MAURITANIA

Table 1	2020
Population, million	4.7
GDP, current US$ billion	7.6
GDP per capita, current US$	1645.0
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]	100.4
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) WDI for school enrollment (2019); life expectancy (2018).

The COVID-19 pandemic severely impacted the economy, leading to the first ever contraction since 2008 and reversing years of poverty reduction. Despite the crisis, the external and fiscal balances remained resilient in 2020, supported by increased donor financing and improved terms of trade. Growth and poverty reduction are expected to gradually recover. 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

Despite improved macroeconomic stability over the past five years, with prudent fiscal and debt policy after the end of the commodity super cycle in 2014-2015, Mauritania did not manage to build a diversified and inclusive economy nor make significant progress on its development agenda. As a result, the country's per capita GDP growth averaged only 0.4 percent between 2016 and 2019. This low growth per capita reflects a weak business environment impaired by limited competition and underdeveloped financial markets, poor human and physical capital, and over-reliance on extractive resources.

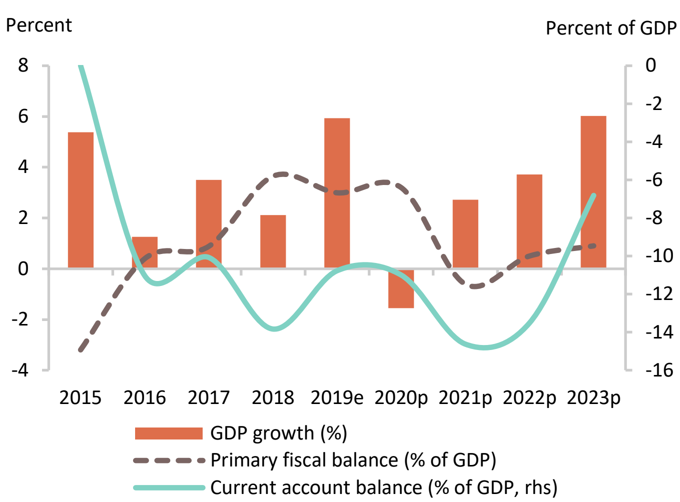
COVID-19 has exacerbated existing economic and social challenges, reversing some gains made in poverty reduction over the past few years. It has also underscored the urgent need to enact deeper structural reforms to build back a stronger, faster, and more inclusive growth model. The new priority program (PROPEP) launched in September 2020 to support the recovery and boost long-term inclusive growth in 2021–22 will require large financing and significant commitment on the political and administrative levels to materialize. Given the high risk of debt distress, the Government should maintain its prudent borrowing plans based on concessional financing. At the same time, it should utilize its fiscal space generated over the past years to ramp-up efficient social and capital spending. There is also a need to develop a simple and clear rule-based fiscal framework to effectively manage the significant gas inflows expected starting 2023. Finally, Mauritania is exposed to climate shocks (floods and droughts), which could reduce agricultural productivity.

Recent developments

The COVID-19 pandemic severely impacted the economy, leading to a contraction of 1.5 percent in 2020 (-4.2 in per capita terms). While extractive industries held up well, domestic non-extractive activity was severely affected by the pandemic. Retail and transportation services were hit by the lockdown and the fishing sector contracted due to a drop in global demand. Inflation remained low at 2.4 percent in 2020, consistent with a large negative output gap and contained food prices.

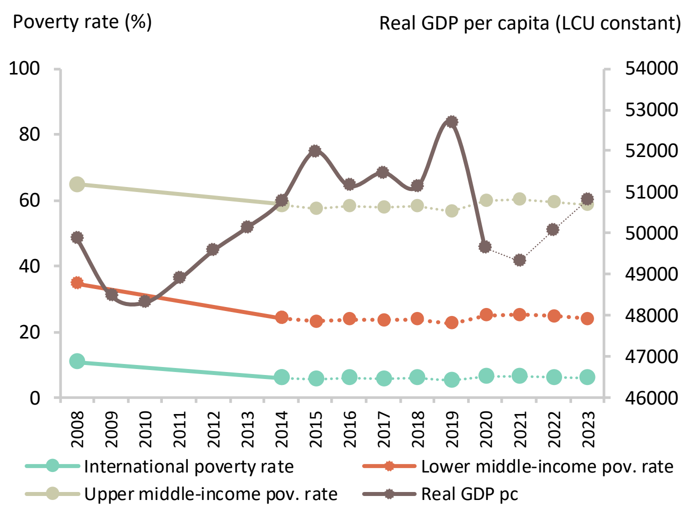
The current account deficit (CAD) remained almost unchanged at 11 percent of GDP as lower fishing exports were offset by resilient mining production and improved terms of trade (higher gold/iron export prices and lower oil import prices). The CAD was financed by strong extractive-related FDI, increased donor financing and a suspension of debt service through the Debt Service Suspension Initiative (DSSI). As a result, international reserves increased to 4.9 months of imports in 2020 and the exchange rate remained stable.

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



Source: World Bank. Notes: see Table 2.

Despite the pandemic and the resulting large drop in tax revenues, the fiscal balance (excluding grants) registered a surplus of 0.3 percent of GDP in 2020. This was driven by two factors. First, non-tax revenues surged thanks to higher SOE dividends (reflecting last year's profits) and increased gasoline excise revenues due to the price differential between the lower international oil prices and the fixed domestic retail prices. Second, the increase in current transfers was offset by a combination of reduced public investments due to under-execution partly reflecting the COVID-induced lockdown. The robust fiscal position and high nominal growth reflecting improved terms of trade helped maintain the debt-to-GDP ratio around 73.5 percent of GDP in 2020.

To mitigate the impact of the crisis, the central bank eased its monetary policy by reducing its reserve requirement and policy rate. This has, however, not translated in lower lending rates nor increased lending to the private sector, thus reflecting the limited effectiveness of the monetary policy. While banking regulations were tightened with the implementation of Basel III standards, NPLs remain high at 21.5 percent in 2020.

The pandemic-induced crisis has impacted the labor market, particularly in urban areas where social distancing measures reduced economic activity in services and affected widespread-informal jobs. As a result, urban workers experienced job losses and a drop in their income. This has reversed years of poverty reduction and pushed the poverty rate (US$ 1.9/day in 2011 PPP) from 5.4 percent in 2019 to 6.3 percent in 2020.

Outlook

Assuming the vaccine roll-out starts in the second quarter of 2021, growth would recover to 2.7 percent in 2021. This u-shaped recovery will be driven by a rebound in services, particularly, as households and businesses adapt to operating in the pandemic. Growth is expected to accelerate in 2022-2023, assuming a continued recovery in private consumption, a rebound in key export markets and the onset of gas production in 2023. Despite this acceleration, real GDP per capita will not return to its 2019 level before 2024 due to the high population growth.

The CAD is expected to increase and remain elevated at 14 percent of GDP in 2021-2022 fueled by high capital investment imports and worsened terms of trade. It is then expected to shrink to 6.8 percent as hydrocarbon exports come on stream in 2023. External financing would be met by extractive related FDI and concessional financing. As a result, international reserves would remain above 4 months of imports.

Fiscal pressures will slightly increase in 2021 as the Government ramps up its social spending and public investments in line with its recovery plan. Higher spending, coupled with lower non-tax revenues, will offset the pick-up in tax revenues as the economy recovers, leading to a primary deficit (excluding grants) of 1.1 percent of GDP in 2021. As the Government unwinds COVID-19 spending measures, the primary balance will return to a surplus, putting the debt-to-GDP ratio back on a downward trend starting 2022.

Monetary policy is expected to remain prudent to ensure price stability in the short run. In the longer-term, the authorities are aiming to implement reforms for more effective liquidity management and deepen the interbank forex market.

The slow economic recovery that will be driven by the low-labor intensity extractive sector coupled with household uncertainty about the future will undermine poverty reduction. Consequently, the poverty rate would continue to increase to 6.4 percent in 2021 before taking a downward trend to reach 6 percent in 2023.

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

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	2.1	5.9	-1.5	2.7	3.7	6.0
Private Consumption	2.7	2.4	-5.7	1.6	3.0	2.8
Government Consumption	4.5	5.0	6.5	8.5	2.3	5.5
Gross Fixed Capital Investment	4.1	5.5	2.4	3.5	5.4	3.9
Exports, Goods and Services	-4.0	6.0	0.7	2.0	4.5	10.4
Imports, Goods and Services	0.5	0.7	0.3	3.4	4.3	3.4
Real GDP growth, at constant factor prices	1.7	5.9	-1.5	2.7	3.7	6.0
Agriculture	2.1	1.4	-0.8	0.7	1.2	2.3
Industry	-8.4	7.2	0.4	4.9	5.7	10.6
Services	7.7	7.1	-2.9	2.3	3.6	4.8
Inflation (Consumer Price Index)	3.0	2.2	2.4	2.6	3.0	3.5
Current Account Balance (% of GDP)	-13.8	-10.8	-11.0	-14.6	-13.5	-6.8
Net Foreign Direct Investment (% of GDP)	11.0	11.6	11.5	13.3	12.7	9.2
Fiscal Balance (% of GDP)	2.5	2.1	2.4	-1.4	-0.4	0.0
Debt (% of GDP)	76.9	73.4	73.5	73.1	71.7	68.1
Primary Balance (% of GDP)	3.7	3.0	3.8	-0.4	0.6	0.9
International poverty rate ($1.9 in 2011 PPP)[a,b]	5.9	5.4	6.1	6.1	5.9	5.4
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	23.8	22.5	24.3	24.3	23.8	22.4
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	58.3	56.6	59.1	59.1	58.5	56.6

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: 2015-2020. Forecast are from 2021 to 2023.
(b) Projection using neutral distribution (2014) with pass-through = 0,87 based on GDP per capita in constant LCU.