MALI

Table 1	2019
Population, million	19.7
GDP, current US$ billion	17.2
GDP per capita, current US$	874.8
International poverty rate ($19)[a]	50.3
Lower middle-income poverty rate ($3.2)[a]	79.8
Upper middle-income poverty rate ($5.5)[a]	95.0
Gini index[a]	33.0
School enrollment, primary (% gross)[b]	75.6
Life expectancy at birth, years[b]	58.9

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2009), 2011PPPs.
(b) Most recent WDI value (2018).

Following robust growth in 2019, the economy is expected to contract in 2020 due to the COVID-19 crisis and the August 18, 2020 military coup. The fiscal balance will worsen, and the debt pressures increase, although the external balance may be less impacted due to improved terms of trade. Growth and poverty reduction are expected to gradually recover over the medium term. The outlook is tilted to the downside with risks from the political uncertainty, rising insecurity, a sustained COVID-19 outbreak and climatic hazards.

Recent developments

Growth was stable at 5.1 percent in 2019 supported by transportation, telecommunication, construction and agriculture. Public investment and private consumption were the main drivers on the demand side. The COVID-19 crisis and the military coup ended the good performance experienced since 2014 (growth averaged 5.7 percent). Retail sales, and non-financial services were among the most affected sectors by the pandemic and related containment measures. In contrast, industrial production showed resilience during the first quarter (3.3 percent y-o-y) and gold production rebounded in the second quarter (5.0 percent y-o-y). Inflation turned negative in 2019 (-3.0 percent) and the trend persisted till June 2020. Prices however picked up in July (0.9 percent y-o-y) as food prices rose.

The current account deficit narrowed to 4.2 percent of GDP in 2019 due to improved terms of trade and increased official transfers. The current account deficit was mainly financed by Foreign Direct Investment (FDI) and project grants. The financial and capital accounts improved in 2019-early 2020 due to a significant increase in budget support.

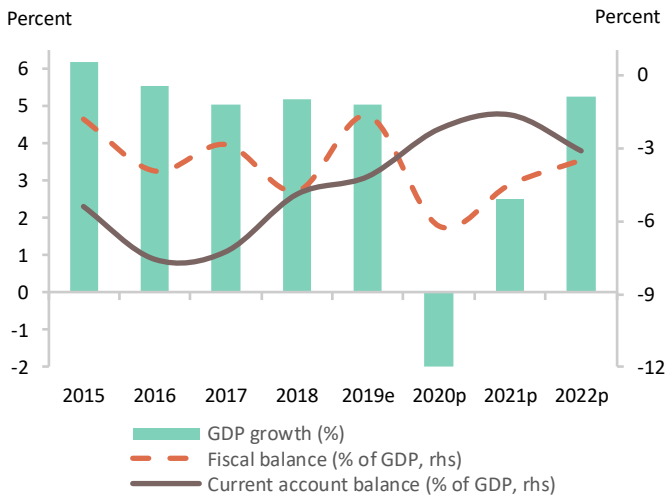
The fiscal deficit decreased to 1.7 percent in 2019 as a result of greater revenue mobilization efforts and spending restraint. As the pandemic took a toll on economic activity, customs duties declined during the first quarter of 2020 (-6.8 percent y-o-y) because of lower oil imports and trade flows. Following a drop over the first four months (-17.2 percent y-o-y), domestic revenue collection rebounded during May-July by 8.5 percent (monthly average, y-o-y).

Mali's monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO), which maintains a fixed peg between the CFA Franc and the Euro. Foreign exchange reserves reached 5.4 months of imports in 2019 due to fiscal consolidation and higher net capital inflows. To support regional economy and COVID-19 related extra spending, the BCEAO announced a set of measures since March 2020, including a policy rate cut and extended refinancing operations of 3-month COVID-19 bonds.

The financial sector remains sound. Domestic credits to the private sector increased by 2.2 percent in 2019. The banking sector remains well-capitalized (capital to risk-weighted assets rose from 12.5 percent in 2018 to 13.5 percent in June 2019). Asset quality has improved as the NPL ratio to total loans fell from 13.5 percent in end 2018 to 10.5 percent in end 2019.

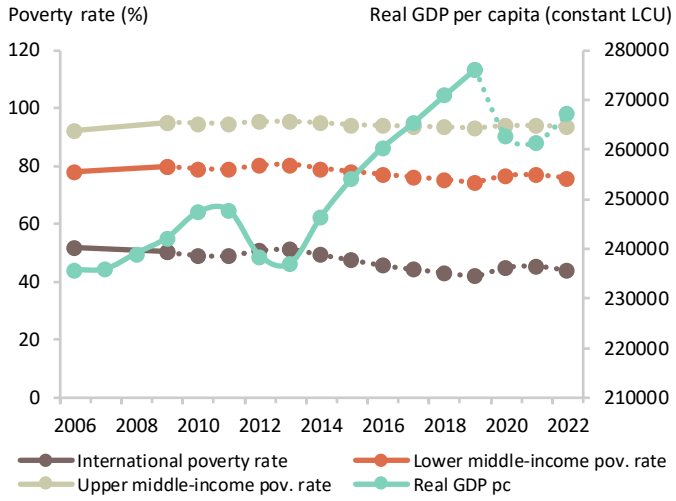
The extreme poverty rate (US$1.9/day PPP) is estimated to have decreased to 42.0 percent in 2019. For non-monetary poverty indicators, the share of households with access to water and electricity increased to 85.7 and 67.7 percent in 2019, respectively. However, the share of households living within 4 km of schools or health centers decreased by 2 percentage points in 2019, as a direct consequence of schools and health clinics closure due to

FIGURE 1 Mali / GDP growth, fiscal and current account balance



Sources: Malian government and the World Bank.

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



Source: World Bank. Notes: see Table 2.

security concerns. The Covid-19 pandemic has reversed the progress in poverty reduction in 2020 with a 3 percentage points increase due mainly to market disruptions and price shocks as well as reduction in remittances.

Outlook

Growth in 2020 is expected to contract by 2 percent (-4.9 percent in per capita terms), due to the COVID-19 impact on global demand, domestic containment measures, and the effects of the coup and related economic sanctions. Over the medium-term growth is projected to gradually return to trend as the pandemic wanes and assuming a smooth political transition, based on private consumption and public investment. Inflation will turn positive following resumed consumption and food price increases and reach 2 percent in the medium term.

The current account deficit will slightly narrow in 2020 (2.3 percent of GDP) with continued favorable terms of trade, subdued demand for imports and the impact of economic sanctions. The financial account surplus will shrink as the political situation will depress grants, concessional borrowing, and FDI. Over the medium term, the current account deficit will gradually settle around 4.0 percent of GDP, as oil prices are projected to pick up and gold prices decline from 2021.

The 2020 fiscal deficit will spike to 6.2 percent of GDP. Expenditures will increase while tax revenues underperform due to lower economic activity, collection difficulties and fiscal support for COVID-19 and security policies. The gap is expected to be financed by the debt relief, concessional financing received before the coup and additional bond issuance. The deficit will remain high in 2021-22 due to slow economic recovery. The debt-to-GDP ratio is projected to increase from 40.5 percent in 2019 to above 45 percent (2020-2022), but the risk of debt distress remains moderate.

Preliminary simulations assume negative per capita GDP growth and suggest poverty may further increase to 45.5 percent in 2021 before decreasing to 43.9 percent in 2022.

Risks and challenges

The economic outlook is highly uncertain with substantial downside risks including prolonged pandemic, heightened political uncertainty, increased insecurity and vulnerability to external shocks. A protracted pandemic could reinstall containment measures, and further slowdown the recovery. A prolonged political transition and subsequent economic sanctions would further damage the economy. The already fragile security situation could worsen, and extremist groups take advantage of any power vacuum. In addition, adverse weather shocks would hurt agriculture and increase food insecurity, as the economy remains dependent on commodity exports which are vulnerable to volatile commodity prices. Finally, contingent liabilities related to the energy utility (EDM) constitute a significant fiscal risk that weighs on public finances.

TABLE 2 **Mali** / 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	5.0	5.2	5.1	-2.0	2.5	5.2
Private Consumption	3.4	3.0	5.8	-2.7	7.0	8.3
Government Consumption	4.9	2.0	9.5	48.0	5.8	3.4
Gross Fixed Capital Investment	-3.7	-0.9	-1.4	5.6	-4.0	-4.3
Exports, Goods and Services	13.6	-2.6	-6.3	1.9	11.4	4.0
Imports, Goods and Services	-20.6	-12.3	7.8	12.2	8.4	5.2
Real GDP growth, at constant factor prices	5.5	5.3	5.1	-2.1	2.8	5.2
Agriculture	5.2	5.9	5.1	0.0	-0.6	4.6
Industry	6.8	5.5	4.4	0.2	-0.7	4.9
Services	5.2	4.8	5.3	-4.8	7.5	5.9
Inflation (Consumer Price Index)	1.4	1.9	-3.0	0.5	1.5	2.0
Current Account Balance (% of GDP)	-7.3	-4.9	-4.2	-2.3	-1.7	-3.1
Net Foreign Direct Investment (% of GDP)	3.6	2.8	1.8	0.9	1.8	1.8
Fiscal Balance (% of GDP)	-2.9	-4.8	-1.7	-6.2	-4.5	-3.4
Debt (% of GDP)	36.0	37.7	40.5	46.3	48.1	48.2
Primary Balance (% of GDP)	-2.0	-3.9	-0.7	-5.0	-3.0	-1.8
International poverty rate ($1.9 in 2011 PPP)[a,b]	44.3	43.3	42.0	45.0	45.5	44.0
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	76.1	75.3	74.5	76.7	76.9	75.8
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	93.7	93.5	93.2	93.9	93.9	93.7

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

(a) Calculations based on 2009-ELIM. Actual data: 2009. Nowcast: 2010-2019. Forecast are from 2020 to 2022.
(b) Projection using neutral distribution (2009) with pass-through = 0.87 based on GDP per capita in constant LCU.