Mauritania

Recent macroeconomic and financial developments

Mauritania's GDP growth rate was estimated at 3.9% in 2021, after a 1.8% contraction in 2020, due to the lifting of emergency COVID-19 measures, assistance of international donors, and increased global demand. Agriculture, fishing, and services registered good performance. Inflation increased to 3.8% in 2021 after a rise in import prices, especially food products. Banks have shown resilience, but NPLs remained high, representing 26% of total loans in 2020. The budget balance registered a deficit of 0.4% of GDP in 2021 compared with a surplus of 2.3% in 2020. The authorities reprioritized current and nonessential investment spending to return to a primary fiscal surplus. The current account deficit remained stable at 7.6% of GDP despite an increase in iron and copper exports after improving global economic conditions and good international commodity prices.

Foreign exchange reserves amounted to $2.3 billion at end-2021. External debt decreased to 48.2% of GDP in 2021, and debt services represented 7% of total exports in 2021 against 9.6% in 2020, due to the Debt Service Suspension Initiative, which allowed Mauritania to suspend $200 million on its debt service payments. According to the survey on Household Living Conditions in 2019–20, 28.2% of Mauritanians lived below the poverty line. Unemployment reached 12.2% and underemployment affected 41.9% of the population, with high rates for women (58.2%) and youth (53.1%). The country received an SDR allocation equivalent to $175 million, which was used to finance the 2021 budget.

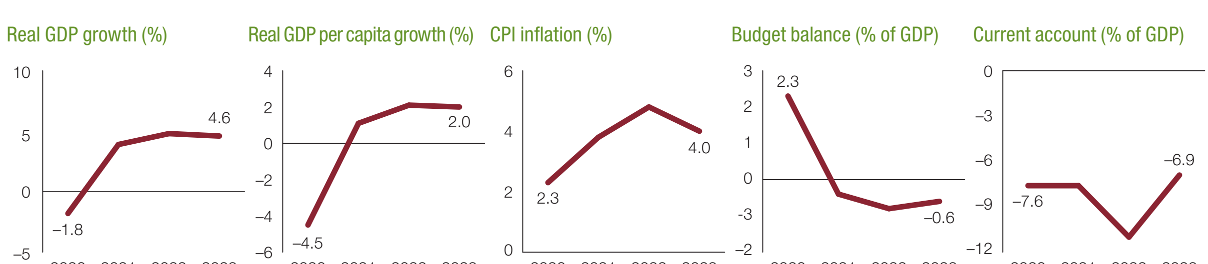
Outlook and risks

Economic growth in the short term is projected to reach 4.8%. Tailwinds include rising commodity prices and global demand as well as improved private investor confidence after debt restructuring agreements with Kuwait in August 2021 and Saudi Arabia in April 2022. Downside risks include high volatile commodity markets, debt distress, new waves of COVID-19 infections, and security threats in the Sahel region.

Inflation is forecast at above the 4% threshold in the short term due to the sharp rise in global food prices following the Russia–Ukraine conflict. The fiscal balance is projected to be in deficit in 2022 and 2023 after increased expenditures to support economic recovery and the social sector. A decline in the current account deficit is expected in 2023 after the start of gas exports. External debt is expected to reach 52.7% of GDP in 2022. Debt distress remains a risk. Enhancing domestic resource mobilization and opting for concessional financing for productive investments in infrastructure with long maturities on reasonable borrowing terms will be important for long-term debt sustainability.

Climate change issues and policy options

Mauritania is one of the most vulnerable countries to climate change, which accentuates the continuing trend of degradation of agricultural, forest, and pastoral ecosystems. The most apparent effect is desertification with its impact on food security and rural populations' livelihoods. Mauritania launched an ambitious national strategy to diversify its energy mix based on the optimal exploitation of its enormous RE potential. The NDC, which represents an 11% reduction in GHG emissions by 2030 for a cost of $34.3 billion, is in line with the Strategy for Accelerated Growth and Shared Prosperity 2016–30. Mauritania aims to reduce its extreme vulnerability by focusing on protecting and conserving ecosystems and developing agriculture and food security. According to the United Nations Development Programme, financing needs for these adaptation measures are about $10.6 billion. Climate finance comes from international institutions involved in building climate resilience in Mauritania and from environmental funds such as the Adaptation Fund, the GCF, and the Global Environment Facility.



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.