49.4	52.2	52.7	49.4
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	77.3	76.5	79.1	80.8	81.3	79.1
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	93.8	93.6	94.6	95.3	95.4	94.6

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

Notes: e = estimate, f = forecast.

(a) Calculations based on 2016-HIES. Actual data: 2016. Nowcast: 2017-2019. Forecast are from 2020 to 2022.

(b) Projection using neutral distribution (2016) with pass-through = 1 based on private consumption per capita in constant LCU.