

Recent macroeconomic and financial developments

From a contraction of 1.8% in 2020, GDP growth rebounded to 1.7% in 2021, linked to nonoil sector expansion, notably palm oil (120%) and the wood industry (29.8%). Unemployment, estimated at 20.5% in 2020, remains high, particularly for young people, exacerbating poverty, which was estimated at 33.4% in 2017. The budget deficit widened from 2.1% in 2020 to 3.4% because of a rise in health crisis-related capital and current spending. Public debt is estimated at 74.7% of GDP in 2021, down from 77.4% in 2020.

In 2021, inflation declined to 1.1% from 1.3% in 2020, owing to control of the price of transport and food products. In March 2022, the BEAC increased its Interest Rate on Tenders from 3.5% to 4% and its Marginal Lending Facility Rate from 5.25% to 5.75%, to replenish regional exchange reserves; from 2020 to 2021, these reserves rose from 3 months to 3.6 months of imports. The current account deficit narrowed from 6% in 2020 to 3.5% in 2021, given a stronger increase in exports (31%) than imports (9%). The performance in the banking sector in 2021 was supported by the supervisory measures implemented by the Central African Banking Commission to mitigate the effects of the health crisis on the quality of assets and bank solvency. A deterioration in the quality of assets is projected for 2022, because at the end of 2021, the Commission removed its supervisory measures.

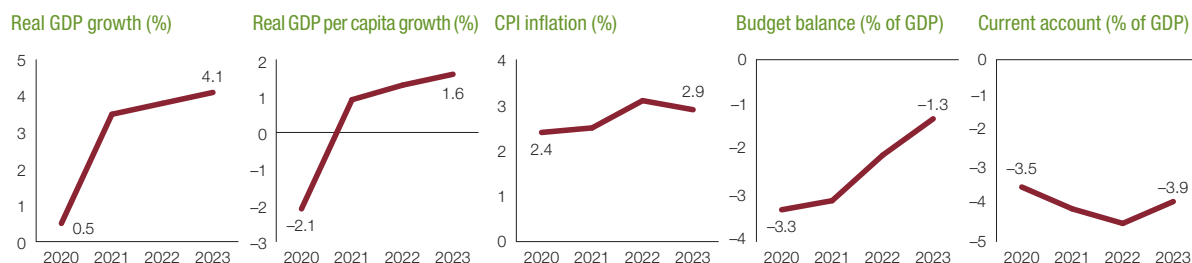
Outlook and risks

The short-term outlook for economic growth is favorable with projected GDP growth of 3.3% in 2022 and 3.4% in 2023, reflecting a dynamic nonoil sector (agriculture, wood, and mining). With the rise in oil prices and reforms initiated within the framework of the IMF program, the budget balance is forecast to post a surplus of 2.3% of GDP in 2022 and 3.4% in 2023. Public debt is forecast to

decline further to 70.1% of GDP by 2023. For 2022 and 2023, the Bank projects inflationary pressures, owing to the Russia–Ukraine conflict, which will affect the price of food and transportation. Inflation is expected to be 2.9% in 2022 and 2.5% in 2023. The prime rates established in March 2022 by the BEAC should guarantee internal and external monetary stability. The balance on the current account is likely to improve, owing to the rising price of exported raw materials (oil, palm oil, gold, and manganese), reaching a surplus of 2.9% of GDP in 2022 and 0.7% in 2023. These outcomes are, however, subject to the execution of ongoing structural reforms as well as the pandemic’s trends and the Russia–Ukraine conflict.

Climate change issues and policy options

Gabon is 130 on the 2021 GCRI. It is exposed to a rising sea level, frequent flooding, and coastal erosion, which affect key sectors such as hydropower, agriculture, fishing, and forests. Authorities have taken steps to protect fauna and flora with the creation of protected areas covering 11% of national territory. The adoption of the Forest Code in 2001 contributed to forestland resilience. Gabon has a relatively developed political, institutional, and legal framework integrated into the national development strategy. The country is revising its NDC with an objective of reducing its carbon emissions by 50% by 2025. Eighty-eight percent of Gabon is covered by forest, which constitutes a carbon pool, absorbing four times more CO₂ than it gives off. The country aims to monetize its carbon credits, estimated at \$5 billion in 2021, and is counting on using and monetizing flared gas to reduce its dependence on finished-product imports and move to green energy. Gabon flares about 35 billion cubic feet of gas a year, which represents about 200 MW of electricity. To reach a more ecological level for electricity and transport, it must overcome technology, infrastructure, finance, and regulations challenges.



Source: Data are as of April 2022 and are from domestic authorities; figures for 2021 are estimates and figures for 2022 and 2023 are projections by the African Economic Outlook team.