

# GABON

**Table 1** **2020**

Population, million	2.2
GDP, current US\$ billion	14.5
GDP per capita, current US\$	6503.1
International poverty rate (\$ 1.9) <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) Most recent WDI value (2018).

*Gabon's economy is set to contract by 1.9 percent in 2020 as COVID-19 induced a downturn in global demand and a fall in oil prices. The pandemic is continuing to damage Gabon's public finances with a significant hit to its revenues leading to record high levels of debt and the accumulation of arrears. As the COVID-19 crisis is unfolding, the medium-term outlook suggests a timid recovery and no prospects of poverty reduction before 2023.*

## Key conditions and challenges

Gabon's economic recovery was gaining pace as economic diversification and fiscal adjustment efforts had started to pay off. This progress has been threatened, however, by the COVID-19 pandemic and the decline in oil prices. Inadequate governance and a poor business climate are major challenges for Gabon's economy to transform its wealth in natural resources into sustainable development and broad-based improvement of living conditions. A second wave of COVID-19 cases triggering tighter restrictions on economic activity may cause even more hardship for the population. Efforts to improve supply chains and in particular food supply to urban areas should be maintained to contain food price pressures and tackle food security issues.

Fluctuations in oil and manganese prices remain the main risk factors, given the country's reliance on these commodities. A reduction in Gabon's oil production to align it with the decision made by the OPEC and its allies to cut production would require the country to accelerate fiscal consolidation or seek debt reprofiling. Despite the challenging economic context, it is still important for the Government to preserve public investment, maintain efforts to repay current domestic arrears and avoid any additional accumulation to lay the ground for a rapid economic recovery and mitigate the negative

poverty and social impacts in the medium term. Sustained implementation of reforms to support domestic revenue mobilization, reduce the civil service wage bill, strengthen public finance management and the efficiency of public investment are crucial for improving the country's growth prospects.

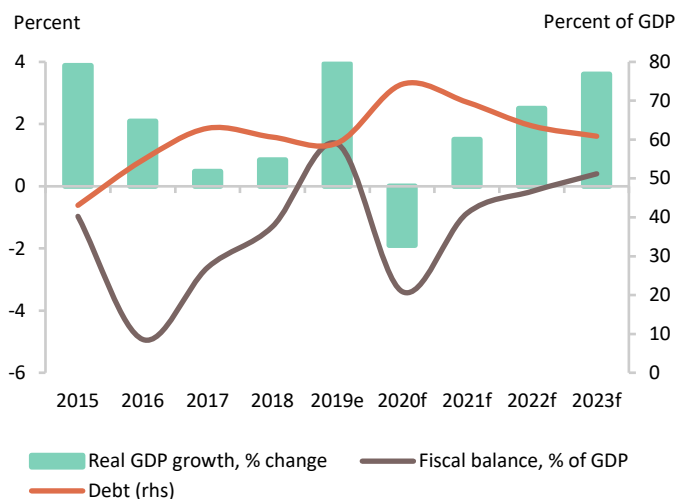
COVID-19 has exacerbated existing social challenges, with a significant impact on the most vulnerable. The reduction in government revenues is a major threat to the financing of the social protection program benefiting the most vulnerable, which is already underfinanced. Self-employed workers and workers in informal activities, who are excluded from the social protection system, will experience major income losses.

## Recent developments

The COVID-19 crisis has pushed Gabon into recession in 2020. Evidence suggests that real GDP contracted by 1.9 percent in 2020 after growing at 3.9 percent in 2019. The contraction was led by the decline in oil production and the weakness in the service sector while manganese and mineral production significantly increased. Price pressures remained limited in 2020, well below the 3 percent limit in the CEMAC zone. Pressures on food prices have been largely contained.

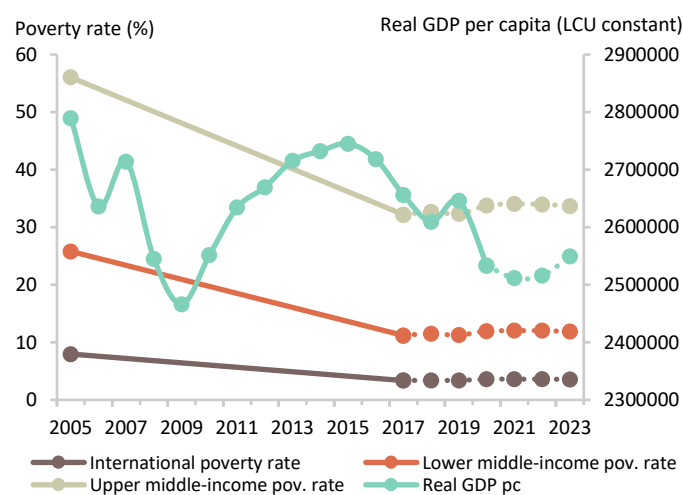
The deterioration of the overall fiscal deficit in 2020 may be more contained than anticipated in the 2020 revised budget law. Lower tax revenues due to

**FIGURE 1 Gabon / Real GDP growth, fiscal balance and government debt**



Sources: Gabonese authorities and World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

the expected recession and tax relief related to the COVID-19 pandemic were combined with declining oil revenues owing to low crude oil prices. Both current and investment spending contracted in 2020. Debt levels have reached historical highs, estimated at 75 percent of GDP in December 2020. Gabon has started accumulating arrears on external and domestic debt again due to cash pressures resulting from delays in mobilizing external funding, equivalent to 1 percent of GDP by the end of 2020.

With lower oil prices, Gabon's export earnings decreased in 2020 despite higher export volumes of oil and manganese. Imports also declined in 2020 mostly driven by lower imports of manufactured and capital goods. Overall, the trade balance recorded a smaller surplus than in the previous year. The current account deficit is expected to widen to 4.1 percent of GDP in 2020.

Poverty has been exacerbated by the COVID-19 pandemic with a poverty rate estimated at 33.8 percent in 2020, up from 32.3 in 2019. The negative impact of the COVID-19 crisis on households is significant with income and jobs losses, and constrained access to health and other basic services as evidenced by the share of adults and children who were not able to receive care to fulfill their

needs (29.2 percent and 33.3 percent respectively) in September 2020.

## Outlook

Amid exceptional uncertainty on the turnaround in the pandemic despite hopes from recent vaccine approvals, Gabon's economy is projected to grow 1.5 percent in 2021 and 2.5 percent in 2022. Growth will be supported mainly by sustained private investments in agribusiness, wood processing and mining in the medium term thanks to the gradual global recovery. The medium-term outlook suggests a timid recovery with output levels expected to take about three years to return to their 2019 levels.

The authorities are expected to revert to the path towards fiscal consolidation once the fallout from the pandemic subsides. Hence, the fiscal deficit is expected to narrow gradually over the medium term. The projected rise in tax revenue, combined with efforts to limit tax exemptions, is expected to offset partly the projected decline in commodity revenues. Cuts in current spending are also expected to contribute to improving the fiscal balance. The current account deficit is expected to gradually narrow in the medium term

supported by higher oil prices and a resumption of investment in wood and agribusiness thanks to the expected progressive global economic recovery.

Due to current constraints faced by the Gabonese economy and the impact of the pandemic on household income, the share of households living on less than \$5.5 per day is expected to reach 34 percent in 2021 before decreasing to 33.7 percent in 2023.

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

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
<b>Real GDP growth, at constant market prices</b>	0.8	3.9	-1.9	1.5	2.5	3.6
Private Consumption	-0.4	0.9	-2.6	0.2	1.5	1.9
Government Consumption	-18.2	1.9	-3.4	-3.1	-0.1	1.3
Gross Fixed Capital Investment	8.0	6.1	-30.6	2.3	2.8	6.4
Exports, Goods and Services	4.2	21.2	11.8	3.0	4.1	4.8
Imports, Goods and Services	-0.6	20.5	-8.9	1.0	3.0	4.3
<b>Real GDP growth, at constant factor prices</b>	0.9	4.3	-1.9	1.5	2.5	3.6
Agriculture	9.5	7.9	1.6	3.0	5.0	5.0
Industry	-0.7	7.4	2.6	4.3	6.3	7.3
Services	0.7	2.1	-5.1	-0.5	-0.5	0.7
<b>Inflation (Consumer Price Index)</b>	6.3	3.0	2.0	3.0	3.0	3.0
<b>Current Account Balance (% of GDP)</b>	-3.2	-0.3	-4.1	-2.4	-0.4	-0.1
<b>Fiscal Balance (% of GDP)</b>	-1.3	1.4	-3.5	-1.0	-0.3	0.2
<b>Debt (% of GDP)</b>	60.6	59.1	75.0	70.4	64.6	61.9
<b>Primary Balance (% of GDP)</b>	1.1	3.6	-0.1	1.9	2.6	3.0
<b>International poverty rate (\$1.9 in 2011 PPP)<sup>a,b</sup></b>	3.4	3.4	3.6	3.6	3.6	3.6
<b>Lower middle-income poverty rate (\$3.2 in 2011 PPP)<sup>a,b</sup></b>	11.5	11.3	12.0	12.1	12.1	11.9
<b>Upper middle-income poverty rate (\$5.5 in 2011 PPP)<sup>a,b</sup></b>	32.7	32.3	33.8	34.0	34.0	33.7

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

Notes: e = estimate, f = forecast.

(a) Calculations based on 2017-EGEP. Actual data: 2017. Nowcast: 2018-2020. Forecast are from 2021 to 2023.

(b) Projection using neutral distribution (2017) with pass-through = 0.7 based on GDP per capita in constant LCU.