

04/2026

MACRO POVERTY OUTLOOK

Country-by-country
Analysis and Projections
for the Developing World



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*The Macro Poverty Outlook is produced
by the Fiscal Policy and Growth
Department of the World Bank Group.*

The cutoff date for information for most countries was April 6, 2026.

Key MPO Assumptions Regarding the Middle East Conflict

Duration and intensity of disruptions

Shipping through the Strait of Hormuz is severely disrupted for about three months. Thereafter, shipping disruptions dissipate over several months. There is material medium-term damage to regional oil and gas infrastructure. During the peak phase of supply disruptions, there is a moderate offset to the loss of oil supply from the Middle East from various alternative supply sources globally.

Price assumptions 2026 (annual average)

Brent oil: \$84-96/bbl

Cambodia
Central Pacific Islands
China
Fiji
Indonesia
Lao PDR
Malaysia
Mongolia
Myanmar

North Pacific Islands
Papua New Guinea
Philippines
Solomon Islands
South Pacific Islands
Thailand
Timor-Leste
Viet Nam

East Asia and Pacific

CAMBODIA

Growth is easing as weaker remittances and returning migrants weigh on household incomes and consumption, while the oil price shock is raising inflation. Investment is firmer—supported by manufacturing foreign direct investment (FDI) and improved trade access to the U.S. market—boosting jobs and helping absorb returnees. A prolonged property downturn is increasing non-performing loans (NPL), heightening macro-financial risks.

Key conditions and challenges

Falling remittances, rising oil prices, and slower credit are curbing domestic demand, while global trade policy uncertainty weighs on exports. At the household level, the return of almost one million migrant workers from Thailand in July 2025, compounded by the oil price shock stemming from the Middle East conflict, has weighed on incomes and consumption. Rising investment—primarily FDI in manufacturing and other tradable sectors—is, however, supporting employment through capacity expansion and new hiring.

Monetary conditions are accommodative. On the fiscal side, authorities are rebuilding buffers through gradual consolidation, with revenue performance improving due to stronger merchandise trade and compliance gains, even as selected border crossings remain disrupted. However, a protracted downturn in construction and real estate is eroding bank asset quality, as declining collateral values and rising household leverage are driving up credit risk. The combination of a softer growth outlook and higher food and fuel prices is likely to slow real income gains for poorer households and moderate the pace of poverty reduction.

Population ¹ million	Poverty
17.8	..
Life expectancy at birth ² years	School enrollment ³ primary (% gross)
70.7	109.0
GDP ⁴ current US\$, billion	GDP per capita ⁵ current US\$
50.5	2831.0

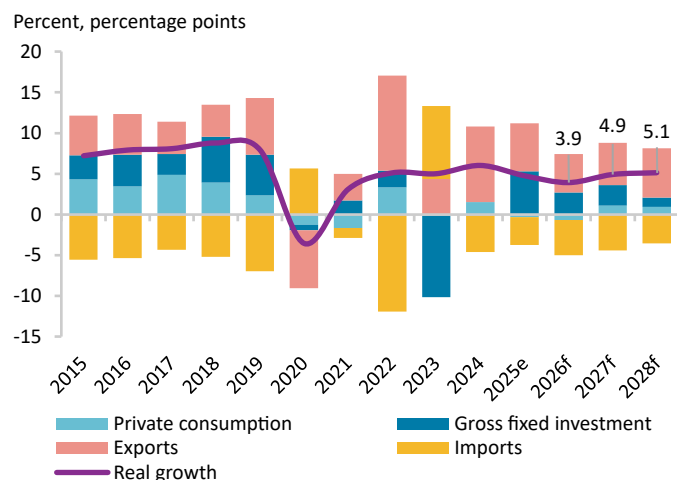
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2023. 3/ 2024. 4/ 2025. 5/ 2025.

A key uncertainty is the duration and scale of the ongoing Middle East conflict, which—beyond its inflationary effects—could weigh on tourism receipts. Heightened global trade policy uncertainty could curb goods exports and delay FDI commitments. On the domestic front, potential renewed border tensions could displace populations and dampen investor sentiment. Adding to these risks, a faster-than-expected rise in nonperforming loans could threaten macrofinancial stability.

Recent developments

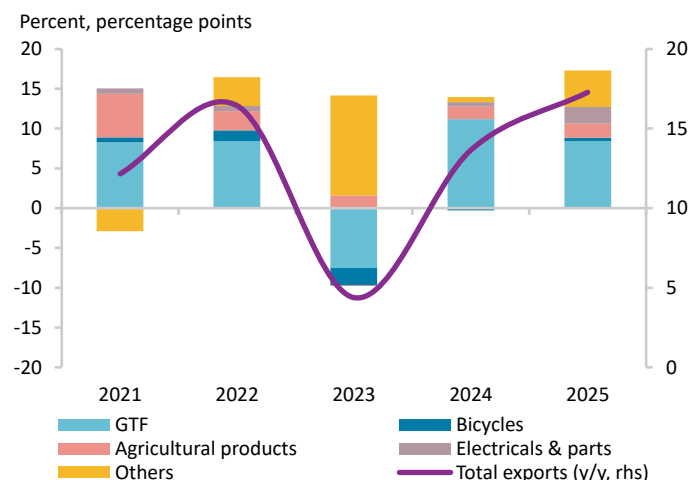
Private consumption, which accounts for more than half of GDP, is softening as oil prices have surged, while remittance inflows are expected to fall by over 50 percent in 2026. Retail prices of gasoline and diesel surged by 35.4 percent and 57.3 percent, respectively, in the second week of March 2026, reflecting the pass-through from the global oil price shock and more frequent retail price adjustments. In addition, private spending remains constrained, as domestic credit continues to grow at a modest 6.5 percent year-on-year (y/y) in 2025—well below the pre-COVID-19 average of 26 percent. Clashes along the Cambodia–Thailand border in December 2025 displaced roughly 645,000 people in Cambodia, disrupted

FIGURE 1 / Real GDP growth and sectoral contributions to real GDP growth



Sources: Cambodian authorities and World Bank.

FIGURE 2 / Merchandise exports growth and contributions to merchandise export growth



Source: Cambodian authorities.

Notes: GTF = garment, travel goods, and footwear (and other textile products), y/y = year-on-year.

livelihoods, and increased the risk of vulnerable households falling into poverty.

However, investment—especially FDI into manufacturing—is increasing, bolstering the labor market and partially absorbing returning migrants. In 2025, FDI inflows reached US\$5.1 billion (10.1 percent of GDP), a 15 percent y/y increase.

On the other hand, services exports, especially tourism receipts, came under pressure as international arrivals fell 17.2 percent in 2025. By contrast, goods exports remained resilient, rising 25.7 percent y/y in January 2026—likely supported by a U.S. trade deal signed last year. In 2025, with intermediate imports rising alongside expanding manufacturing activity, the current account deficit widened, though it was fully covered by strong capital inflows. As a result, gross international reserves rose to US\$27.5 billion, covering about eight months of prospective imports. Ahead of the oil price shock, inflation was contained at 1.3 percent y/y in January 2026.

Accommodative monetary policy has supported liquidity, but broad money growth slowed to 12.9 percent y/y in December 2025 amid weaker foreign-currency deposits in Cambodia's highly dollarized economy. In this setting, softer deposit growth can limit credit transmission even when policy settings are accommodative. Domestic interest rates continued to decline. The property-market correction is weighing on the financial sector, eroding asset quality: the NPL ratio rose to 8.9 percent in 2025 (from 7.4 percent in 2024).

In 2025, stronger trade-related revenue and expenditure restraint delivered the first post-pandemic fiscal surplus, estimated at 0.6 percent of GDP.

Outlook

Under a baseline scenario that accounts for the oil shock, real GDP growth is projected to moderate to 3.9 percent in 2026 and recover to 4.9 percent in 2027. The 2026 slowdown reflects softer domestic demand and weaker goods exports, weighing on poverty reduction. Higher oil prices are likely to push inflation up quickly, especially on food components. Simulation shows that a 5 percent increase in food prices could raise the poverty headcount ratio by 0.8 percentage points, underscoring the value of well-targeted income support during price shocks.

Growth is expected to pick up in 2027 as new investment translates into manufacturing capacity and exports, supporting hiring and wage income and enabling consumption to recover as returning workers are absorbed. The outlook, however, hinges on the evolution of the Middle East conflict.

The near-term policy mix can balance temporary support for vulnerable households with preserving financial stability, including tighter risk-based supervision as NPLs rise and better-targeted transfers to buffer food and fuel price pressures.

Medium-term structural reforms can focus on (i) logistics and trade facilitation to lower export costs, (ii) energy tariff and sector governance reforms to support investment while managing pass-through, and (iii) financial sector measures to strengthen supervision and improve credit allocation as real-estate risks rise. Together, these priorities can support export diversification and better job creation.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	5.0	6.0	4.8	3.9	4.9	5.1
Private consumption	-0.2	2.5	-0.5	-1.2	2.1	1.8
Government consumption	35.1	-2.5	-37.5	34.3	8.6	8.1
Gross fixed capital investment	-26.7	-0.2	21.5	9.5	8.3	3.7
Exports, goods and services	6.9	14.4	8.5	6.5	7.0	8.0
Imports, goods and services	-12.4	7.5	5.6	7.0	6.9	5.5
Real GDP growth, at constant factor prices	5.0	6.1	4.8	3.9	4.9	5.1
Agriculture	1.6	1.0	1.4	1.5	1.6	1.6
Industry	7.6	9.5	9.9	6.9	6.1	7.6
Services	3.4	4.0	-0.5	0.8	4.6	2.8
Inflation (consumer price index)	2.1	0.8	2.5	3.1	2.7	2.5
Current account balance (% of GDP)	1.3	0.6	-3.1	-4.7	-4.5	-4.2
Net foreign direct investment inflow (% of GDP)	8.6	9.1	9.9	10.0	9.7	9.5
Fiscal balance (% of GDP)	-3.9	-3.4	0.6	-1.4	-1.8	-2.5
Revenues (% of GDP)	16.6	15.8	16.8	16.2	15.7	15.1
Debt (% of GDP)	26.6	26.0	26.8	27.8	28.6	28.5
Primary balance (% of GDP)	-3.6	-3.3	0.9	-1.0	-1.5	-2.2
GHG emissions growth (mtCO2e)	2.2	4.3	5.7	6.5	7.1	7.4

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

CENTRAL PACIFIC ISLANDS

Medium-term growth in the Central Pacific will be driven by sovereign rents from fishing and Nauru's Regional Processing Centre (RPC), redistributed through public spending. With public expenditure near 100 percent of GDP across all three countries, promoting private sector jobs is essential. Governments must also manage risks from thin, concentrated markets and climate change. Global asset price fluctuations could affect fiscal trajectories through each country's sovereign wealth fund.

Key conditions and challenges

Kiribati is small, remote, dispersed, and highly exposed to natural disasters and rising sea levels. The economy is dominated by the public sector, which uses fishing license fees, grants, taxes, and Revenue Equalization Reserve Fund (RERF) withdrawals to fund public expenditure worth 90 percent of GDP in 2025. Over 70 percent of spending is recurrent, covering public wages, social protection, and the copra subsidy. This has reduced poverty but distorted markets and heightened fiscal risks, as volatile fishing license fees account for over two-thirds of revenues. Capital investment is largely donor-funded. Key challenges include capturing more value from the fishing sector, stabilizing revenues through the RERF, and better targeting public spending to reduce poverty.

Nauru relies heavily on sovereign rents from phosphate mining, fishing, and Australia's Regional Processing Centre for refugees. Primary phosphate deposits are depleted, though new technology enables secondary mining. Fishing revenues remain volatile. The RPC accounted for around 70 percent of GDP in FY25, and a new

	KIR	NRU	TUV
Population ¹ thousand	136.5	12.0	9.5
Poverty thousand living on less than \$4.20/day	7.5 ²	2.2 ³	2.3 ⁴
GDP ¹ current US\$, billion	0.35	0.1	0.1
GDP per capita ¹ current US\$	1702	12078	4908

Sources: WDI, World Bank. 1/ 2022. 2/ 2023. 3/ 2012. 4/ 2010.

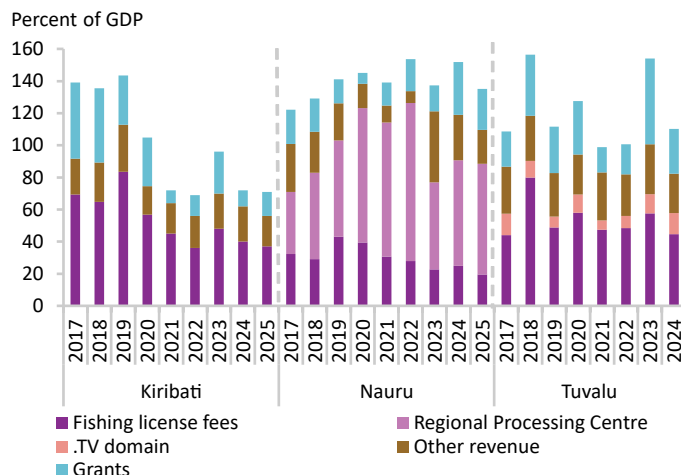
agreement alongside the Nauru-Australia Treaty has averted a near-term fiscal cliff. Remoteness, environmental challenges, and a very small population constrain growth and necessitate a large public sector. Nauru's key challenge is harnessing its natural advantages and sharing the proceeds equitably.

Tuvalu faces significant climate risks that constrain its progress. Private sector growth is limited by inadequate infrastructure and a small domestic market, with 21 percent of residents living below the national poverty line in 2010. Addressing these challenges requires structural reforms to build resilience, strengthen infrastructure, and support economic diversification.

Recent developments

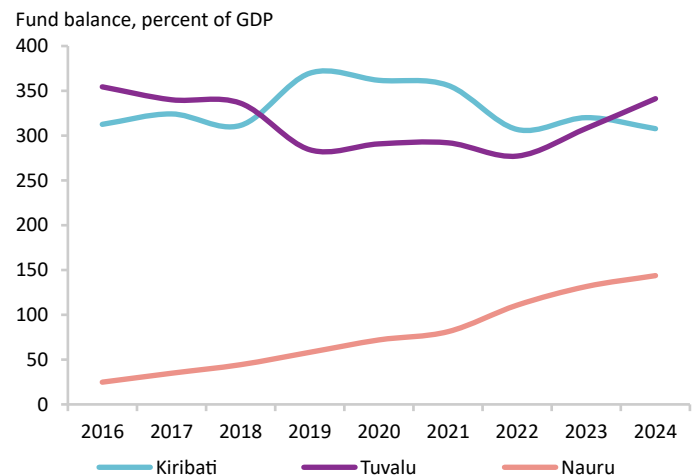
Kiribati's fiscal deficit reached 14 percent of GDP in 2024 and remained there in 2025, as higher public wages coincided with lower fishing revenues. They were funded by withdrawals from cash reserves and the RERF. Inflation rose to 6.5 percent in 2025, driven by one-off adjustments to regulated prices of oil, electricity,

FIGURE 1 / Selected fiscal revenues, 2017-2024



Sources: Country authorities, World Bank, and IMF.
Notes: Nauru data are June years; Kiribati and Tuvalu are calendar years.

FIGURE 2 / Sovereign wealth funds, 2016-2024



Sources: Country authorities, World Bank, and IMF.
Notes: Nauru data are June years; Kiribati and Tuvalu are calendar years. The Nauru Trust Fund was established in 2016.

and transport. The national basic needs poverty rate fell from 22 percent in 2019/20 to 5.5 percent in 2023/24, due largely to the Support Fund for the Unemployed which reaches over 95 percent of households. By international measures, poverty declined steadily from 5.7 percent in 2023 to 4.1 percent in 2025. Public debt stands at 8 percent of GDP and is sustainable but assessed at high risk of distress. The RERF was valued at 310 percent of GDP in December 2025, following a withdrawal worth 15 percent of GDP that year.

Nauru's economy grew by 2.1 percent in FY25, driven by increased government spending partly financed by RPC revenues. Inflation was 6.1 percent due to supply-side constraints. Higher recurrent spending—including outsourcing most health services to a UAE-based provider—combined with lower fishing revenues and grants, reduced the fiscal surplus from 30 percent of GDP in FY24 to 3.6 percent in FY25. The Intergenerational Trust Fund grew to 142 percent of GDP in June 2025, after a withdrawal from Taiwan Province of China worth 16 percent of GDP. Public debt of around 15 percent of GDP is sustainable, with liabilities significantly reduced. Poverty data are outdated; the last estimates (2012–13) show 9.7 percent in extreme poverty (below US\$3/day) and 68.5 percent poor by upper-middle-income standards (US\$8.30/day).

Tuvalu's economy is projected to grow by 3.0 percent in 2025 supported by infrastructure investment—including the new phase of the Tuvalu Coastal Adaptation Project, higher public spending, and continued donor support. Average inflation has eased from a pandemic peak of 12.1 to 2.1 percent in 2025. The current account surplus widened to around 15 percent of GDP, supported by fishing license revenues and higher grants, with the fiscal balance recording a surplus of 0.6 percent of GDP. Public debt stands at 7.7 percent of GDP and is sustainable, though assessed at high risk of distress due to climate vulnerability and revenue volatility. Sovereign wealth fund assets stood at 328 percent of GDP at end-2025, providing a substantial fiscal buffer. Poverty data are scarce; a 2022 census estimated a national poverty rate of 21.5 percent, though international poverty line estimates are unavailable.

Outlook

Growth in Kiribati is expected to moderate to 3.1 percent in 2026 and around 2.4 percent in 2027, as household demand and investment stabilize. Inflation is forecast to ease to 4.5 percent in 2026 following one-off fuel and electricity tariff changes in 2025, though

prolonged Middle East conflict could weigh on growth and push inflation higher. The fiscal deficit is projected to expand to 17 percent of GDP in 2026 as the government partly absorbs higher oil prices. It will remain financed by RERF withdrawals, creating substantial fiscal risk given their uncertainty under current rules. In the medium term, growth and job creation will require capturing more value from fisheries, including through joint ventures with private companies. These must be carefully structured to benefit Kiribati with provisions against profit-shifting, tax and dividend obligations, and local employment requirements.

Nauru's growth is expected to moderate to 1.9 percent in FY26, sustained by public demand, donor support, and RPC operations. Inflation is forecast to ease to 4.5 percent as the new port alleviates supply-side constraints, though prolonged Middle East conflict could dampen growth and push inflation higher. The fiscal surplus is expected to recover to around 10 percent of GDP in FY26, supported by increased budget support under the Nauru-Australia Treaty. In the medium term, improving growth and jobs requires harnessing Nauru's natural advantages and distributing proceeds equitably—including opportunities from secondary phosphate mining, regional processing, and transitioning from fishing license fees to fish exports.

Tuvalu's growth is expected to moderate from 2.5 percent in 2026 to 2.3 percent by 2028, driven by construction, hospitality, finance, and public administration, absent a persistent global trade slowdown. The 2023 Falepili Union Treaty with Australia is expected to boost remittances, though increased outward migration risks reducing skilled labor availability and long-term productivity. Average inflation is projected to stabilize at around 2.5 percent by 2028, assuming conflict in the Middle East is transitory. Lower revenues are expected to weigh on both fiscal and current account balances, while sovereign wealth fund assets are projected to decline to 303 percent of GDP over the medium term. Despite considerable sovereign assets, reliance on unpredictable revenue sources and outward migration pose ongoing risks to growth and fiscal stability.

The Central Pacific outlook faces several risks, including shocks to the price of oil, which is a major import in all three countries. Trade policy uncertainty and slowing global growth could weigh on fishing revenues, remittances, and donor financing, while rising outward migration and unstable revenues threaten fiscal space. These challenges are compounded by increasingly frequent and severe climate-related disasters, further undermining regional resilience, economic stability, and poverty reduction.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices						
Kiribati	3.3	4.6	4.3	3.1	2.4	2.2
Nauru	0.6	1.6	2.1	1.9	1.9	1.8
Tuvalu	4.0	3.1	3.0	2.5	2.7	2.3
Poverty rates of Kiribati						
International poverty rate (\$3.00 in 2021 PPP) ^{1,2}	0.9	0.6	0.6	0.6	0.5	0.5
Lower middle-income poverty rate (\$4.20 in 2021 PPP) ^{1,2}	5.7	4.6	4.1	3.6	3.6	3.4
Upper middle-income poverty rate (\$8.30 in 2021 PPP) ^{1,2}	52.0	50.0	47.5	46.0	45.1	44.4

Source: Country authorities and World Bank, Fiscal Policy & Growth Department.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise. Nauru data are based on the fiscal year ended June. Kiribati and Tuvalu are calendar years.

1/ Calculations based on EAPPOV harmonization, using 2023-HIES.

2/ Poverty rate for 2023 is calculated from the 2023 Household Income and Expenditure Survey. Poverty rates 2024–2028 are projections based on real GDP per capita growth.

CHINA

Growth remained resilient in 2025, supported by policy measures and exports, even as domestic demand stayed subdued. Growth is projected to moderate to 4.2 percent in 2026. Headwinds include cautious consumer spending, ongoing property sector adjustment, and the conflict in the Middle East. Poverty reduction is expected to continue at a slower pace in line with moderating growth.

Key conditions and challenges

The economy maintained solid growth in 2025, though supply continued to outpace domestic demand. This was reflected in persistent deflationary pressure, with the GDP deflator declining for the third consecutive year. While the necessary adjustment in the property sector has been the main driver of subdued domestic demand, consumption growth has also remained below its pre-2020 trend due to a soft labor market and negative wealth effects from falling home prices. Robust exports absorbed part of the output, and policy support helped stabilize growth. However, without a stronger recovery in domestic demand, deflationary pressures could weigh further on growth, job creation, and labor income.

A sustained increase in domestic demand will require structural reforms. High precautionary savings contribute to low household consumption. Enhanced social protection and a more progressive fiscal system could put more money in the hands of low-income households and boost spending. A more transparent and consistently enforced regulatory environment would support private sector sentiment and investment. Stronger efforts to restructure local government and property developer

Population ¹ million	Poverty ² millions living on less than \$8.30/day
1405.8	304.0
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
78.0	99.6
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
19652.1	13979.6

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

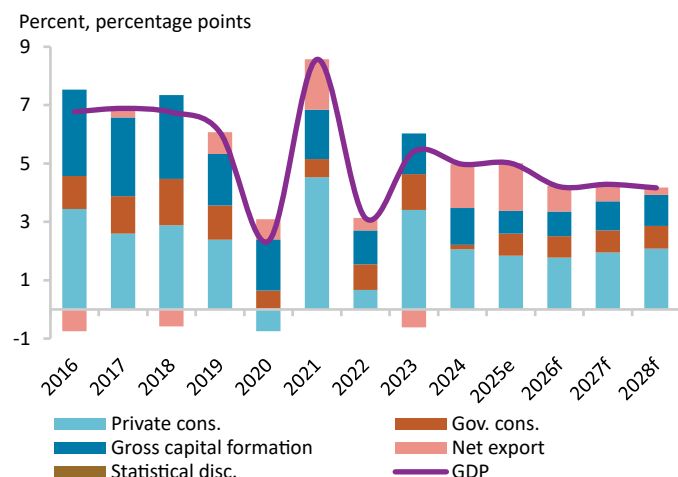
debt could increase fiscal space and restore confidence in the property sector. Together, these measures could support a gradual rebalancing, laying the foundation for more resilient long-term growth.

Recent developments

China's growth momentum remained resilient at 5 percent in 2025, supported by policy measures and exports, even as domestic demand softened. Despite trade policy uncertainty, exports held up, buoyed by shipment frontloading and diversification. Consumption momentum weakened, with retail sales growth slowing to 2.5 percent y/y in the second half of the year, as stimulus effects faded. Investment growth moderated, with a deeper contraction in real estate amid falling home sales, while manufacturing and infrastructure investment eased amid profit pressures and tighter local government finances.

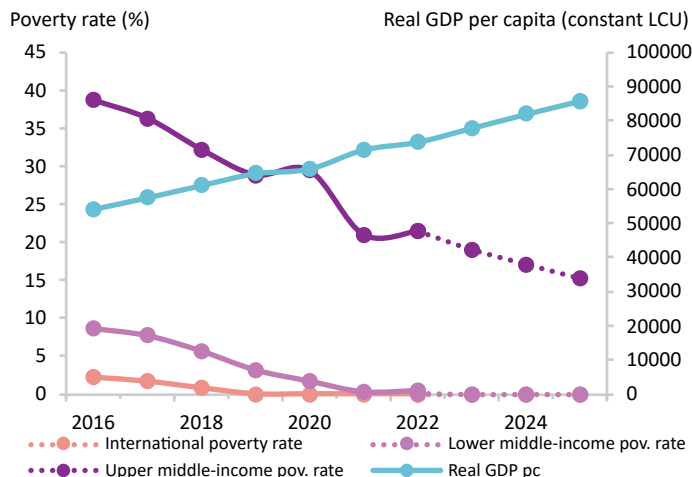
Intense price competition in some sectors sustained producer price deflation which, together with subdued domestic demand, kept consumer price inflation at zero in 2025. The overall urban unemployment rate averaged 5.2 percent, slightly higher than

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Sources: China National Bureau of Statistics and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

5.1 percent in 2024, though it masked high youth unemployment and reduced opportunities for migrant workers.

Poverty reduction has kept pace with aggregate growth. An additional 27.3 million people are estimated to have attained a daily consumption level above US\$8.30/day in 2025, a benchmark used by the World Bank to compare progress on poverty reduction across upper-middle-income countries. This is fewer than the 28 million people that crossed the same threshold in 2024, reflecting the impact of slower economic growth. In real terms, per capita disposable income in urban areas grew at a compound annual growth rate of 4.9 percent between 2019 and 2025, while real per capita consumption expenditure increased by only 4.2 percent, reflecting cautious household spending, especially in urban areas.

Accommodative policies cushioned short-term growth, while new measures shifted some support towards households. Fiscal policy provided moderate support in 2025, with the consolidated deficit widening to 7.2 percent of GDP. While stimulus continued to prioritize infrastructure investment, more support targeted at households provided a modest boost to consumption. Apart from expanding consumer goods subsidies, the government increased social pension benefits and subsidies for medical insurance and introduced new subsidies for preschool education, childcare, and elderly care.

The central bank lowered policy rates slightly and injected liquidity, including through targeted credit facilities, to shore up demand. Credit growth, however, continued to slow amid subdued demand and high real borrowing costs, with expansion driven mainly by government bond issuance. As in previous years, property sector policies aimed to reduce inventories and ease somewhat borrowing costs for homebuyers with a limited impact on confidence.

Outlook

Growth is projected at 4.2 percent in 2026 and 4.3 percent in 2027. In 2026, consumer spending growth is expected to stay subdued. Private investment will likely remain constrained by weak corporate profitability, the prolonged property sector downturn, and high uncertainty, while public investment will be supported by stronger infrastructure spending. Export growth is expected to moderate from the high pace in 2025. The negative impact of the conflict in the Middle East on the domestic economy is expected to be mitigated in the short term by oil reserves, the high share of renewable energy, very low inflation, and policy support, though weaker external demand would affect exports. In 2027, growth is projected at 4.3 percent as policy priorities continue to support incremental rebalancing and productivity gains, partially offsetting structural headwinds from an aging population, high debt levels, and diminishing returns to capital.

The pace of poverty reduction is expected to slow in line with growth in 2025 and 2026. The poverty rate at the World Bank's benchmark of US\$8.30/day is projected to fall to 13.7 percent and 12.2 percent, respectively, in 2026 and 2027.

Risks to the growth outlook are tilted to the downside. Externally, the conflict in the Middle East and trade policy uncertainty pose significant downside risks. Domestically, a deeper correction in the property sector and persistently weak corporate profits could dampen investment, further soften labor market conditions, and weigh on household consumption. On the upside, the rollout of additional budgetary support could provide a firmer lift to domestic demand.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	5.4	5.0	5.0	4.2	4.3	4.2
Private consumption	9.0	5.2	4.7	4.5	4.9	5.2
Government consumption	7.3	0.9	4.7	4.5	4.6	4.7
Gross fixed capital investment	4.5	3.0	2.1	2.2	2.7	2.9
Exports, goods and services	0.4	14.2	10.0	5.4	4.6	3.2
Imports, goods and services	4.8	7.5	2.4	2.1	2.8	3.0
Real GDP growth, at constant factor prices	5.4	5.0	5.0	4.2	4.3	4.2
Agriculture	4.1	3.5	3.9	3.4	3.3	2.9
Industry	4.4	5.3	4.5	3.6	3.3	3.0
Services	6.3	4.9	5.5	4.6	5.1	5.1
Employment rate (% of working-age population, 15 years+)	62.3	62.3	62.3	62.1	62.2	62.2
Inflation (consumer price index)	0.2	0.2	0.0	1.3	1.8	2.0
Current account balance (% of GDP)	1.4	2.2	3.7	1.5	0.4	0.1
Net foreign direct investment inflow (% of GDP)	0.9	0.8	0.4	-0.2	-0.1	-0.1
Fiscal balance (% of GDP)¹	-5.5	-6.4	-7.2	-7.6	-7.3	-7.0
Revenues (% of GDP)	31.7	30.4	29.0	28.7	28.6	27.6
Debt (% of GDP)	54.7	60.9	71.1	77.9	82.4	83.9
Primary balance (% of GDP)	-4.5	-5.4	-6.1	-6.5	-6.1	-5.9
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{2,3}	19.1	17.1	15.2	13.7	12.2	10.8
GHG emissions growth (mtCO₂e)	3.6	3.6	3.7	3.1	3.4	3.5

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ The adjusted fiscal balance adds up the public finance budget, the government fund budget, the state capital management fund budget and the social security fund budget.

2/ Last grouped data available to calculate poverty is for 2022 provided by NBS. Actual data: 2022. Nowcast: 2023-2025. Forecasts are from 2026 to 2028.

3/ Projection using neutral distribution (2022) with pass-through = 0.85 based on GDP per capita in constant LCU.

FIJI

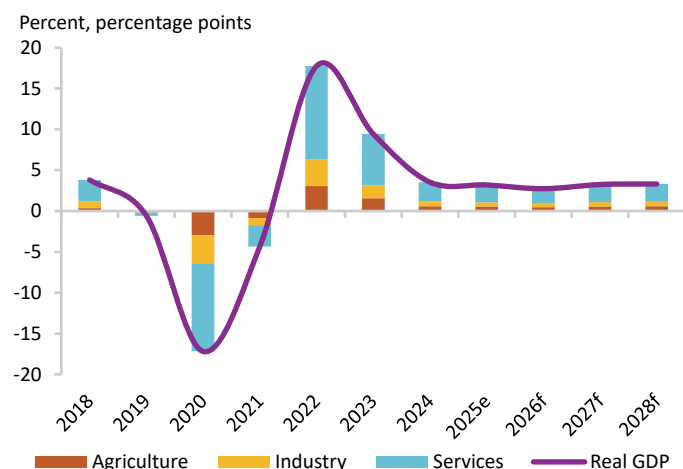
Growth remained strong in 2025 at 3.2 percent, driven by construction, forestry, and robust private consumption amid low inflation and an accommodative monetary policy. Recent global developments may dampen growth in 2026. Poverty has declined, external balances have stabilized and reserves remain adequate. Expansionary fiscal stance has kept public debt high. Medium-term growth is expected to return to trend, hinging on fiscal consolidation and reforms.

Key conditions and challenges

Fiji is an upper-middle-income South Pacific island nation of about 900,000 people spread across 300+ islands, the second largest and most industrially advanced Pacific economy and a regional hub for re-exports. Tourism is the main driver of growth and foreign exchange earnings. However, its small size, remoteness, and increased exposure to climate change constrain economic development. Its nearest major trading partners are about 3,000 kilometers away. Fiji lies in a tropical cyclone belt and experiences, on average, one cyclone per year. These vulnerabilities are compounded by structural challenges, including gaps in human capital, connectivity constraints, and infrastructure deficiencies.

While the economy has recovered from the pandemic, it left a legacy of high public debt and limited fiscal buffers. Reducing fiscal deficits and addressing debt related vulnerabilities remain priorities. Strengthening climate resilience, advancing structural reforms, improving fiscal sustainability, and enhancing the investment environment are essential to unlock long-term economic potential.

FIGURE 1 / Real GDP growth and sectoral contributions to real GDP growth



Sources: Ministry of Finance, IMF, and World Bank.

Population ¹ million	Poverty ² millions living on less than \$8.30/day
0.9	0.6
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
67.3	110.4
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
6.1	6503.1

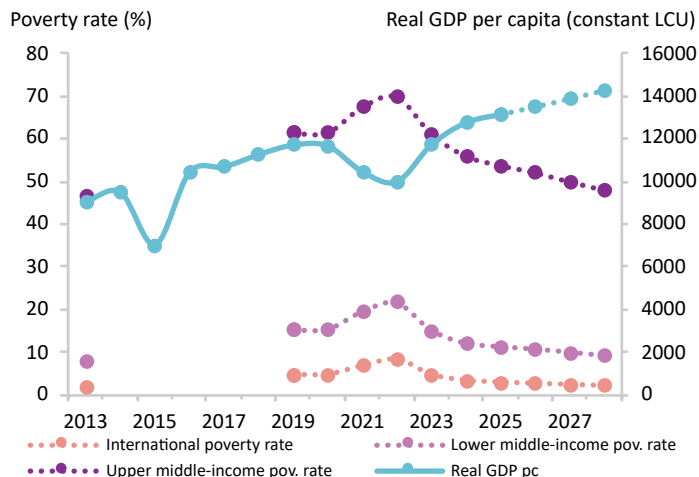
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2019 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

Recent developments

Growth in 2025 is expected to remain strong at 3.2 percent, driven by construction, forestry and robust household consumption, fueled by increased government spending, easier credit, a lower value-added tax rate, and steady remittances. These outweighed the impact of weak tourist arrivals throughout 2025. Recent global developments may moderate growth in 2026 while inflation is expected to remain low from negative inflation in 2024. Poverty, measured at the upper-middle-income line (US\$8.30/day in 2021PPP), declined to 51.6 percent in 2025 from 61.3 percent pre-pandemic. Extreme poverty (US\$3/day in 2021PPP) is low, falling from 4.7 percent in 2019/20 to 2.5 percent in 2025.

The current account deficit to GDP has stabilized from its pandemic high levels, supported by steady tourism revenue and strong remittances from the diaspora, including from the labor mobility schemes. However, the deficit remains elevated at 7.2 percent of GDP in 2025 due to persistent trade imbalance and was largely financed by official borrowing. Foreign reserves remain adequate, equivalent to 5.6 months of import cover as of 2025 against a statutory requirement of 4 months.

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



Source: World Bank. Notes: See footnotes in table on the next page.

Fiscal policy shifted to an expansionary stance with the budget deficit widening to 4 percent of GDP in 2025 compared to 2.3 percent in 2024. This reflected weaker than expected revenue performance and a surge in mostly recurrent expenditure. This policy pivot was a preemptive response to global tariff uncertainty in early 2025, but the stimulus proved more than adequate as trade tensions subsided sooner than anticipated. The deficit was financed through a mix of domestic and external concessional borrowing, keeping public debt elevated at around 79 percent of GDP. The policy rate has been maintained at 0.25 percent since 2020, reflecting an accommodative monetary stance.

Outlook

Growth in 2026 is projected at 2.7 percent, reflecting global uncertainty linked to prolonged conflict in the Middle East. This will be transmitted via elevated energy prices, weaker trade flows, and more cautious investment and consumption. Growth is expected to return to 3.3 percent over 2027–28, supported by tourism and domestic demand if global conditions improve. Notably, without productivity enhancing reforms, output is expected to remain at trend level. Poverty is projected to decline to 49.8 percent in 2026 and 46.1 percent by 2028 by upper-middle-income country standards. Headline inflation is projected to align with its long-run average.

Fiscal pressures are likely to persist given the upcoming elections in 2026, reinforcing an expansionary stance in FY27. The current global conditions could also add to the fiscal pressures as oil import bill rises. While the deficit is expected to converge to around 3 percent of GDP with a return to fiscal consolidation path, public debt is expected to remain high at around 79 percent of GDP through 2028 limiting fiscal space. The International Monetary Fund's (IMF) 2024 Article IV Debt Sustainability Analysis (DSA) rated Fiji's risk of sovereign stress as moderate, while the World Bank's 2024 DSA assessed public debt sustainable with high risk of debt distress. Monetary policy is expected to remain accommodative, supporting growth against a backdrop of persistent structural constraints.

Tourism and remittance inflows are expected to support the current account balance, helping contain external imbalances despite structural trade deficits. Foreign exchange reserves are projected to remain adequate (4 months of import cover), providing a buffer against external shocks. This is slightly below the IMF's recommended threshold (4.9 months).

Downside risks include the conflict in Middle East, which could raise energy costs, weaken tourist arrivals, and heighten trade uncertainty, alongside structural risks from skilled labor shortages and natural disasters. Structural reforms to boost investment, productivity, and fiscal consolidation are crucial for resilience, macroeconomic stability, and poverty reduction.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	9.4	3.5	3.2	2.7	3.2	3.3
Real GDP growth, at constant factor prices	9.4	3.5	3.2	2.7	3.2	3.3
Agriculture	4.5	4.4	2.5	3.7	4.7	4.7
Industry	-0.2	2.6	2.6	3.0	5.4	5.7
Services	13.5	3.6	3.5	2.4	2.3	2.3
Inflation (consumer price index)	4.8	-0.2	0.0	4.0	3.0	3.0
Current account balance (% of GDP)	-6.6	-7.8	-7.2	-7.9	-7.6	-7.2
Net foreign direct investment inflow (% of GDP)	1.1	3.0	3.7	4.0	3.6	3.3
Fiscal balance (% of GDP)	-4.5	-2.3	-4.0	-5.2	-4.0	-2.8
Revenues (% of GDP)	25.1	28.4	27.8	27.0	26.9	26.7
Debt (% of GDP)	80.7	79.3	79.4	80.8	80.4	78.8
Primary balance (% of GDP)	-0.5	1.6	-0.4	-1.7	-0.7	0.3
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	3.2	2.8	2.5	2.3	2.0	1.8
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	11.9	11.1	10.5	9.9	9.0	8.2
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	55.5	53.5	51.6	49.8	48.0	46.1
GHG emissions growth (mtCO₂e)	9.4	3.5	3.2	3.3	3.3	3.4

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on EAPPOV harmonization, using 2019-HIES. Actual data: 2019. Nowcast: 2020-2025. Forecasts are from 2026 to 2028.

2/ Projection using neutral distribution (2019) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

INDONESIA

Growth is resilient but has increasingly relied on short-term stimulus rather than productivity gains. With global investors reassessing Indonesia's market transparency and the predictability of the policy mix, sustaining growth needs productivity-enhancing reforms that deliver better jobs at scale: deregulation, financial sector deepening, and investment and trade openness. These, alongside strengthening fiscal and monetary anchors, are key to achieving 2045 Vision.

Key conditions and challenges

Indonesia has achieved five decades of strong growth, reaching upper-middle-income status in 2023. Growth, led by high investment, has created jobs and raised living standards. However, productivity growth has slowed. This trend needs to be reversed if Indonesia is to achieve its ambition of becoming a high-income economy by 2045.

Indonesia has rebounded rapidly after COVID, supported by sustained use of demand-stimulus policies. But with the output gap expected to close in 2026, addressing supply-side constraints are needed to avoid overheating the economy. Productivity-enhancing reforms like integrated business licensing, stronger competition frameworks, and financial market development can raise growth and preserve macroeconomic stability.

Indonesia is facing a market-confidence test on two fronts: (i) capital-market investability, after a major index provider paused index adjustments citing concerns over ownership transparency and price formation; and (ii) policy predictability, after two rating agencies revised Indonesia's outlook to negative, citing rising uncertainty around the medium-term policy mix and the fiscal framework.

Population ¹ million	Poverty ² millions living on less than \$4.20/day
288.0	46.9
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
71.1	100.0
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
1445.6	5020.3

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2025 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

Mobilizing domestic revenues to support the fiscal rule credibility, maintaining monetary policy independence, and delivering market contestability will be key to preserving hard-won policy credibility.

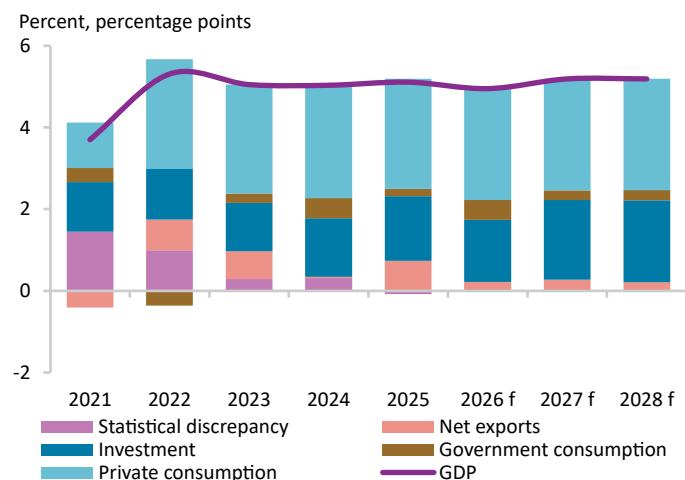
Recent developments

The economy grew 5.1 percent in 2025, bolstered by rising investment and a boost in exports driven by front-loaded manufacturing shipments and rising global demand for commodities. Consumption growth slowed to 4.7 percent, from 5.3 percent in 2024, despite a fiscal stimulus of 0.5 percent of GDP. Services and agriculture, especially palm oil, drove growth. The Middle East conflict is affecting growth in 2026.

By March, headline inflation accelerated to 3.5 percent, the ceiling of Bank Indonesia's target range, due to expiration of temporary electricity subsidies, adjustment in water tariffs, and rising food prices. Food inflation rose to 3.3 percent, driven by poor weather and higher demand from the school meals program.

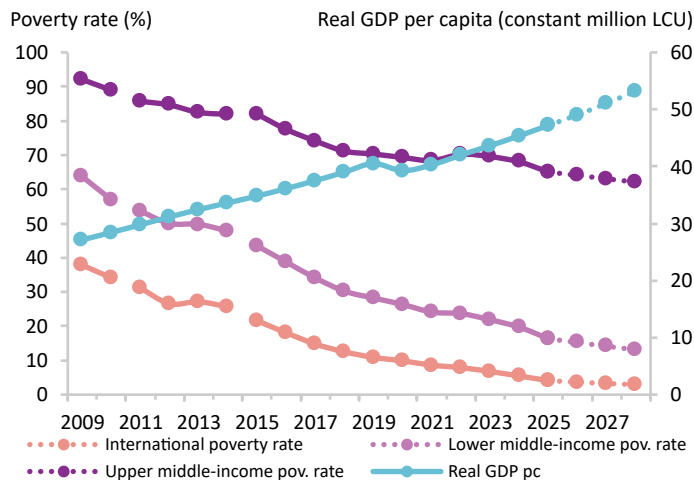
Stimulus measures supported poorer household consumption, reducing the poverty headcount (at 4.20 2021 PPP USD)

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Sources: National Statistics Agency and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

by 3.4 percentage points (ppt) to 16.4 percent in March 2025. Wage increases in low-skilled sectors (up 6 percent year-on-year to February 2025) contributed to poverty reduction, while higher-skilled sector wages fell by 0.2 percent, continuing a trend of stagnating income for middle-income households. The share of informal workers rose by 0.2 ppt to 59.4 percent, highlighting challenges for firms in creating more formal, high-value jobs.

The fiscal deficit widened to 2.9 percent in 2025, nearing the legal ceiling of 3 percent of GDP and spurring concerns over fiscal discipline. Fiscal revenues underperformed, dropping from 12.9 to 11.6 percent of GDP, owing to accelerated tax refunds and state-owned enterprise (SOE) dividend transfers to Danantara. Tax underperformance triggered a 0.7 ppt expenditure consolidation. Meanwhile, public debt increased by 0.7 ppt to 40.5 percent of GDP over 2025.

The current account deficit narrowed from 0.6 to 0.1 percent of GDP between 2024 and 2025. However, heightened markets scrutiny and fiscal risks contributed to portfolio outflows (0.1 percent of GDP by February) and renewed pressure on the rupiah (down 0.7 percent year-to-date). Gross international reserves eased modestly but remained adequate, covering 6.3 months of imports.

Outlook

The Middle East conflict is expected to affect Indonesia mainly through (i) higher oil prices and subsidy/compensation needs, and (ii) heightened risks sentiment that weigh on investment and consumption. Growth is thus projected at 4.7 percent in 2026, before a recovery to 5.2 percent in 2027-2028 led by Danantara's investments, increased private credit from liquidity injection, and the government

downstreaming and "debottlenecking" plans aimed at attracting foreign direct investment. These factors should offset deteriorating terms of trade due to rising global trade policy uncertainty. Productivity-enhancing reforms can accelerate and sustain growth further.

While rising global oil prices raise cost-push inflation, headline inflation is forecast to stay within BI's 2.5±1 percent target range, conditional on contained second-round effects. Resilient domestic demand and higher fuel prices will likely increase imports, gradually expanding the current account deficit.

With continued growth and mitigating targeted social assistance, poverty is projected to decline to 13.3 percent by 2028 (about 1 ppt/year). Given the high informality, improving the reach of social protection for workers is central to sustaining poverty reduction and reducing vulnerability to shocks.

Tax administration reforms are projected to raise revenue from 9.3 to 10.1 percent of GDP between 2025 and 2028, narrowing the fiscal deficit to 2.7 percent. A sustained primary deficit will increase debt-to-GDP ratio to 41.2. Higher oil prices will affect fuel and electricity subsidies. A US\$20/barrel increase could generate 0.4 percent of GDP in additional fuel subsidy spending. However, higher prices of exported commodities (coal, liquefied natural gas, nickel, gold, and palm oil) are expected to deliver offsetting revenue windfalls. Fiscal risks from SOE-led investments also warrant close monitoring.

Downside risks are pronounced. A protracted conflict affects investor behavior and weakens demand from trade partners. Weaker investment could dampen growth prospects by 0.3–0.6 ppt/year. Upside risks include faster implementation of new trade deals and deregulation reforms.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	5.0	5.0	5.1	4.7	5.2	5.2
Private consumption	4.9	5.1	5.0	4.9	5.0	5.0
Government consumption	3.0	6.8	2.5	6.8	3.3	3.5
Gross fixed capital investment	3.8	4.6	5.1	4.5	6.3	6.4
Exports, goods and services	1.7	6.9	7.0	5.2	6.2	6.4
Imports, goods and services	-1.2	8.1	4.8	5.6	6.3	6.8
Real GDP growth, at constant factor prices	5.1	5.1	5.2	4.7	5.2	5.2
Agriculture	1.3	0.7	5.3	4.0	3.6	3.6
Industry	5.0	5.2	3.7	3.8	4.1	4.1
Services	6.1	6.2	6.3	5.6	6.4	6.5
Employment rate (% of working-age population, 15 years+)	65.8	67.2	67.2	67.3	67.4	67.5
Inflation (consumer price index)	3.7	2.3	1.9	3.4	2.9	3.1
Current account balance (% of GDP)	-0.1	-0.6	-0.1	-0.6	-0.8	-1.0
Net foreign direct investment inflow (% of GDP)	1.1	1.1	1.0	1.0	1.2	1.3
Fiscal balance (% of GDP)	-1.6	-2.3	-2.9	-2.8	-2.8	-2.7
Revenues (% of GDP)	13.3	12.9	11.6	12.2	12.1	12.4
Debt (% of GDP)	39.2	39.8	40.5	40.6	41.0	41.2
Primary balance (% of GDP)	0.5	-0.1	-0.8	-0.5	-0.5	-0.4
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	6.7	5.4	4.0	3.6	3.2	2.8
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	21.9	19.8	16.4	15.4	14.3	13.3
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	69.6	68.1	65.2	64.2	63.1	62.0
GHG emissions growth (mtCO₂e)	4.5	3.9	3.0	3.1	3.6	3.9

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on EAPPOV harmonization, using 2011-SUSENAS and 2025-SUSENAS. Actual data: 2025. Forecasts are from 2026 to 2028.

2/ Projection using annualized elasticity (2011-2025) with pass-through = 0.7 based on GDP per capita in constant LCU.

LAO PDR

Growth is expected to slow to 3.5 percent in 2026 as higher fuel prices linked to the Middle East conflict curb external and domestic demand. Structural imbalances limit the economy's ability to absorb external shocks, slowing welfare gains. Poverty at the \$4.20 line (2021 PPP) is projected to continue declining but a slower pace from 22.5 in 2024 to 20.4 percent in 2025 and 19.1 percent in 2026.

Key conditions and challenges

Public and publicly guaranteed debt remains a structural constraint, at 94 percent of GDP in 2024. Large external debt service obligations—about US\$1.1 billion annually during 2026–2029—continue to strain foreign exchange liquidity and crowd out priority spending, despite temporary relief from deferred external debt repayments since 2020. Elevated refinancing risks and limited reserve buffers underscore the need for prudent fiscal management, stronger debt management, and greater transparency to support foreign exchange (FX) stability and broader macroeconomic stability.

Labor market dynamics point to a stalled structural transformation. Job creation outside agriculture remains weak. Agriculture export demand has supported the expansion of commercial farming. However, it has also pulled workers back into agriculture. As a result, agriculture's share in employment rose from 58 percent to 67 percent during 2018/19–2024/25, reversing the structural transformation since the 1990s. Outside agriculture, low firm productivity and limited dynamism constrain employment growth. Low wages also encourage outward migration.

Population ¹ million	7.9	Poverty ² millions living on less than \$4.20/day	1.7
Life expectancy at birth ³ years	69.0	School enrollment ⁴ primary (% gross)	93.9
GDP ⁵ current US\$, billion	17.3	GDP per capita ⁶ current US\$	2194.3

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

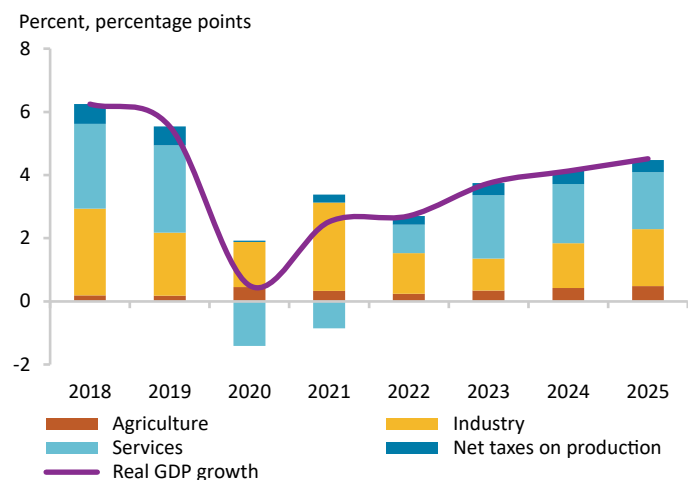
Human capital constraints further weigh on long-term growth. Education outcomes have deteriorated, with declining primary and secondary school net enrollment rates between 2018/19 and 2024/25, and an average of only seven years of schooling among working-age population. Furthermore, high stunting rates (36 percent) signal persistent early-life deprivation. Access to basic services remains uneven, with considerable disparities between poor and non-poor households. In 2024/25, only one-third of households lived in villages with a health center, about one in ten used clean cooking fuel, and electricity access among poor households was 87 percent, well below national coverage.

Recent developments

The economy grew an estimated 4.5 percent in 2025, driven primarily by expanded electricity generation, with additional contributions from trade and hospitality, manufacturing, and agriculture.

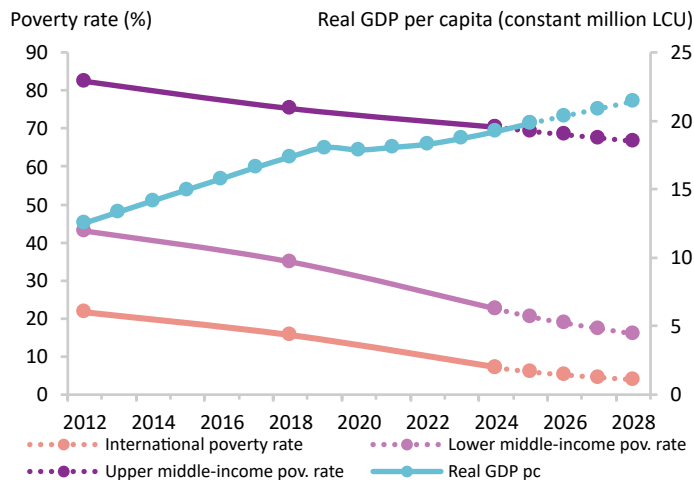
Inflation surged to 9.7 percent year-on-year in March 2026, from 5.6 percent in December, reflecting fuel price hikes, higher food and utility prices. The central bank signaled gradual monetary easing to support economic activity while seeking to anchor inflation.

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Sources: Lao Statistics Bureau and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

expectations. It also strengthened monetary policy transmission and improved liquidity management by establishing a treasury single account and implementing foreign exchange measures, contributing to reserve accumulation.

The external position improved in 2025: the current account recorded a large surplus, foreign exchange reserves improved to 3.6 months of import cover, and the official Kip appreciated since mid-2025. Export growth was strong, mainly driven by front-loading of electrical equipment exports ahead of the new US tariffs, alongside exports of electricity, mining, and agricultural products.

Fiscal and primary surpluses in 2025 were supported by stronger revenues due to improved tax administration, and restrained expenditure. However, large debt repayments continue to crowd out essential expenditures: health and education together received only 10 percent of the 2025 budget, compared to 19 percent allocated for interest payments. This compression of human capital spending weighs on human capital formation and medium-term growth prospects.

Outlook

Growth is projected to moderate to 3.5 percent in 2026 driven by a transmission of rising international fuel prices into the domestic economy. Higher fuel, transport costs are expected to affect agriculture (fertilizer, inputs and logistics prices), extractives and energy (cost structures and operations), and tourism (travel costs and demand). Though domestic policy easing (public wage increase in 2026 and gradual monetary loosening) is expected to partly offset these headwinds, the shock will weigh on FX liquidity, consumption, and investment.

Poverty has declined steadily though current disruption could undermine gains. Stronger consumption growth in rural areas has

narrowed urban-rural welfare gaps and likely been associated with expanding agriculture production. Poverty at \$4.20 per person per day (2021 PPP) is projected to decrease from 22.5 percent in 2024 to 20.4 percent in 2025 and 19.1 percent in 2026, while the national poverty rate fell from 18.3 percent in 2018/19 to 15.0 percent in 2024/25.

The external surplus is expected to narrow driven by rising import costs and lower exports of electrical products under higher tariffs. The fiscal surplus is also projected to decline, as other expenditure restraint is expected given fuel excise rate reductions and already increased spending from civil service wage adjustments.

Risks remain significant and on the downside. Prolonged global oil price increases, geopolitical tensions, rising maritime transport costs, and weaker foreign demand could weaken exports and foreign exchange liquidity. Renewed inflation and depreciation pressures could further erode real household incomes, consumption and human capital spending threatening long-term poverty reduction. Slow structural reforms amplify financial sector vulnerabilities and high financing needs. Climate shocks pose additional risks, especially for the poor. In early 2025, about 44.8 percent of low-income farming households reported climate-related crop losses, compared with 38.8 percent of better-off households.

Policy priorities include: (i) strengthening revenues by reducing tax exemptions and updating excise policies; (ii) protecting growth and welfare by prioritizing high-impact spending (health, education, and foundational infrastructure) within a tight envelope; (iii) improving debt and contingent liability management to reduce FX liquidity risks; (iv) strengthening bank supervision as financial vulnerabilities persist; and (v) improving the business environment through streamlined non-tariff measures to support private job creation.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	3.7	4.1	4.5	3.5	3.7	3.7
Real GDP growth, at constant factor prices	3.7	4.1	4.5	3.5	3.7	3.7
Agriculture	2.4	3.0	3.5	2.0	2.9	2.9
Industry	2.6	3.7	4.7	3.7	3.7	3.5
Services	5.5	5.0	4.8	3.9	4.0	4.2
Inflation (consumer price index)	31.2	23.1	7.7	11.1	6.8	5.7
Current account balance (% of GDP)	2.7	3.4	11.6	6.2	3.1	2.0
Fiscal balance (% of GDP)	0.7	2.3	1.9	1.0	1.5	1.4
Revenues (% of GDP)	16.5	19.0	19.6	18.8	19.2	19.0
Debt (% of GDP)	108.8	94.0	80.5	73.7	67.8	63.3
Primary balance (% of GDP)	2.7	5.3	5.0	3.0	3.2	2.9
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	8.4	7.1	6.0	5.3	4.7	4.1
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	24.9	22.5	20.4	19.1	17.8	16.5
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	71.5	70.3	69.3	68.6	67.8	67.0
GHG emissions growth (mtCO₂e)	4.9	6.1	6.8	6.9	7.3	7.9

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on EAPPOV harmonization, using 2018-LECS and 2024-LECS. Actual data: 2024. Nowcast: 2025. Forecasts are from 2026 to 2028.

2/ Projection using annualized elasticity (2018-2024) with pass-through = 0.7 based on GDP per capita in constant LCU.

MALAYSIA

The Malaysian economy was resilient in 2025, growing at 5.2 percent, surpassing the official projection of 4.0–4.8 percent. The economy is expected to grow at 4.4 percent in 2026. While Malaysia has successfully reversed pandemic-era setbacks in poverty, the transition toward high-quality, productivity-led growth is challenged by structural labor market imbalances and a narrow fiscal envelope.

Population ¹ million	36.0	Poverty ² millions living on less than \$8.30/day	1.0
Life expectancy at birth ³ years	76.7	School enrollment ⁴ primary (% gross)	90.4
GDP ⁵ current US\$, billion	472.2	GDP per capita ⁶ current US\$	13124.6

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

Key conditions and challenges

Malaysia's sustained record of strong and stable growth remains anchored in resilient domestic demand and a competitive electrical and electronics (E&E) export sector. The country's transition to high-income status, however, remains challenged by deep-seated structural constraints.

Despite low unemployment (2025: 2.9 percent), skills-related underemployment is high (2025: 35.8 percent), and the female labor force participation remains below the government's target of 60 percent (2023: 56.2 percent). Foundational human capital gaps persist, including poor learning outcomes (in 2019, 42 percent of children were unable to read and understand a simple text by age 10) and high stunting rates (2022: 21.2 percent).

A primary policy challenge is fiscal space. Malaysia faces a low revenue-to-GDP ratio (2024: 16.8 percent) and high expenditure rigidity (2025: 60 percent of total operating expenditure) from emoluments, pensions, and debt service. Shifting demographics—Malaysia is projected to become an aged nation by 2048 (population 65+ years to reach 14 percent of the total population)—require stronger

healthcare and retirement systems. Separately, government-linked companies constitute a sizable part of the domestic economy, measured by equity market capitalization (2021: 42 percent).

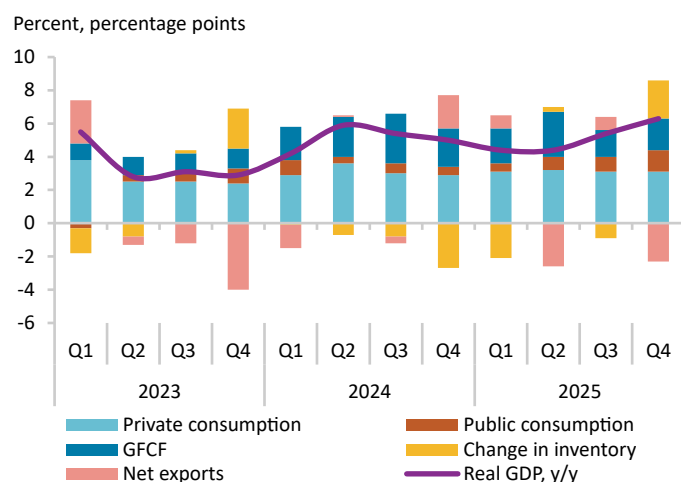
Recent developments

Malaysia's economy expanded by 5.2 percent in 2025 (2024: 5.1 percent), exceeding the government's projection of 4.0–4.8 percent, supported by robust domestic demand and exports. Growth strengthened over the year, reaching 6.3 percent year-on-year (y/y) in Q4 (Q3 2025: 5.4 percent). The expansion was broad-based across most sectors, except mining.

Despite strong growth, inflationary pressures have remained subdued. Headline inflation was stable at 1.6 percent (y/y) in February 2026, reflecting price adjustments in selected services. Core inflation stood at 2.3 percent (y/y), suggesting firmer underlying price pressures, though pass-through to consumer prices has been limited by producer price deflation and subsidies.

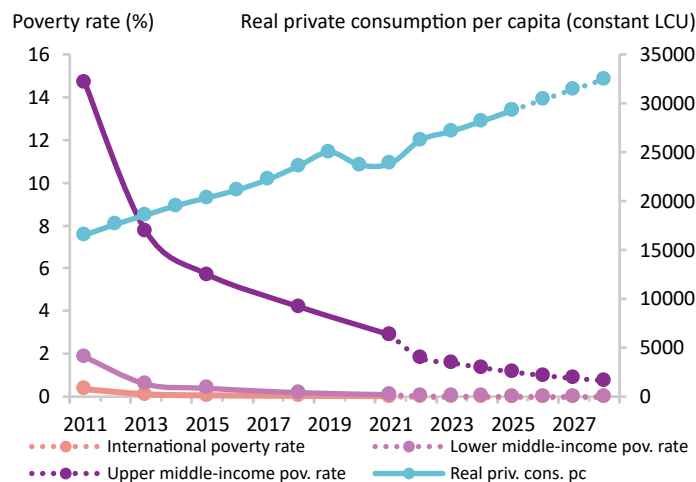
Strong growth has also supported positive labor market dynamics. Employment grew by 1.6 percent in Q4 2025 (Q3 2025: 1.7 percent),

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Sources: Department of Statistics Malaysia and World Bank.

FIGURE 2 / Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Notes: See footnotes in table on the next page.

and the unemployment rate declined further to 2.9 percent (Q3 2025: 3 percent).

The latest national official estimates indicate that absolute poverty declined to 5.1 percent in 2024 (2022: 6.2 percent), falling below its pre-pandemic level of 5.6 percent in 2019, fully reversing the pandemic-era setback. This was supported by pro-poor income gains, with real median disposable income rising most among the bottom 40 percent of households (6.0 percent), compared with the middle 40 percent of households (4.9 percent), while the top 20 percent of households experienced a modest decline (-0.7 percent). Measured using the international upper-middle-income poverty line (US\$8.30 per day, 2021 PPP), poverty was projected to continue declining, reaching 1.4 percent in 2024. Income inequality also continued its long term downward trend, with the Gini coefficient based on gross household income declining from 0.40 in 2022 to 0.39 in 2024.

Trade momentum strengthened in Q4 2025 on strong demand for E&E exports, higher travel receipts, and firmer palm oil exports. A sharp rise in imports linked to strong investment narrowed the current account surplus to 0.4 percent of GDP, while higher net foreign direct investment inflows supported the financial account and signaled resilient longer-term capital flows. These dynamics supported a stronger ringgit, which appreciated 10.2 percent against the US dollar in 2025.

Strong economic conditions supported fiscal consolidation and an accommodative monetary stance. The fiscal deficit declined to 3.7 percent of GDP on stronger revenue collection, enabling higher social spending. Meanwhile, the central bank maintained the overnight policy rate at 2.75 percent and expects headline inflation to remain moderate.

Outlook

Following a better-than-expected growth in 2025, the economy is forecast to grow at 4.4 percent in 2026. Domestic demand will continue to drive growth, on supportive labor market conditions and income support measures. Downside risks include trade policy uncertainty and inflation pressures on domestic demand. A prolonged or escalating Middle East conflict poses a nuanced risk—as a net oil importer, Malaysia faces higher energy costs and a larger fuel subsidy bill, while its position as a net gas exporter could provide a partial revenue offset.

Headline inflation is expected to remain moderate in 2026 at 2.3 percent. The outlook is sensitive to global oil price movements and their impact on the fuel subsidy. Underlying inflation, as measured by core inflation, will also likely remain stable.

Poverty is projected to decline further, supported by labor market improvements, wage measures, and targeted income support. The pace of reduction, however, may moderate as growth eases and fiscal space tightens. Oil price volatility poses an additional risk to living costs through fuel and food price pass-through, partially mitigated by Malaysia's existing subsidy frameworks. Ongoing subsidy rationalization could disproportionately burden lower-income households, underscoring the importance of well-targeted social protection mechanisms.

Continued fiscal consolidation supported by accommodative monetary policy remains the preferred policy mix. Rebuilding fiscal capacity will require balanced efforts on both expenditure restraint and revenue mobilization. Over the medium term, boosting productivity and attracting high-value investments to create higher-skilled jobs will be key.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	3.5	5.1	5.2	4.4	4.4	4.1
Private consumption	4.6	5.1	5.2	5.1	4.9	4.7
Government consumption	3.4	4.7	6.6	5.1	3.8	2.6
Gross fixed capital investment	5.4	12.0	9.6	6.5	5.4	4.5
Exports, goods and services	-7.9	8.3	3.1	2.4	2.4	2.4
Imports, goods and services	-6.7	8.2	4.5	3.0	3.0	2.8
Real GDP growth, at constant factor prices	3.5	5.1	5.1	4.4	4.4	4.2
Agriculture	0.2	3.1	2.2	2.0	2.0	2.0
Industry	1.3	4.9	4.5	4.0	4.4	4.4
Services	5.3	5.4	5.7	4.9	4.7	4.2
Employment rate (% of working-age population, 15 years+)	63.1	63.2	63.2	63.2	63.2	63.2
Inflation (consumer price index)	2.5	1.8	1.4	2.3	1.9	2.0
Current account balance (% of GDP)	1.1	1.4	1.6	0.9	1.3	1.9
Net foreign direct investment inflow (% of GDP)	0.5	0.9	2.3	1.4	0.4	0.4
Fiscal balance (% of GDP)	-5.0	-4.1	-3.7	-3.5	-3.2	-3.0
Revenues (% of GDP)	17.3	16.8	16.6	16.1	16.0	15.8
Debt (% of GDP)	64.3	64.6	65.3	66.8	66.5	63.2
Primary balance (% of GDP)¹	-2.5	-1.5	-1.1	-0.8	-0.4	-0.2
International poverty rate (\$3.00 in 2021 PPP)²	0.0	0.0	0.0	0.0	0.0	0.0
Lower middle-income poverty rate (\$4.20 in 2021 PPP)²	0.0	0.0	0.0	0.0	0.0	0.0
Upper middle-income poverty rate (\$8.30 in 2021 PPP)²	1.6	1.4	1.2	1.0	0.9	0.7
GHG emissions growth (mtCO₂e)	-0.9	1.1	1.1	2.5	2.5	2.0

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ The primary balance excludes interest payments received.

2/ Projection using annualized elasticity (2013-2021) with pass-through = 1 based on private consumption per capita in constant LCU.

MONGOLIA

Mongolia's economy grew at 6.9 percent in 2025, driven by a surge in copper production and an agricultural rebound. Weaker coal prices, however, limited fiscal gains. Inflation remained above the central bank's target, and poverty declined more slowly as higher prices weighed on real incomes. The authorities tightened monetary and fiscal policy. Growth is expected to remain robust in 2026, although external uncertainty and fiscal pressures pose risks.

Key conditions and challenges

Mongolia's economy is heavily shaped by its reliance on a narrow set of commodities, including coal, copper, and gold. Mining accounts for about 95 percent of exports and about a fifth of government revenues. This dependence has contributed to recurrent boom-and-bust cycles, often amplified by procyclical fiscal policies, with significant impacts on households, firms, and public finances. In particular, downturns have been associated with rising public debt vulnerabilities and sharp declines in incomes, at times pushing debt into high risk of distress and contributing to Mongolia's temporary downgrade to lower-middle-income status in 2016.

Poverty in Mongolia closely mirrors the economy's commodity-driven growth cycles. Mining-led expansions have delivered rapid poverty reduction, while slower growth has moderated welfare gains, reflecting limited diversification. Spatial disparities in welfare remain significant. Rural households are more exposed to climate shocks and income volatility due to less diversified labor markets and lower asset bases. At the same time, more than half of the poor live in urban areas, where high living costs, inflation pressures, and uneven access to services constrain inclusive welfare gains.

Population ¹ million	Poverty ² millions living on less than \$8.30/day
3.6	0.8
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
72.1	92.3
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
26.1	7321.7

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

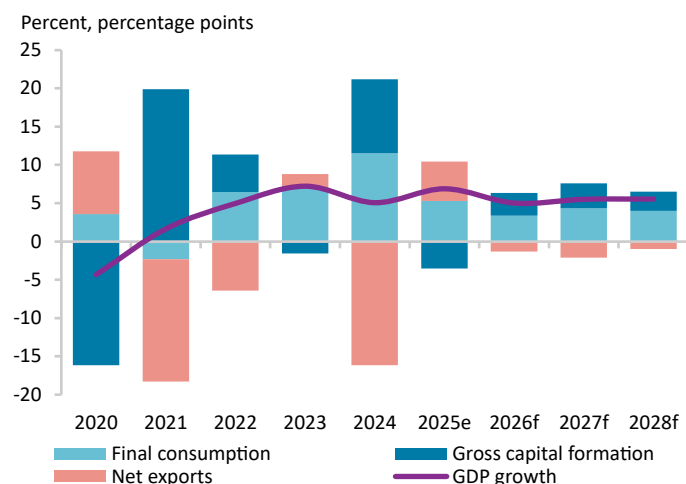
Recent developments

Mongolia achieved strong growth in 2025, driven by a sharp increase in copper production and an agricultural rebound following two years of climate-related losses. The copper surge offset weaker performance in the coal sector. Private consumption remained strong despite slower growth in real household incomes.

High inflation, together with slower nominal wage growth following a slight softening of the labor market, weighed on household purchasing power, especially in urban areas. As a result, poverty reduction moderated compared to previous years, with poverty at the US\$8.3 per day (2021 PPP) line declining by 3.1 percentage points to 11.7 percent in 2025.

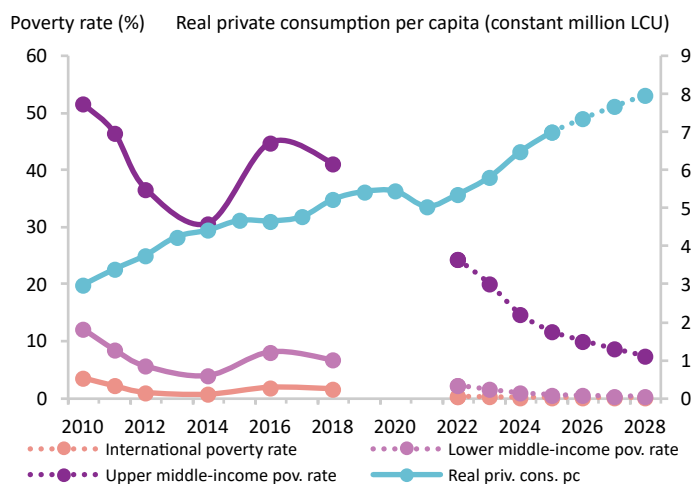
Demand- and supply-side pressures have pushed inflation above the central bank's target. Headline and core inflation have risen together, driven largely by robust consumption, tighter domestic meat supply due to rapidly rising exports, and pass-through effects from the late-2024 electricity tariff adjustment.

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Sources: National Statistics Office and World Bank.

FIGURE 2 / Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Notes: See footnotes in table on the next page.

At the same time, external imbalances have eased and external buffers have strengthened. Strong copper exports, despite weak coal prices, have helped narrow the current account deficit. External bond issuances and positive valuation effects have also bolstered foreign exchange reserves, covering 4.7 months of imports by end-February.

The authorities implemented synchronous monetary and fiscal tightening. The central bank raised the policy rate and strengthened macroprudential measures. Fiscal consolidation was supported by spending restraint in response to declining coal-related revenues and compliance with the fiscal framework's balance rules. As a result, overall and primary fiscal surpluses increased, while government debt continued to decline. Higher copper output only partially compensated for the revenue shortfall, as government revenues from Oyu Tolgoi (OT)—accounting for most of Mongolia's copper production—remain limited while dividends have yet to begin.

Despite heightened geopolitical tensions, Mongolia issued a US\$0.5 billion Eurobond on March 2 at a historically low spread. The proceeds helped smooth the near-term repayment profile by repurchasing upcoming external debt.

Outlook

While moderating, Mongolia's economic growth is projected to remain robust in 2026, despite higher global energy prices and rising geopolitical uncertainty related to the Middle East conflict. The acceleration of large infrastructure projects is anticipated to support construction and wholesale trade. Copper production growth is expected to normalize, while coal output gradually recovers. Agricultural production growth is projected to stabilize following last year's rebound.

Private consumption is expected to remain a key growth driver, though at a slower pace as inflation rises amid persistently high meat prices and higher fuel costs, partly mitigated by long-term import agreements with Russia. With slower real income growth, poverty is expected to decline only moderately, from 11.7 percent in 2025 to 10.1 percent in 2026.

Rising imports, combined with weaker coal prices, are projected to widen the current account deficit, while lower capital inflows are expected to increase external pressures. Reflecting lower coal-related revenues, fiscal policy is anticipated to remain restrained in 2026 and, together with strong nominal GDP growth, contribute to a further decline in public debt.

Over the medium term, growth is anticipated to remain solid as the contribution from mining-related foreign direct investment moderates with the wind-down of the OT underground construction phase, while large infrastructure projects are expected to support economic activity. Planned tax reforms are projected to reduce non-mining revenues starting in 2027, narrowing fiscal space.

Risks are tilted to the downside. Global trade uncertainty and risks related to the duration and scale of the Middle East conflict could further weaken external demand, affect investor sentiment, and reduce fiscal revenues. Higher copper and gold prices may provide some offset. Stronger-than-expected fiscal spending could strain the budget and heighten inflation and external imbalances. Potential expansion of large off-budget public investments could affect the transparency and effectiveness of the fiscal framework. On the upside, faster implementation of key cross-border infrastructure projects could ease logistical bottlenecks and enhance Mongolia's export capacity.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	7.2	5.1	6.9	5.0	5.5	5.5
Private consumption	9.7	13.1	9.2	5.9	5.3	4.9
Government consumption	3.2	14.2	-6.1	-5.1	2.5	2.1
Gross fixed capital investment	5.3	22.4	9.0	7.2	7.8	5.9
Exports, goods and services	33.2	0.7	6.2	8.7	4.9	5.1
Imports, goods and services	18.9	17.5	-1.1	7.0	5.3	4.3
Real GDP growth, at constant factor prices	7.5	3.2	7.9	4.9	5.5	5.5
Agriculture	-8.9	-28.7	33.2	4.0	6.0	6.0
Industry	12.9	6.0	11.0	5.4	6.1	6.1
Services	9.9	10.0	2.0	4.9	5.1	5.1
Inflation (consumer price index)	10.4	6.8	8.6	8.5	7.8	7.4
Current account balance (% of GDP)	0.6	-10.5	-4.4	-5.4	-5.4	-5.6
Net foreign direct investment inflow (% of GDP)	10.6	11.5	7.6	6.9	6.2	5.8
Fiscal balance (% of GDP)	2.6	1.1	1.5	0.8	0.5	0.1
Revenues (% of GDP)	34.1	39.2	35.3	32.4	32.2	31.5
Debt (% of GDP)¹	44.4	42.8	40.2	37.3	36.6	35.0
Primary balance (% of GDP)	3.8	2.1	2.5	1.9	1.5	1.2
International poverty rate (\$3.00 in 2021 PPP)^{2,3}	0.3	0.2	0.1	0.1	0.1	0.1
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{2,3}	1.6	0.9	0.6	0.5	0.4	0.3
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{2,3}	20.2	14.8	11.7	10.1	8.7	7.4
GHG emissions growth (mtCO₂e)	1.0	-3.2	5.2	3.9	4.3	4.3

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Debt excludes the BoM's liability under the PBOC swap line (3.8% of GDP as of the end of 2024).

2/ Calculations based on EAPPOV harmonization, using 2022-HSES. Actual data: 2022. Nowcast: 2023-2025. Forecasts are from 2026 to 2028.

3/ Projection using neutral distribution (2022) with pass-through = 1 (High (1)) based on private consumption per capita in constant LCU.

MYANMAR

Growth is expected to contract by 2.0 percent in FY2025/26, despite modest signs of recovery. Inflation moderated to 18.8 percent in December 2025, while the current account improved mainly on import compression and remittances. Conflicts in the Middle East could raise energy costs, adding to inflation and external pressures. Growth is forecast at 2 percent in FY2026/27, constrained by conflicts in the Middle East and domestic structural issues.

Key conditions and challenges

Myanmar's economic conditions are shaped by protracted conflict, chronic power shortages, and the March 2025 earthquake. These factors continue to disrupt production, weaken infrastructure, and reduce labor supply, limiting the economy's capacity to recover over the medium term.

Conflict-related fragmentation and foundational infrastructure gaps impose sustained and significant socioeconomic costs. As of January 2026, an estimated 3.7 million people are internally displaced, 12.4 million face food insecurity, and 16 million require humanitarian assistance. These conditions erode human capital and domestic demand. At the same time, electricity supply continues to fall short of installed capacity, and frequent outages force firms to rely on higher-cost off-grid generation, eroding competitiveness and limiting scale-up in manufacturing and services.

Labor market conditions reflect structural erosion of workforce ability and skills. The effects of conflict, military conscription, and the earthquake have accelerated out-migration, reducing labor supply and worsening skills shortages. Firms report persistent

Population ¹ million	Poverty ² millions living on less than \$4.20/day
54.9	15.1
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
66.9	120.2
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
81.6	1486.8

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2017 (2021 PPPs). 3/ 2023. 4/ 2018. 5/ 2025. 6/ 2025.

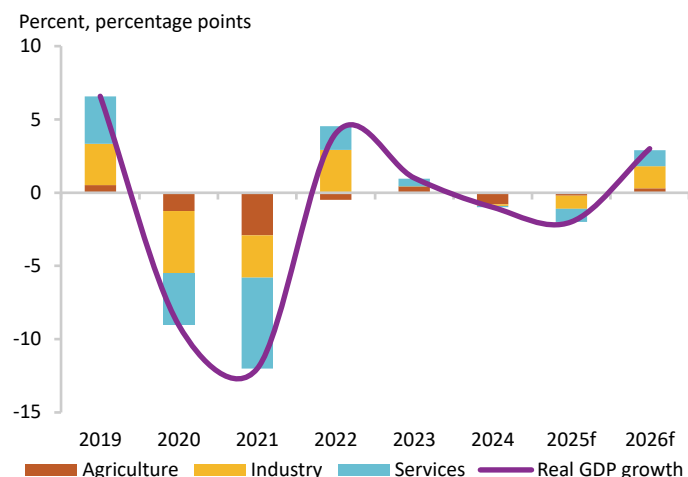
recruitment difficulties, higher turnover, and skills mismatches, pointing to weakened labor market functioning and constrained productivity growth.

The policy environment further compounds these constraints. Tight administrative controls on foreign exchange, trade, and prices, alongside reliance on central bank financing, distort resource allocation, deter private investment and thus weigh on private sector activity.

Recent developments

Growth is expected to contract by 2.0 percent in FY2025/26, despite modest signs of recovery. Real-sector indicators point to a partial rebound in economic activity, although levels remain well below pre-earthquake and pre-2021 benchmarks. Average operating capacity rose to 71 percent in October 2025, a 5-percentage point increase since April, with gains across all sectors. About 16 percent of firms reported higher output, supported by easing price pressures, steady exchange rates, and improved domestic supply chains. Agricultural capacity utilization reached 74 percent, while the Manufacturing Purchasing Managers' Index signaled an

FIGURE 1 / Real GDP growth and contributions to real GDP growth by sector



Sources: Ministry of Planning and Finance, Central Bank, and World Bank.

FIGURE 2 / Manufacturing Purchasing Manager's Index



Source: S&P Global Market Intelligence.

expansion for seven consecutive months, driven by stronger demand for food, textiles, and garments.

Inflationary pressures have moderated but remain elevated and unanchored. Inflation decelerated to 18.8 percent year-on-year in December 2025, from 33.9 percent a year earlier. Food inflation eased to 16.2 percent and non-food inflation to 20.8 percent, reflecting a stronger Kyat, stricter food price controls, and improved supply conditions. The Kyat appreciated by about 15 percent against the US dollar by January 2026, boosted by tighter forex controls and increased inflows. Nonetheless, access to foreign currency remains tightly regulated, while high logistics and energy costs continue to exert upward pressure on prices.

Fiscal pressure has intensified. The fiscal deficit is estimated to reach 4.9 percent of GDP in the fiscal year ending March 2026 (up 0.8 percentage points), driven by declining revenues, earthquake- and election-related outlays. Total revenue is estimated at 22.3 percent of GDP (down 0.6 percentage points), with non-tax revenues accounting for 15.9 percent.

External balances improved, largely reflecting import compression from weak domestic demand and tighter trade and foreign exchange restrictions, alongside strong remittance inflows. The current account shifted from a deficit of 2.9 percent of GDP to a 3.3 percent surplus, while the merchandise trade balance recorded a US\$1 billion surplus (1.3 percent of GDP). However, in the first half of FY2025/26, the trade surplus narrowed to an estimated US\$0.67 billion—half the level recorded a year earlier.

Macroeconomic policy remains geared toward short-term stabilization but faces difficult trade-offs. Fiscal policy is constrained by weak revenues and rising reconstruction needs, while reliance

on central bank financing contributes to monetary expansion and inflationary pressures. Tight foreign exchange regulations and import controls have helped stabilize the Kyat and preserve forex reserves, but at the cost of higher input prices and constrained access to imported intermediates, weighing on production and export capacity.

Outlook

A modest growth rebound of about 2 percent is projected for the fiscal year starting in April 2026, reflecting protracted conflict in the Middle East and post-earthquake reconstruction activity, targeted support to affected sectors, and higher public investment in infrastructure, including the power sector. However, the recovery is expected to remain constrained as structural bottlenecks continue to suppress production, investment, and firm expansion. Poverty is projected to rise by 2.4 percentage points, with rural households disproportionately affected.

Risks remain elevated and tilted to the downside. A prolonged Middle East conflict could raise fuel and freight costs, dampening growth, and adding to inflationary and external pressures. Domestically, tighter trade or foreign exchange controls could intensify input shortages and further constrain production. Policy uncertainty following the January 2026 election period continues to weigh on private investment. More broadly, entrenched economic fragilities hinder the pace and sustainability of the recovery, with slow reconstruction and infrastructure gaps limiting business activity and household welfare. Additional shocks, including natural disasters or tighter trade or currency restrictions could exacerbate supply shortages, raise prices, and further erode household incomes.

Recent history and projections

	2021	2022	2023e	2024e	2025f	2026f
Real GDP growth, at constant market prices	-12.0	4.7	1.0	-1.0	-2.0	2.0
Real GDP growth, at constant factor prices	-12.0	4.0	1.0	-1.0	-2.0	2.0
Agriculture	-12.8	-2.2	2.0	-3.8	-1.1	1.3
Industry	-8.2	8.0	0.0	-0.2	-2.4	3.0
Services	-15.5	3.1	1.6	-0.4	-2.0	1.2
Employment rate (% of working-age population, 15 years+)	52.8	53.5	53.6	53.5	53.5	53.5
Inflation (consumer price index)	9.6	27.2	27.5	29.6	22.0	21.0
Current account balance (% of GDP)	-2.4	-3.8	-2.9	3.3	0.4	-1.5
Fiscal balance (% of GDP)	-1.4	-2.8	-2.8	-4.1	-4.9	-5.2
Revenues (% of GDP)	11.1	21.3	19.9	23.1	22.3	23.2
Public sector debt (% of GDP)	60.1	58.8	62.2	62.4	62.5	64.2
Primary balance (% of GDP)	0.0	-0.6	-0.9	-2.1	-3.0	-3.0
GHG emissions growth (mtCO2e)	-3.3	-4.3	0.5	0.0	1.0	1.3

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

Estimates and projections are for years ended March. The GDP growth forecast for FY25/26 will be revised once the earthquake's economic impact becomes clearer.

NORTH PACIFIC ISLANDS

FSM, RMI, and Palau enter FY26 with positive but uneven momentum. FSM grew 1.1 percent in FY25, constrained by weak private investment and delivery bottlenecks; near-term prospects hinge on resolving both. RMI expanded by 2.5 percent, and moderating to 2.0 percent in FY26 on fisheries and Compact spending. Palau's growth is expected to moderate from 6.7 percent to 3.0 percent as tourism normalizes. Poverty is declining, but energy costs pose a headwind.

Key conditions and challenges

Recovery is underpinned by active fisheries, expanding public investment, and a gradual return of tourism, but the region's growth potential remains structurally constrained. Small market size, geographic remoteness, and narrow production bases limit diversification and increase revenue volatility. A shrinking working-age population, infrastructure gaps, and recurring climate-related shocks further compound these vulnerabilities. Sustaining and broadening gains will require deeper private sector engagement, stronger fiscal buffers, better-quality employment and scaled-up investment in climate adaptation and core infrastructure.

Recent developments

In the Federated States of Micronesia (FSM), growth is estimated at 1.1 percent in FY25 as public investment execution slowed, even with steady fisheries output. Inflation eased to 3.5 percent alongside softer imported prices (commodities/U.S. inflation). The

	FSM	RMI	PLW
Population ¹ thousand	113.7	36.3	17.7
Poverty thousand living on less than \$4.20/day	47.4 ²	2.9 ³	..
GDP ¹ current US\$, billion	0.47	0.28	0.22
GDP per capita ¹ current US\$	4166	7466	11022

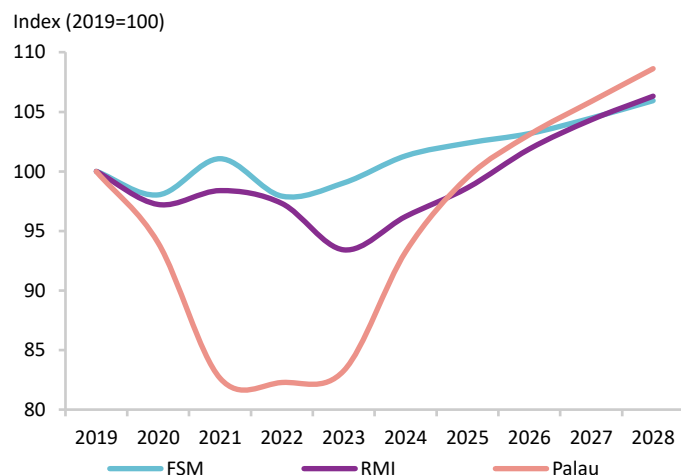
Sources: WDI, World Bank. 1/ 2023. 2/ 2013. 3/ 2019.

consolidated fiscal surplus narrowed as revenue windfalls faded and state spending rose. Public debt fell to 9.6 percent of GDP. With the Compact renewed, the Compact Trust Fund rose to about US\$2 billion, or nearly four times FSM's GDP, reinforcing external and fiscal buffers.

In the Republic of the Marshall Islands (RMI), growth reached 2.5 percent in FY25, driven by an expansionary fiscal stance (income tax relief) and the implementation of delayed Compact-related spending. Despite falling global commodity prices, inflation remained elevated at 5.2 percent, reflecting minimum-wage-related pay increases. Poverty is projected to decline in FY25, supported by per-capita GDP gains, with the rollout of the universal basic income (UBI) likely adding to the effect. The fiscal surplus narrowed to 1.7 percent of GDP on lower income-tax receipts. The current account surplus declined to 10.3 percent of GDP (from 14 percent in FY24) on weaker external demand for exports.

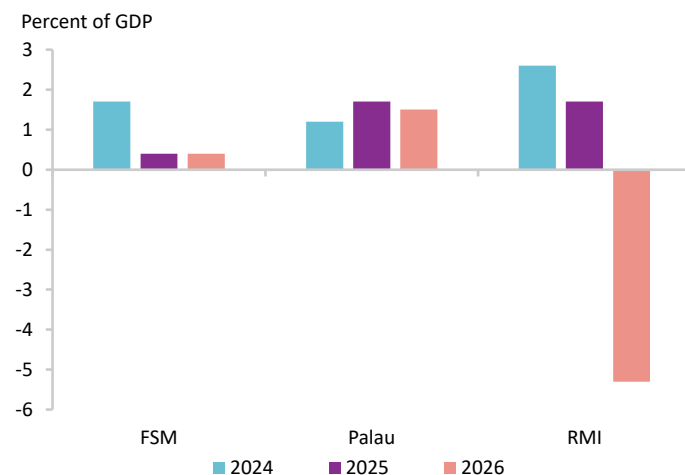
In Palau, economy grew 6.7 percent after 12 percent in FY24, driven by tourism recovery and construction, though visitor arrivals by end-FY25 still at about 70 percent of FY19 levels. Inflation declined

FIGURE 1 / Real GDP, relative to 2019 GDP



Sources: National sources, IMF WEO, and World Bank.

FIGURE 2 / Fiscal balance



Sources: National sources, EconMap, IMF WEO, and World Bank.

further to 0.2 percent due to lower commodity prices and utility costs. Given strong GDP growth and low inflation, poverty is likely to have fallen. Fiscal performance improved, recording a 1.7 percent of GDP surplus backed by Compact grants, strong domestic revenue, and spending restraint. Public debt, mostly concessional, continued its downward trajectory, reaching 56 percent of GDP.

Outlook

Growth prospects in the North Pacific remain positive, supported by public investment in FSM, fisheries and construction in RMI, and the delayed tourism recovery in Palau. This outlook implies poverty reduction across the three countries, though due to data constraints, projections are only available for RMI. However, the outlook is subject to downside risks from natural hazard and climate-related shocks amid persistent global uncertainty. The ongoing conflict in the Middle East adds further pressure through higher fuel and shipping costs, squeezing margins in the fisheries sector in FSM and RMI, and reducing tourist arrivals in Palau. Structural challenges—limited labor resources and human capital constraints—add further vulnerabilities and could weigh on the sustainability of growth, poverty reduction, and fiscal outcomes across the region.

FSM's growth is projected to moderate slightly to 0.8 percent in FY26, reflecting the oil price shock, while continued public investment, particularly projects through the Compact fund helps cushion the slowdown. Improved access to basic services and better digital connectivity could support medium-term growth, despite structural constraints including a shrinking and aging workforce, geographic remoteness, and high climate vulnerability. Over the

medium term, growth is expected to strengthen gradually, underpinned by sustained public investment. Inflation is projected to rise due to higher commodity prices, given FSM's significant oil exposure to oil price shock and heavy imports reliance. Domestic revenue mobilization reforms, along with Compact grants and support from development partners, should allow FSM to meet its development financing needs while maintaining fiscal and debt sustainability.

In RMI, growth is expected to moderate to 2 percent in FY26, a downgrade from earlier projections, reflecting a higher import bill due to the oil price shock. Growth is driven by an accommodative fiscal stance, including the UBI program and Compact's Extraordinary Needs Distribution payments to outer atolls. However, high import penetration and labor disincentives may limit gains. Inflation is forecast at 5.9 percent, reflecting wage pressures and higher fuel costs, partly offsetting UBI's poverty reduction impact. A \$20 million aircraft purchase will push the fiscal deficit to 5.3 percent of GDP; excluding this, the surplus is expected to decline gradually.

In Palau, growth is projected to moderate to 3.0 percent in FY26, reflecting post-pandemic normalization and the impact of oil price shock. Real GDP is expected to surpass its pre-pandemic level in FY26, with visitor arrivals approach FY19 levels, supported by increased flights from Australia and Japan. Inflation is expected to rise to 4.5 percent in FY26 due to higher global food and energy prices. Tax revenue is expected to moderate in FY26 and stabilize over the medium term. With continued expenditure discipline, fiscal surpluses are projected to be maintained. The FY24 minimum wage increase has supported household consumption, but continued emigration of skilled labor may further constrain public sector capacity and limit private sector growth potential.

Recent history and projections

	2023e	2024e	2025f	2026f	2027f	2028f
Real GDP growth, at constant market prices						
Federated States of Micronesia	1.1	2.3	1.1	0.8	1.3	1.4
Republic of the Marshall Islands	-4.0	3.0	2.5	2.0	2.4	1.9
Palau	1.2	12.0	6.7	3.0	2.7	2.6
Poverty rates of the Republic of the Marshall Islands						
International poverty rate (\$3.00 in 2021 PPP) ^{1,2}	2.0	1.8	1.2	1.0	0.9	0.9
Lower middle-income poverty rate (\$4.20 in 2021 PPP) ^{1,2}	6.3	5.6	4.6	3.8	3.6	3.5
Upper middle-income poverty rate (\$8.30 in 2021 PPP) ^{1,2}	34.8	32.5	30.3	26.1	23.7	22.0

Sources: Country authorities and World Bank, Fiscal Policy & Growth Department.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise. Values for each country correspond to their fiscal years ending September 30.

1/ Calculations based on EAPPOV harmonization, using 2019-HIES.

2/ Projection using neutral distribution (2019) with pass-through = 1 (High) based on GDP per capita in constant LCU.

PAPUA NEW GUINEA

Real output grew 5.6 percent in 2025, supported by both the resource and non-resource sectors. Fiscal consolidation continued, helping to reduce public debt. Yet, many households still face rising prices and hardship. Delivering more inclusive growth and faster poverty reduction will require sustained investments in human capital and connectivity, prudent macroeconomic management, and a more supportive business environment.

Key conditions and challenges

Papua New Guinea (PNG)'s macroeconomic challenges stem from a narrow, commodity-dependent growth model that makes economic activity, fiscal balances, and external accounts highly volatile. Resource activities account for most exports and about 25 percent of value added. This exposes the economy to commodity price swings while limiting job creation and broader spillovers. Public debt has risen due to successive shocks and sustained fiscal deficits, with near-term risks concentrated in the US\$500 million Eurobond bullet payment in 2028.

A tightly managed exchange-rate regime has sustained foreign currency shortages and an overvalued kina, constraining imports and discouraging private investment. The shift to a crawl-like exchange rate arrangement is beginning to correct the overvaluation, though at the cost of import-driven inflationary pressures.

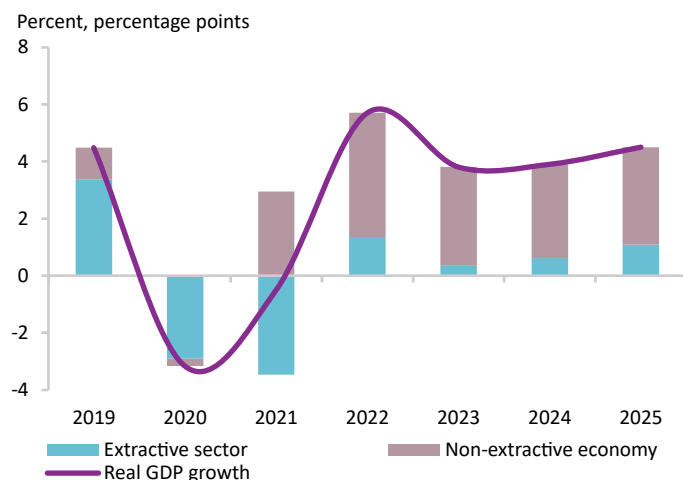
Population ¹ million	Poverty ² millions living on less than \$4.20/day
10.2	5.1
Life expectancy at birth ³ years	School enrollment ⁴ primary (% net)
66.1	75.5
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
32.4	3179.1

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2009 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2025. 6/ 2025.

These macro vulnerabilities compound structural constraints. Infrastructure gaps are severe: only 20 percent of the population has on-grid electricity and 43 percent access to clean water. High costs of doing business constrain non-resource private sector growth. About three-quarters of the population is multidimensionally poor, and human capital is low, reflecting weak learning and health outcomes and high stunting rates. With 80 percent of people in rural, remote areas, and surveys from 2023–2025 showing persistent food insecurity, growth has yet to translate into broad welfare gains.

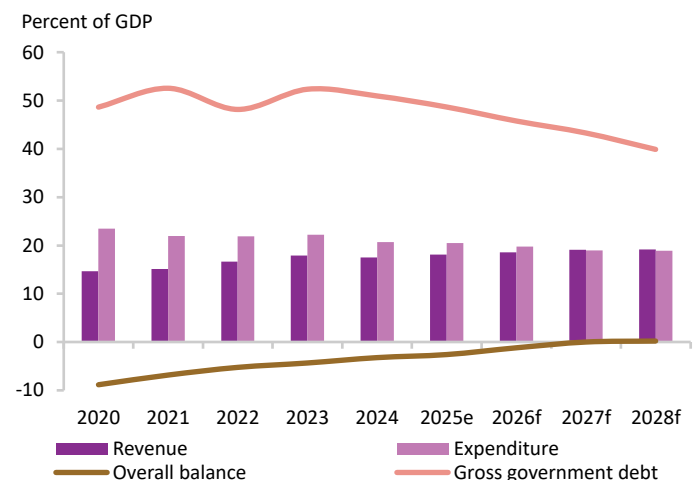
The authorities are advancing a broad structural reform agenda focused on strengthening governance and easing foreign exchange (FX) constraints. They are also implementing climate-related reforms to strengthen climate risk management and climate-informed public investment. These reforms are supported by the International Monetary Fund Extended Credit Facility/Extended Fund Facility arrangements since March 2023, followed by a Resilience and Sustainability Facility arrangement since December 2024.

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Sources: Country authorities, IMF, and World Bank.

FIGURE 2 / Key fiscal and debt indicators



Sources: Country authorities, IMF, and World Bank.

Recent developments

Real GDP growth accelerated to 5.6 percent in 2025 from 3.9 percent in 2024. The Porgera gold mine reached 75 percent of its production capacity in 2025, providing a significant boost to mineral exports. In the non-resource sector, the Bank of Papua New Guinea (BPNG)'s crawl-like exchange rate arrangement and foreign exchange auctions improved access to foreign currency, while high agricultural commodity prices supported broader economic activity.

Higher economic activity and imports contributed to a sharp rise in inflation. Headline inflation rose from 0.6 percent in 2024 to an estimated 4.4 percent in 2025, driven by passthrough from kina's depreciation, rising domestic input costs, and volatility in locally produced food prices.

The commodity upcycle has sustained a strong external position. The current account surplus is estimated at 13.7 percent of GDP in 2025, compared to 15.2 percent in 2024 as imports picked up with improved foreign currency access. Capital outflows accelerated due to higher profit repatriation and loan repayments. As a result, gross international reserves fell to about US\$3.0 billion (3.7 months of imports), also reflecting FX drawdowns to clear the order backlog.

Higher growth and inflation have prompted counter-cyclical fiscal and monetary policies. Fiscal consolidation narrowed the overall deficit to 2.6 percent of GDP in 2025, an adjustment of almost 2 percentage points over two years. As a result, public debt declined to 48.2 percent of GDP. Revenue gains were driven by higher resource sector dividends, while expenditure restraint came from delaying or canceling low priority capital projects.

The BPNG maintained a tightening but measured monetary policy stance in 2025, raising the Kina Facility Rate by 100 basis points to 5 percent in September 2025. It also maintained its crawl like exchange rate regime using gradual depreciation to ease kina overvaluation, the core anchor of its monetary policy.

Outlook

Growth is projected to gradually moderate to 3.1 percent by 2028 as resource sector output stabilizes. Higher liquefied natural gas and gold prices will bolster the resource sector, but weaker trading-partner demand and higher domestic fuel and freight costs due to the Middle East conflict will weigh on non-resource activity. Inflation is expected to increase to 5.0 percent as kina depreciation and increased freight costs pass through import prices.

The current account surplus is projected to narrow in 2026 as import recovery offsets higher export earnings. The fiscal deficit is expected to continue narrowing toward a balanced budget in 2027, supported by the new Income Tax Act, improved dividend policy compliance, and higher commodity prices, though measures to cushion impact on households and firms could offset these gains. Public debt is projected to continue falling in 2026, although the US\$500 million Eurobond bullet due in 2028 poses a significant liquidity risk.

Risks are tilted to the downside and are amplified by the compounding effects of global shocks and domestic political dynamics. A prolonged Middle East conflict could raise fuel costs, soften external demand, and intensify inflationary pressures. Domestically, the period leading up to the 2027 elections coincides with a difficult global environment. This raises risks to macroeconomic management, including fiscal slippage, delayed consolidation, and slower structural reforms. Elections may also raise the risk of social unrest and policy uncertainty, potentially disrupting economic activity and deterring private investment. Climate shocks threaten infrastructure, agriculture, and food security, with disproportionate impacts on poor households. On the upside, final investment decisions on major resource projects could boost investment and growth, though at the cost of greater commodity exposure.

Without structural shifts, poverty reduction will remain slow as extractives-based growth is not translating into broad income gains. To achieve inclusive growth, PNG should (i) raise and stabilize resource revenues and rebuild fiscal buffers; (ii) modernize monetary and FX operations to ease foreign exchange shortages and unlock private investment; (iii) scale up human capital investments to lift productivity and earnings; and (iv) improve rural connectivity so households and firms can access markets, services, and opportunities.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	3.8	3.9	5.6	3.8	3.8	3.1
Real GDP growth, at constant factor prices	3.1	4.1	5.7	3.8	3.8	3.1
Agriculture	1.0	2.1	4.8	2.3	4.8	4.8
Industry	1.6	3.7	7.2	2.5	2.3	0.3
Services	5.0	5.2	4.8	5.2	4.7	4.6
Inflation (consumer price index)	2.3	0.6	4.4	5.0	4.7	4.5
Current account balance (% of GDP)	9.1	15.2	13.7	12.8	11.5	11.2
Net foreign direct investment inflow (% of GDP)	-0.9	-3.1	-3.0	-2.9	-2.9	-2.9
Fiscal balance (% of GDP)	-4.3	-3.3	-2.6	-1.2	0.0	0.2
Revenues (% of GDP)	17.9	17.5	17.9	18.5	18.8	18.9
Debt (% of GDP)	52.4	51.0	48.2	45.5	42.6	39.3
Primary balance (% of GDP)	-1.8	-0.8	0.0	1.2	2.5	2.4
GHG emissions growth (mtCO2e)	-0.1	0.0	0.2	0.2	0.2	0.2

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

PHILIPPINES

Growth decelerated to 4.4 percent in 2025. Public investment contracted amid governance concerns. Weather shocks and weakened job creation weighed on private consumption. The fiscal deficit narrowed slightly. The Middle East crisis is projected to push growth down to 3.7 percent in 2026, resulting in slower poverty reduction. Growth rebounds to 5.6 percent by 2028 as conditions normalize. Risks are firmly tilted to the downside.

Key conditions and challenges

Since 2010, the Philippines has undergone substantial structural transformation, with labor moving out of agriculture and rising employment supporting more formal, better-paying jobs. Yet, job creation has been concentrated in low productivity, non-tradable sectors such as domestic services and construction. Tradables with higher productivity and wages, such as manufacturing and business services, have lagged due to high costs, regulatory frictions, weak competition in network sectors, and skills gaps. Pro-investment reforms and public infrastructure investment crowded in private investment and narrowed gaps. Job creation helped reduce poverty: based on the internationally comparable line of US\$4.20 per day (2021 PPP), poverty fell from 30.8 to 16.9 percent over 2015–2023. Yet about a third of Filipinos remain vulnerable.

Despite infrastructure outlays of at least 5 percent of GDP in recent years, governance challenges have undermined public spending. A public infrastructure corruption scandal that erupted in 2025 has cast doubt on investment allocation and efficiency, weakened support for tax reforms, and dampened investor sentiment. External headwinds now add a significant negative supply

Population ¹ million	Poverty ² millions living on less than \$4.20/day
116.8	19.4
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
69.8	94.0
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
487.2	4171.4

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2023 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

shock to an already tight policy space. The key medium-term policy challenge is to improve public investment quality while removing the constraints that prevent more productive, tradable sectors from expanding.

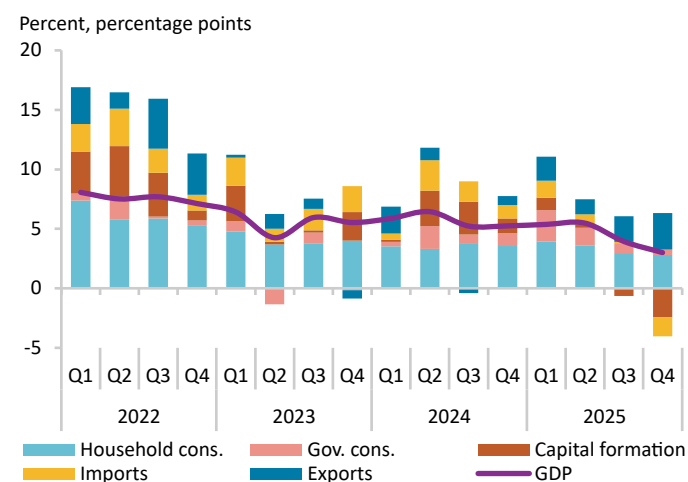
Recent developments

The economy grew by 4.4 percent in 2025, its slowest pace since the pandemic. Public investment contracted following stricter project validation amid the corruption probe. Investor sentiment suffered, with net foreign direct investment (FDI) inflows falling by around 17 percent. Private consumption slowed amid weather disruptions and weaker consumer confidence.

Labor market conditions cooled. Net job creation declined from 0.66 million to just 0.17 million over 2024–2025, driven by losses in manufacturing and construction. Unemployment rose from 3.8 to 4.2 percent, though underemployment and wage employment rates remained stable at 11.9 and 63.9 percent.

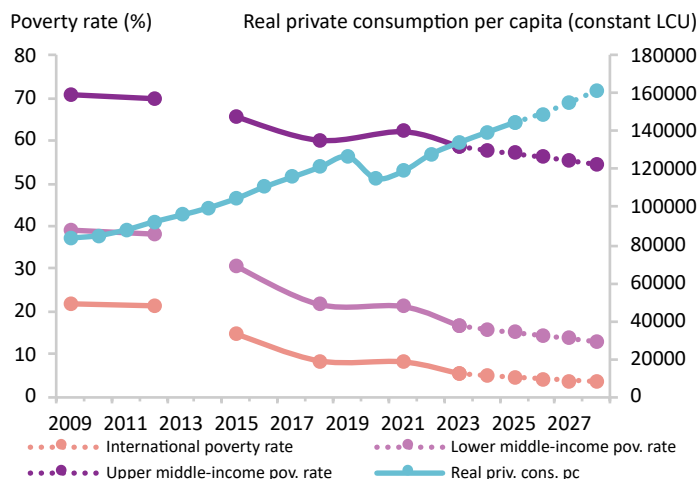
Inflation remained below target in 2025, though a negative terms-of-trade shock is now pushing prices up. Core inflation approached

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Source: Philippines Statistics Authority.

FIGURE 2 / Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Notes: See footnotes in table on the next page.

the central bank's 3.0±1.0 percent target in February 2026, even before the Middle East conflict escalation.

External vulnerabilities remained contained. The current account deficit narrowed on higher electronics exports, a modest easing in the goods import bill, and resilient remittance inflows. Portfolio inflows and FDI contracted amid domestic and global uncertainty, contributing to a peso depreciation of 6.1 percent (May 2025 to March 2026).

The fiscal deficit narrowed marginally in 2025 as lower public investment offset a decline in non-tax revenues. The 2026 budget shifts spending toward education, health, and social services and away from infrastructure. Sustained cuts to infrastructure spending could weigh on growth given higher multipliers and infrastructure gaps.

Having cut interest rates by 225 basis points since August 2024, the central bank may pause to assess second-round effects of the oil and gas price shock. Trade policy could help mitigate price pressures but is insufficient given the scale of the global supply shock.

Outlook

Growth is projected at 3.7 percent in 2026, a sharp downshift to levels last observed in 2011, excluding the pandemic. The corruption probe continues to weigh on public investment and private sector confidence, while the Middle East crisis adds a severe negative supply shock. Higher oil and gas prices are projected to raise inflation, compress real incomes, and increase input and transport costs, dampening consumption and investment. Export demand

is expected to suffer as the global economy slows. A rebound to 5.6-percent growth is projected for 2027–2028 as conditions normalize, underpinned by higher budget execution, public investment, and electronics export demand.

The government has declared an energy emergency and is undertaking mitigating actions. Fiscal space to respond is limited. A 60-percent fuel price increase leads to an income loss for households of 3.3 percent. A targeted response, such as providing an additional PhP 600 per month to 3.9 million 4Ps beneficiaries, could protect the most vulnerable without substantially widening the deficit. In contrast, a fuel excise pause is less targeted and could cost over 0.5 percent of GDP in foregone revenue if maintained through 2026.

Poverty reduction is projected to slow, with poverty expected to reach 12.9 percent by 2028, as exceptionally weaker growth in 2026, cooling job creation, and higher fuel prices weigh on progress. Expanding job opportunities and social protection to help households cope with climatic and price shocks remain essential to sustain gains.

Risks to the outlook are firmly tilted to the downside. A prolonged Middle East conflict further disrupts commodity and shipping markets, deepening the negative supply shock. Workers' repatriation could reduce remittances. Heightened uncertainty may dampen private investment and trigger capital outflows. Debt dynamics may worsen. Climate-related shocks add risks. Delays in public investment and structural and fiscal reforms could further constrain growth and slow fiscal consolidation. Preserving public investment is critical to sustaining potential output. Exchange rate flexibility absorbs external shocks, but sustained depreciation amplifies inflation by raising import prices.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	5.5	5.7	4.4	3.7	5.6	5.6
Private consumption	5.5	4.9	4.6	3.3	5.2	5.3
Government consumption	0.3	7.3	9.1	8.2	8.2	8.0
Gross fixed capital investment	8.2	6.3	0.5	-0.7	10.0	7.3
Exports, goods and services	1.3	3.3	8.1	4.9	6.1	6.2
Imports, goods and services	1.0	4.2	5.1	3.1	9.1	7.5
Real GDP growth, at constant factor prices	5.5	5.7	4.4	3.7	5.6	5.6
Agriculture	1.2	-1.5	3.1	1.0	1.0	1.1
Industry	3.6	5.6	1.5	3.6	5.1	5.3
Services	7.1	6.7	5.9	4.0	6.3	6.3
Employment rate (% of working-age population, 15 years+)	60.0	59.7	59.7	59.7	59.7	59.7
Inflation (consumer price index)	6.0	3.2	1.7	5.4	2.2	3.0
Current account balance (% of GDP)	-2.8	-4.0	-3.3	-3.8	-2.9	-3.0
Net foreign direct investment inflow (% of GDP)	-2.0	-1.9	-2.0	-1.6	-1.8	-1.8
Fiscal balance (% of GDP)	-6.2	-5.7	-5.6	-4.8	-4.7	-4.4
Revenues (% of GDP)	15.7	16.7	15.9	15.2	15.5	15.8
National Government Debt (% of GDP)	60.1	60.7	63.2	62.5	62.2	61.4
Primary balance (% of GDP)	-3.6	-2.8	-2.5	-1.6	-1.5	-1.3
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	5.3	4.9	4.5	4.2	3.8	3.4
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	16.9	16.0	15.2	14.6	13.8	12.9
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	58.7	57.9	57.1	56.5	55.6	54.7
GHG emissions growth (mtCO2e)	1.9	3.3	4.0	4.2	5.3	4.6

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on EAPPOV harmonization, using 2012-FIES, 2018-FIES, and 2023-FIES. Actual data: 2023. Nowcast: 2024–2025. Forecasts are from 2026 to 2028.

2/ Projection using annualized elasticity (2012–2018) with pass-through = 0.7 based on private consumption per capita in constant LCU.

SOLOMON ISLANDS

Growth picked up to 3.6 percent in 2025 largely driven by mining offsetting the structural decline in logging. Global economic headwinds are expected to dampen growth in 2026. Without mining governance and tax reforms, rising infrastructure spending will push public debt above the government's 35 percent of GDP threshold. Remittances offer a poverty-reduction channel, but inflationary pressures risk eroding real gains. Risks are firmly tilted to the downside.

Key conditions and challenges

The economy faces a structural fiscal sustainability challenge. Logging, once the backbone of exports, growth and budget revenues, has seen its contribution more than halve since 2016, and it continues to decline. Mining is expanding but is not closing the gap: weak regulations, opaque fiscal reporting, and tax exemptions limit its contribution to budget revenues. This causes a structural fiscal shortfall due to a consistent decline in revenues that the government is currently resolving through borrowing. Public debt has doubled from 15 to 30 percent of GDP in just four years.

These fiscal pressures are compounded by deep structural constraints: extreme remoteness, geographic dispersion across 90 inhabited islands, high transport and energy costs, and recurrent climate shocks that repeatedly damage infrastructure and disrupt activity. These features have suppressed private sector development and driven a reverse structural transformation marked by agricultural employment rising from 41 to 50 percent between 2009 and 2019, while industry and services contracted. Poverty

Population ¹ million	0.8	Poverty ² millions living on less than \$4.20/day	0.4
Life expectancy at birth ³ years	70.5	School enrollment ⁴ primary (% gross)	81.8
GDP ⁵ current US\$, billion	1.7	GDP per capita ⁶ current US\$	2080.4

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2012 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

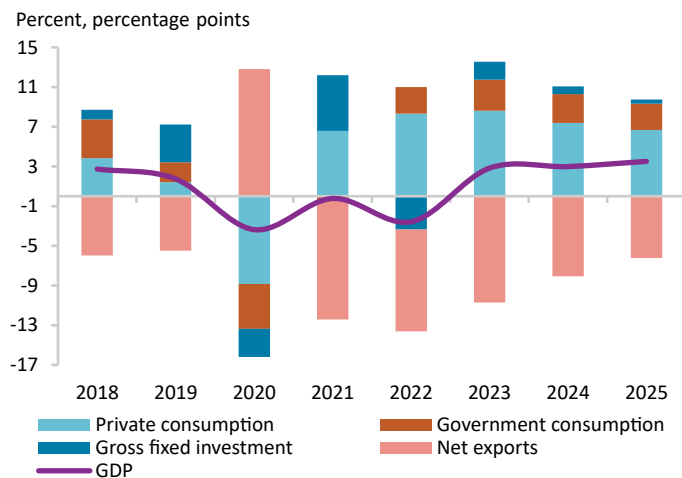
likely remains severe, although the exact poverty conditions remain unclear until a new 2024/25 Household Income and Expenditure Survey report becomes published. Without urgent reforms to mining governance and fiscal transparency, the debt trajectory will continue to worsen and the space to fund poverty reduction will narrow further.

Recent developments

Growth picked up to 3.6 percent, as strong mining output and a pickup in agriculture and services offset a slowdown in logging. Easing inflation, from 4.2 to 3.4 percent, and credit growth of 3 percent provided additional support to domestic demand. Mining is gradually replacing logging as the growth engine, but the capital-intensive sector generates limited employment.

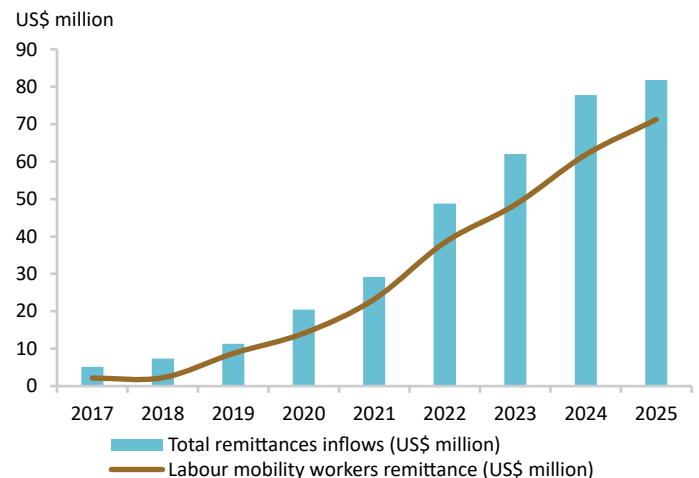
The mineral and agriculture export surge turned the current account balance into surplus of 5.6 percent of GDP—for the first time since 2012—from 4.2 percent deficit in 2024. Gold exports closed the merchandise deficit. Foreign reserves rose to

FIGURE 1 / Growth decomposition by expenditure



Sources: Solomon Islands National Statistics Office and World Bank.

FIGURE 2 / Total remittances and labour mobility remittances



Source: Central Bank of Solomon Islands.

12 months of imports from 10.7 months, and the exchange rate appreciated. These external gains have not, however, translated into stronger fiscal revenues due to the windfall occurring in a sector with weaker fiscal linkages.

The fiscal deficit widened again to 3.6 percent of GDP in 2025, after a deficit of 2.1 percent of GDP. The 2025 deficit widened as infrastructure-related expenditure rose, while revenues remained stable, with stronger income tax collections and a slight pickup in mining-related receipts offsetting the continued decline in logging revenues. Public debt rose from 26 to 30 percent of GDP in 2025 and nearly quadrupled from its pre-pandemic level of around 8 percent of GDP.

In February 2026, the Central Bank introduced a 1.5 percent policy rate, a step toward greater transparency and more predictable forward guidance. Operational modalities have yet to be announced. The cash reserve requirement was held unchanged at 5.5 percent since September 2024, providing no additional tightening. The introduction of a formal rate instrument lays the groundwork for more active policy adjustment as conditions evolve.

Outlook

Growth is set to average 3.1 percent over 2026–28, supported by continued mining expansion and public infrastructure investment. This outlook is contingent on gold output continuing to

grow, infrastructure projects being executed on schedule, and governance reforms translating mining activity into fiscal revenues. Logging will keep declining, representing a structural drag that no amount of mining expansion can offset without mining reforms.

The external and fiscal positions will move in the same direction. The current account balance is expected to turn into deficit of around 2 percent of GDP over 2026–28, as strong import demand from infrastructure projects and rising fuel costs outweigh higher mineral exports. On the fiscal side, the deficit is projected to average 3.4 percent of GDP through 2028. Capital spending will rise as the government accelerates projects ahead of the 50th independence anniversary in 2028, while fiscal rules are expected to contain recurrent expenditure growth. With total revenues gradually declining in terms of GDP due to subdued grants, public debt will keep rising toward the government's own 35 percent of GDP threshold. Without revising the Mines and Minerals Act and reviewing tax exemptions, the debt trajectory will deteriorate further beyond 2028.

The risks are tilted to the downside. A fall in gold prices would simultaneously weaken export revenues, widen the current account deficit, and reduce mining-related budget receipts, affecting both the fiscal and external positions. Declining grants could widen the fiscal deficit even further. Frequent government changes could hinder reform implementation. If these risks materialize, the fiscal adjustment will fall disproportionately on the services and transfers that poor households depend on.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	2.8	3.0	3.6	2.9	3.2	3.2
Private consumption	11.6	8.2	8.4	8.2	8.3	8.5
Government consumption	8.9	6.9	7.9	7.1	6.1	6.4
Gross fixed capital investment	7.9	2.1	2.9	2.3	2.6	2.7
Exports, goods and services	23.6	7.8	8.0	8.3	8.4	8.5
Imports, goods and services	30.2	14.2	9.6	12.0	11.2	11.4
Real GDP growth, at constant factor prices	2.8	2.9	3.6	2.9	3.2	3.2
Agriculture	-0.2	1.8	2.0	1.3	1.4	1.4
Industry	12.5	8.3	7.2	7.0	7.6	7.6
Services	1.7	1.9	3.3	2.5	2.5	2.5
Inflation (consumer price index)	5.1	4.2	3.4	4.6	3.7	3.5
Current account balance (% of GDP)	-11.4	-4.2	5.6	-1.9	-2.1	-2.0
Net foreign direct investment inflow (% of GDP)	4.8	-1.2	1.8	1.9	2.0	2.1
Fiscal balance (% of GDP)	-4.1	-2.1	-3.6	-3.5	-3.4	-3.3
Revenues (% of GDP)	40.1	37.5	37.3	37.1	36.4	36.1
Debt (% of GDP)	22.3	26.1	30.0	31.2	32.4	33.6
Primary balance (% of GDP)	-3.8	-1.5	-3.1	-3.0	-2.8	-2.6
GHG emissions growth (mtCO₂e)	0.0	0.1	0.1	0.1	0.1	0.1

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

SOUTH PACIFIC ISLANDS

Growth in the South Pacific has been supported by remittances, tourism, and government spending, including on reconstruction following the December 2024 earthquake in Vanuatu. Higher fuel prices will begin to strain household budgets and dampen tourism inflows in FY26. Raising growth and employment over the medium term will require boosting the quality and sustainability of public spending, increasing labor force participation, and improving the business environment.

Key conditions and challenges

The tourism and remittance-dependent countries in the South Pacific are constrained by their size, remoteness, and vulnerability to external shocks, which hinder growth and job creation. Recent increases in oil prices will have substantial impacts on inflation and current accounts across these three countries, with oil accounting for between 12 and 22 percent of merchandise imports (5–7 percent of GDP) and significant pass-through impacts from higher oil prices to electricity, transport, and trade costs. Tourism may decline to the extent that higher airfares reduce international demand for travel to the region.

Fiscal policy should focus on maintaining fiscal buffers and diversifying revenue sources to build resilience, while providing adequate social protection to support the most vulnerable. Efforts to boost the quality of public spending—including on reconstruction from natural disasters, a current priority in Vanuatu—can help support growth by crowding in private investment and raising human capital. Further efforts to expand the use of renewable energy would

	WSM	TON	VUT
Population ¹ thousand	219.0	103.7	335.1
Poverty thousand living on less than \$4.20/day	22.9 ²	1.9 ³	107.8 ⁴
GDP ¹ current US\$, billion	1.18	0.59	1.12
GDP per capita ¹ current US\$	5393	5675	3411

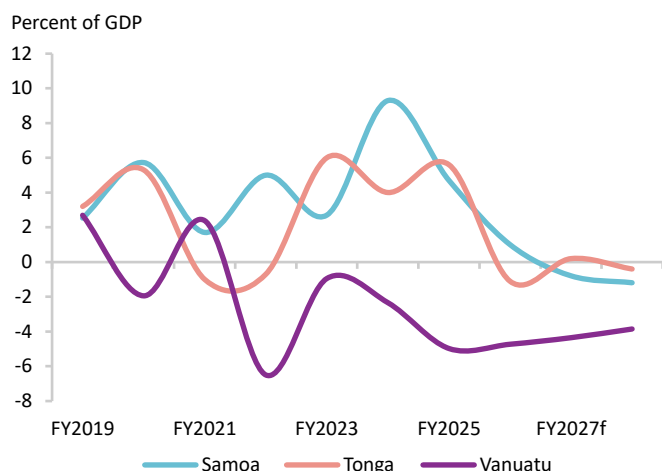
Sources: WDI, World Bank. 1/ 2023. 2/ 2013. 3/ 2021. 4/ 2019.

lessen dependence on imported fuel. Sustaining growth and job creation also requires structural reforms to increase labor force participation, encourage structural transformation, and improve the business environment.

Recent developments

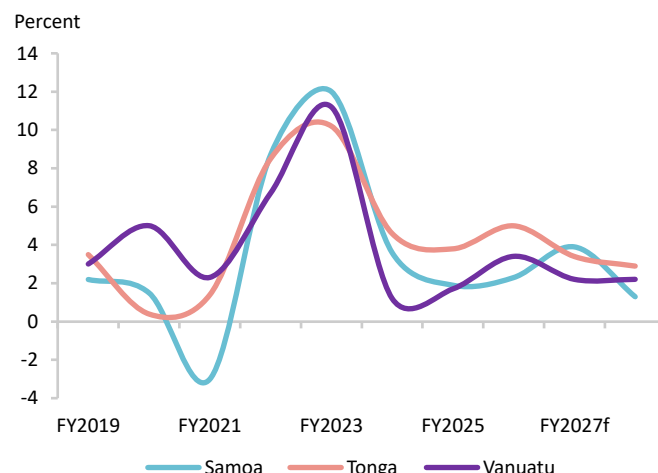
In Samoa, GDP growth remained relatively strong at 4.2 percent in FY25 (year ended June), following a sharp post-pandemic rebound in FY23 and FY24. Economic activity was supported by continued growth in remittance inflows and tourism spending, as well as the hosting of international events. Annual average inflation continued to decline to 1.9 percent in FY25 from 3.6 percent in FY24, largely due to subdued growth in imported prices. A current account surplus of 5.5 percent of GDP was recorded in FY25, supported by tourism, remittances, and easing global commodity prices. The latest poverty data in Samoa shows 21.9 percent of the population living below the national poverty line in 2018; international poverty estimates are not yet available.

FIGURE 1 / Overall fiscal balance



Sources: National sources and World Bank.

FIGURE 2 / Inflation (annual average)



Sources: National sources and World Bank.

In **Tonga**, the economy grew by 2.7 percent in FY25 (year ended June), supported by domestic demand, public infrastructure investment, and a recovery in agricultural production from El Niño effects the previous year. Headline inflation decreased to 3.8 percent in FY25, reflecting lower food and energy prices. While remittance inflows remained strong, increased goods imports, including those related to construction, widened the current account deficit to 5.2 percent in FY25. A fiscal surplus of 5.6 percent of GDP was recorded in FY25, despite high public investment and the completion of several large construction projects. This reflects robust tax collection, temporary wage savings from slower refilling of public-sector vacancies, and record-high grants, equivalent to more than 30 percent of GDP. The 2025 poverty rate is estimated to be around 23 percent based on the upper-middle-income poverty line, declining from around 28 percent in 2022, reflecting economic recovery.

In **Vanuatu**, growth is estimated to have increased to 1.7 percent in 2025, due to a recovery in tourism which also drove an improvement in the current account. Increased agricultural output and reconstruction activity financed by grants also pushed up growth. However, activity remains constrained by the slow speed of reconstruction, a sharp decline in cruise ship tourism after the port was destroyed by the earthquake, and limited domestic connectivity, alongside labor shortages and weaker external demand. Inflation is estimated to have increased moderately to 1.7 percent in 2025 due to continued supply chain disruptions. Food insecurity has declined since the earthquake, while employment in Shefa Province, where the earthquake severely affected livelihoods, has returned to 2024 levels (about 60 percent of adults working). The fiscal deficit narrowed to 5 percent of GDP, reflecting higher revenues due to increased activity and a pick-up in receipts associated with the citizenship program.

Outlook

Growth in the South Pacific economies is expected to ease over the medium term due to a moderation in the stimulus provided by tourism, remittances, and infrastructure investment. Risks include an additional spike in global oil prices or further deterioration in global economic conditions which could weigh on tourism and consumption; delays in the execution of public investment and reconstruction projects; and the ongoing threat of climate-related disasters.

In **Samoa**, GDP is projected to grow by 4 percent in FY26 and converge to around 2 to 3 percent over the medium term. Growth in FY26 will be driven by a pick-up in public investment, as well as continued remittance inflows, while tourist arrivals and non-energy consumption may be somewhat weaker than previously expected due to higher fuel and airfare costs. Following large budget surpluses in recent years, the government projects a deficit of 3.5 percent of GDP in the FY26 budget (as approved by the newly-elected Parliament in October 2025), implying a more expansionary fiscal stance than previously. Given recent declines in public debt and substantial cash buffers, the government has the fiscal space to spend more, but meeting public investment targets will require significant efforts to improve budget execution. Positive GDP per capita growth suggests that poverty will fall over the coming years. Year-average inflation is expected to rise to 2.3 percent in FY26, driven by increases in fuel and other imported prices in the June quarter.

In **Tonga**, growth is projected to moderate to 2.0 percent in FY26, supported by domestic demand and major infrastructure projects. Headline inflation is expected to rise to be around the reference rate of 5 percent in FY26 due to the increasing fuel prices. Underlying pressures on the current account are emerging given rising import costs stemming from the conflict in the Middle East, while grants and remittances are projected to decline to more normal levels. While the poverty rate, measured by the upper-middle-income poverty line, is expected to decline to approximately 19.5 percent by 2028, rapid inflation will likely weaken household purchasing power. With grants normalizing and capital spending remaining elevated, the fiscal balance is projected to shift to a deficit in FY26.

In **Vanuatu**, growth is projected at 2.3 percent in 2026, supported by the reopening of the cruise port and accelerating reconstruction, but the economy remains vulnerable to external shocks. The ongoing Middle East conflict is driving up global oil prices, adding pressure on import costs and inflation. Despite this, inflation is expected to stay within the Reserve Bank's 0–4 percent target band, and the current monetary policy stance remains appropriate, though vigilance is warranted. Fiscal and current account deficits are both expected to narrow over the medium term, assuming no further escalation of global shocks. Poverty is projected to rise to 49.1 percent by 2027, with higher energy costs risks compounding the impact of weak income growth.

Recent history and projections

	2023	2024e	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices						
Samoa	15.2	4.8	4.2	4.0	3.3	2.4
Tonga	2.1	2.1	2.7	2.0	1.8	1.5
Vanuatu	2.1	0.9	1.7	2.3	2.7	2.3
Poverty rates^{1,2}						
Tonga (Upper-middle-income poverty rate, \$8.30 in 2021 PPP)	26.8	25.1	23.1	21.9	21.5	19.5
Vanuatu (Lower-middle-income poverty rate, \$4.20 in 2021 PPP)	45.0	46.7	47.9	48.6	49.1	49.6

Sources: Country authorities and World Bank, Fiscal Policy & Growth Department.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise. Financial years for Samoa and Tonga are July-June, for Vanuatu it is January-December. Tonga improved the methodology for GDP calculation and revised the historical data in late 2024 release. Samoa has recently revised its GDP estimates from 2021-2025 based on improved source data.

1/ Calculations based on EAPPOV harmonization, using 2021 HIES for Tonga and 2019 NSDP Baseline Survey for Vanuatu.

2/ Projection using neutral distribution with pass-through = 1 (High) based on GDP per capita in constant LCU.

THAILAND

Growth is projected to slow to 1.3 percent in 2026 before edging up to 2.3 percent in 2027, as external shocks from the Middle East conflict compound domestic structural constraints. Significantly higher energy prices and disruptions to travel and shipping weigh on soft manufacturing, despite a temporary surge in exports. Downside risks dominate, underscoring the need for structural reforms to lift productivity and create better jobs.

Key conditions and challenges

The Thai economy expanded by 2.5 percent year-on-year in Q4 2025, exceeding expectations. Growth was driven by stronger private consumption and a rebound in public investment, while tourism activity improved. The Middle East conflict affects Thailand through three channels: (i) higher energy import costs, (ii) disruption to air routes and higher jet fuel costs that weigh on long haul tourism, and (iii) higher shipping and insurance costs that disrupt trade.

These external shocks are amplified by Thailand's high dependence on imported energy. Rising energy costs raise expenses, compress household real incomes, increase fiscal costs through fuel price caps and energy subsidies, and weaken the trade balance.

The recent slowdown has brought structural constraints into focus: an aging industrial base, eroding export and tourism competitiveness, high household debt and tightening fiscal buffers. High household debt—86.8 percent of GDP in Q2 2025—constrains consumption and weakens interest rate pass through as lenders tighten standards and households deleverage. Fiscal buffers have narrowed following the pandemic.

Population ¹ million	71.6	Poverty ² millions living on less than \$8.30/day	8.4
Life expectancy at birth ³ years	76.4	School enrollment ⁴ primary (% gross)	101.0
GDP ⁵ current US\$, billion	575.1	GDP per capita ⁶ current US\$	8029.7

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

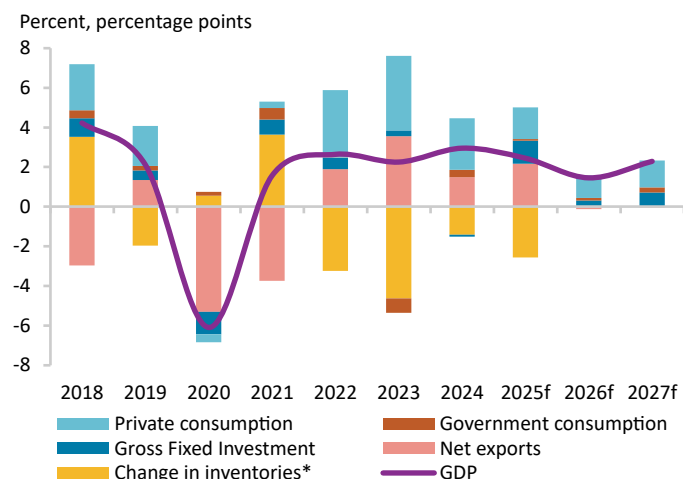
The current policy mix aims to cushion near-term shocks through fiscal transfers and fuel subsidies, public investment, and accommodative monetary policy, but effectiveness is constrained by high household debt, weak credit transmission, and limited fiscal space. A stronger recovery hinges on reforms that raise productivity—greater competition, skills upgrading, and a clearer medium-term fiscal strategy that rebuilds buffers while protecting investments.

Recent developments

Growth strengthened but remained uneven across sectors. Economic activity continued to expand in January 2026, supported by both domestic and external demand. Public investment improved due to the resumption of public infrastructure projects, while private consumption increased, supported by fiscal cash transfers in late 2025. Tight credit and debt deleveraging, however, continued to limit the breadth of the recovery.

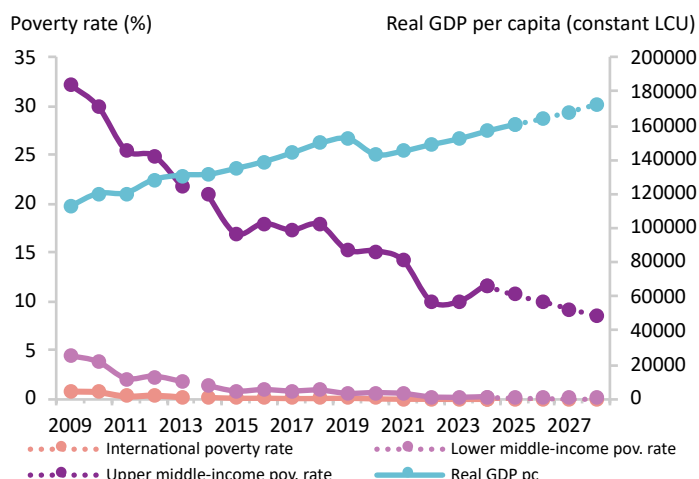
Exports outperformed while the domestic industry lagged. Front-loaded shipments and strong global demand for electronics supported exports, with goods exports growth reaching

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Sources: World Bank and NESDC.
Note: *Includes statistical discrepancy.

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



Source: World Bank. Notes: See footnotes in table on the next page.

23.3 percent yoy. Manufacturing output remained broadly flat. Tourism recovery remained gradual, with arrivals improving in the first two months of 2026, driven by Chinese tourists.

Macroeconomic policy turned more accommodative amid fiscal pressures. Inflation remained negative as the central bank eased policy rates further to 1.0 percent. The central government deficit widened, reflecting higher capital spending and energy subsidies. Public debt increased to 66.0 percent of GDP in January 2026, reinforcing the importance of aligning near term support with the 2026–30 Medium Term Fiscal Framework as debt approaches the 70 percent ceiling.

Labor market indicators weakened. Total employment declined by nearly 1 percent year-on-year in Q42025, equivalent to roughly 350,000 fewer workers over the twelve-month period. Job losses were concentrated in agriculture, construction, and services. Modest employment gains of 3.2 percent in transportation and storage and 1.2 percent in manufacturing were insufficient to offset the broader contraction.

Outlook

GDP growth is projected to slow, reaching 1.3 percent in 2026, reflecting the impacts of protracted conflict in the Middle East, including a pronounced increase in oil and natural gas prices and disruptions to travel and shipping (Brent crude average US\$94 per barrel for 2026). These shocks are expected to squeeze real incomes through higher fuel and transport costs, raise freight and insurance costs, and slow long haul arrivals as airlines reroute and pass through higher jet fuel costs. An extended airspace disruption could materially reduce long haul arrivals and

tourism receipts over the coming months. Persistent global trade policy uncertainty is also expected to dampen export growth, despite Thailand's lower effective US tariff rate of 17.3 percent. Exports of electronics, especially AI-related components, are likely to remain resilient. Growth is expected to strengthen to 2.3 percent in 2027 as global conditions stabilize, private investment improves, and major foreign direct investment (FDI) projects drive new production and jobs.

The Middle East conflict is expected to push up domestic retail oil prices, leading to higher inflation, despite partial price controls on diesel, electricity, and cooking gas. Headline inflation is expected to reach 3.0 percent in 2026, up from -0.1 percent last year. The fiscal deficit is projected to widen as energy subsidies increase, contributing to an increase in public debt, which is expected to surpass 70 percent of the GDP debt ceiling in FY2028. Fiscal policy faces trade-offs between cushioning households from higher energy prices and rebuilding fiscal buffers as public debt approaches the statutory ceiling. Monetary policy remains accommodative but faces rising inflation pressures. The current account is expected to turn into deficit as the goods and services balance weakens. Poverty is projected to fall by 3.3 percentage points over the next four years, from 11.7 percent in 2024, although higher fuel and transport costs risk slowing gains for lower-income households.

Downside risks dominate the outlook. Escalation of the conflict in the Middle East and persistent trade policy uncertainty remain the principal external risks. In addition, the FY2027 budget plan faces the risk of possible delays following the general election in February 2026. On the upside, stronger-than-expected FDI, especially in electric vehicles, electronics, and digital infrastructure, could lift manufacturing activity and productivity, while easing global trade tensions could help restore industrial momentum.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	2.2	2.9	2.4	1.3	2.3	2.4
Private consumption	6.7	4.4	2.7	1.8	2.2	2.7
Government consumption	-4.6	2.6	0.6	1.0	1.8	1.6
Gross fixed capital investment	1.2	-0.3	4.9	1.3	3.0	2.5
Exports, goods and services	2.7	7.5	9.2	4.4	2.4	2.6
Imports, goods and services	-2.5	5.7	6.7	5.2	2.7	2.8
Real GDP growth, at constant factor prices	1.2	3.1	2.4	1.3	2.3	2.4
Agriculture	2.4	1.9	3.7	1.7	1.8	1.9
Industry	-5.5	0.4	0.8	-0.3	2.0	2.0
Services	4.9	4.6	3.1	2.0	2.4	2.7
Inflation (consumer price index)	1.2	0.4	-0.1	3.0	0.5	0.6
Current account balance (% of GDP)	1.6	2.2	3.1	-1.6	3.0	3.1
Net foreign direct investment inflow (% of GDP)	-0.6	1.3	-1.1	-1.1	-1.1	-1.1
Fiscal balance (% of GDP)	-2.0	-1.3	-2.7	-3.4	-2.7	-2.2
Revenues (% of GDP)	20.7	21.1	21.1	21.2	21.5	21.1
Debt (% of GDP)	61.9	62.2	65.1	67.1	69.2	70.7
Primary balance (% of GDP)	-1.1	-0.4	-1.7	-2.1	-1.4	-0.9
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	0.0	0.0	0.0	0.0	0.0	0.0
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	0.1	0.2	0.2	0.1	0.1	0.1
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	9.9	11.7	10.7	10.1	9.3	8.5
GHG emissions growth (mtCO2e)	2.0	2.4	1.9	2.4	2.9	1.2

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on EAPPOV harmonization, using 2016-SES and 2024-SES. Actual data: 2024. Nowcast: 2025. Forecasts are from 2026 to 2028.

2/ Projection using annualized elasticity (2016-2024) with pass-through = 1 based on GDP per capita in constant LCU.

TIMOR-LESTE

Oil production ended in 2025, shifting Timor-Leste into a post-oil phase in which large fiscal deficits are financed primarily by Petroleum Fund drawdowns, accelerating depletion risks. Growth reached 4.5 percent in 2025 on high public spending and a rebound in tourism and is projected to average about 4 percent in 2026–28. ASEAN and WTO membership provide reform anchors, but the payoff hinges on reform implementation and a credible path towards fiscal sustainability.

Key conditions and challenges

With national income per capita (in Atlas USD), the second lowest in the region and less than a third of the working-age population economically active, accelerating development hinges on improving the quality and coverage of core public services, especially basic education and health, while strengthening infrastructure and service delivery. Faster private-sector-led job creation depends on easing constraints in the enabling environment, including access to finance, land administration, and regulatory barriers to entry and investment.

The end of oil and gas production last year marks a structural shift in public finances: the Petroleum Fund (PF) has become the main financing source for government spending. Petroleum resources have funded roughly three-quarters of spending each year, and without new inflows, persistent large withdrawals would gradually erode the Fund. Sustaining progress in service delivery and domestic activity therefore requires higher spending efficiency and budgets aligned with a durable financing path.

Association of Southeast Asian Nations (ASEAN) membership in 2025 and World Trade Organization (WTO) accession in 2024

Population ¹ million	1.4	Poverty ² millions living on less than \$4.20/day	0.8
Life expectancy at birth ³ years	67.7	School enrollment ⁴ primary (% gross)	119.7
GDP ⁵ current US\$, billion	1.9	GDP per capita ⁶ current US\$	1348.4

Sources: WDI, PiP, and official data. 1/ 2025. 2/ 2014 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

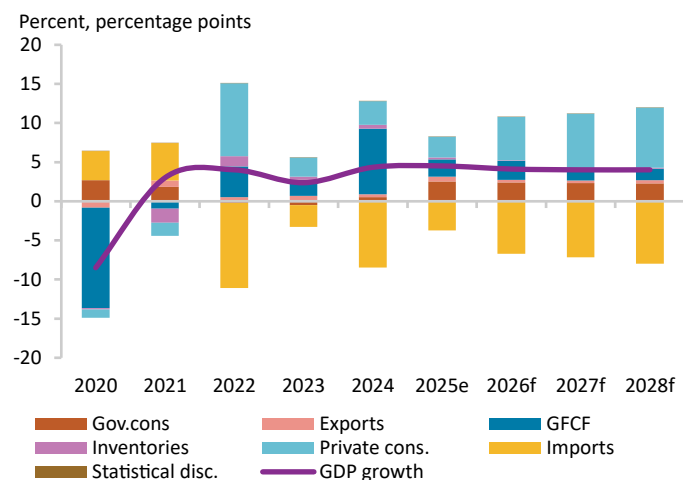
provide an institutional framework to improve trade facilitation, standards, and the investment climate. The growth payoff depends on sustained reform implementation, including customs and the regulatory environment supporting firm entry and competition.

Recent developments

GDP growth increased to 4.5 percent in 2025 from 4.3 percent in 2024, supported by strong domestic demand. High public spending—through government consumption and expanded social assistance—sustained household demand, while veterans' transfers further supported private consumption. Investment expanded, though more slowly than in 2024, with public investment concentrated in roads and irrigation. Inflation remained low at 0.5 percent, reflecting lower global commodity prices and a strong U.S. dollar. The Middle East conflict added uncertainty, raising fuel import and food import costs through shipping disruptions.

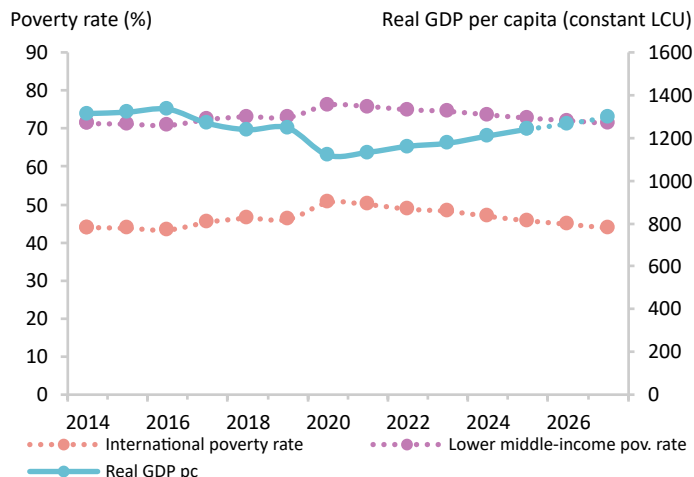
The external position deteriorated sharply after oil production ended in mid-2025. The trade deficit widened to 56.6 percent of non-oil GDP as petroleum exports ceased, while non-oil exports—mainly

FIGURE 1 / Real GDP growth and contribution to real GDP growth



Sources: Timor-Leste's Statistics Office (INETL) and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

coffee and tourism—remained at about 6 percent of GDP. Despite an income account surplus supported by PF investment income and remittances, the current account deficit widened to about 38.8 percent of GDP.

The fiscal deficit widened by 3 percentage points to 49 percent of GDP as total expenditure rose to 93 percent of GDP. Higher current spending reflected expanded veteran pensions, retroactive payments, and increased social security benefits. Capital spending eased following the 2024 acceleration. Domestic revenues (excluding Estimated Sustainable Income (ESI)) increased to 15.2 percent of GDP but were outpaced by expenditure growth. PF withdrawals—well above the ESI—financed most of the deficit, with the remainder covered by cash balances, concessional loans, and grants. Middle East conflict volatility has raised uncertainty around PF returns, increasing the likelihood of further above-ESI withdrawals without spending adjustment.

The 2021 Labor Force Survey shows low labor force participation (30.5 percent) and high informality (77 percent). The Business Activity Survey shows formal employment grew at roughly 8.5 percent annually in 2022–2024—but from a small base. Rural service gaps remain large, including limited access to improved water and sanitation.

Outlook

Growth is projected at 4.1 percent in 2026, moderating as government consumption growth slows despite an expected increase in public investment. Private consumption will be supported by retroactive veterans' payments, social transfers, and remittances, before stabilizing as these effects fade. Growth is projected to average about 4.0 percent in 2027–28, assuming

continued progress on public investment reforms, ASEAN commitments ahead of the 2029 chairmanship, and Tasi Mane investment supporting domestic activity.

Inflation is forecast to rise to 2.3 percent, driven by higher global food and commodity prices and elevated oil prices under the extended Middle East conflict scenario, raising fuel costs and subsidy pressures.

Non-oil exports are projected to grow modestly. With oil exports ended and investment-related imports rising alongside higher fuel import costs under extended Middle East conflict-related supply disruptions, the current account deficit is expected to remain large, financed mainly by PF withdrawals and investment income.

Fiscal sustainability is the central macro risk. Spending is projected to stay high (above 95 percent of GDP), reflecting large infrastructure plans, while higher global energy prices could widen subsidy needs and increase PF return volatility. Revenues could rise with value-added tax implementation, partly offset by lower ASEAN-related import duties. As large withdrawals gradually reduce the ESI, fiscal space could tighten, with PF depletion risks emerging in the late 2030s. A credible consolidation path requires moderating recurrent spending growth, improving transfer targeting, prioritizing higher-return investments, and strengthening revenue collection.

Risks are tilted to the downside. A deeper Middle East conflict than assumed could slow growth through weaker financing conditions and higher commodity prices, while supply chain disruptions could raise food import prices and heighten food insecurity risks. Global financial market volatility could weigh on PF returns. Upside risks include new upstream oil and gas projects—Kuda Tasi and Jahal—while growth could strengthen further if broader structural reforms boost productivity.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	2.4	4.3	4.5	4.1	4.0	4.0
Private consumption	3.4	4.1	3.6	7.6	9.4	9.7
Government consumption	-0.8	0.9	4.4	4.3	4.1	4.0
Gross fixed capital investment	11.5	43.7	8.4	8.8	4.7	5.1
Exports, goods and services	31.8	13.3	20.1	8.8	9.5	10.0
Imports, goods and services	4.9	14.6	5.9	10.4	10.5	11.0
Real GDP growth, at constant factor prices	2.7	3.7	4.5	4.1	4.0	4.0
Agriculture	2.9	0.6	0.6	0.6	0.6	0.7
Industry	-22.4	4.4	3.0	2.9	2.9	3.2
Services	3.4	4.4	5.5	4.9	4.8	4.7
Inflation (consumer price index)	8.4	2.1	0.5	2.3	2.1	2.0
Current account balance (% of GDP)	-10.7	-31.1	-38.8	-47.0	-52.6	-55.6
Net foreign direct investment inflow (% of GDP)	10.6	11.2	13.2	4.0	4.1	4.0
Fiscal balance (% of GDP)¹	-41.4	-46.1	-49.0	-56.7	-56.3	-55.6
Revenues (% of GDP)	40.7	40.5	43.9	43.0	41.3	38.3
Debt (% of GDP)	14.4	14.2	15.0	15.6	17.0	18.7
Primary balance (% of GDP)	-41.1	-45.7	-48.8	-56.5	-56.2	-55.5
International poverty rate (\$3.00 in 2021 PPP)^{2,3}	48.3	46.9	45.4	44.3	43.2	42.1
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{2,3}	74.5	73.5	72.5	71.7	70.9	70.1
GHG emissions growth (mtCO2e)	-0.3	-1.4	-1.8	-1.8	-1.7	-1.6

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ The sustainable income from Petroleum Fund (PF) is transferred to Government as annual fiscal revenue (above the line), known as ESI (Estimated Sustainable Income). However, extra withdrawals from the PF are also used as the main source to finance the budget deficit (below the line).

2/ Calculations based on EAPPOV harmonization, using 2014-TLSLS. Actual data: 2014. Nowcast: 2015–2025. Forecasts are from 2026 to 2028.

3/ Projection using annualized elasticity (2007–2014) with pass-through = 1 based on GDP per capita in constant LCU.

VIET NAM

Viet Nam's export-led model has delivered rapid income convergence, though productivity gains have lagged, leaving growth reliant on factor accumulation. Growth is projected to moderate in 2026 as the Middle East conflict affects trade and investor sentiment, while higher oil prices lift inflation. Ongoing institutional consolidation and efficient public investment execution can strengthen resilience, while higher inflation may slow welfare gains, despite low poverty levels.

Key conditions and challenges

Viet Nam remains one of Southeast Asia's fastest-growing economies, supported by an export-led growth model that has delivered rapid income convergence, sharp reductions in extreme poverty and significant improvements in living standards. However, growth has relied more on factor accumulation than productivity gains, with incomplete structural transformation limiting the move into higher-value activities.

Rising protectionism and volatile global trade and financial conditions pose significant challenges to Viet Nam, given its heavy trade orientation. Further diversification of export markets and deeper domestic supplier linkages with foreign manufacturers can raise local value-added, reduce reliance on a narrow set of external demand sources, and strengthen resilience to trade shocks.

Viet Nam has launched major institutional restructuring and public investment programs. Consolidation of ministries and provinces aims to improve coordination and service delivery. Public infrastructure plans seek to address logistics and trade bottlenecks and boost medium-term growth. Spending resources

Population ¹ million	101.6	Poverty ² millions living on less than \$4.20/day	4.2
Life expectancy at birth ³ years	74.6	School enrollment ⁴ primary (% gross)	106.3
GDP ⁵ current US\$, billion	508.8	GDP per capita ⁶ current US\$	5007.9

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

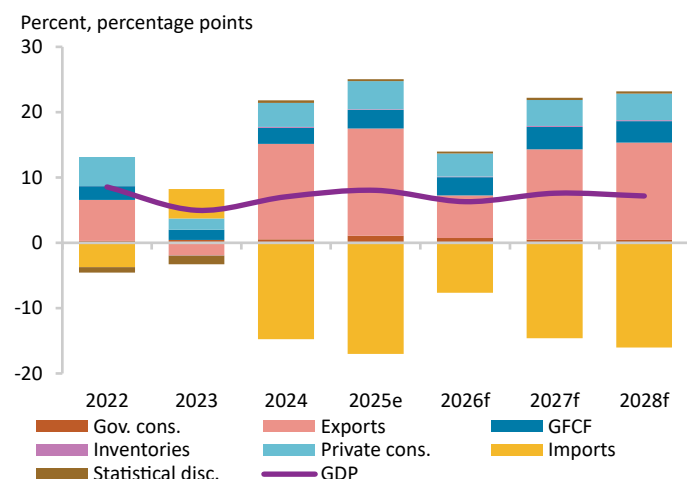
effectively is critical to maximizing growth dividends and keeping public finances on a sustainable footing.

Recent developments

GDP growth accelerated to 8.0 percent in 2025 supported by strong exports and higher public investment. Exports rose 16.7 percent as high-tech and electronics shipments to the US were front-loaded, and relatively lower US tariffs on Viet Nam increased Viet Nam's trade competitiveness. The reorientation of regional supply chains towards Viet Nam boosted foreign direct investment (FDI) disbursements, supporting industrial activity and sentiment through the second half of 2025. Record tourism arrivals, which surpassed pre-pandemic levels, supported service-sector activity, labor market conditions, and household spending. Headline inflation averaged 3.3 percent—below the 4.0–4.5 percent target—but higher rents and construction activity (linked to higher public investment and a recovering real estate sector) kept core inflation elevated.

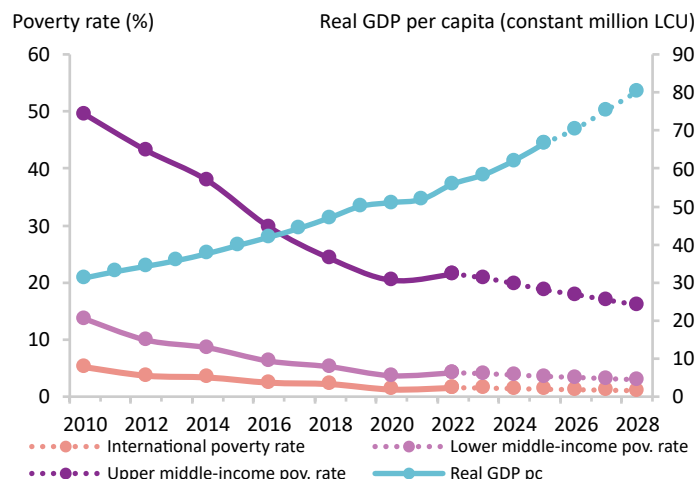
The current account recorded a large surplus through end-September 2025 (7.2 percent of GDP), driven by a trade surplus and

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Sources: Viet Nam's General Statistics Office and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

resilient remittances; however, the full-year surplus is estimated to be smaller as imports and outflows picked up later in the year. Portfolio and other investments more than outweighed strong FDI inflows. Substantial unrecorded outflows—with net errors and omissions reaching 8.2 percent of GDP in Q3-2025—highlight data challenges and persistent price distortions, complicating foreign exchange (FX) liquidity management and the interpretation of underlying external pressures.

Currency pressures, evident in 2025, have eased since the start of 2026, giving the central bank (SBV) more space to maintain low interest rates and ease liquidity without heightening depreciation risks under a managed float exchange rate regime. A persistent domestic liquidity gap—reflecting strong demand for funds and portfolio shifts toward real estate, gold, equities, and USD assets—has increased overnight interbank rates, peaking at around 17 percent in early February 2026. SBV open market operations and VND/USD swap interventions have eased liquidity conditions, lowering interbank rates. Rapid credit expansion, reflecting SBV's loosened credit growth targets (to 19 percent), pushed credit-to-GDP ratios to 145 percent in 2025, among the highest in the Association of Southeast Asian Nations. Despite lower 2026 credit targets (15 percent), banks will need to rebuild liquidity buffers amid continued funding pressures, and steer credit toward safer, productive uses.

The fiscal deficit more than doubled to 3.6 percent, reflecting a surge in public investment spending in the final year of the 5-year investment plan (+45 percent y/y), tax deferrals, value-added tax reductions, and one-off severance and support payments linked to administrative consolidation reforms. The tax-GDP ratio fell 0.6 percentage points to 11.9 percent, but was offset by non-tax revenues (mainly land sales).

Viet Nam's economy is vulnerable to prolonged supply disruptions in the Straits of Hormuz and oil price volatility, given heavy reliance on Kuwait for crude oil, and dependence on global trade. Amid limited domestic oil reserves, the spike in global oil prices in March was fully transmitted to domestic fuel prices. The oil shock may reduce household welfare through higher transport and food distribution costs, disproportionately affecting poorer households who spend a larger share of their budget on transportation.

Outlook

The baseline assumes a moderation in GDP growth to 6.3 percent in 2026, reflecting short-term adverse impacts on trade and domestic activity from the Middle East conflict and volatility in oil prices. With imports boosted by infrastructure investment, net trade is anticipated to shift the current account into a modest deficit. Low debt-GDP ratios provide fiscal space to increase borrowing to finance fiscal deficits. A US\$20 increase in oil prices is projected to raise inflation moderately to 4.2 percent in 2026 assuming limited second-round effects through transport and food prices. Household spending growth is expected to soften amid economic uncertainty.

Downside risks remain elevated, particularly regarding the duration and intensity of the Middle East conflict. A prolonged conflict could materially depress Viet Nam's exports and exacerbate banking sector, currency, and external pressures amid limited FX reserves and high corporate leverage. Domestically, high-quality public investment could ease infrastructure bottlenecks and boost potential growth, supported by stronger project selection, procurement, and execution and by transparent financing plans. Natural hazards pose additional risks.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	5.0	7.0	8.0	6.3	7.6	7.2
Private consumption	3.1	6.7	8.0	6.5	7.3	7.5
Government consumption	4.6	5.8	11.9	8.0	5.2	5.0
Gross fixed capital investment	4.7	7.1	8.3	8.1	9.8	9.2
Exports, goods and services	-1.9	15.7	16.3	6.0	12.7	13.1
Imports, goods and services	-4.5	16.1	17.1	7.1	13.5	14.0
Real GDP growth, at constant factor prices	5.2	7.2	8.2	6.3	7.6	7.1
Agriculture	3.9	3.6	3.8	3.6	3.8	4.0
Industry	3.6	8.0	8.9	7.5	8.5	8.5
Services	6.8	7.4	8.6	5.8	7.6	6.6
Employment rate (% of working-age population, 15 years+)	72.9	72.6	72.6	72.6	72.5	72.3
Inflation (consumer price index)	3.2	3.5	3.3	4.2	3.8	3.5
Current account balance (% of GDP)	6.0	6.5	2.5	-0.1	-0.4	-0.5
Net foreign direct investment inflow (% of GDP)	3.1	4.2	3.9	4.5	4.5	4.5
Fiscal balance (% of GDP)	-1.6	-1.0	-3.6	-3.7	-3.5	-3.2
Revenues (% of GDP)	17.2	17.8	18.7	18.9	19.1	19.8
Debt (% of GDP)	36.0	33.9	35.3	34.3	33.2	29.8
Primary balance (% of GDP)	-0.7	-0.1	-2.7	-2.8	-2.6	-2.4
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	1.5	1.4	1.3	1.2	1.2	1.1
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	4.0	3.8	3.5	3.3	3.1	2.9
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	20.8	19.8	18.7	17.9	16.9	16.1
GHG emissions growth (mtCO₂e)	2.9	7.8	7.8	8.7	8.7	7.9

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on EAPPOV harmonization, using 2016-VHLSS and 2022-VHLSS. Actual data: 2022. Nowcast: 2023-2025. Forecasts are from 2026 to 2028.

2/ Projection using annualized elasticity (2016-2022) with pass-through = 0.7 based on GDP per capita in constant LCU.

Albania
Armenia
Azerbaijan
Belarus
Bosnia and Herzegovina
Bulgaria
Croatia
Georgia
Kazakhstan
Kosovo
Kyrgyz Republic
Moldova

Montenegro
North Macedonia
Poland
Romania
Russian Federation
Serbia
Tajikistan
Türkiye
Turkmenistan
Ukraine
Uzbekistan

Europe and Central Asia

ALBANIA

Albania's economy maintained positive momentum through September 2025, supported by private consumption, tourism, and construction. GDP grew by 3.7 percent in Q3 2025, year on year. Inflation remained below target, while poverty declined amid a tighter labor market and rapid wage growth, which boosted incomes but added to price pressures. Growth is expected to moderate to 3.6 percent in the medium term, reflecting a maturing tourism sector.

Key conditions and challenges

Albania's post-pandemic rebound has been supported by tourism and stronger trade and services linkages with the European Union (EU), helping growth average about 4.2 percent in 2022–25. Tourism remains an important contributor to growth, bolstering economic performance but increasing exposure to external shocks and highlighting the need for diversification.

Albania's economy continues to face structural constraints that weigh on its ability to converge to the EU average per capita income (currently at one-third). These include low productivity in agriculture and services, a narrow export base, and a business environment affected by regulatory barriers, informality, and institutional weaknesses.

Skills mismatches, migration and aging continue to constrain human capital availability. Demographic and climate pressures, alongside higher spending needs, underscore the importance of safeguarding fiscal buffers through revenue mobilization and spending efficiency. Adoption of EU acquis-consistent reforms

Population ¹ million	2.4	Poverty ² millions living on less than \$8.30/day	0.6
Life expectancy at birth ³ years	79.6	School enrollment ⁴ primary (% gross)	111.5
GDP ⁵ current US\$, billion	30.9	GDP per capita ⁶ current US\$	13056.7

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

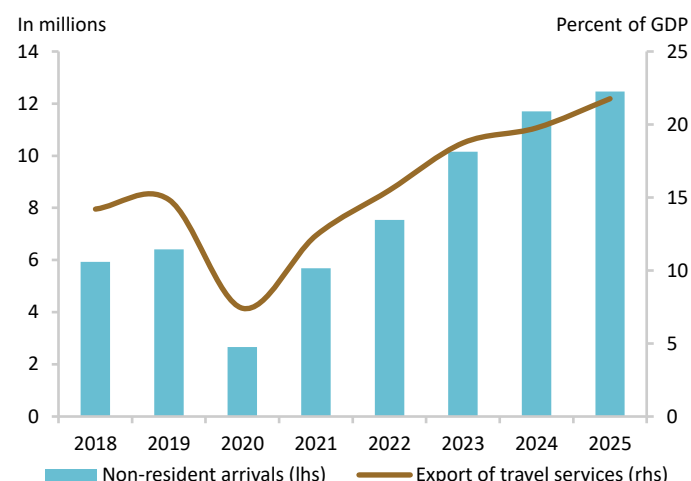
can raise productivity, deepen market integration, and ensure that gains are inclusive.

Recent developments

Albania's economy grew by 3.7 percent y-o-y in Q3 2025, following 4.0 percent growth in 2024. Growth was supported by net exports, while domestic demand was broadly steady, with a slight increase in private investment. Looking at the supply side, services and construction drove economic activity in 2025, offsetting continued declines in agriculture, manufacturing and extractive industries, alongside a tapering of tourism growth.

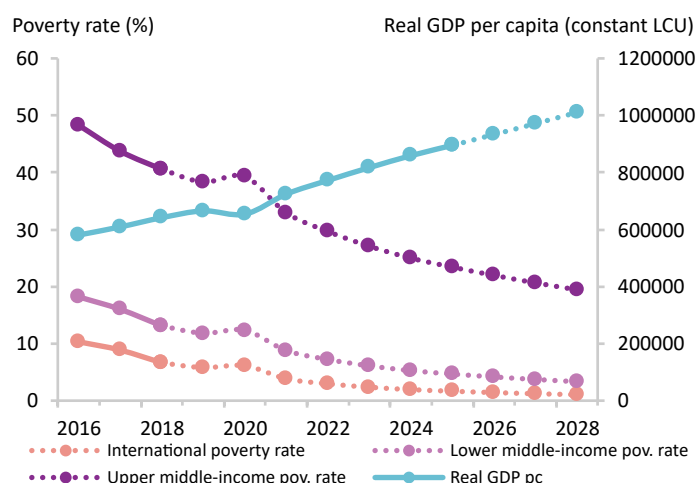
Unemployment fell to 8.1 percent in Q3 2025, despite unchanged employment levels, reflecting labor force contraction driven by emigration and aging, alongside sectoral shifts toward services. Wage growth remained strong in 2025 (10.2 percent y-o-y through Q3), with public wage increases initially outpacing the private sector and supporting consumption. Sustained solid growth is estimated to have reduced poverty by 1.6 percentage points, bringing it down to 23.4 percent in 2025.

FIGURE 1 / Tourism indicators



Sources: INSTAT and Bank of Albania.

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



Source: World Bank. Notes: See footnotes in table on the next page.

Inflation averaged 2.2 percent in 2025 remaining below Bank of Albania's target. Despite strong demand and rising wages, inflation remained contained overall, while core inflation was higher, financing conditions remained favorable in 2025 and, together with strong demand, supported rapid private-sector credit growth (13.2 percent). Real-estate lending, particularly mortgages to households (16.7 percent), was the main driver, while a further increase in the share of lek-denominated credit supported monetary policy transmission and financial stability. Credit quality improved further, with the non-performing loan ratio falling to 3.8 percent in December 2025 (from 4.2 percent in December 2024).

Albania had mixed results in its fiscal accounts in 2025. The fiscal balance and the primary balance deteriorated, owing to spending increases (public wages, pensions, and investment) that outpaced revenue growth (driven by higher social security contributions and personal income tax on the back of rapid wage growth). Yet, public debt dropped to 53.2 percent of GDP at end-2025, from 54.2 percent in 2024, aided by the positive primary balance, the appreciation of the Lek, and solid GDP growth.

Albania's external position strengthened significantly, with the current account shifting to a surplus of 0.25 percent of GDP in the first three quarters of 2025 (from a 1.26 percent deficit a year earlier), marking the first surplus on record. Strong services exports, led by tourism, offset weaker goods exports amid exchange rate appreciation and rising labor costs. Foreign exchange purchases reached 3.0 percent of GDP in the first three quarters of 2025 reflecting primarily discretionary interventions rather than reserve accumulation that helped temper the Lek's appreciation, while raising external reserves to 7.7 months of imports.

Outlook

Albania's economic growth is forecast to slow as tourism matures. Consumption will get a temporary lift in 2026 from fiscal transfers and wage hikes, but rising prices will partly offset some gains. By 2027–2028, consumption growth is expected to ease with stable inflation near 3 percent, while government spending supports investment, especially for infrastructure. Wage growth may continue outpacing productivity, fueling inflation, while higher global energy prices and trade disruptions linked to the conflict in the Middle East are expected to add to domestic price pressures in 2026 and weaken household purchasing power. Despite these factors, employment and wage increases should help reduce poverty to 19.4 percent by 2028.

The fiscal deficit will rise to 1.8 percent of GDP in 2026 due to pension bonuses, defense spending, wage indexation, and capital investments. Through 2028, the deficit should shrink as GDP grows, revenue strategy takes effect, and EU fund absorption increases, lowering public debt to about 51 percent of GDP.

The current account deficit will stay below historical levels despite strong demand and increased import-heavy public investment, although a larger fuel and energy import bill related to the Middle East conflict could widen the deficit.

Risks include global uncertainty and domestic pressures that may dampen confidence or reform pace. Positive outcomes are possible through faster EU accession and stronger reforms, leading to higher investment and productivity.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	4.0	4.0	3.9	3.4	3.7	3.6
Private consumption	2.7	3.7	2.4	2.9	2.6	2.2
Government consumption	4.4	6.0	5.9	2.5	2.6	2.6
Gross fixed capital investment	1.7	5.8	3.8	6.5	6.6	6.8
Exports, goods and services	8.6	0.1	6.8	6.9	7.4	7.5
Imports, goods and services	0.2	6.0	4.3	6.8	6.3	6.2
Real GDP growth, at constant factor prices	5.0	3.2	3.9	3.4	3.7	3.6
Agriculture	-1.4	-2.0	-1.5	-1.5	-0.8	-0.7
Industry	4.4	0.0	0.9	1.0	1.0	1.1
Services	7.3	6.4	6.8	5.7	5.9	5.6
Employment rate (% of working-age population, 15 years+)	56.5	58.2	58.6	58.8	59.1	59.3
Inflation (consumer price index)	4.8	2.2	2.2	3.2	3.0	3.0
Current account balance (% of GDP)	-1.2	-2.4	-0.9	-3.1	-3.0	-2.9
Net foreign direct investment inflow (% of GDP)	5.7	5.4	5.0	5.0	5.1	5.1
Fiscal balance (% of GDP)	-1.3	-0.7	-1.7	-1.8	-1.6	-1.2
Revenues (% of GDP)	27.2	28.2	28.2	29.8	29.8	29.9
Debt (% of GDP)	57.6	54.2	52.9	52.7	52.1	50.9
Primary balance (% of GDP)	0.7	1.4	0.3	0.5	0.7	1.1
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	2.3	1.9	1.6	1.4	1.2	1.1
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	6.1	5.2	4.6	4.1	3.7	3.3
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	27.1	25.0	23.4	22.0	20.7	19.4
GHG emissions growth (mtCO₂e)	-6.1	-2.3	-1.3	-1.3	-1.6	-3.0

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on ECAPOV harmonization, using 2017-SILC-C and 2019-SILC-C. Actual data: 2018. Nowcast: 2019-2025. Forecasts are from 2026 to 2028.

2/ Projection using point-to-point elasticity (2016-2018) with pass-through = 1 based on GDP per capita in constant LCU.

ARMENIA

Armenia recorded solid economic growth of 7.2 percent (yoy) in 2025, driven by strong private consumption and investment. Average inflation reached 3.3 percent in 2025, slightly above the CBA's target. Growth is expected to moderate over the medium term. While the conflict in the Middle East could weigh on growth in 2026, progress towards durable peace with neighboring countries would support stronger growth prospects in the medium term and beyond.

Key conditions and challenges

Growth in 2025 once again outperformed expectations, signaling the economy's short-term resilience following the phasing out of the positive impact of re-exports in the prior two years. Structural constraints—including connectivity gaps, weak competition, and shortages of high-skilled labor—continue to hinder private investment, firms' growth, and the creation of quality jobs. Further, the near-term outlook remains subject to heightened global uncertainty stemming from the recent conflict in the Middle East. In the medium- to long-term, progress in peace and opening communications with neighbors, coupled with coordinated reforms to strengthen the enabling environment, would have a significant positive impact.

Recent developments

Economic growth reached 7.2 percent in 2025, mostly driven by private consumption (10.7 percent) and investment (15.6 percent). On the supply side, growth was led by services (5.9 percent) and construction (21 percent). Growth was also supported by a rebound in

Population ¹ million	Poverty ² millions living on less than \$8.30/day
3.1	1.4
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
77.5	102.0
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
29.2	9484.5

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

the agriculture sector (up 5.3 percent) and an increase in industrial production (up 9.3 percent).

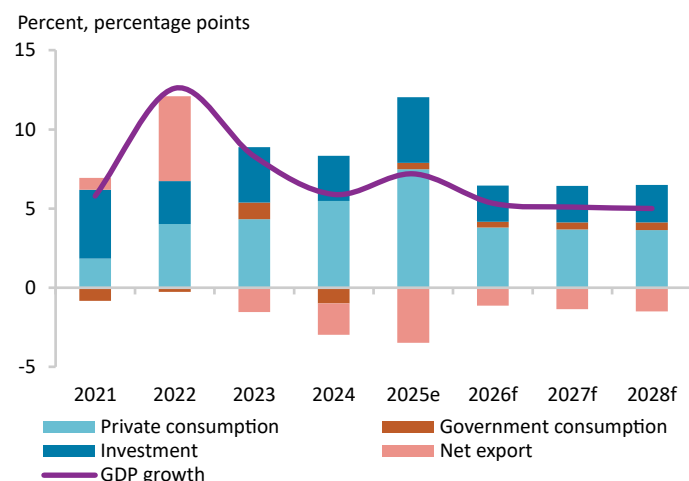
Strong growth improved labor market outcomes in 2025, with unemployment falling to 11.8 percent in Q3 and per capita GDP rising by 5.5 percent.

As a result, upper-middle-income country (UMIC) poverty (US\$8.3, 2021 PPP) is estimated to have declined to 46.4 percent in 2025, from 47.4 percent in 2024.

Average inflation was 3.3 percent in 2025, from 0.3 percent in 2024, driven by food inflation at 5 percent, and reached 4.3 percent (yoy) in February 2026. Given the moderate inflation, the Central Bank of Armenia (CBA) reduced the policy rate twice in 2025 to reach 6.50 percent by the end of the year—the lowest level since mid-2021.

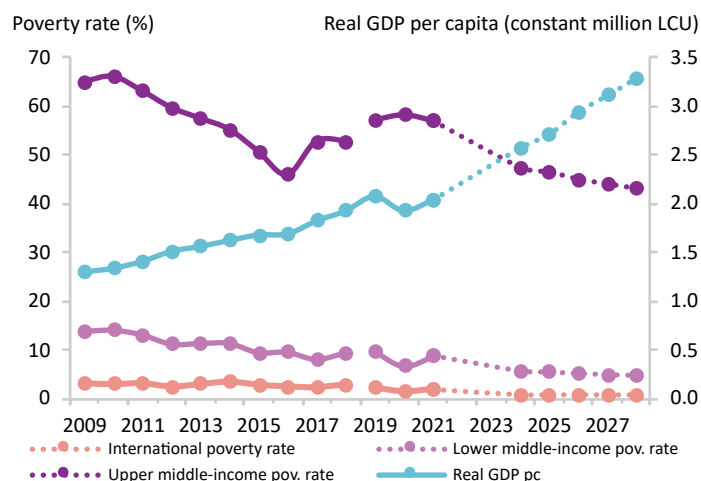
In 2025, the trade deficit widened by 18.1 percent (yoy) as exports contracted faster than imports (down by 36.1 and 23.6 percent in USD terms, yoy, respectively), marking the first annual decline for both since 2020. This decline was due to the phasing out of re-exports of precious and semi-precious metals and stones, which had been high since November 2023. Excluding this item, exports

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Sources: Statistical Committee of Armenia and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

and imports in 2025 rose by 8.9 and 7.5 percent, yoy, respectively. Tourist arrivals accelerated in the second half of 2025, bringing annual growth to 2.5 percent (yoy). Net non-commercial inflows of money transfers rebounded in 2025, increasing by 25 percent (yoy). The current account deficit in Q1–Q3 2025 reached 5 percent of annual GDP, from 2.4 percent of annual GDP in Q1–Q3 2024.

The Armenian dram appreciated 1.5 percent vis-à-vis the USD in 2025, while it depreciated 2.8 percent against the euro. To reduce exchange rate fluctuations, the CBA intervened and purchased about US\$1.8 billion in 2025. This, along with the issuance of a Eurobond in March and receipts of loans at end-2025, increased gross reserves to US\$5.1 billion (3.9 months of imports).

In 2025, total budget revenues grew 12.6 percent while expenditures grew 12.5 percent in nominal terms, leading to an overall budget deficit of 3.5 percent of GDP, similar to 2024 (but well below the 5.5 percent planned deficit for 2025). Expenditure growth was mostly driven by education and defense, while revenue gains reflected higher value-added tax and income tax receipts. Debt in 2025 fell to 46.8 percent of GDP, from 48 percent of GDP in 2024.

Armenia's financial sector remained sound in 2025. Deposits and loans were up 15.4 and 23 percent, yoy, in nominal terms, respectively. The non-performing loans remained low at 1.3 in 2025.

Outlook

Growth is projected to ease to 5.3 percent in 2026 and converge to 5 percent in the medium term. The projections assume a

temporary disruption to global energy supply, driving up prices in 2026 by 36 percent on average for Brent oil, by 67 percent on average for natural gas, and by 20 percent on average for fertilizer, and are subject to considerable uncertainty.

The fiscal deficit is projected to increase in 2026 to 3.9 percent (reflecting the pension increase announced to start on April 2026) and thereafter, consolidate gradually to 3.6 percent by 2028, as spending moderates. Despite fiscal consolidation, public debt is projected to rise to 51.3 percent of GDP by 2027 (reflecting a replenishment of the stabilization fund and on-lending projects) and then stabilize.

The current account deficit, which has followed an increasing trend recently, is projected to reverse course and narrow to 4.8 percent of GDP in 2028 as trade flows normalize.

The UMIC poverty rate is projected to decline to 43 percent in 2028. However, heightened uncertainty, moderating growth in agriculture—a key employer of the poor—and a possible continued uptick in inflation, which may slightly erode real incomes, pose downside risks to the pace of poverty reduction.

Downside risks to the outlook include uncertainty surrounding the 2026 parliamentary elections and potential escalation in geopolitical tensions. In addition, the conflict in the Middle East could lead to persistently elevated energy and food prices and trade disruptions—particularly if price pressures extend beyond 2026—thereby weighing on trade, tourism, investment, and overall growth. On the upside, normalization of relations with neighbors, deeper regional connectivity and new strategic investment commitments could support faster growth.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	8.3	5.9	7.2	5.3	5.1	5.0
Private consumption	6.2	8.0	10.7	5.3	5.1	5.1
Government consumption	10.2	-9.5	4.7	4.2	5.2	5.5
Gross fixed capital investment	9.0	11.2	15.6	8.3	8.2	8.2
Exports, goods and services	32.3	27.6	-30.5	2.3	3.8	3.9
Imports, goods and services	32.5	28.3	-23.7	3.9	5.4	5.7
Real GDP growth, at constant factor prices	8.0	6.8	6.8	5.3	5.1	5.0
Agriculture	-0.4	1.5	5.3	2.5	2.1	2.1
Industry	2.0	6.8	9.3	5.2	5.5	5.7
Services	12.3	7.6	5.9	5.8	5.3	5.1
Employment rate (% of working-age population, 15 years+)	52.8	51.0	56.1	53.4	53.4	53.4
Inflation (consumer price index)	2.0	0.3	3.3	4.6	3.8	3.3
Current account balance (% of GDP)	-2.8	-4.6	-5.7	-5.6	-5.2	-4.8
Net foreign direct investment inflow (% of GDP)	2.2	0.3	1.2	1.5	2.2	2.3
Fiscal balance (% of GDP)¹	-1.9	-3.5	-3.5	-3.9	-3.7	-3.6
Revenues (% of GDP)	25.9	26.5	26.8	26.3	26.2	26.4
Debt (% of GDP)²	48.2	48.0	46.8	50.0	51.3	51.3
Primary balance (% of GDP)³	0.7	-0.4	-0.4	-0.5	0.0	0.1
International poverty rate (\$3.00 in 2021 PPP)^{4,5}	..	0.8	0.8	0.8	0.8	0.8
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{4,5}	..	5.7	5.5	5.2	5.0	4.8
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{4,5}	..	47.4	46.4	44.9	44.0	43.0
GHG emissions growth (mtCO₂e)	5.6	4.9	8.2	7.2	7.2	7.3

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Represents the consolidated fiscal balance.

2/ Excludes CBA debt.

3/ The primary balance excludes interest received.

4/ Calculations based on ECAPOV harmonization, using 2011-ILCS, 2018-ILCS, and 2024-ILCS. Actual data: 2024. Nowcast: 2025. Forecasts are from 2026 to 2028.

5/ Projection using annualized elasticity (2011-2018) with pass-through = 0.69 based on GDP per capita in constant LCU.

AZERBAIJAN

Economic growth decelerated to 1.4 percent in 2025, reflecting a steeper contraction in the hydrocarbon sector and sluggish expansion in the non-hydrocarbon sector. Inflation moderated in 2025 as domestic demand eased. External and fiscal surpluses narrowed as hydrocarbon-related inflows declined. Growth is expected to pick up modestly in the medium term, due to less pronounced decline in hydrocarbon output and a gradual recovery in non-hydrocarbon activity.

Key conditions and challenges

Continued reliance on hydrocarbons as a major source of export and fiscal revenue remains Azerbaijan's main vulnerability, as declining oil output, oil price volatility, and the global transition away from fossil fuels weigh on long-term growth prospects.

Private sector development is constrained by the large state footprint in the economy, an uneven playing field for firms, which results in low and stagnant firms' productivity levels, shallow financial markets, and a weak human capital base.

Recent developments

Economic activity in Azerbaijan slowed in 2025, with real GDP growth reaching 1.4 percent, reflecting weak performance across both the hydrocarbon and non-hydrocarbon sectors. A larger-than-expected reduction in crude oil output resulted in a 2 percent (yoy) contraction in hydrocarbon GDP. Growth in the non-hydrocarbon sector slowed markedly to 2.7 percent (yoy), reflecting broad-based moderation

Population ¹ million	Poverty
10.3	..
Life expectancy at birth ² years	School enrollment ³ primary (% gross)
74.4	105.6
GDP ⁴ current US\$, billion	GDP per capita ⁵ current US\$
75.9	7398.5

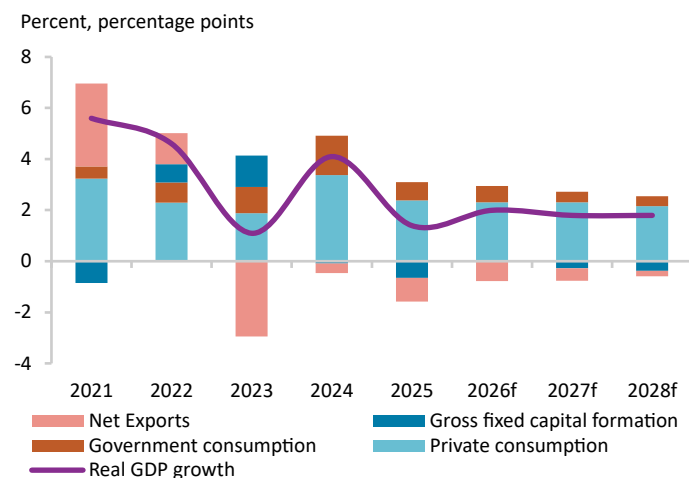
Sources: WDI, MFMMod, and official data. 1/ 2025. 2/ 2023. 3/ 2024. 4/ 2025. 5/ 2025.

across sectors, with particularly pronounced slowdowns in construction, transport, and agriculture. On the demand side, investment contracted 4.9 percent (yoy) in real terms due to lower public capital expenditure, while slower real wage growth alongside a moderation in consumer lending weighed on household consumption growth.

Inflation rose to 5.5 percent in 2025, driven by food inflation at 6.9 percent (yoy), reflecting rising import prices for some essential products and higher services prices (resulting from the increase in tariffs for electricity, gas, and heating in early 2025). The Central Bank of Azerbaijan (CBA) lowered the policy rate from 7.25 percent at end-2024 to 6.75 percent by December 2025 in two steps as inflationary pressures eased towards year end.

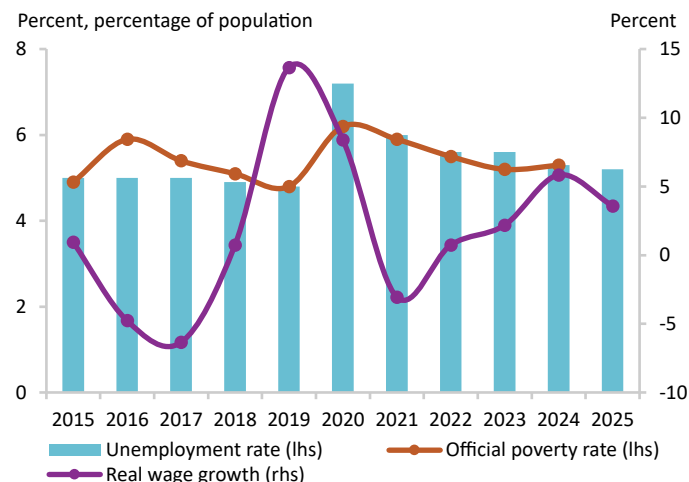
The current account surplus moderated to 5.4 percent in the first nine months of 2025, driven by a decline in hydrocarbon exports due to both volume and price effects. Non-hydrocarbon exports rose by 6 percent in 2025, while imports increased moderately by 2.7 percent, reflecting sluggish domestic demand. CBA's foreign reserves rose by 5 percent (yoy) in 2025 to US\$11.5 billion, while State Oil Fund of the Republic of Azerbaijan reserves surged by 22.5 percent (yoy) in 2025 to US\$73.5 billion (equivalent

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Sources: State Statistical Committee and World Bank.

FIGURE 2 / Official poverty rate, unemployment rate, and real wage growth



Source: State Statistical Committee.

to 97 percent of GDP), reflecting the revaluation of the gold portfolio amid high gold prices.

Fiscal policy tightened in 2025 as hydrocarbon-related inflows declined, with budget expenditure falling by 1.3 percent (yoy) in real terms, driven by a 7 percent decline in capital spending, while current spending increased 1.1 percent. Budget revenues also declined by 5.2 percent (yoy) in real terms, reflecting lower hydrocarbon revenues and moderated non-hydrocarbon collections amid sluggish growth. As a result, the consolidated budget surplus narrowed to 2.6 percent of GDP in 2025 from 4.0 percent in 2024.

Credit to economy eased in 2025, expanding 3.4 percent (yoy) in real terms after growing by 16.1 percent in 2024, with a sharper slowdown in consumer lending amid rising interest rates and tighter credit conditions due changes in macro-prudential norms. In contrast, household deposits increased by 10.8 percent (yoy) in real terms driven by high interest rates.

Outlook

The projections assume a temporary disruption to global energy supply, driving up prices in 2026 by 36 percent on average for Brent oil, by 67 percent on average for natural gas, and by 20 percent on average for fertilizer, and are subject to considerable uncertainty.

Economic growth is projected to rise to 2 percent in 2026, driven by a less pronounced decline in crude oil output and a gradual recovery in the non-hydrocarbon sector. Decline in crude oil output is expected to return to its medium-term trend in 2026. Elevated energy prices are not anticipated to

significantly benefit the hydrocarbon sector, given the structural decline in crude oil output.

Non-hydrocarbon sector growth is forecasted to strengthen modestly in 2026, supported by consumption as real earnings recover amid slowing inflation while higher projected oil prices due to the conflict in Middle East will boost business sentiment. In 2027–2028, growth is expected to average 1.8 percent, as domestic demand moderates due to subdued private and public investment.

Average inflation is expected to increase to 5.8 percent in 2026 due to higher import prices stemming from the global energy price shock (and increased transport and food import costs) and stay gradually moderate to 4 percent in line with slowing demand.

The current account surplus is expected to pick up in 2026 to 7.7 percent of GDP, thanks to higher oil prices, and to narrow in 2027–2028 due to declining energy prices in the medium term, while import growth is projected to edge down as domestic demand moderates.

The fiscal surplus is projected to widen in 2026, thanks to the higher oil prices, and narrow in 2027–2028 due to declining hydrocarbon revenues as oil prices decline, partially offset by subdued expenditure growth and higher personal income tax revenues following the phasing out of tax holidays.

Downside risks to the economic outlook stem from heightened geopolitical risks due to the ongoing conflict in Middle East. On the upside, progress opening communications with neighboring Armenia would support higher economic growth prospects in the medium term.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	1.1	4.1	1.4	2.0	1.8	1.8
Private consumption	4.0	7.0	4.8	4.5	4.4	4.0
Government consumption	8.1	11.3	4.9	4.2	2.7	2.5
Gross fixed capital investment	9.6	-0.7	-4.9	0.0	-2.3	-3.3
Exports, goods and services	-2.9	1.2	-0.7	-0.5	-0.2	0.1
Imports, goods and services	1.9	3.1	1.2	1.1	0.9	0.8
Real GDP growth, at constant factor prices	1.1	4.1	1.4	2.0	1.8	1.8
Agriculture	3.2	1.4	0.9	1.6	2.2	2.4
Industry	-0.9	1.1	0.3	0.6	0.5	0.5
Services	3.8	9.1	3.0	3.9	3.4	3.4
Employment rate (% of working-age population, 15 years+)	60.0	59.4	59.4	59.4	59.4	59.4
Inflation (consumer price index)	9.0	2.1	5.5	5.8	4.6	4.0
Current account balance (% of GDP)	11.6	6.3	4.4	7.7	2.4	2.2
Net foreign direct investment inflow (% of GDP)	-1.1	-1.1	-1.0	-0.9	-0.9	-0.9
Fiscal balance (% of GDP)	8.1	4.0	2.6	5.0	2.5	2.4
Revenues (% of GDP)	39.9	38.3	36.3	36.0	35.2	33.5
Debt (% of GDP)	21.8	21.7	22.2	22.6	23.7	22.5
Primary balance (% of GDP)	8.8	4.4	3.3	5.6	3.2	3.1
GHG emissions growth (mtCO2e)	1.8	1.3	0.6	1.3	1.9	1.5

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

BELARUS

The 2025 growth slowdown highlighted the fragility of Belarus's economic model. Growth in 2026 is expected to moderate further with mild Russian demand and persistent supply-side bottlenecks. Medium-term prospects are further constrained by the limited impact of stimulus measures and elevated inflation. Belarus's continued isolation from global markets and reliance on Russia undermine the foundations for durable, broad-based growth.

Key conditions and challenges

Belarus's economy remains centralized, controlled and increasingly isolated since Russia's invasion of Ukraine and the Western sanctions that followed. The loss of access to European Union (EU) markets and global financial channels has forced Belarus to reroute most of its trade through Russia, driving up logistical and compliance costs and squeezing export margins across key sectors. Transport expenses have risen significantly as traditional routes and payment systems, particularly those linked to the EU, have become unavailable.

At the same time, Russian-backed import-substitution policies and subsidized energy have helped cushion the immediate economic impact but have deepened Belarus's structural dependence on Russia. Most of Belarusian exports now go to the Russian market, while much of the remaining trade is channeled through Russian logistics networks and banks. As a result, Belarus faces growing vulnerability to external shocks stemming from its dominant neighbor and limited ability to diversify trade or financial partnerships. The conflict in the Middle East is expected to have limited impact in the short-term on the

Population ¹ million	Poverty ² millions living on less than \$8.30/day
9.1	0.2
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
74.2	96.8
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
106.3	11713.8

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2020 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

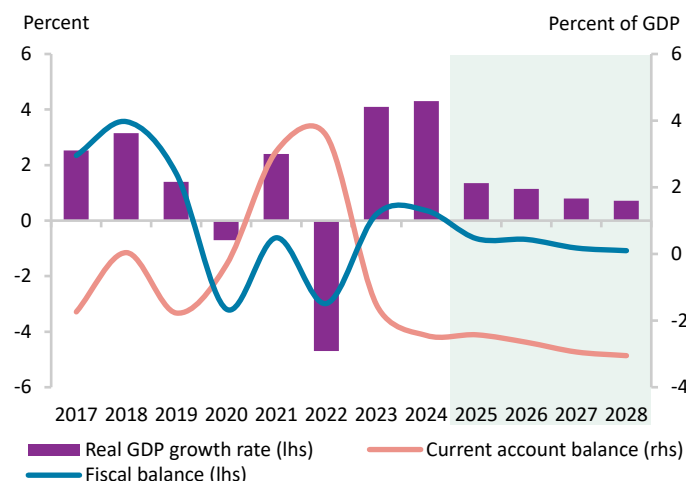
Belarus economy as the price of energy imports from Russia are administratively fixed.

Recent developments

In 2025, GDP growth slowed to 1.3 percent year-on-year from 4.3 percent in 2024, reflecting both external and domestic constraints. Poor weather left agricultural output nearly flat. In contrast, construction grew by 10.2 percent, and the information and communications technology (ICT) sector expanded by 4.2 percent, continuing its partial rebound. Demand-side dynamics were driven by private consumption and investments, underpinned by rising wages and sizable government support. As a result, imports grew faster than exports, which rose only marginally, given weaker Russian demand and modest gains in Africa, Latin America, Southeast and Central Asia markets.

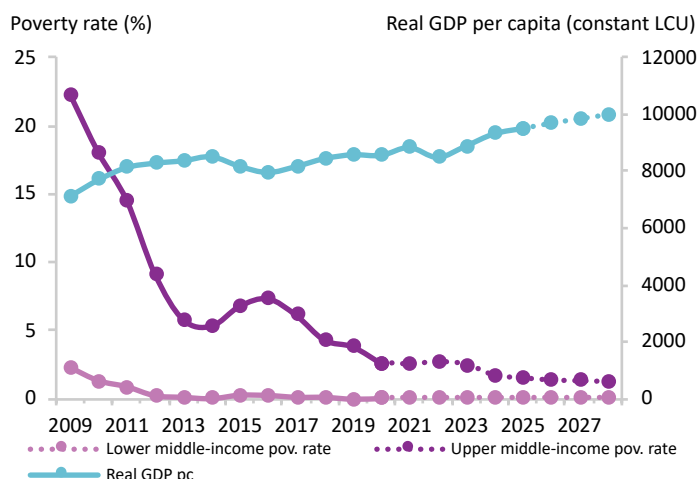
The current account deficit reached 2.5 percent of GDP in the first nine months of 2025, similar to 2024. The shortfall was driven by the trade deficit and increased profit repatriation, deepening the primary income deficit. Exports rose only marginally, supported by modest gains in Africa, Latin America, Southeast and Central Asia markets,

FIGURE 1 / Actual and projected macroeconomic indicators



Source: World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

while imports expanded more quickly on the back of rising wages and sizable government support. The deficit was financed mainly by cash and deposits and foreign direct investment—largely reinvested earnings from Russian firms. External debt decreased slightly to 43 percent of GDP by end-October 2025 from 46 percent at end-2024, while international reserves reached a record US\$15.7 billion in January 2026, supported by higher gold prices.

Inflation accelerated in 2025 on the back of high domestic demand and food price increases, despite administrative price control. The average consumer price index reached 6.7 percent and food inflation at 9 percent. The Belarusian ruble appreciated mirroring the Russian ruble's (RUB) currency cycle, consistent with its 60 percent RUB basket weight and deep trade links. Monetary policy remained unchanged, with the policy rate remaining at 9.75 percent since June 25, 2025.

Despite weaker GDP growth in 2025, labor hoarding in state-linked firms and out-migration, particularly of skilled workers, kept labor demand robust, holding unemployment near historic lows (around 2.5 percent) and supporting continued real wage gains. As a result, household purchasing power was maintained despite higher prices, and poverty continued to edge down, albeit more slowly given the high inflation.

Since the start of the war in Ukraine, the regular publication of Belarus's budget data has largely ceased, making it increasingly difficult to obtain a clear and reliable picture of the country's public finances.

Outlook

Belarus is expected to continue its slower growth phase, with real GDP projected to grow only at 1.1 percent in 2026 and

at 0.7–0.8 percent in 2027 and 2028. Growth will rely heavily on state-supported construction, while industrial output, specially manufacturing, will soften as Russian demand moderates. Retail and services will be supported by tight labor conditions and fiscal measures, whereas the ICT sector is likely to recover only gradually from its post-2022 decline. Favorable agricultural conditions would boost growth, but the overall outlook remains constrained by expected moderate Russian growth, sanctions, higher trade and logistics costs, and persistent payment bottlenecks. Persistent inflation, profit compression and mounting losses, together with entrenched structural inefficiencies, including labor and capacity constraints, are likely to limit the effectiveness of fiscal and credit stimulus, dampening investment and potential growth.

Net exports are likely to continue to be a drag on growth given the reliance on the Russian market, sanctions, and logistical frictions. Consequently, the current account deficit is projected to slightly widen to 2.6 percent of GDP in 2026 and to 2.9–3.1 percent in the medium term.

Inflation is projected to remain elevated over the medium term, gradually eroding real purchasing power and progressively compressing real wage gains, with average annual inflation projected to remain above 6 percent through to 2028—even with price controls in place. The continued reliance on price controls and other administrative measures, although helping to contain headline inflation in the short term, risks distorting relative prices, weakening monetary transmission, and delaying progress toward a more market-based policy framework.

Given a very tight labor market, real wages are expected to keep rising despite elevated inflation, allowing the US\$8.30 (2021 PPP) upper-middle-income poverty headcount to decline from 1.55 percent in 2025 to about 1.3 percent by end-2028.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	4.1	4.3	1.3	1.1	0.8	0.7
Private consumption	8.2	12.4	5.1	2.9	1.8	1.6
Government consumption	0.2	0.2	0.5	0.4	1.2	1.1
Gross fixed capital investment	17.2	9.5	12.5	4.0	2.9	2.6
Exports, goods and services	19.0	3.0	-6.3	0.1	1.1	1.2
Imports, goods and services	22.7	6.0	1.5	3.1	3.0	2.9
Real GDP growth, at constant factor prices	3.7	4.4	1.3	1.1	0.8	0.7
Agriculture	0.0	3.4	0.8	1.2	1.5	1.8
Industry	7.0	5.9	-0.9	0.4	0.5	0.6
Services	1.9	3.4	3.3	1.7	0.9	0.6
Inflation (consumer price index)	5.1	5.7	6.7	6.6	6.5	6.1
Current account balance (% of GDP)	-1.5	-2.4	-2.4	-2.7	-2.9	-3.1
Net foreign direct investment inflow (% of GDP)	2.7	2.0	1.6	1.5	1.4	1.4
Fiscal balance (% of GDP)	1.2	1.3	0.5	0.4	0.2	0.1
Revenues (% of GDP)	40.7	40.5	39.5	39.3	38.7	38.1
Debt (% of GDP)	37.4	36.0	37.0	36.7	36.5	37.1
Primary balance (% of GDP)	2.8	2.7	1.8	1.7	1.5	1.4
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	0.1	0.1	0.1	0.1	0.1	0.1
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	2.5	1.7	1.5	1.4	1.3	1.3
GHG emissions growth (mtCO2e)	1.5	2.0	0.7	1.0	0.7	0.2

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on ECAPOV harmonization, using 2020-HHS. Actual data: 2020. Nowcast: 2021–2025. Forecasts are from 2026 to 2028.

2/ Projection using neutral distribution (2020) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

BOSNIA AND HERZEGOVINA

GDP growth slowed to 2.1 percent in 2025, down from 3.2 percent a year earlier, as momentum in private consumption and investment softened amid elevated inflation and political uncertainty. Industrial weakness persists. General elections could keep the fiscal deficit elevated in the near term, although public debt remains moderate. Growth is projected to gradually recover toward potential, reaching 3.2 percent by 2028.

Key conditions and challenges

Despite three decades of peace in Bosnia and Herzegovina (BiH), the path to sustainable growth remains challenging. The country has rebuilt its infrastructure and maintained macroeconomic stability despite the highly fragmented political system.

Convergence with the European Union (EU) has been slow: average yearly real income growth of just 3 percent since 2015 has left BiH's per capita GDP at only about one-third of the EU average in 2024. As a result, progress in reducing poverty has been slow, and economic vulnerability persists—40 percent of adults reported in 2023 not being able to cover expenses for more than a month if their main income is lost.

Structural economic weaknesses weigh on long-term growth and add fiscal pressure. Outmigration and aging are shrinking the workforce and tax base while raising demand for public services. Low productivity, skills mismatches, high unemployment (especially among youth and women), and informality constrain growth

Population ¹ million	3.2	Poverty ² millions living on less than \$8.30/day	0.4
Life expectancy at birth ³ years	77.8	School enrollment ⁴ primary (% gross)	101.2
GDP ⁵ current US\$, billion	34.2	GDP per capita ⁶ current US\$	10846.8

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

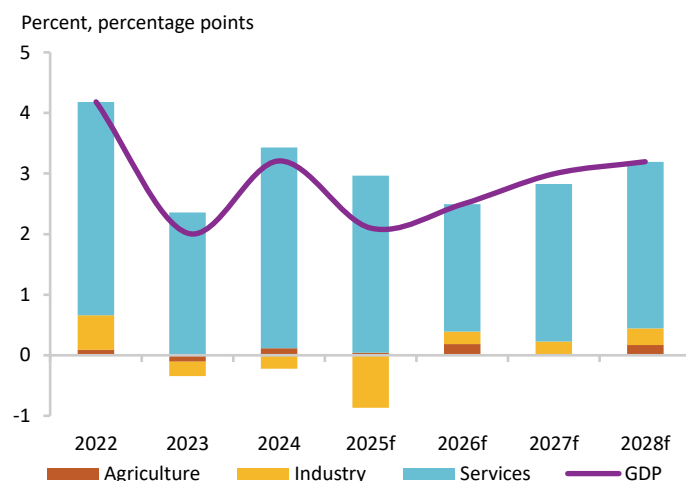
and revenues. Reliance on coal-based energy, and low carbon pricing, keep production carbon-intensive and increase exposure to competitiveness losses under the EU's Carbon Border Adjustment Mechanism (CBAM). Administrative burdens, governance challenges, and a weak business climate further slow reforms and EU accession progress.

Recent developments

Real GDP growth slowed to 2.1 percent in 2025 from 3.2 percent in 2024, as private consumption and investment continued to expand at a more moderate pace. External demand remains a drag on growth due to continued import growth relative to exports. On the production side, services improved but industrial production maintained its negative trend.

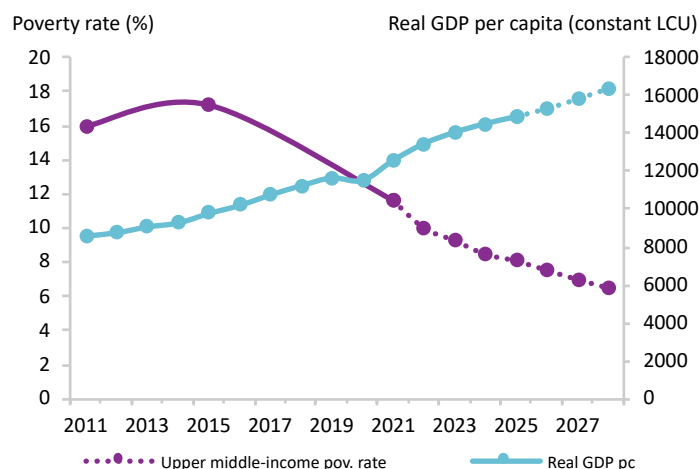
Inflation increased to 4.0 percent in 2025, up from 1.7 percent the year before, driven by higher prices for food and utility bills, mainly water, electricity, and gas. Businesses and households faced rising costs, service sector prices increased after minimum wage hikes,

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Sources: BiH Agency for Statistics (BHAS) and World Bank.

FIGURE 2 / Actual and projected poverty rate and real GDP per capita



Source: World Bank. Notes: See footnotes in table on the next page.

and energy prices went up. More recently, conflict in the Middle East pushed up global oil prices, feeding through to higher gasoline prices and adding to inflationary pressures. Nevertheless, wages in the economy rose by 9 percent in real terms, bolstering the purchasing power of the population. The minimum wage increased by 55 percent in real terms in the Federation of Bosnia and Herzegovina, which has impacted sectors with higher shares of low-wage workers, such as hospitality, construction, or food processing.

Despite the growth slowdown, labor market indicators showed an improvement, albeit uneven. The overall employment rate (Labor Force Survey) increased to 44.5 percent in Q3 2025 from 43.6 percent in Q3 of 2024, notably among those with tertiary education (+2 percentage points (pp)), while falling by 0.5pp among those with secondary education. The unemployment rate fell by 1pp to 11.2 percent during the same period. Against this background, the PPP US\$8.3/day poverty rate was projected to decline by 0.4pp to 8.1 percent in 2025.

In 2025, higher government spending on wages, social benefits, and transfers widened the fiscal deficit of 2.0 percent of GDP, up from 1.8 percent in 2024. Despite this, BiH's public debt remains modest at approximately 28 percent of GDP.

The current account deficit slightly widened to 3.6 percent of GDP in 2025, with 80 percent of the external gap financed by foreign direct investment inflows, mainly into the foreign-owned banking sector.

With the attention of policy makers on the general elections in October 2026 and on meeting the legislative requirements to initiate EU accession negotiations, substantive progress on key structural reforms in 2026 could prove to be challenging.

Outlook

In the medium term, GDP growth is expected to remain moderate, with a projected rise close to its potential at 3.2 percent by 2028. Inflation is expected to decline to less than 2 percent. The fiscal deficit is expected to narrow as wage and pension hikes are embedded into the budget, and additional increases are not anticipated. The poverty rate is projected to decrease gradually by 1.7pp during the forecast period. Progress on EU accession will depend on political reforms following the 2026 elections. Although the Reform Agenda has been adopted, several essential laws for negotiations remain unresolved, making significant advancements less likely during the election year. EU funds are thus expected to have a limited impact on growth. Exports will face increasing headwinds from CBAM's impact on carbon-intensive sectors (electricity, iron and steel, and aluminum), exacerbated by a lack of energy sector reform. The forecast is cautiously optimistic, driven mainly by domestic consumption, while industrial output, exports, and structural reforms lag behind. The forecast includes the impact of the conflict in the Middle East on the country, which is mainly through inflation and the current account. It highlights the need for persistent policy efforts to strengthen economic resilience and accelerate EU convergence.

However, significant downside risks remain. Persistent geopolitical tensions and further market disruptions could reignite inflation and undermine the fragile recovery in the EU—a key trading partner. Reduced demand there could further weaken BiH's exports. Geopolitical challenges may intensify domestic political divisions, making it even harder to advance crucial structural reforms.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	3.8	2.6	2.1	2.5	3.0	3.2
Private consumption	3.5	4.4	2.2	2.5	3.1	3.1
Government consumption	2.1	2.8	6.0	3.3	3.6	3.2
Gross fixed capital investment	3.0	8.7	3.6	3.6	2.2	3.1
Exports, goods and services	-1.2	-1.6	2.5	0.7	0.5	0.5
Imports, goods and services	-1.3	4.7	4.7	2.0	1.1	1.0
Real GDP growth, at constant factor prices	2.0	3.2	2.1	2.5	3.0	3.2
Agriculture	-1.8	2.1	0.8	3.4	3.0	3.1
Industry	-0.8	-0.8	-3.2	0.8	0.9	1.1
Services	3.6	5.0	4.3	3.0	3.8	3.9
Employment rate (% of working-age population, 15 years+)	44.2	44.0	44.1	44.1	44.2	44.2
Inflation (consumer price index)	6.1	1.7	4.0	4.3	2.2	1.6
Current account balance (% of GDP)	-2.1	-3.5	-3.6	-4.1	-4.2	-4.1
Net foreign direct investment inflow (% of GDP)	3.7	3.0	2.9	2.8	3.0	3.0
Fiscal balance (% of GDP)	-1.2	-1.8	-2.0	-2.0	-1.6	-0.9
Revenues (% of GDP)	40.7	41.7	43.7	43.3	43.0	43.0
Debt (% of GDP)	25.3	25.5	27.6	28.6	29.1	28.7
Primary balance (% of GDP)	-0.4	-0.8	-1.3	-1.1	-0.7	0.1
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	9.3	8.5	8.1	7.6	7.0	6.5
GHG emissions growth (mtCO₂e)	0.0	-2.0	-1.1	-1.0	-0.5	-0.3

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on ECAPOV harmonization, using 2021-HBS. Actual data: 2021. Nowcast: 2022-2025. Forecasts are from 2026 to 2028.

2/ Projection using neutral distribution (2021) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

BULGARIA

On January 1, 2026, Bulgaria adopted the euro after meeting all criteria for eurozone membership in early 2025. Thanks to strong domestic consumption and investment, the economy has remained resilient despite a challenging external environment. However, the global energy price shock due to the conflict in the Middle East will push inflation up and stunt economic growth in 2026. The fiscal position warrants close monitoring amid ongoing political uncertainty.

Key conditions and challenges

Despite political instability since 2021, Bulgaria remained on course toward eurozone accession, which culminated in the adoption of the euro on January 1, 2026. Real incomes have continued to converge to the European Union (EU) average, reaching 66 percent in purchasing power parity terms by 2024. This narrowing of the income gap, supported by rapid domestic wage growth, has also helped reverse long-standing net outmigration.

Nevertheless, Bulgaria continues to underperform across several institutional and governance metrics. Corruption perceptions remain high, the independence of the judiciary and regulatory bodies is frequently questioned, and media freedom ranks low in international assessments. These factors lead to broad political disengagement, reflected in low election turnouts and the vulnerability of electoral results to vote buying and other forms of control. Institutional weaknesses and political instability have taken their toll on both public and private investment, which remain among the lowest in Central and Eastern Europe (18.8 percent of GDP in 2024). Combined with limited productivity

Population ¹ million	Poverty ² millions living on less than \$8.30/day
6.4	0.3
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
75.7	95.4
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
130.6	20410.0

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2023 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

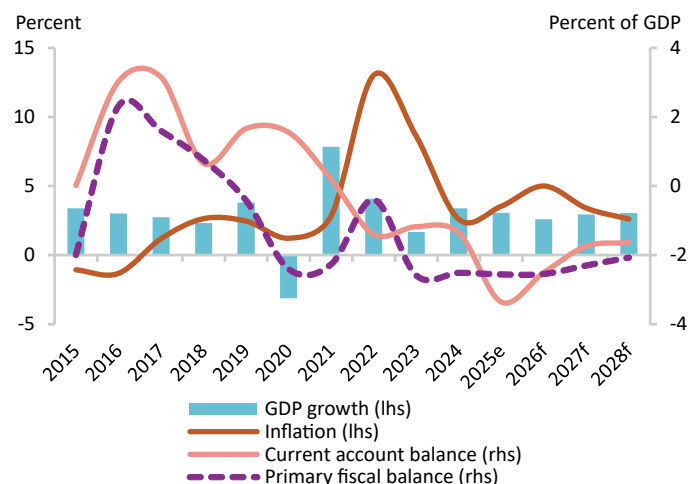
growth, this has constrained the economy's potential and left Bulgaria trailing regional peers on real incomes and broader prosperity indicators.

Beyond institutional challenges, inclusion remains a major concern. While anchored at-risk-of-poverty rates have declined and the middle class has expanded substantially, absolute poverty, child poverty, and inequality remain high compared to EU averages. Income inequality is the highest in the EU, intergenerational mobility is limited and rural disparities are substantial and continue to widen.

Recent developments

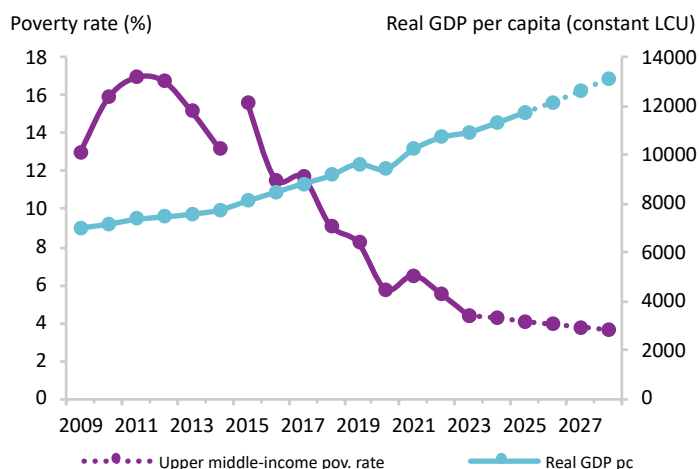
Real GDP growth remained robust at 3.1 percent in 2025, proving the economy's resilience to external uncertainty and domestic political instability. Despite weak export performance, domestic demand—particularly private consumption and investment—supported overall growth. Private consumption was fed by consumer credit and wage growth, with average real wages increasing by 8.2 percent.

FIGURE 1 / Evolution of macroeconomic indicators



Source: World Bank.

FIGURE 2 / Actual and projected poverty rate and real GDP per capita



Source: World Bank. Notes: See footnotes in table on the next page.

Mortgage credit expanded rapidly, with quarterly growth rates of 26–29 percent year-over-year since Q2/2024. Together with cash savings, real income gains and ample bank liquidity, this has underpinned the recent real estate boom. Even if the real estate market is expected to start cooling in 2026, attractive lending rates—supported by eased minimum deposit requirements after eurozone accession—will continue to fuel credit growth.

Despite strong domestic demand and credit growth, inflationary pressures remain contained. Annual inflation averaged 3.5 percent in 2025 against 2.6 percent in 2024. Fears of a significant acceleration of inflation upon eurozone accession have proven overstated. Monthly inflation decelerated from 3.5 percent year-on-year in December 2025 to 2.0 percent in February 2026, as increases in food, energy and other prices moderated.

The cash-basis fiscal deficit met the government's target of 3 percent of GDP in 2025, not least thanks to a late-December disbursement of the third EU tranche under the National Recovery and Resilience Plan of EUR 1.47bn. While the massive increase in capital spending in 2025—including improved absorption of EU funds—has been welcomed, the 20 percent expansion of the public sector wage bill has increased the rigidity of an already inelastic fiscal position.

Robust economic performance and real wage gains have supported poverty reduction from 4.4 percent in 2023 to estimated 4.0 percent in 2025 (against a poverty line of US\$8.3 per day). However, inclusion challenges persist: employment and activity rates among low-educated workers declined between Q4/2024 and Q3/2025, while education-based gaps in labor market access widened, limiting the poverty-reducing impact of otherwise favorable macroeconomic conditions.

Outlook

Economic growth is expected to slow to 2.6 percent in 2026 due to the direct and indirect effects of the Middle East conflict. As a net energy importer, Bulgaria is particularly vulnerable to the projected increase in oil and gas prices. Higher energy costs are expected to weaken domestic consumption, weigh on net exports and moderate economic activity. Annual average inflation is projected to reach 5.0 percent in 2026, driven largely by the energy price pass-through. This would disproportionately affect poorer households, reducing real incomes and slowing poverty reduction.

Stepped-up absorption of the EU Recovery and Resilience Facility ahead of its expiry in 2026 will support public investment and bolster budget revenues. Yet, the fiscal outlook for 2026 remains uncertain and will depend on the budget to be adopted by the new parliament after snap elections on April 19. In the interim, fiscal policy is governed by an extended version of the 2025 budget, after the 2026 budget was withdrawn amid mass protests over planned tax increases to finance higher spending. While elevated inflation is likely to prop up revenues, potential fiscal support to offset higher energy and food prices could push the deficit above the EU's 3 percent ceiling. If temporary, the oil price shock will keep the current account deficit elevated in 2026, before it shrinks in 2027–28 with the recovery of exports.

Risks to the outlook are tilted to the downside. Persistent domestic political instability, weaker growth in the eurozone, or a protracted Middle East conflict could limit economic growth, underscoring the need to safeguard social spending. On the upside, eurozone accession could enhance investment, tourism and foreign trade, and support jobs and earnings.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	1.7	3.4	3.1	2.6	2.9	3.0
Private consumption	1.1	4.9	8.4	3.7	4.5	5.0
Government consumption	1.1	3.6	7.9	2.9	2.0	1.7
Gross fixed capital investment	10.2	1.5	11.4	4.3	4.5	4.6
Exports, goods and services	0.0	1.8	-2.1	2.8	3.2	3.5
Imports, goods and services	-5.5	3.9	5.9	4.6	5.0	5.6
Real GDP growth, at constant factor prices	1.0	2.8	3.1	2.6	2.9	3.0
Agriculture	-15.3	7.3	1.8	0.3	0.6	1.0
Industry	-3.9	-4.1	-0.5	0.6	0.8	2.0
Services	3.8	4.8	4.2	3.3	3.7	3.4
Employment rate (% of working-age population, 15 years+)	53.2	53.2	53.6	54.0	54.4	54.9
Inflation (consumer price index)	8.6	2.6	3.5	5.0	3.4	2.6
Current account balance (% of GDP)	-1.2	-1.4	-3.4	-2.5	-1.7	-1.6
Net foreign direct investment inflow (% of GDP)	3.9	2.1	2.5	1.5	1.7	1.6
Fiscal balance (% of GDP)	-3.0	-3.0	-3.0	-3.1	-2.9	-2.6
Revenues (% of GDP)	36.3	35.1	38.1	38.4	37.9	37.5
Debt (% of GDP)	22.9	23.8	27.7	29.2	30.5	29.5
Primary balance (% of GDP)	-2.6	-2.5	-2.6	-2.5	-2.3	-2.1
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	4.4	4.3	4.1	3.9	3.8	3.6
GHG emissions growth (mtCO₂e)	-2.1	-1.9	-1.0	0.0	0.9	0.9

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on ECAPOV harmonization, using 2024-EU-SILC. Actual data: 2023. Nowcast: 2024-2025. Forecasts are from 2026 to 2028.

2/ Projection using neutral distribution (2023) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

CROATIA

Croatia's growth in 2025 slowed to a still solid 3.2 percent. It was driven by strong private consumption supported by rising real disposable income, expansionary fiscal policy, and robust European Union (EU) funds inflow. Due to the conflict in the Middle East, growth is expected to moderate, while the anticipated downward trend in inflation will be temporarily reversed in 2026. Fiscal deficit is expected to remain around 3 percent of GDP.

Key conditions and challenges

Croatia's economic growth has consistently surpassed the EU average over recent years leading to accelerated income convergence, with GDP per capita in Purchasing Power Standard (PPS) reaching 78 percent of the EU average in 2025. Nonetheless, Croatia continues to encounter structural challenges that may impede further convergence. Sustained labor market tightness and subdued productivity growth presents a significant concern. Labor shortages, influenced by demographic factors, and the 2024 public sector wage reform have contributed to pronounced wage growth. While increased wages have supported private consumption, ongoing modest labor productivity growth has raised unit labor costs, intensifying concerns about the country's cost competitiveness.

Croatia's general government debt is declining, supported by robust nominal GDP growth and relatively favorable borrowing costs. Nevertheless, despite robust tax collection and rise in EU funds inflow, increased current expenditures—primarily from wages and social benefits—have reduced the available fiscal space compared to previous years. Vulnerabilities in light of the conflict in the Middle East underscore the importance of rebuilding fiscal buffers and

Population ¹ million	Poverty ² thousands living on less than \$8.30/day
3.9	78.5
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
78.5	101.2
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
104.7	27012.6

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2023 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

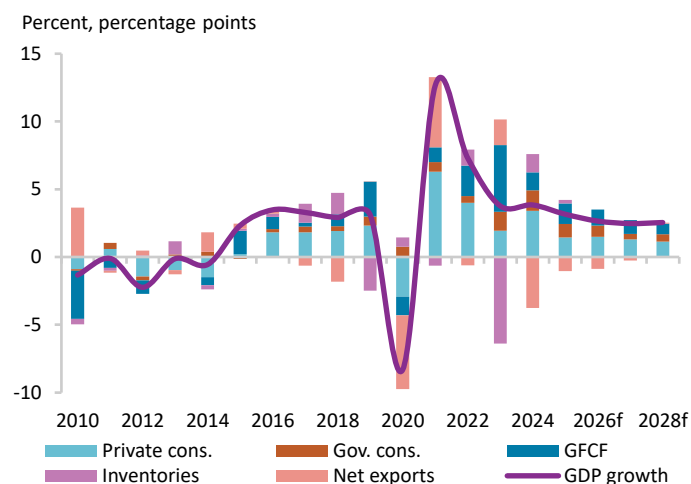
improving spending efficiency to address future challenges effectively and maintain progress toward long-term convergence.

Recent developments

Economic activity in 2025 moderated yet remained resilient, with real GDP growth at 3.2 percent. The expansion was underpinned by domestic demand, characterized by robust private consumption supported by rising disposable income and expansionary fiscal policy. Investment maintained momentum, growing over 6 percent, driven partly by EU-funded projects. Conversely, net exports continued to weigh on overall growth. While goods exports growth remained robust and imports of goods decelerated significantly, exports of tourism services declined for the second consecutive year largely due to worsened price competitiveness. Such trends had significant repercussions for the current account deficit, which is estimated to have reached 3.6 percent of GDP in 2025.

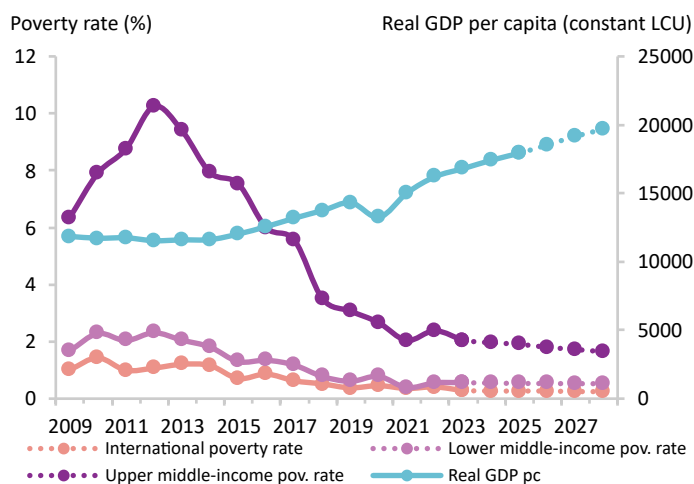
Consumer price inflation accelerated in 2025 in comparison to the previous year, mainly due to higher food prices and administered costs, driven by the gradual elimination of government subsidies for energy expenditures. Inflation continued to increase

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Sources: Croatian Bureau of Statistics and World Bank.

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



Source: World Bank. Notes: See footnotes in the table on the next page.

at the beginning of 2026 and the conflict in the Middle East is putting pressure on energy prices. Though subsidy reductions benefited public finances, increased spending on wages and social benefits led to a substantial rise in the general government deficit, estimated at 2.9 percent of GDP in 2025. Nonetheless, robust nominal GDP growth contributed to a further reduction in public debt, bringing it below 57 percent of GDP.

The international poverty rate declined only modestly, but at-risk-of-poverty rate fell from 20.3 percent in 2024 to 19.5 percent in 2025, as income gains seem to have disproportionately benefited lower-income groups.

Outlook

While the conflict in the Middle East has created a global energy shock that will have a profound effect on consumer prices in Croatia, economic activity is expected to remain relatively resilient. Due to lower domestic cost pressures from the labor market and weaker demand, inflation was expected to decelerate significantly in 2026. However, because of higher oil and gas prices and their pass-through along the value chain, inflation is now projected to increase from 4.4 percent in 2025 to 4.8 percent in 2026 and remain marginally above the European Central Bank (ECB) target by end 2028. Economic growth is expected to stay robust and well above the EU average, albeit slowing to 2.6 percent in 2026 and 2.5 percent by 2028, reflecting weaker domestic demand only partially offset by a slight recovery in foreign demand. Investment is expected

to slow the most, reflecting the completion of EU Recovery and Resilience Facility projects and weaker private investment amid global uncertainty. Household consumption is likely to remain stable but face pressure from a less tight labor market, slower wage growth, and rising inflation. Although external demand may recover slowly due to the ongoing Middle East conflict, exports of services could see some gains as tourism shifts to safer locations like Croatia. Imports will moderate alongside subdued domestic demand, but net exports will remain a drag on overall growth until 2027 and become neutral in 2028.

The expansionary fiscal stance will end in 2026 with general government deficits around 3 percent of GDP until 2028. The effects of the Middle East conflict on prices will have some effect on government expenditures, but higher prices will also boost revenues, leaving the net budgetary impact broadly neutral. The support package to mitigate the increase of prices due to the global shock is not expected to increase expenditures much, as this will mostly be covered by reallocations within the budget. Further reductions in general government debt will be modest, and debt is projected to stabilize around 55 percent of GDP.

The outlook faces downside risks stemming from longer and stronger adverse effects of the Middle East conflict on external demand and possible tightening of monetary policy by the ECB.

While inflation is expected to increase in 2026, the fiscal support package is likely to prevent more prominent increases in poverty and inequality.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	3.8	3.8	3.2	2.6	2.5	2.5
Private consumption	3.3	6.0	2.5	2.6	2.2	2.0
Government consumption	6.6	7.3	4.2	3.5	1.7	2.3
Gross fixed capital investment	22.7	5.3	6.1	4.4	3.8	2.9
Exports, goods and services	-1.4	1.6	0.9	1.1	2.0	2.4
Imports, goods and services	-4.2	8.4	2.8	2.4	2.2	2.0
Real GDP growth, at constant factor prices	4.0	3.2	2.8	2.6	2.4	2.5
Agriculture	-0.1	-0.7	-1.1	0.5	0.7	0.7
Industry	3.1	2.1	4.3	2.2	1.7	1.7
Services	4.5	3.8	2.5	2.8	2.7	2.8
Employment rate (% of working-age population, 15 years+)	49.5	51.2	51.9	52.4	52.7	53.1
Inflation (consumer price index)	8.4	4.0	4.4	4.8	2.8	2.2
Current account balance (% of GDP)	0.1	-2.2	-3.6	-4.8	-4.4	-4.1
Net foreign direct investment inflow (% of GDP)	2.4	1.9	-2.9	-2.8	-2.8	-2.8
Fiscal balance (% of GDP)	-0.8	-1.9	-2.9	-3.0	-2.8	-2.8
Revenues (% of GDP)	45.5	46.1	47.1	46.7	46.0	45.5
Debt (% of GDP)	60.9	57.4	56.4	55.2	55.1	55.0
Primary balance (% of GDP)	0.5	-0.9	-1.8	-2.1	-1.9	-2.0
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	0.3	0.3	0.3	0.3	0.2	0.2
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	0.6	0.6	0.5	0.5	0.5	0.5
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	2.0	2.0	1.9	1.8	1.7	1.6
GHG emissions growth (mtCO2e)	-1.5	1.3	1.5	0.6	0.2	0.1

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on ECAPOV harmonization, using 2024-EU-SILC. Actual data: 2023. Nowcast: 2024-2025. Forecasts are from 2026 to 2028.

2/ Projection using neutral distribution (2023) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

GEORGIA

Growth remained strong at 7.5 percent in 2025, supported by private consumption. Poverty continued to decline, supported by rising real wages and household incomes, though unemployment remains structurally high. Growth is expected to ease towards 5 percent in 2026 and over the medium term. Domestic political uncertainty and heightened geopolitical risks could further weaken the reform momentum.

Key conditions and challenges

Georgia has achieved strong economic growth and poverty reduction over the past decade, supported by structural reforms, openness to trade, and expanding services exports. Prudent macroeconomic management and stable macro-fiscal policies have underpinned resilience.

Nonetheless, structural constraints persist. High-quality job creation is limited, and skills mismatches continue to weigh on labor market outcomes. Employment remains concentrated in low-productivity agriculture, self-employment, and informal activities, constraining income convergence and inclusive growth.

Reform momentum has moderated amid episodes of civil unrest and the suspension of European Union (EU) accession negotiations until 2028. Nonetheless, the successful refinancing of a US\$500 million government Eurobond in January 2026 reflects investor confidence in Georgia's economy—supported by strong growth, a low deficit, a stable lari, and cautious monetary policy.

Population ¹ million	Poverty ² millions living on less than \$8.30/day
3.7	1.7
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
74.5	99.4
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
38.1	10311.2

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

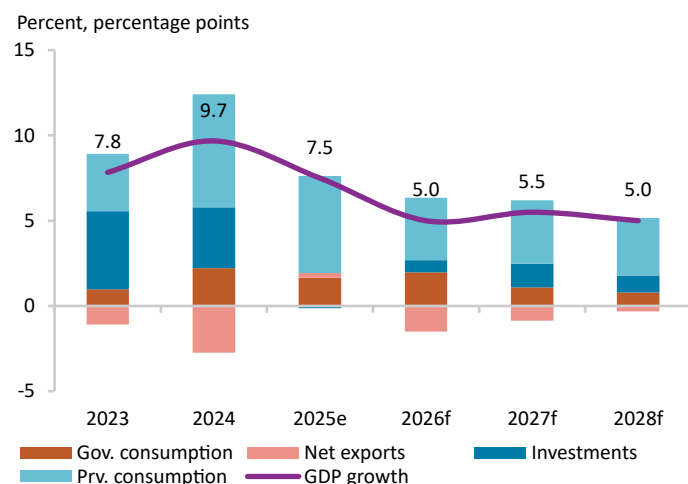
Recent developments

Economic activity remained robust in 2025, with real GDP growth estimated at 7.5 percent, moderating from 9.7 percent in 2024. With the exception of agriculture, growth was broad-based, supported by education, information and communications technology (ICT), transport and storage, and accommodation and catering. Private consumption led growth on the demand side, supported by rising real wages (up 11.5 percent, yoy) and strong real credit growth (up 10.1 percent, yoy) in 2025.

Real wages and household incomes continued to grow in 2025, contributing to poverty reduction, with the share of the population living below the upper-middle-income poverty line (US\$8.3 2021 PPP per day) estimated at 42.2 percent in 2025, down from 45.6 percent in 2024. However, unemployment remained high at 13.9 percent in 2025, especially among youth. Household consumption growth has been supported by income gains, stronger remittances, and expanding credit rather than broad employment expansion.

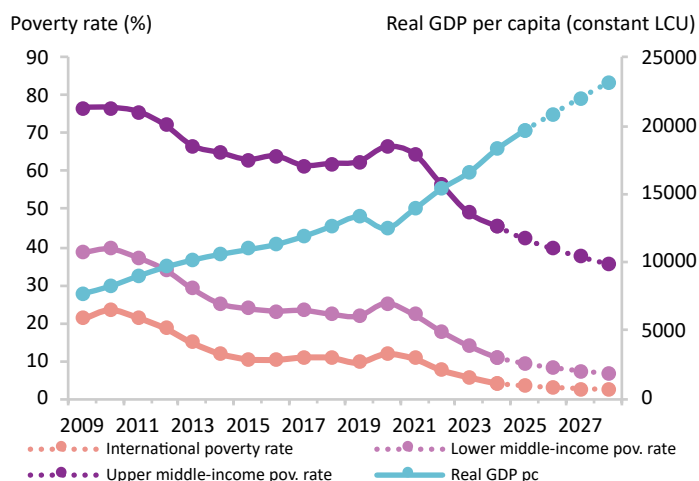
Annual inflation rose to 4.6 percent in February 2026, up from 2.4 percent a year earlier, driven primarily by food and utility prices.

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Sources: Geostat and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

Core inflation remained moderate at 2.7 percent. The National Bank of Georgia has maintained a cautious stance, keeping the policy rate unchanged at 8 percent since May 2024.

The current account deficit narrowed to 2.1 percent of GDP over the first three quarters of 2025, compared to 4.4 percent a year earlier, supported by resilient remittances (up 8.5 percent, yoy) and tourism proceeds (up 7 percent, yoy). However, the trade deficit deteriorated by 8.8 percent in 2025 as strong goods exports (up 11.2 percent in US\$ terms) were more than offset by robust imports growth (up 9.7 percent).

In 2025, general government revenues grew by 6.5 percent in real terms and outpaced expenditure growth of 2.5 percent, mostly due to an 18 percent decline in public investment compared to 2024, reflecting implementation delays. The fiscal deficit (excluding privatization proceeds) stood at 1.7 percent of GDP, down from 2.9 percent in 2024. Government debt remained stable at 31.8 percent at end-January 2026.

Outlook

Economic growth is expected to moderate to 5.0 percent in 2026, reflecting weaker external conditions and softer domestic demand. The baseline assumes a temporary disruption to global energy supply, driving up prices by 36 percent on average for Brent oil in 2026 though uncertainty around these assumptions remains high. The conflict in the Middle East is expected to weigh on growth by raising energy and transport costs, disrupting trade routes, and weakening demand from partners. Growth is also expected to moderate as real wage growth and credit expansion ease. Nonetheless, services exports, particularly tourism, transport, and ICT, are expected to remain strong. In the medium term, growth is expected to pick

up slightly before stabilizing at 5 percent as consumption growth moderates, slowing poverty reduction.

Inflation is forecast to edge up in the near term due to higher global energy prices and transport costs associated with the conflict in the Middle East, before gradually converging to the 3-percent target by mid-2028, with monetary policy remaining prudent.

The current account deficit is projected to widen and average 4.6 percent in the medium term, partly driven by higher import prices, especially for energy, and further deterioration in the trade balance. Continued strength in remittances, particularly from the United States and the EU, combined with robust tourism and service exports, is expected to offset part of the pressure. International reserves are projected to remain around four months of imports.

The fiscal position is expected to remain strong, with the deficit staying below the 3 percent fiscal rule target. With no major policy changes planned, revenues are projected to grow by about 6 percent in nominal terms in 2026, resulting in a decline as a share of GDP, while capital spending growth is expected to remain below the 10-year average. Government debt is projected to remain stable at around 30 percent of GDP in the medium term.

Downside risks stem from domestic political polarization and slow progress with structural reforms. The medium-term impact of the conflict in the Middle East will depend on its duration and intensity, as a prolonged conflict could pose broader risks to inflation, external balances, and growth. On the upside, a durable Armenia-Azerbaijan peace agreement could strengthen connectivity, trade, foreign direct investment, and tourism. The announced multi-billion-dollar UAE investment initiative could boost growth and jobs, while possible migration from the Middle East may support domestic demand.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	7.8	9.7	7.5	5.0	5.5	5.0
Private consumption	4.7	9.5	8.2	5.2	5.3	4.8
Government consumption	7.5	17.1	12.0	13.8	6.9	5.0
Gross fixed capital investment	29.4	14.4	-1.2	3.4	6.5	4.6
Exports, goods and services	9.5	5.5	5.5	5.5	5.5	6.0
Imports, goods and services	10.0	9.2	4.1	7.2	6.0	5.5
Real GDP growth, at constant factor prices	8.4	9.7	7.5	5.0	5.5	5.0
Agriculture	-3.4	13.5	-5.7	3.0	3.0	3.0
Industry	4.3	4.5	1.5	5.0	5.0	5.0
Services	10.9	10.9	10.4	5.2	5.8	5.2
Employment rate (% of working-age population, 15 years+)	44.5	47.1	46.9	47.0	48.0	48.8
Inflation (consumer price index)	2.5	1.1	3.9	5.0	3.8	3.0
Current account balance (% of GDP)	-5.6	-5.3	-2.8	-4.7	-4.6	-4.5
Net foreign direct investment inflow (% of GDP)	5.2	3.3	3.7	3.0	3.5	4.0
Fiscal balance (% of GDP)	-2.8	-2.9	-1.7	-2.8	-2.8	-2.4
Revenues (% of GDP)	27.4	27.7	27.2	25.8	25.5	25.4
Debt (% of GDP)	38.8	35.6	34.1	32.7	31.9	29.5
Primary balance (% of GDP)	-1.3	-1.3	-0.2	-1.2	-1.1	-0.9
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	5.8	4.2	3.5	3.0	2.6	2.3
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	14.0	11.0	9.4	8.5	7.6	6.9
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	49.1	45.6	42.2	40.1	37.9	36.0
GHG emissions growth (mtCO₂e)	-3.6	-1.0	-0.8	-0.5	1.0	1.0

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on ECAPOV harmonization, using 2021-HIS and 2024-HIS. Actual data: 2024. Nowcast: 2025. Forecasts are from 2026 to 2028.

2/ Projection using annualized elasticity (2021-2024) with pass-through = 0.87 based on GDP per capita in constant LCU.

KAZAKHSTAN

Economic growth reached 6.5 percent in 2025 and is projected to moderate to 4.6 percent in 2026, reflecting the stabilization of oil output and softer domestic demand. Inflation is expected to slightly ease but remain above the target, and the poverty rate is projected to decline to 9.2 percent in 2026. Downside risks to the outlook include volatile global oil prices, potential disruptions to exports, and more persistent inflation.

Key conditions and challenges

In 2023, Kazakhstan has set an ambitious target of doubling the size of its economy by 2030. However, the economy is characterized by low and stagnant productivity, largely the result of the substantive role of the state, and extensive reliance on extractive industries.

Unlocking stronger growth requires boosting productivity through reforms to foster competition, reduce the state's footprint, and level the playing field, which are the goals outlined in the Government's "Liberalization Decree" of May 2024.

In parallel, upgrading infrastructure, improving human capital, and advancing the decarbonization agenda will be critical to enhance firms competitiveness and attract private financing, which are necessary to foster economic diversification.

Recent developments

After expanding by 5.0 percent in 2024, the economy recorded robust growth of 6.5 percent in 2025, driven primarily by

Population ¹ million	Poverty ² millions living on less than \$8.30/day
20.8	3.0
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
74.4	97.5
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
299.9	14386.8

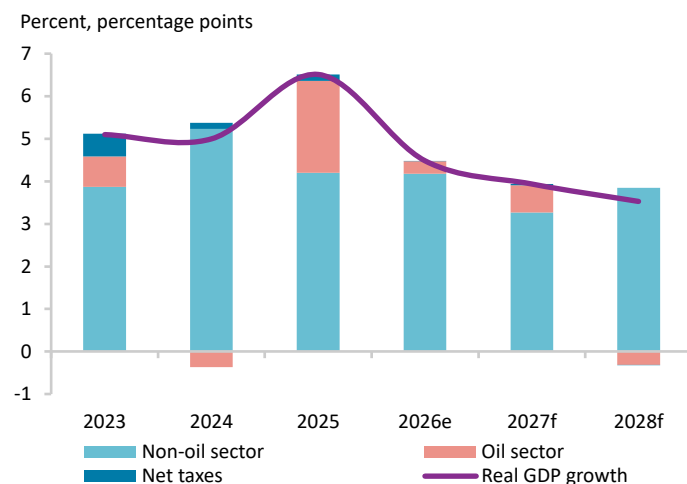
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

strong domestic demand and a one-off increase in oil output. On the demand side, retail trade, a key proxy for private consumption, maintained solid growth at 7.5 percent, and was largely sustained by household borrowing. On the production side, the mining sector emerged as the main engine of growth, driven by a 13.5 percent increase in oil production in 2025 following the expansion of the Tengiz oilfield. Strong domestic demand also supported growth in manufacturing and services, which expanded by 6.4 percent and 5.5 percent, respectively.

Unemployment remained at 4.6 percent through Q4 2025, matching 2024 levels. While formal employment grew 1.0 percent y-o-y in Q4 supported by continued economic growth, real wages fell 2 percent y-o-y in Q3 due to inflation.

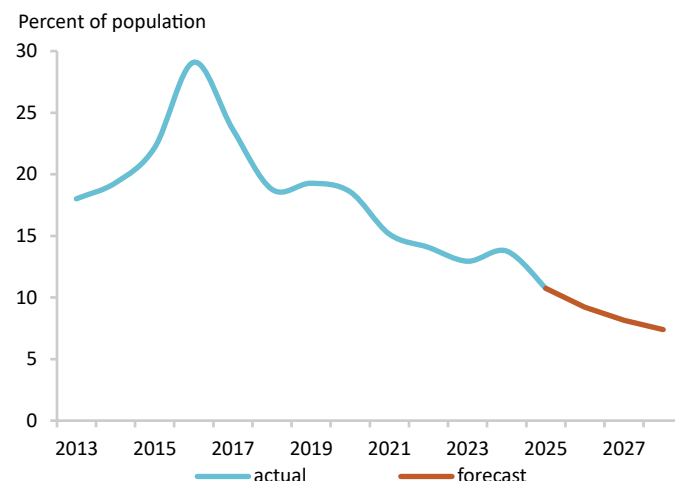
Inflation accelerated to 12.3 percent y-o-y in December 2025 (8.6 percent in 2024), driven by higher import costs, increased quasi-fiscal operations, as well as increases in utility tariffs. With the economy estimated to be operating above its potential, robust domestic demand also fueled price pressure. In response, the National Bank of Kazakhstan (NBK) hiked the policy rate to 18 percent by December 2025.

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Sources: Statistical Office of Kazakhstan and World Bank.

FIGURE 2 / Poverty rate, percent of population living on less than US\$8.30 (PPP) per day



Source: World Bank.

The current account deficit is estimated to have widened to 3.9 percent of GDP in 2025 (from 2.7 percent in 2024), reflecting a weaker trade balance and continued repatriation of foreign direct investment-linked profits. The NBK's gross foreign exchange reserves rose to US\$65.4 billion, thanks to higher global gold prices, bringing the coverage to nine months of imports. The tenge's real effective exchange rate depreciated by 0.8 percent by end-2025.

In 2025, consolidated budget expenditures decreased by 0.6 percentage points to 21.9 percent of GDP. Revenue collection also fell, though by less than expenditures, reflecting lower oil prices. As a result, the fiscal deficit improved slightly to an estimated 3.2 percent of GDP in 2025 (3.3 percent in 2024). Government debt edged up to 24.8 percent of GDP.

Consumer lending remained a primary driver of credit growth in 2025, expanding by 6.7 percent in real terms (+14.1 percent in 2024) and accounting for nearly two-thirds of total growth. The banking sector maintained strong profitability, posting a return on assets of 28.4 percent in 2025. Asset quality remained stable, with non-performing loans at 3.6 percent of the total credit portfolio.

Outlook

The projections assume a temporary disruption to global energy supply, driving up prices in 2026 by 36 percent on average for Brent oil, by 67 percent on average for natural gas, and by 20 percent on average for fertilizer, and are subject to considerable uncertainty. Under the baseline, the economy is projected to grow by 4.6 percent in 2026—as oil production stabilizes—and gradually converge towards its potential rate of around 3.5 percent by 2028. Although

the pace of consumer loan growth is abating, household consumption is expected to remain resilient, supported by a recovery in real wages and continued targeted social transfers. Public investment is anticipated to be sustained by state-owned enterprises, while exports are projected to ease.

Inflation is projected to subside only gradually through 2028 as growth slows and the positive output gap diminishes, but still remain above the NBK's 5 percent target. Continued quasi-fiscal interventions alongside import price pressures, however, could sustain inflationary pressures over the medium term.

Higher oil prices are projected to significantly improve Kazakhstan's trade surplus and narrow the current account deficit to 0.4 percent of GDP in 2026. The fiscal deficit is set to shrink too to 1.3 percent of GDP, before stabilizing at an average of 2.8 percent in 2027–28, consistent with the government's the 2026–2028 budget spending plans. Yet, persistent quasi-fiscal activities continue to complicate a comprehensive assessment of the medium-term fiscal position. Public debt, while still moderate, is projected to gradually rise to about 29.1 percent of GDP by 2028.

The poverty rate is projected to fall to 8.1 percent by 2027 (at the US\$8.3/day poverty line), though elevated inflation and rising debt among low-income households pose risks to further reductions.

The outlook is subject to both external and domestic risks. If energy prices remain elevated beyond 2026, it could provide a boost to export revenues and fiscal balances. At the same time, inflation could prove more persistent driven by rising global food prices and expanding quasi-fiscal operations. Such dynamics would risk eroding real incomes.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	5.1	5.0	6.5	4.6	3.9	3.5
Private consumption	4.6	5.7	6.0	5.7	5.2	4.9
Government consumption	10.3	1.0	4.0	1.2	1.1	0.7
Gross fixed capital investment	20.7	6.5	6.9	6.5	6.2	5.7
Exports, goods and services	1.9	0.3	8.6	2.0	3.2	-0.9
Imports, goods and services	14.7	2.1	7.5	5.2	4.5	3.8
Real GDP growth, at constant factor prices	4.9	5.2	6.6	4.6	3.9	3.5
Agriculture	-7.4	13.7	4.4	4.4	3.0	3.0
Industry	5.7	5.6	8.4	4.7	4.3	3.1
Services	5.6	4.2	5.5	4.5	3.6	3.8
Employment rate (% of working-age population, 15 years+)	67.9	67.3	67.3	67.3	67.3	67.3
Inflation (consumer price index)	9.8	8.6	11.0	10.0	8.5	7.0
Current account balance (% of GDP)	-3.6	-2.7	-3.9	-0.4	-3.0	-3.1
Net foreign direct investment inflow (% of GDP)	-1.1	-1.3	-0.2	-1.0	-1.1	-1.1
Fiscal balance (% of GDP)	-1.4	-3.3	-3.2	-1.3	-2.8	-2.8
Revenues (% of GDP)	21.8	19.2	18.7	20.0	18.5	18.5
Debt (% of GDP)	23.0	24.4	24.8	24.3	27.2	29.1
Primary balance (% of GDP)	-0.5	-2.4	-2.2	-0.6	-2.1	-2.2
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	13.0	13.8	10.8	9.2	8.1	7.4
GHG emissions growth (mtCO₂e)	-2.3	0.7	4.4	3.2	2.8	1.3

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on ECAPOV harmonization, using 2021-HBS. Actual data: 2021. Nowcast: 2022–2025. Forecasts are from 2026 to 2028.

2/ Projection using neutral distribution (2021) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

KOSOVO

Although growth decelerated in 2025, the economy showed resilience amid heightened uncertainty. Intensifying price pressures weighed on activity, while a widening merchandise trade gap further strained the current account. The outlook is subject to downside risk, including uncertainty stemming from the impact of the Middle East conflict. Prudent fiscal management is key to maintain strong fiscal buffers and prioritize growth-enhancing spending.

Key conditions and challenges

Kosovo, an economy in transition, has made significant improvements in socio-economic development allowing its transition to middle-income status in 2008. Over the past decade, it moved away from a growth model with high dependence on foreign aid toward a model characterized by rising consumption, sustained investment in infrastructure, and deeper financial intermediation. In 2025, growth remained resilient despite elevated domestic uncertainty. Although higher inflation tempered the pace of poverty reduction, the US\$8.30 (2021 PPP) headcount kept edging down, aided by wage growth and labor market formalization amid tightening conditions.

Macroeconomic stability rests on a prudent, rule-based fiscal framework and improving revenue performance. However, faster convergence with the European Union (EU) will require stronger revenue mobilization, more effective public financial management, and expanded resources to meet substantial investment needs in energy, infrastructure and human capital.

Persistent structural labor market constraints limit the breadth and durability of welfare gains. Expanding childcare to raise female

Population ¹ million	1.7	Poverty ² millions living on less than \$8.30/day	0.6
Life expectancy at birth ³ years	78.0	School enrollment ⁴ primary (% gross)	96.2
GDP ⁵ current US\$, billion	12.7	GDP per capita ⁶ current US\$	7612.6

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2025. 5/ 2025. 6/ 2025.

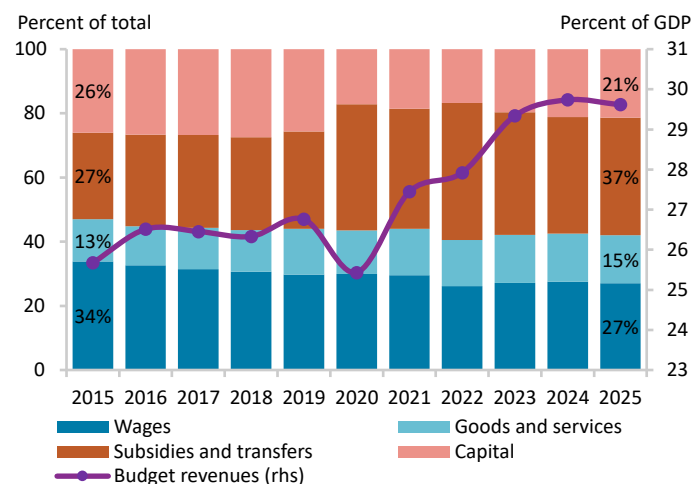
participation and strengthening education and training, especially for lower educated workers, could support better quality jobs and reduce persistent disparities across regions and households with children.

Energy vulnerabilities linked to aging lignite-based generation underscore the need to accelerate the shift to renewables and enhance energy efficiency. Investments in core infrastructure would improve water security, digitalization, and connectivity. Convergence to the EU will require an acceleration in reform implementation to strengthen trade integration, attract productive foreign direct investment (FDI) and improve governance.

Recent developments

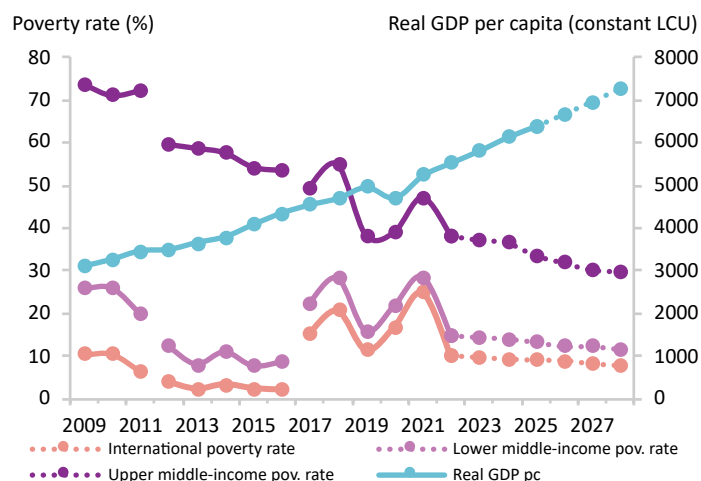
After a 3-year period of above 4 percent average growth, Kosovo's economy slowed to 3.6 percent in 2025, as private consumption softened and imports picked up, while investment activity strengthens gradually. Higher wages and transfers, alongside robust credit growth, supported private consumption and poverty reduction. By end-2025, the contribution of trade to growth remained negative. Goods exports remained weak amid subdued external demand,

FIGURE 1 / Spending composition, shares to total



Source: Ministry of Finance, Monthly Fiscal Series.

FIGURE 2 / Actual and projected poverty rate and real GDP per capita



Source: World Bank. Notes: See footnotes in table on the next page.

while services exports growth, dominated by travel, information and communication technology, and other business services, helped offset the impact of rising imports to a degree. Remittances and FDI inflows continued to provide support covering more than half of the current account deficit. Rising energy and food prices contributed to higher inflation in 2025, continuing in 2026 as recent global developments worsen the outlook, with potential disproportionate negative impacts on the poor and vulnerable.

The consumer price index reached 5.3 percent by December 2025, bringing annual inflation to 3.9 percent. In addition to higher food and energy prices, domestic inflationary pressures have also been picking up, as reflected in the Producer Price Index for the first three quarters of 2025 reaching 8.5 percent. Data from administrative sources on wages for 2025 indicates that inflation has been exerting a drag on household incomes. The fiscal outturn during 2025 reflected an increase in spending, matched by sustained revenue mobilization. Preliminary data for 2025 indicate that the fiscal position continues to be supported by strong tax revenue growth (8.5 percent in 2025 in nominal terms), driven by consumption, and continued formalization. At the same time, expenditure increased by 9.8 percent, driven by spending on wages, pensions and social transfers. The financial sector remains stable amid continued financial deepening, although recent trends in credit growth call for stronger oversight and risk monitoring.

Outlook

The medium-term outlook is expected to firm only modestly in 2026 due to a combination of domestic and external factors and

converge close to its potential at 3.8 percent for the period. Price increases in energy and food following the conflict in the Middle East are expected to exacerbate an already difficult external demand sector, and the current account deficit is expected to hover above 9 percent on average, reflecting more expensive imports alongside a gradual rebound in exports. In addition, higher energy prices, domestic pressures, and an expansionary fiscal policy during a period of near-potential growth are likely to be fueling inflation. As a result, growth is projected to be driven by domestic demand, particularly consumption, as investment will be subject to costlier goods imports.

Higher wages and elevated public and private transfers are expected to support private consumption and further reduce poverty, even as inflationary pressures are likely to persist throughout the period. The upward risk on poverty from a possible increase in food prices is significant, as food represents 64 percent of total consumption for the bottom decile. The 2026 Budget foresees an increase in existing transfer schemes, pensions and child benefits, as well as structural changes to wage policy. While the fiscal deficit is budgeted within the legally binding rule of 2 percent of GDP, policy adjustments are warranted to contain current spending growth and reorient expenditures toward high-quality public investment and stronger fiscal risk management.

This reprioritization would help accelerate implementation of the EU Growth Plan, address longstanding development constraints, and lift growth beyond current trends. Structurally high poverty rates necessitate a policy agenda that reforms social assistance and focuses on participation, skills, and firm dynamism.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	4.1	4.6	3.6	3.7	3.9	4.0
Private consumption	3.1	5.5	4.1	4.2	4.3	4.2
Government consumption	5.9	1.3	4.0	3.3	2.8	2.5
Gross fixed capital investment	4.5	7.0	7.6	3.3	4.3	5.0
Exports, goods and services	7.2	9.4	7.9	6.1	7.1	7.2
Imports, goods and services	4.7	8.7	8.7	5.2	6.0	6.2
Real GDP growth, at constant factor prices	3.6	2.9	3.6	3.7	3.9	4.0
Agriculture	-3.0	5.2	3.5	1.5	1.6	1.6
Industry	3.3	2.6	1.8	3.1	3.2	3.2
Services	4.8	2.7	4.6	4.4	4.6	4.7
Inflation (consumer price index)	4.9	1.6	3.9	4.0	3.1	2.2
Current account balance (% of GDP)	-7.2	-8.4	-9.6	-9.8	-9.6	-8.8
Net foreign direct investment inflow (% of GDP)	6.7	5.5	5.8	5.6	5.7	5.7
Fiscal balance (% of GDP)	-0.3	-0.2	-0.7	-1.5	-1.2	-1.4
Revenues (% of GDP)	29.3	29.7	29.6	29.1	29.1	28.7
Debt (% of GDP)	17.2	16.8	16.9	17.5	17.7	17.0
Primary balance (% of GDP)	0.1	0.1	-0.4	-1.1	-0.8	-1.1
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	9.6	9.3	9.0	9.0	8.3	7.9
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	14.4	14.1	13.3	12.3	12.3	11.6
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	37.2	36.6	33.7	31.9	30.3	29.9

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on ECAPOV harmonization, using 2023-SILC-C. Actual data: 2022. Nowcast: 2023-2025. Forecasts are from 2026 to 2028.

2/ Projection using neutral distribution (2022) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

KYRGYZ REPUBLIC

Economic growth remained strong in 2025, reaching 11.1 percent, supported by robust private consumption and investment. Rapid growth continued to generate price pressures, with average inflation rising to 8.2 percent. The fiscal balance remained in surplus, underpinned by buoyant revenues. Over the medium term, growth is expected to moderate, inflation to accelerate and the fiscal position to shift into deficit.

Population ¹ million	7.3	Poverty ² millions living on less than \$4.20/day	0.9
Life expectancy at birth ³ years	72.2	School enrollment ⁴ primary (% gross)	98.6
GDP ⁵ current US\$, billion	22.6	GDP per capita ⁶ current US\$	3086.2

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

Key conditions and challenges

Despite impressive growth performance over the past four years, the Kyrgyz Republic remains one of the most economically vulnerable countries in the Europe and Central Asia region. Growth and the current account balance continue to rely on gold exports and remittances. Productivity and job creation are constrained by the weak business environment, the privileged role of state-owned enterprises, and high tax compliance costs.

The government has been expanding the state presence in the economy by creating new state-owned enterprises. At the same time, it is addressing infrastructure gaps by investing in large projects such as the Kambarata-1 hydropower plant and the Uzbekistan-Kyrgyzstan-China railway.

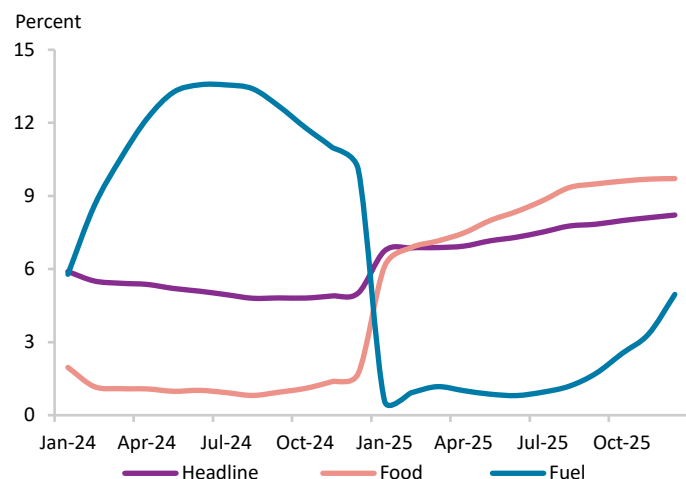
Since Russia's invasion of Ukraine, the country has benefitted from increased transit trade of goods (re-exports) from third countries to Russia, especially from China. This stimulated economic activity, contributing to growth, and generated tax revenues from imports.

Recent developments

The economy continued its strong performance, despite the normalization of re-export trade which helped boost economic activity since 2022. Real GDP expanded by 11.1 percent in 2025, driven by private consumption and investment, which increased by 17.4 percent and 15.9 percent, respectively, in real terms. These gains were underpinned by real wage growth and credit expansion. On the production side, GDP growth was supported by growth in services (16.4 percent, in real terms)—largely driven by wholesale and retail distribution as well as construction—and by industry (10.7 percent). The economy continues to operate above its potential, contributing to persistent inflationary pressures. The poverty rate (US\$4.2/day, 2021 PPP) is estimated to have fallen from 12.5 percent in 2024 to 9.1 percent in 2025, supported by strong growth.

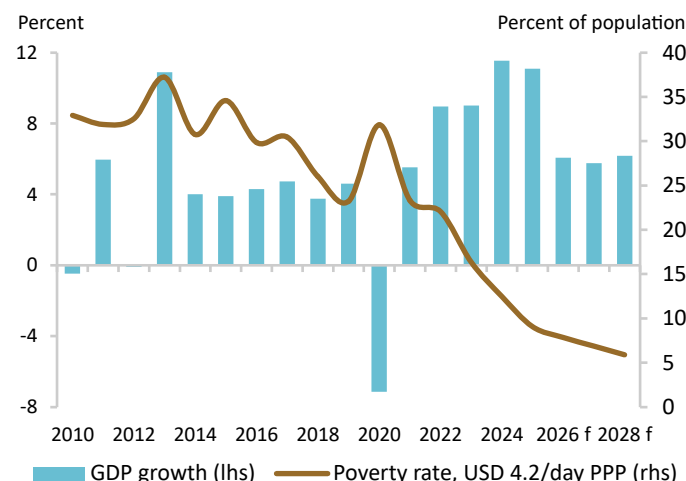
Average inflation rose to 8.2 percent in 2025, up from 5 percent in 2024, driven primarily by higher food prices and adjustments to electricity and heating tariffs. As inflation exceeded the 5–7 percent target range, the Central Bank raised the policy rate by 25 basis points in July, 75 basis points in October, and 100 basis points in November 2025, bringing it to 11 percent.

FIGURE 1 / Headline, food and fuel inflation



Source: Kyrgyz authorities.

FIGURE 2 / GDP growth and poverty rate



Sources: Kyrgyz authorities and World Bank.

The current account deficit narrowed to 29.6 percent of GDP in the first 9 months of 2025, from 37.7 percent in the same period of 2024. The deficit remains elevated due to under-reporting of re-exports, which continue to be captured under "Errors and Omissions", and are estimated at 27.4 percent of GDP. Remittances increased by 17.9 percent (in US\$) during the first 9 months of 2025 relative to the same period in 2024, reaching 19.9 percent of GDP.

In 2025, the fiscal surplus was 2.6 percent of GDP, up from 2 percent in 2024. Revenues increased by 4.9 percentage points (pp) to 39.4 percent of GDP, driven by a large Central Bank's profits transfer. Expenditures grew by 4.3 pp to 36.8 percent of GDP, reflecting higher spending on goods and services, which includes transfers to the Stabilization Fund, and capital outlays. Public debt rose to 39.5 percent of GDP at end-December 2025, from 36.1 percent a year earlier, following the government's Eurobond issuance of US\$700 million in June 2025.

Outlook

GDP growth is expected to moderate to 6.1 percent in 2026, reflecting a slowdown in private consumption and investment from a high base as well as the impact of the conflict in the Middle East. The projections assume a temporary disruption to global energy supply, driving up prices in 2026 by 36 percent on average for Brent oil, by 67 percent for natural gas, and by 20 percent for fertilizer. However, the impact in the Kyrgyz Republic will be moderated as it imports oil and gas from Russia under bilateral agreements. Growth is projected to ease further in 2027 due to a decline in gold production, before picking up in 2028 as gold output recovers and construction of the infrastructure megaprojects begins.

Average inflation is projected to reach 11.7 percent in 2026, amidst an overheated economy and higher imported energy prices. It is expected to ease in the medium term as the effect of monetary policy tightening gradually materializes. The current account deficit is projected at 7.7 percent of GDP in 2026 and is expected to narrow to 7 percent in 2028 reflecting moderation of re-export trade, an increase in gold exports and growth in services exports. The fiscal balance is projected to shift to a deficit of 3.5 percent in 2026, as tax revenues are expected to decline in line with slower economic activity and a reduction in Central Bank's profit transfer. Expenditures are projected to rise, reflecting the planned wage increase in 2026. Over the medium term, the fiscal deficit is projected to narrow to 3.2 percent of GDP, driven primarily by lower current spending. Public debt is projected to increase to 43.7 percent of GDP by 2028.

Poverty is projected to decline, albeit at a slower pace, to 7.9 percent in 2026 and 6.9 percent in 2027, supported by economic growth, social protection programs, and pensions. However, GDP growth structure and rising inflationary pressures may limit gains, highlighting the need to create more jobs to sustain poverty reduction.

Downside risks to this outlook arise from the impact of geopolitical developments on the economies of Russia and China, which could lead to lower trade and remittances, and to higher prices for fuel and food. The risks include further tightening of international sanctions against Russia and possible secondary sanctions against Kyrgyz companies and banks. Risks also arise from the conflict in the Middle East, particularly if energy and fertilizer prices remain elevated beyond 2026, and feed into higher domestic prices for fuel and food. On the positive side, if the conflict ends rapidly, prices will be below the current forecasts.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	9.0	11.5	11.1	6.1	5.8	6.2
Private consumption	18.6	13.6	17.4	6.1	5.8	6.0
Government consumption	0.2	1.3	3.8	2.3	1.5	1.0
Gross fixed capital investment	30.6	15.5	16.0	11.8	13.3	14.9
Exports, goods and services	-3.0	22.9	-16.4	7.2	8.0	9.3
Imports, goods and services	37.6	-0.6	-4.3	12.2	13.1	13.9
Real GDP growth, at constant factor prices	7.9	11.9	11.1	6.1	5.8	6.2
Agriculture	0.6	6.2	2.2	2.5	2.0	2.0
Industry	4.8	9.3	10.7	7.5	7.9	10.3
Services	14.4	16.5	16.4	7.4	6.9	6.7
Employment rate (% of working-age population, 15 years+)	62.8	63.3	63.4	63.5	63.5	63.6
Inflation (consumer price index)	10.8	5.0	8.2	11.7	11.4	9.4
Current account balance (% of GDP)	-44.9	-23.2	-25.1	-7.7	-7.4	-7.0
Net foreign direct investment inflow (% of GDP)	1.0	3.2	3.0	2.6	3.0	3.4
Fiscal balance (% of GDP)	1.6	2.0	2.6	-3.5	-3.0	-3.2
Revenues (% of GDP)	34.5	34.5	39.4	33.9	32.5	31.8
Debt (% of GDP)	42.0	36.1	39.5	42.5	43.0	43.7
Primary balance (% of GDP)	2.7	3.0	3.9	-2.1	-1.4	-1.7
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	2.7	2.2	1.2	1.0	0.8	0.6
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	16.4	12.5	9.1	7.9	6.9	5.9
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	72.1	65.2	60.0	57.6	55.6	53.2
GHG emissions growth (mtCO₂e)	1.7	4.1	4.3	1.5	1.4	1.8

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on ECAPOV harmonization, using 2017-KIHS, 2022-KIHS, and 2024-KIHS. Actual data: 2024. Nowcast: 2025. Forecasts are from 2026 to 2028.

2/ Projection using point-to-point elasticity (2017-2022) with pass-through = 0.5 based on GDP per capita in constant LCU.

MOLDOVA

Moldova's economy recovered in 2025 but the impacts of the conflict in the Middle East is expected to slow down growth in 2026. Fiscal and external deficits remain elevated, with inflation likely to rise again. Timely implementation of reforms and the investment plan have the potential to strengthen growth and generate jobs. Medium-term growth depends on resilience to geopolitical and energy shocks, and progress with European Union (EU) accession.

Population ¹ million	Poverty ² percent living on less than \$8.30/day
2.4	21.4
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
71.2	107.6
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
20.4	8527.7

Sources: WDI, MFMold, and official data. 1/ 2025. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

Key conditions and challenges

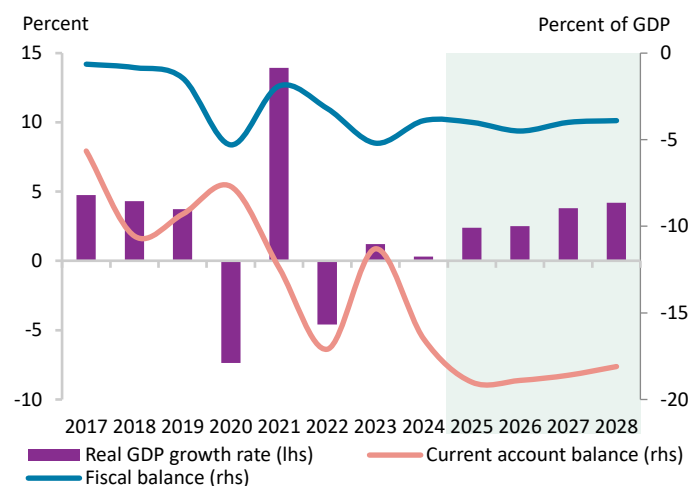
As the spillovers from the Middle East conflict unfold, repeated shocks in recent years have strained both household and public finances. Structural constraints remain pronounced, including weak domestic competition and market institutions, infrastructure deficits, and labor and skills shortages. Poverty, especially in rural areas, remains elevated, reflecting also the unequal distributional impacts of recent shocks. An aging population and outmigration further reduce labor supply and constrain job creation. Fiscal deficit remains elevated, underscoring the need to boost domestic revenues, improve efficiency of social spending, and strengthen management of public investments. Despite price pressures following the energy crisis in early 2025, monetary policy has maintained stability with inflation slowly declining since late 2025. Moldova's energy-intensive economy and reliance on imported energy makes it vulnerable to global energy and fertilizer price shocks. Looking ahead, steady progress on structural reforms including those tied to EU accession and associated investments of around 10 percent of GDP, should strengthen growth and resilience.

Recent developments

Growth recovered to 2.4 percent in 2025, supported by resilient domestic demand and stronger agricultural performance in the latter half of the year. While the economy stalled in early 2025 due to the domestic energy crisis, it expanded later, driven by a sharp rise in capital formation, solid private consumption, and a recovery in agriculture. This reflected more favorable financing conditions, improved investor confidence following the general elections, solid real wage gains of 1.9 percent in 2025, and increased social assistance—all leading to poverty decline. On the supply side, the Information and Communication Technology sector led growth, with construction gaining traction amid more accommodative credit conditions. Manufacturing also gained momentum, while agriculture improved significantly, rebounding from earlier weather-related setbacks.

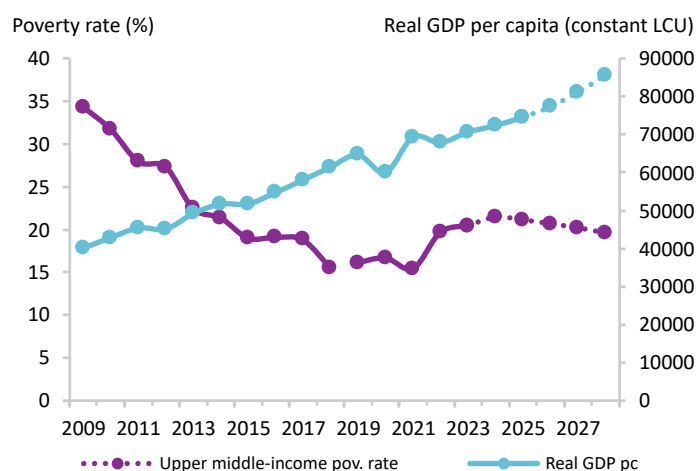
Weak external demand and elevated energy import costs also weighed on the external balance. Current account deficit (CAD) exceeded 19 percent of GDP in 2025 due to the weaker income flows and deterioration in the trade balance, as exports of food products, mineral commodities and transport equipment remains subdued.

FIGURE 1 / Actual and projected macroeconomic indicators



Source: World Bank.

FIGURE 2 / Actual and projected poverty rate and real GDP per capita



Source: World Bank. Notes: See footnotes in table on the next page.

Amid modest foreign direct investment (FDI), the CAD was financed through drawdowns of cash and deposits along with inflows from the EU and international institutions. Consequently, external debt increased to 58.9 percent of GDP. Reserves remained robust, supported by prudent exchange rate management.

Inflation averaged 7.8 percent in 2025, above the National Bank of Moldova's target, driven by higher energy tariffs following the shift to EU market-based electricity pricing, wage pressures, and weather-related food price increases. Inflation fell to 5.0 percent by February 2026, although non-tradables and food prices remained elevated, limiting poverty reduction. In response, the National Bank cut the policy rate by 1 percentage point to 5 percent in December 2025 and reduced reserve requirements, signaling a more accommodative stance.

The 2025 fiscal deficit reached 4 percent of GDP, below the budgeted 5.1 percent, partly reflecting under execution of planned capital spending. This is broadly unchanged compared to 2024 as stronger growth of tax revenues were offset by higher social assistance spending, a larger wage bill, and increased current grants. Public and publicly guaranteed debt increased by 0.4 pp to 39.2 percent of GDP in 2025, while cash reserves remained strong.

Outlook

Weaker external demand and higher energy and food prices is expected to constrain growth in 2026 to just below 2 percent. The transport sector is set to soften due to higher oil prices, and agriculture will face cost pressures from rising fertilizer prices. Private consumption growth will be dampened due to a slower than anticipated decline in inflation. In the medium term. Supported by

EU accession-related reforms and domestic demand, real GDP is expected to grow by an average of 4.0 percent over 2027–28. Investments should strengthen on the back of EU funding and higher public spending, while net exports will continue to reduce growth amid higher energy imports. On the sectoral side, the information technology and services sectors are expected to stay strong, while industrial activity and agriculture is expected to benefit from EU-aligned reforms and climate-resilient investments.

The CAD is projected to only narrow slightly to 18.1 percent by end-2028, as investment-related import growth, energy imports, and competitiveness challenges persist. Despite higher expected FDI and substantial EU-related inflows, external debt is projected to rise above 60 percent of GDP but remains sustainable, given reliance on multilateral and official bilateral creditors, and a stronger rise in international reserves. Public debt will increase only modestly, as stronger growth helps contain debt dynamics, even as the fiscal deficit remains above 4 percent of GDP over the medium term, driven largely by higher capital investment.

Rising real income, supported by an improving labor market, higher agricultural incomes, and strong social spending, will help gradually stabilize poverty from 21.1 percent in 2025 to 19.6 percent in 2028.

While the overall outlook is positive, significant risks persist. These include a prolonged war in Ukraine; impacts on energy and food prices from the conflict in the Middle East and slower growth among key trading partners, amid volatile global trade conditions. Rising food prices and unmitigated energy shocks could sharply worsen poverty. Despite expected EU transfers and FDI inflows, the growing twin deficits remain a potential vulnerability and require careful macroeconomic management.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	1.2	0.1	2.4	1.9	3.8	4.2
Private consumption	0.4	3.3	4.0	1.6	2.7	2.8
Government consumption	-4.1	-3.5	2.1	2.0	1.6	1.1
Gross fixed capital investment	0.0	8.2	16.9	13.5	15.3	15.4
Exports, goods and services	4.8	-5.0	4.4	5.4	6.9	7.2
Imports, goods and services	-5.1	5.2	12.6	7.7	8.6	8.7
Real GDP growth, at constant factor prices	2.4	0.2	1.8	1.9	3.8	4.2
Agriculture	26.7	-18.3	8.6	1.8	2.8	2.9
Industry	-8.8	1.3	3.3	2.5	3.1	3.4
Services	1.8	4.1	0.1	1.7	4.3	4.7
Employment rate (% of working-age population, 15 years+)	43.1	42.7	42.7	42.8	42.9	42.9
Inflation (consumer price index)	13.4	4.7	7.8	6.2	5.5	5.0
Current account balance (% of GDP)	-11.1	-16.6	-19.0	-19.2	-18.6	-18.1
Net foreign direct investment inflow (% of GDP)	2.1	2.0	2.6	2.8	3.1	3.2
Fiscal balance (% of GDP)	-5.1	-3.9	-4.0	-4.7	-4.0	-3.9
Revenues (% of GDP)	33.7	34.1	35.5	35.4	35.2	34.8
Debt (% of GDP)	35.7	38.8	39.2	42.0	43.4	44.0
Primary balance (% of GDP)	-3.3	-2.5	-2.8	-3.0	-2.3	-2.2
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	20.4	21.4	21.1	20.7	20.2	19.6
GHG emissions growth (mtCO₂e)	-3.1	-0.6	0.4	1.8	3.3	3.3

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on ECAPOV harmonization, using 2019-HBS, 2021-HBS, and 2023-HBS. Actual data: 2023. Nowcast: 2024-2025. Forecasts are from 2026 to 2028.

2/ Projection using annualized elasticity (2019-2021) with pass-through = 1 based on GDP per capita in constant LCU.

MONTENEGRO

Growth slowed to 2.7 percent in 2025, reflecting lower electricity production and softer tourism. The fiscal deficit widened from 3.3 to 4.3 percent of GDP in 2025, reducing policy space and increasing financing needs. Public debt is about 64 percent of GDP amid sizable upcoming repayments. As European Union (EU) accession advances, stronger fiscal discipline and rebuilding buffers will be key to safeguarding stability and supporting growth.

Key conditions and challenges

Montenegro's small, highly open, and euroized economy is structurally exposed to external shocks. Without independent monetary policy, fiscal policy is the main macroeconomic instrument, increasing the importance of prudent budgeting, credible medium-term frameworks, and reform implementation. Heavy reliance on tourism, foreign investment, and external financing further heightens vulnerability to shifts in global demand and financial conditions amid elevated geopolitical uncertainty.

After a sharp pandemic contraction, Montenegro recorded a strong rebound, with growth averaging 9.1 percent in 2021–23. As external momentum softened and base effects faded, growth moderated to 3.2 percent in 2024. The Europe Now reform agenda, expanded in 2024 through “Europe Now 2,” significantly increased net wages and pensions and reduced labor taxation, supporting household incomes and formal employment. While supporting living standards, these measures, implemented amid slowing growth, have widened the fiscal deficit in 2025. The poverty rate, measured at the purchasing power parity (PPP) US\$8.3/day threshold, has been declining steadily since the peak in 2020.

Population ¹ thousand	Poverty ² thousands living on less than \$8.30/day
623.5	90.7
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
77.6	106.1
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
9.2	14771.1

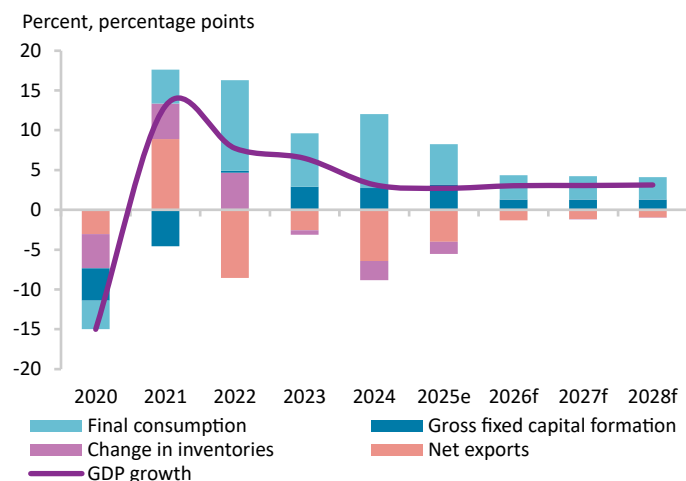
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

EU accession remains Montenegro's central policy anchor, shaping its fiscal and growth agenda. All 33 negotiating chapters have been opened and 14 provisionally closed, with membership targeted for 2028, contingent on sustained reform progress. Alignment with the EU acquis—particularly under Chapter 17 (Economic and Monetary Policy)—requires strengthening fiscal governance, improving medium-term budgeting, and enhancing debt management. An important pending reform is the operationalization of an independent Fiscal Council, which would reinforce fiscal discipline and policy credibility. EU integration, supported by pre-accession funds and the Growth Plan, provides both financing and reform incentives, linking stronger institutions with more sustainable growth.

Recent developments

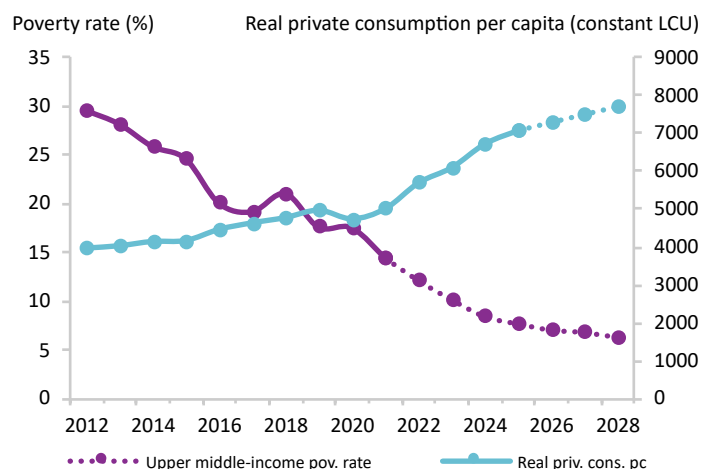
Growth moderated further in 2025, estimated at 2.7 percent, extending the gradual slowdown observed since 2024 and reflecting significantly weaker net exports. Industrial production declined by 9.2 percent, largely due to reduced electricity output following the temporary closure of the Pljevlja thermal power plant for environmental upgrades. Tourism remained broadly stable: total arrivals increased by 4.7 percent, while overnight stays declined by 1.5 percent,

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Sources: MONSTAT and World Bank.

FIGURE 2 / Actual and projected poverty rate and real private consumption per capita



Source: World Bank. Notes: See footnotes in table on the next page.

pointing to shorter average stays. At the same time, retail trade and credit growth pointed to resilient domestic demand.

Inflation increased to 3.9 percent in 2025, driven mainly by housing and utilities. Strong wage growth supported household purchasing power, with average net wages rising by 11.3 percent in real terms, reflecting the minimum wage increase and reduced pension contributions. Registered unemployment fell 14.3 percent by end-2025, while employment rose nearly 5 percent, pointing to still-favorable labor market conditions. Supported by positive employment and wage dynamics, the PPP US\$8.3/day poverty rate declined 0.8 percentage points (pp) to 7.7 percent in 2025.

External imbalances widened significantly. The current account deficit reached 20.5 percent of GDP in 2025, driven by a large goods trade deficit (around 46 percent of GDP), only partly offset by a sizeable services surplus. Net foreign direct investment covered roughly a third of the external gap, with the remaining part financed primarily through other capital inflows.

The fiscal position weakened, with the overall deficit widening from 3.3 percent of GDP in 2024 to 4.3 percent in 2025. Higher spending, particularly on social transfers, capital investment, and interest, together with lower social contribution revenues, outweighed strong tax performance. Public debt rose to 63.9 percent of GDP, partly reflecting liability management operations to strengthen liquidity buffers ahead of large, uneven repayments. While improving short-term resilience, they highlight debt management risks and reliance on foreign financing.

Outlook

Economic activity is projected to expand at about 3 percent annually over 2026–28. Domestic demand is expected to remain the

main engine of growth, reflecting steady household spending, solid tourism, and a pipeline of capital projects, amid heightened global uncertainty. Public investment in transport and renewable energy—together with continued non-resident interest in property—should support medium-term prospects by easing infrastructure bottlenecks and advancing decarbonization. Outcomes will, however, depend critically on implementation capacity. As investments are import dependent, external imbalances are likely to persist, with the current account deficit averaging 18–19 percent of GDP in 2026–28.

Early-March Middle East conflict pushed up oil and gasoline prices, lifting the inflation projection to an estimated 3.2 percent in 2026 before it eases to 1.9 percent by 2028.

The PPP US\$8.3/day poverty rate is projected to decline by a further 1.4 pp during 2026–2028, but the pace of poverty reduction is tapering off, as labor market absorption lags for low-skilled workers. Higher prices driven by the Middle East conflict are expected to put additional strain on the purchasing power of households.

The fiscal deficit is expected to decline gradually from 3.7 percent of GDP in 2026 to about 3.1 percent by 2028. Public debt is projected to hover around 64 percent of GDP, although amortization pressures will intensify in 2027. Considering sizable gross financing needs, a robust fiscal framework—grounded in debt sustainability, aligned with EU requirements, and capable of addressing fiscal risks while supporting development objectives—will be essential to safeguard investor confidence and underpin durable growth.

Downside risks stem from financing and geopolitical pressures, including conflict in the Middle East; faster EU accession could improve the outlook.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	6.5	3.2	2.7	2.9	3.1	3.1
Private consumption	7.1	10.4	5.2	3.1	2.9	2.8
Government consumption	2.8	1.6	1.2	0.9	1.1	1.2
Gross fixed capital investment	11.3	10.2	11.0	4.1	4.1	4.1
Exports, goods and services	9.0	-4.0	-4.6	2.1	2.9	3.2
Imports, goods and services	8.2	5.7	2.5	2.7	2.7	2.6
Real GDP growth, at constant factor prices	5.9	1.9	0.9	2.9	3.1	3.1
Agriculture	2.8	-3.2	-0.9	-0.5	-0.3	-0.1
Industry	3.7	0.8	-4.7	5.4	2.0	2.5
Services	6.7	2.5	2.4	2.6	3.5	3.5
Employment rate (% of working-age population, 15 years+)	55.6	56.4	54.3	55.1	55.9	56.6
Inflation (consumer price index)	8.6	3.3	3.9	3.2	2.5	1.9
Current account balance (% of GDP)	-11.2	-17.1	-20.5	-19.6	-18.9	-17.9
Net foreign direct investment inflow (% of GDP)	6.1	6.4	6.5	6.5	6.5	6.5
Fiscal balance (% of GDP)	0.6	-3.3	-4.3	-3.7	-3.4	-3.1
Revenues (% of GDP)	41.6	41.7	41.1	41.1	41.3	41.6
Debt (% of GDP)	58.4	59.8	63.9	66.4	64.2	64.1
Primary balance (% of GDP)	2.4	-1.3	-2.3	-1.6	-1.3	-1.0
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	10.2	8.5	7.7	7.1	6.8	6.3
GHG emissions growth (mtCO2e)	1.5	2.4	-2.7	1.4	1.6	1.5

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on ECAPOV harmonization, using 2022-SILC-C. Actual data: 2021. Nowcast: 2022-2025. Forecasts are from 2026 to 2028.

2/ Projection using neutral distribution (2021) with pass-through = 0.87 (Med (0.87)) based on private consumption per capita in constant LCU.

NORTH MACEDONIA

Growth strengthened in 2025, driven by highway construction and services. Rising wages, together with food and services price increases kept inflationary pressures elevated. Revenue shortfalls and an increasing debt stock highlight the need for timely fiscal consolidation. Outlook projections are contingent on sustained reform implementation and subject to significant downside risks, including uncertainty stemming from the Middle East conflict.

Key conditions and challenges

Growth accelerated in 2025, with output rising by an average 3.5 percent, underpinned by robust investment and consumption. Poverty, measured by the US\$8.30 per day poverty line, is declining slowly, reflecting wage growth, but structural labor market weaknesses remain due to youth unemployment, low participation of women in labor markets and a high degree of informality. Medium-term prospects hinge on tackling persistent structural constraints that limit productivity, inclusive growth, and convergence with European Union (EU) living standards. Weak competitive dynamics, reflected in market barriers to entry and exit, informal sector practices, and a weak competition landscape, increase risks for businesses and discourage innovation and investment. A high level of state presence in the economy creates market distortions and limits the effectiveness of public support measures. Fiscal governance and public administration reforms are a key priority to safeguarding macroeconomic stability and creating space for growth-enhancing spending.

Population ¹ million	1.8	Poverty ² millions living on less than \$8.30/day	0.4
Life expectancy at birth ³ years	75.3	School enrollment ⁴ primary (% gross)	96.3
GDP ⁵ current US\$, billion	19.1	GDP per capita ⁶ current US\$	10492.8

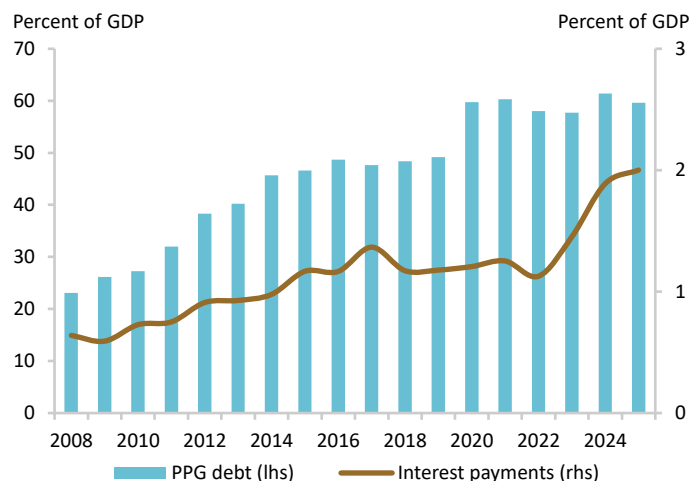
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2019 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

Fiscal consolidation plans have been postponed, and the fiscal deficit in 2025 is above limits set by the fiscal rule. Persistent weaknesses in expenditure management and medium-term budgeting together with structural challenges in revenue administration, reduce the ability of fiscal policy to support growth. Strengthening public financial management, reprioritizing expenditure toward human capital and infrastructure, and improving state-owned enterprise management are critical to improve the effectiveness of fiscal policy. Indicators of human capital development are among the lowest in the region, pointing to efficiency and quality issues, especially in the education and health sectors. Reforms in the areas of energy, digitalization, connectivity and labor markets remain a priority for the growth agenda. Anchoring reforms in the EU Growth Plan, with credible implementation and monitoring, could promote private investment, and sustain poverty reduction.

Recent developments

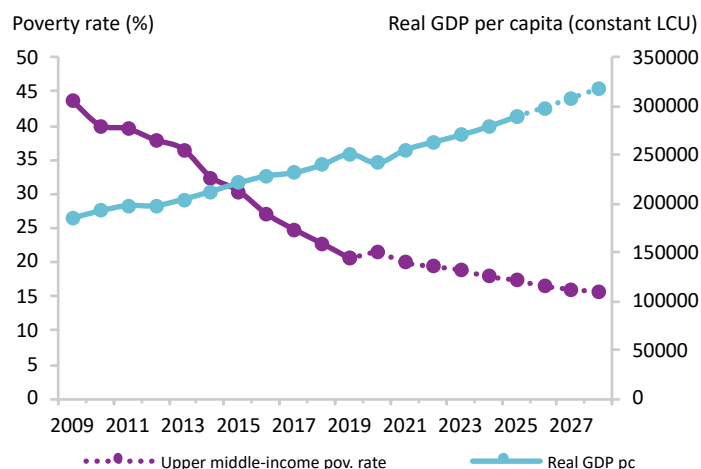
Output growth accelerated in 2025, reaching 3.5 percent, propelled by gross investments which also dragged imports up, amid growing

FIGURE 1 / Government debt and interest payments



Sources: North Macedonia State Statistics Office, Ministry of Finance, and World Bank.

FIGURE 2 / Actual and projected poverty rate and real GDP per capita



Source: World Bank. Notes: See footnotes in table on the next page.

consumption and a higher trade deficit. On the production side, growth was led by construction, largely highway-related, and services. In line with stronger investment-led demand, external balances deteriorated. By end 2025, the current account deficit deepened to 4.3 percent of GDP on the back of a higher merchandise trade deficit and narrower services surplus. Net foreign direct investment, a large portion of which consists of reinvested earnings, decelerated in 2025 to its lowest level since 2020. Labor market conditions for those aged 15+ continued to improve in 2025 alongside output growth, but gains were uneven across age groups and favored men. The unemployment rate decreased to 11.5 percent, with a sharper decline for men, reflecting the chronic underutilization of the country's human capital. These developments preceded the escalation of the Middle East conflict, which has since emerged as a source of heightened global uncertainty. Poverty, as measured by the US\$8.30 per day poverty line, is estimated to have marginally declined by 0.5 percentage points (pp) in 2025, helped by a 5.3 percent increase in real wages during 2025, partly driven by labor shortages. Robust wage gains, coupled with strong credit growth, and persistent food and services price increases weighed on inflation (4.1 percent in 2025). To strengthen monetary policy transmission, the Central Bank adjusted its operational framework by shortening the maturity of the main policy instrument and introducing a symmetric interest rate corridor. Although robust growth and rising inflation bolstered revenues, revenue collection fell short of the revised 2025 target, reflecting broad-based shortfalls. Combined with increased spending on social and municipal transfers, these revenue gaps contributed to a larger than planned fiscal deficit of 4 percent of GDP in 2025.

Outlook

Growth is projected to average around 3 percent in 2026–2028 driven primarily by domestic demand. However, this trajectory faces downside risks. Increased uncertainty associated with the conflict in the Middle East poses risks to the inflation outlook, although targeted measures could help cushion the impact of inflation in 2026. Higher global commodity prices and supply chain disruptions could also drive up import costs in 2026, putting additional pressure on the current account. A slowdown in key trading partners, particularly in the EU, could weigh on export demand and remittances. The US\$8.30 poverty rate projection is only marginally affected in 2026 by 0.04pp, as growth and inflation impacts remain muted and is projected to decline a further 1.7pp between 2025 and 2028. Rebuilding fiscal buffers and ensuring compliance with the fiscal rule will be critical to strengthen resilience against shocks. Accelerating convergence toward EU living standards will require stronger reform efforts to advance the structural transformation of the economy. Priority should be given to reforms that enhance competitiveness, crowd-in investment toward higher value-added sectors, and expand opportunities for more and better jobs. Effective and timely implementation of reforms under the EU Growth Plan, including reforms in public administration, the energy sector, digitalization and human capital can further catalyze the country's long-term growth agenda.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	2.6	3.0	3.5	2.9	3.0	3.0
Private consumption	1.7	2.1	2.1	1.7	1.5	1.5
Government consumption	-1.1	0.4	5.3	3.6	3.6	3.1
Gross fixed capital investment	5.6	5.0	7.7	7.3	6.3	5.8
Exports, goods and services	-3.0	-4.0	6.1	3.5	4.4	4.7
Imports, goods and services	-10.2	-1.4	6.7	4.0	4.1	4.1
Real GDP growth, at constant factor prices	2.9	2.3	3.4	2.9	3.0	3.0
Agriculture	-14.1	0.4	1.8	0.2	0.1	0.1
Industry	4.0	7.5	7.6	1.2	1.1	1.1
Services	4.1	0.7	2.1	3.7	3.9	3.9
Employment rate (% of working-age population, 15 years+)	45.4	45.8	46.5	46.9	47.2	47.3
Inflation (consumer price index)	9.4	3.5	4.1	3.4	2.7	2.5
Current account balance (% of GDP)	0.3	-2.1	-4.3	-3.8	-3.1	-2.8
Net foreign direct investment inflow (% of GDP)	3.3	6.6	1.4	2.1	2.6	3.1
Fiscal balance (% of GDP)	-4.3	-4.5	-4.0	-3.6	-3.3	-3.1
Fiscal balance with the state roads (% of GDP)	-4.6	-4.9	-4.5	-4.1	-3.8	-3.6
Revenues (% of GDP)	32.5	33.4	33.9	34.1	34.3	34.5
Debt (% of GDP)	57.7	61.4	59.3	59.4	59.8	60.0
Primary balance (% of GDP)	-2.9	-2.6	-2.1	-2.2	-1.9	-1.7
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	18.9	17.9	17.4	16.5	16.0	15.6
GHG emissions growth (mtCO₂e)	-1.1	-1.2	1.4	2.0	2.5	2.7

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

NA data is adjusted for residuals and LFS data is smoothed for methodological changes.

1/ Calculations based on ECAPOV harmonization, using 2020-SILC-C. Actual data: 2019. Nowcast: 2020-2025. Forecasts are from 2026 to 2028.

2/ Projection using neutral distribution (2019) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

POLAND

In 2026, growth is projected to decelerate at 3.1 percent, supported by EU funded investments, despite the expected commodity-price shock induced inflation. Tight labor markets and fiscal challenges remain a concern; the latter limiting potential mitigation measures on energy prices. Downside risks arise from global uncertainty from the conflict in the Middle East; the region has become Poland's primary supplier of crude oil since the onset of the war in Ukraine.

Key conditions and challenges

Despite rising global uncertainty and geopolitical tensions, Poland's economy has continued to show resilience, underpinned by diversified structure, appropriate macroeconomic policies, a sound financial sector, and firms' flexibility. Poland ranked among the world's 20 largest economies in 2025, in nominal GDP. Yet, with a rapidly aging society, sustaining success will require continued productivity growth and international competitiveness. Beyond technology absorption, mobilizing private capital and private investment, innovation will need to play an increasingly important role supported by stronger financial markets and a resilient innovation ecosystem. Ensuring access to affordable, clean energy is another pivotal enabler. While necessary, safeguarding security in a shifting geopolitical environment is tightening the fiscal space, with rapidly rising public debt posing a growing policy challenge.

Lack of alignment between the government and the President, who wields veto power, negatively affects the pace and scope of reforms, notably institutional strengthening, regulatory predictability, and the rule of law. Poland has been placed under an Excessive Deficit Procedure and has committed to a Medium-Term Fiscal

Population ¹ million	36.5	Poverty ² millions living on less than \$8.30/day	0.4
Life expectancy at birth ³ years	78.5	School enrollment ⁴ primary (% gross)	105.4
GDP ⁵ current US\$, billion	1036.5	GDP per capita ⁶ current US\$	28406.9

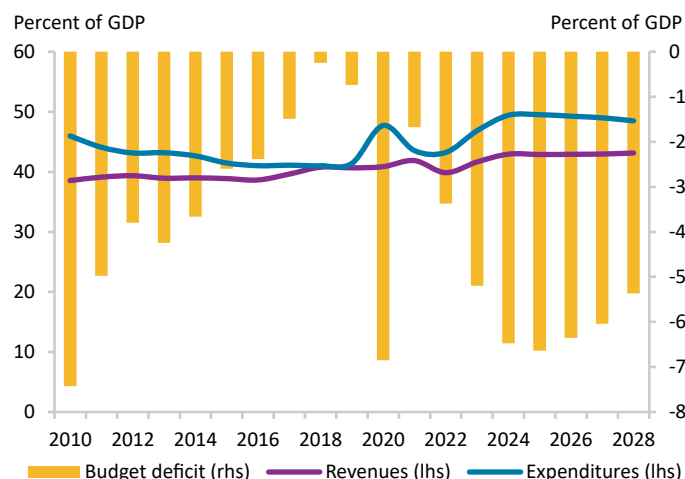
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2023 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

Structural Plan to converge to the European Union (EU) fiscal deficit rules by 2028, but the path to sustainability will require more targeted measures, despite activation of the National Escape Clause, which permits a temporary deviation of up to 1.5 percent of GDP in net expenditure growth until 2028.

Recent developments

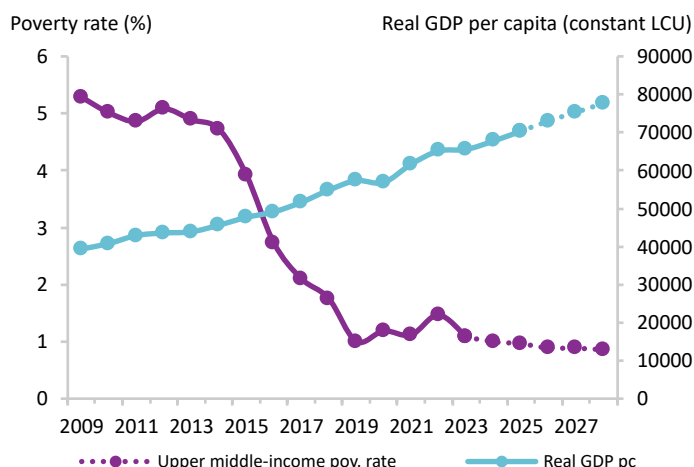
Growth picked up from 3 percent in 2024 to 3.6 percent in 2025, driven primarily by private consumption (+3.7 percent y/y). Assuming a temporary impact from the Middle East conflict, given the high levels of energy stockpiles, there should be no shortage of fuel. Still, the conflict is expected to weigh down on 2026 growth by about 0.5 percentage points (pp) as higher inflation weakens consumption, delays investment, and tightens financial conditions. The overall impact is expected to be partially mitigated by private and public investments associated with the Recovery and Resilience Facility, high levels of household savings and inventory build-up—which has historically helped cushion the impact of supply shocks on GDP growth. On the supply side, the resurgence of manufacturing and construction in late 2025 is projected to contribute more significantly to economic growth in 2026.

FIGURE 1 / General government deficit and composition



Source: World Bank.

FIGURE 2 / Actual and projected poverty rate and real GDP per capita



Source: World Bank. Notes: See footnotes in table on the next page.

Household income growth in 2024 was supported by strong labor markets, rising wages and pensions, and expanded child benefits. These gains helped reduce the national extreme poverty rate by 1.4 pp to 5.2 percent, though it remains above its 2022 level. The share of the population at risk of poverty persisted around 14 percent between 2022 and 2024, reflecting uneven income gains and the real erosion of some benefits. Population resilience has been weakened by declining coverage and adequacy of minimum income programs, despite substantial social protection spending. The absence of inflation indexation has reduced the progressivity of the personal income tax system during recent inflationary periods. In 2025, national extreme poverty is expected to return to its 2022 level, supported by strong labor market conditions and targeted minimum-income programs.

Although private consumption remained strong, declining energy prices lowered headline inflation to 2.4 percent by end-2025. Inflation returned to the National Bank of Poland's target range (2.5 percent, +/-1 pp) more quickly than expected, which led the Monetary Policy Council to make significant rate cuts—bringing the policy rate down by 200 basis points to 3.75 percent in March 2026. A shift in monetary policy stance is likely, given the risk that higher gas and oil prices will pass through to core inflation (second-round effects).

With imports growing faster than exports, the current account recorded a small deficit of 0.9 percent of GDP in 2025. It is projected that, with higher energy prices, the deficit will increase in 2026. For the second consecutive year, the fiscal deficit exceeded 6 percent of GDP in 2025, largely due to defense spending and the absence of substantive tax policy actions or efforts to optimize other expenditures. Under these conditions, the deficit is set to remain above 6 percent in 2026, especially given the shielding measures already proposed by the government in response to rising energy prices.

Outlook

Medium-term growth is projected to settle around potential near 3 percent; but 2027 will suffer from carry-over from the commodity-price shock in 2026 affecting investment decisions. In the short term, upward pressures on inflation from higher oil and gas prices stemming from the conflict in the Middle East are mitigated through pre-purchased oil reserves; however, the extent of the final impact will hinge on how long the conflict persists and the degree to which commodity markets are disrupted. Political headwinds to fiscal reform are likely to hinder meaningful deficit reduction before the 2027 parliamentary elections. Elevated deficits are raising public debt, which is set to exceed 60 percent of GDP into the medium term.

Rising energy prices—amplified by the Middle East conflict—disproportionately affect poorer households more exposed to price shocks. While the international poverty rate is projected to remain low through 2026–28, the distributional outlook is fragile. Slower income growth, moderate pension and minimum wage increases, and rising food and energy costs may erode real incomes, increasing poverty risk and widening inequality. Labor force participation among low-income households may rise but is constrained by high taxes on secondary earners and rural barriers. Over the medium term, early retirement, rising life expectancy, and declining pension replacement rates heighten the risk of elderly poverty, underscoring the need for well-targeted social protection.

Risks stem from regional and global geopolitical dynamics, including persistent oil and gas supply disruptions and uncertainty in world trade. Over the medium term, Poland's public finances also face pressures from more frequent and intense weather events, demographic aging, and the investment requirements associated with national security. Should the conflict in Ukraine reach a peaceful resolution, Poland stands to benefit from its role in reconstruction efforts.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	0.2	3.0	3.6	3.1	2.6	2.9
Private consumption	-0.3	3.0	3.7	3.3	2.8	2.7
Government consumption	4.5	8.7	2.8	0.5	2.5	2.0
Gross fixed capital investment	12.7	-0.9	5.0	7.8	1.7	3.4
Exports, goods and services	3.7	2.0	4.5	3.0	3.9	4.3
Imports, goods and services	-1.5	4.5	5.6	4.3	3.8	4.0
Real GDP growth, at constant factor prices	1.3	2.1	3.7	3.0	2.6	2.9
Agriculture	14.4	-1.3	3.3	1.0	1.0	1.0
Industry	-0.6	-0.7	2.1	3.1	2.7	2.7
Services	1.8	3.5	4.4	3.1	2.6	3.1
Employment rate (% of working-age population, 15 years+)	57.3	56.8	56.9	56.8	56.6	56.4
Inflation (consumer price index)	11.4	3.6	3.6	4.3	2.8	2.5
Current account balance (% of GDP)	1.5	0.3	-0.9	-1.8	-1.1	-0.9
Net foreign direct investment inflow (% of GDP)	2.9	1.1	2.0	1.9	1.8	1.7
Fiscal balance (% of GDP)	-5.2	-6.5	-7.2	-6.5	-6.2	-5.7
Revenues (% of GDP)	41.7	43.0	42.9	43.1	43.3	43.4
Debt (% of GDP)	49.5	55.1	59.7	64.9	68.4	71.5
Primary balance (% of GDP)	-3.8	-5.0	-5.5	-4.6	-4.1	-3.7
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	1.1	1.0	1.0	0.9	0.9	0.9
GHG emissions growth (mtCO2e)	-5.5	1.6	1.0	-0.2	-0.2	-0.2

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on ECAPOV harmonization, using 2024-EU-SILC. Actual data: 2023. Nowcast: 2024-2025. Forecasts are from 2026 to 2028.

2/ Projection using neutral distribution (2023) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

ROMANIA

Romania's growth slowed to 0.7 percent in 2025, reflecting structural weaknesses in productivity and competitiveness, while fiscal consolidation and high inflation eroded welfare, notably for poorer households. The Middle East conflict adds inflationary pressures and clouds growth prospects, raising poverty risks. Amid headwinds, the Government's recovery package aims to support a gradual rebound, contingent on swift implementation and EU funds absorption.

Population ¹ million	Poverty ² millions living on less than \$8.30/day
18.9	1.0
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
76.6	84.9
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
427.4	22556.4

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2023 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

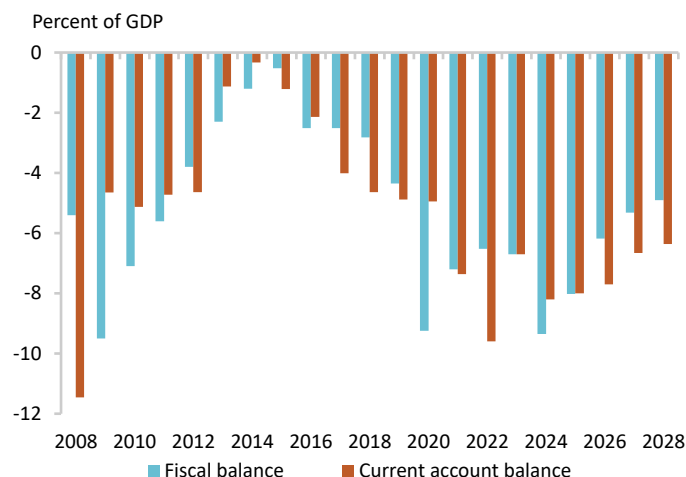
Key conditions and challenges

Romania has advanced European Union (EU) convergence. However, growth has recently lost momentum as structural bottlenecks weigh on productivity, competitiveness and the inclusiveness of growth. Key constraints include weak governance and regulatory unpredictability that suppress investment, skills mismatches and underdeveloped capital markets that misallocate labor and capital, and limited firm-level innovation capacity hindering the transition to higher value-added growth. Despite high-income status and significant progress in poverty and inequality reduction, they remain among the highest in the EU, with wide urban/rural and inter-regional development disparities. Pro-cyclical fiscal policy widened twin (fiscal and external) deficits, amplifying structural weaknesses and raising macro-financial risks. Vulnerability to external shocks and geopolitical uncertainty further increases downside risks. A durable pivot toward productivity-driven, private sector-led growth and credible fiscal consolidation is needed to address these long-standing structural pressures.

Recent developments

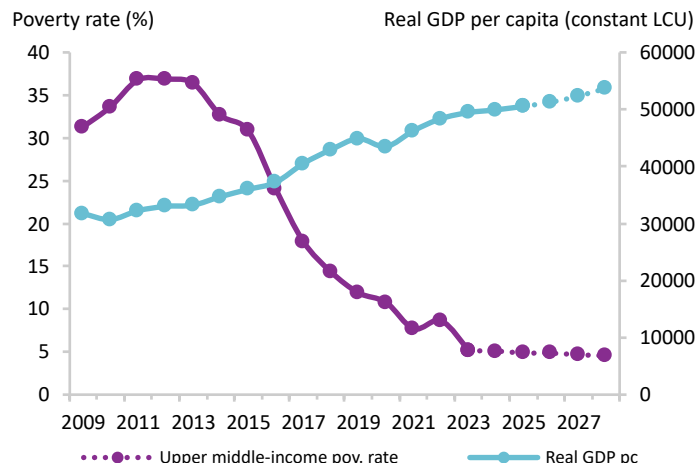
Growth slowed to 0.7 percent in 2025, with output dynamics in negative territory in 2025H2. Investment cushioned the deceleration underpinned by record-high public investment of RON 138 bn (7.2 percent of GDP), over half EU-funded. A narrowing current account deficit, aided by net exports turning positive in 2025Q3, reduced the external drag. Growth remains uneven, driven mainly by construction, supported by a cyclical surge in EU-funded infrastructure, while industry continues to shrink, weighed down by July 2025 electricity price liberalization, raising costs and eroding competitiveness. Inflation accelerated in 2025H2 to 9.7 percent y-o-y in December, driven largely by electricity prices, despite a softening labor market with a 0.6 percent job vacancy rate at a decade low in 2025Q2. Faced with persistent inflationary pressures, the National Bank of Romania kept the policy rate at 6.5 percent as of mid-February 2026, maintaining tight financial conditions, despite negative ex-post real rates, with sovereign risk premia pushing up borrowing costs. Private credit growth slowed to 6.2 percent y-o-y by December 2025, driven by weak corporate lending, with leu-denominated credit falling 8.1 percent as elevated lending rates and sticky spreads compressed demand and drove foreign exchange substitution.

FIGURE 1 / Fiscal and current account balances



Source: World Bank.

FIGURE 2 / Actual and projected poverty rate and real GDP per capita



Source: World Bank. Notes: See footnotes in table on the next page.

Romania's fiscal deficit narrowed to 7.6 percent of GDP (cash) and an estimated 8 percent (accrual) in 2025, outperforming the 8.4 percent cash target agreed with the European Commission, driven by fiscal consolidation measures to enhance revenues and contain inefficient expenditure. Key revenue measures included raising the statutory VAT rate from 19 to 21 percent and consolidating reduced rates to 11 percent in August 2025. Net VAT receipts accelerated, with cumulative y-o-y growth increasing to 16.7 percent in August–December from 5.7 percent in January–July. Fiscal restraint slowed expenditure growth to 11.2 percent in 2025, from 19.1 percent in 2024, anchored by a public wage freeze that compressed personnel spending growth to 1.9 percent from 24 percent in 2024. Strong front-loaded consolidation supports Romania's path towards the 3 percent deficit target by end-2030 under EU's Excessive Deficit Procedure.

Poverty reduction has stalled amid slowing growth, higher inflation, and fiscal consolidation. At the US\$8.3/day (2021 PPP) line, poverty is estimated at 5.1 percent in 2024, broadly unchanged from 2023. Inflationary pressures—particularly from electricity price liberalization fiscal consolidation, and lower employment rates among uneducated groups have weighed on their real incomes. However, recent social protection reforms have increased the progressivity of selected social transfers, helping to cushion these impacts. As a result, the short-term welfare impacts of fiscal consolidation are expected to remain contained, as revenue measures are paired with targeted social support, including the extension of electricity vouchers through the end of 2026 and progress toward a more permanent targeting system for energy-poor households.

Outlook

The conflict in the Middle East is estimated to add at least 2.2 percentage points (pp) to 2026 inflation, mainly via energy price pressures, under a baseline assuming a temporary 2026-confined

shock. The shock cuts 2026 GDP growth by 0.4 pp, with demand- and supply-side revisions led by private consumption (-0.6 pp), reflecting real income erosion, and industry (-0.5 pp), reflecting energy cost pass-through. The Government has responded mainly by capping commercial markups and restricting fuel exports. Price pressures weigh on fiscal consolidation and raise poverty risks, as indirect energy price effects account for most of the welfare losses, although the recently approved solidarity package is expected to partially mitigate these impacts for vulnerable groups. The Government's February 2026 economic recovery package is expected to strengthen investment and competitiveness, supporting growth amid current external headwinds. Measures include Development and Investment Bank financing for strategic sectors alongside new tax incentives for research and development and reinvested profits. Swift, high-quality implementation, along with effective absorption of EU funds—critical amid fiscal consolidation pressures—will be vital to improving growth prospects after the 2025H2 contraction, crowd in private capital, and improve confidence. Fiscal reforms are gradually placing public debt on a sustainable path, with public debt-to-GDP expected at 64.5 percent in 2028 and stabilizing by 2030, sustaining lower risk premia and supporting investment momentum. As domestic supply-side shocks ease, monetary policy normalization remains contingent on the evolution of external energy price pressures.

Poverty outcomes are expected to improve only gradually over the medium term, reflecting improved growth. The shift toward investment-led growth—supported by targeted stimulus measures, improved financing conditions, and lower risk premia—offers scope for income gains, but the pace and inclusiveness of poverty reduction will depend on the speed and quality of implementation. As inflation eases and financing costs decline, real incomes should recover, supporting household welfare. However, with growth driven initially by capital-intensive and high-value sectors, translating investment momentum into broad-based employment and wage gains will be critical for sustained poverty reduction.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	2.3	0.9	0.7	0.5	1.4	2.1
Private consumption	2.5	5.7	0.6	0.7	2.2	3.2
Government consumption	4.0	1.2	-3.2	0.6	-0.1	0.0
Gross fixed capital investment	12.3	-2.5	4.1	4.2	5.0	5.2
Exports, goods and services	-1.3	-2.5	3.9	3.5	3.8	4.1
Imports, goods and services	-1.5	4.0	4.8	4.7	5.4	5.7
Real GDP growth, at constant factor prices	2.0	0.2	0.6	0.5	1.4	2.1
Agriculture	8.9	-5.7	6.6	0.7	1.1	1.1
Industry	-4.3	-0.5	-0.2	-0.3	0.7	1.9
Services	3.4	0.7	0.5	0.7	1.6	2.2
Employment rate (% of working-age population, 15 years+)	48.8	48.6	48.6	48.6	48.6	48.6
Inflation (consumer price index)	10.4	5.6	7.3	8.7	4.2	3.0
Current account balance (% of GDP)	-6.7	-8.2	-8.0	-7.7	-6.7	-6.4
Net foreign direct investment inflow (% of GDP)	2.0	1.6	2.2	2.3	2.8	3.0
Fiscal balance (% of GDP)	-6.7	-9.3	-8.0	-6.2	-5.3	-4.9
Revenues (% of GDP)	34.4	34.2	36.3	37.1	37.1	37.1
Debt (% of GDP)	49.3	54.8	60.9	62.9	64.1	64.5
Primary balance (% of GDP)	-4.9	-7.2	-6.3	-4.4	-3.4	-3.2
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	5.1	5.1	4.8	4.8	4.7	4.6
GHG emissions growth (mtCO2e)	-7.4	-5.0	-3.5	-3.0	-2.0	-1.8

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on ECAPOV harmonization, using 2024-EU-SILC. Actual data: 2023. Nowcast: 2024-2025. Forecasts are from 2026 to 2028.

2/ Projection using neutral distribution (2023) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

RUSSIAN FEDERATION

Russia's economy slowed sharply in 2025, with GDP growth falling to 1 percent from 4.9 percent in 2024, as fiscal stimulus faded and tight monetary conditions weighed on consumption and investment. Inflation moderated in line with cooling demand. The fiscal deficit widened and external surplus narrowed amid falling oil revenues. Growth is projected to remain anemic in the medium term, hovering around 0.7 percent.

Key conditions and challenges

Economic performance continues to be shaped by the country's invasion of Ukraine and resulting sanctions. Economic growth has been upheld by the sizable economic stimulus, which is not sustainable in the medium term due to the decrease in fiscal space and the accumulation of financial sector vulnerabilities.

In the short term the main policy challenge is to bring inflation down to the central bank's target, while minimizing the slowdown in growth. In the medium-to-long term, the growth potential is limited by the adverse labor market dynamics and the restrictions on access to foreign markets and technology.

Recent developments

Russia's economic performance weakened significantly in 2025 as the effects of earlier fiscal stimulus faded and tight monetary conditions constrained domestic demand. GDP growth

Population ¹ million	142.8	Poverty ² millions living on less than \$8.30/day	1.3
Life expectancy at birth ³ years	73.3	School enrollment ⁴ primary (% gross)	97.7
GDP ⁵ current US\$, billion	2212.8	GDP per capita ⁶ current US\$	15501.0

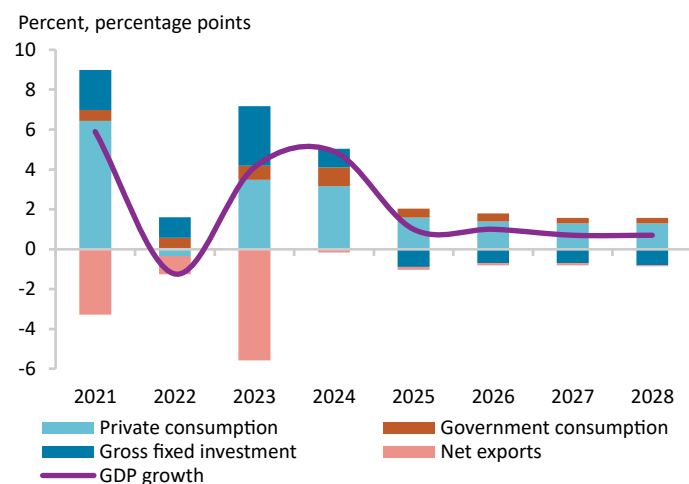
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2023 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

slowed to 1 percent in 2025, down from 4.9 percent in 2024, with broad-based deceleration across most sectors. While agriculture rebounded from contraction and hospitality remained relatively resilient, activity in industry including military related manufacturing, construction, and trade moderated markedly. On the demand side, consumption eased due to high borrowing costs dampening consumer lending while investments contracted due to slowdown in corporate lending and dwindling fiscal spending. The labor market remained tight with unemployment at 2.1 percent in 2025 resulting in 5.4 percent increase in real wages though slower than 8.9 percent in 2024.

Inflation moderated to 5.6 percent in 2025 from 9.5 percent in 2024, reflecting slower economic activity and restrained credit growth, but remained above the Central Bank of Russia's 4 percent target. Amid slowing inflation, the Central Bank eased monetary policy reducing the policy rate from 21 percent to 16 percent in multiple steps during 2025.

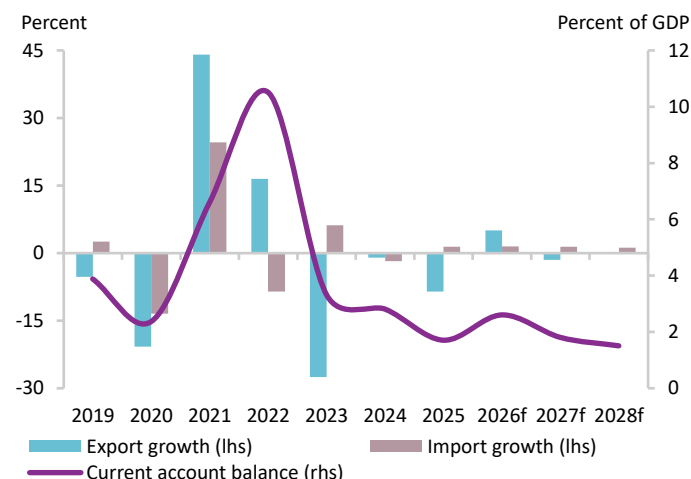
Fiscal conditions deteriorated markedly in 2025. Budget revenues declined by 6.4 percent in 2025, driven by a 30 percent fall in oil

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Sources: Russian Federal State Statistics Service and World Bank.

FIGURE 2 / Current account balance and export and import growth



Source: World Bank.

and gas revenues amid lower oil prices and ruble appreciation. Gains in non-oil revenues—supported by tax policy changes were insufficient to offset hydrocarbon losses. Real budget expenditures declined modestly, but the budget deficit widened to 3.9 percent of GDP in 2025, compared with 1.7 percent in 2024, financed primarily by domestic debt issuance.

Externally, the current account surplus narrowed to 1.7 percent of GDP in 2025, from 2.8 percent in 2024, reflecting weaker energy export revenues largely driven by fall in oil price as tightened sanctions widened the discount on Russian oil to US\$16.6 in 2025 year-end from 8.7 in 2024 while imports remained subdued.

Real bank credit to the economy contracted by 2.9 percent in 2025, driven primarily by 5.6 percent decline in household lending in 2025 amid high interest rates while share of the non-performing loans in consumer portfolio increased 3.9 percentage points to a very high 13 percent. Corporate lending growth slowed to 1.4 percent in 2025. At the same time, household deposits increased by 6.9 percent in 2025, reflecting high interest rates and a shift toward savings.

Outlook

It is presently difficult to produce growth forecasts for Russia due to the significant changes to the economy associated with Russia's invasion of Ukraine, and the decision by Russia to limit publication of economic data, notably related to external trade, financial and monetary sectors. Unavailability of data limits our ability to assess economic performance.

The projections assume a temporary disruption to global energy supply, driving up prices in 2026 by 36 percent on average for Brent oil, by 67 percent on average for natural gas, and by 20 percent on average for fertilizer, and are subject to considerable uncertainty. Growth is projected to slow to 0.8 percent in 2026 driven by subdued consumption due to tight monetary conditions and higher value-added tax rates while fiscal stimulus is expected to be limited. Growth is projected to average 0.7 percent during 2027–2028 as demand pressures will ease due to anticipated tight monetary conditions for an extended period, while fiscal space is expected to dwindle after 2026 as lower energy prices will limit the fiscal stimulus to the economy. Increased value-added tax rate is anticipated to suppress further consumption.

Inflation is projected to decline in the medium term though expected high external pressures on inflation in 2026 will weaken the pace of disinflation. Inflation is estimated to reach the central bank's target of 4 percent in 2028 as external factors phases out and tight domestic demand conditions persist.

The current account surplus is expected to widen in 2026 to 2.6 percent of GDP in 2026 thanks to the increase in energy prices, and ease in 2025–2027 reflecting the decline in energy prices.

The fiscal deficit is projected to narrow in 2026—as a result of the higher energy prices from the conflict in the Middle East—and then widen gradually to around 3.4 percent during 2027–2028.

Higher energy prices from the conflict in the Middle East presents an upward risk in 2026. Beyond 2026, risks are tilted to the downside due to anticipated reduction in energy prices and sluggish economic growth.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	4.1	4.9	1.0	0.8	0.7	0.7
Private consumption	6.0	5.4	2.7	2.4	2.1	2.1
Government consumption	3.7	4.8	2.3	1.9	1.4	1.3
Gross fixed capital investment	12.7	3.7	-3.6	-3.7	-3.3	-3.6
Exports, goods and services	-8.2	1.0	0.4	0.4	0.3	0.3
Imports, goods and services	16.9	1.5	0.9	0.8	0.7	0.5
Real GDP growth, at constant factor prices	3.9	4.9	1.0	0.8	0.7	0.7
Agriculture	0.1	-3.5	2.3	1.6	1.7	1.8
Industry	3.7	4.5	1.4	1.2	1.1	1.0
Services	4.3	5.7	0.7	0.5	0.4	0.5
Employment rate (% of working-age population, 15 years+)	59.8	59.5	59.5	59.5	59.5	59.5
Inflation (consumer price index)	7.3	9.5	5.6	5.2	4.4	4.0
Current account balance (% of GDP)	3.3	2.8	1.7	2.6	1.8	1.5
Net foreign direct investment inflow (% of GDP)	-1.2	-1.0	-0.9	-0.8	-0.8	-0.8
Fiscal balance (% of GDP)¹	-2.1	-1.7	-3.9	-2.3	-3.4	-3.4
Revenues (% of GDP)	33.6	35.1	35.4	35.4	34.6	33.3
Debt (% of GDP)	13.4	12.6	13.7	13.8	13.9	13.3
Primary balance (% of GDP)¹	-1.2	-0.8	-3.0	-1.4	-2.5	-2.4
International poverty rate (\$3.00 in 2021 PPP)^{2,3}	0.1	0.1	0.1	0.1	0.1	0.1
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{2,3}	0.2	0.2	0.2	0.2	0.2	0.1
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{2,3}	0.9	0.8	0.8	0.8	0.7	0.7
GHG emissions growth (mtCO₂e)	3.3	5.6	2.7	2.7	1.9	0.9

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Fiscal and Primary Balance refer to general government balances.

2/ Calculations based on ECAPOV harmonization, using 2024-VNDN. Actual data: 2023. Nowcast: 2024–2025. Forecasts are from 2026 to 2028.

3/ Projection using neutral distribution (2023) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

SERBIA

Growth slowed to 2 percent in 2025 amid internal and external pressures. It is projected to recover to 2.7 percent in 2026, as consumption and investment rebound gradually although external uncertainty persists, including due to the conflict in the Middle East. The incidence of poverty remained broadly flat at 7.8 percent in 2025 and is projected to continue falling, albeit at slower rate, as the remaining poor are often characterized by chronic unemployment.

Population ¹ million	Poverty ² millions living on less than \$8.30/day
6.5	0.6
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
76.2	96.6
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
99.3	15189.0

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2023 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2025. 6/ 2025.

Key conditions and challenges

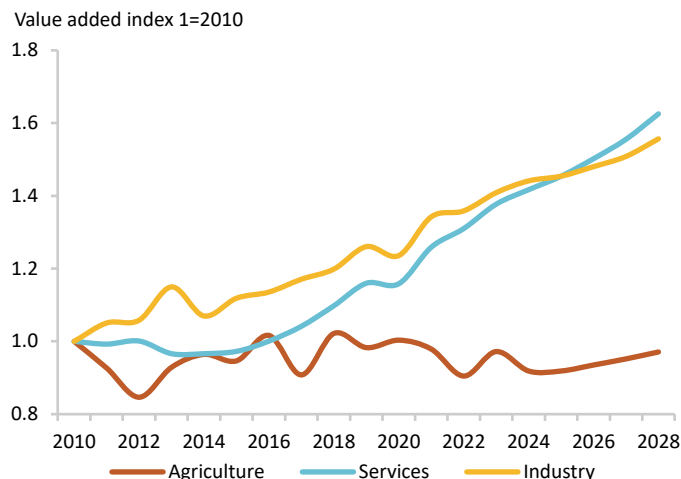
GDP growth slowed to an estimated 2 percent in 2025, reflecting relatively weak consumption amid stubbornly high inflation and significantly lower investment. Exports, however, contributed positively to growth. Looking at the production side, services sectors were the only significant drivers of growth. Construction posted the largest drag on growth (of 0.7 percentage points), while adverse weather conditions had a notable effect on agriculture. Manufacturing had only a marginally positive contribution to growth.

Serbia continues to demonstrate a strong fiscal performance, and the economic slowdown of 2025 did not affect the collection of revenues, which together with the underperformance of expenditures, led to a lower-than-expected fiscal deficit. Domestic political uncertainty has, however, disrupted policy dialogue and implementation of key structural reforms, which are inter alia reflected in slower-than-expected progress with the European Union (EU) accession process.

Recent developments

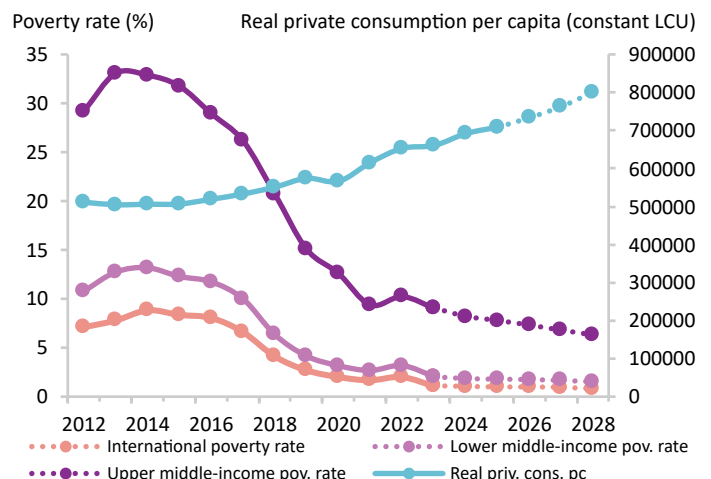
After a strong 2024, Serbia's economy lost momentum in 2025. A series of domestic and external events led to this economic underperformance. The resignation of the Prime Minister and the delayed formation of the government, Russia-related sanctions impacted the oil sector, another poor agriculture season led to a significant increase in food prices and slower-than-expected GDP growth, and the year was characterized by repeated political protests. All these factors, together with a continued weak external economic environment, led to a drop in net foreign direct investment (FDI) inflows by about 50 percent in euro terms and some decline in employment in the manufacturing sector. A notable positive development was the pickup in operations of the Stellantis (Fiat) factory in Kragujevac, which contributed significantly to a good export performance in 2025. Exports increased by 8.4 percent in 2025, largely driven by higher exports to the EU and the Balkans region. Despite the slowdown, private consumption remained resilient, supported by wage growth of 11.5 percent (7.4 percent in real terms) and a continuous increase in short-term consumption loans.

FIGURE 1 / Indexes of the level of sectoral GDP



Source: World Bank.

FIGURE 2 / Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Notes: See footnotes in table on the next page.

While the unemployment rate stabilized at around 8.8 percent (practically at the same level as in 2024), the youth unemployment remained at over 23 percent, due to skills mismatches and limited job opportunities. Consequently, many young Serbian citizens migrate abroad, fueling brain drain and a shrinking workforce. While regional disparities are severe, there is very little internal labor mobility. Reflecting these labor market pressures and inflation eroding incomes, the poverty level (based on the upper-middle-income line of US\$8.30/day in 2021 PPP) was at an estimated 7.8 percent in 2025.

Inflation rose in early 2025, peaking at 4.9 percent in July, slightly above the target the upper bound of the target range (3±1.5 percentage points). This increase was largely driven by food prices, which were 7.4 percent higher in July than a year ago affected by the poor agriculture season. In response, the government decided to introduce an administrative control of margins in the retail sector, which contributed to lower inflation in the second half of 2025. However, it remains to be seen whether prices will rebound as these measures expired in February 2026.

Against the backdrop of slower growth, weaker domestic demand, and somewhat higher inflation in 2025, government revenues performed well. They increased by 7.9 percent in nominal terms, year-over-year, thanks to a higher-than-planned collection of contributions for social insurance, value-added tax, and personal income tax. However, expenditures increased by 9 percent in nominal terms, driven by higher spending on wages and pensions, pushing the consolidated fiscal deficit to 2.4 percent of GDP. Public debt continues to decline gradually and reached 45 percent of GDP at the end of December.

Strong export performance helped contain the widening of the current account deficit (CAD), which increased only slightly in 2025, to

4.9 percent of GDP. Exports proved resilient, helping reduce the trade deficit by 4.2 percent (in euro terms). In contrast, the surplus in trade in services was significantly lower (down by 17.6 percent). Financing of the CAD deteriorated since net FDI inflows decreased by 50 percent. Foreign currency reserves reached EUR 29 billion in December, covering 6.7 months of imports. Performance of the banking sector remains solid. Overall credit increased by 13.5 percent (year-over-year) through December. Loans to businesses increased by 10 percent, while loans to households increased by 19.5 percent and loans to the government increased by 6.4 percent. Gross non-performing loans declined to 2.1 percent in December 2025.

Outlook

The Serbian economy is expected to grow at around 3–4 percent over the medium term, driven primarily by consumption and, to some extent, by investment. However, there are downside risks. These include continued problems in state-owned enterprises, the lack of progress in the next stage of structural reforms, global and domestic uncertainty, and the recent conflict in the Middle East. Inflation is expected to remain elevated in 2026 in part due to the expected impact of the Middle East conflict on energy prices, but is projected to stay within the target range. Fiscal performance in 2026 should remain broadly in check, provided that energy-crisis support measures prove temporary or are offset by measures on expenditure side.

Economic growth, if sustained, will continue to lift more Serbian citizens out of poverty. However, the remaining poor are concentrated among pensioners, the long-term unemployed, or those completely out of the labor force. Thus, targeted social assistance, care services for the disabled and elderly, job search support, and training programs will become essential to ensure further poverty reduction.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	3.8	3.9	2.0	2.7	3.0	4.0
Private consumption	0.5	4.2	1.6	2.8	3.3	4.3
Government consumption	-2.4	5.6	7.7	4.2	2.8	4.0
Gross fixed capital investment	9.7	12.5	-1.7	2.0	5.1	4.2
Exports, goods and services	2.7	3.2	5.6	5.4	5.4	5.2
Imports, goods and services	-1.6	8.3	4.8	5.3	6.0	5.1
Real GDP growth, at constant factor prices	4.8	2.2	2.0	2.7	3.0	4.0
Agriculture	7.4	-5.5	0.0	1.8	1.8	2.0
Industry	3.7	2.3	0.9	1.8	1.9	3.2
Services	5.1	2.9	2.6	3.1	3.6	4.5
Employment rate (% of working-age population, 15 years+)	52.5	53.0	53.3	53.7	54.0	54.3
Inflation (consumer price index)	12.1	4.6	3.8	4.2	3.9	3.0
Current account balance (% of GDP)	-2.4	-4.5	-4.9	-4.9	-4.5	-4.3
Net foreign direct investment inflow (% of GDP)	5.6	5.4	3.3	4.0	4.5	4.2
Fiscal balance (% of GDP)	-2.1	-2.0	-2.4	-3.0	-3.0	-2.5
Revenues (% of GDP)	39.4	40.5	40.9	40.3	40.2	40.0
Debt (% of GDP)	48.4	47.3	45.0	44.9	44.7	44.7
Primary balance (% of GDP)	-0.4	-0.1	-0.5	-1.2	-1.3	-0.9
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	1.1	1.0	1.0	1.0	0.9	0.8
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	2.1	1.9	1.8	1.8	1.7	1.6
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	9.0	8.2	7.8	7.3	6.8	6.3
GHG emissions growth (mtCO₂e)	-2.5	2.1	0.6	1.6	1.6	1.7

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on ECAPOV harmonization, using 2024-EU-SILC. Actual data: 2023. Nowcast: 2024-2025. Forecasts are from 2026 to 2028.

2/ Projection using neutral distribution (2023) with pass-through = 0.87 (Med (0.87)) based on private consumption per capita in constant LCU.

TAJIKISTAN

Tajikistan's economy grew 8.4 percent in 2025, fueled by remittances. Growth is projected to ease to 6.5 percent in 2026 due to decreasing remittances and lower non-precious metal exports. The fiscal balance is expected to deteriorate due to substantial capital expenditures, though debt will remain low at 19 percent of GDP. Poverty declined to 14.8 percent and is projected to decline further.

Key conditions and challenges

Despite strong economic growth over the past 25 years, Tajikistan remains the poorest country in the Europe and Central Asia region, with a GDP per capita of US\$1,634 and a poverty rate of 14.8 percent (lower-middle-income country poverty line) in 2025. Structural transformation has been limited, while weak institutions alongside a challenging business environment continue to constrain job creation.

The Tajik economy remains highly reliant on remittances, averaging 41 percent of GDP over the past five years and originating predominantly from Russia. Remittances finance household consumption and imports as the domestic production base remains small. Remittances have contributed to solid GDP growth over the past decade (7.6 percent per annum), yet job creation has lagged behind the needs of a growing population, with employment at just 36.4 percent in 2025.

Jobs-rich growth will require a better environment for private investment through reforms that reduce state distortions, protect investors, and strengthen competition. Complementary reforms are

Population ¹ million	Poverty ² millions living on less than \$4.20/day
10.8	1.8
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
71.8	95.8
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
17.6	1633.5

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

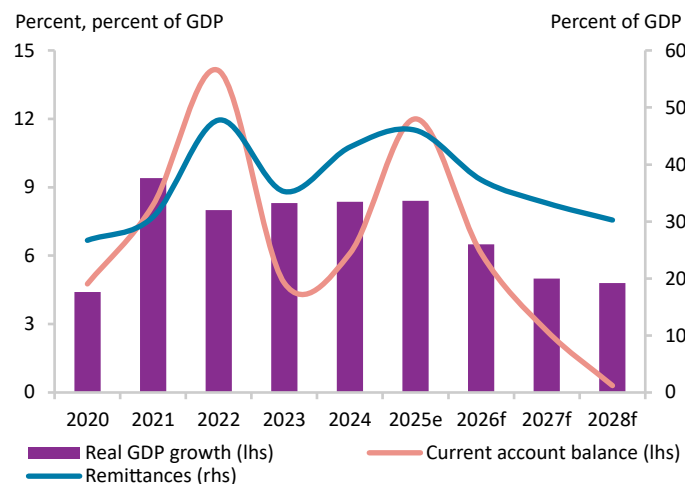
required to improve public sector efficiency, enhance state-owned enterprise governance, strengthen transport and digital connectivity, and raise the quality of basic social service provision.

Recent developments

Tajikistan's economy grew 8.4 percent in 2025, driven primarily by remittances. Growth was broad-based across all sectors, with services and agriculture leading the expansion.

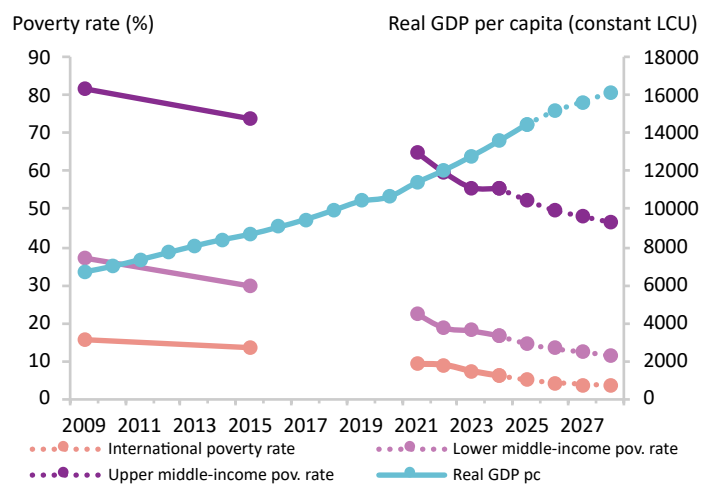
The current account surplus rose from 6.1 percent to an estimated 12 percent of GDP in 2025, supported by a 30.5 percent increase in net remittances to 46 percent of GDP, reflecting strong wage growth in Russia and a stronger ruble. The trade deficit widened to 35 percent of GDP in 2025, due to declining cotton and services exports and higher imports of vehicles, machinery, and non-precious metals. Strong growth in non-precious metal exports, primarily related to a surge in antimony sales to Europe, only partially offset the growing imports. Foreign direct investment inflows weakened further amid a persistently challenging business environment. Meanwhile, robust foreign exchange inflows supported the

FIGURE 1 / Real GDP, remittances, and current account balance



Sources: Statistical Agency, National Bank of Tajikistan, and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

accumulation of international reserves to US\$5.6 billion in 2025, equivalent to over 8 months of imports.

Prudent monetary policy and appreciation of the exchange rate have ensured a low inflation rate of 3.4 percent. The central bank reduced the policy rate from 9 percent in January 2025 to 7.5 percent by year-end. In January 2026, it implemented an additional 50 basis point cut, as inflationary pressures remained benign.

The fiscal balance deteriorated to -1.4 percent of GDP from a small surplus of 0.3 percent in 2024. Despite an increase in revenues and grants to 29.4 percent of GDP, the deficit increased as total expenditure grew from 27.2 percent of GDP in 2024 to 30.8 percent in 2025, driven largely by capital spending related to the Rogun hydropower plant. Strong economic growth, combined with the repayment of two Eurobond tranches totaling US\$166 million, contributed to a significant decline in public debt to 18.3 percent of GDP.

Large external inflows strengthened the banking sector, boosting profitability and lifting the capital adequacy ratio to 23.1 percent by December 2025, well above the 12 percent minimum. Non-performing loans declined from 7.1 to 6.6 percent of the total loan portfolio in December 2025. In November 2025, three Tajik banks were sanctioned under the European Union's 19th package of sanctions on Russia, complicating international operations. The poverty rate fell to 14.8 percent in 2025, down from 16.9 percent in 2024 (lower-middle-income country poverty line).

Outlook

Growth is expected to ease to 6.5 percent in 2026 as remittances and non-precious metal exports normalize. The conflict

in the Middle East is projected to have a small negative effect on overall growth, and higher global prices are expected to raise inflation to 4.8 percent. The projections assume a temporary disruption to global energy supply, driving up prices in 2026 by 36 percent on average for Brent oil, by 67 percent on average for natural gas, and by 20 percent on average for fertilizer, and are subject to considerable uncertainty. Poverty is projected to fall to 13.4 percent in 2026, though higher inflation may have welfare implications.

Remittances are expected to decline steadily to 30.3 percent of GDP by 2028 due to stricter migration policies and slowdown of growth in Russia, though higher oil prices due to the conflict in the Middle East are easing the decline. This reduction in foreign inflows is expected to decrease the Current Account Surplus to 6.1 percent of GDP in 2026. Overall, higher prices are partially offset by remittances, cushioning growth and the current account balance.

Fiscal pressures are expected to persist due to Rogun hydropower plant spending and repayments of Eurobonds and the IMF's Rapid Credit Facility. Grant inflows are expected to decline as Tajikistan transitions out of International Development Association and Asian Development Bank grants. The fiscal deficit is projected at 2.2 percent of GDP, which is the operational anchor to maintain debt sustainability.

Tajikistan faces external risks from geopolitical and trade tensions, including downside risks from the conflict if energy prices remain elevated beyond 2026. While structural reforms are advancing, domestic risks, including loss-making state-owned enterprises, European Union sanctions, and natural disasters, could weaken overall economic performance.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	8.3	8.4	8.4	6.5	5.0	4.8
Private consumption	9.2	15.5	8.6	2.5	2.8	3.2
Government consumption	14.0	20.1	16.5	6.0	5.2	4.9
Gross fixed capital investment	-9.9	-4.4	8.3	9.1	7.8	7.8
Exports, goods and services	13.4	-25.3	31.6	-21.9	6.4	2.0
Imports, goods and services	-4.3	2.6	31.5	-1.7	1.9	1.5
Real GDP growth, at constant factor prices	7.4	8.4	8.4	6.5	5.0	4.8
Agriculture	12.2	-1.8	9.1	5.1	5.1	5.1
Industry	9.8	6.7	4.8	5.3	5.2	5.1
Services	4.0	14.5	9.8	7.8	4.9	4.5
Employment rate (% of working-age population, 15 years+)	36.5	36.4	36.4	36.5	36.8	37.2
Inflation (consumer price index)	3.7	3.5	3.4	4.8	4.9	4.9
Current account balance (% of GDP)	4.8	6.1	12.0	6.1	2.7	0.3
Net foreign direct investment inflow (% of GDP)	0.8	1.3	0.2	1.1	1.1	1.1
Fiscal balance (% of GDP)	-0.9	0.3	-1.4	-2.2	-2.2	-2.3
Revenues (% of GDP)	27.1	27.5	29.4	28.9	28.8	28.8
Debt (% of GDP)	30.0	25.0	18.3	19.0	19.3	19.6
Primary balance (% of GDP)	-0.2	1.0	-0.6	-1.4	-1.3	-1.5
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	7.3	6.1	4.9	4.2	3.8	3.4
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	18.1	16.9	14.8	13.4	12.6	11.6
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	55.7	55.4	52.3	49.6	47.9	46.4
GHG emissions growth (mtCO₂e)	1.5	4.4	3.0	2.5	1.8	1.7

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on ECAPOV harmonization, using 2024-HBS. Actual data: 2024. Nowcast: 2025. Forecasts are from 2026 to 2028.

2/ Projection using neutral distribution (2024) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

TURKMENISTAN

Official data indicate that Turkmenistan's economy grew by 6.3 percent in 2025, driven by investment, private consumption, services, construction, and agriculture. The growth outlook remains positive in 2026, reflecting the country's better prospects for energy export performance due to the impact of the conflict in the Middle East, while inflation is projected to increase gradually reflecting pressures from international energy prices as well as domestic factors.

Key conditions and challenges

Turkmenistan's economic growth remains heavily dependent on hydrocarbon exports, particularly natural gas, with export concentration in a single market (China), limited diversification, a narrow trade base, and a small private sector. Despite public investment and energy exports supporting growth, above structural bottlenecks constrain productivity, better job creation, and income growth outside state-led sectors. Turkmenistan is adequately prioritizing economic diversification. In the medium term, expanding into downstream petrochemicals, logistics, renewable energy, and tradable services would lower vulnerability to commodity price swings and encourage more job-intensive growth.

Another main challenge is transition from state-led to inclusive private sector-led growth. Achieving such transition while improving competitiveness requires a shift toward a market-based strategy, and related reforms to liberalize administered prices and strengthen monetary policy and exchange rate frameworks. In particular, addressing exchange rate distortions—by moving to a single, market-based exchange rate would help reduce the overvaluation of the manat relative to other currencies and

Population ¹ million	Poverty
7.6	..
Life expectancy at birth ² years	School enrollment ³ primary (% gross)
70.1	95.7
GDP ⁴ current US\$, billion	GDP per capita ⁵ current US\$
77.4	10158.9

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2023. 3/ 2024. 4/ 2025. 5/ 2025.

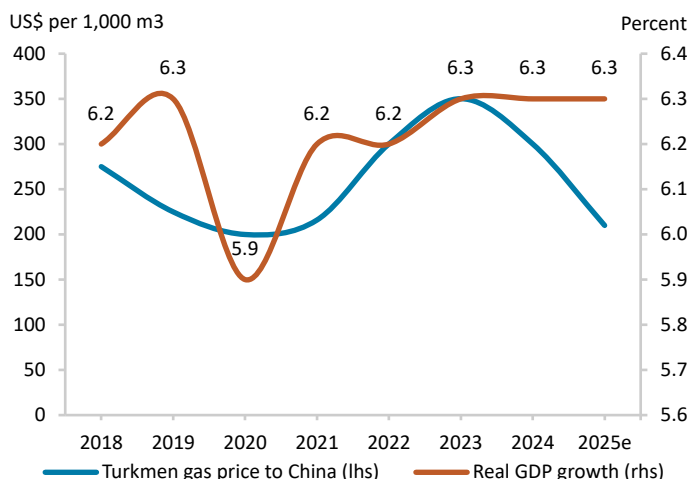
improve resource allocation. Reducing state-owned enterprises (SOEs) dominance and the state footprint remains critical to support private sector development.

While Turkmenistan has made progress in strengthening fiscal discipline, it could accelerate medium-term budgeting, implement a single treasury account, and broaden fiscal reporting to improve fiscal transparency and management. The Central Bank of Turkmenistan (CBT) should focus on price and financial stability, and not engage in providing commercial lending for development purposes.

Recent developments

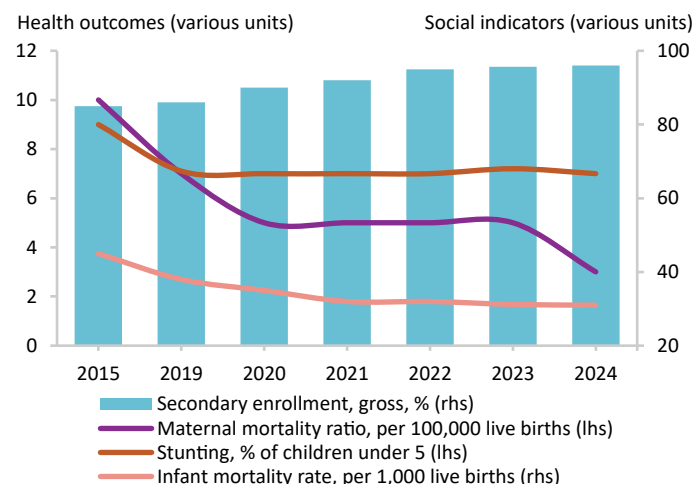
Official data indicate real GDP grew by 6.3 percent in 2025, driven by strong growth in private consumption, budget and SOEs investment (on the demand side) and expansion of services (10.7 percent), agriculture (7.0 percent), and construction (7.9 percent) supported by state-funded projects (on the supply-side). Investment grew by 6 percent in real terms, focusing on infrastructure, manufacturing, housing, education and health facilities, as well as finalization of the new "smart city", Arkadag.

FIGURE 1 / Real GDP growth and gas prices



Sources: Official data and World Bank.

FIGURE 2 / Selected health and education indicators



Sources: World Bank, UNICEF, WHO/UN, MICS data.

Growth in services was primarily driven by retail distribution (which grew by 13.2 percent) and transport and communication activities (by 9.8 percent), supported in part by the new free trade regime with Uzbekistan, and increasing trade with neighboring countries across the region. Industrial growth was more moderate (excluding construction, industry grew by 1.8 percent), with the private sector's growth prospects limited by restricted access to foreign exchange (at the official rate) and credit.

Inflation persisted, with officially reported inflation in the mid-single digits, but the International Monetary Fund Article IV mission to Turkmenistan in June 2025 estimated that actual inflation is higher, especially for imported goods, resulting in a lower alternative real GDP growth estimate. The exchange rate pass-through to inflation remains muted, as both official and parallel rates have been broadly stable, despite a persistent spread between them.

Exports contracted by 7.2 percent (in US\$ terms) in 2025, on lower natural gas shipments while smaller-scale food exports grew by 30 percent compared to 2024. Imports increased by 38.3 percent, mainly due to purchase of equipment for state projects.

Fiscal policy was moderately expansionary in 2025 as the budget surplus is estimated to have shrunk from 0.8 to 0.1 percent of GDP reflecting higher public investment in infrastructure, energy, and construction and increases in public sector wages and social spending. However, SOE-related contingent liabilities and quasi-fiscal activities pose fiscal risks.

Bank loans increased by 4.8 percent in nominal terms in 2025, compared to 2.2 percent a year earlier. Mortgage loans increased by 20.1 percent in 2025 and by 16.2 percent in 2024 showing government priority to increase new home purchases, including in the cities of Ashgabat and Arkadag.

Real household incomes rose in line with GDP, by 6.1 percent in 2025, mainly due to a nominal 10 percent annual increase in public sector wages, pensions, stipends and allowances, and an increase of 7,000 jobs in construction projects and SOEs. Average wages in large and medium-sized SOEs increased by 11.9 percent in 2025. Poverty estimates are uncertain due to data limitations, but indicators suggest extreme poverty is low, though vulnerability to income shocks and inflation is significant.

Outlook

The outlook is closely linked to hydrocarbon production and external demand and prices from its main trading partner, China. The global energy price shock from the conflict in the Middle East is expected to temporarily boost Turkmenistan's gas export revenues, supporting growth and the current account in 2026. Higher global energy and transport costs could also raise food import prices, adding to domestic inflationary pressures. Real GDP growth is expected to increase slightly in 2026, driven in part by higher gas prices, and public investment in infrastructure, gas sector, and related industries.

Turkmenistan's goods exports are projected to increase modestly in 2026 and 2027 due to the incremental production increases and diversification efforts. But pipeline expansion timelines (construction of Line D to China resumed in early 2026) are uncertain within the forecast period. Non-hydrocarbon growth is expected to remain subdued due to a challenging business environment for private firms, real exchange rate overvaluation and the predominance of directed lending to state-owned enterprises, which limits credit available to the private sector. Higher wages will drive up imports, adding pressure on the trade balance. The current account balance is expected to improve in 2026, and then weaken in 2027–2028 reflecting lower hydrocarbon prices and an overvalued national currency.

Inflation is forecast to rise gradually, due to pressure from international energy prices on food imports, and due to ongoing public sector wage and pension increases and exchange rate pressures. Exchange rate regime reforms, if implemented in the forecast period, could temporarily raise inflation but provide longer-term growth benefits through improved resource allocation and investment.

The fiscal position should stay stable if hydrocarbon revenues continue. Fiscal transparency and a medium-term fiscal framework would boost resilience.

Downside risks stem from external demand shocks, volatile commodity prices, tighter trade or financial conditions among partners, SOE liabilities, large investment commitments, and delays in structural reforms. Upside potential could arise from higher global hydrocarbon prices, successful diversification, better connectivity, and gradual economic liberalization.

Recent history

	2020	2021	2022	2023	2024	2025
Real GDP growth, at constant market prices	5.9	6.2	6.2	6.3	6.3	6.3
Real GDP growth, at constant factor prices	5.9	6.2	6.2	6.3	6.3	6.3
Agriculture	5.7	4.0	7.2	5.1	5.3	7.0
Industry	2.7	7.8	5.9	5.6	3.2	2.9
Services	10.8	4.3	6.5	7.6	11.0	10.7
Inflation (consumer price index)	-0.1	4.6	3.0	1.4	3.8	3.9
Current account balance (% of GDP)	-0.5	4.8	3.0	1.9	1.5	2.3
Fiscal balance (% of GDP)	0.1	0.5	3.1	1.3	0.8	0.1
Debt (% of GDP)	14.9	12.7	7.9	6.0	5.6	5.2

Source: Official data. Not aligned with IMF GDPS standards.
Notes: Data in annual percent change unless indicated otherwise.

TÜRKIYE

Macroeconomic policies have contributed to disinflation, reduced external imbalances, higher reserves, and moderate economic growth. Growth is projected at 2.8 percent in 2026 and 3.7 percent in 2027. Continued progress on disinflation requires preserving tight monetary stance and further tightening fiscal policy. Poverty and unemployment reduction has somewhat been offset by high cost of living. Uneven welfare gains call for social protection measures for vulnerable groups.

Key conditions and challenges

Macroeconomic stabilization policies continue, with the Central Bank of the Republic of Türkiye (CBRT) maintaining a tight monetary policy stance despite rate cuts, aided by macroprudential policies, alongside fiscal consolidation. Policies have led to increased macro-financial stability, reserve build-up, sustained growth, and continued—but very gradual—disinflation as inflation remains persistent and is aggravated by the conflict in the Middle East.

Progress on disinflation and the re-anchoring of expectations necessitates maintaining tight monetary policy, further tightening fiscal policy, and strengthening social policies to protect vulnerable groups. Removing structural barriers in parallel with macroeconomic stabilization could help unlock productivity-led growth over the medium term.

Recent developments

After growing 3.3 percent in 2024, the economy grew 3.6 percent in 2025. Despite tight financial conditions, private consumption

Population ¹ million	85.7	Poverty ² millions living on less than \$8.30/day	3.5
Life expectancy at birth ³ years	77.2	School enrollment ⁴ primary (% gross)	102.5
GDP ⁵ current US\$, billion	1596.3	GDP per capita ⁶ current US\$	18620.5

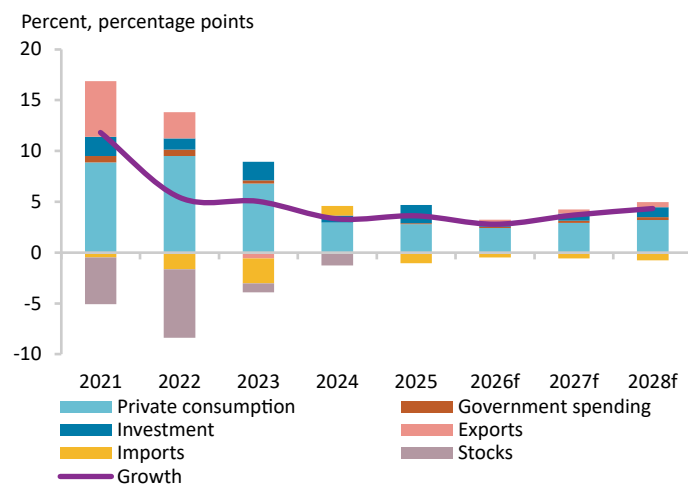
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2023 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2025. 6/ 2025.

rebounded in H2 and grew 4.1 percent in 2025 while investment growth accelerated to 7.0 percent in 2025, even as the Purchasing Managers' Index remained below 50 since March 2024. The contribution of net exports to growth was negative in 2025. The unemployment rate dropped to 8.1 percent in January, from 8.5 percent a year earlier, while the labor underutilization rate (including discouraged and underemployed workers) increased to 29.9 percent from 27.3 percent.

The risk premia (credit default swap spread), which surpassed 330 basis points (bps) in April 2025, declined over the past year to 210 bps, before exceeding 300 bps in March in response to the conflict in the Middle East. Net international reserves excluding swaps reached US\$77.7 bn as of February. The current account deficit widened in 2025 to 1.6 percent of GDP, from 0.8 percent in 2024.

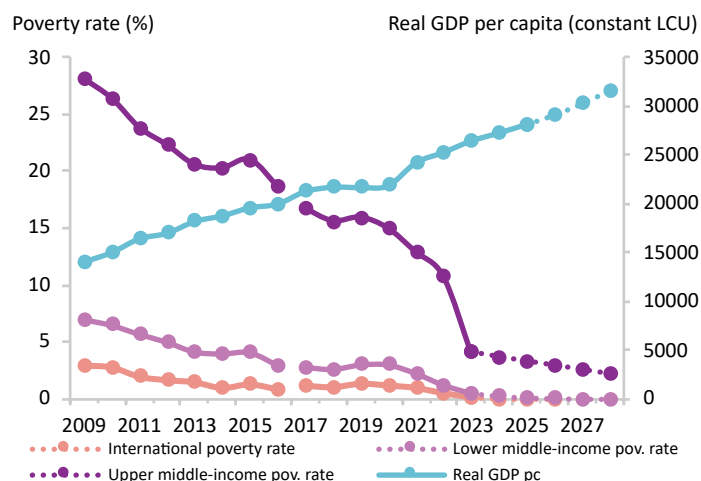
After raising the policy rate to 46 percent in April 2025 due to heightened market uncertainty, the CBRT reinitiated cuts in July, bringing the policy rate to 37 percent in January 2026, while simultaneously tightening credit conditions. Tight policy and subdued nominal exchange rate depreciation helped bring inflation down to 31.5 percent in February.

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Sources: Turkstat and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

Tight monetary and macroprudential policies have preserved buffers and stability in the financial sector, but real conditions remain restrictive for households and small firms. In January 2026, the capital adequacy ratio fell slightly to 16.8 (from 17.7 a year ago) and the non-performing loan ratio remains contained despite edging up to 2.6 (from 1.9 a year ago). The sector is resilient, though tighter, costlier TL credit and elevated inflation are straining firms' incomes and investment while increasing their short-term foreign exchange liabilities.

The fiscal deficit improved significantly from 4.7 percent of GDP in 2024 to below 3 percent in 2025 thanks to stronger revenues and decelerating non-interest expenditures. General government debt-to-GDP remains low at 24.5 percent as of September 2025, up from 23.6 percent at end-2024.

The share of people below the US\$8.30 poverty line fell from 10.8 percent in 2022 to 4.1 percent in 2023. Rising rents boosted living standards for low-income homeowners but squeezed renters. Minimum wage hikes helped lower-income workers keep pace with inflation but became modest in 2024–2025 and have lower impacts on informal workers.

Outlook

Growth projections for 2026 have been adjusted down to 2.8 percent due to the conflict in the Middle East and the associated policy responses. The projections assume a temporary disruption to global energy supply, driving up prices in 2026 by 36 percent on average for Brent oil, by 67 percent on average for natural gas, and by 20 percent on average for fertilizer, and are subject to considerable uncertainty. Growth is expected to accelerate to

3.7 percent in 2027 and 4.3 percent in 2028 with a pickup in private consumption and investment. The conflict is impacting growth through higher energy prices, higher risk premia and higher interest rates on the back of higher inflation. Disinflation is projected to progress gradually due to sticky services inflation and higher energy and food prices in 2026, with inflation expected to decline to 28.3 percent by end-2026. The current account deficit may widen with higher oil price and recovering consumption growth in outer years. The fiscal deficit is projected to remain around 3 percent of GDP.

Despite the headline poverty reduction, uneven welfare outcomes call for targeted social policies. Poorer households remain especially vulnerable to price shocks from the conflict in the Middle East: bottom-decile households spend eight times more of their budget on natural gas and oil than top-decile households. Food also represents 32 percent of their consumption, and rising energy prices are likely to push food costs higher through logistics.

Downside risks stem from the conflict, particularly if energy prices remain elevated beyond 2026. If energy prices stay higher for longer than in the baseline, the negative impact on inflation, growth and the current account could be higher. Furthermore, the slowed pace of disinflation is testing the resilience of consumers and firms—as real disposable incomes of consumers erode and the longer adjustment process puts pressure on firms, risking their ability to sustain employment and investment. Faster-than-expected easing of monetary policy or heightened market uncertainty could trigger a run to foreign exchange by domestic investors, putting upward pressure on inflation and reserve accumulation. Faster progress on structural reforms could boost productivity-led growth, accelerate disinflation, and increase the resilience of the economy.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	5.0	3.3	3.6	2.8	3.7	4.3
Private consumption	10.5	4.3	4.1	3.5	4.2	4.7
Government consumption	2.3	-0.8	0.8	1.1	1.7	2.3
Gross fixed capital investment	7.3	2.7	7.0	1.5	2.7	3.8
Exports, goods and services	-2.3	0.1	-0.3	1.3	1.9	2.3
Imports, goods and services	12.1	-4.4	4.9	2.3	2.9	3.8
Real GDP growth, at constant factor prices	4.2	2.9	3.6	2.8	3.7	4.3
Agriculture	0.4	5.1	-8.8	2.1	1.4	1.5
Industry	3.1	2.1	2.9	1.4	2.3	3.1
Services	5.3	3.1	3.4	3.4	4.4	4.9
Employment rate (% of working-age population, 15 years+)	48.3	49.2	49.2	49.0	49.1	49.3
Inflation (consumer price index)	53.9	58.5	34.9	30.3	23.0	16.5
Current account balance (% of GDP)	-3.6	-0.8	-1.6	-2.6	-2.7	-2.8
Net foreign direct investment inflow (% of GDP)	0.4	0.4	0.3	0.6	0.7	0.8
Fiscal balance (% of GDP)	-5.1	-4.7	-2.8	-3.5	-3.3	-3.0
Revenues (% of GDP)	29.6	31.6	31.7	30.3	30.7	30.9
Debt (% of GDP)	28.7	24.0	24.6	25.6	26.4	27.4
Primary balance (% of GDP)	-3.7	-3.2	-0.6	-0.5	-0.1	0.2
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	0.2	0.0	0.0	0.0	..	..
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	0.4	0.2	0.1	0.1	0.0	0.0
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	4.1	3.7	3.3	2.9	2.5	2.1
GHG emissions growth (mtCO₂e)	-2.9	0.8	1.8	1.3	2.2	2.0

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on ECAPOV harmonization, using 2019-SILC-C, 2023-SILC-C, and 2024-SILC-C. Actual data: 2023. Nowcast: 2024–2025. Forecasts are from 2026 to 2028.

2/ Projection using average elasticity (2018–2022) with pass-through = 0.5 based on GDP per capita in constant LCU.

UKRAINE

Ukraine's economy remains in a wartime equilibrium, maintaining macroeconomic stability through the effective use of external assistance, but experiencing slowing growth from labor shortages and an energy crisis resulting from infrastructure destruction and a sharp rise in global fuel prices. While Ukraine has secured assurances of US\$136.5 billion in external support for 2026–2029, stronger reform momentum is needed to reignite growth and ensure timely disbursements.

Key conditions and challenges

With hostilities entering their fifth year, Ukraine continues to maintain macroeconomic stability through the effective deployment of large-scale external assistance. At the same time, growth has markedly slowed. Initially driven by labor shortages, the slowdown has been compounded by recent energy shocks that result from targeted attacks on the energy infrastructure and rising global fuel and fertilizer prices. Due to the high energy intensity of key economic sectors, including mining, metallurgy, manufacturing and agriculture, these factors impose substantial supply-side disruptions.

Budget allocations for defense are high in 2026 and are expected to remain so even after an eventual ceasefire, to allow for restocking. This further constrains fiscal space for reconstruction even though needs continue to rise, estimated at US\$588 billion by the February 2026 Rapid Damage and Needs Assessment. While donors have committed support of US\$136.5 billion for 2026 to 2029 as part of a new International Monetary Fund (IMF) program, much of these disbursements hinge on the timely completion of policy conditionality under the Ukraine Facility Plan, the IMF

Population million	Poverty
..	..
Life expectancy at birth ¹ years	School enrollment ² primary (% gross)
73.4	93.3
GDP ³ current US\$, billion	GDP per capita current US\$
206.6	..

Sources: WDI, MFM, and official data. 1/ 2023. 2/ 2024. 3/ 2025.

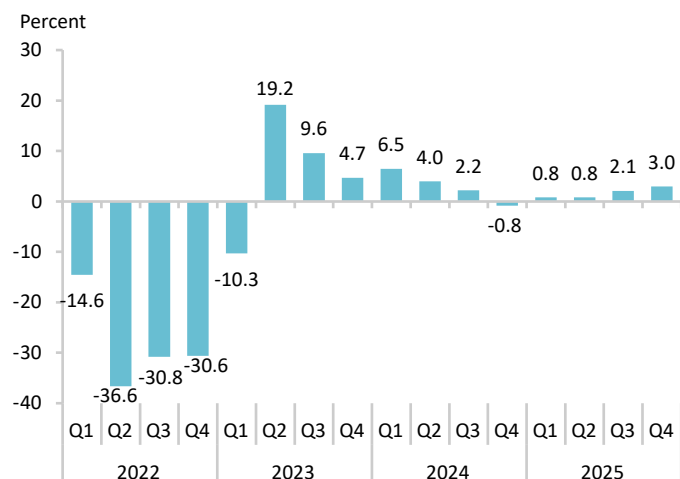
program, and World Bank budget support at a time when domestic reform momentum has slowed.

The prospect of European Union accession remains a critical anchor for structural reforms. The screening process concluded in September 2025 and, as of March 2026, discussions and preparations on all six accession negotiation clusters are ongoing.

Recent developments

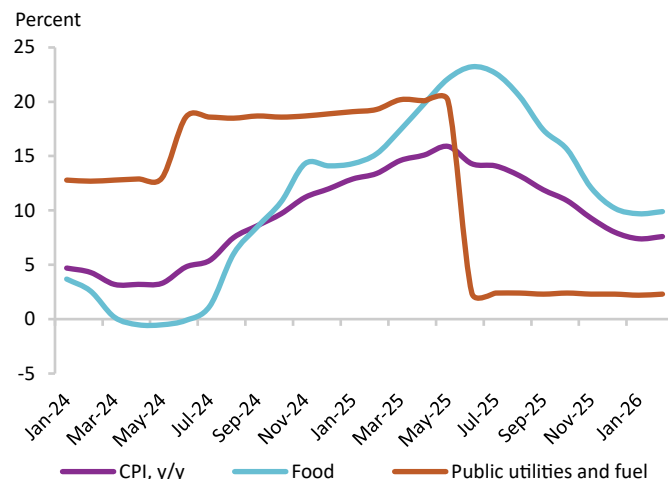
GDP growth slowed to 1.8 percent in 2025, from 3.2 percent in 2024, as output approaches its constrained potential. From late 2025 intensified attacks have damaged major power plants, deepening a domestic energy production shortfall that had already driven a rapid increase in gas and electricity imports since early 2025. These developments have raised production costs and increased Ukraine's exposure to the global fuel price shocks relating to the conflict in the Middle East. Factory gate prices charged by energy producers rose 13 percent year-on-year in January 2026 and are expected to climb further. Together, these supply-side pressures have further decelerated growth, with high-frequency estimates pointing to an economic contraction in January and February.

FIGURE 1 / GDP growth year-over-year



Source: Ukraine Statistics Office.

FIGURE 2 / Inflation, year-over-year



Source: Ukraine Statistics Office.

Defense spending remained the main expenditure driver in 2025, pushing total expenditure by 3.3 percentage points to 74.6 percent of GDP. Revenues (excluding grants) rose to 50.9 percent of GDP (from 48.1 percent in 2024), supported by a higher military personal income tax rate and larger in-kind aid. The fiscal deficit (excluding grants) remained at 23.6 percent of GDP, financed mainly through external borrowing, as grants fell from 5.9 to 0.3 percent. Public debt increased to 101.9 percent of GDP, with a larger share owed to multilateral creditors.

Inflation, which had accelerated to 15.9 percent in May 2025, has declined to 7.6 percent in February 2026, because of tight monetary policy. In response to supply shocks and rising input costs driven by labor and energy shortages, the National Bank of Ukraine (NBU) raised the policy rate from 13 percent in November 2024 to 15.5 percent in March 2025, and held it at this level until February 2026, when it was reduced to 15 percent. Large foreign exchange interventions stabilized the currency market but led to real exchange rate appreciation in January–October 2025.

Higher imports of energy and military equipment, combined with real exchange rate appreciation, nearly doubled the current account deficit to 15 percent of GDP (US\$31.9 billion) in 2025, up from 8 percent in 2024. Official assistance of US\$58.6 billion was sufficient to finance these outflows, allowing reserves to reach a record high of US\$57.7 billion in January 2026.

Poverty and inequality continued to rise in 2025. Simulations suggest the poverty rate increased from already elevated 2024 levels, reaching 38 percent based on the actual subsistence minimum. Inequality also worsened, with the Gini coefficient rising from 0.42 in 2023 to 0.50 in 2025, reflecting uneven wage growth

and declining real pension values. Public transfers, including pensions, social assistance, and internally displaced people support, remain critical for many households.

Outlook

Ukraine's economic outlook depends primarily on the duration of hostilities and continued donor support. The baseline assumes the war continues through 2026. In this case, growth is projected at 1.2 percent in 2026, which reflects electricity shortages and the assumption that global energy and fertilizer prices will remain elevated for the remainder of 2026. Downside risks include energy shortages extending into the next heating season, while a reversal of the recent global energy price increase represents an upside.

Assuming a ceasefire is in place by 2027, growth is projected at 4 percent, below the previously expected 7 percent in the first post-ceasefire year, reflecting structural labor market imbalances and greater-than-anticipated damage to infrastructure and production facilities. Sustained reform implementation is critical for any recovery, including undertaking a growth-enhancing fiscal adjustment, reducing the state footprint, simplifying business regulations, and deshadowing the economy, as well as eliminating sector-specific growth bottlenecks.

The fiscal deficit is projected to contract slowly, reflecting elevated security risks and high public capital expenditure needs. Inflation is projected at 8.5 percent in 2026, reflecting imported inflation and domestic price pressure from global energy shocks, and is likely to remain above the NBU's 5 percent target through 2028.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	5.5	3.2	1.8	1.2	4.0	4.5
Private consumption	4.3	6.8	2.4	2.6	3.0	3.5
Government consumption	9.0	-10.6	9.3	-2.5	-12.6	-3.5
Gross fixed capital investment	65.9	11.8	10.2	12.9	21.1	15.6
Exports, goods and services	-5.9	10.3	-2.0	-0.5	4.5	3.0
Imports, goods and services	8.9	7.7	8.9	6.5	5.0	7.0
Real GDP growth, at constant factor prices	5.5	3.2	1.8	1.2	4.1	4.5
Agriculture	11.1	-7.3	3.0	1.5	5.0	6.0
Industry	32.8	3.9	2.5	-0.8	8.0	7.0
Services	-2.5	5.1	1.3	1.8	2.5	3.4
Employment rate (% of working-age population, 15 years+)	44.7	45.3	46.3	47.3	47.7	47.7
Inflation (consumer price index)	12.9	6.5	12.9	8.5	8.0	5.8
Current account balance (% of GDP)	-5.3	-8.0	-15.0	-19.5	-16.8	-9.8
Net foreign direct investment inflow (% of GDP)	-2.6	-2.0	-1.0	-1.5	-3.9	-4.0
Fiscal balance (% of GDP)¹	-19.3	-17.2	-23.3	-18.2	-17.3	-7.3
Revenues (% of GDP)	54.1	54.0	51.2	43.1	40.9	43.9
Debt (% of GDP)	78.3	87.4	101.9	107.2	112.3	108.0
Primary balance (% of GDP)¹	-15.5	-13.3	-19.1	-13.0	-13.8	-3.5
GHG emissions growth (mtCO2e)	0.7	-2.8	-5.4	-2.0	-0.8	-0.2

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Fiscal balance and Primary balance are including grants.

UZBEKISTAN

Uzbekistan's economy grew 7.7 percent in 2025, driven by export recovery and private consumption. Growth was pro-poor, with national poverty falling from 8.9 percent in 2024 to 5.8 percent in 2025. GDP growth is projected at 6.4 percent in 2026, broadly in line with the economy's estimated potential growth. The outlook remains positive, assuming sustained strong reform momentum, which will boost private sector growth and job creation.

Key conditions and challenges

Since 2017, Uzbekistan has shifted toward a market-based economy aimed at achieving inclusive growth. Annual per capita GDP growth has averaged 3.8 percent, above the lower-middle-income country average. Net job creation rose from 0.4 percent in 2017–2021 to 2.5 percent annually in 2022–2025. With the working-age population set to grow by 1.4 million in five years, continued reforms are essential. Priorities include reducing the footprint of the state in the economy, liberalizing key services sectors characterized by significant regulatory and trade barriers (especially telecommunications and transport), joining the World Trade Organization, and improving workforce skills.

Recent developments

In 2025, real GDP rose by 7.7 percent, up from 6.7 percent in 2024, driven by export recovery, private consumption, and growth in services, agriculture, and industry. Private consumption increased by 9.2 percent in real terms due to higher wages and remittances,

Population ¹ million	Poverty ² millions living on less than \$4.20/day
37.9	1.5
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
72.4	94.4
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
146.9	3876.8

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2025 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

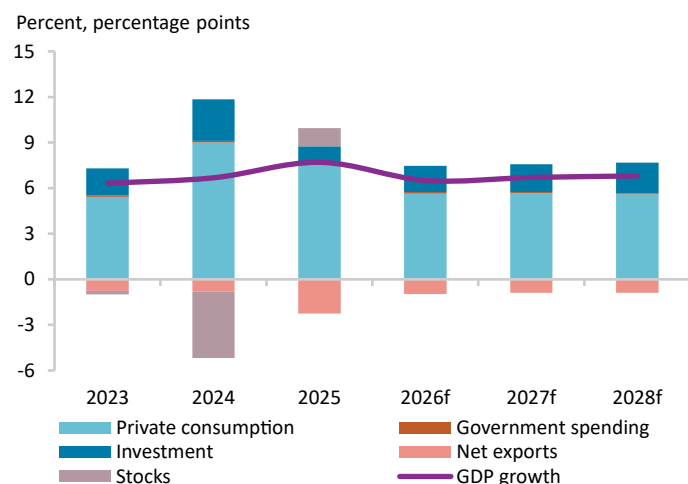
while investment grew by 10.5 percent (reaching 31.9 percent of GDP, with foreign direct investment making up a third).

Exports rose 24 percent (in US\$ terms), led by gold, copper, zinc, uranium goods, food, fertilizers, and services, while imports increased 18.5 percent due to higher energy, machinery, and intermediate goods purchases. The current account deficit narrowed to 3.3 percent of GDP in 2025 from 4.7 percent in 2024, supported by high gold prices, stronger non-gold exports, and steady remittances.

The Uzbek sum appreciated 0.6 percent in 2025 against the dollar due to increased foreign inflows, including remittances, export revenue and prudent Central Bank policy. International reserves reached US\$70 billion in January 2026 (86 percent in gold), up US\$27.1 billion from a year prior, covering 17 months of imports.

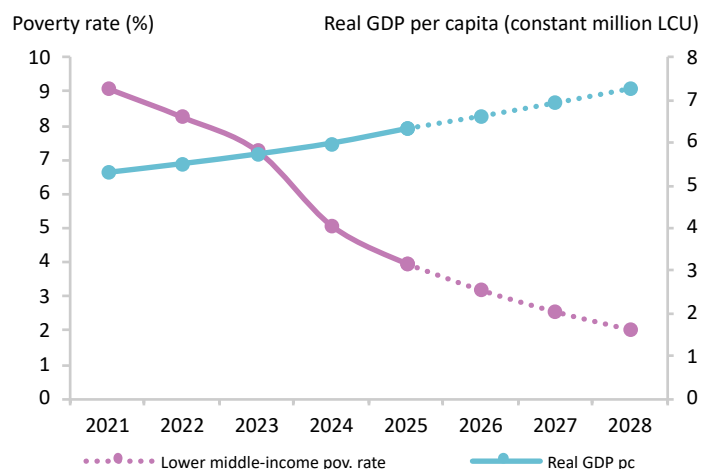
Fiscal performance exceeded expectations in 2025, with revenue at 26.1 percent of GDP and spending at 28.2 percent, yielding a 2.1 percent deficit (lower than the 3.3 percent deficit in 2024), thanks to higher tax revenues and reduced energy subsidies, and a decline in subsidized lending to state-owned enterprises (SOEs).

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Source: World Bank.

FIGURE 2 / Actual and projected poverty rate and real GDP per capita



Source: World Bank. Notes: See footnotes in table on the next page.

When inflation rose to 10.3 percent in March 2025, the Central Bank raised the policy rate by 50 basis points to 14 percent in March 2025, slowing inflation to 7.3 by December 2025 and 7.2 percent by January 2026. Food inflation was 5.5 percent on average in 2025, while services inflation (mainly gas, electricity, education) rose to 13.9 percent. To compensate for higher energy tariffs, low-income families received a one-time US\$80 cash transfer equivalent in November 2025.

Real credit to the economy expanded 9.7 percent in 2025 (from 5.3 percent in 2024), despite the higher interest rates, as fiscal and industrial policies and strong demand fueled growth—especially in construction, fintech, household, and microfinance credit. The banking sector remains well-capitalized (18.3 percent capital ratio in December 2025, up from 17.4 percent in December 2024; minimum requirement is 13 percent), and reported nonperforming loans decreased to 2.9 percent in December 2025 from 3.9 percent in December 2024, but may understate risks due to classification differences.

Household income growth in 2025 was high, driven by wage income growth, and favored lower-income groups, especially in urban areas. This pro-poor growth cut the national poverty rate from 8.9 percent to 5.8 percent and improved the Gini coefficient from 34.6 to 32.7 between 2024 and 2025.

Outlook

The projections assume a temporary disruption to global energy supply, driving up prices in 2026 by 36 percent on average for Brent oil, by 67 percent on average for natural gas, and by 20 percent on average for fertilizer, and are subject to considerable uncertainty.

As a net importer of oil and gasoline, Uzbekistan is exposed to the energy price shock from the conflict in the Middle East. Domestic natural gas production, regulated energy tariffs (shifting impact to SOEs rather than to consumer price index), and rising gold exports during geopolitical tensions help to partly offset these effects. On balance the conflict is expected to slightly dampen GDP growth in 2026, increase the current account deficit, and add modestly to inflation.

Growth is projected to moderate to 6.4 percent in 2026, driven primarily by domestic demand, especially private consumption and investment, while the contribution of net exports and remittances is expected to be modest due to slowing growth in Russia and China. The current account deficit is projected to widen to 4.4 percent of GDP in 2026 compared to 3.3 percent in 2025.

The overall fiscal deficit is expected to remain at 3 percent of GDP in 2026 and in the medium term, thanks to the continuation of fiscal consolidation via reduced energy subsidies, lower on-lending to SOEs, and intensified revenue collection efforts. The government is expected to adhere to its debt limits, with public debt remaining around 28 percent of GDP in 2026–2027. Headline inflation is projected to decline below 8 percent in 2026 and gradually approach the inflation target of 5 percent by 2028.

Downside risks stem from a deeper-than-anticipated deterioration in Russia's economic performance, a correction in gold prices, tighter-than-expected global financial conditions, and an extended conflict in the Middle East, particularly if energy prices remain elevated beyond 2026. Upside risks include higher global gold, uranium, and copper prices, and stronger productivity growth and foreign direct investment inflows from ongoing structural reforms.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	6.3	6.7	7.7	6.4	6.7	6.8
Private consumption	7.0	11.5	9.2	6.5	6.8	6.7
Government consumption	1.1	1.1	1.1	1.1	1.1	1.1
Gross fixed capital investment	23.4	31.3	10.5	16.4	15.2	15.6
Exports, goods and services	17.3	-5.9	6.0	11.0	8.4	7.5
Imports, goods and services	15.3	-1.5	12.9	10.5	8.6	8.0
Real GDP growth, at constant factor prices	6.3	6.7	7.7	6.4	6.7	6.8
Agriculture	4.1	3.1	4.4	3.7	3.9	4.0
Industry	6.2	7.3	6.9	6.8	7.0	7.3
Services	7.1	7.5	9.1	7.0	7.4	7.3
Employment rate (% of working-age population, 15 years+)	68.3	68.7	69.0	69.4	69.6	69.9
Inflation (consumer price index)	10.0	9.6	8.8	7.8	5.8	5.3
Current account balance (% of GDP)	-7.6	-4.7	-3.3	-4.4	-3.7	-4.0
Net foreign direct investment inflow (% of GDP)	2.3	2.4	2.6	2.5	2.5	2.6
Fiscal balance (% of GDP)	-4.9	-3.3	-2.1	-3.0	-3.0	-3.0
Revenues (% of GDP)	25.9	25.6	26.1	26.1	26.2	26.2
Debt (% of GDP)	31.5	32.6	28.6	27.8	27.4	27.2
Primary balance (% of GDP)¹	-4.2	-2.3	-1.1	-2.0	-2.0	-2.1
Lower middle-income poverty rate (\$4.20 in 2021 PPP)²	7.3	5.1	4.0	3.2	2.6	2.1
GHG emissions growth (mtCO2e)	3.6	3.7	3.9	4.1	4.1	4.0

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ The primary balance excludes interest payments received.

2/ Projection using annualized elasticity (2021–2025) with pass-through = 1 based on GDP per capita in constant LCU.

Argentina
Bahamas, The
Barbados
Belize
Bolivia
Brazil
Chile
Colombia
Costa Rica
Dominica
Dominican Republic
Ecuador
El Salvador
Grenada
Guatemala

Guyana
Haiti
Honduras
Jamaica
Mexico
Nicaragua
Panama
Paraguay
Peru
Saint Lucia
Saint Vincent and the Grenadines
Suriname
Trinidad and Tobago
Uruguay

Latin America and the Caribbean

ARGENTINA

Substantial progress in restoring macroeconomic stability through fiscal consolidation and exchange rate reforms. Growth rebounded to 4.4 percent in 2025 and is projected at 3.6 percent in 2026. Inflation is declining. Poverty has eased, though high informality and inequality constrain inclusive growth. Balancing exchange rate flexibility, reserves accumulation, and disinflation poses risks, amid shallow buffers and heightened international volatility.

Key conditions and challenges

Argentina's recent efforts to address long-standing macroeconomic imbalances provide a more stable platform for economic recovery and poverty reduction. The country benefits from abundant natural resources, a relatively skilled labor force, and comparative advantages in agro-industry and services. However, decades of macroeconomic instability—driven by chronic fiscal imbalances, recurrent monetary financing of deficits, and a highly restrictive regulatory environment, have weakened productivity, discouraged private investment, and heightened vulnerability to shocks.

The current economic program aims to restore macroeconomic stability through fiscal consolidation, the gradual normalization of the exchange rate and capital account regime, and the removal of distortionary regulations. Nonetheless, the economy remains exposed to significant challenges, including limited fiscal and external buffers, inflation inertia, shallow financial intermediation, and infrastructure gaps that constrain productivity growth and job creation.

Argentina's household welfare reflects the contrast between lower inflation and weak job creation concentrated in informal,

Population ¹ million	Poverty ² millions living on less than \$8.30/day
45.9	6.9
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
77.4	102.5
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
665.8	14521.6

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

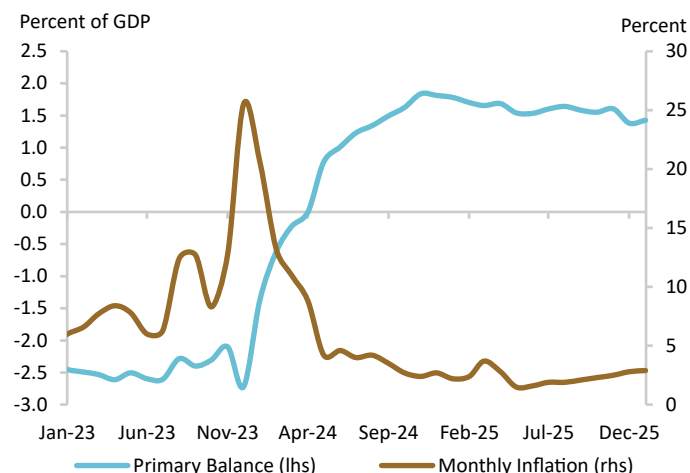
low-productivity activities, including self-employment and platform-based delivery work. While the poverty rate fell from 16.4 percent in 2023 to 15.2 in 2024 (at the US\$8.30 per day, 2021 PPP poverty line), below several regional peers, a sizable share of the population remains vulnerable.

Looking ahead, the key challenge is to consolidate macroeconomic stabilization while advancing structural reforms that support growth. Strengthening fiscal and external buffers, improving fiscal efficiency, accelerating infrastructure investment, and rebuilding human capital are critical to enhancing resilience, expanding formal employment, and enabling sustained poverty reduction.

Recent developments

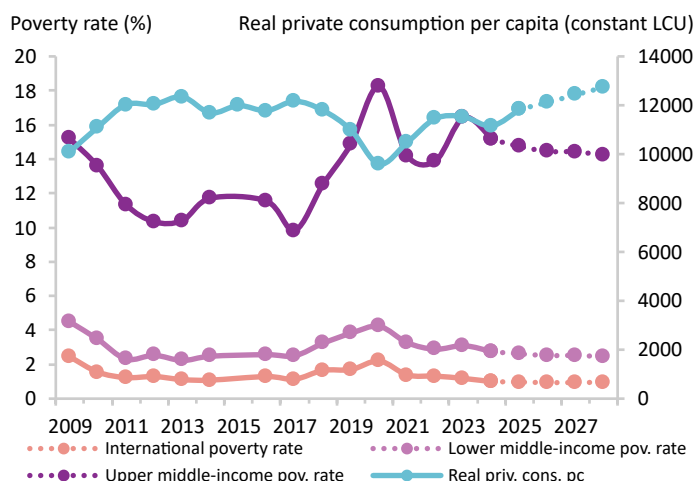
Real GDP grew by 4.4 percent in 2025, largely reflecting a favorable end-2024 base effect, alongside a gradual recovery in domestic demand and investment in energy, agriculture, and mining. Growth was tempered by the political cycle, with mid-term elections in October. Progress in strengthening fiscal and external sustainability supported a sharp decline in sovereign risk spreads, from around 2,000 basis points in January 2024 to about 600 basis points by March 2026.

FIGURE 1 / Central government primary balance and monthly CPI inflation



Sources: National Institute of Statistics and Censuses (INDEC), and Ministry of Economy.

FIGURE 2 / Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Notes: See footnotes in table on the next page.

Fiscal consolidation remains a central pillar of the economic program. Expenditure restrained supported an overall fiscal surplus of 0.2 percent of GDP in 2025 at the Central Government, despite the elimination of the PAIS tax—a temporary tax on foreign exchange transactions introduced in 2019—and the reduction of export duties, both highly distortionary sources of revenue.

To strengthen external sustainability, the government introduced an exchange rate band with crawling adjustments and a phased lifting of capital controls in April. The new regime helped close the foreign exchange gap and reduced volatility. However, increased dollarization ahead of the October elections—estimated at around 50 percent of broad money (M2)—tightened monetary conditions, requiring temporary U.S. liquidity support to preserve financial stability and maintain the course of the economic program. In January 2026, the band was further flexibilized by indexing its bounds to past inflation, replacing the fixed 1 percent monthly adjustment in place since April.

The Peso depreciated by 29 percent in 2025, correcting accumulated real exchange rate misalignments. While inflation declined sharply in 2024, monthly inflation began rising gradually from 1.5 percent in April 2025 to 2.9 percent by January 2026. Pass-through remained contained despite depreciation, suggesting better-anchored inflation expectations. Net international reserves remained negative, but the authorities initiated a plan to accumulate approximately US\$10 billion in 2026, with Central Bank foreign exchange purchases totaling approximately US\$3 billion since January.

Labor market gains in 2025 were uneven. Employment growth was concentrated in informal and self-employment, while registered private employment declined. Recent gains in real wages are at

risk, as informal sector wages have been lagging inflation in recent months. Inequality remains high—the Gini coefficient at 0.42 underscores persistent disparities. Poverty is estimated to have fallen to 14.7 in 2025 (US\$8.30/day, 2021 PPP), as first-semester disinflation more than offset the late-year rise in food prices.

Outlook

Real GDP is projected to grow by 3.6 percent in 2026, driven by a recovery in private consumption and sustained strength in investment and exports. A favorable agricultural season and large-scale investments in oil, gas, and mining will support tradables, while improved macro stability should bolster domestic demand. Fiscal discipline and a tight monetary policy will remain as the economic stabilization program's anchor, sustaining disinflation.

Fiscal consolidation is expected to continue in 2026, with a projected primary surplus of about 1.6 percent of GDP, supported by stronger revenues and continued expenditure restraint. A consistent fiscal and monetary program should place public debt on a declining path, reducing the debt-to-GDP ratio to about 65 percent by 2027. A more flexible exchange rate regime is expected to support reserve accumulation and gradually rebuild external buffers.

The outlook faces notable downside risks. Domestically, regulated price adjustments and greater exchange rate flexibility could slow disinflation. Externally, the conflict in the Middle East could also delay disinflation through higher fuel prices, particularly if the shock proves long-lasting. This would require a prolonged tight policy stance, weighing on growth.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	-1.9	-1.3	4.4	3.6	3.7	3.5
Private consumption	1.0	-2.9	6.4	2.7	2.9	2.8
Government consumption	2.1	-3.8	1.2	0.7	1.7	1.9
Gross fixed capital investment	-2.0	-17.2	20.4	8.4	8.4	7.2
Exports, goods and services	-9.5	19.8	6.1	4.6	5.8	4.9
Imports, goods and services	1.9	-10.2	27.5	4.0	5.9	5.0
Real GDP growth, at constant factor prices	-1.5	-1.4	4.4	3.6	3.7	3.5
Agriculture	-23.4	30.8	4.4	3.6	3.1	3.0
Industry	-0.2	-7.0	4.1	3.2	3.1	2.9
Services	0.8	-2.1	4.5	3.8	4.0	3.8
Employment rate (% of working-age population, 15 years+)	58.5	57.3	58.4	58.8	59.0	59.0
Inflation (private consumption deflator)	129.1	217.6	40.7	28.0	15.0	8.5
Current account balance (% of GDP)	-3.2	0.9	-1.3	-0.3	-1.0	-1.2
Net foreign direct investment inflow (% of GDP)	3.3	1.4	1.6	1.6	2.1	2.2
Fiscal balance (% of GDP)¹	-4.6	0.2	-0.1	0.2	0.4	0.6
Revenues (% of GDP)	33.8	32.3	31.4	30.7	31.3	31.2
Debt (% of GDP)¹	170.0	88.5	80.3	68.6	64.7	61.2
Primary balance (% of GDP)¹	-2.7	1.9	1.3	1.6	2.5	2.6
International poverty rate (\$3.00 in 2021 PPP)^{2,3}	1.2	1.0	0.9	0.9	0.9	0.9
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{2,3}	3.1	2.8	2.6	2.5	2.5	2.4
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{2,3}	16.4	15.2	14.7	14.5	14.4	14.2
GHG emissions growth (mtCO2e)	-1.6	-1.7	2.2	2.8	3.7	4.1

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Fiscal data refer to the general government.

2/ Calculations based on SEDLAC harmonization, using 2024-EPHC-S2. Actual data: 2024. Nowcast: 2025. Forecasts are from 2026 to 2028.

3/ Projections using microsimulation methodology.

THE BAHAMAS

Tourism continues to underpin the Bahamian economy, yet its small scale, import dependence, climate threats, skills gaps, and marked inequality curb longer-term prospects. Recent gains in construction and cruise traffic are offset by hotel capacity bottlenecks, limiting growth and labor market gains. While prices stay subdued and revenues rise, growth is set to cool gradually, slowing the public debt decline.

Key conditions and challenges

Bahamas is a small island economy highly dependent on tourism from the United States, Canada, and the United Kingdom. The economy's medium-term growth prospects are constrained by its small size, narrow production base, and skills shortages which limit economic opportunities, especially for the poorest. Additional headwinds include hotel capacity constraints, vulnerability to extreme weather events and external shocks, and limited fiscal space. Elevated public debt and sizable gross financing needs create fiscal pressures, but fiscal trajectory is on a sustainable path. Since independence in 1973, the Central Bank has maintained a strict 1:1 peg of the Bahamian dollar to the U.S. dollar, supporting monetary stability but limiting policy flexibility.

Despite progress, economic and social gaps persist, underscoring the need for policies to promote inclusive, sustainable growth. In 2013, the latest available data, 12.5 percent of people lived below the national poverty line, which is relatively low in regional standards. The poverty rate was higher in large households, households with children, households with a head with little education, and Haitian nationals—a significant minority group. Inequality is a

Population ¹ million	Poverty
0.4	..
Life expectancy at birth ² years	School enrollment ³ primary (% gross)
74.6	92.9
GDP ⁴ current US\$, billion	GDP per capita ⁵ current US\$
16.8	41781.9

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2023. 3/ 2024. 4/ 2025. 5/ 2025.

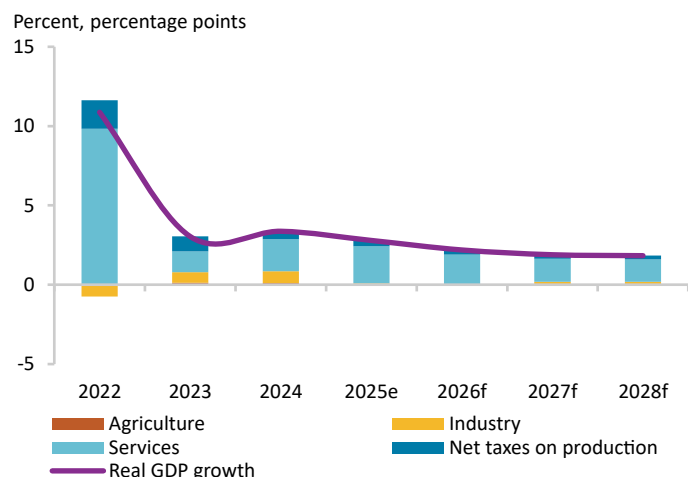
persistent challenge: in 2013 the Gini coefficient stood at 41.4, surpassing the World Bank's threshold for high inequality. In 2023, The Bahamas ranked 66th on the Human Development Index with a score of 0.82, mainly reflecting disparities in income and life expectancy.

Recent developments

Real GDP is estimated to have grown by 2.8 percent in 2025. In the first half of 2025, real GDP rose 4.7 percent year-on-year, led by construction—which employs about 8 percent of workers and contributed nearly 2 percentage points to GDP growth—on major tourism and energy projects. Growth moderated in the second half of the year, as projects moved from construction to operation.

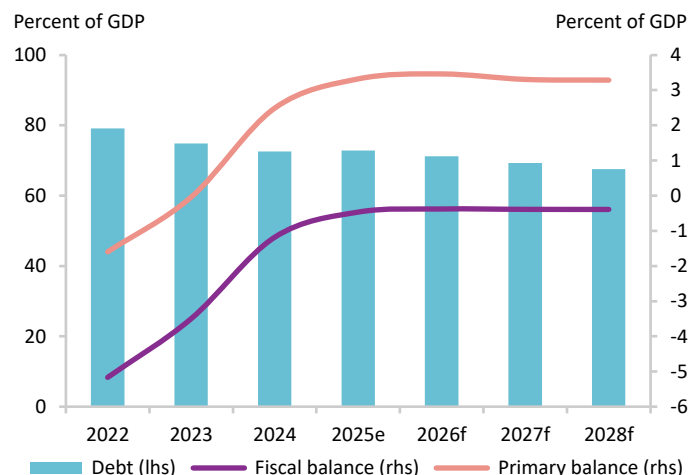
Tourism trends are mixed. Cruise arrivals increased 11.6 percent year-on-year through October 2025, while stayover tourists fell 1.9 percent. Hotel capacity constraints persisted during peak periods, tempering opportunities in critical segments of the economy (such as restaurants and retail, which employs 19 percent of workers). Growth in short-term rentals helped ease pressures.

FIGURE 1 / Real GDP growth and sectoral contributions to real GDP growth



Sources: Central Bank of the Bahamas and World Bank.

FIGURE 2 / Public debt



Sources: Central Bank of the Bahamas and World Bank.

Notwithstanding robust growth in the construction sector, unemployment climbed to 9.3 percent in Q2 2025, due to increased labor force participation. Ongoing projects and services continue to support jobs, however capacity constraints have kept unemployment above pre-pandemic lows.

Inflation remained subdued at 0.6 percent in 2025 (0.4 percent in 2024), supported by lower global energy and goods prices and electricity tariff reductions. A recently announced zero-rate value-added tax (VAT) on unprepared food will benefit lower-income households, for whom food represents a larger share of spending. With the currency peg anchoring expectations, imported price dynamics will continue to dominate domestic inflation.

Investment-related imports widened the current account deficit to an estimated 7.6 percent of GDP in 2025, financed primarily through government external borrowing and foreign direct investment inflows.

The fiscal position improved on stronger revenues. Higher departure taxes, VAT gains, and tourism receipts supported a primary surplus of 3.7 percent of GDP in FY2024/25 (2.7 percent in FY2023/24). The overall deficit narrowed to 0.5 percent of GDP from 1.2 percent. Public debt stood at 72.9 percent of GDP at the end of 2025.

Outlook

Growth is projected to moderate as large construction impulses continue to fade, with real GDP growth rate falling from 2.2 percent in 2026 to 1.8 percent in 2028. A rising national savings rate will

support long-term growth but constrain private consumption in the medium term, despite steady labor-force participation. As major tourism and energy projects transition to early operations, economic activity will increasingly rely on incremental capacity additions, and services. Expanding short-term rentals and incremental upgrades will be essential for achieving gains in higher-spending segments in the medium term. Poverty and inequality are expected to remain relatively stable.

Continued fiscal consolidation and prudent financing are expected to place public debt on a declining path, with central government debt projected to fall to 67.6 percent of GDP by 2028. Sustaining primary surpluses through stronger revenue administration and spending efficiency, while advancing resilience investments, will be important to build buffers and underpin medium-term debt sustainability.

Unless the March 2026 spike in energy prices proves long-lived, headline inflation will stay near historical norms and the external position is expected to slowly improve if easing investment-related imports are accompanied by increase in tourism receipts. Cost-of-living is expected to remain contained, with inflation moving toward 2 percent over the medium term, anchored by the long-standing currency peg and moderating imported price pressures. The current account deficit is projected to narrow from 7.5 percent of GDP in 2026 to 7.0 percent in 2028.

Risks stem from heightened volatility of energy prices due to the conflict in Middle East, weaker external demand, tighter global financial conditions, and climate shocks; upside risks include faster-than-expected project execution and further gains in tax administration.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	3.0	3.4	2.8	2.2	1.9	1.8
Private consumption	9.1	3.2	2.1	2.1	2.0	1.8
Government consumption	7.2	0.9	2.0	2.0	1.9	1.9
Gross fixed capital investment	6.6	20.7	0.7	1.7	2.0	2.1
Exports, goods and services	5.0	6.2	-1.0	2.5	2.0	2.0
Imports, goods and services	15.2	12.7	3.6	2.1	2.1	2.1
Real GDP growth, at constant factor prices	2.4	3.3	2.8	2.2	1.9	1.8
Agriculture	33.3	21.0	-1.0	0.0	0.5	0.5
Industry	9.7	10.4	1.1	0.5	2.5	2.5
Services	1.7	2.6	3.0	2.4	1.9	1.8
Employment rate (% of working-age population, 15 years+)	65.9	65.9	65.9	65.9	65.9	65.9
Inflation (consumer price index)	3.1	0.4	0.6	1.4	1.8	1.8
Current account balance (% of GDP)	-6.0	-6.7	-7.6	-7.5	-7.3	-7.0
Net foreign direct investment inflow (% of GDP)	2.4	3.0	3.0	3.0	2.9	2.8
Fiscal balance (% of GDP)¹	-3.5	-1.2	-0.5	-0.4	-0.4	-0.4
Revenues (% of GDP)	18.7	19.4	21.1	22.1	22.2	22.2
Debt (% of GDP)¹	74.8	72.5	72.9	71.2	69.3	67.6
Primary balance (% of GDP)¹	0.0	2.5	3.3	3.5	3.3	3.3
GHG emissions growth (mtCO2e)	3.5	1.4	1.2	1.5	1.7	1.7

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Fiscal balances are reported in fiscal years (July 1st -June 30th).

BARBADOS

Barbados' tourism-dependent, import-heavy economy remains exposed to external and climate shocks. Growth cooled in 2025 as domestic demand normalized, but with stable prices, resilient tourism, job creation, and modest fiscal gains, while poverty continued to fall. Public debt, though easing, still limits fiscal flexibility, prompting the continuation of priority reforms to foster green energy, diversification, and stronger safety nets.

Key conditions and challenges

Barbados confronts structural vulnerabilities typical of small island economies. The country's heavy reliance on tourism and imports amplifies exposure to natural disasters and external financial shocks. After more than six decades without hurricanes, Barbados experienced two in 2021 and 2024, underscoring rising natural disaster risks. While public debt has been declining, it remains elevated, imposing sizable debt service obligations and constraining fiscal space. In response, the authorities are implementing the Barbados Economic Recovery and Transformation (BERT) 2026 plan that targets a reduction in public debt to about 60 percent of GDP by FY2035/36. The program also supports green energy transition, economic diversification, enhanced competitiveness, investments in education and health, affordable housing, and strengthened social protection systems.

In 2016/17, the latest available data, 15.8 percent of Barbadians lived on less than US\$8.30 per day (2021 PPP). While the Gini coefficient was relatively low, at 34.1, differences between population groups persisted: poverty was higher for women and children as well as in households whose heads were not working,

Population ¹ thousand	Poverty ² thousands living on less than \$8.30/day
282.6	44.1
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
76.2	83.9
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
8.0	28370.3

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2016 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

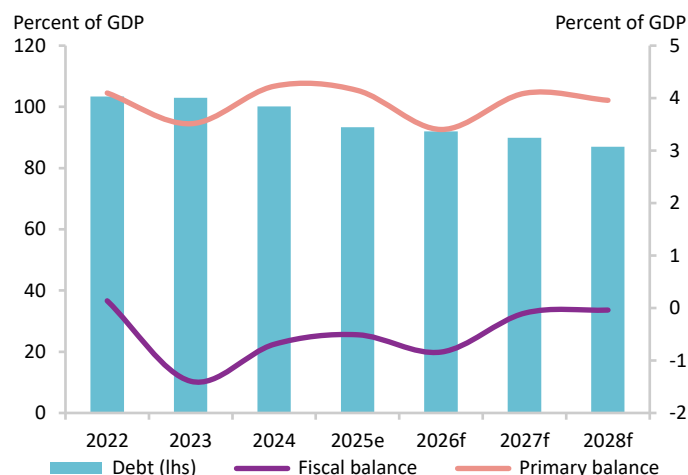
underlining the importance of productive jobs. By 2022, approximately 6 percent of the total population received support from the National Assistance Program. Meanwhile, the National Insurance Scheme faces long-term sustainability challenges due to rising old-age pension costs driven by an aging population.

Recent developments

Growth moderated in 2025 as domestic demand normalized and external conditions shifted. Real GDP is estimated to have expanded by 2.7 percent, slowing from 3.4 percent in 2024. Activity was supported by tourism, construction, business and other services, and agriculture—where strong poultry and crop output offset weaker performance elsewhere. Services were buoyed by hospitality and related activities, while construction benefited from ongoing public and private projects. Tourism set new records in 2025 with long-stay arrivals up 3.3 percent from 2024 and cruise tourism arrivals up 0.7 percent.

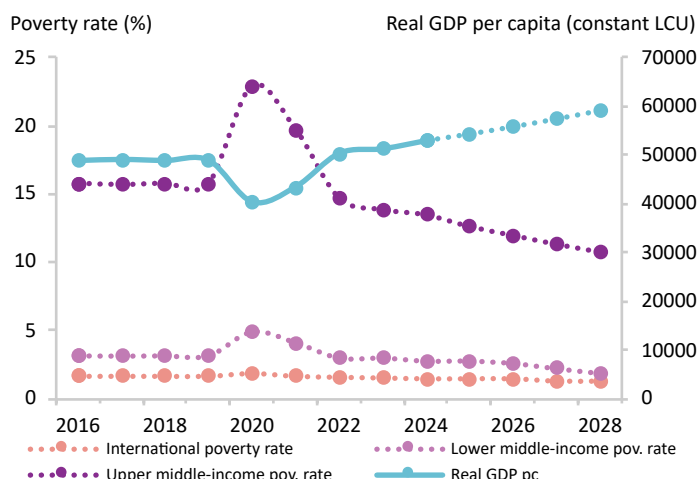
Inflation pressures eased further. Headline inflation fell to 0.7 percent (from 1.7 percent in 2024), largely on lower international oil and freight costs. Toward year-end, housing and utilities began

FIGURE 1 / Public debt



Sources: Barbados Statistical Service and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

adding modest upward pressure, but overall price dynamics remained benign, supporting real incomes under the currency peg.

The external position weakened. The current account deficit widened to 7.5 percent of GDP (from 3.8 percent in 2024), as the merchandise trade deficit increased on higher imports—vehicles, food, and construction inputs—and lower exports, including fuel re-exports and processed foods. Nevertheless, external buffers remained adequate: international reserves stood at 27.4 weeks of import cover.

The overall fiscal deficit narrowed despite stronger capital spending to 0.5 percent of GDP (from 0.7 percent in 2024), while the primary surplus stayed nearly flat at 4.1 percent of GDP, supported by value-added tax, corporate income taxes, and import duties. Robust public investment in infrastructure, hospitals, and tourism-related projects lifted capital expenditures in line with recent policy priorities. Public debt declined to 93.3 percent of GDP (from 100.1 percent in 2024), reflecting growth, statistical rebasing effects, and sustained primary surpluses.

While unemployment dropped to 6.6 percent in Q3 2025, down from 7.1 percent in Q3 2024, the labor force participation rate fell from 65.8 percent to 63.6 percent over the same period, revealing a mixed picture for the labor market. Wholesale and retail trade and accommodation and food services remained the largest employers. In June 2025 the government increased minimum wage by 23.5 percent, potentially boosting earnings for wage-employed individuals at the bottom of the earnings distribution. With growth slowing but inflation abating too, poverty is projected to drop. The share of Barbadians living on less than

US\$8.30 2021 PPP per day is estimated to have declined from 19.7 percent in 2021 to 12.6 percent in 2025.

Outlook

Growth is expected to strengthen gradually, averaging 2.9 percent, supported by sustained tourism expansion, major infrastructure projects, and investment under the BERT 2026 program. As bottlenecks ease and capacity expands, construction and market services should remain robust.

Inflation is forecast to edge up but remain contained, reflecting firmer domestic demand and some pass-through from utilities and housing costs. Unless the March 2026 spike in energy prices proves long-lived, the current account deficit is projected to narrow gradually on the back of strong tourism receipts and be financed by robust investment inflows. International reserves are expected to remain adequate.

Fiscal performance should slightly deteriorate to -0.8 percent of GDP in 2026 as a result of fiscal measures in response to the increase in oil prices and improve moderately after despite continued capital outlays. The primary surplus is expected to stay around 4 percent of GDP, supporting a gradual decline in public debt.

Risks are tilted to the downside, including higher commodity prices, weaker global growth, tighter financial conditions, climate shocks, and delays in large projects. Upside risks include stronger tourism, accelerated infrastructure execution, and reforms that improve the business environment and raise potential growth.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	1.8	3.4	2.7	2.7	3.0	3.1
Real GDP growth, at constant factor prices	2.7	2.5	2.7	2.7	3.0	3.1
Agriculture	12.6	-4.2	12.0	0.0	0.5	0.5
Industry	-4.0	5.0	1.1	2.0	2.0	2.0
Services	3.7	2.3	2.8	2.9	3.2	3.3
Employment rate (% of working-age population, 15 years+)	58.4	58.2	58.2	58.2	58.2	58.2
Inflation (consumer price index)	3.2	1.7	0.7	1.7	2.0	2.2
Current account balance (% of GDP)	-7.7	-3.8	-7.5	-6.3	-5.8	-5.4
Fiscal balance (% of GDP)	-1.4	-0.7	-0.5	-0.8	-0.1	0.0
Revenues (% of GDP)	23.4	26.1	25.4	25.0	25.4	25.3
Debt (% of GDP)	103.0	100.1	93.3	92.0	89.9	87.0
Primary balance (% of GDP)	3.5	4.2	4.1	3.4	4.1	4.0
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	1.5	1.5	1.5	1.5	1.4	1.3
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	3.0	2.8	2.8	2.6	2.3	1.9
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	13.8	13.5	12.6	12.0	11.3	10.7
GHG emissions growth (mtCO2e)	1.6	0.8	0.6	0.7	0.8	0.8

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on CONLAC harmonization, using 2016-BSLC. Actual data: 2016. Nowcast: 2017-2025. Forecasts are from 2026 to 2028.

2/ Projection using neutral distribution (2016) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

BELIZE

Belize's economy has stabilized but remains vulnerable to energy prices, climate risks, and business constraints. In 2025, growth slowed, fiscal balances weakened, but inflation eased, and unemployment fell. Poverty is declining but higher in rural areas and among children and Maya communities. A modest recovery, low inflation, narrower current account deficit, adequate reserves, and declining debt are expected in the medium term.

Key conditions and challenges

Belize is an upper-middle-income economy heavily reliant on tourism, agriculture, and remittances for foreign exchange. The United States is central to economic performance, serving as the main source of tourists and remittances, the leading export market, and a key investor. As a net oil and gas importer with a US-dollar peg, Belize is sensitive to energy price swings. The country also faces significant climate and natural disaster risks. Recent policy efforts have strengthened macroeconomic stability—fiscal discipline improved, public debt declined, and liabilities were restructured, including via the blue bond. However, constraints in the business environment persist, including limited access to credit, inadequate infrastructure, skills shortages, and crime.

The World Bank estimates that in 2025, 16.9 percent of Belizeans lived on less than US\$8.30 a day (2021 PPP), the upper-middle-income poverty line, while the Statistical Institute of Belize reported that 19.1 percent were multidimensionally poor. Multidimensional poverty is more common in rural areas (27.8 percent) than in urban areas (6.5 percent), with Toledo being the most affected

Population ¹ thousand	Poverty ² thousands living on less than \$8.30/day
422.9	75.0
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
73.6	96.5
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
3.3	7908.0

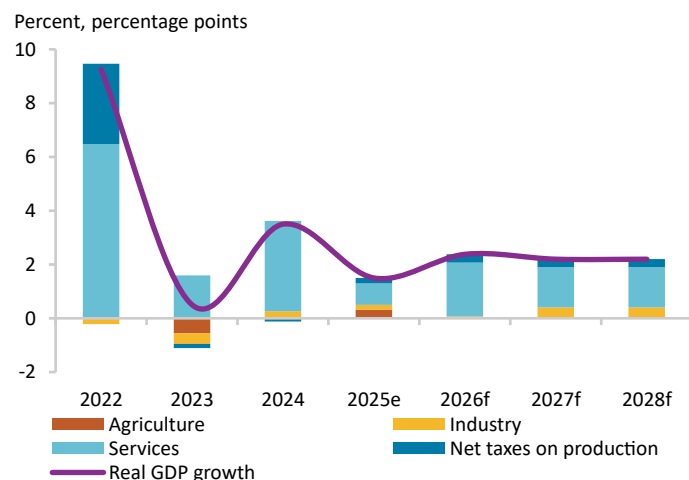
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2018 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

district (59.5 percent). Poverty is especially pronounced among households with children, Belizeans of Maya descent, larger families, and households where the head has no formal education. Women and youth continue to face challenges in the labor market. Women make up about two-fifths of the labor force. Informal work is widespread (35.9 percent), particularly in wholesale and retail trade and in agriculture.

Recent developments

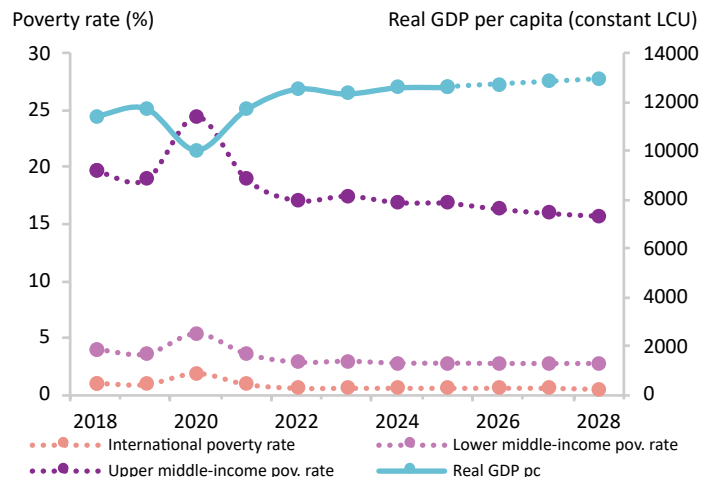
Growth softened in 2025 amid a mixed agricultural outturn and weaker services. Real GDP growth is estimated at 1.5 percent, down from 3.5 percent in 2024. Agriculture, livestock, fishing, and marine output strengthened, even as sugarcane production fell sharply due to Fusarium disease and weather disruptions. In contrast, services expansion moderated as tourism cooled, contributing to slower wholesale and retail trade and transportation activity. According to the Central Bank's latest review, stay-over arrivals declined by 2.9 percent in the first three quarters of the year, but cruise tourism remained robust, with disembarkations up 5.7 percent over the same period.

FIGURE 1 / Real GDP growth and sectoral contributions to real GDP growth



Sources: Central Bank of Belize and World Bank.

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



Sources: World Bank. Notes: See footnotes in table on the next page.

Labor market conditions improved modestly: unemployment reached a record low of 1.9 percent (down from 2.1 percent in 2024). Labor force participation rose to 58.1 percent in September, from 56.3 percent a year earlier. Job creation was strongest in tourism and transportation, storage and communication—expanding these sectors' combined share in total jobs by 4 percentage points—and construction (share expanded by 1.2 percentage points). Despite these improvements, female and youth participation rates remain low (47.2 and 41.3 percent, respectively).

Inflation eased alongside lower fuel prices (to 1.4 percent in 2025 from 3.3 percent in 2024), reducing pressure on real incomes. Estimated declines in the monetary poverty rate slowed from 0.5 percentage points in 2024 to 0.1 percentage points in 2025. Nonetheless, multidimensional poverty continued its rapid decline, dropping 3.0 percentage points in 2025.

The current account deficit is estimated to have narrowed slightly to 1.5 percent of GDP, as lower fuel import costs and remittances offset softer tourism receipts. It continues to be financed primarily by tourism-related foreign direct investment and official project financing. Fiscal balances deteriorated with slower growth and higher spending: the primary surplus is estimated at 1.1 percent of GDP, and the overall deficit at 1.2 percent of GDP. Public debt continued to decline.

Financial sector indicators remain sound. The non-performing loan ratio declined to 1.6 percent, excess liquidity stayed high, and credit to the private sector expanded by 4.8 percent.

Outlook

Growth is projected to increase in the near term and then moderate. Real GDP is expected to rise to 2.4 percent in 2026, supported by a gradual recovery in tourism and steady primary-sector activity, before easing to 2.2 percent, as tourism activity normalizes. Average inflation is expected to peak at 2.4 percent in 2026, lifted by higher energy prices, and decline to 1.3 percent by 2028. Sustained growth is expected to support social gains: poverty is projected to fall to 15.8 percent by 2028.

External buffers should remain adequate, with international reserves staying at about 4 months of imports, and the current account deficit is expected to remain contained unless both higher import prices and a sharper-than-expected moderation in growth of tourism services materialize.

Fiscal outcomes are likely to deteriorate mildly as growth accelerates only moderately while spending pressures persist. The primary surplus is projected to decline and the overall deficit to widen modestly. Provided growth stabilizes and fiscal discipline is maintained, public debt is expected to continue its gradual decline.

Risks are tilted to the downside: higher-than-expected energy prices because of the conflict in the Middle East, weaker global growth, tighter financial conditions, climate shocks, and delays to investment could deteriorate households' income generation potential and slow down poverty reduction. Stronger reform and investment execution could lift the outlook.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	0.5	3.5	1.5	2.4	2.2	2.2
Private consumption	1.5	2.8	0.3	2.9	1.6	1.6
Government consumption	2.9	2.5	0.7	3.4	2.6	2.6
Gross fixed capital investment	5.4	-1.2	1.3	5.2	0.8	0.8
Exports, goods and services	10.9	-1.3	-2.9	0.5	3.4	3.4
Imports, goods and services	-2.4	5.0	0.8	2.7	2.0	2.0
Real GDP growth, at constant factor prices	0.8	4.2	1.5	2.4	2.2	2.2
Agriculture	-6.2	-0.1	4.0	0.0	0.5	0.5
Industry	-2.5	1.7	1.1	0.5	2.5	2.5
Services	2.6	5.3	1.3	3.1	2.3	2.3
Employment rate (% of working-age population, 15 years+)	57.0	57.7	57.7	57.7	57.7	57.7
Inflation (consumer price index)	4.4	3.3	1.4	2.4	1.6	1.3
Current account balance (% of GDP)	-0.6	-1.6	-1.5	-0.8	-1.3	-1.2
Net foreign direct investment inflow (% of GDP)	0.5	-2.5	-2.5	-2.4	-2.3	-2.2
Fiscal balance (% of GDP)¹	-3.4	-0.3	-1.2	-1.2	-1.8	-1.8
Revenues (% of GDP)	23.5	25.3	24.7	25.3	24.0	24.0
Debt (% of GDP)¹	67.1	63.8	60.4	59.3	59.1	57.1
Primary balance (% of GDP)¹	-1.1	1.6	1.1	1.1	0.5	0.5
International poverty rate (\$3.00 in 2021 PPP)^{2,3}	0.6	0.6	0.6	0.6	0.6	0.6
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{2,3}	3.0	2.8	2.8	2.8	2.8	2.8
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{2,3}	17.5	17.0	16.9	16.4	16.0	15.8
GHG emissions growth (mtCO₂e)	-0.2	0.0	-0.1	-0.1	-0.1	-0.1

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Fiscal balances are reported in fiscal years (April 1st -March 31st).

2/ Projection using neutral distribution (2018) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

3/ Calculations based on CONLAC harmonization, using 2018-HBS. Actual data: 2018. Nowcast: 2019-2025. Forecasts are from 2026 to 2028.

BOLIVIA

After reducing fuel subsidies in late 2025, the new government faces the task of addressing inherited high fiscal deficits, high inflation, and falling living standards. With real GDP estimated to have contracted by 2.1 percent in 2025, Bolivia needs a credible plan to tackle widening imbalances and rebuild fiscal and external buffers to stabilize the economy and reignite growth and poverty reduction.

Population ¹ million	12.6	Poverty ² millions living on less than \$8.30/day	2.2
Life expectancy at birth ³ years	68.6	School enrollment ⁴ primary (% gross)	98.6
GDP ⁵ current US\$, billion	59.6	GDP per capita ⁶ current US\$	4738.8

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

Key conditions and challenges

Bolivia's macroeconomic imbalances have accumulated since the end of the commodity boom in 2014. Government spending remained elevated as hydrocarbon revenues fell, resulting in large deficits, dwindling reserves, and loss of market access. State-owned enterprise expansion crowded out private investment while generating contingent liabilities. A weak business environment, marked by price distortions, export restrictions, and heavy state intervention, has constrained private sector activity, undermined export diversification, and discouraged investment in key sectors like gas. Depleted buffers leave the country vulnerable to external and climate-related shocks.

These macro trends have weighed on social outcomes. Lower growth, high inflation, and constrained finances have eroded living standards and the state's capacity to protect the poor. Low job quality remains a structural constraint on poverty reduction, compounded by a demographic transition requiring more and better jobs. Bolivia lags the region in maternal and infant mortality. About 61.8 percent of the rural population had

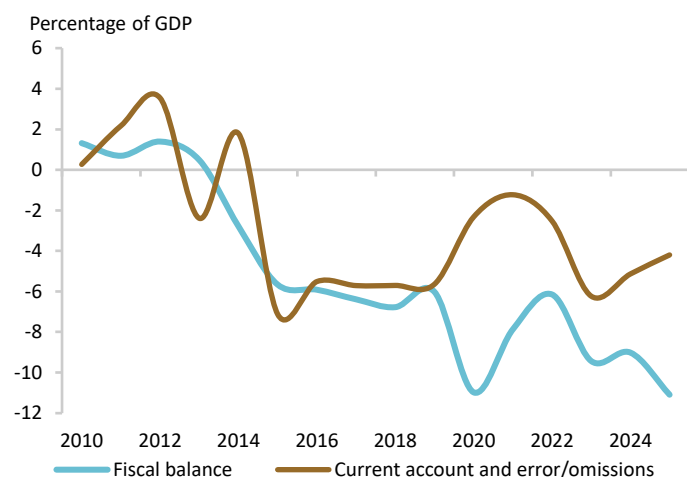
unmet basic needs in 2024, four times the urban rate. Social assistance programs offer limited coverage, hampering rapid responses to shocks.

Recent developments

The economy contracted 1.1 percent in 2024, driven by declining exports and investment, and weak private and government consumption amid fuel and goods shortages. The recession deepened to an estimated 2.1 percent in 2025, dragged by investment contraction. Price controls and export restrictions failed to curb inflation, which rose to 20 percent in December 2025, amid acute foreign exchange shortages and an exchange rate premium reaching 171 percent.

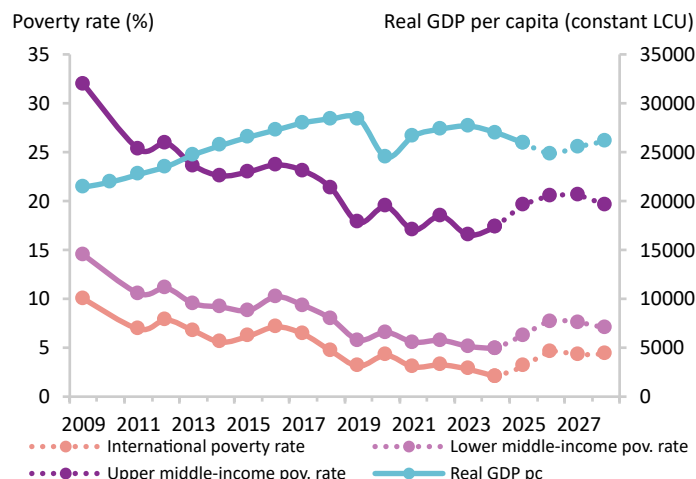
Labor force participation and employment remained stable in 2025, masking rising underemployment and declining real incomes. Despite double-digit inflation, nominal wages rose by only 3–4 percent. Social transfers also lost purchasing power, weakening consumption further. Official remittances declined 0.5 percent in U.S.

FIGURE 1 / Fiscal and current account deficits



Sources: Ministry of Economy and Public Finance, and Bolivian Central Bank (BCB).

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



Source: World Bank. Notes: See footnotes in table on the next page.

dollar terms in 2025, though actual flows likely increased as transactions shifted to the parallel market. The poverty rate is estimated to have risen to 19.5 percent in 2025 (US\$8.30/day, 2021 PPP), up from 17.4 percent in 2024.

The fiscal deficit reached 9.0 percent of GDP in 2024 and is estimated at 11.1 percent in 2025, driven by declining gas revenues and persistently high spending, particularly on fuel subsidies. Without access to international capital markets or legislative approval for external loans, the government resorted to financing from the central bank and the state pension fund. Monetary policy is further constrained by regulatory caps on bank lending rates, distorting domestic credit. Public debt stood at 90.4 percent of GDP at end-2025, up from 31.3 percent in 2014. Bullet payments on outstanding external sovereign debt begin in 2026Q1. A new administration took office in November, signaling a commitment to fiscal consolidation. In December 2025, it reduced fuel subsidies and announced temporary social mitigation measures.

The current account deficit narrowed to 2.0 percent of GDP in 2025, from 2.4 percent in 2024. Goods exports increased 8.3 percent in nominal terms but fell in volume, reflecting strong mineral and manufacturing prices but weak hydrocarbon and agricultural export volumes. The parallel exchange rate weighed on imports in the first half of 2025, but they closed the year flat. International reserves stood at US\$3.7 billion (4.8 months of imports) at end-2025, buoyed by gold valuation gains. Gold holdings remain slightly above the 22-ton statutory minimum and constitute the bulk of reserves.

Outlook

Real GDP is projected to contract 3.2 percent in 2026, as fiscal consolidation, higher fuel prices, and policy uncertainty weigh on domestic activity. Prolonged disruptions from the Middle East conflict are expected to drag on growth and delay the urgently needed fiscal consolidation. On the external side, higher fuel import prices are set to widen the current account deficit to 2.7 percent of GDP, with gains in agricultural and mining exports only partially offsetting lower hydrocarbon receipts. Returns from lithium development and gas exploration will be limited in the near term given their long investment horizons. A gradual recovery is expected in the medium term as inflation eases and reforms, including incentives to support private investment, are implemented.

Poverty is projected to rise in 2026 as economic contraction and persistent inflation continue to erode purchasing power. The new temporary social program is expected to partially offset the impact of the fuel subsidy reform on lower-income households, but its short duration (between three and twelve months) may limit its overall effectiveness. Poverty is expected to remain elevated before gradually easing as growth recovers.

Risks to the outlook are tilted to the downside, including delays in fiscal and structural reforms, a protracted conflict in the Middle East weighing on crude oil prices, and social or political resistance to further fiscal rationalization. A credible medium-term stabilization program is essential, prioritizing frontloaded fiscal consolidation, adjustment of key relative prices, and rationalization of public investment. Improving the business climate, facilitating private investments, and raising productivity are equally critical for ensuring fiscal sustainability, job creation, and durable poverty reduction.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	2.5	-1.1	-2.1	-3.2	4.0	3.2
Private consumption	2.6	1.7	-0.4	-3.0	3.6	3.1
Government consumption	4.1	0.6	-0.3	-7.7	-2.3	-0.1
Gross fixed capital investment	3.0	-10.9	-11.6	1.2	10.8	7.0
Exports, goods and services	-8.2	-14.5	-8.0	0.8	6.0	4.3
Imports, goods and services	-4.0	-10.4	-0.7	-0.3	4.0	3.7
Real GDP growth, at constant factor prices	2.6	-0.8	-2.1	-3.2	4.0	3.2
Agriculture	6.7	-3.9	3.7	0.9	3.4	3.0
Industry	1.1	-2.3	-2.8	-2.8	4.4	4.0
Services	2.7	0.6	-2.7	-4.2	3.8	2.8
Employment rate (% of working-age population, 15 years+)	75.1	76.4	77.4	77.4	77.4	77.4
Inflation (consumer price index)	2.6	5.1	19.5	21.2	16.0	9.0
Current account balance (% of GDP)	-2.2	-2.4	-2.0	-2.7	-2.3	-2.1
Net foreign direct investment inflow (% of GDP)	0.0	0.5	0.5	0.8	1.0	1.0
Fiscal balance (% of GDP)	-9.4	-9.0	-11.1	-9.2	-8.3	-7.5
Revenues (% of GDP)	23.9	24.8	21.8	21.9	21.3	21.0
Debt (% of GDP)	78.3	83.2	90.4	89.9	84.9	83.9
Primary balance (% of GDP)	-7.5	-6.4	-8.3	-6.4	-5.7	-4.8
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	2.8	2.1	3.3	4.6	4.4	4.5
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	5.1	4.9	6.4	7.8	7.7	7.3
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	16.5	17.4	19.5	20.6	20.7	20.0
GHG emissions growth (mtCO₂e)	0.4	-0.1	-2.8	-0.7	-7.1	-2.6

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on SEDLAC harmonization, using 2024-EH. Actual data: 2024. Nowcast: 2025. Forecasts are from 2026 to 2028.

2/ Projections using microsimulation methodology.

BRAZIL

Growth is projected to moderate to 1.6 percent in 2026 amid global headwinds, before increasing to 2.2 percent over the medium term as structural reforms continue. Advancing fiscal consolidation and increasing public spending efficiency are crucial for macroeconomic and debt sustainability. A strong labor market contributed to lowering poverty by 0.2 percentage points (p.p.) in 2025, though further reforms remain necessary to reduce inequality and improve jobs quality.

Key conditions and challenges

Brazil's growth has remained resilient in recent years, averaging 3.2 percent since 2022, while labor market conditions strengthened markedly as unemployment declined. These gains contributed to reductions in poverty, supported Brazil's removal from the United Nations Hunger Map in 2025 and broad expansions of Brazil's middle class—one of the largest in Latin America and the Caribbean. Nevertheless, inequality remains high, reflecting unequal human capital accumulation, along with persistent spatial and racial disparities.

Further challenges stem from Brazil's fiscal outlook. With elevated public debt and high sensitivity to interest-rate shocks, decisive fiscal adjustment is required to improve debt dynamics, anchor inflation expectations, create space for monetary easing, and lower the cost of capital, thereby supporting public and private investment. Reducing budget rigidity and expenditure indexation are also critical to align public spending with the primary surpluses needed to stabilize public debt.

Population ¹ million	212.8	Poverty ² millions living on less than \$8.30/day	43.8
Life expectancy at birth ³ years	75.8	School enrollment ⁴ primary (% gross)	104.0
GDP ⁵ current US\$, billion	2280.4	GDP per capita ⁶ current US\$	10715.8

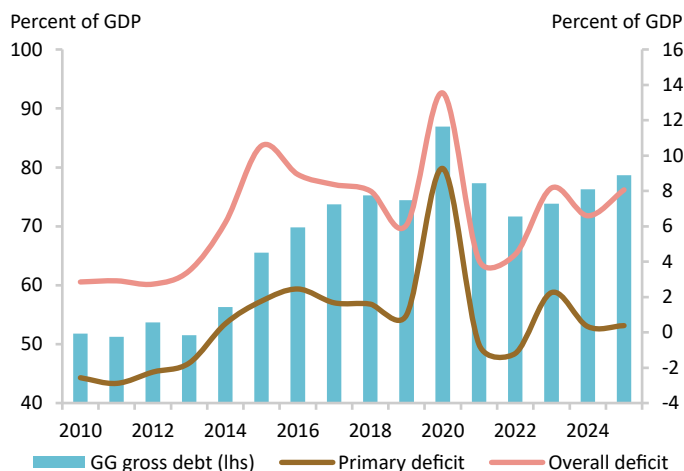
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2025. 6/ 2025.

In terms of growth, the long-awaited value-added tax reform to simplify Brazil's complex tax system was an important gain. Further structural reforms are needed to sustain growth while reducing poverty and inequality. Priorities include improving the business environment, fostering trade openness, strengthening education quality and skills, addressing critical infrastructure and human development gaps, and accelerating climate adaptation and mitigation.

Recent developments

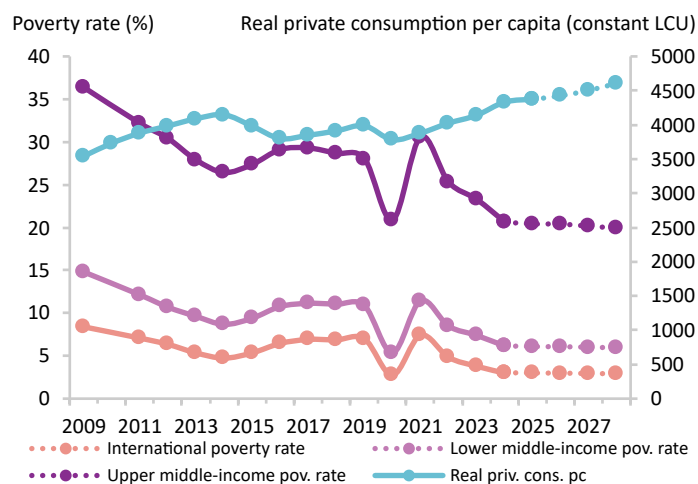
Real GDP growth moderated to 2.3 percent in 2025, reflecting weaker private consumption and investment. Inflation eased to 4.3 percent, slightly below the Central Bank's 4.5 percent upper target limit, driven by lower food prices and currency appreciation, despite strong services demand and elevated household energy costs. Following a cumulative 450-basis-point tightening cycle that began in September 2024, the Central Bank held the policy rate steady at 15.0 percent from June 2025 through February 2026, before initiating a 25-basis-point cut in March 2026.

FIGURE 1 / Fiscal balances and general government (GG) gross debt



Source: World Bank.

FIGURE 2 / Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Notes: See footnotes in table on the next page.

The current account deficit remained at 3.0 percent of GDP in 2025 and was largely financed by net foreign direct investment (FDI) inflows of 2.1 percent of GDP. Gross international reserves reached 15.7 percent of GDP in 2025. After depreciating by 27.9 percent (yoy) in 2024, the Brazilian real appreciated by 11.1 percent in 2025 amid its higher interest rate and US dollar depreciation.

The general government overall deficit increased from 6.3 percent in 2024 to 8.1 percent of GDP in 2025, as interest payments rose to 7.7 percent of GDP (from 6.3 percent in 2024), while the primary deficit increased to 0.4 percent of GDP (from 0.3 percent). The central government only complied with the primary deficit target of 0 percent (+/- 0.25 p.p.) after exemptions. Gross public debt increased from 76.3 percent of GDP in 2024 to 78.6 percent in 2025, reflecting higher interest payments and an insufficient primary balance to stabilize debt.

The unemployment rate reached a historic low of 5.1 percent in December 2025, while real average household income increased by 5.0 percent (yoy), reaching a record high (R\$3,613). Employment growth was concentrated in mid- and high-paying service activities and increasingly shifted toward formal jobs. Poverty declined from 20.6 percent in 2024 to 20.4 percent in 2025 (at US\$8.30 per day, 2021 PPP). Inequality remains virtually unchanged, shifting marginally from 50.3 to 50.2, reflecting an uneven distribution of income gains.

Outlook

Growth is expected to moderate to 1.6 percent in 2026, as household consumption slows amid reduced government transfers and softer labor market gains, while normalizing agriculture growth after a bumper year, elevated interest rates and global economic

uncertainty weigh on investment and exports. Inflation is projected to gradually converge to 3.7 percent by 2028, remaining above the Central Bank's 3.0 percent target, due to fiscal uncertainty and higher oil prices. Over the medium term, growth is expected to gradually recover to 2.2 percent by 2028, reflecting ongoing structural reforms and an anticipated easing of monetary policy in 2026. The current account deficit is projected to narrow to 2.3 percent of GDP by 2028, driven by weaker imports amid softer activity, with net FDI inflows remaining as the main source of external financing. Poverty is expected to gradually decrease to 20 percent by 2028, as limited fiscal capacity for increased social spending and slower wage growth in services constrain the pace of decrease.

The primary deficit is projected to reach 0.4 percent in 2026 and turn into a surplus of 0.2 percent of GDP by 2028 as consolidation efforts advance. Still, public debt is projected to rise to 87.5 percent of GDP by 2028, reflecting elevated financing costs and underscoring the need for continued and faster fiscal adjustment.

Macroeconomic risks are tilted to the downside. While resilient activity and additional structural reforms could support stronger growth, insufficient fiscal adjustment could weaken growth prospects, hinder the anchoring of inflation expectations, and heighten debt vulnerabilities. The conflict in the Middle East elevated inflation and exchange rate risks and delayed monetary normalization, which may dampen domestic demand. Rising oil prices can reduce the current account deficit as Brazil is a net oil exporter. Higher fertilizer prices are not expected to affect agriculture until 2027, as most of the grain harvest is already complete or nearly so. Nonetheless, Brazil's robust financial system, sizable foreign reserves and government cash buffers, flexible exchange rate, and low public-sector debt exposure to foreign currency fluctuation provide important buffers against shocks.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	3.2	3.4	2.3	1.6	1.8	2.2
Private consumption	3.2	5.1	1.3	1.5	1.8	2.4
Government consumption	3.8	2.0	2.1	1.7	1.4	1.2
Gross fixed capital investment	-3.0	6.9	2.9	0.8	1.3	1.6
Exports, goods and services	8.9	2.8	6.2	2.8	3.0	3.0
Imports, goods and services	-1.2	15.6	4.5	1.5	2.8	2.8
Real GDP growth, at constant factor prices	3.4	3.1	2.4	1.6	1.8	2.2
Agriculture	16.3	-3.7	11.7	2.4	1.6	2.0
Industry	1.7	3.1	1.4	1.4	1.6	1.6
Services	2.5	3.9	1.6	1.6	1.8	2.4
Employment rate (% of working-age population, 15 years+)	56.8	58.0	58.6	57.8	57.4	57.3
Inflation (consumer price index)	4.6	4.4	4.3	4.0	3.9	3.7
Current account balance (% of GDP)	-1.2	-3.0	-3.0	-2.5	-2.3	-2.3
Net foreign direct investment inflow (% of GDP)	1.7	2.2	2.1	2.5	2.5	2.5
Fiscal balance (% of GDP)	-7.8	-6.3	-8.1	-8.7	-8.3	-7.7
Revenues (% of GDP)	37.6	39.4	39.8	39.6	38.7	38.0
Debt (% of GDP)	73.8	76.3	78.6	82.3	85.7	87.5
Primary balance (% of GDP)	-2.2	-0.3	-0.4	-0.4	-0.2	0.2
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	3.8	3.0	3.0	3.0	2.9	2.9
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	7.4	6.2	6.1	6.1	6.0	5.9
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	23.3	20.6	20.4	20.4	20.2	20.0
GHG emissions growth (mtCO₂e)	-5.8	-16.5	-3.0	2.8	2.4	0.5

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on SEDLAC harmonization, using 2024-PNADC-E1. Actual data: 2024. Nowcast: 2025. Forecasts are from 2026 to 2028.

2/ Projections using microsimulation methodology.

CHILE

GDP growth slowed to 2.5 percent in 2025, as supply-side constraints in mining mitigated the impulse from rising investment. Inflation eased into the tolerance band, but the fiscal deficit overshot its target. Growth is expected to edge down in 2026, and poverty is projected to continue its steady decline.

Population ¹ million	Poverty ² millions living on less than \$8.30/day
19.9	0.9
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
81.2	100.3
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
357.8	18014.5

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

Key conditions and challenges

Market-oriented reforms propelled Chile to Organisation for Economic Co-operation and Development membership in 2010 and made it Latin America and the Caribbean's first high-income country, but its development model has since been losing steam: GDP per capita growth has declined from 3.2 percent in the 2000s to 2.1 percent in the 2010s and 1.2 percent between 2020 and 2024. Fiscal performance has also deteriorated: the structural balance target has been missed in 13 of the past 20 years, public debt is approaching the self-imposed 45 percent of GDP ceiling, and the sovereign credit rating has been downgraded by two notches over the past decade, though it remains investment grade. Reversing two decades of weak total factor productivity is essential to lifting potential growth.

Poverty (under the US\$8.30 2021 PPP line) has fallen steadily over the past two decades—except in 2020—making Chile the country with the lowest poverty rate in the region at 4.5 percent. Income inequality, measured by the Gini coefficient, has also declined and now aligns with the regional average. Multidimensional poverty has

decreased, but 15 to 30 percent of households report gaps in education quality, employment, housing, safety, and inclusion—priority areas for targeted social policies.

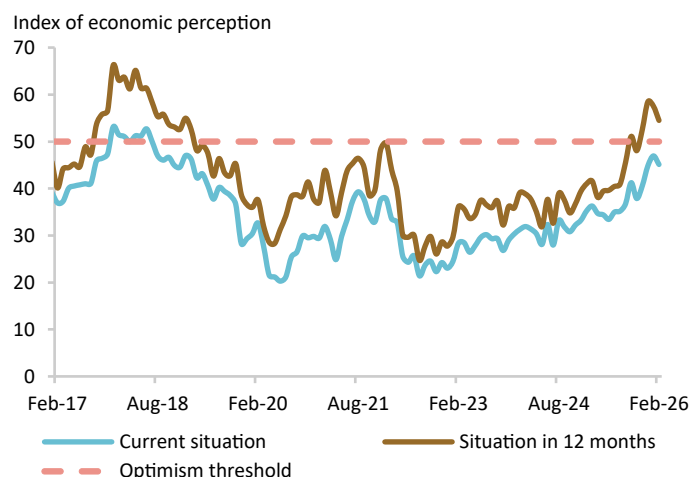
Recent developments

Full-year GDP growth in 2025 was 2.5 percent, revised downward after mining output contracted in the second half of the year. Non-mining output grew 3.0 percent, driven by services. Investment outperformed expectations, underpinned by large mining and energy projects.

Unemployment declined to 8.0 percent by end-2025, still above the 6.8 percent pre-pandemic average, with women slightly above. The weak recovery reflects elevated labor costs, slow growth in labor-intensive sectors, and constrained non-mining investment.

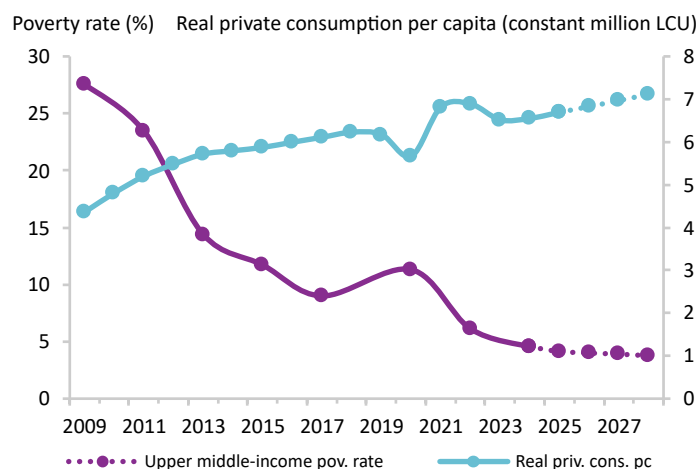
Inflation averaged 4.2 percent in 2025 but returned to the Central Bank's 2–4 percent target band by August 2025, prompting a resumption of the easing cycle, with the policy rate cut by a cumulative 50 basis points to 4.50 percent by end-2025.

FIGURE 1 / Business sentiment turns optimistic for the first time since 2010



Source: Central Bank of Chile.
Notes: Diffusion index. Values above 50 indicate optimism. Values below 50 indicate pessimism.

FIGURE 2 / Actual and projected poverty rate and real private consumption per capita



Source: World Bank. Notes: See footnotes in table on the next page.

Commercial lending returned to positive year-on-year growth between August and December, reversing a contraction cycle of over two years. Consumer credit growth has remained negative since early 2020, reflecting tighter collateral requirements and weak demand.

The current account deficit remained at 1.2 percent of GDP, supported by high copper prices.

The fiscal deficit reached 2.8 percent of GDP in 2025, or 3.6 percent on a cyclically adjusted basis under Chile's budget rule, above the 1.6 percent structural target. The shortfall was driven by lower-than-expected non-mining revenue. Although corrective measures were announced as forecasts deteriorated, implementation lagged. Public debt stayed at 41.4 percent of GDP, supported by assets drawdowns, with the Economic and Social Stabilization Fund at 1.0 percent of GDP, below the International Monetary Fund's recommended 5–7 percent.

In January 2026, the government released revised official poverty estimates using a new methodology, raising the 2024 poverty rate to 17.3 percent (from 4.9 percent previously) while maintaining the long-term trend of a roughly 20-point decline since 2009. Between 2022 and 2024, poverty declined from 20.5 to 17.3 percent.

Outlook

Real GDP growth is expected at 2.4 percent in 2026, in a baseline scenario without major policy changes, supported by mining investment and its economy-wide spillovers. Business sentiment crossed the optimism threshold for the first time

since May 2019 (Figure 1), and a new permitting law is set to strengthen investment conditions. These gains may be tempered by the Middle East conflict, which raises energy costs and uncertainty, lifting inflation to 3.8 percent in 2026 before returning to the Central Bank's 3 percent target by mid-2027. The current account is projected to deteriorate, with elevated copper prices partially offsetting the energy shock.

Over the medium term, growth is expected to revert to its 2.3 percent potential as investment moderates. Productivity enhancing reforms, including on education quality, innovation, female labor force participation, and export diversification, could significantly raise potential growth. Poverty (at the US\$ 8.30 2021 PPP line) is projected to decline slowly from 4.5 percent in 2024 to 3.8 percent in 2028.

Fiscal revenue is projected to rise by 0.5 percentage points of GDP in 2026, supported by the 2025 Tax Compliance Law and elevated copper prices. Updated projections point to a fiscal deficit of 1.8 percent of GDP in 2026, with the structural deficit expected to exceed its target, requiring corrective measures. With the new administration signaling significant spending cuts, the 2027–2028 outlook assumes only committed expenditures, implying fiscal consolidation and public debt at 42.8 percent of GDP.

Domestically, risks are broadly balanced: the new administration may leverage early political capital to advance pro-growth reforms, but transition-related policy uncertainty could weigh on activity. Externally, persistent global uncertainty, including trade tensions and the risk of prolonged oil market disruption from the Middle East conflict, could dampen export demand, raise production costs, and weaken domestic confidence.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	0.7	2.8	2.5	2.4	2.3	2.3
Private consumption	-4.7	1.1	2.7	2.5	2.5	2.5
Government consumption	2.3	2.8	3.0	2.5	2.2	2.2
Gross fixed capital investment	0.3	-1.6	7.0	4.3	4.0	3.5
Exports, goods and services	0.3	7.2	4.6	1.5	2.1	2.1
Imports, goods and services	-11.1	2.1	10.5	3.0	3.8	3.6
Real GDP growth, at constant factor prices	1.5	3.2	2.4	2.4	2.3	2.3
Agriculture	0.2	7.8	7.9	1.8	1.8	2.1
Industry	3.2	3.6	0.6	1.7	1.7	1.7
Services	0.9	2.7	2.8	2.7	2.6	2.5
Employment rate (% of working-age population, 15 years+)	56.0	55.9	56.6	56.6	56.6	56.6
Inflation (consumer price index)	7.6	4.3	4.2	3.8	3.6	3.0
Current account balance (% of GDP)	-3.1	-1.2	-1.2	-2.5	-2.5	-2.5
Net foreign direct investment inflow (% of GDP)	3.2	2.8	1.6	2.4	2.4	2.4
Fiscal balance (% of GDP)	-2.3	-2.8	-2.8	-1.8	-1.6	-1.4
Revenues (% of GDP)	25.1	23.8	24.2	24.7	24.7	24.7
Debt (% of GDP)	39.3	41.4	41.4	41.7	42.8	42.8
Primary balance (% of GDP)	-1.6	-1.8	-1.8	-1.0	-0.7	-0.6
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	..	4.5	4.2	4.0	3.9	3.8
GHG emissions growth (mtCO2e)	-15.7	4.6	5.0	3.9	1.6	1.7

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on SEDLAC harmonization, using 2024-CASEN. Actual data: 2024. Nowcast: 2025. Forecasts are from 2026 to 2028.

2/ Projections using microsimulation methodology.

COLOMBIA

Growth accelerated from 1.5 percent in 2024 to 2.6 percent in 2025, driven by private consumption and government spending amid expansive fiscal and income policies. Disinflation paused and the fiscal position deteriorated further following the suspension of the fiscal rule. Growth is projected at 2.2 percent in 2026, with poverty edging down to 34.8 percent. Risks include fiscal slippage, inflationary pressures, and geopolitical uncertainty.

Key conditions and challenges

Colombia's robust institutions—inflation targeting, a flexible exchange rate, and fiscal rules—have supported macroeconomic stability. Over a decade and a half, the economy grew by about 3.5 percent annually and poverty fell by nearly a quarter. However, productivity has stagnated, slowing income convergence and gains in poverty and inequality reduction.

Limited global integration constrains diversification beyond commodities. A complex tax system and weak competition deter investment, innovation and the creation of quality jobs. Rigid spending also limits investment in infrastructure, and service delivery needed to build human capital. The recent fiscal deterioration and suspension of the fiscal rule further complicate development efforts.

These structural constraints disproportionately affect poorer regions. Wide regional disparities persist. Bogotá's income is nearly six times Chocó's and children in La Guajira are twice as likely to fall behind in school as those in the capital.

Population ¹ million	Poverty ² millions living on less than \$8.30/day
53.4	19.6
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
77.7	104.8
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
457.4	8560.5

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2025. 6/ 2025.

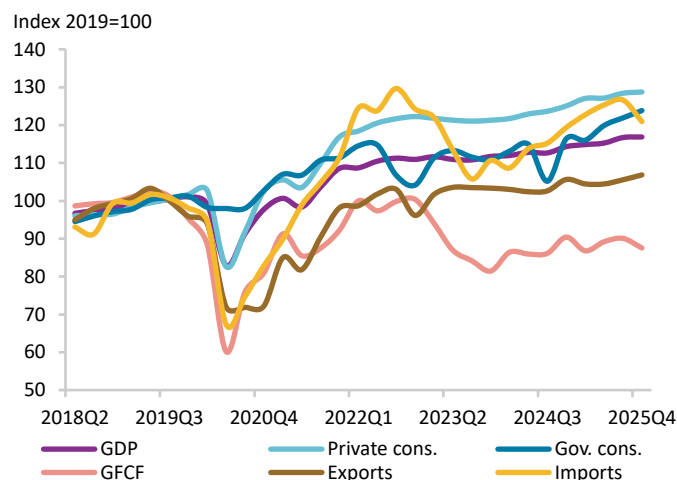
The incoming government taking office in August will face a demanding reform agenda. Raising productivity requires better infrastructure and service delivery, a simpler and fairer tax system, more efficient public spending, and a more open business climate. Inclusive growth requires better targeted fiscal transfers, further investment in human capital, and a modernized social security.

Recent developments

Real GDP grew 2.6 percent in 2025 (1.5 percent in 2024), driven by private consumption and public spending. Private consumption rose 3.6 percent supported by real income gains from record remittances, resilient labor markets, and elevated coffee prices. Public spending grew by 5.8 percent as the government cleared investment backlogs (2.7 percent of GDP) and expanded civil works. These gains were partly offset by declining private investment and weak net exports, reflecting lower mining output and strong import demand.

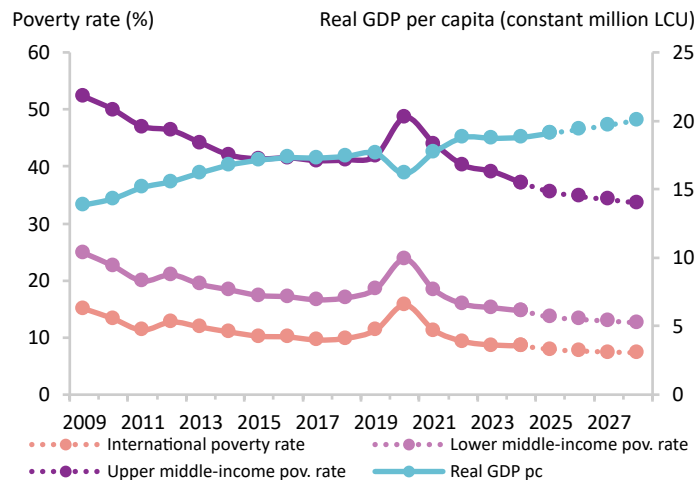
Inflation eased from 6.6 to 5.1 percent in 2025 as the peso appreciated (0.5 percent on average in 2025) but stayed around 5.2 percent most of the year as services and regulated prices proved slow

FIGURE 1 / GDP and components



Sources: Departamento Administrativo Nacional de Estadística and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

to adjust. Monetary policy eased modestly, with a 25-basis-point cut in April to 9.25 percent, constrained by fiscal and trade risks and persistent inflation pressures.

Fiscal accounts deteriorated further in 2025, with a primary deficit estimated at 2.6 percent of GDP—the largest outside the pandemic—partly cushioned by debt operations that reduced interest payments and kept the overall deficit below target. The deterioration led to a temporary suspension of the fiscal rule for 2025–2027, triggering sovereign downgrades. Public debt rose to 66.5 percent of GDP, and Emerging Markets Bond Index Global spreads remained elevated at around 310 basis points, even as regional and rating peers saw spreads decline.

The current account deficit widened from 1.7 to 2.4 percent of GDP as stronger imports and weaker oil and mining export receipts outweighed record remittances (2.9 percent of GDP). Net foreign direct investment (FDI) inflows fell to 1.6 percent of GDP, their lowest in 15 years, while net portfolio inflows helped cover the gap. Reserves stayed comfortable at US\$66 billion (eleven months of imports).

Poverty (US\$8.3/day 2021 PPP) declined by 2.1 percentage points in 2024, driven by higher earnings, partly offset by lower social transfers amid fiscal pressures. Urban poverty declined more than rural, while rural extreme poverty stagnated and income inequality remained high. In 2025, labor markets slightly improved, with 791,000 jobs created, nearly half in self-employment, mostly in the tertiary sector, benefiting urban areas, and men slightly more.

Outlook

GDP growth is projected to moderate to 2.2 percent in 2026, as rising inflation and tighter monetary policy will cool demand

and constrain private investment. Inflationary pressures from a record minimum wage increase and global oil prices are expected to fade in the medium term, bringing inflation back to target by late 2028, allowing gradual monetary easing and supporting growth of 2.7 percent.

The fiscal deficit is projected to narrow modestly in 2026, as mandated spending deferrals from the unapproved 2025 financing bill deliver partial adjustment. Larger consolidation is anticipated from 2027 ahead of the rule's reinstatement in 2028. Achieving fiscal targets will require structural reforms to raise tax revenues, reduce budget earmarks and rigidities, and improve spending efficiency. Public debt is expected at 66.6 percent of GDP in 2026, stabilizing as reforms take effect.

The current account deficit is expected to narrow to 2.1 percent in 2026, supported by higher oil export receipts amid elevated global prices, while domestic supply constraints cap volume gains in coffee and coal. Net FDI inflows should remain the main external financing source.

The poverty rate is projected to decline from 35.5 percent in 2025 to 34.8 percent in 2026, while inequality remains stagnant. Heavy rains and floods, mostly in the Caribbean region, could disproportionately affect the poorest.

Downside risks are significant. Delays in fiscal consolidation or a wider deficit could raise borrowing costs further and keep monetary policy tight. Stronger wage-driven inflation could prolong rate hikes and weaken private investment. Regional violence risks deepening the country's already stark territorial disparities. External shocks, including a prolonged conflict in the Middle East or trade policy uncertainty, could dampen demand, tighten financial conditions and exacerbate fiscal pressures.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	0.8	1.5	2.6	2.2	2.4	2.7
Private consumption	0.5	1.6	3.6	3.0	2.8	2.7
Government consumption	1.6	0.6	7.1	2.5	-1.9	-5.7
Gross fixed capital investment	-12.8	0.7	1.3	-0.4	5.2	8.3
Exports, goods and services	3.1	0.4	1.8	3.2	3.4	4.6
Imports, goods and services	-10.0	1.2	8.4	3.0	2.9	2.0
Real GDP growth, at constant factor prices	1.2	1.6	2.6	2.2	2.4	2.7
Agriculture	1.6	6.1	3.1	1.2	2.2	3.1
Industry	-0.6	-1.5	-0.5	1.0	2.0	3.1
Services	1.9	2.3	3.7	2.7	2.6	2.5
Employment rate (% of working-age population, 15 years+)	57.6	57.5	57.6	57.6	57.6	57.6
Inflation (consumer price index)	11.7	6.6	5.1	6.1	5.1	4.0
Current account balance (% of GDP)	-2.3	-1.7	-2.4	-2.1	-2.7	-2.8
Fiscal balance (% of GDP)	-2.7	-5.8	-5.6	-4.9	-4.0	-3.0
Revenues (% of GDP)	30.9	27.6	27.5	28.7	28.8	28.3
Debt (% of GDP)	59.8	64.1	66.5	66.6	66.0	65.1
Primary balance (% of GDP)	1.4	-1.3	-2.6	-1.8	0.4	1.5
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	8.6	8.5	7.9	7.7	7.5	7.3
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	15.2	14.7	13.6	13.3	13.0	12.8
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	39.1	37.0	35.5	34.8	34.4	33.9
GHG emissions growth (mtCO2e)	-1.0	-1.1	-0.4	0.3	0.9	0.9

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on SEDLAC harmonization, using 2024-GEIH. Actual data: 2024. Nowcast: 2025. Forecasts are from 2026 to 2028.

2/ Projections using microsimulation methodology.

COSTA RICA

Growth accelerated to 4.6 percent in 2025 on resilient exports, but it is projected to moderate to 3.6–3.7 percent over 2026–2028 as external demand eases. While fiscal consolidation has continued, revenue growth has flatlined and central government debt remains high at 60.4 percent. Although real wage growth reduced poverty to its lowest rate since 2010, falling participation rates and persistent inequality pose challenges.

Key conditions and challenges

Real per capita income grew 3 percent annually on average over 2004–2024, leading to Costa Rica's classification as a high-income economy in 2025. Prudent fiscal management, anchored in a fiscal rule, has helped to uplift the credit rating to two notches below investment grade.

Poverty has declined to 9.7 percent (at US\$8.30/day, 2021 PPP, or 17.1 percent under the national poverty line), while 60 percent of the population belongs to the middle class. Inequality, however, remains high at 0.49 Gini points, exacerbated by the dual economic structure. Export-oriented firms benefiting from special regimes such as free trade zones have experienced strong productivity gains, generating robust real wage growth for skilled workers, while domestic, non-beneficiary firms—which generate 85 percent of GDP—remain sluggish, leading to flatter wage growth for most workers. Reducing these disparities will require improving the business environment for all firms, enhancing the quality of education spending, and crowding in more private investment in infrastructure.

Population ¹ million	Poverty ² millions living on less than \$8.30/day
5.2	0.5
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
80.8	106.2
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
102.9	19968.4

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2025 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

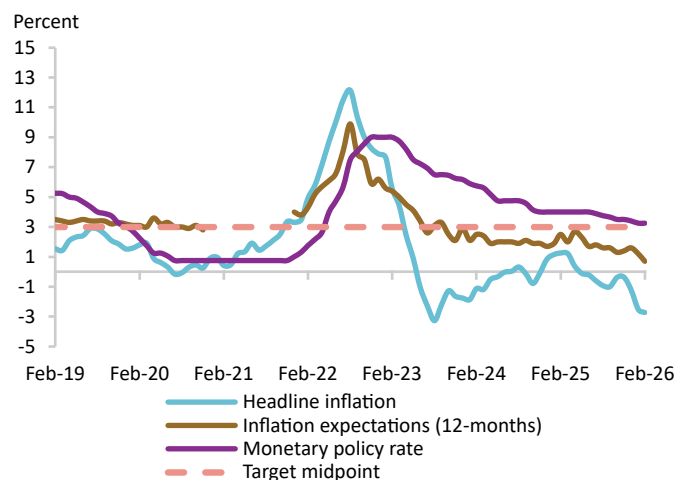
Recent developments

Real GDP accelerated to 4.6 percent in 2025 amid resilient goods export growth (13.3 percent year-on-year). This likely reflected the frontloading of medical device imports by U.S.-based companies ahead of the 15 percent reciprocal tariff beginning August 2025. Strong manufacturing growth offset weather-related contractions in agriculture.

Unemployment declined to 6.3 percent in the quarter ending December 2025. While average real wages rose, participation and employment rates declined to 54.5 and 51.1 percent, respectively, 1.7 and 5.2 percentage points lower than in 2022. This partly reflects aging, but also a drop in female labor force participation to 43.2 percent, the lowest rate since 2010.

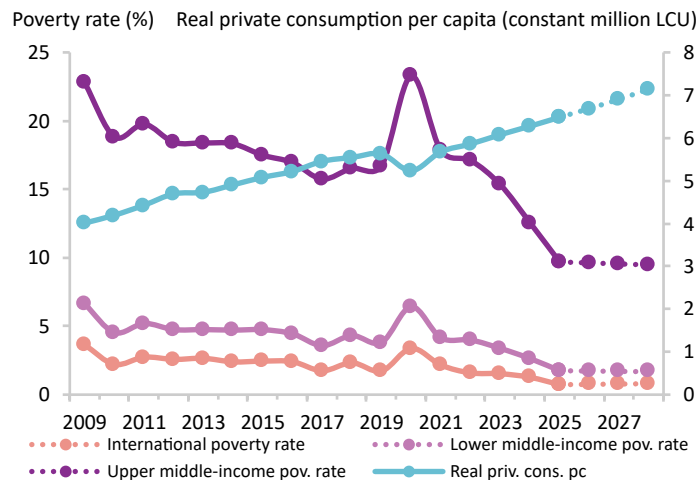
Consumer prices contracted by 0.1 percent in 2025, driven by lower global fuel prices and the continued appreciation of the colón (2.4 percent). Core inflation averaged 0.6 percent. The Central Bank lowered the policy rate by a cumulative 75 basis points to 3.25 percent, but prices still fell by 2.6 percent y-o-y.

FIGURE 1 / Inflation year-over-year



Sources: Banco Central de Costa Rica and World Bank.

FIGURE 2 / Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Notes: See footnotes in table on the next page.

on average in January and February 2026 as the colón continued to appreciate (+5.2 percent).

Notwithstanding a smaller services trade surplus (on account of the strong colón, which favored outbound tourism), the current account deficit narrowed to 0.7 percent of GDP on goods exports growth and higher reinvested earnings. Net foreign direct investment (FDI) is estimated to have risen to 5.2 percent of GDP as free trade zones expanded. Net international reserves surged to US\$17.1 billion, equivalent to 8.9 months of imports, as the government—unauthorized by Congress to issue Eurobonds externally—placed an inaugural EUR 1 billion bond in the local market with a coupon of 6.5 percent.

The non-financial public sector deficit is estimated to have narrowed by 0.3 percentage points of GDP to reach 1.4 percent in 2025. Lower interest payments led central government (CG) expenditures to decline slightly (0.3 percent), while revenues rose by only 0.8 percent, reflecting lower value-added tax collections. The CG debt to GDP ratio rose from 58.9 to 60.4 percent as the government frontloaded liquidity to mitigate refinancing risks. In line with the fiscal rule, this implies tighter constraints on total spending growth in 2027.

Outlook

Growth is projected to slow to 3.6–3.7 percent over 2026–2028 as export growth decelerates from a high base amid lingering global trade uncertainty. Private consumption is expected to moderate as inflation picks up and real interest rates remain elevated.

Inflation is projected to increase to 1.0 percent in 2026, driven by temporarily higher prices due to the conflict in the Middle East, and return to the target range (2–4 percent) thereafter.

The poverty rate is projected to remain below 10 percent for 2025–2027. Better targeting and more efficient social spending could help cement reductions in poverty and vulnerability.

The current account deficit is projected to rise to 1.4 percent of GDP in 2026 and to 1.6 percent in 2027–2028, reflecting a deceleration in export growth and higher fuel import prices.

Fiscal consolidation is expected to be supported by prudent spending and by ongoing efforts to modernize tax administration, but only at a very gradual pace unless reforms to mobilize more tax revenues and improve spending efficiency occur. Reforms to enable more predictable access to external borrowing are critical to further reduce borrowing costs.

External risks include global uncertainty and the pending outcome of a U.S. investigation into imported medical devices, which may affect FDI and exports and increase borrowing costs. Domestically, persistent deflation could weaken competitiveness and worsen debt ratios, while prolonged disruptions to global oil supplies from the Middle East conflict pose the opposite risk of broader cost pressures. Perceptions of worsening security could also dampen FDI and tourism. Longer-term downside risks include low female labor force participation, aging, and vulnerability to natural disasters. Upside risks could materialize if the new administration accelerates reforms to improve the business environment and to close infrastructure gaps, including through public-private partnerships.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	4.8	4.1	4.6	3.6	3.7	3.7
Private consumption	4.2	3.8	3.8	3.6	3.7	3.8
Government consumption	-0.5	0.9	2.8	1.6	1.2	0.9
Gross fixed capital investment	9.2	4.7	3.9	4.0	4.2	4.4
Exports, goods and services	10.6	5.7	8.6	4.0	4.8	4.8
Imports, goods and services	6.5	5.1	6.5	4.1	4.5	4.7
Real GDP growth, at constant factor prices	4.8	4.1	4.8	3.6	3.7	3.7
Agriculture	3.0	2.0	-1.5	1.3	1.6	2.0
Industry	8.5	3.7	8.2	3.0	3.2	3.3
Services	3.8	4.3	4.1	3.9	3.9	3.9
Employment rate (% of working-age population, 15 years+)	51.0	52.5	52.0	52.1	52.1	52.0
Inflation (consumer price index)	0.5	-0.4	-0.1	1.0	2.2	3.0
Current account balance (% of GDP)	-1.3	-0.9	-0.7	-1.4	-1.6	-1.6
Net foreign direct investment inflow (% of GDP)	4.2	5.1	5.2	5.0	5.0	5.0
Fiscal balance (% of GDP)¹	-1.3	-1.7	-1.4	-1.3	-1.2	-1.1
Revenues (% of GDP)	25.5	25.5	25.0	25.1	25.2	25.3
Debt (% of GDP)¹	72.8	71.0	72.3	71.5	70.6	69.7
Primary balance (% of GDP)	2.5	2.1	2.0	2.0	2.0	2.0
International poverty rate (\$3.00 in 2021 PPP)²	1.5	1.3	0.8	0.8	0.9	0.9
Lower middle-income poverty rate (\$4.20 in 2021 PPP)²	3.4	2.6	1.7	1.7	1.7	1.7
Upper middle-income poverty rate (\$8.30 in 2021 PPP)²	15.3	12.6	9.7	9.4	9.2	9.0
GHG emissions growth (mtCO2e)	-8.3	3.1	5.5	4.1	2.9	0.6

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Debt data refers to unconsolidated public debt. The fiscal accounts cover the non-financial public sector (NFPs).

2/ Projection using average elasticity (2010-2016) with pass-through = 0.5 based on private consumption per capita in constant LCU.

DOMINICA

Growth accelerated to 3.1 percent in 2025, driven by infrastructure investment and tourism, and is expected to remain robust despite moderation as major projects conclude, reflecting increased productive capacity. The fiscal deficit is projected to decline as capital outlays decrease and revenue measures are implemented, supporting debt sustainability. External shocks could weaken growth and employment, pushing vulnerable households into poverty.

Key conditions and challenges

As a small island nation dependent on tourism and agriculture, Dominica is highly vulnerable to climate and external shocks. For example, Hurricanes Erika in 2015 and Maria in 2017 caused US\$1.8 billion (almost three times the GDP) in damage. In the post-pandemic period of 2021–2022, economic growth averaged 8 percent, fueled by recovery investments, a resurgence in tourism, and a marked increase in Citizenship-by-Investment (CBI) revenues. However, growth normalized at around 2.9 percent during 2023–25, as base effects faded. The fiscal deficit and public debt remained elevated, peaking at 7.2 percent and 102.3 percent of GDP in fiscal year 2023/24, respectively, as the government continued to undertake large infrastructure projects aimed at upgrading and expanding tourism capacity.

Dominica faces persistent challenges with high debt that limits fiscal flexibility, a narrow and volatile economic base, skilled labor emigration, declining productivity, elevated energy and logistics costs, and limited access to finance, which compound climate vulnerability. Stronger fiscal buffers, greater economic diversification, investments in climate resilience, broader insurance coverage, and

Population ¹ thousand	Poverty
65.9	..
Life expectancy at birth ² years	School enrollment ³ primary (% gross)
71.1	96.8
GDP ⁴ current US\$, billion	GDP per capita ⁵ current US\$
0.7	11064.7

Sources: WDI, MFMMod, and official data. 1/ 2025. 2/ 2023. 3/ 2024. 4/ 2025. 5/ 2025.

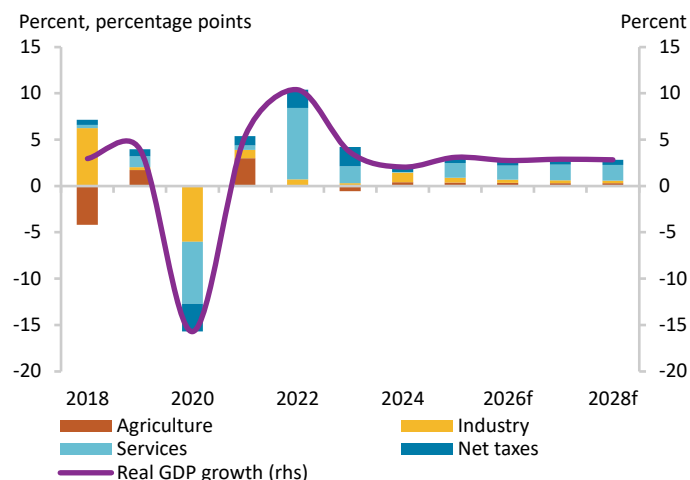
improved job opportunities could foster broad-based growth, helping provide economic security for poor and vulnerable Dominicans.

Recent developments

Real GDP is estimated to have grown by 3.1 percent in 2025, fueled by infrastructure investment and rising tourism. Construction was driven by public projects— climate-resilient infrastructure, the International Airport, and a geothermal plant—and private developments like the Ariel Tram/Cable Car and luxury hotels. These expansions increased tourism capacity, with stayover arrivals up 13.7 percent in January–September 2025 from the previous year. Agriculture—the largest employer for Dominica's poorest workers—slowed but remained supported by government initiatives.

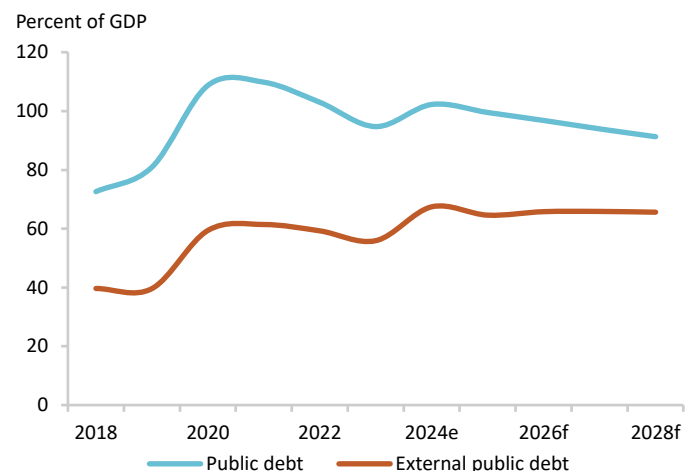
Inflation eased to 2.6 percent in 2025, helped by lower global commodity prices, with year-on-year food price inflation standing at 3.1 percent in September 2025. This likely mitigated food insecurity for the poor and vulnerable that devote a larger share of income to food. In 2025, 40 percent of respondents to the Caribbean Food Security and Livelihoods Survey reported going hungry but not eating, similar to 2024

FIGURE 1 / Real GDP growth and sectoral contributions to real GDP growth



Sources: Eastern Caribbean Central Bank and World Bank.

FIGURE 2 / Public debt



Sources: Eastern Caribbean Central Bank and World Bank.

and up from 2021 (18 percent). Health and education costs have also increased faster than overall inflation, which could hamper human capital development.

The current account deficit increased to an estimated 38.6 percent of GDP in 2025, driven by capital goods imports related to infrastructure projects, only partially offset by tourism receipts. The deficit was primarily financed by CBI inflows and, to a lesser extent, by recovering foreign direct investment (FDI). In 2025, imputed reserves covered 4.3 months of imports.

The fiscal deficit narrowed to 1.6 percent of GDP in fiscal year 2024/25 (from 7.2 percent in the previous year), supported by higher tax revenue, controlled current expenditures, and stronger economic growth. As a result, debt declined to 99.5 percent of GDP in fiscal year 2024/25.

The financial sector is adequately capitalized but low asset quality and heavy reliance on credit unions increase vulnerabilities due to weaker regulatory frameworks. Non-performing loans in commercial banks declined to 8.9 percent in December 2025 but remain above the Eastern Caribbean Central Bank's prudential benchmark (5 percent).

Outlook

GDP growth is projected to converge to 2.8 percent by 2028 as major infrastructure projects are concluded. Nonetheless, expanded capacity in tourism, investments in agriculture and a transition to geothermal energy will continue supporting the expansion.

Inflation is expected to remain high at 2.6 percent in 2026 due to an increase in oil prices driven by the conflict in the Middle East but then decline to 2.1 percent over the medium term, supporting purchasing power. Poverty should fall in the medium term. However, updated data on poverty, labor markets and other key indicators is urgently needed to monitor wellbeing and guide policy.

The fiscal deficit is projected to narrow to 0.6 percent of GDP by fiscal year 2027/28, driven by increased excise taxes, higher eco-tourism site fees, new environmental and highway maintenance taxes, and stable economic performance. Although fiscal incidence studies are not available, international evidence suggests that consumption taxes could disproportionately affect poor and vulnerable households. Current spending restraint and a slowdown in capital outlays as projects are completed will further contribute to the adjustment, enabling a primary surplus and a gradual decline in public debt to around 91.3 percent of GDP by 2028.

The current account deficit is expected to narrow to 16.1 percent of GDP by 2028, driven by lower capital imports, reduced fuel costs linked to geothermal energy production, and increased tourism receipts enabled by the new airport and hotels. CBI and FDI inflows are projected to continue financing the deficit.

The economic outlook faces significant downside risks from volatile CBI revenues, fluctuating food and fuel prices, and trade disruptions resulting from global uncertainty and the conflict in the Middle East. Additional risks include natural disasters, tighter global financial conditions, and fiscal vulnerabilities that may slow the decline in public debt.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	3.7	2.1	3.1	2.8	2.9	2.8
Real GDP growth, at constant factor prices	2.0	1.9	3.1	2.8	2.9	2.8
Agriculture	-4.0	3.2	2.9	2.7	2.5	2.3
Industry	2.4	8.8	4.2	2.6	2.3	2.3
Services	3.3	0.2	2.9	2.8	3.1	3.1
Inflation (consumer price index)	5.1	2.7	2.6	2.6	2.1	2.1
Current account balance (% of GDP)	-40.4	-37.8	-38.6	-30.6	-20.8	-16.1
Fiscal balance (% of GDP)¹	-4.6	-7.2	-1.6	-1.2	-0.7	-0.6
Revenues (% of GDP)	61.7	63.0	62.4	56.5	45.9	44.0
Debt (% of GDP)¹	94.7	102.3	99.5	96.8	93.9	91.3
Primary balance (% of GDP)¹	-2.0	-4.8	0.9	1.2	1.5	1.5
GHG emissions growth (mtCO₂e)	2.9	1.9	2.5	2.4	2.3	2.2

Source: World Bank, Fiscal Policy & Growth Department and Eastern Caribbean Central Bank. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Fiscal balances and public debt are reported in fiscal years.

DOMINICAN REPUBLIC

Growth moderated to 2.1 percent in 2025, reflecting weak construction and subdued investment, partially offset by solid performance in agriculture and mining. Rising remittances, resilient labor market conditions, and strong FDI supported household incomes and contributed to improved welfare. Economic growth is forecast to recover to 3.6 percent in 2026, driven by investment recovery and resilient private consumption, resulting in further poverty reduction.

Key conditions and challenges

The Dominican Republic remains one of the fastest-growing economies in Latin America, averaging 5.2 percent growth over the past two decades, supported by a favorable business environment, an open economy, and a strong tourism sector. Prudent monetary and fiscal policies anchored macroeconomic stability, underpinning growth, containing inflation, and supporting a dynamic labor market. At the same time, the country achieved substantial social progress. Poverty declined threefold, reaching 14.0 percent in 2024 (US\$8.3/day, 2021 PPPs), driven by labor income growth and public transfers. The middle class more than doubled from 22.5 to 51.7 percent and inequality declined considerably, with the Gini index falling from 50 to 39.

Recent shocks, including surging commodity prices and floods, have strained public finances. Public debt remains above pre-pandemic levels (58 percent of GDP), while revenue mobilization remains low despite rising spending pressures. Transfers to cover losses in the energy sector exceed 1 percent of GDP, and interest

Population ¹ million	Poverty ² millions living on less than \$8.30/day
10.9	1.6
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
73.7	101.9
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
127.4	11679.1

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

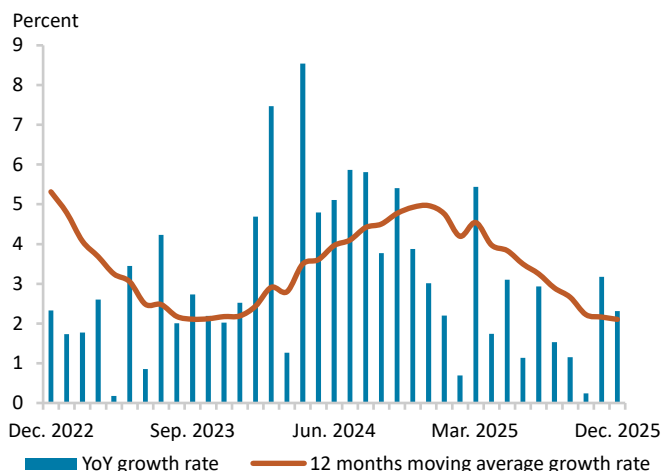
payments absorb more than 3 percent of GDP, restricting fiscal space for public investment.

The authorities have advanced key institutional and anticorruption reforms, including public procurement and penal code. Sustaining growth and protecting social gains will depend on recovering public and private investment, continued resilience in private consumption supported by labor income, and solid export performance. Medium-term productivity gains hinge on attracting foreign direct investment (FDI) into higher-value activities and gradual improvements in fiscal efficiency.

Recent developments

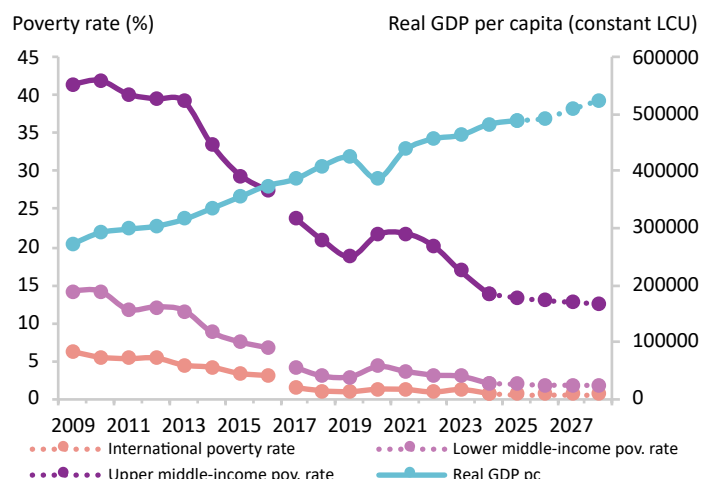
GDP decelerated to 2.1 percent in 2025, as tighter global conditions translated into high domestic interest rates weakening credit, particularly mortgages, and demand. Services, agriculture, and mining expanded (2.9, 3.7, and 4.6 percent), while manufacturing stagnated and construction fell 1.8 percent, its sharpest non-crisis decline in two decades. On the demand side, investment fell 3.0 percent,

FIGURE 1 / Monthly Index of Economic Activity (IMAE)



Sources: World Bank and Banco Central de la República Dominicana.

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



Source: World Bank. Notes: See footnotes in table on the next page.

while consumption rose 2.5 percent, supported by remittance inflows and real income gains. Exports grew 3.9 percent, and imports contracted 1.8 percent amid weaker capital spending.

The current account deficit (CAD) narrowed to 1.2 percent of GDP, driven by strong remittances growth (10.3 percent) and a sharp increase in merchandise export values (14.4 percent) from higher gold shipments. FDI reached US\$5.0 billion (up 11.3 percent), hence the Banco Central de la República Dominicana (BCRD) accumulated reserves reaching US\$14.7 billion (4.6 months of imports).

Inflation averaged 3.9 percent (target 4 ± 1). Monetary conditions remained tight through most of 2025 following earlier rate hikes, though the BCRD cut the policy rate twice to 5.25 percent toward year-end after approving an RD\$81 billion liquidity program to bolster demand and credit. December inflation reached 4.9 percent, reflecting higher food prices after Hurricane Melissa and a more accommodative stance.

Official poverty rate declined to 17.3 percent in 2025 (1.7 percentage points below 2024), supported by higher real incomes and improved labor market conditions. Employment rose 1.6 percent, and most new jobs were formal and held by women, despite men having higher employment rates overall (75.7 vs. 51.1 percent). Poverty remains higher in rural areas than in urban areas (21.6 vs. 16.5 percent).

The fiscal deficit reached 3.6 percent of GDP in 2025. Revenues reached 15.8 percent of GDP, broadly stable compared to 2024, once one-off Airport concession contract revenues are excluded (0.6 percent of GDP). Capital spending rose to 2.9 percent of GDP. While primary spending was contained, higher interest payments lifted current expenditure. Public debt increased to 57.9 percent of GDP due to slower growth.

Outlook

Growth is projected at 3.6 percent in 2026, supported by a rebound in private investment and strong exports. Inflation is expected to reach the upper bound of the BCRD target reflecting higher energy prices influenced by the conflict in the Middle East. Growth is forecast to converge toward 4.5 percent in 2028, driven by investment and solid export performance, particularly in tourism and mining. Poverty is expected to continue declining, reaching 12.3 percent in 2028 under the upper-middle-income country line (US\$8.3/day, 2021 PPPs).

The CAD will widen to 2 percent as the energy bill rises, partially offset by higher gold revenues. The fiscal deficit is projected to increase to 3.8 percent of GDP in 2026, reflecting higher energy subsidies, before narrowing to 3 percent by 2028 given spending containment efforts and stable tax revenues. Public debt will peak in 2026 and thereafter decline to 57.2 percent of GDP by 2028. Stronger revenue mobilization and tighter expenditure management remain essential to accelerate consolidation, expand social spending, and increase investment in infrastructure.

The outlook faces significant risks. External risks include protracted high interest rates, potential remittance taxation, extended geopolitical tensions, and continued disruptions to cross-border trade with Haiti, which could affect consumption and external balances. Domestically, inefficiencies in the electricity sector could amplify the impact of higher energy prices, increasing fiscal pressures and contingent liabilities. La Niña-related shocks may weigh on productivity and investment, raise fiscal risks, and disproportionately affect vulnerable populations. Upside risks include stronger demand for rare earths and gold, and stronger fiscal management.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	2.2	5.0	2.1	3.6	4.4	4.5
Private consumption	2.7	4.6	2.5	3.4	4.3	4.3
Government consumption	2.4	4.1	1.9	0.6	0.9	2.6
Gross fixed capital investment	2.0	2.9	-3.0	4.2	3.9	3.8
Exports, goods and services	-1.6	7.8	3.9	4.8	4.7	4.7
Imports, goods and services	0.1	3.4	-1.8	3.5	2.5	2.5
Real GDP growth, at constant factor prices	2.1	4.7	2.2	3.6	4.4	4.5
Agriculture	3.6	4.9	3.7	4.7	4.6	4.4
Industry	-0.8	2.8	0.1	4.0	3.8	3.6
Services	3.2	5.5	2.9	3.3	4.6	4.9
Employment rate (% of working-age population, 15 years+)	61.7	62.3	63.4	63.5	64.0	64.4
Inflation (consumer price index)	4.8	3.3	3.9	4.9	4.0	4.0
Current account balance (% of GDP)	-3.7	-3.1	-1.2	-2.0	-1.5	-1.1
Net foreign direct investment inflow (% of GDP)	3.6	3.6	4.0	3.7	3.7	3.7
Fiscal balance (% of GDP)¹	-3.3	-3.1	-3.6	-3.8	-3.3	-3.0
Revenues (% of GDP)	15.8	16.4	15.8	15.6	15.4	15.4
Debt (% of GDP)²	58.3	57.4	57.9	58.1	57.8	57.2
Primary balance (% of GDP)¹	-0.1	0.3	-0.1	-0.1	0.4	0.7
International poverty rate (\$3.00 in 2021 PPP)^{3,4}	1.3	0.8	0.7	0.7	0.7	0.7
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{3,4}	3.0	2.0	1.9	1.8	1.8	1.7
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{3,4}	16.9	14.0	13.4	12.9	12.6	12.3
GHG emissions growth (mtCO₂e)	1.7	3.5	2.8	3.5	3.7	3.8

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Fiscal balances are shown for the non-financial public sector (i. e. excluding central bank quasi-fiscal balances).

2/ Consolidated public sector debt.

3/ Calculations based on SEDLAC harmonization, using 2024-ECNFT-Q03. Actual data: 2024. Nowcast: 2025. Forecasts are from 2026 to 2028.

4/ Projections using microsimulation methodology.

ECUADOR

Ecuador's structural challenges include low growth, low-quality employment, and fiscal accounts heavily dependent on oil revenues. Near-term priorities center on preserving fiscal sustainability, addressing power shortages, and improving security. Growth rebounded in 2025, estimated at 3.7 percent, with a modest 2026–28 growth outlook of around 2.5 percent, supported by private spending as fiscal risks diminish, with poverty expected to decline gradually.

Key conditions and challenges

GDP growth averaged 1.1 percent over 2015–24, weighed down by structural constraints—including rigid labor regulations, price distortions, fiscal uncertainty, and trade restrictions—and further compounded by climate shocks and rising crime. More recently, progress under the International Monetary Fund (IMF)'s Extended Fund Facility (EFF), approved in May 2024, proved critical to the 2025 rebound, restoring policy credibility, easing financing constraints and creating the conditions for the return to international capital markets. Nevertheless, elevated spending pressures continue to pose risks to medium-term sustainability and fiscal revenues remain exposed to oil price volatility.

Improving economic conditions have fostered poverty reduction, but challenges persist. As of 2025, 30.1 percent Ecuadorians lived below the US\$8.3/day (2021 PPP) poverty line and 8.4 percent below the US\$4.2/day (2021 PPP) line. High informality and the dominance of micro and small firms (96 percent of formal businesses) continue to constrain productivity and earnings growth, with women disproportionately affected, accounting for 65 percent of part-time and below-minimum-wage jobs.

Population ¹ million	Poverty ² millions living on less than \$8.30/day
18.3	5.5
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
77.4	97.2
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
129.9	7101.0

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2025 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

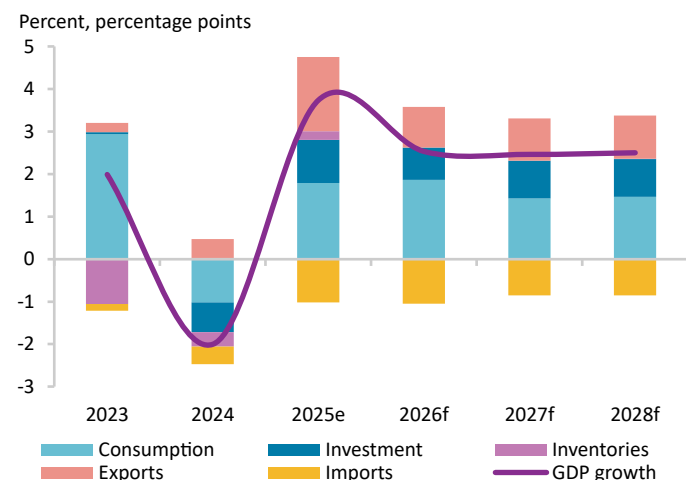
To revitalize growth, Ecuador must boost investment by reducing barriers to private sector development, strengthening the insolvency framework, promoting competition and trade, and improving labor regulations.

Recent developments

GDP rebounded by 3.7 percent in 2025, driven by a pickup in exports, investment and private consumption. Improved energy availability and reduced fiscal risks supported the recovery, outweighing the resurgence of violence and electoral uncertainty. The current account posted a surplus of around 5.1 percent of GDP, underpinned by a sharp increase in non-oil goods exports and stronger remittance flows, while import growth remained modest. Inflation stayed low, averaging 0.7 percent over the year.

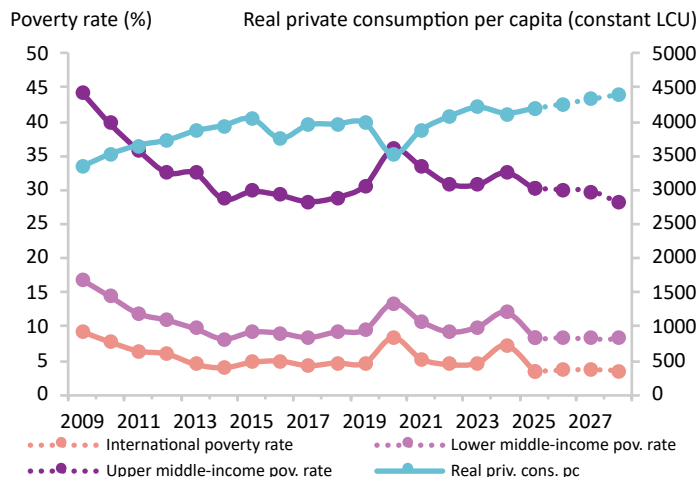
The economic rebound resulted in a decline in poverty. At US\$8.3/day (2021 PPP), poverty fell by 2.5 percentage points to 30.1 percent in 2025, driven by improved job quality, higher labor incomes, and an increase in transfers to targeted groups. Informality declined from 58.0 to 54.2 percent, while adequate employment (Ecuadorian measure) rose from 33.0 to 37.1 percent. With the

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Sources: Central Bank of Ecuador and World Bank.

FIGURE 2 / Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Notes: See footnotes in table on the next page.

participation rate unchanged at 63.6 percent, the gains appear to stem from increased hours and earnings among those already employed, rather than net job creation.

The fiscal deficit widened to 2.9 percent of GDP in 2025. Revenues were nearly flat, as growth in non-oil revenues was offset by lower oil receipts amid declining prices and production. Tax collection rose 4.4 percent in real terms and social contributions 2.0 percent. These gains were partly supported by measures adopted in 2024—such as the higher value-added tax rate—which continued to yield returns in 2025. Spending grew 4.3 percent real, driven by current transfers, social security, and capital expenditures. In December, the IMF approved the fourth review under the EFF, citing strong program performance. The government also issued US\$4 billion in bonds and repurchased US\$3.1 billion in maturing debt, reducing near-term financing pressures.

Outlook

GDP growth is projected at 2.5 percent in 2026 and over the medium term, led by investment as political uncertainty recedes and fiscal risks diminish. Improving labor market conditions and credit expansion are expected to support private consumption, contributing to a gradual decline in poverty to 29.8 percent by 2027 at the US\$ 8.3/day (2021 PPP) line. Non-oil exports are expected to maintain momentum, while imports would rise in response to stronger private spending, gradually narrowing the external surplus since 2027. Moderate inflation is expected to help preserve households' purchasing power. The impact of higher oil

prices from the conflict in the Middle East is likely to be broadly neutral for aggregate output, as higher production costs may be offset by a more gradual pace of fiscal adjustment stemming from the revenue windfall.

Fiscal accounts are projected to approach balance in 2026, driven by higher revenues in the context of higher oil prices, and are expected to turn positive by 2027–28, as fiscal adjustment progresses. Public revenues are projected to remain above 36 percent of GDP in 2027–28, with stronger tax collection offsetting lower oil production and sales. Over this period, expenditures are projected to decline, reflecting reductions in payroll, subsidies, and procurement. However, amortization pressures are expected to remain elevated, with gross financing needs exceeding US\$ 6 billion in 2027. Renewed access to private capital markets is expected to alleviate rollover risks. As a result, the public debt-to-GDP ratio is projected to decline below 50 percent by 2028, gradually approaching the 40 percent legal debt target.

Several risks could affect this outlook. Domestically, the energy sector remains vulnerable due to its dependence on volatile hydroelectric power supply and imports. A further deterioration in security could dampen investment, growth, and poverty reduction. Over the medium term, a relaxation of fiscal consolidation efforts or delays in structural reforms could undermine growth prospects. Externally, Ecuador's reliance on oil revenues makes it fiscally vulnerable to price declines, even as higher oil prices provide a short-term benefit. Slower growth in key trading partners, particularly the United States and China, poses an additional risk to export performance.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	2.0	-2.0	3.7	2.5	2.5	2.5
Private consumption	4.2	-1.3	2.7	2.5	2.5	2.5
Government consumption	1.7	-1.2	0.0	1.7	-1.6	-1.3
Gross fixed capital investment	0.2	-3.8	5.6	4.1	4.7	4.6
Exports, goods and services	0.8	1.8	6.4	3.4	3.5	3.5
Imports, goods and services	0.6	1.7	3.9	4.0	3.2	3.2
Real GDP growth, at constant factor prices	2.0	-1.7	3.7	2.5	2.5	2.5
Agriculture	2.7	2.5	9.0	2.5	2.2	2.2
Industry	-0.3	-3.7	2.2	1.7	1.8	1.8
Services	3.0	-1.4	3.7	2.9	2.8	2.8
Employment rate (% of working-age population, 15 years+)	62.2	61.3	61.3	61.3	61.3	61.3
Inflation (consumer price index)	2.1	1.6	0.7	3.3	1.9	1.5
Current account balance (% of GDP)	1.8	5.7	5.1	5.4	4.4	3.9
Net foreign direct investment inflow (% of GDP)	0.3	0.3	0.8	0.9	0.9	0.9
Fiscal balance (% of GDP)	-3.5	-1.3	-2.9	-0.5	0.4	1.2
Revenues (% of GDP)	36.0	36.8	35.4	37.3	36.5	36.4
Debt (% of GDP)	54.3	53.8	54.3	52.5	51.7	49.5
Primary balance (% of GDP)	-2.6	-0.2	-1.8	0.6	1.6	2.2
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	4.7	7.3	3.4	3.6	3.6	3.5
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	10.0	12.1	8.4	8.5	8.4	8.4
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	30.8	32.6	30.1	29.9	29.8	28.1
GHG emissions growth (mtCO2e)	0.0	-1.9	0.5	0.4	0.4	0.4

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on SEDLAC harmonization, using 2025-ENEMDU. Actual data: 2025. Forecasts are from 2026 to 2028.

2/ Projections using microsimulation methodology.

EL SALVADOR

Growth in El Salvador accelerated markedly in 2025, supported by strong investment, record remittance inflows, and robust performance in construction and tourism. Over the medium term, growth is expected to stabilize around 3 percent—above its historical average—while poverty is projected to reach 28 percent. Continued progress on its reform agenda will be critical to sustaining this growth trajectory and reducing fiscal and external imbalances.

Key conditions and challenges

Since 2000, El Salvador's growth remained persistently low, averaging 2.1 percent annually, with limited progress in income convergence. The economy has relied heavily on remittance-financed consumption, while investment, exports, and productivity have historically lagged. Over the same period, international poverty halved, with 29.9 percent of the population living on less than US\$8.30/day (2021 PPP) in 2023. Although strong remittance inflows have supported poverty reduction, structural constraints persist, including insufficient human capital, poor job quality, and underperforming public investment.

Beginning in 2022, a sharp decline in crime removed a key constraint on economic activity, strengthening market confidence. The authorities have also taken steps to address fiscal and external imbalances, including debt buybacks between 2022 and 2024 to ease short-term financing pressures and the implementation of fiscal consolidation measures under the International Monetary Fund-supported Extended Fund Facility approved in February 2025. Sovereign spreads declined from a peak of over 3,500 basis points in July 2022 to around 326 basis points by end-2025.

Population ¹ million	Poverty ² millions living on less than \$8.30/day
6.4	1.9
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
72.1	89.9
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
37.3	5855.4

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2023 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

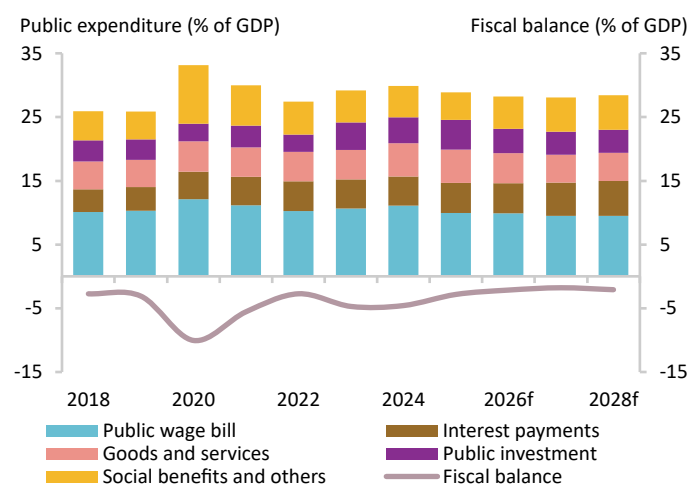
Nonetheless, sustaining fiscal consolidation while tackling structural bottlenecks remains central to the policy agenda. Continuing progress on fiscal reforms supported by multilateral development banks (MDBs), alongside measures to promote investment and modernize labor markets, will be critical to raising productivity, export capacity, and job quality, while reducing poverty.

Recent developments

Economic activity strengthened in 2025, with growth projected at 3.9 percent, up 1.3 percentage points from 2024. Private investment was the primary demand driver, growing at the fastest rate since the post-COVID recovery (26.2 percent), followed by private consumption (3.3 percent). Improved security conditions and record remittance inflows supported this performance. On the supply side, construction expanded by more than 20 percent, mirroring the surge in investment. Inflation reduced to 0.3 percent in 2025, driven by lower food, transport, and energy prices.

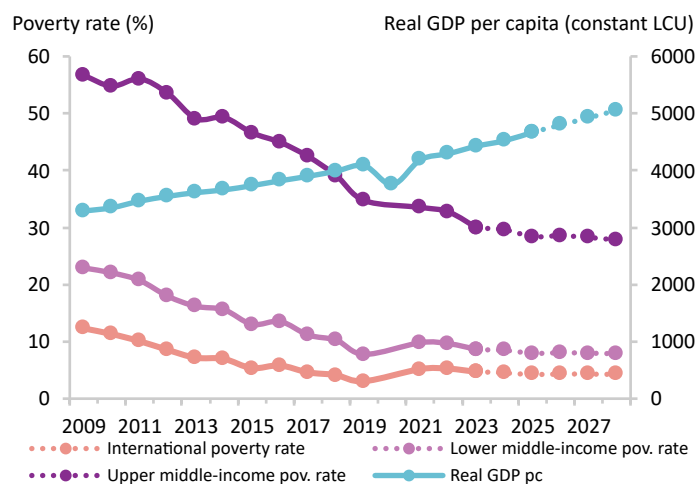
Externally, remittances reached historic highs, rising 17.8 percent relative to 2024, reflecting diaspora portfolio adjustments from the migration context and the 2026 remittance tax in the United States

FIGURE 1 / Public expenditure composition and overall fiscal balance



Sources: Banco Central de Reserva de El Salvador and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

(U.S.). Tourism remained strong, with over 4 million visitors recorded for the first time. The current account deficit narrowed to 1.2 percent of GDP. Foreign direct investment remained at 1.8 percent of GDP. International reserves increased by over US\$1.1 billion, supported by MDB budget support, bringing coverage to about three months of imports.

Revenues increased to 26.1 percent of GDP, supported by strong domestic activity and improved tax collection. Fiscal consolidation reduced expenditures by 1 percentage point to 28.9 percent of GDP, mainly through a decline in the public wage bill from 11.1 percent in 2024 to 10.0 percent in 2025. As a result, the primary balance improved from 0 to 1.9 percent of GDP. However, interest payments remained high at 4.7 percent of GDP, resulting in an overall deficit of 2.8 percent. Public debt remained elevated at 90.7 percent of GDP.

Between 2022 and 2023, international poverty fell by 3 percentage points. It is estimated to decline to 29.6 percent in 2024 and 28.4 percent in 2025, reflecting high remittances. However, poverty remains highest among children (43 percent). Prime-age women are disproportionately affected, with one-third living in poverty—seven percentage points higher than men—due to high labor inactivity and care burdens. Inequality remains among the lowest in the region.

Outlook

Growth is projected to moderate to 3.2 percent in 2026 as fiscal consolidation continues and remittances slow. Over the medium

term, growth is expected to stabilize around 3 percent, above historical levels, supported by sustained security gains, easing fiscal adjustment, growth-enhancing reforms, and continued expansion of dynamic sectors, like tourism. Inflation is projected to rise in 2026 due to increases in transportation, food, and energy prices following higher fuel costs linked to the emerging conflict in the Middle East.

The current account deficit is expected to widen to 2.6 percent of GDP in 2026, reflecting slower remittance growth and higher fuel import costs. Over the medium term, these pressures are expected to be partially offset by the reciprocal trade agreement signed with the U.S. on January 29, 2026, which reduces tariffs on key exports, together with continued growth in tourism receipts. Assuming fiscal consolidation remains on track, the overall deficit is projected to decline to 2.1 percent of GDP in 2026 and 1.8 percent in 2027. However, rising debt service costs, particularly related to pension liabilities, are expected to push the deficit back to 2.1 percent in 2028. Public debt is projected to decline to 84.5 percent of GDP in 2028.

International poverty is expected to continue declining during 2026–2028, albeit with some fluctuations, reflecting modest gains in labor income, particularly in services and informal employment, moderating remittances, and stable growth.

Downside risks include spillovers from the Middle East conflict, stricter U.S. immigration policies, and climate shocks. Delays in civil service and pension reforms could also weaken credibility around fiscal consolidation. On the upside, continued government support for investment in key sectors could help mitigate these risks.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	3.5	2.6	3.9	3.2	3.0	3.1
Private consumption	0.9	3.2	3.3	3.2	3.0	2.8
Government consumption	3.3	2.4	-3.5	-1.5	-0.3	3.3
Gross fixed capital investment	9.4	4.7	23.3	9.9	5.7	4.0
Exports, goods and services	5.3	12.1	7.9	4.3	4.1	3.4
Imports, goods and services	-1.4	8.0	12.0	5.8	4.2	3.3
Real GDP growth, at constant factor prices	3.4	1.9	3.9	3.2	3.0	3.1
Agriculture	-0.6	1.0	2.3	1.9	1.8	1.7
Industry	3.8	0.4	3.5	3.0	3.0	3.0
Services	3.5	2.6	4.1	3.3	3.1	3.3
Employment rate (% of working-age population, 15 years+)	58.7	58.9	58.9	58.9	58.9	58.9
Inflation (consumer price index)	4.0	0.9	0.3	1.7	1.2	1.0
Current account balance (% of GDP)	-1.1	-1.8	-1.2	-2.6	-1.5	-1.4
Net foreign direct investment inflow (% of GDP)	2.1	1.8	1.8	1.9	2.1	2.1
Fiscal balance (% of GDP)¹	-4.7	-4.5	-2.8	-2.1	-1.8	-2.1
Revenues (% of GDP)	24.5	25.3	26.1	26.1	26.3	26.3
Debt (% of GDP)²	87.3	90.9	90.7	88.0	85.9	84.5
Primary balance (% of GDP)¹	-0.1	0.0	1.9	2.6	3.4	3.4
International poverty rate (\$3.00 in 2021 PPP)^{3,4}	4.6	4.5	4.3	4.4	4.3	4.3
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{3,4}	8.6	8.5	7.9	8.0	7.9	7.8
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{3,4}	29.9	29.6	28.4	28.6	28.3	27.8
GHG emissions growth (mtCO2e)	2.0	1.6	1.2	1.5	2.1	2.3

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: Historical estimates correspond to the latest information available as of March 24, 2026.

1/ Fiscal and Primary Balance correspond to the non-financial public sector.

2/ Debt is total public debt.

3/ Calculations based on SEDLAC harmonization, using 2023-EHPM. Actual data: 2023. Nowcast: 2024-2025. Forecasts are from 2026 to 2028.

4/ Projections using microsimulation methodology.

GRENADA

Grenada's economic growth has remained robust, driven by tourism and construction sectors. Despite the post-Beryl reconstruction, the country is expected to continue its downward debt trajectory due to strong revenues and effective disaster risk management. Returning to fiscal rules after 2027 and implementing institutional reforms will be critical for Grenada to sustain growth and make continued progress in poverty reduction.

Key conditions and challenges

Grenada's small tourism-dependent economy is susceptible to global downturns and natural disasters, heightening economic and poverty risks. Its economy grew by an average of 3.9 percent annually from 2015 to 2019, outperforming other Eastern Caribbean nations. Despite a fixed exchange rate ensuring price stability, frequent external shocks weakened its fiscal position.

The most recent available data show that in 2018 about 1 in 5 Grenadians lived on less than US\$8.30 a day (2021 PPP). Inequality, measured by the Gini index, was 43.8 in 2018, which is high by international standards. Gender disparities in economic opportunities persist, and youth unemployment is significantly above the national average. The 2018 data also highlighted gaps in access to basic services such as improved sanitation, electricity and housing quality, and a digital divide. The poor lagged the rest of the population by about 6–8 percentage points in basic services (coverage of total population: 89–95 percent) and 9–19 percentage points in digital access indicators (coverage of total population: 28–76 percent).

Population ¹ thousand	Poverty ² thousands living on less than \$8.30/day
117.3	22.7
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
75.2	110.6
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
1.5	12502.7

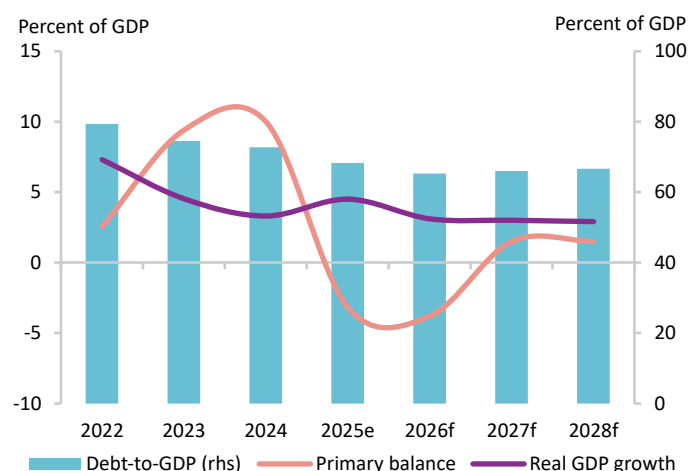
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2018 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

Fiscal consolidation and competitiveness are key priorities. In July 2024, Hurricane Beryl prompted a temporary suspension of the primary balance rule, allowing fiscal space for reconstruction. A timely return to the fiscal rules in 2027 and enhancements in public finances are crucial for ensuring debt remains on a downward trajectory. Reforms are also needed to improve trade facilitation, water and sewerage services, the financial sector, and disaster risk management.

Recent developments

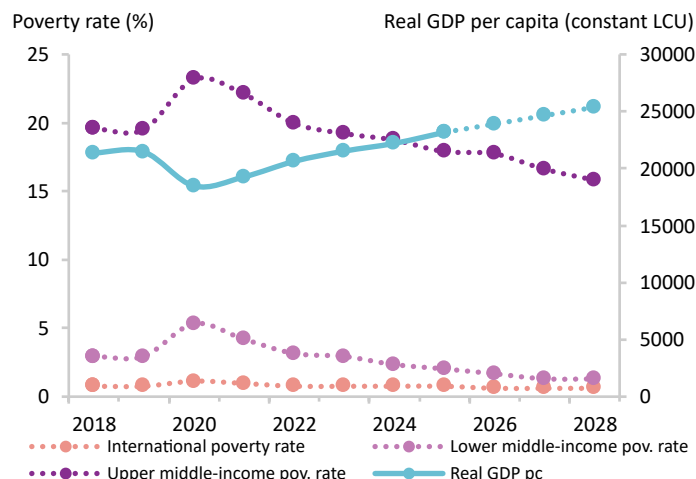
GDP growth is estimated at 4.5 percent in 2025, driven by robust construction activity. Stayover arrivals declined by nearly 5 percent in 2025, following an exceptional 2024. Inflation continued to moderate, declining to an estimated 0.6 percent in 2025, broadly in line with global commodity price dynamics and supported by temporary hurricane-related tax waivers on selected goods since mid-2025. Poverty (US\$8.30 a day in 2021 PPP) is estimated to have declined to 17.9 percent in 2025, having fallen below pre-pandemic levels in 2023.

FIGURE 1 / Key macroeconomic variables



Sources: Eastern Caribbean Central Bank and World Bank. Notes: e = estimate; f = forecast.

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



Source: World Bank. Notes: See footnotes in table on the next page.

The current account deficit (CAD) narrowed to 18.1 percent of GDP in 2025, reflecting moderation in secondary income outflows related to Citizenship-by-Investment (CBI) commissions. Remittance inflows remained stable at an estimated 3.2 percent of GDP in 2025. As remittances tend to accrue mainly to the wealthiest households, the impact on poverty reduction is likely limited. Foreign Direct Investment (FDI) and CBI capital transfers financed the CAD in 2025. Imputed reserves covered an estimated 4.6 months of imports in 2025.

Following an overall fiscal surplus of 6.7 percent of GDP in 2024, the balance shifted to a deficit of 7.0 percent of GDP in 2025, reflecting both a normalization of CBI receipts and higher capital expenditures related to post-Beryl reconstruction and other key investment projects. The prompt deployment of post-disaster funds—including payment from the Caribbean Catastrophe Risk Insurance Facility and the World Bank-financed Catastrophe Draw-down Option—demonstrated the effectiveness of Grenada's multi-layered financial resilience framework. External and total public debt continued to decline, reflecting the limited impact of Hurricane Beryl on Grenada's debt dynamics.

Outlook

Growth is expected to reach 3.1 percent in 2026, driven by construction investment. The launch of Project Polaris—a five-year,

US\$250 million hospital project—will fuel investment and job creation, starting in 2026. Project Polaris will be managed by a special purpose entity and funded by concessional central government borrowing. Headline inflation is projected to reach 2.1 percent in 2026, impacted by the global surge in oil prices. The CAD is expected to remain elevated over the medium term due to high import demand related to ongoing infrastructure investments. Poverty is expected to continue its downward trend over the medium term.

Public expenditure is projected to decline from 39.1 percent of GDP in 2025 to 36.4 percent of GDP in 2026, driven by lower capital expenditures. Total revenues are expected to stay around 30.5 percent of GDP during 2026–2028, as CBI revenues return to historical levels. As a result, the primary deficit is expected to reach 3.8 percent of GDP in 2026, before turning to a surplus of 1.5 percent in 2027 when the fiscal rule waivers expire. Although the additional financing required for Project Polaris is expected to raise public debt from 65.3 percent of GDP in 2026 to 66.6 percent of GDP in 2028, debt is still projected to decline to the Eastern Caribbean Central Bank target of 60 percent of GDP by 2033.

The risks to the outlook are skewed to the downside, including economic slowdown in key tourist-origin countries, further increases in oil prices due to the conflict in the Middle East, disruptions to CBI and FDI inflows (especially inflows linked to the Arab Coordination Group), delays or cost overruns in large investment projects, natural disasters, and delays to the resumption of fiscal rules.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	4.5	3.3	4.5	3.1	3.0	2.9
Real GDP growth, at constant factor prices	2.8	3.3	4.5	3.1	3.0	2.9
Agriculture	-18.7	-16.6	8.5	6.7	7.0	5.2
Industry	-4.0	5.2	10.9	4.3	3.2	3.2
Services	6.4	3.9	2.7	2.6	2.8	2.8
Inflation (consumer price index)	2.7	1.1	0.6	2.1	2.0	2.0
Current account balance (% of GDP)	-20.3	-21.2	-18.1	-17.9	-15.0	-14.4
Fiscal balance (% of GDP)	7.9	6.7	-7.0	-5.7	0.0	0.0
Revenues (% of GDP)	36.6	43.8	32.2	30.7	30.4	30.5
Debt (% of GDP)¹	74.5	72.7	68.3	65.3	66.0	66.6
Primary balance (% of GDP)	9.4	10.0	-3.2	-3.8	1.5	1.5
International poverty rate (\$3.00 in 2021 PPP)^{2,3}	0.8	0.8	0.8	0.6	0.6	0.6
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{2,3}	2.9	2.3	2.0	1.7	1.3	1.3
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{2,3}	19.3	18.8	17.9	17.8	16.6	15.9
GHG emissions growth (mtCO₂e)	0.8	0.8	0.9	0.8	0.8	0.7

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ The debt coverage over the period 2023–2026 was expanded to include the non-guaranteed debt of all SOEs, aligned with the new FRA.

2/ Calculations based on CONLAC harmonization, using 2018-SLCHB. Actual data: 2018. Nowcast: 2019–2025. Forecasts are from 2026 to 2028.

3/ Projection using neutral distribution (2018) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

GUATEMALA

Growth accelerated to 4.2 percent in 2025 as higher remittances and lower inflation supported consumption, but it is expected to slow to 3.7–3.8 percent over 2026–2028 as remittance growth decelerates. Low investment and a segmented, low-productivity labor market result in persistently high poverty. Quality investments in infrastructure and human capital and a stronger rule of law would boost growth and job creation.

Key conditions and challenges

Guatemala's economy grew by 3.5 percent annually on average over 2004–2024, supported by prudent macroeconomic policies and an expanding workforce. Growth was mainly driven by private consumption, supported by remittance inflows, which rose from 11 to 19 percent of GDP over this period. Investment is comparatively low at around 17 percent of GDP.

Despite a stable macroeconomic environment, Guatemala remains one of the poorest countries in the region, with 47.3 percent of the population living below US\$8.30/day in 2023 (2021 PPPs). Inequality stood at 45.2 Gini points, reflecting territorial, ethnic, and socioeconomic disparities. Job quality is low, reflecting high informality and the prevalence of unstable, low paying jobs without social protection. Chronic malnutrition affected 46 percent of children under age five in 2024, the highest rate in the Latin America and Caribbean region. Educational deficits begin in early childhood and widen during adolescence.

The government has pledged to spend more on human capital and infrastructure but faces institutional and technical challenges.

Population ¹ million	Poverty ² millions living on less than \$8.30/day
18.7	8.6
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
72.6	101.5
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
121.7	6513.0

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2023 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

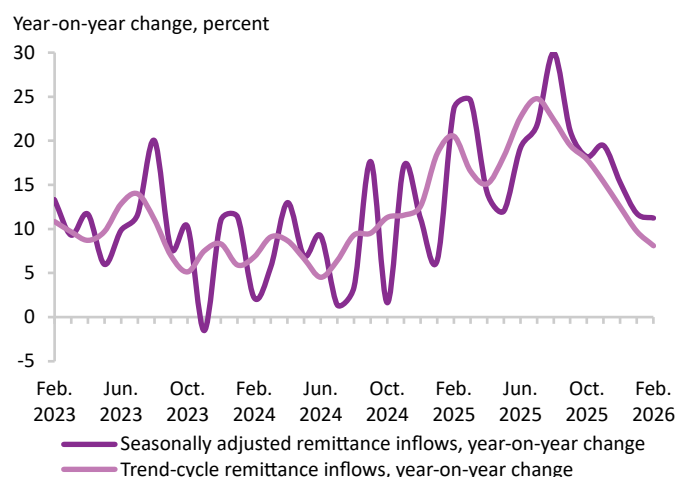
Capital transfers to regional infrastructure development councils have risen dramatically, but public investment management and accountability remain weak. While reforms to accelerate priority infrastructure investment and strengthen competition policy were passed, their implementation remains slow. A fractious political backdrop and chronic insecurity weigh on growth.

Recent developments

Real GDP accelerated to an estimated 4.2 percent in 2025 as an 18.7 percent surge in remittances and low inflation boosted private consumption. Wholesale, retail trade and financial services contributed the most to growth, while agriculture output rebounded.

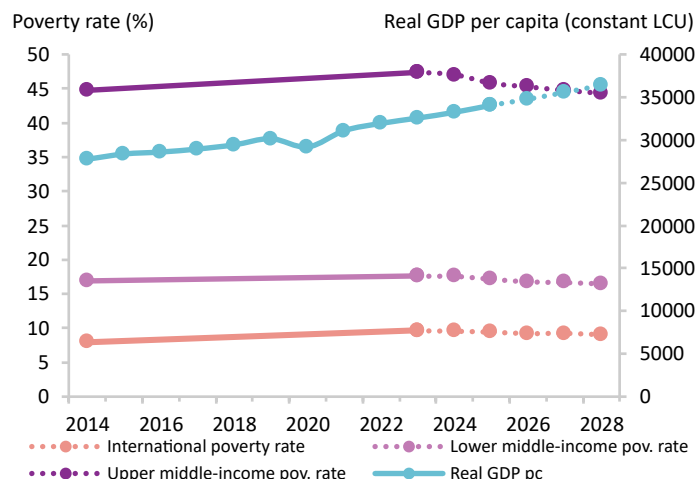
The employment rate was high at 64.1 percent in Q2 2025, but most jobs created remain in informal, low-productivity sectors. Job creation was uneven across genders, widening the gender employment rate gap from 34 to 37 percentage points. Gender gaps also remain salient in labor force participation (84.9 percent for men versus 48.5 percent for women).

FIGURE 1 / Seasonally adjusted and trend cycle remittance inflows



Sources: Banguat and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

More remittances and a smaller trade deficit led the current account surplus to increase to 4.2 percent of GDP in the year ending in September 2025. Goods export growth outpaced that of imports, reflecting higher coffee prices and more sugar exports. Net foreign direct investment decreased slightly to 0.7 percent of GDP as Guatemalan companies invested more abroad.

Lower global fuel prices led average inflation to fall to 1.6 percent in 2025 and further to 1.3 percent in January–February 2026, below the central bank's target range (3 to 5 percent). Policy rates have eased by a cumulative 100bps since August 2025, standing at 3.5 percent as at end-February 2026. Despite higher remittance inflows, the quetzal appreciated by only 0.5 percent against the U.S. dollar in 2025, reflecting a doubling of reserve purchases by the central bank. Net international reserves rose to US\$32.7 billion by end-2025, equivalent to 8.5 months of imports.

The general government fiscal deficit came in an estimated 1.1 percent of GDP at end-2025. Spending grew by 17.8 percent from a low base, driven by public investment by local governments, public wages and social spending. Revenues grew by 10.1 percent, driven by corporate income taxes and value-added tax. Public debt remained low at an estimated 27.2 percent of GDP. Sovereign credit ratings now stand one notch below investment grade.

Outlook

Real GDP growth is projected to decelerate to 3.7–3.8 percent over 2026–2028 as remittance growth, which averaged 5.8 percent in

the first two months of 2026, slows from historic highs. Export growth is expected to pick up, assuming the trade agreement with the United States—which exempts nearly three-quarters of U.S.-bound exports from tariffs—takes effect. Poverty is expected to decline slightly but remain elevated at 45.4 percent in 2028.

The current account surplus is forecast to narrow as remittance growth decelerates and global oil prices temporarily increase due to the conflict in the Middle East. Inflation is expected to accelerate but remain within the target range, negatively impacting on the purchasing power of households through direct and indirect effects (cost of transport and food).

The general government fiscal deficit is forecast to increase to an average of 1.4 percent of GDP in 2026–2028, while public debt is expected to remain low at around 30 percent of GDP. While Guatemala needs to spend more to address development gaps, realizing the growth dividend from higher public investment will require strengthening procurement, oversight and accountability.

The main risks are from slower U.S. growth, which would dampen exports and remittances, and from a prolonged shock to global oil supplies, which would induce inflationary pressures. Domestically, political and legislative dynamics could constrain progress on key reforms amid secondary elections in 2026 and Presidential elections in 2027. Guatemala remains vulnerable to natural disasters, which disproportionately impact poor and rural communities. Upside risks stem from the trade agreement with the U.S., which could boost exports and foreign direct investment if Guatemala accelerates reforms that improve the business environment.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	3.5	3.7	4.2	3.7	3.8	3.8
Private consumption	4.3	5.6	4.6	4.1	4.2	4.2
Government consumption	4.1	0.9	8.0	5.2	4.0	4.0
Gross fixed capital investment	7.9	4.8	6.1	4.8	4.6	4.5
Exports, goods and services	-2.4	2.2	2.9	4.4	4.8	5.0
Imports, goods and services	5.4	9.0	6.0	5.7	5.5	5.5
Real GDP growth, at constant factor prices	3.1	3.4	4.2	3.7	3.8	3.8
Agriculture	1.4	0.1	2.0	2.0	2.0	2.0
Industry	1.2	2.0	3.0	3.3	3.4	3.5
Services	4.1	4.5	5.0	4.1	4.2	4.1
Employment rate (% of working-age population, 15 years+)	58.2	58.1	58.1	58.2	58.4	58.4
Inflation (consumer price index)	6.2	2.9	1.6	3.7	3.5	3.5
Current account balance (% of GDP)	3.1	2.9	4.1	3.2	2.4	1.7
Net foreign direct investment inflow (% of GDP)	1.0	0.9	0.7	1.0	1.0	1.0
Fiscal balance (% of GDP)¹	-0.8	0.1	-1.1	-1.4	-1.4	-1.4
Revenues (% of GDP)	16.5	16.4	17.0	17.1	17.1	17.1
Debt (% of GDP)	27.2	26.4	27.0	27.8	28.8	30.0
Primary balance (% of GDP)	0.4	1.1	0.0	-0.4	-0.4	-0.4
International poverty rate (\$3.00 in 2021 PPP)^{2,3}	9.7	9.6	9.6	9.5	9.3	9.3
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{2,3}	17.6	17.6	17.4	17.2	17.1	17.1
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{2,3}	47.3	47.0	46.2	46.1	45.7	45.4
GHG emissions growth (mtCO2e)	0.9	1.4	2.7	2.4	2.5	2.5

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Fiscal accounts refer to the general government level. Primary balance excludes interest received.

2/ Calculations based on SEDLAC harmonization, using 2023-ENCOVI. Actual data: 2023. Nowcast: 2024-2025. Forecasts are from 2026 to 2028.

3/ Projections using microsimulation methodology.

GUYANA

Driven by rapid expansion of oil and gas production, Guyana is one of the fastest-growing economies in the world. The government is pursuing ambitious public investment to transform the non-oil economy and address development needs. However, progress in poverty reduction is difficult to assess due to data gaps. Prudent management of petroleum revenues and continued institutional strengthening remain essential for broad-based growth.

Key conditions and challenges

Guyana is a small, resource-rich country known for its extensive forests and significant oil and gas reserves, estimated above 11 billion barrels—one of the highest per capita globally. Before oil production began in 2019, Guyana's growth was primarily driven by agriculture, mining, and construction. The start of oil production led to unprecedented economic growth, placing Guyana as a high-income country in 2023.

Guyana's resource wealth is being utilized to address long-standing social and economic issues—addressing infrastructure gaps and human development needs. Poverty and social exclusion have been prevalent in the hinterland regions and among Amerindian communities. Agriculture, forestry, and fishing are significant drivers of job creation and poverty reduction, as over 70 percent of the working-age population lives in rural areas. While a lack of recent data constrains assessments of poverty reduction and social inclusion, the 2024 Q4 Labor Force Survey points to improvements in key labor force indicators. Gender gaps, nevertheless, remain large: men's labor force participation and employment rates

Population ¹ million	Poverty ²
0.8	..
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
70.2	97.6
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
26.4	31603.9

Sources: WDI, MFM, and official data. 1/ 2025. 2/ No recent data available (after 2000). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

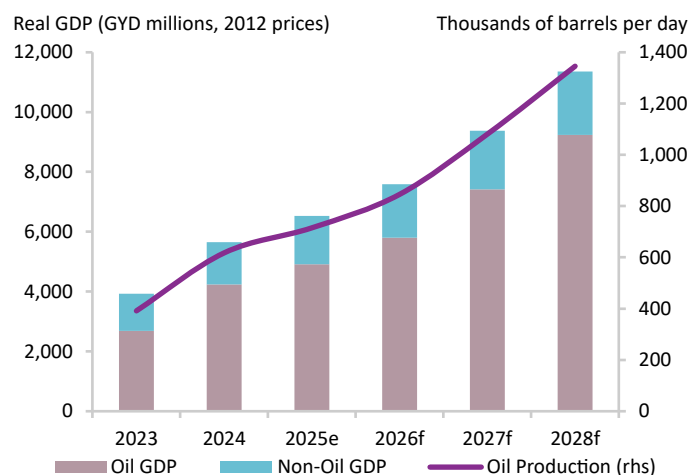
(68.2 and 64.8 percent) exceed women's (44.8 and 40.7 percent), and women's unemployment (9.3) is nearly double men's (5.1).

The Natural Resource Fund (NRF) Act, which governs the use of oil resources, was amended in 2024 to accelerate withdrawals and facilitate public investments. However, quicker withdrawals may also increase the risk of inefficient spending, accelerate inflation, and reduce the competitiveness of non-oil sectors. Transparent and accountable governance, paired with strong public financial management, is critical to help ensure equitable and sustainable growth.

Recent developments

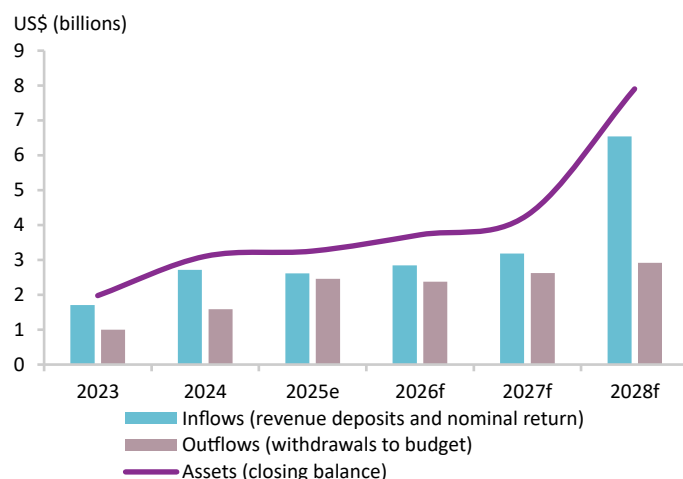
Guyana's economy continued the strong expansion, growing by 15.4 percent in 2025. Real oil GDP grew by 15.8 percent, as production reached 261.1 million barrels, thanks to the launch of the One Guyana Floating Production, Storage, and Offloading (FPSO) vessel in August 2025. The non-oil economy grew by 14.3 percent in 2025, driven by agriculture, manufacturing, and construction, supported by substantial public investment.

FIGURE 1 / Oil Production, real oil GDP, and real non-oil GDP



Sources: Government of Guyana and World Bank.

FIGURE 2 / Natural Resource Fund (NRF) assets, inflows, and outflows



Source: Government of Guyana.

Notes: Projections from 2026 assume yearly withdrawal of maximum amounts allowed by the Fiscal Enactments (Amendment) Act 2024; e=estimate, f=forecast.

Inflation remained contained in 2025, with the urban consumer price index increasing by an average of 3.5 percent. An increase in food prices, averaging 6.6 percent, was the primary driver of inflation. Higher food prices tend to disproportionately affect the poor and vulnerable, who allocate a larger portion of their budget to food.

The fiscal deficit decreased from 7.4 percent of GDP in 2024 to 5.8 percent in 2025, supported by a 55 percent increase in withdrawals from the NRF. Revenues rose from 15.2 percent of GDP to 18.0 percent in 2025, while the NRF balance reached US\$3.25 billion by year-end. Expanding public investment, increased cash transfers, and a larger public wage bill contributed to higher expenditure. Public debt reached 29.1 percent of GDP in 2025, up from 24.2 percent in 2024, with the issuance of domestic securities.

The current account surplus narrowed from 16.4 percent in 2024 to 13.2 percent in 2025. Lower crude oil prices led to a slight reduction in oil export earnings while import payments increased by over 50 percent, due to the importation of the One Guyana FPSO. Remittance inflows were stable up to 2025Q3, the latest data available, compared to the previous year. The nominal and real effective exchange rates remained stable, with a de facto stabilized regime supported by selective central bank interventions.

Outlook

Guyana's medium-term outlook reflects developments in oil production and price dynamics. Real GDP is projected to grow by

20.3 percent over 2026 and 2028, with non-oil GDP expected to expand by 9.4 percent. The addition of two FPSOs in 2027 will accelerate oil GDP growth, as production capacity reaches 1.3 million barrels per day. Non-oil GDP growth will be supported by the expanding public investment program as well as positive spillovers from the oil sector supported by the Local Content Act. Higher inflation is expected in 2026, partly due to higher import prices stemming from the Middle East conflict, and gradually rise over the medium term as government investment and consumption increases. Poverty reduction will depend on the government's efforts to boost the purchasing power of poor and vulnerable households and job creation in non-oil sectors.

The fiscal deficit is projected to narrow to 5.6 percent of GDP in 2026, amid higher nominal GDP, and remain stable through 2028. Public debt is projected to reach 26.8 percent of GDP by 2028 as the economy continues to expand. The current account surplus is expected to widen in 2026, given higher oil prices, and remain in surplus afterwards, despite fluctuations linked to oil prices and FPSO importations. Net foreign direct investment flows will remain negative due to the repatriation of oil sector proceeds.

Guyana's outlook is subject to upside risks related to further petroleum discoveries and stronger non-oil sector growth due to public investments and spillover effects. The main downside risks include overheating pressures and Dutch disease effects on the non-tradable sector, rising global uncertainty, and a faster-than-expected decline in oil prices. The extractive sector is Guyana's dominant source of growth and fiscal revenues, making the country susceptible to oil price-related shocks.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at market prices (total)¹	33.8	43.8	15.4	16.3	23.5	21.2
Real GDP growth, at market prices (non-oil)²	12.3	13.8	14.3	10.4	9.5	8.4
Agriculture	6.9	11.0	11.5	7.1	6.5	5.8
Industry	16.7	22.6	24.7	17.5	15.5	13.0
Services	10.8	8.2	7.4	5.7	5.2	4.7
Inflation (consumer price index)	2.6	2.7	3.5	4.5	4.8	5.0
Current account balance (% of GDP)³	9.9	16.4	13.2	17.3	8.6	13.4
Net foreign direct investment inflow (% of GDP)	-6.7	-14.2	-11.5	-15.3	-8.2	-12.5
Fiscal balance (% of GDP)	-5.8	-7.4	-5.8	-5.6	-5.6	-5.5
Debt (% of GDP)	26.7	24.2	29.1	26.6	27.8	26.8
Primary balance (% of GDP)	-5.4	-7.0	-5.4	-5.1	-5.0	-5.1
GHG emissions growth (mtCO₂e)	11.6	25.1	23.1	20.4	16.8	11.7

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Total GDP at 2012 prices.

2/ Non-oil GDP at 2012 prices.

3/ BOP definition in current US\$.

HAITI

GDP contracted for a seventh consecutive year in FY2025 amid persistent insecurity, which has displaced 1.4 million people. Hurricane Melissa compounded food insecurity and poverty, damaging crops. Following the dissolution of the Transitional Presidential Council, prospects hinge on the newly authorized Gang Suppression Force (GSF), progress toward elections planned for late 2026, and resolution of trade and migration policy uncertainties.

Key conditions and challenges

By late 2025, intensifying gang violence deepened an already severe humanitarian crisis. In late October 2025, Hurricane Melissa hit Haiti's southern departments, disrupting agricultural output in a region where about one-quarter of jobs are tied to the sector. The suspension of US commercial flights and intermittent border closures with the Dominican Republic have further isolated Haiti, constraining domestic resource mobilization. These shocks have compounded underlying structural challenges, including weak competition, an unconducive business environment, and low human capital. While employment rates have been relatively stable since 2021, low productivity informal employment has limited economic security.

Political uncertainty remains elevated. The Transitional Presidential Council was dissolved as scheduled in February 2026, without having organized elections. The Prime Minister has assumed executive functions, notwithstanding a challenge to his mandate by departing council members. General elections are planned for August and December 2026, subject to adequate security conditions and funding. The authorization of a 5,500-member GSF by

Population ¹ million	Poverty ² millions living on less than \$3.00/day
11.9	4.1
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
64.9	184.0
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
32.1	2694.2

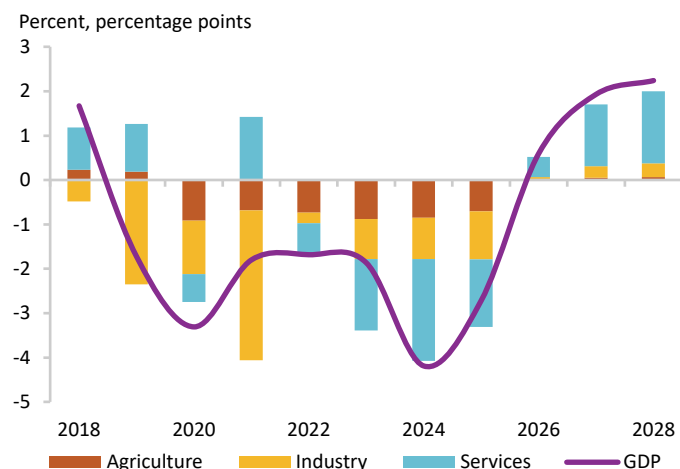
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2012 (2021 PPPs). 3/ 2023. 4/ 2016. 5/ 2025. 6/ 2025.

the United Nations Security Council marked a potential turning point, though its operationalization has been gradual. Haiti's preferential trade access for apparel exports to the United States was retroactively extended to end-2026 after lapsing, but a longer-term agreement to support investment and job creation has not yet been secured.

Recent developments

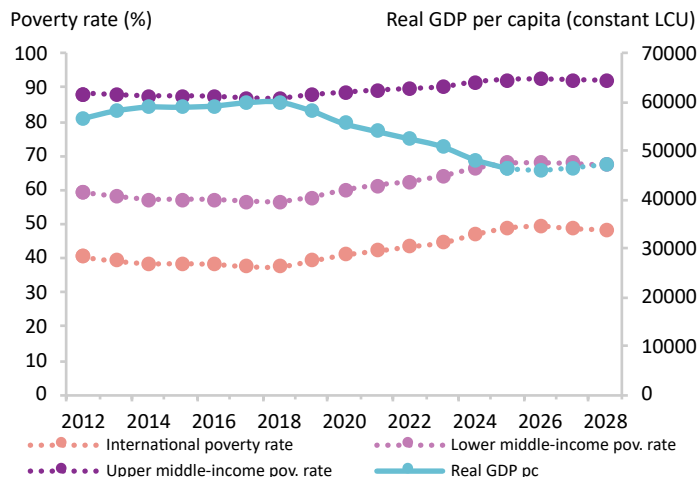
Real GDP contracted by 2.7 percent in FY2025, a seventh consecutive year of decline. GDP at factor cost fell by 3.6 percent, partly offset by higher net indirect tax collections. Industry contracted by 5.1 percent, the lapse in US preferential trade access weighed on apparel production. Agriculture declined by 4.8 percent amid persistent security-related logistics disruptions, and Hurricane Melissa damaged crops in early FY26. Services fell by 2.7 percent, led by the hospitality subsector, as insecurity depressed activity in the capital. The humanitarian crisis continued to deepen. Forced displacement doubled, from around 700,000 in September 2024 to 1.4 million a year later. An estimated 270,000 Haitians were forcibly returned in 2025, predominantly from the Dominican Republic. More than half the population faced Crisis, Emergency, or Catastrophic levels

FIGURE 1 / Real GDP growth and sectoral contributions to real GDP growth (supply side)



Sources: Institut Haïtien de Statistique et d'Informatique (FY18–FY25) and World Bank projections (FY26–28).

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



Source: World Bank. Notes: See footnotes in table on the next page.

of food insecurity according to the latest Integrated Food Security Phase Classification analysis. Social assistance programs reached less than 1 in 10 Haitians in 2025.

The bleak business environment contributed to weak tax revenues. Total government revenue declined from 5.4 to 4.8 percent of GDP, including grants. Recurrent expenditure, primarily wages, performed broadly in line with the budget, but capital spending was constrained by weak procurement, inadequate project execution, and insecurity. Interest expenditure declined following the resolution of PetroCaribe obligations with Venezuela in early 2024, contributing to a small fiscal surplus in FY2025. Monetary financing of the fiscal deficit was maintained at zero in FY2025. The gourde appreciated slightly, supported by remittances equivalent to around 16 percent of GDP. The strength of the currency combined with high domestic inflation has eroded trade competitiveness. Net international reserves have trended upward since late 2024, though levels differ significantly depending on the definition applied.

Inflation averaged 28.3 percent in FY2025, up from 25.8 percent in FY2024, driven primarily by food and housing amid persistent supply disruptions linked to insecurity and displacement. The impact fell disproportionately on poorer households, which devote a larger share of income to these essentials. The estimated FY2025 current account deficit narrowed to 0.3 percent of GDP, as weak exports and resilient imports were offset by sustained remittances. The estimated share of Haitians living on less than US\$3.00/day 2021 PPP increased from 42.2 percent in 2021 to 49.0 percent in 2025.

Outlook

Modest GDP growth is projected in FY2026 (0.6 percent) as the expanded GSF supports gradual improvements in security, accelerating to 1.9 percent in FY2027 and 2.2 percent in FY2028 following completion of elections. Average inflation is expected to moderate to 22.0 percent in FY2026, anchored by an International Monetary Fund Staff-Monitored Program. Exports are projected to recover gradually, contingent on sustained market access. Current expenditure is expected to rise in the context of elections, while capital spending remains constrained by security conditions in the near term. The share of Haitians living on less than US\$3.00/day 2021 PPP is projected to decline from 49.0 percent in 2025 to 47.4 percent by 2028.

The outlook is subject to significant downside risks, most notably the feasibility of general elections in late 2026 and potential escalation in violence. External pressures are also intensifying. Uncertainty over the migration status of Haitian nationals in the United States poses additional risks to remittance flows, a critical source of household income and foreign exchange. Preferential trade access for apparel exports through the end of 2026 provides too short a horizon to anchor investment decisions. Higher oil and commodity prices associated with the conflict in the Middle East may contribute to inflationary pressure. Over the medium term, security is required to return to inclusive growth, which will also require strengthening the business environment, expanding social protection, and improving domestic revenue mobilization.

Recent history and projections

	2022/23	2023/24	2024/25e	2025/26f	2026/27f	2027/28f
Real GDP growth, at constant market prices	-1.9	-4.2	-2.7	0.6	1.9	2.2
Private consumption	0.1	-5.2	-2.3	-0.5	1.1	1.4
Government consumption	3.3	1.6	9.4	8.7	6.4	6.9
Gross fixed capital investment	-17.6	-36.8	-15.3	-5.6	6.3	7.7
Exports, goods and services	-9.6	-31.0	-2.0	0.5	3.5	4.9
Imports, goods and services	-0.4	-16.2	1.5	0.1	2.4	3.2
Real GDP growth, at constant factor prices	-3.6	-4.4	-3.6	0.6	1.9	2.2
Agriculture	-5.6	-5.6	-4.8	0.1	0.4	0.4
Industry	-4.2	-4.4	-5.1	0.3	1.3	1.5
Services	-2.8	-4.1	-2.7	0.8	2.5	2.9
Employment rate (% of working-age population, 15 years+)	55.8	55.4	55.4	55.4	55.4	55.4
Inflation (consumer price index)	44.1	25.8	28.3	22.0	15.5	13.1
Current account balance (% of GDP)	-3.5	-0.6	-0.3	-0.3	-0.1	0.0
Net foreign direct investment inflow (% of GDP)	-0.1	-0.1	-0.1	0.0	-0.1	-0.1
Fiscal balance (% of GDP)	-2.1	-0.1	0.6	-0.1	-0.2	-0.6
Revenues (% of GDP)	7.5	6.3	5.5	5.5	6.0	6.3
Debt (% of GDP)	25.1	15.6	10.4	8.8	7.7	7.3
Primary balance (% of GDP)	-1.8	0.2	0.9	0.1	0.0	-0.5
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	44.6	47.1	49.0	49.5	48.8	48.5
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	64.2	66.4	67.9	68.1	67.8	67.3
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	90.0	91.5	92.2	92.3	92.1	91.9
GHG emissions growth (mtCO2e)	-1.5	-0.7	1.3	1.3	1.4	4.0

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on CONLAC harmonization, using 2012-ECVMAS. Actual data: 2012. Nowcast: 2013-2025. Forecasts are from 2026 to 2028.

2/ Projection using neutral distribution (2012) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

HONDURAS

Real GDP grew 3.8 percent in 2025, driven by consumption fueled by record-high remittances and robust coffee exports. In 2026, growth is projected to slow to 3.4 percent with declining remittances and rising inflation moderating household consumption. Labor income has driven poverty reduction although challenges persist with job quality, fragmented social transfers, and insufficient basic services coverage, hindering further progress.

Population ¹ million	11.0	Poverty ² millions living on less than \$8.30/day	5.4
Life expectancy at birth ³ years	72.9	School enrollment ⁴ primary (% gross)	79.0
GDP ⁵ current US\$, billion	39.3	GDP per capita ⁶ current US\$	3573.2

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

Key conditions and challenges

From 2010 to 2019, Honduras saw average annual GDP growth of 3.7 percent, mainly driven by remittance-fueled household consumption. While prudent macroeconomic policies anchored in the Fiscal Responsibility Law (FRL) and a stable financial sector supported the economy, productive capacity remains low. Agriculture and light manufacturing dominate exports, mostly to the U.S., while low-productivity, informal service jobs provide most employment.

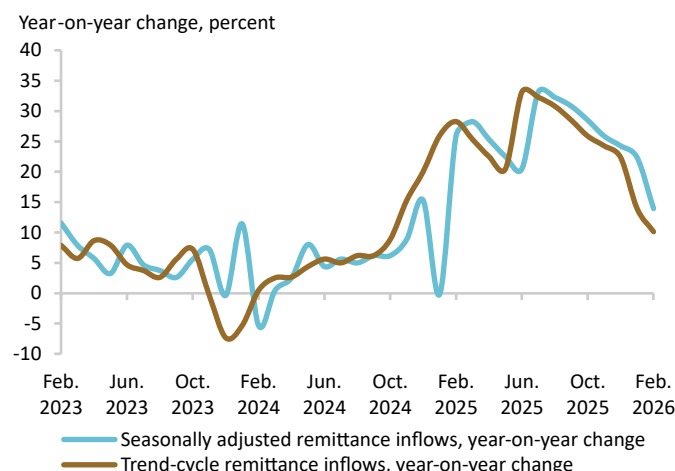
Honduras is among the region's poorest and most unequal countries. The share of people living on less than US\$8.3 a day (2021 PPP), the upper-middle-income threshold, reached 49.8 percent in 2024. Persistently high poverty is tied to large gender gaps in the labor market (76.4 percent men vs 43.1 percent women participate), high informality (74.8 percent in 2024), and unequal access to basic services. Unmet basic needs are 1.7 times higher in rural than urban households; food insecurity is persistently high, and disaster risk often overlaps geographically with poverty.

Recent developments

Real GDP growth accelerated to an estimated 3.8 percent in 2025 from 3.6 percent in 2024, supported by record-high remittances and strong coffee production boosted by elevated international prices and favorable weather. Average annual inflation remained stable at 4.6 percent in 2025, within the central bank target range of 4.0 percent $\pm$ 1.0 percentage points (pp), supported by lower fuel prices and tighter monetary policy. The policy rate stayed at 5.75 percent.

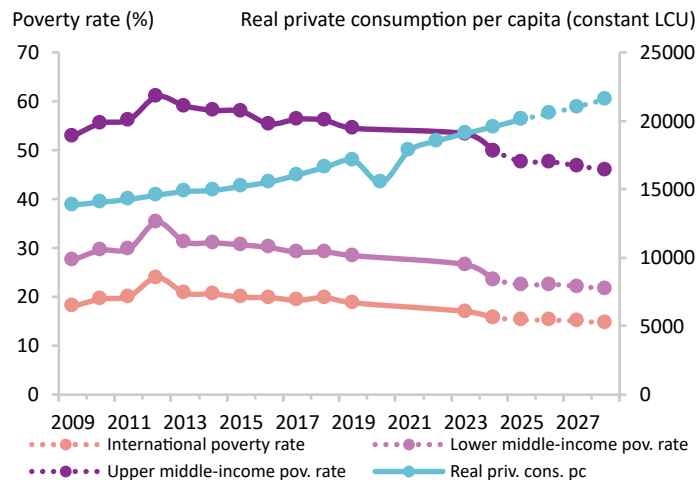
Labor market conditions and poverty slightly improved in 2025. The employment rate rose to 55.3 percent, exceeding the 2019 pre-crisis level (54.1 percent) for the first time, reflecting the post-hurricanes agricultural recovery—a key source of employment. The official poverty rate decreased from 62.9 percent of households in 2024 to 60.1 percent in 2025. Poverty under the US\$8.3/day threshold (2021 PPP) is also estimated to have decreased from 2024 to 47.6 percent, although it remains high within the region. Poverty reduction has been driven primarily by labor income and public transfers, followed by remittances. Inequality (Gini index) remained at the 45-point level.

FIGURE 1 / Seasonally adjusted and trend cycle remittance inflows, year-on-year change, percent



Sources: Honduras Central Bank and World Bank.

FIGURE 2 / Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Notes: See footnotes in table on the next page.

In 2025, the current account posted an estimated surplus of 1.7 percent of GDP, driven by record-high remittances and coffee exports, and lower energy prices. Remittance inflows grew over 28 percent year-on-year, partly reflecting changes in U.S. migration policy and its enforcement. Reserves rebounded in late 2024 with external disbursements and strengthened significantly over 2025, reaching US\$10.2 billion by year-end, supported by monetary and exchange rate policy adjustments, historically high remittances and coffee prices, and reopening in Q4 of the sovereign bond issued in November 2024, for an additional US\$200 million.

The Non-Financial Public Sector fiscal deficit narrowed to an estimated 0.7 percent of GDP in 2025 (from 1.0 percent in 2024), driven by robust economic activity boosting revenues, low public investment execution, and higher surplus of pension institutes. Nevertheless, the electricity state-owned enterprise, Empresa Nacional de Energía Eléctrica (ENEE), continued to face elevated operational losses, heightening fiscal risk. Public debt decreased to an estimated 46.2 percent of GDP, from 46.7 percent in 2024.

Outlook

Growth is projected to slow to 3.4 percent in 2026, reflecting weaker household consumption as remittances drop due to changes in migration dynamics and inflation rises, while an expected El Niño-related drought in the second half of the year will reduce crops and hydropower output. Redirection of expenditures under the 2026 budget toward infrastructure alongside pro-market measures will counterbalance. Growth is projected to strengthen above 3.7 percent over the medium term, supported by rising investment.

Inflation is expected to reach 4.7 percent in 2026 driven by higher fuel prices, partially mitigated by government subsidies, remaining within the 4.0 percent ± 1 pp band over the medium term, underpinned by fuel prices normalization and anchored expectations. The current account balance is expected to turn negative in 2026 as coffee prices and remittances decline and fuel imports increase, converging to -3.7 percent over the medium term. Reserves are expected to remain above five months of non-maquila imports. The fiscal deficit is projected to widen to 1 percent of GDP in 2026, reflecting fuel subsidies and higher ENEE losses, stabilizing at that level over the medium term as energy prices normalize, in line with the FRL ceiling.

Rising prices, weaker consumption and slower growth will likely decelerate poverty and inequality reduction. Poverty at the US\$8.3/day threshold (2021 PPP) is expected to decrease slightly from 47.6 to 46.8 percent between 2026 and 2027, assuming sustained social expenditure and improvements around assistance targeting. Expected infrastructure investments will increase employment; however, labor market informality and gender disparities will continue limiting households' potential to generate income. Prospects of rising global food prices could worsen food insecurity.

Downside risks include a steeper decline in remittances, lower growth of main trading partners, prolonged Middle East conflict, weather-related shocks, domestic political gridlocks, and fiscal risks materialization, such as larger ENEE losses. Upside risks comprise shifts in global tariffs favoring nearshoring, increased demand for certain Honduran exports, and related positive terms-of-trade shocks.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	3.6	3.6	3.8	3.4	3.7	3.8
Private consumption	4.6	4.3	4.5	3.8	4.0	4.2
Government consumption	9.2	5.3	5.0	4.1	3.6	3.8
Gross fixed capital investment	11.2	6.2	3.3	3.5	3.5	4.0
Exports, goods and services	-7.0	-4.8	4.8	3.3	3.5	3.6
Imports, goods and services	-8.6	2.3	5.5	4.0	4.0	4.3
Real GDP growth, at constant factor prices	3.6	3.6	3.8	3.4	3.7	3.8
Agriculture	4.0	-0.7	3.4	2.3	2.5	2.5
Industry	-2.4	0.8	2.8	2.5	2.9	3.1
Services	6.3	5.7	4.3	4.0	4.2	4.3
Inflation (consumer price index)	6.7	4.6	4.6	4.7	4.5	4.6
Current account balance (% of GDP)	-4.0	-4.4	1.7	-3.1	-3.4	-3.7
Net foreign direct investment inflow (% of GDP)	2.5	1.7	1.7	1.8	2.0	2.1
Fiscal balance (% of GDP)¹	-1.3	-1.0	-0.7	-1.0	-1.0	-1.0
Revenues (% of GDP)	29.3	29.7	29.8	29.6	29.6	29.5
Debt (% of GDP)¹	47.7	46.7	46.2	45.4	44.6	43.5
Primary balance (% of GDP)¹	0.2	0.2	0.5	0.3	0.4	0.3
International poverty rate (\$3.00 in 2021 PPP)^{2,3}	17.0	15.7	15.3	15.2	15.0	14.6
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{2,3}	26.6	23.5	22.4	22.5	22.1	21.6
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{2,3}	53.3	49.8	47.6	47.6	46.8	45.9
GHG emissions growth (mtCO2e)	0.0	0.3	0.5	0.4	0.5	0.3

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Fiscal data refers to non-financial public sector.

2/ Calculations based on SEDLAC harmonization, using 2024-EPHPM. Actual data: 2024. Nowcast: 2025. Forecasts are from 2026 to 2028.

3/ Projections using microsimulation methodology.

JAMAICA

Hurricane Melissa significantly disrupted Jamaica's economy, reversing its progress in growth, employment, and poverty reduction. Strong pre-crisis macroeconomic management, characterized by disciplined fiscal policy, credible monetary frameworks, and multi-layered disaster risk financing, helped cushion the immediate impact. Reconstruction and a gradual recovery in tourism and agriculture will support an economic rebound, but a high level of uncertainty remains.

Key conditions and challenges

Over the past decade, Jamaica has sustained primary surpluses and implemented institutional reforms that have strengthened macro-fiscal credibility and significantly reduced public debt, from 140 percent in 2012 to 64.9 percent in 2024. Prior to Hurricane Melissa, Jamaica was on track to meet the legislative target of 60 percent by FY2025/26, ahead of schedule. Market confidence strengthened, reflected in the narrowing sovereign spreads and an upgrade in sovereign credit ratings.

Despite these achievements, long-standing productivity challenges—such as limited diversification, a weak business environment, skills mismatches, and high logistics and energy costs—continue to hinder competitiveness and growth. Jamaica remains one of the slowest-growing economies in the region. Crime and labor informality (around half of non-agricultural jobs are informal) further exacerbate these issues. In 2021, some 22.9 percent of Jamaicans lived on less than US\$8.30 per day (2021 PPP), while the Gini index was 39.9, underlining the need to address inequality.

Population ¹ million	2.8	Poverty ² millions living on less than \$8.30/day	0.6
Life expectancy at birth ³ years	71.5	School enrollment ⁴ primary (% gross)	87.7
GDP ⁵ current US\$, billion	22.4	GDP per capita ⁶ current US\$	7902.3

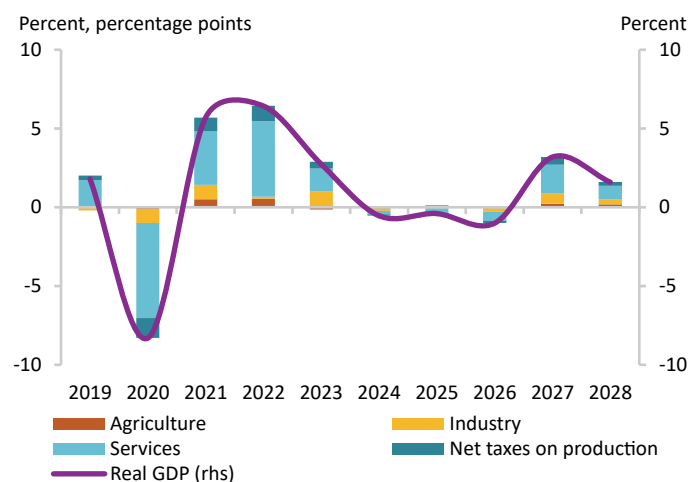
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

Jamaica is highly vulnerable to external shocks and weather events, particularly in agriculture and tourism sectors, which together provide over a third of jobs. Hurricane Melissa exposed this vulnerability, causing catastrophic damage in western and central parishes that are vital for both tourism and agriculture. Building back stronger requires efficient and transparent management of recovery resources and a broader economic diversification.

Recent developments

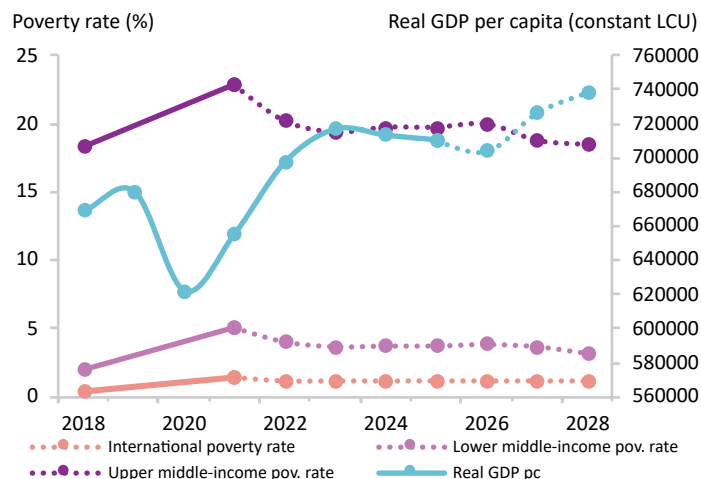
Jamaica's economy is estimated to have contracted by 0.4 percent in 2025. Following disruptions from Hurricane Beryl and Tropical Storm Rafael, which led to a 0.5 percent contraction in 2024, economic activity rebounded in the first three quarters of 2025, growing by 2.6 percent. This positive trend was reversed in October 2025, when Hurricane Melissa struck as a Category 5 storm, the strongest in recorded history. Direct asset damages are estimated at US\$8.8 billion, approximately 41 percent of 2024 GDP, and overall losses at US\$12.2 billion (56.7 percent of 2024 GDP). Tourism, which comprises nearly one-third of the economy, and agriculture were severely hit, leading to a sharp

FIGURE 1 / Real GDP growth and sectoral contributions to real GDP growth



Sources: Statistical Institute of Jamaica and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

contraction in Q4 2025, worsening short-term employment and income prospects for vulnerable households.

Inflation was moderate in 2025, with an annual average of 3.9 percent, due to anchored expectations, lagged effects of tight monetary policy, and a stable exchange rate. Despite a modest acceleration after Hurricane Melissa, particularly for food, housing, and utilities, inflation remained within the target range, enabling a policy rate reduction from 5.75 percent to 5.50 percent in February 2026.

The fiscal balance deteriorated from a small surplus in FY2024/25 to an estimated deficit of 3.8 percent in FY2025/26. The fiscal rule has been suspended, under the escape clause provisions, to accommodate post-hurricane emergency and reconstruction needs. Public debt is expected to increase to 68.5 percent of GDP in FY2025/26. In this context, the Government announced various tax measures for FY2026/27 to support revenue mobilization to contain fiscal impacts.

The current account surplus is estimated to have narrowed from 3.1 percent of GDP in 2024 to 1.3 percent in 2025, as the decline in tourism receipts was only partially offset by increased remittances inflows. Net international reserves were above US\$6.3 billion (7 months of total imports) at the end of 2025, supporting exchange rate stability.

Labor market indicators remained relatively stable, with the employment-to-population ratio at 65.6 percent and the unemployment rate at 3.3 percent in Q4 2025. Yet Hurricane Melissa disrupted poverty reduction, with the share of Jamaicans living on less than US\$8.30 per day (2021 PPP) projected to rise from 19.3 percent in 2023 to 19.7 percent in 2025.

Outlook

The hurricane-induced contraction is expected to continue into 2026, before growth resumes in 2027 and 2028, at an average rate of 2.4 percent, driven by reconstruction and a gradual normalization of the affected sectors. Inflation will remain elevated in the near term due to supply constraints, increased demand from reconstruction efforts, and high global energy prices. Poverty reduction is therefore set to be modest, with the share of Jamaicans living on US\$8.30 per day (2021 PPP) projected to rise to 19.9 percent in 2026 before dropping to 18.4 percent by 2028.

The fiscal balance will remain negative due to recovery and reconstruction needs but gradually moderate. Public debt is expected to decline with sustained primary surpluses in the medium term. Revenue generation and disciplined budget management will be crucial for stabilizing debt dynamics after the initial rebuilding phase. Similarly, the current account will be negative in the forecast period due to increased imports linked to reconstruction and higher energy prices.

The near-term outlook is subject to high uncertainty. The conflict in the Middle East may prolong higher oil and gas prices, fueling inflation and worsening the current account for energy importers like Jamaica. This could also exacerbate the spillover effects from Hurricane Melissa, delaying post-disaster reconstruction or tourism recovery. Climate risk continues to be the predominant medium-term threat, emphasizing the need for increased investment in resilience and diversification.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices¹	2.7	-0.5	-0.4	-1.0	3.2	1.6
Real GDP growth, at constant factor prices¹	2.7	-0.5	-0.4	-1.0	3.2	1.6
Agriculture	-2.1	-1.2	2.1	-0.8	3.6	2.8
Industry	6.2	-0.9	-0.3	-1.3	4.0	1.9
Services	2.4	-0.4	-0.7	-0.9	3.0	1.4
Inflation (consumer price index)	6.5	5.5	3.9	6.4	5.5	5.0
Current account balance (% of GDP)	2.7	3.1	1.3	-5.5	-4.0	-2.8
Net foreign direct investment inflow (% of GDP)	2.3	1.4	1.6	2.7	2.2	2.1
Fiscal balance (% of GDP)²	0.0	0.3	-3.8	-5.1	-3.4	-2.4
Revenues (% of GDP)²	28.0	30.8	29.8	28.8	29.0	29.2
Debt (% of GDP)²	68.6	64.9	68.5	67.1	65.5	63.7
Primary balance (% of GDP)²	5.2	5.5	1.3	0.5	1.6	2.0
International poverty rate (\$3.00 in 2021 PPP)^{3,4}	1.2	1.2	1.2	1.2	1.2	1.2
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{3,4}	3.7	3.7	3.7	3.9	3.7	3.1
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{3,4}	19.3	19.7	19.7	19.9	18.7	18.4
GHG emissions growth (mtCO2e)	5.4	-2.3	-4.1	-3.0	2.0	1.0

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ National Accounts data has been revised in 2025, using the SNA 2008 framework, which led to an average increase of 7.8 percent in nominal GDP levels between 2015 and 2023.

2/ Fiscal ratios are calculated in fiscal year (April-March) divided by nominal GDP in calendar years leading to marginal discrepancies with official statistics.

3/ Calculations based on CONLAC harmonization, using 2021-JSLC. Actual data: 2021. Nowcast: 2022-2025. Forecasts are from 2026 to 2028.

4/ Projection using neutral distribution (2021) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

MEXICO

Real growth is expected at 1.3 percent in 2026, gradually rising to 1.9 percent in 2028, as domestic demand recovers, USMCA-related uncertainty eases over the forecast horizon, and inflation declines toward 3.6 percent. Fiscal deficits are expected to remain large, with debt rising, driven by high social spending, interest costs, Petróleos Mexicanos (PEMEX) support, and infrastructure needs. Poverty rates are projected to decline to 20.2 percent in 2028.

Key conditions and challenges

Mexico's macroeconomic stability is anchored by an independent central bank, a sound financial sector, and a flexible exchange rate. Fiscal policy has supported debt sustainability, but pressures are rising from spending rigidities, expanded social commitments, public investment, and support to PEMEX. Mexico's 2026–2030 investment plan aims to scale up public and blended investment (around 3 percent of GDP per year) across energy, transport, water, health, and education; its success will depend on project selection, implementation capacity, and fiscal risk management.

Despite macroeconomic stability, growth has remained low, held back by weak productivity, labor informality, insecurity, and policy uncertainty. Deeply integrated into North American value chains, Mexico's outlook is particularly sensitive to the 2026 USMCA joint review. Sustaining higher medium-term growth will require reliable infrastructure and energy, a better business environment, and improved access to finance for micro, small, and medium enterprises.

Monetary and multidimensional poverty have declined in recent years, supported by labor income growth, transfers, and labor

Population ¹ million	131.9	Poverty ² millions living on less than \$8.30/day	28.0
Life expectancy at birth ³ years	75.1	School enrollment ⁴ primary (% gross)	101.4
GDP ⁵ current US\$, billion	1836.3	GDP per capita ⁶ current US\$	13916.7

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

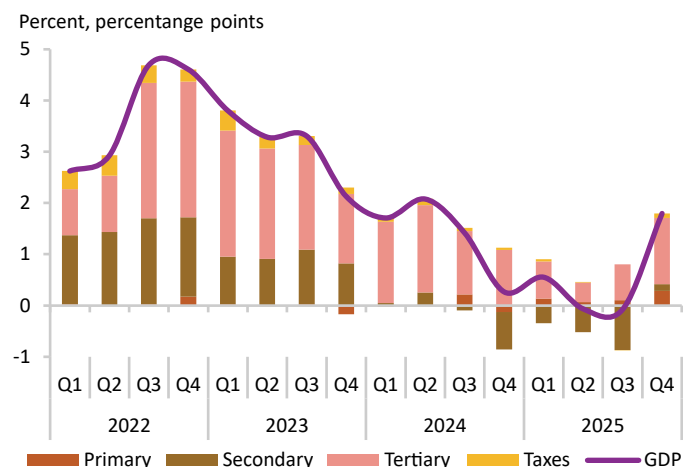
market policies. Progress, however, has been uneven: gaps in service delivery persist, especially in public health and job-related social security. Employment conditions and real wages have improved, yet labor productivity remains flat.

Recent developments

Real GDP decelerated to 0.6 percent in 2025 from 1.4 percent in 2024, as restrictive monetary policy, fiscal consolidation, and trade-policy uncertainty weighed on the economy, especially investment. Industrial activity softened as mining remained weak and manufacturing fell, led by transport equipment. Exports picked up, supported by non-automotive manufacturing and frontloading of demand amid tariff-related uncertainty.

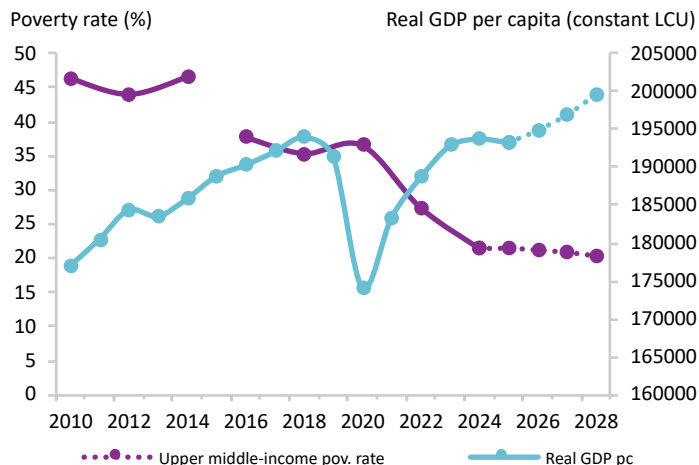
The current account deficit narrowed to 0.4 percent of GDP in 2025 from 0.9 percent in 2024, despite weaker global trade conditions. Exports outpaced imports, widening the non-oil merchandise surplus and partly offsetting larger deficits in oil goods and primary income. Remittances remained at 3.4 percent of GDP and continued to support the current account. International reserves stood at 11.9 percent of GDP.

FIGURE 1 / GDP growth



Source: National Institute of Statistics and Geography (Instituto Nacional de Estadística y Geografía).

FIGURE 2 / Actual and projected poverty rate and real GDP per capita



Source: World Bank. Notes: See footnotes in table on the next page.

Headline inflation rose to 4.0 percent y-o-y in February 2026, driven by core inflation at 4.5 percent y-o-y, while non-core inflation was at 2.4 percent. Banxico continued easing monetary policy, lowering the policy rate to 6.75 percent in March 2026, while highlighting the tradeoff between supporting activity and ensuring inflation converges to the 3 percent target.

The labor poverty rate, a quarterly measure based on labor earnings only, declined to 32.3 percent by end-2025, its lowest since 2021. The unemployment rate fell to 2.5 percent, while informality rose slightly to 55.0 percent. Recent poverty reduction has been driven by real labor income gains (including minimum wage increases) and tighter labor markets. The evolution of labor earnings will depend more on real economic growth than on institutional reforms.

Fiscal consolidation advanced in 2025, but more slowly than planned. The overall deficit narrowed to 4.9 percent of GDP (from 5.8 percent in 2024), remaining above the 4.3 percent target set in the 2026 budget. While stronger revenues and restrained spending supported the adjustment, it relied on compressed public investment amid high social spending and financial costs.

Outlook

GDP growth is projected at 1.3 percent in 2026, rising to 1.9 percent by 2028. The recovery is expected to be driven by easing inflation, lower interest rates, supportive labor incomes, and continued export growth, which should strengthen domestic demand. At the same time, higher energy prices linked to the Middle East conflict and trade policy uncertainty, including around the USMCA review, are expected to moderate the rebound, particularly in investment.

Inflation is projected at 3.9 percent in 2026, easing to 3.6 percent by 2028, as higher global energy prices amid conflict in the Middle East keep near-term inflation elevated and Banxico maintains a cautious normalization path.

The current account deficit is expected to be 0.7 percent of GDP in 2026 and 0.9 percent in 2028, as the gradual recovery in domestic demand supports import growth. Foreign direct investment inflows are expected to remain around 2 percent of GDP, supporting external financing.

The overall fiscal deficit is projected to narrow to 3.9 percent by 2028, with revenues holding near 23 percent of GDP, supported by improvements in tax administration and compliance. Expenditures are expected to remain around 27 percent of GDP, amid pressures from pensions, debt service, and support for PEMEX. Public debt is projected to decelerate, reaching 56.7 percent of GDP by 2028, reflecting gradual consolidation.

Monetary poverty is expected to decline from 21.4 percent in 2024 to 21.1 percent in 2026, and further to 20.2 percent in 2028 (at US\$8.30 per person per day, 2021 PPP). Further gains will depend on productivity growth and formal job creation, subject to trade and financial conditions.

Downside risks include weaker-than-expected U.S. growth, protracted USMCA-related uncertainty, tighter global financial conditions, and domestic policy uncertainty weighing on investment. Conflict in the Middle East could push up inflation and heighten financial volatility; fiscal effects are balanced, as higher oil revenues offset increased fuel subsidy costs. Climate shocks, such as droughts, hurricanes, and floods, could disrupt agriculture, transport, tourism, and commerce, weakening incomes, increasing transfer needs, and raising fiscal pressures.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	3.1	1.4	0.6	1.3	1.7	1.9
Private consumption	4.2	2.6	1.1	1.4	1.6	1.8
Government consumption	2.4	3.7	1.3	0.4	0.1	-0.2
Gross fixed capital investment	13.9	3.5	-6.3	-1.4	2.9	3.6
Exports, goods and services	-7.1	3.5	7.0	5.3	5.7	6.2
Imports, goods and services	3.7	3.3	3.1	3.5	5.5	6.0
Real GDP growth, at constant factor prices	3.0	1.3	0.6	1.3	1.7	1.9
Agriculture	-1.1	0.4	4.2	-0.7	-0.4	1.4
Industry	3.0	-0.4	-1.3	0.8	1.5	2.0
Services	3.3	2.3	1.3	1.6	1.8	1.9
Employment rate (% of working-age population, 15 years+)	60.0	60.0	60.0	60.0	60.0	60.0
Inflation (consumer price index)	5.5	4.7	3.8	3.9	3.7	3.6
Current account balance (% of GDP)	-0.7	-0.9	-0.4	-0.7	-0.8	-0.9
Net foreign direct investment inflow (% of GDP)	-1.7	-1.8	-1.7	-1.6	-1.8	-2.0
Fiscal balance (% of GDP)	-4.3	-5.8	-4.9	-4.4	-4.1	-3.9
Revenues (% of GDP)	22.1	22.4	23.4	23.5	23.4	23.4
Debt (% of GDP)	47.3	54.1	55.9	56.2	56.5	56.7
Primary balance (% of GDP)	-1.0	-2.3	-1.2	-0.9	-0.7	-0.6
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	..	21.4	21.2	21.1	21.1	20.2
GHG emissions growth (mtCO2e)	-1.8	-1.4	-2.0	0.1	1.1	1.1

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on SEDLAC harmonization, using 2024-ENIGHNS. Actual data: 2024. Nowcast: 2025. Forecasts are from 2026 to 2028.

2/ Projections using microsimulation methodology.

NICARAGUA

Nicaragua's economy grew by 4.9 percent in 2025, driven by construction, mining, and retail, and is expected to grow by 3.4 percent in 2026, supported by remittances and construction. Poverty is estimated to have fallen below 14 percent in 2025. Public debt declined to 50.7 percent in 2025 and is projected to reach 48.3 percent in 2026, driven by growth and prudent fiscal policies.

Population ¹ million	7.0	Poverty ² millions living on less than \$8.30/day	2.8
Life expectancy at birth ³ years	74.9	School enrollment ⁴ primary (% gross)	109.5
GDP ⁵ current US\$, billion	22.3	GDP per capita ⁶ current US\$	3179.7

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2014 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

Key conditions and challenges

Nicaragua experienced significant growth during 2021–2024, marked by a strong post-pandemic recovery. The country benefited from a substantial increase in remittances, which fueled private consumption, and saw robust public and foreign direct investment. These factors, along with solid export growth and effective macro-economic management, contributed to fiscal and current account surpluses, as well as a reduction in public debt and poverty.

From 2021 onward, Nicaragua's poverty rate fell from above 16 percent to around 13 percent by 2025, as economic activity and labor markets remained stable and remittances kept growing. However, these figures are based on simulations; the most recent poverty rate based on actual survey data is from 2014 and it was 15.7 percent. Rural areas still trail urban ones in access to water and sanitation (Instituto Nacional de Información de Desarrollo, INIDE).

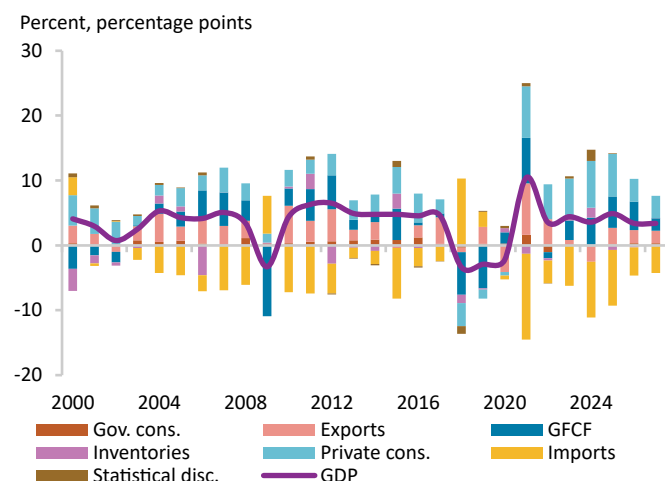
Recent developments

In 2025, the economy grew by 4.9 percent, driven by construction, mining, services, and the financial sector. Remittances increased from 27 percent of GDP in 2024 to 29.4 in 2025, supporting private consumption and investment, and easing pressure on social services. The current account surplus increased from 4.2 percent of GDP in 2024 to 8.4 percent in 2025 due to a surge in remittances and strong export performance in gold, coffee, and beef/cattle, driven by higher global prices.

The services sector led economic growth in 2025, with notable gains in commerce, hospitality, including hotels and restaurants and transportation, followed by manufacturing sector, bolstered by expansion in construction and mining. Meanwhile, agriculture experienced a modest recovery, despite a decline in fisheries and aquaculture activities, primarily supported by increase in coffee production and livestock and related agro-industries.

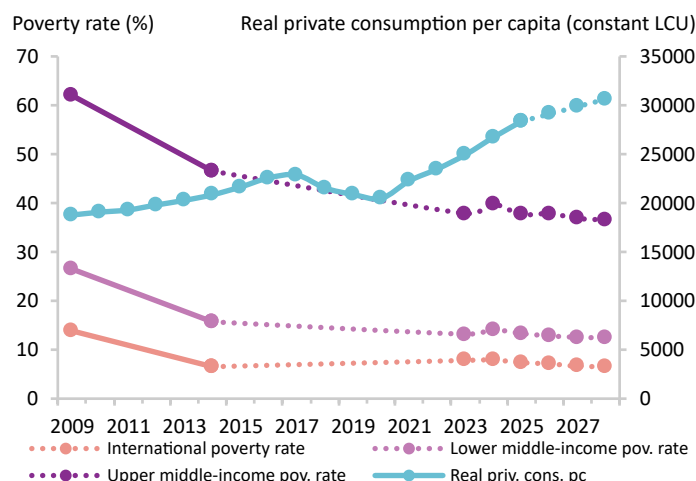
Poverty is estimated to have decreased to around 13 percent in 2025 based on the lower-middle-income country poverty line of

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Sources: World Bank, Ministry of Finance and Public Credit (MHCP), and Central Bank of Nicaragua.

FIGURE 2 / Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Notes: See footnotes in table on the next page.

US\$4.20/day (2021 PPP), reflecting increase in economic growth, the surge in remittances, and a stable labor market. The employment rate has been stable in 2025 (65.5 percent in December 2025 from 65.3 in December 2024), while the unemployment rate remains very low, at 2.4 percent. However, underemployment is very high at about 40 percent in December 2025 (INIDE). While the employment rate for women (55.1 percent in December 2025) has increased in recent years, the gender gap is still substantial (22.1 percentage points).

Inflation dropped from 4.6 percent in 2024 to 2.7 in 2025, driven by declining global prices and subsidies. Banks remained well-capitalized, and credit and deposits continued to grow at double-digit rates, with deposits up 15.2 percent and credit up 12 percent. In 2025, capital adequacy and liquidity ratios for banks remained well above the regulatory requirement.

Due to continued higher capital investments, the fiscal surplus declined from 2.4 percent in 2024 to 2.1 percent in 2025. Prudent fiscal management and economic growth led to a decline of public debt from 51.7 percent in 2024 to 50.7 percent of GDP in 2025.

Outlook

Economic growth is projected to moderate, with GDP expected to increase by 3.4 percent in 2026 and gradually settle at 3.3 percent by 2028. The slowdown in growth is primarily attributed to expected relative declines in remittance and foreign

direct investment inflows, both of which are likely to be impacted by changes in the U.S.

Inflation is anticipated to increase to 3.1 percent in 2026 following the increase in oil prices due to conflict in the Middle East and stabilize at 2.7 percent during the forecast horizon. Poverty (US\$4.20/day 2021 PPP) is forecast to stay around 13 percent by 2028, reflecting reduced labor income growth.

The current account surplus is projected to decrease to 4.0 percent in 2026 and continue to decline to 1.4 percent by 2028, driven by expected lower remittances and slower export growth due to higher tariffs and weaker migrant remittances. Foreign direct investment flows are estimated to decrease to 5.7 percent of GDP and continue to decline gradually to 5.2 percent by 2028. International reserves, estimated at US\$7.2 billion in 2025 or 6.8 months of imports, strengthen the country's resilience to economic shocks.

The fiscal surplus is projected to decline to 1.0 percent of GDP in 2026, due to subsidies aimed at keeping oil prices low and stabilize at 1.4 by 2028. Public debt is forecast to decrease steadily to 47.4 percent of GDP by 2028, supported by prudent fiscal management, which continues to underpin fiscal stability and debt reduction.

Potential downside risks to the broader economic outlook include ongoing global uncertainty and conflict in the Middle East, which could increase inflation and negatively affect trade, remittances, and investment flows. Slower economic growth in major trading partners, limited access to multilateral financing, and vulnerability to natural disasters also pose downside risks.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	4.4	3.6	4.9	3.4	3.4	3.3
Private consumption	7.7	8.6	7.5	3.9	3.8	3.7
Government consumption	1.3	-1.2	1.0	2.6	2.6	2.6
Gross fixed capital investment	13.0	17.3	17.3	14.1	5.6	5.3
Exports, goods and services	1.3	-4.9	5.8	4.5	4.2	4.0
Imports, goods and services	9.1	12.0	11.1	5.3	5.1	4.8
Real GDP growth, at constant factor prices	4.0	3.3	4.9	3.4	3.4	3.3
Agriculture	-3.3	0.1	0.6	0.0	0.5	0.5
Industry	4.4	2.2	6.9	2.8	2.5	2.5
Services	5.9	4.5	5.2	4.4	4.4	4.2
Employment rate (% of working-age population, 15 years+)	62.4	62.5	62.5	62.5	62.5	62.5
Inflation (consumer price index)	8.4	4.6	2.7	3.1	2.9	2.7
Current account balance (% of GDP)	8.2	4.2	8.4	4.0	2.8	1.4
Net foreign direct investment inflow (% of GDP)	6.0	6.5	6.7	5.7	5.6	5.2
Fiscal balance (% of GDP)¹	2.6	2.4	2.1	1.0	1.4	1.4
Revenues (% of GDP)	31.7	31.6	31.9	30.9	30.5	30.5
Debt (% of GDP)²	56.9	51.7	50.7	48.3	47.9	47.4
Primary balance (% of GDP)¹	4.2	4.0	3.8	2.5	3.0	3.0
International poverty rate (\$3.00 in 2021 PPP)^{3,4}	7.9	8.0	7.4	7.2	6.7	6.6
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{3,4}	13.1	14.0	13.3	12.8	12.5	12.4
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{3,4}	37.9	39.7	37.7	37.8	36.9	36.5
GHG emissions growth (mtCO₂e)	0.9	0.9	1.1	0.8	0.8	0.8

Source: World Bank, Ministry of Finance and Public Credit (MHCP) and Central Bank of Nicaragua. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Fiscal and Primary Balance correspond to the non-financial public sector.

2/ Debt is total public debt.

3/ Calculations based on SEDLAC harmonization, using 2014-EMNV. Actual data: 2014. Nowcast: 2015-2025. Forecasts are from 2026 to 2028.

4/ Projections using microsimulation methodology.

PANAMA

Growth recovered to 4.4 percent in 2025, driven mainly by services, and is projected around 4 percent over 2026–28. Fiscal consolidation strengthened in 2025, via improved revenue collection and targeted spending cuts, meeting fiscal targets. Poverty is estimated to have decreased between 2024–25. Sustained tax reforms and efficient, equitable public spending are essential for growth and faster poverty reduction.

Key conditions and challenges

Panama has been among Latin America's most dynamic economies over the past three decades, leveraging its strategic location, Panama Canal operations, and services to sustain growth and reduce poverty. Pre-pandemic, the economy grew nearly 6 percent annually, driven by large-scale investment and trade openness, reducing poverty (at US\$8.3/day, 2021 PPP) from about 60 percent to 20 percent between 1980s–2010s and consolidating one of the largest middle classes in the region. In 2018, Panama reached high-income status, yet key socio-economic indicators lag upper-middle-income averages, particularly in education. Inequality is high (Gini around 50), informality touches half of workers, and poverty incidence is high in indigenous comarcas (78.2 percent in 2024).

The end of megaprojects, mine shutdown, and canal drought slowed down growth in 2024 and widened fiscal deficit. Long-standing fiscal weaknesses—low revenue, rigid spending, subsidies, and debt surpassing 60 percent of GDP—triggered a partial loss of investment grade status in 2024 (by one rating agency), widening sovereign spreads and tightening access to affordable financing.

Population ¹ million	4.6	Poverty ² millions living on less than \$8.30/day	0.9
Life expectancy at birth ³ years	79.6	School enrollment ⁴ primary (% gross)	95.2
GDP ⁵ current US\$, billion	90.6	GDP per capita ⁶ current US\$	19828.1

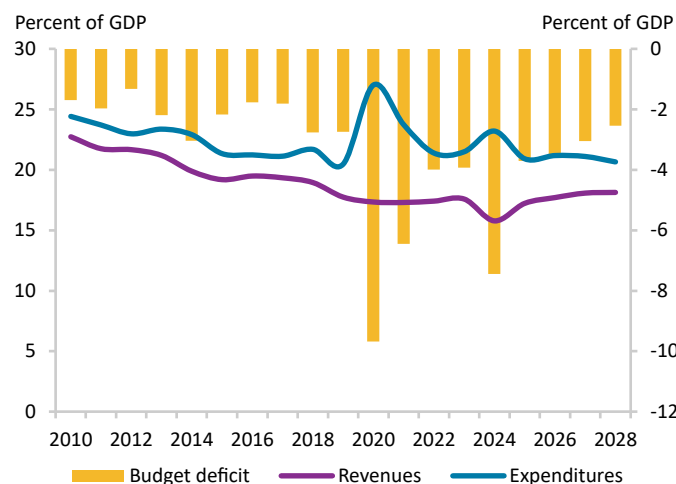
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

Addressing these challenges requires boosting private investment and improving fiscal management—domestic revenue mobilization and spending efficiency. To attract investment, Panama must continue improving its investment climate and strengthening competitiveness beyond tax incentives, building on gains like its removal from the Financial Action Task Force grey list. A credible medium-term fiscal strategy—anchored in meaningful tax reform, greater transparency, and efficient social spending—can restore market confidence, support critical public investment, and reduce inequalities.

Recent developments

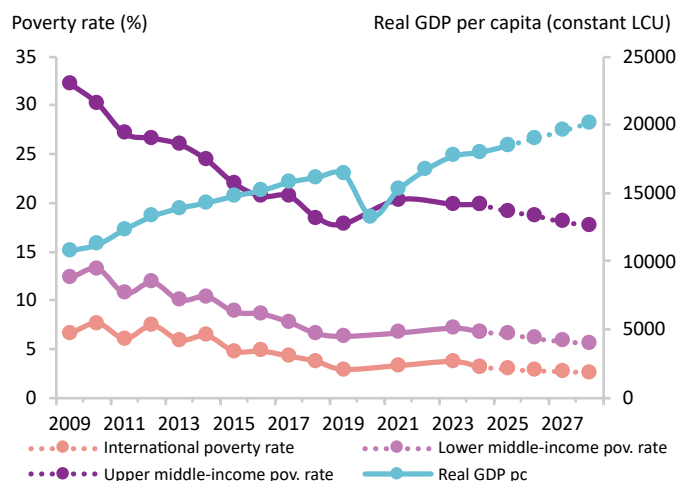
GDP growth is estimated at 4.4 percent for 2025, supported by strong demand amidst ongoing fiscal consolidation constraining public spending. Exports—boosted by Canal operations—were the primary driver, while investment, notably private residential construction, contributed positively to growth. On the supply side, services were the main engine, led by retail, transport, and financial intermediation. Inflation stayed subdued, up 0.2 percent versus 2024.

FIGURE 1 / Revenues, expenditures, and deficit



Sources: Ministry of Finance of Panama and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

Poverty (US\$8.3/day, 2021 PPP) is estimated to have declined from 19.8 to 19.1 percent between 2024–2025—after hovering around 20 percent since 2021 due to post-pandemic slowdown—driven by accelerated growth, which raised total per capita household income by 2.1 percent. Nevertheless, the weak labor market, with informality around 53 percent, limits the impact of jobs on poverty reduction. Inequality remains high, though the Gini coefficient is estimated down from 49.7 in 2024 to 49.5 in 2025.

The current account posted a surplus in 2025 around 0.8 percent of GDP, boosted by logistics and transport services and a rebound in exports from authorized copper concentrate shipments. Higher volumes of coffee exports partially offset lower banana and sugar exports, while imports rose, as higher capital and consumer goods outweighed lower intermediate goods. Foreign Direct Investment fell year-on-year, reflecting weaker reinvested earnings and investment.

Panama achieved sharp fiscal consolidation in 2025: the non-financial public sector deficit fell from 7.4 (2024) to 3.7 percent of GDP in 2025 (below the 4 percent target of Fiscal Responsibility Law), while primary deficit narrowed to -0.7 percent of GDP. This adjustment reflected stronger tax enforcement, higher Canal-related revenues, wages freeze, postponement of capital outlays, and a pension reform that eased the liquidity needs of the social insurance funds. Public debt reached about 65.6 percent of GDP by December-2025.

Outlook

Panama's medium-term outlook is positive, with GDP growth projected around 4 percent over 2027–2028, driven by services-mainly finance, logistics and Canal-related transport—as the economy

settles and construction activity normalizes. Copper mining is not assumed to resume over the forecast horizon. Growth could slightly slowdown in 2026 to 3.9 percent due to a fall in global trade resulting from the Middle East conflict and inflation is projected higher around 1.5 percent. Growth, particularly in agriculture and industry, is expected to gradually reduce poverty to 17.7 percent by 2028 (US\$8.3/day, 2021 PPP).

The external position remains broadly consistent with past trends, with a current account surplus in 2025 turning to a modest deficit, thereafter, mainly driven by debt-service repayments. Foreign direct investment, nearing 2.5 percent of GDP in 2025–26, is expected to strengthen as confidence improves and to cover external needs.

Gradual fiscal consolidation continues, with the deficit targeted at 3.5 percent of GDP in 2026 and 2.5 by 2028. With spending cuts, stronger revenue collection (tax reforms) should support deficit reduction. Debt is projected steady around 65 percent by 2028, given stronger debt management, diversified financing, and deeper financial domestic markets.

Risks are tilted to the downside. Global trade tensions, climate risks affecting Canal operations, tighter global financing, and lower investor confidence could weigh on the growth outlook. Prolonged conflict in the Middle East poses further risks on growth and external balance: as net petroleum importer, Panama's terms of trade and current account could deteriorate, while global instability could disrupt shipping routes, dampening Canal traffic; domestic risks also include potential logistics disruptions from ongoing state reclaiming of Panama's two main ports. On the upside, faster fiscal revenue reforms and a potential mine reopening could improve the outlook.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	7.4	2.9	4.4	3.9	4.1	4.1
Private consumption	4.8	3.4	4.4	3.8	3.7	3.7
Government consumption	3.4	2.7	0.3	1.0	0.9	1.4
Gross fixed capital investment	18.8	3.8	3.6	4.0	4.3	4.2
Exports, goods and services	5.1	-3.5	5.9	4.7	5.3	5.5
Imports, goods and services	7.1	-8.4	3.3	3.7	3.9	4.1
Real GDP growth, at constant factor prices	7.4	2.9	4.4	3.9	4.1	4.1
Agriculture	0.5	4.7	3.0	3.0	3.1	3.3
Industry	12.8	-4.0	3.7	4.2	4.7	4.9
Services	5.7	5.5	4.7	3.8	4.0	3.9
Employment rate (% of working-age population, 15 years+)	58.2	58.1	58.2	58.3	58.4	58.6
Inflation (consumer price index)	1.5	0.7	0.9	1.5	1.6	1.5
Current account balance (% of GDP)	-3.1	1.9	0.8	-0.9	-0.7	-0.9
Net foreign direct investment inflow (% of GDP)	1.7	2.8	2.5	2.5	2.7	2.9
Fiscal balance (% of GDP)	-3.9	-7.4	-3.7	-3.5	-3.0	-2.5
Revenues (% of GDP)	17.6	15.8	17.2	17.7	18.1	18.1
Debt (% of GDP)	56.4	62.3	65.6	65.3	64.9	64.7
Primary balance (% of GDP)	-1.3	-4.5	-0.7	-0.3	0.0	0.4
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	3.7	3.1	2.9	2.8	2.8	2.6
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	7.2	6.8	6.6	6.1	5.8	5.7
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	19.8	19.8	19.1	18.7	18.1	17.7
GHG emissions growth (mtCO₂e)	2.7	2.3	1.9	2.4	2.8	2.9

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on SEDLAC harmonization, using 2024-EH. Actual data: 2024. Nowcast: 2025. Forecasts are from 2026 to 2028.

2/ Projections using microsimulation methodology.

PARAGUAY

Following robust GDP growth of 6.6 percent in 2025, growth is expected to moderate to around 4.4 percent in 2026 and 4.1 percent over 2027–28, supported by solid domestic consumption and strong agricultural performance. This momentum has contributed to a continued decline in poverty, estimated at 17.9 percent in 2025. Reforms to strengthen human capital and infrastructure quality could further boost investment and potential growth.

Key conditions and challenges

Despite being landlocked, Paraguay has established itself as a small and open economy that attracts investment and is a leading exporter of soybeans, hydropower, beef, and maize. This export-oriented growth model, supported by a sound macroeconomic policy framework, has underpinned solid GDP growth, averaging above 5 percent annually since 2023. However, structural challenges remain. One in five Paraguayans live in poverty and income inequality remains high, with a Gini coefficient of 44.2 in 2024. Labor informality averaged 60.3 percent in 2025, reflecting limited creation of quality jobs. Moreover, the economy remains highly exposed to commodity price volatility and adverse climate shocks, which can exacerbate poverty and inequality.

Paraguay's main challenge is to expand access to and accelerate the creation of quality jobs to sustain resilient and inclusive growth. High labor informality and limited job quality continue to constrain productivity and inclusion. Deepening private investment, particularly in manufacturing and services, through enhanced competitiveness and structural reforms is essential. Achieving this will require targeted investment in human capital

Population ¹ million	Poverty ² millions living on less than \$8.30/day
6.4	1.3
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
73.8	89.4
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
48.6	7580.0

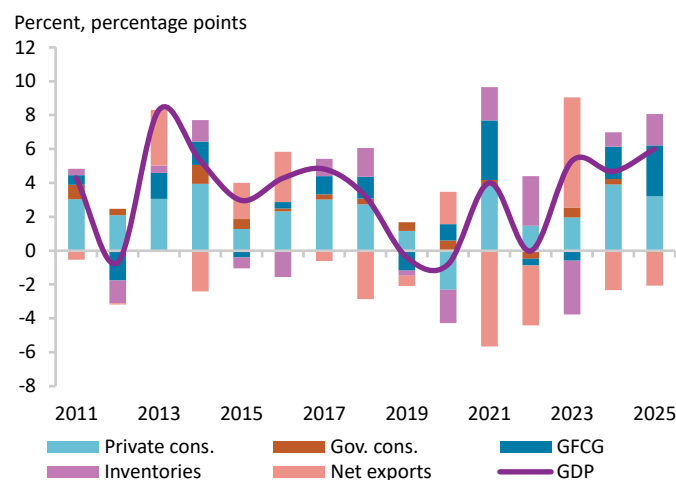
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

and infrastructure, and integration into key global value chains. On the fiscal front, continued consolidation efforts have kept public debt at prudent levels, while further revenue mobilization could be achieved through efficiency-enhancing measures. Strengthening the rule of law and anti-corruption efforts will be critical to underpin confidence and long-term growth.

Recent developments

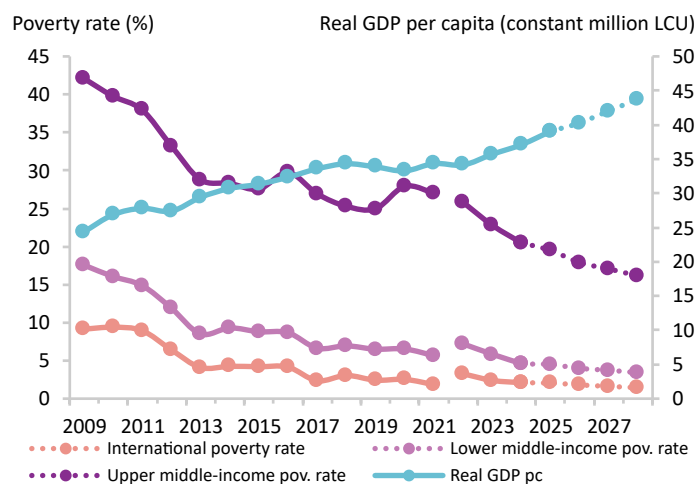
Real GDP growth is estimated at 6.6 percent in 2025, driven by strong private consumption and investment, with services and manufacturing reflecting these dynamics. Headline and core inflation declined in the second half of the year, reaching 3.1 and 2.3 percent in December, respectively, partly reflecting the 13.9 percent appreciation of the guaraní, and remained below the midpoint of the central bank's target range (1.5–5.5 percent). This allowed the monetary policy rate to be reduced to 5.50 percent in February 2026, following a prolonged pause at 6.0 percent since March 2024. Credit to the private sector remained robust, expanding 7.6 percent in 2025. On the external front, the current account deficit widened to an estimated 3.9 percent of GDP in 2025, driven by increased capital goods imports and lower agricultural exports.

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Sources: Central Bank of Paraguay and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

Foreign reserves stood at 22.2 percent of GDP, equivalent to 7.4 months of imports.

Fiscal consolidation continued, with the overall deficit narrowing to 2.0 percent of GDP in 2025 (from 2.5 percent in 2024), driven mainly by lower current expenditure, particularly on goods and services and, to a lesser extent, reduced capital investment. This helped maintain public debt at prudent levels, estimated at 41.3 percent of GDP by end-2025. In December 2025, S&P Global Ratings upgraded Paraguay's sovereign credit rating to investment grade, becoming the second major rating agency to grant this status and reinforcing market confidence. The upgrade could help reduce sovereign spreads, subject to global financial conditions.

Strong macroeconomic performance supported improved labor market outcomes and a decline in the poverty rate from 20.5 percent in 2024 to 17.9 percent in 2025. The participation rate rose by 0.9 percentage points to 72.2 percent in 2025, with a larger increase among women (1.3 percentage points). The unemployment rate fell 1 percentage point, including a 1.6 percentage point reduction for women. These improvements were accompanied by a 1.3 percentage point decrease in informality, which fell to 60.3 percent in 2025.

Outlook

GDP growth is projected at 4.4 percent in 2026, supported by continued strength in services and robust agricultural exports. Over

2027–2028, growth is expected to converge to an estimated potential rate of around 4.0 percent. Inflation is expected to remain close to the Central Bank's target of 3.5 percent in the medium term.

The current account deficit is projected to narrow gradually to about 3.0 percent of GDP over the medium term, as a recovery in soybean exports is partly offset by sustained capital goods imports and rising energy costs amid ongoing Middle East geopolitical tensions. Fiscal consolidation is expected to continue, bringing the deficit toward the legal ceiling of 1.5 percent of GDP in 2026, in line with the fiscal responsibility law, with public debt expected to decline moderately over the medium term.

Poverty is expected to decline to 16.4 percent by 2026, supported by economic growth and stable inflation. Moreover, government initiatives focused on education and social services are projected to create employment opportunities for low-income individuals. These efforts are aided by the publication of the Paraguay's district-level poverty map in 2025, which provides disaggregated data for targeted policies to reduce income inequality.

The outlook remains subject to downside risks, including weaker than expected growth in key trading partners and extreme climate-related events. Heightened geopolitical tensions, including a prolonged conflict in the Middle East, pose significant risks and could weigh on activity and inflation. New trade restrictions could affect global slowdown and disrupt supply chains. Upside risks are also present, including faster progress on large private investments projects.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	5.3	4.7	6.6	4.4	4.2	4.0
Private consumption	3.0	6.1	5.1	4.2	3.5	3.5
Government consumption	4.9	2.7	-2.2	2.9	3.5	3.5
Gross fixed capital investment	-2.8	9.6	12.2	6.7	7.4	6.4
Exports, goods and services	31.2	-1.5	3.7	2.5	2.5	2.5
Imports, goods and services	9.4	4.4	8.9	2.7	2.7	2.7
Real GDP growth, at constant factor prices	5.3	4.1	6.8	4.4	4.2	4.0
Agriculture	16.3	4.4	9.0	2.4	2.5	2.6
Industry	4.0	2.7	6.9	4.3	4.0	3.7
Services	4.0	5.1	6.2	4.8	4.6	4.4
Employment rate (% of working-age population, 15 years+)	61.9	61.8	63.0	61.3	62.3	63.2
Inflation (consumer price index)	4.6	3.8	4.0	3.5	3.5	3.5
Current account balance (% of GDP)	0.1	-3.4	-3.9	-3.8	-3.5	-3.2
Net foreign direct investment inflow (% of GDP)	1.9	2.1	1.2	1.4	1.5	1.5
Fiscal balance (% of GDP)	-4.1	-2.5	-2.0	-1.5	-1.5	-1.5
Revenues (% of GDP)	14.0	15.0	14.4	14.4	14.5	14.5
Debt (% of GDP)	38.4	40.0	41.3	40.3	39.6	39.0
Primary balance (% of GDP)	-2.8	-0.7	-0.2	0.0	0.1	0.0
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	2.4	2.1	1.4	1.2	1.1	1.0
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	5.8	4.5	3.6	3.2	2.9	2.7
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	22.8	20.5	17.9	16.4	15.4	14.5
GHG emissions growth (mtCO₂e)	0.4	1.7	1.2	1.4	1.5	1.0

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on SEDLAC harmonization, using 2024-EPHC. Actual data: 2024. Nowcast: 2025. Forecasts are from 2026 to 2028.

2/ Projections using microsimulation methodology.

PERU

The economy expanded 3.4 percent in 2025, with growth expected at 2.7 percent in 2026. Job creation is expected to bring poverty down to 33.4 percent. Yet subdued productivity growth and weak public service delivery remain binding constraints on growth, jobs, and poverty reduction. Fiscal slippages, climate shocks and lower commodity prices represent key downside risks.

Population ¹ million	Poverty ² millions living on less than \$8.30/day
34.6	12.4
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
77.7	113.9
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
339.3	9812.4

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

Key conditions and challenges

Sound macroeconomic fundamentals—low public debt, sizable international reserves, a credible central bank, and a well-capitalized financial sector—have underpinned Peru's resilience to shocks. Nonetheless, fiscal risks have increased in recent years, with actions by Congress and state-owned enterprises contributing to weaker fiscal outcomes.

Peru's growth over the past decade has been roughly half the pace of the 2002–2013 commodity cycle boom. As a result, job creation and poverty reduction have been comparatively modest. Currently, 70.9 percent of workers are in informal jobs, rising to 94.5 percent in rural areas. As of 2024, 36.2 percent of Peruvians lived on less than US\$8.30 per day—above pre-pandemic levels—and more than half of the population faced food insecurity.

Sustaining stronger growth will require better public service delivery, removing barriers that limit the productivity growth of firms, and continued fiscal prudence alongside political stability. Advancing inclusive growth will also depend on expanding formal employment, promoting gender equality, and strengthening social protection.

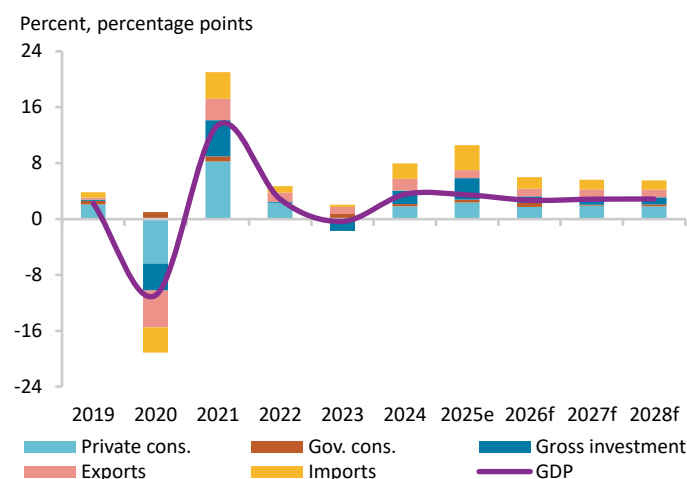
Recent developments

In 2025, the economy grew for a second consecutive year, at 3.4 percent, slightly above its potential. Unlike 2024—when investment growth was driven by the public sector—private investment in 2025 expanded by 10 percent, the fastest rate in 12 years. Favorable external conditions—terms of trade surpassing the historical peaks of 1951 and 1974—and a recovery of business confidence sustained the broad-based private investment momentum despite political uncertainty.

Private consumption grew by 3.6 percent in 2025, supported by formal employment expansion, a recovery in credit following two years of stagnation, and low inflation. This dynamism is estimated to have driven a 1.6 percentage-point decline in poverty, reaching 34.6 percent in 2025.

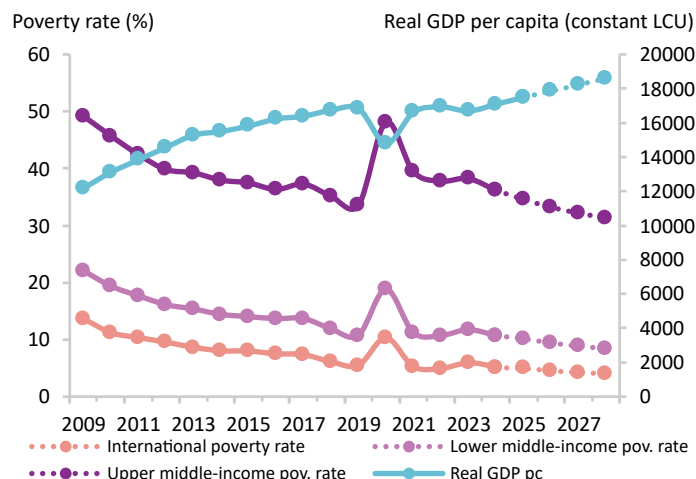
After two consecutive years of breaching the fiscal deficit ceiling, Peru met its end-year target of 2.2 percent of GDP in 2025. The 1.3 percentage-point consolidation from 2024 was driven by a sharp expenditure reduction—including lower financial support to the state-owned company PetroPerú, which accounted for 0.5 percentage points of

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Sources: Central Reserve Bank of Peru (BCRP) and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

GDP—and stronger corporate income tax collections. Public debt edged down to 30.2 percent of GDP. Sovereign spreads remain low compared to regional peers, at 139 basis points.

Inflation remained within the central bank's 1–3 percent target band until 2025. Before the global oil shock triggered by the conflict in the Middle East, headline inflation rose to 2.2 percent in the first two months of 2026, driven by a moderate El Niño Costero climate event. In March, a two-week disruption of the country's main natural gas pipeline forced a temporary shift to costly imported fuels, pushing inflation above target to 3.8 percent. The central bank has maintained a neutral monetary stance, holding the policy rate at 4.25 percent as of March 2026.

Sharp improvements in terms of trade (e.g., copper and gold, up more than 40 percent over the past two years) turned the current account from balance in 2023 to a surplus of 3.1 percent of GDP in 2025. A relative abundance of U.S. dollars locally, combined with a weaker dollar internationally, drove a 7 percent appreciation of the local currency between January 2025 and March 2026. The central bank intervened to smooth volatility, accumulating reserves that reached 29 percent of GDP by March 2026 (15 months of import cover).

Outlook

Growth is projected at 2.7 percent in 2026, underpinned by continued favorable export commodity prices and positive business

confidence, but adversely affected by the global oil price shock. Beyond mining, major infrastructure projects are set to support investment across other sectors. As temporary supply shocks dissipate, inflation is projected to converge to 3.0 percent by end-2026. Poverty is expected to decline in 2026, reaching 33.4 percent, as employment dynamism should more than offset the impact of rising price pressures.

Fiscal consolidation is anticipated to continue in 2026, albeit at a slower pace, with the deficit narrowing to 1.9 percent of GDP. The adjustment remains predominantly expenditure-driven: the approved 2026 budget shows the lowest annual growth in 17 years. The fiscal cost of the oil shock is expected to remain modest, with historical subsidies peaking at 0.2 percent of GDP, though this is contingent on the duration and scale of the Middle East conflict. Over the medium term, consolidation is projected to continue through 2028, bringing the deficit to 1.6 percent of GDP, with public debt remaining broadly stable.

Risks are tilted to the downside. On the external front, lower prices of Peru's main commodity exports and a protracted Middle East conflict could both weigh on growth. Domestically, key risks include a higher fiscal deficit from costly new legislation, a stronger-than-expected El Niño Costero event affecting agriculture performance and prices, and policy uncertainty in the lead-up to the April and June elections.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	-0.4	3.5	3.4	2.7	2.8	2.8
Private consumption	0.1	2.8	3.6	2.7	2.9	2.8
Government consumption	4.9	2.1	2.8	4.0	1.0	2.1
Gross fixed capital investment	-4.5	5.6	9.1	3.6	4.2	3.7
Exports, goods and services	4.1	6.6	4.4	4.1	4.0	4.0
Imports, goods and services	1.3	8.4	12.8	5.5	4.5	4.2
Real GDP growth, at constant factor prices	-0.1	3.5	3.4	2.7	2.8	2.8
Agriculture	-3.7	5.9	4.8	1.6	4.0	3.4
Industry	-1.4	3.1	2.8	2.8	2.0	2.0
Services	1.1	3.5	3.5	2.7	3.1	3.3
Employment rate (% of working-age population, 15 years+)	67.1	66.6	66.5	66.6	66.7	66.8
Inflation (consumer price index)	3.2	2.0	1.5	3.0	2.5	2.0
Current account balance (% of GDP)	0.3	2.2	3.1	2.9	2.9	2.9
Net foreign direct investment inflow (% of GDP)	1.1	1.9	2.9	2.0	2.0	1.7
Fiscal balance (% of GDP)	-2.7	-3.5	-2.2	-1.9	-1.7	-1.6
Revenues (% of GDP)	23.5	22.8	22.6	23.0	23.1	23.1
Debt (% of GDP)	32.3	32.0	30.2	30.5	30.6	30.7
Primary balance (% of GDP)	-1.1	-1.8	-0.6	-0.1	0.1	0.1
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	5.9	5.1	5.0	4.6	4.4	4.1
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	11.7	10.7	10.2	9.5	9.0	8.5
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	38.3	36.2	34.6	33.4	32.4	31.5
GHG emissions growth (mtCO₂e)	-1.2	0.2	0.3	0.8	0.9	0.8

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on SEDLAC harmonization, using 2024-ENAH. Actual data: 2024. Nowcast: 2025. Forecasts are from 2026 to 2028.

2/ Projections using microsimulation methodology.

SAINT LUCIA

The economy is estimated to have grown 1.3 percent in 2025, following an expansion of 4.7 percent in 2024. A fiscal consolidation is needed as debt-to-GDP is projected to stabilize around 77 percent over the medium term. Structural reforms—including in revenue mobilization, financial sector, and social protection—are critical for building fiscal buffers, creating formal jobs, and accelerating poverty reduction.

Key conditions and challenges

Saint Lucia is a small tourism-dependent economy with volatile economic growth, averaging 1.4 percent from 2011 to 2019. Frequent external shocks have undermined its fiscal position, but the pegged exchange rate under the Eastern Caribbean Currency Union (ECCU) has helped ensure price stability.

In 2015, the latest year with available data, fewer than 1 in 10 Saint Lucians were considered poor (US\$8.30/day, 2021 PPP). Inequality was high, with a Gini index above 40. Monetary poverty is estimated to have declined steadily since, interrupted only by a peak during the Covid-19 pandemic. Recent census data point to improvements in non-monetary poverty between 2010 and 2022: the share of households without toilet facilities decreased from 6.2 percent to 1.9 percent, fewer households are living in houses with substandard material (reduction from 12.4 percent to 10.3), households with internet access increased from 26.5 percent to 89.1 percent, and education statistics indicate increases in educational attainment.

Population ¹ thousand	Poverty ² thousands living on less than \$8.30/day
180.1	13.6
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
72.7	96.8
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
2.6	14600.3

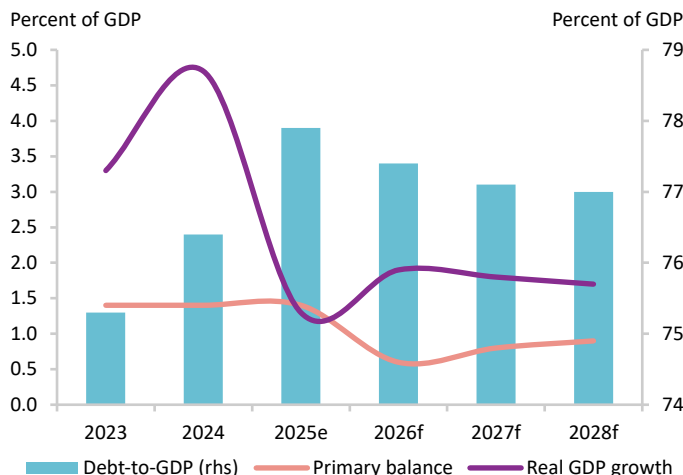
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2015 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

As Saint Lucia's economic growth moderates to its potential over the longer-term, and if no consolidation measures are taken, debt-to-GDP is projected to stabilize around 77 percent, above the ECCU-wide debt target of 60 percent of GDP by 2035. To address this, the Government should focus on enhancing domestic revenue mobilization, promoting stronger growth, and boosting productivity. This can be achieved by prioritizing key infrastructure projects, addressing frictions to credit access, enhancing digitalization, fostering labor market reforms, and strengthening social protection. Greater connectivity, regional coordination, strengthening education, and skill development can also expand exports and promote growth.

Recent developments

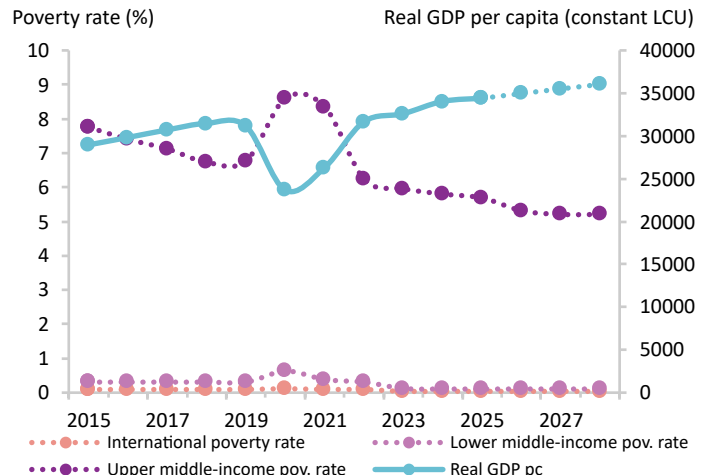
Growth is estimated to have decelerated to 1.3 percent in 2025, with weaker tourism dampening the impulse from strong construction activities. Stayover arrivals are estimated to have fallen 2 percent in 2025 but remained 0.7 percent above the 2019 level. Construction maintained strong momentum, underpinned by the continuation of major projects. Growth in the agricultural sector eased to a solid 5.6 percent in 2025.

FIGURE 1 / Key macroeconomic variables



Sources: World Bank, Ministry of Finance, Eastern Caribbean Central Bank, and IMF.

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



Source: World Bank. Notes: See footnotes in table on the next page.

Price pressures abated in 2025, with headline inflation estimated at 0.9 percent, driven by the removal of import duties on all price-controlled foods and the elimination of value-added tax (VAT) on several food items. These policy measures should have benefitted poor households for whom food accounts for a high share of expenditure. The current account deficit increased to an estimated 2.5 percent of GDP in 2025, resulting from higher imports of construction materials and lower tourism receipts, coupled with lower remittance inflows. Foreign Direct Investment inflows remained elevated at an estimated 7.0 percent of GDP, mainly directed to the construction sector. Imputed international reserves covered 3.5 months of imports at the end of 2025.

The fiscal deficit increased slightly to 1.9 percent of GDP in FY25/26. On the revenue side, policy measures—including higher income tax allowances and the removal of VAT and import duties on selected items—are expected to have reduced collections by about 0.7 percentage points. Meanwhile, expenditures increased by approximately 0.8 percentage points in FY25/26, due to increases in minimum government pensions and higher goods and services spending, partly reflecting the cost of operating St. Jude's Hospital. As a result, public debt increased to an estimated 77.9 percent of GDP in FY25/26.

Outlook

Real output growth is projected to reach 1.9 percent in 2026 and gradually moderate to 1.7 percent in 2028 as major infrastructure

projects are completed and tourism approaches capacity. Agricultural and fishing output is expected to rise modestly, following recent unfavorable weather conditions and the total ban on seafood exports to the United States. Poverty reduction is projected to level off in the medium term, given the moderation in economic growth, with about 5 percent of the population projected to be poor at US\$8.30 a day. Inflation is expected to increase to 2.1 percent in 2026, following the global surge in oil prices. Meanwhile, the current account deficit is projected to gradually narrow from 4.7 percent of GDP in 2026 to 1.3 in 2028, as construction activity moderates and tourism exports recover.

With the tax amnesty-program scheduled to expire in May 2026, total revenue is expected to decline from 23.2 percent of GDP in FY25/26 to 22.1 percent of GDP in FY26/27. Consequently, the primary surplus is expected to fall slightly below 1.0 percent of GDP over the mid-term. Without fiscal consolidation, public debt is projected to remain elevated around 77 percent of GDP toward the end of the forecast horizon.

The risks to the outlook are skewed to the downside, including economic slowdowns in key tourism-origin countries, further increases in oil prices due to the conflict in the Middle East, lower revenues from the Citizenship-by-Investment Program, delays in fiscal consolidation, delays or cost overruns in large investment projects, and natural disasters. These risks could disproportionately impact poor and vulnerable households. Upside risks include stronger-than-expected tourism and more effective implementation of public investment.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	3.3	4.7	1.3	1.9	1.8	1.7
Real GDP growth, at constant factor prices	3.2	3.7	1.3	1.9	1.8	1.7
Agriculture	-8.9	10.3	5.6	3.1	3.0	3.0
Industry	4.3	8.1	7.5	3.9	2.0	1.8
Services	3.2	2.9	0.2	1.5	1.7	1.7
Inflation (consumer price index)	4.5	-0.5	0.9	2.1	2.0	2.0
Current account balance (% of GDP)	-2.2	-1.6	-2.5	-4.7	-1.6	-1.3
Fiscal balance (% of GDP)¹	-3.2	-1.8	-1.9	-2.7	-2.5	-2.5
Revenues (% of GDP)¹	22.1	22.5	23.2	22.1	22.2	22.2
Debt (% of GDP)^{1,2}	75.3	76.4	77.9	77.4	77.1	77.0
Primary balance (% of GDP)¹	0.2	1.4	1.4	0.6	0.8	0.9
International poverty rate (\$3.00 in 2021 PPP)^{3,4}	0.0	0.0	0.0	0.0	0.0	0.0
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{3,4}	0.1	0.1	0.1	0.1	0.1	0.1
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{3,4}	6.0	5.8	5.7	5.3	5.2	5.2
GHG emissions growth (mtCO₂e)	0.6	1.1	0.5	0.9	0.7	0.6

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Fiscal ratios are calculated on a fiscal-year basis (April-March).

2/ Public debt includes payables and overdrafts/Eastern Caribbean Central Bank advances.

3/ Calculations based on CONLAC harmonization, using 2015-SLCHBS. Actual data: 2015. Nowcast: 2016-2025. Forecasts are from 2026 to 2028.

4/ Projection using neutral distribution (2015) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

ST. VINCENT AND THE GRENADINES

Growth is expected to moderate slightly in 2026 but remain robust in the medium term, with expanded tourism capacity supporting exports, job creation, and poverty reduction. The fiscal deficit is projected to rise to 18.6 percent in 2026, driven by higher capital and current expenditure, then fall to 14.2 percent by 2028 as infrastructure spending decreases. Fiscal, external, and climate risks abound.

Key conditions and challenges

St. Vincent and the Grenadines is a small economy driven by tourism, agriculture, and construction. While it has been affected by a series of shocks that impacted lives and livelihoods, including the La Soufrière eruption in 2021 and Hurricane Beryl in 2024, growth has remained resilient, averaging 3.6 percent in 2021–2024 period.

St. Vincent and the Grenadines is ranked as a high human development country. While there is no recent data on poverty and inequality, indicators related to education, health, and economic wellbeing of the population have steadily improved over the past two decades. Nonetheless, challenges in human capital outcomes remain. In 2020, the country's Human Capital Index stood at 0.5, meaning a child born this year will reach only half of their potential productivity.

The fiscal deficit has remained elevated since Hurricane Beryl caused significant damage to infrastructure and livelihoods.

Population ¹ thousand	Poverty
99.9	..
Life expectancy at birth ² years	School enrollment ³ primary (% gross)
71.2	111.3
GDP ⁴ current US\$, billion	GDP per capita ⁵ current US\$
1.2	12173.1

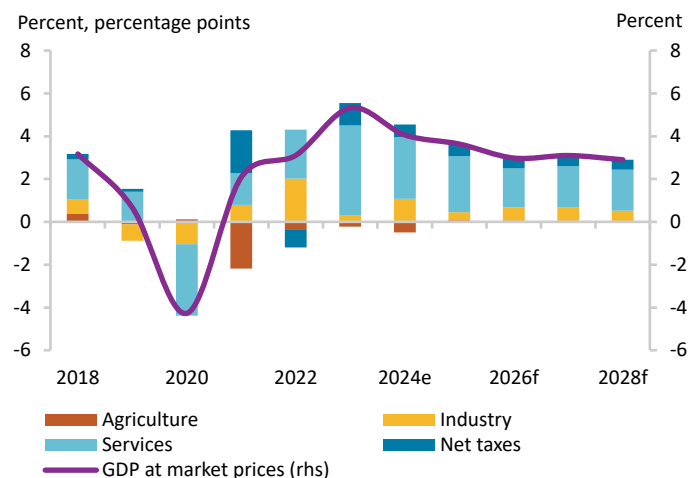
Sources: WDI, MFMMod, and official data. 1/ 2025. 2/ 2023. 3/ 2023. 4/ 2025. 5/ 2025.

The country's main challenge is to reduce its fiscal deficit to reach the regional debt target of 60 percent by 2035, while preserving priority investment needed for inclusive growth.

Recent developments

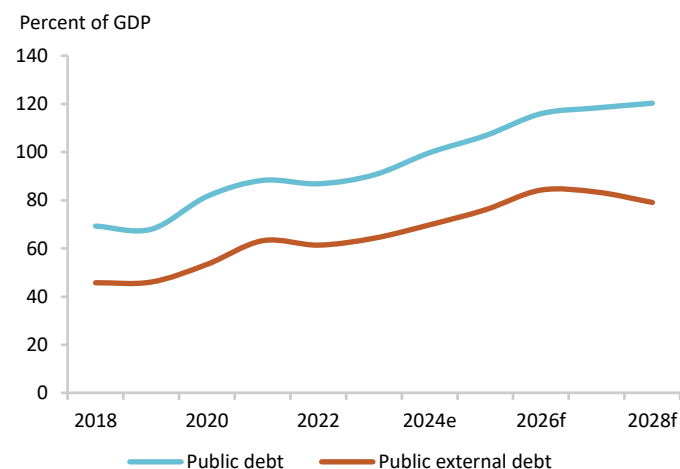
GDP growth has decelerated to an estimated 3.6 percent in 2025, following the completion of major infrastructure projects—such as the Sandals Resort and Holiday Inn—and the winding down of the Port Modernization Project, which opened in 2025. These projects strengthened tourism capacity, stayover arrivals rose by 14 percent in January–September 2025 relative to the same period in 2024. Tourism directly supports jobs in wholesale and retail trade and accommodation and food services (17.5 and 7.9 percent of workers in 2017, respectively), with high female employment (21.2 and 11.2 percent in 2017, respectively). Inflation slowed to 1.4 percent in 2025, aided by lower utility and transportation costs, supporting continued poverty reduction.

FIGURE 1 / Real GDP growth and sectoral contributions to real GDP growth



Sources: Ministry of Finance, Eastern Caribbean Central Bank, and World Bank.

FIGURE 2 / Public debt



Sources: Ministry of Finance, Eastern Caribbean Central Bank, and World Bank.

The current account deficit narrowed marginally to an estimated 15.2 percent of GDP in 2025 (from 16.7 percent in 2024), reflecting higher tourism receipts. Increased imports associated with tourism services were offset by a moderation in construction-related imports. External financing needs were met by foreign direct investment inflows and concessional external borrowing. Gross international reserves remained adequate at around five months of imports.

The fiscal deficit narrowed to an estimated 11.9 percent of GDP in 2025, down from 15.6 percent in 2024, reflecting lower capital outlays and the winding down of Hurricane Beryl-related reconstruction. At the same time, current government expenditure rose from 26.9 to 28.1 percent of GDP, driven by an expanding wage bill and higher social transfers, while government revenue declined slightly to 28.9 percent of GDP (from 29.1 percent in 2024) due to value-added (VAT) reductions and moderating economic activity. The debt-to-GDP ratio increased sharply to 106.9 percent of GDP (from 99.8 percent in 2024).

Outlook

Real GDP growth is projected at 3.0 percent in 2026, fueled by new investment projects, including the construction of Beaches Resort and Marriott hotel, which will add over 700 rooms by 2027; a climate-resilient acute care hospital set for completion

in 2027; and the Halls of Justice judicial complex. Expansion of tourism infrastructure will continue to boost employment disproportionately benefiting women workers. While tourism receipts remain strong, the current account deficit will widen in the near term due to higher imports driven by construction materials and higher oil prices associated with the conflict in the Middle East, then narrow to 14.5 percent of GDP by 2028. Inflation is expected to increase to 2.6 percent in 2026, due to higher oil prices, and stabilize at 2.1 percent by 2028.

The fiscal deficit is expected to reach 18.6 percent of GDP in 2026 due to capital spending on new projects, VAT holidays, an expanded wage bill, and higher social spending. It is anticipated to decline to around 14.2 percent by 2028 as large infrastructure projects are completed. Public debt is projected to be 116 percent of GDP in 2026 and to increase gradually to 120.3 percent by 2028. Achieving the debt target of 60 percent by 2035 will require sharp and sustained fiscal consolidation, stronger debt management, and growth-enhancing structural reforms.

As a small island economy, St. Vincent and the Grenadines is exposed to external market fluctuations, global economic shifts, and the impact of natural disasters. Building resilience will require strengthening the fiscal framework, diversifying the economy, and enhancing disaster preparedness, including extending social assistance to the most vulnerable during times of shock.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	5.3	4.1	3.6	3.0	3.1	2.9
Real GDP growth, at constant factor prices	5.1	4.1	3.6	3.0	3.1	2.9
Agriculture	-5.0	-11.9	2.1	1.6	1.6	1.6
Industry	2.1	7.3	2.5	4.1	4.2	3.1
Services	6.5	4.4	4.0	2.8	2.9	2.9
Inflation (consumer price index)	4.6	3.6	1.4	2.6	2.1	2.1
Current account balance (% of GDP)	-17.8	-16.7	-15.2	-16.9	-16.4	-14.5
Fiscal balance (% of GDP)¹	-8.2	-15.6	-11.9	-18.6	-18.2	-14.2
Revenues (% of GDP)	26.7	29.1	28.9	27.2	25.4	25.1
Debt (% of GDP)²	90.5	99.8	106.9	116.0	118.4	120.3
Primary balance (% of GDP)¹	-5.7	-12.4	-8.2	-14.5	-13.8	-9.7
GHG emissions growth (mtCO₂e)	3.0	2.0	1.9	1.8	1.6	1.5

Source: World Bank, Fiscal Policy & Growth Department, Ministry of Finance and Eastern Caribbean Central Bank. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Budget balances are for the central government.

2/ Public debt includes central government and public bodies.

SURINAME

Fiscal and monetary policies were loosened ahead of the 2025 elections, slowing the improvements in macroeconomic stability achieved in recent years. Growth is projected to strengthen in 2026–27 and surge in 2028 as oil production begins. Ensuring that future oil wealth supports inclusive and sustainable development will require strengthening institutions, enforcing fiscal rules, and improving the targeting of social spending.

Key conditions and challenges

Suriname is at a pivotal economic juncture, with offshore oil production expected to begin in 2028. Macroeconomic stability improved markedly since the 2020–2021 economic crisis, supported by an International Monetary Fund program that concluded in March 2025. Accordingly, estimated poverty rates measured against the upper-middle-income poverty line of US\$8.30 (2021 PPP) are on a downward trajectory, from 20.9 percent in 2022 to 19.8 percent in 2025. Poverty rates are higher in the interior where communities are more exposed to floods and droughts.

A shift toward more expansionary monetary and fiscal policies during the 2025 election period has now put hard-won achievement—lower inflation and a more sustainable fiscal and debt trajectory—under pressure. Near-term priorities center on strengthening institutions and public financial management to ensure that future oil revenues are managed transparently, efficiently, and in a manner consistent with macroeconomic stability. This will require credible implementation of the new fiscal rules and effective operationalization of the Savings and Stabilization Fund Suriname. It also entails confronting structural constraints to reduce poverty and

Population ¹ million	Poverty ² millions living on less than \$8.30/day
0.6	0.1
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
73.6	64.2
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
4.5	7079.4

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

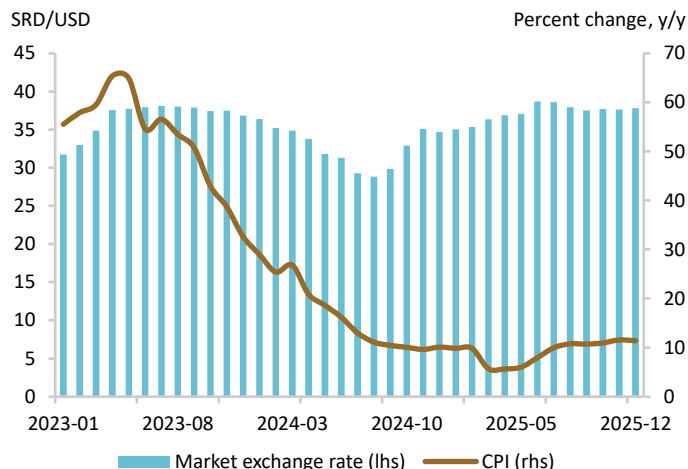
vulnerability, such as skill shortages driven by limited educational attainment, and a failure to translate women's comparatively high tertiary completion rate—15 percent compared to 6 percent for men—into better labor market outcomes.

Recent developments

Economic activity expanded modestly in 2025, with pronounced divergence across sectors. The Monthly Economic Activity Index (MEAI) grew by 1.3 percent y-o-y in the first eight months of 2025, up from 1.1 percent y-o-y over the same period in 2024. Growth has been led by construction and wholesale and retail trade, which together represent about 14 percent of all workers, underpinned by the expansion of infrastructure and logistical activity in preparation for offshore oil production. By contrast, the MEAI for mining and manufacturing has decreased, reflecting weaker gold output. A prolonged and severe drought in 2025, worse than in 2024, has weighed on agricultural activity, which employs only about 6 percent of workers.

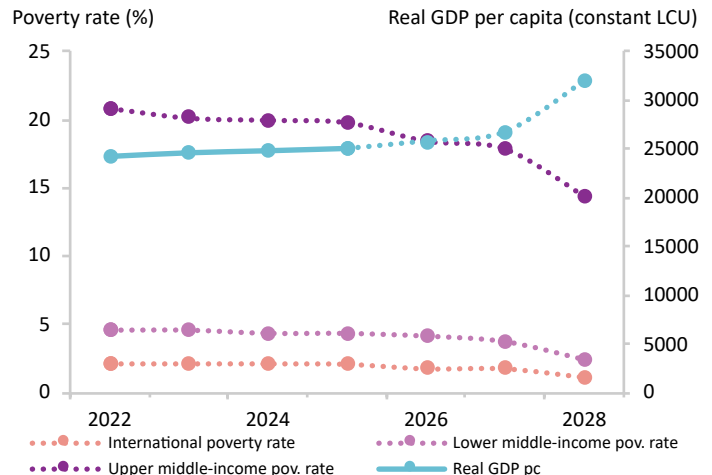
After a notable decline in recent years, inflation picked up in 2025 as a result of loose fiscal and monetary policy, increasing from

FIGURE 1 / Exchange rate and inflation



Source: Central Bank of Suriname.

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



Source: World Bank. Notes: See footnotes in table on the next page.

8.0 percent y-o-y in June to 11.4 percent y-o-y in December. Inflation in food and beverages, a category that represents about 40 percent of consumption among the poorest households, was lower at 7.0 percent y-o-y in December 2025.

Tighter compliance measures and ongoing tax-administration reforms have boosted tax collection, raising total revenues and grants to an estimated 29.1 percent of GDP in 2025. Expenditure, however, is estimated to have risen sharply to 38.7 percent of GDP, driven by higher spending on goods and services, subsidies and transfers, and the wage bill, leading to a wider fiscal deficit in 2025.

The current account deficit surpassed 30 percent of GDP in 2025, driven primarily by foreign direct investment-financed capital imports linked to offshore oil preparations. The authorities issued new 5- and 10-year Eurobonds to partially buy back a portion of the 2033 Eurobond. This eased near-term financing pressures but increased reported gross public debt to 98 percent of GDP in 2025.

Outlook

Growth is projected to strengthen modestly to around 4–5 percent in 2026–27 and spike to over 20 percent in 2028 with the start of offshore oil production, alongside faster services growth driven by rising oil-related demand for logistics, transport, trade, and business services. Inflation is expected to remain elevated throughout much of 2026 before easing as tighter policies take

hold. Ongoing fiscal consolidation is expected to narrow the fiscal deficit. Oil-related imports are expected to widen the current account deficit in 2026–27, before oil exports shift the current account back to surplus after 2028.

Poverty is projected to decline by 1.3 and 0.6 percentage points (y-o-y) in 2026 and 2027 respectively. If increased GDP as a result of new oil revenues enhances economic opportunities for poorer segments of the population, poverty could decline by 3.5 percentage points in 2028. Sustainable reductions in poverty, however, will require investing oil gains in public infrastructure and human capital. There is a continued need for efficient and pro-poor targeting of social spending.

Risks to the outlook are tilted to the downside. Renewed policy slippages or weak enforcement of newly passed fiscal rules could undermine macroeconomic stability. Higher oil prices would boost Suriname's crude export revenues but also raise the cost of refined fuel imports. They would add to inflationary pressures, disproportionately affecting vulnerable populations, and could increase fiscal pressure through higher social support or other cost-of-living relief measures. Recurring droughts could further intensify inflation, especially food inflation, and worsen food insecurity. As oil activity ramps up, the risk of Dutch disease increases, underscoring the need for prudent macroeconomic policies and structural reforms to support diversification. On the upside, additional offshore discoveries of oil and gas could strengthen the medium-term growth outlook.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	2.4	1.7	1.8	4.0	4.5	20.5
Real GDP growth, at constant factor prices	2.4	1.7	1.8	4.0	4.5	20.5
Agriculture	-0.7	-9.0	-6.0	2.0	0.0	0.0
Industry	2.1	2.3	1.2	5.0	5.2	29.0
Services	2.9	2.6	2.8	3.8	4.6	18.8
Inflation (consumer price index)	51.6	16.2	9.2	13.0	7.0	5.5
Current account balance (% of GDP)	4.2	0.2	-35.5	-48.9	-53.5	-2.1
Net foreign direct investment inflow (% of GDP)	-1.8	-0.6	29.7	45.4	47.9	17.2
Fiscal balance (% of GDP)¹	-1.9	-2.6	-9.6	-5.0	-4.1	-2.5
Revenues (% of GDP)	27.5	26.9	29.1	27.9	27.7	27.0
Debt (% of GDP)¹	95.3	83.6	98.2	87.5	80.7	62.0
Primary balance (% of GDP)¹	1.4	0.3	-5.3	-0.1	0.2	0.8
International poverty rate (\$3.00 in 2021 PPP)^{2,3}	2.2	2.2	2.1	1.8	1.8	1.1
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{2,3}	4.6	4.4	4.3	4.2	3.8	2.5
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{2,3}	20.2	20.0	19.8	18.5	17.9	14.4
GHG emissions growth (mtCO₂e)	1.4	1.9	0.4	0.9	1.1	5.0

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Budget balances and public debt are for the central government, with debt based on SDMO data.

2/ Calculations based on CONLAC harmonization, using 2022-SSLC. Actual data: 2022. Nowcast: 2023-2025. Forecasts are from 2026 to 2028.

3/ Projection using neutral distribution (2022) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

TRINIDAD AND TOBAGO

Trinidad and Tobago combines strong human development and sizable fiscal buffers with high dependence on a volatile energy sector. Growth is modest and inflation low; the fiscal deficit has narrowed but debt remains elevated. Labor force participation is weak, and gender gaps persist. Medium-term growth should strengthen with energy projects and fiscal improvement, but project implementation risks are significant.

Key conditions and challenges

Trinidad and Tobago benefits from several economic strengths, including solid human development outcomes and robust fiscal buffers. Human capital indicators compare favorably with those of the broader Latin America and Caribbean region, underpinned by substantial public investment that supports the development of a knowledge-based economy capable of adapting to globalization and technological change.

Nonetheless, the economy remains heavily dependent on the energy sector, which accounts for over one-third of GDP and more than two-thirds of exports. This concentration leaves the country exposed to global energy price volatility and production disruptions. Efforts are underway to balance the challenges of a maturing energy sector with the broader transition toward a low-carbon economy, including measures to reduce greenhouse gas emissions and expand renewable energy capacity.

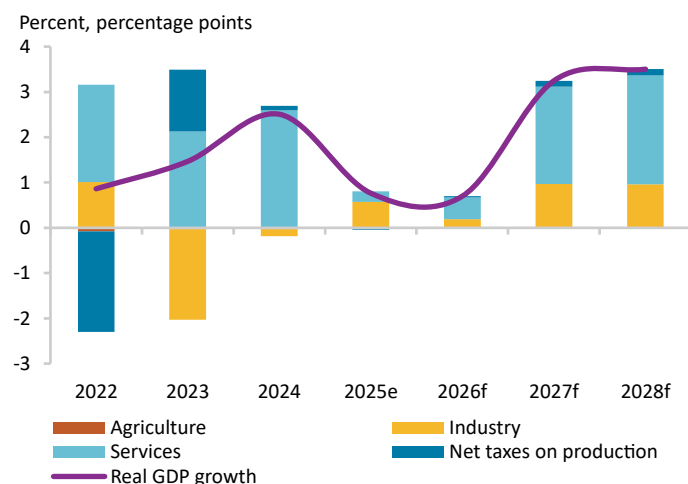
Population ¹ million	1.4	Poverty	..
Life expectancy at birth ² years	73.5	School enrollment ³ primary (% gross)	99.2
GDP ⁴ current US\$, billion	26.3	GDP per capita ⁵ current US\$	19152.8

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2023. 3/ 2023. 4/ 2025. 5/ 2025.

Significant international reserves and the Heritage and Stabilization Fund provide important buffers against external shocks, helping to stabilize public finances during periods of oil and gas price volatility. Together with political stability, these strengths position Trinidad and Tobago for a medium-term economic growth acceleration—provided the country manages its resources prudently and advances economic diversification.

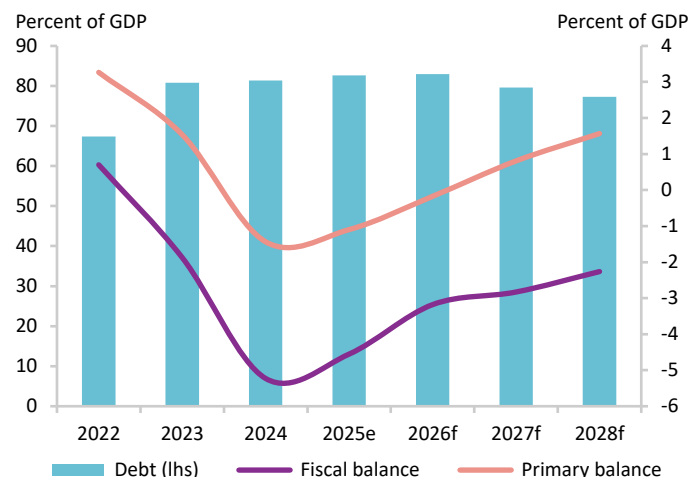
Data limitations constrain the assessment of recent poverty and inequality trends. Trinidad and Tobago's Human Development Index (HDI) is consistent with its high-income status, and the country ranks among those with high gender equality in HDI achievements. Nevertheless, notable gender gaps persist. Despite comparatively strong educational outcomes among women, female labor force participation remains well below that of men: 47.7 percent compared to 62.9 percent in 2024. In addition, the adolescent fertility rate remains elevated, reaching 36 births per 1,000 women aged 15–19 in 2023—well above the averages of 9.1 in high-income countries and 23.4 in upper-middle-income countries.

FIGURE 1 / Real GDP growth and sectoral contributions to real GDP growth



Sources: Central Bank of Trinidad and Tobago, and World Bank.

FIGURE 2 / Public debt



Sources: Central Bank of Trinidad and Tobago, and World Bank.

The government is committed to attracting investment, deepening private sector engagement, and expanding trade integration as drivers of diversification. Advancing structural reforms to improve the business environment, strengthen trade logistics, and address insecurity will be critical to fostering private sector development. Enhancing governance, infrastructure, and public service delivery are equally essential to creating conditions conducive to sustained investment and growth.

Recent developments

In 2025, Trinidad and Tobago's GDP growth is estimated at 0.8 percent, continuing the modest expansion observed over the past three years. The country remains highly vulnerable to energy price volatility. After a decade of contraction, energy sector production slightly recovered in 2024 and remained broadly stable in 2025. Within the non-energy sector, consumer demand, weakened by slow energy sector growth, weighed on services output, while manufacturing exhibited some dynamism and construction expanded on the back of public infrastructure projects. Average annual inflation edged up to 1.0 percent in 2025, from 0.5 percent in 2024, remaining subdued.

The fiscal position improved modestly in FY2024/25. A tax amnesty and higher public sector salaries supported direct tax revenue collection, offsetting higher transfers and subsidies—including transfers to households—and interest payments. The overall fiscal deficit narrowed to 4.6 percent of GDP in FY2024/25, from 5.2 percent in FY2023/24. General government public debt rose to 82.6 percent of GDP in 2025, from 81.3 percent in 2024.

The current account surplus edged up in 2025, supported by modest export growth and a slight decline in imports, though it remains below historical levels.

Unemployment averaged 4.5 percent in Q1–Q3 2025, down from 4.8 percent a year earlier, but low unemployment masks persistently weak labor force participation (54.7 percent on average, about 4 percentage points below pre-pandemic levels). Overall employment was broadly unchanged, though with notable heterogeneity: employment fell among men (especially in construction and social/personal services), workers with incomplete secondary education (-5 percent), and public sector employees (-10 percent), the latter reflecting the abrupt closure of major public employment programs that had primarily benefited low-skilled workers. Meanwhile, the share of own-account workers rose by 2 percentage points.

Outlook

Growth is expected to remain subdued in 2026 before picking up to 3.2 percent in 2027 and 3.5 percent in 2028, driven primarily by completion of the energy sector projects. Inflation is projected to stabilize at around 2 percent on average over the projection period.

Fiscal accounts are expected to improve in line with energy sector performance. The primary balance is projected to turn to a surplus of 0.8 percent of GDP by 2027, with the overall deficit averaging 2.8 percent of GDP in the medium term. General government public debt is expected to resume its downward trajectory, falling below 78 percent of GDP by 2028.

Unless oil prices remain high for most of the year, the current account surplus is projected to narrow to 0.9 percent of GDP in 2026 because of lower energy exports, before recovering toward its historical average, reaching 2.4 percent of GDP in 2027 and 2.8 percent in 2028.

Risks to the outlook include delays in energy project implementation, global trade policy uncertainty, and volatility of energy prices (with a potential upside).

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	1.5	2.5	0.8	0.7	3.2	3.5
Real GDP growth, at constant factor prices	0.1	2.5	0.8	0.7	3.2	3.5
Agriculture	-5.8	-5.4	-2.0	0.0	0.5	0.5
Industry	-4.7	-0.4	1.5	0.5	2.5	2.5
Services	3.9	4.6	0.4	0.8	3.8	4.2
Employment rate (% of working-age population, 15 years+)	55.7	55.1	55.1	55.1	55.1	55.1
Inflation (consumer price index)	4.6	0.5	1.0	1.4	2.0	2.0
Current account balance (% of GDP)	11.5	2.5	2.7	0.9	2.4	2.8
Net foreign direct investment inflow (% of GDP)	-8.1	-3.8	-3.0	-2.9	-2.8	-2.8
Fiscal balance (% of GDP)¹	-1.9	-5.2	-4.6	-3.2	-2.8	-2.3
Revenues (% of GDP)	32.4	27.6	27.7	30.3	30.1	29.4
Debt (% of GDP)¹	80.8	81.3	82.6	83.0	79.6	77.3
Primary balance (% of GDP)¹	1.5	-1.4	-1.1	-0.2	0.8	1.6
GHG emissions growth (mtCO₂e)	1.4	0.7	-0.5	-0.3	1.6	2.0

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Fiscal balances are reported in fiscal years (October 1–September 30).

URUGUAY

GDP growth moderated to 1.8 percent in 2025 and is expected to converge to around 2.0 percent over the medium term, supported by domestic demand. Inflation fell to 3.6 percent year-over-year in 2025, within the central bank's tolerance band, while the fiscal position deteriorated. The labor market and household incomes improved moderately, but sustained productivity and real wage growth remain essential for lasting welfare gains.

Key conditions and challenges

Uruguay benefits from a track record of sound macroeconomic management and favorable access to international capital markets. However, growth has been modest, averaging 1.2 percent annually over the past decade, below that of peer economies at comparable income levels. As a small, open economy, its reliance on commodity exports leaves it exposed to external demand conditions and climate shocks, while limited domestic scale, low investment, and weak productivity growth continue to weigh on economic dynamism and increase fiscal pressures.

Poverty, at 5.6 percent of the population (under US\$8.30 in 2021 PPP), and inequality (0.40 Gini index) are low in Uruguay compared to the rest of the region. However, poverty reduction has stalled over the past decade, reflecting weak labor income growth, and the unemployment rate is among the highest in the region, especially so for women, Afro-descendants, and the 15–24 age cohort. Structural constraints, including Uruguay's small population, rapid ageing, and persistent human-capital gaps (nearly half of youth aged 21–23 lack a secondary diploma), pose medium-term challenges to sustaining growth and welfare

Population ¹ million	Poverty ² millions living on less than \$8.30/day
3.4	0.2
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
78.1	104.5
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
88.0	25991.3

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

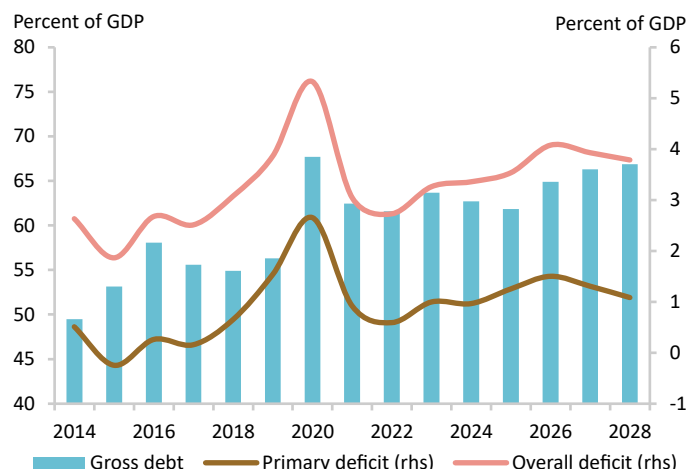
gains. Future progress depends on boosting human capital and labor productivity and supporting better-quality jobs through stronger private investment and greater innovation.

Recent developments

In 2025, GDP expanded by 1.8 percent, underpinned by exports and a moderate contribution from private consumption. Economic activity weakened in the second half of the year, reflecting a slowdown in activity from the post-drought rebound of 2024 and the temporary shutdown of the country's oil refinery, which weighed on manufacturing performance. Agriculture remained solid, supported by improved soybean and corn yields. Inflation declined from 5.5 percent in 2024 to 3.6 percent in 2025 on an end-of-period basis, below the central bank's 4.5 percent target, reflecting the appreciation of the peso and the credibility of the inflation-targeting framework.

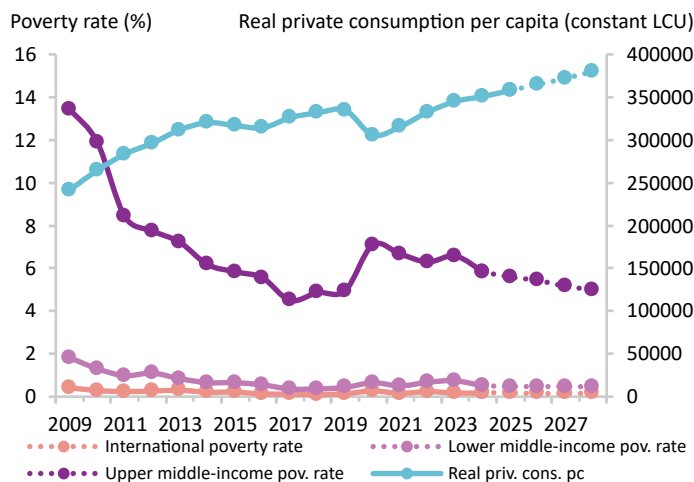
Current account developments were largely driven by commodity exports and tourism receipts. In 2025, the deficit is estimated to have narrowed to 0.4 percent of GDP, from 0.8 percent in 2024, reflecting stronger soybean, beef, and dairy exports,

FIGURE 1 / Actual and projected fiscal balances and non-financial public sector gross debt



Sources: Central Bank of Uruguay and World Bank staff calculations.

FIGURE 2 / Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Note: See footnotes in table on the next page.

along with a higher services surplus, lower goods imports, and a smaller primary income deficit. Foreign reserves remained adequate, covering 11.7 months of imports.

The overall deficit for the non-financial public sector widened in 2025, reaching 3.7 percent of GDP, 0.3 percentage points higher than in 2024. The deterioration of the fiscal accounts was driven primarily by an expansion in current expenditure, most notably in goods and services, and, to a lesser extent, higher outlays on social assistance programs. As a result, public debt reached 62.0 percent of GDP.

Progress in labor and social indicators has been slow but steady. Unemployment declined to 7.0 percent in December 2025 from 7.4 percent a year earlier, while the labor force participation rate was broadly unchanged. Job creation was concentrated in Greater Montevideo, particularly in sales and commercial roles. Real wages increased by 2.2 percent over the year, supporting modest gains in household purchasing power. Consistent with these trends, poverty is expected to have declined slightly, reflecting gradual but still limited improvements in household welfare.

Outlook

GDP is projected to grow by an average of 1.9 percent over 2026–2028. The macroeconomic framework remains broadly stable, with well-anchored inflation expectations. Inflation is contained within the central bank's 3–6 percent tolerance band, with some risk of undershooting if the peso remains strong and activity subdued. In this context, the central bank is expected to gradually

reduce the policy rate toward a neutral stance. Given moderate growth prospects, poverty reduction is expected to be limited.

The primary balance is projected to remain in deficit throughout the forecast horizon, with only gradual improvement expected as fiscal consolidation measures take effect. Although the new five-year budget (2025–2029) outlines a consolidation path, achieving it will require sustained and significant fiscal effort over the coming years. Public debt as a share of GDP is projected to rise in the near term before stabilizing before the end of the decade. The proposed reforms to strengthen the fiscal rule and the fiscal council's independence are positive steps toward increased policy credibility.

Uruguay's current account deficit is projected to remain broadly stable, albeit with some upside risks. A less favorable external scenario, driven by deteriorating terms of trade on the back of higher energy prices and Uruguay's exposure as a net oil importer, could compress fiscal revenues, widen financing needs, and heighten Uruguay's exposure to refinancing and rollover risks. Weaker-than-expected growth in Argentina and Brazil could also dampen external demand.

Risks to the outlook include extreme weather events, geopolitical tensions, trade disruptions, and slower-than-anticipated fiscal consolidation, particularly given geopolitical conflicts in the Middle East that could quickly translate into tighter financing conditions. The potential emergence of a strong La Niña event poses a significant downside risk, adversely affecting agricultural production and increasing the likelihood of renewed drought conditions in Uruguay.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	0.8	3.3	1.8	1.6	1.9	2.1
Private consumption	3.3	1.7	2.1	1.8	1.8	2.1
Government consumption	0.0	2.0	1.8	1.1	1.3	1.8
Gross fixed capital investment	-5.6	-1.7	0.3	3.1	4.3	3.3
Exports, goods and services	1.6	8.9	1.9	2.2	2.2	2.3
Imports, goods and services	6.5	-1.4	4.1	3.3	3.1	3.1
Real GDP growth, at constant factor prices	0.9	3.3	1.5	1.6	1.9	2.1
Agriculture	5.1	14.0	2.3	2.0	2.0	2.0
Industry	-3.1	4.1	2.5	1.5	1.5	1.5
Services	1.6	2.1	1.1	1.6	2.0	2.2
Employment rate (% of working-age population, 15 years+)¹	60.7	62.0	60.5	59.6	59.3	59.2
Inflation (consumer price index)	5.9	4.8	4.7	4.9	4.6	4.5
Current account balance (% of GDP)	-3.0	-0.8	-0.4	-0.6	-0.5	-0.5
Net foreign direct investment inflow (% of GDP)	3.9	-3.1	0.4	0.8	1.1	1.3
Fiscal balance (% of GDP)^{2,3}	-3.2	-3.3	-3.7	-4.1	-3.9	-3.8
Revenues (% of GDP)	27.0	27.5	27.9	28.7	29.0	29.1
Debt (% of GDP)	62.7	61.7	62.0	65.0	66.5	67.1
Primary balance (% of GDP)^{2,3}	-1.0	-0.9	-1.4	-1.5	-1.3	-1.1
International poverty rate (\$3.00 in 2021 PPP)^{4,5}	0.2	0.2	0.2	0.2	0.2	0.2
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{4,5}	0.7	0.5	0.5	0.5	0.5	0.5
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{4,5}	6.6	5.9	5.6	5.5	5.2	5.0
GHG emissions growth (mtCO2e)	0.2	2.2	1.1	1.1	0.4	0.6

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Employment rates may differ from official national estimates due to variations in the age group used for calculation.

2/ Non-Financial Public Sector. Excluding revenues associated with the "cincuentones".

3/ The 2025 fiscal deficit includes one-off revenues linked to the "Cuarentones Law" (Fideicomiso II de la Seguridad Social, Law No. 20.209), estimated at about 0.4 percent of GDP.

4/ Calculations based on SEDLAC harmonization, using 2024-ECH. Actual data: 2024. Nowcast: 2025. Forecasts are from 2026 to 2028.

5/ Projections using microsimulation methodology.

Afghanistan
Algeria
Bahrain
Djibouti
Egypt, Arab Republic of
Iran, Islamic Republic of
Iraq
Jordan
Kuwait
Lebanon
Libya

Morocco
Oman
Pakistan
Palestinian territories
Qatar
Saudi Arabia
Syrian Arab Republic
Tunisia
United Arab Emirates
Yemen, Republic of

Middle East, North Africa, Afghanistan, and Pakistan

AFGHANISTAN

Despite a modest increase in aggregate output, economic conditions in Afghanistan weakened in 2025 amid sharp aid reductions, drought, large returnee inflows, and prolonged border closures with Pakistan. GDP per capita is estimated to have declined by 5.6 percent. While fiscal balance was maintained, the trade deficit widened, and the outlook remains bleak amid regional conflict, refugee uncertainty, and declining external aid.

Key conditions and challenges

Afghanistan's economy remained fragile in 2025, with only a modest recovery following the sharp contractions of 2021–2022. External assistance has declined significantly since the Interim Taliban Administration (ITA) took power, weakening fiscal stability. Trade and limited private sector resilience have provided some support, but unemployment and low incomes persist amid large inflows of returnees from Iran and Pakistan. The banking sector continues to face liquidity shortages, international restrictions, and the transition to Islamic finance, constraining access to credit. After the post-2021 period of deflation, inflation is picking up. Food insecurity remains widespread due to climate shocks, natural disasters, and weak infrastructure.

Medium-term prospects are constrained by deep-seated structural challenges and ongoing regional tensions. Financial isolation limits foreign investment and access to external markets, while a cash-based informal economy hampers efficiency and productivity. Policy uncertainty and restrictive social measures—particularly those affecting female education and employment—are eroding human capital. Rapid population growth, compounded by

Population ¹ million	Poverty
47.4	..
Life expectancy at birth ² years	School enrollment ³ primary (% gross)
66.0	109.1
GDP ⁴ current US\$, billion	GDP per capita ⁵ current US\$
20.3	428.5

Sources: WDI, MFMMod, and official data. 1/ 2025. 2/ 2023. 3/ 2019. 4/ 2025. 5/ 2025.

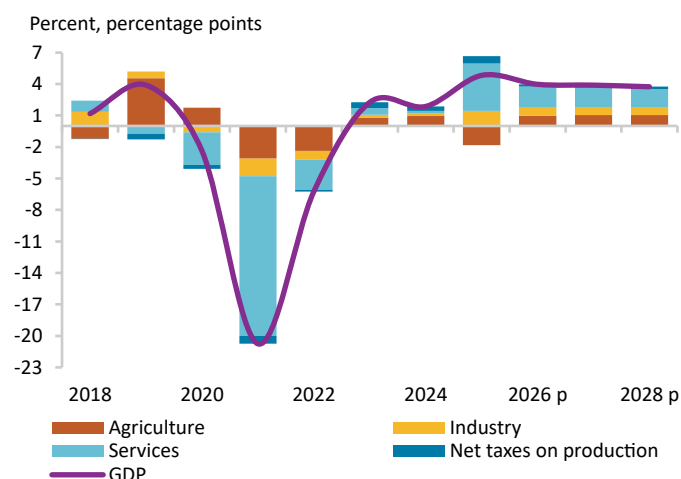
returnee inflows, is straining basic services and labor markets, deepening poverty and vulnerability. Weak energy and transport infrastructure, together with repeated border closures, further constrain industrial and commercial activity. Absent meaningful reforms to improve governance, enable private sector development, and restore international confidence, Afghanistan risks prolonged economic stagnation and continued dependence on humanitarian assistance.

Recent developments

Afghanistan's economy in 2025 was shaped by severe external shocks, including prolonged border closures, drought, and large-scale refugee returns from Iran and Pakistan. These shocks led to a sharp population increase of an estimated 11 percent in FY2025, largely driven by net migration. While aggregate GDP is estimated to have grown by 4.8 percent, per capita GDP declined by 5.6 percent, highlighting the strain caused by rapid population growth outpacing economic expansion.

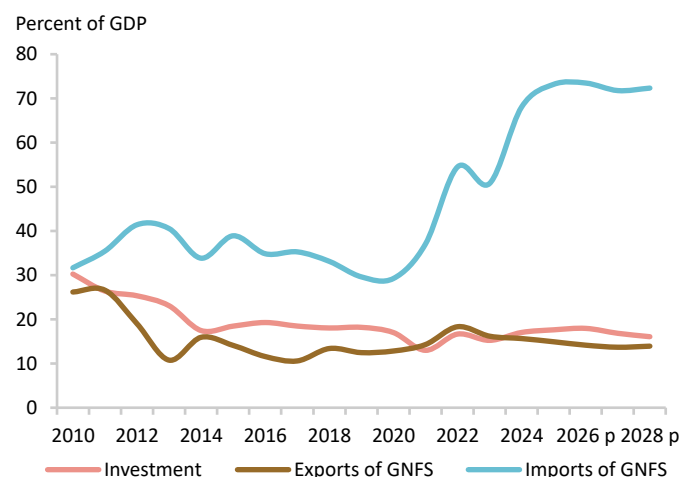
Returnee inflows supported a rebound in non-agricultural activity, with real sales and employment in formal firms rising, but

FIGURE 1 / Real GDP growth and sectoral contributions to real GDP growth



Source: World Bank.

FIGURE 2 / Exports, imports, and investment



Source: World Bank.

agriculture remained under pressure as drought reduced output despite resilient irrigated wheat production. The surge in labor supply is expected to exacerbate unemployment and underemployment, placing downward pressure on wages and increasing poverty risks, particularly in urban areas.

Inflation accelerated to 7.7 percent year-on-year by January 2026, driven by recovering domestic demand, higher trade and transport costs linked to border closures, and weaker agricultural output. Externally, the current account deficit widened sharply due to a larger trade deficit, lower remittances, and reduced humanitarian aid. Although domestic revenue increased, declining external grants constrained fiscal space. The authorities maintained a balanced budget, with spending dominated by current expenditures and very limited development investment.

Outlook

Afghanistan's economy is projected to grow by 4.0 percent in FY2026 and 3.8 percent in FY2027–28, supported by strengthening domestic demand, higher private investment—evidenced by more than 40 percent of formal firms acquiring assets—a gradual recovery in capital per worker, and improved absorption of returnees into the labor market. Labor market absorption is facilitated by low capacity utilization in the formal sector (below 70 percent) relative to regional peers. These projections are 0.2 percentage points

higher than those published in the Fall 2025 Macro Poverty Outlook (MPO), reflecting stronger than expected domestic activity and larger than anticipated returnee inflows from Pakistan. Nevertheless, rapid population growth and a persistent oversupply of low-skilled labor are expected to continue constraining gains in GDP per capita, limiting progress in poverty reduction.

The current account deficit is projected to remain elevated at around 38 percent of GDP over the medium term, with continued declines in aid and remittance inflows. The ITA is expected to maintain a broadly balanced budget, reflecting tight expenditure control and limited borrowing options.

Afghanistan's outlook remains bleak, with risks significant and tilted to the downside. An escalation of conflict in the Middle East poses a major external risk to the fragile recovery, given Afghanistan's heavy reliance on regional trade corridors, fuel imports, and large migrant populations in neighboring countries. With around 60 percent of trade transiting through Iran, even a one-week disruption could reduce GDP by 0.3–0.5 percentage points and raise inflation by 2–3 percentage points, although partial trade rerouting could mitigate these effects. At the same time, large returnee inflows would further strain labor markets and public services: an additional 100,000 returnees is estimated to raise the population by 0.24 percentage points, while increasing GDP by only 0.1 percentage points, intensifying downward pressure on per capita incomes and poverty outcomes.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	2.3	1.9	4.8	4.0	3.9	3.8
Private consumption	6.4	14.7	9.1	5.0	4.0	4.0
Government consumption	0.7	8.2	3.8	8.4	9.0	9.9
Gross fixed capital investment	-5.7	2.8	8.2	9.4	1.3	-2.7
Exports, goods and services	-12.1	-0.3	-1.0	2.0	4.0	6.0
Imports, goods and services	0.7	27.6	11.0	8.0	5.0	5.0
Real GDP growth, at constant factor prices	1.8	1.5	4.4	4.0	3.9	3.7
Agriculture	2.2	2.6	-5.0	3.0	3.2	3.2
Industry	1.8	1.9	10.0	5.0	5.0	5.0
Services	1.5	0.5	10.3	4.4	4.0	3.7
Inflation (consumer price index)	-7.7	-4.3	4.0	5.0	4.0	4.0
Current account balance (% of GDP)	-17.6	-28.3	-36.1	-38.5	-37.6	-38.5
Net foreign direct investment inflow (% of GDP)	0.3	0.0	0.0	0.0	0.0	0.0
Fiscal balance (% of GDP)	-1.2	-0.4	-0.2	-0.3	0.1	0.4
Revenues (% of GDP)	33.9	35.3	33.6	32.8	32.2	33.2
Debt (% of GDP)	13.6	14.7	13.6	11.7	9.1	8.3
Primary balance (% of GDP)	-1.2	-0.4	-0.2	-0.3	0.1	0.4
GHG emissions growth (mtCO₂e)	1.4	1.9	2.8	3.0	3.2	3.3

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

ALGERIA

Non-hydrocarbon growth remained robust in 2025, supported by strong investment and household consumption, while inflation eased as food prices declined. Fiscal and external deficits widened amid relatively low hydrocarbon prices, rising public spending, and investment-driven imports. Advancing diversification, improving the business climate and the efficiency of public enterprises, and strengthening the macroeconomic framework remain critical for growth and job creation.

Key conditions and challenges

Despite recent diversification efforts, Algeria's economy remains dependent on the hydrocarbon sector and public spending. The oil and gas sector accounted for 13.3 percent of GDP, 82.6 percent of exports, and 45.8 percent of budget revenues between 2020 and 2024. Government spending represented 35.5 percent of GDP, exceeding revenues by 7.8 percent and non-hydrocarbon revenues by 21.3 percent over the same period.

Over recent decades, growth has relied on capital accumulation and the entry of new workers into the labor market, with limited productivity gains, underscoring the need for structural reforms. Authorities have begun to implement policy changes to stimulate investment, spur productivity growth, and support diversification, including the 2022 Investment Law, the 2023 Banking and Monetary Law, the 2023 Economic Land Law, the 2024 African Continental Free Trade Area accession, and the 2025 Mining Law.

State-led development has resulted in important economic and social achievements. Living standards, education, and health improved significantly before the pandemic. Inequality is low (latest

Population ¹ million	Poverty ² % of the population living on less than \$8.30/day
47.4	41.8
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
76.3	106.4
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
287.0	6051.0

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2011 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

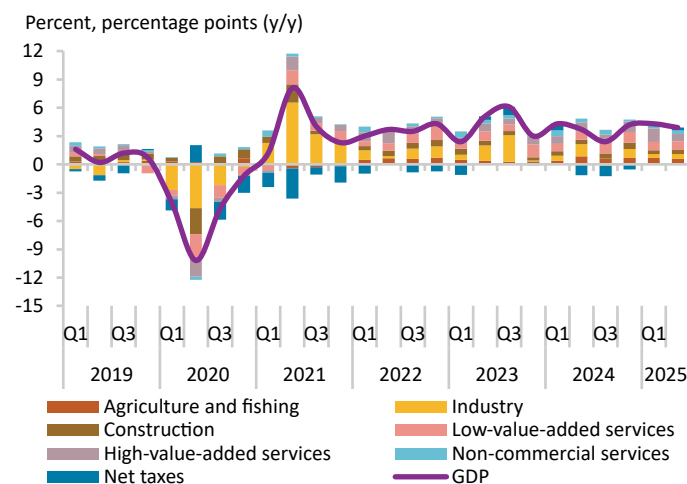
Gini coefficient: 27.6 in 2011), but poverty and vulnerability remain high for Algeria's income level. The poverty rate at US\$8.30 a day (2021 PPP) reached 41.8 percent in 2011. The multidimensional poverty headcount is estimated to have decreased from 2.1 to 1.4 percent between 2013 and 2019.

Growth has remained robust since the pandemic, driven by investment acceleration and resilient household consumption, amid fiscal expansion. At the same time, falling hydrocarbon prices and a series of OPEC quota cuts, coupled with expanding investment-driven imports and public spending growth, have put the fiscal and external balances under pressure.

Recent developments

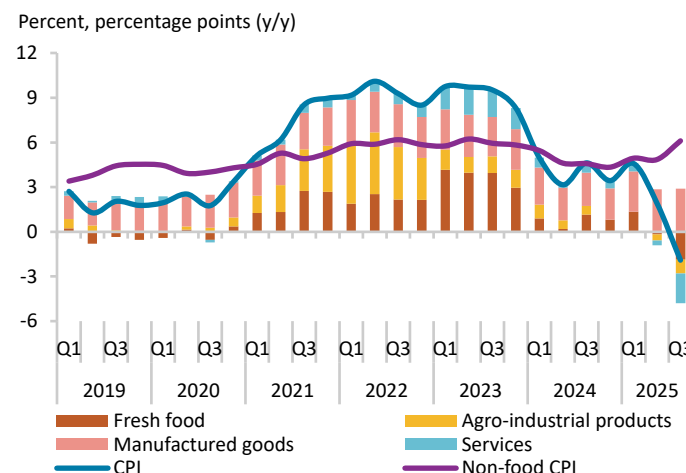
GDP growth accelerated to 4.1 percent year-on-year (y-o-y) in H1 2025 from 3.7 percent in 2024, as strong non-hydrocarbon activity (+5.4 percent y-o-y) offset the contraction of hydrocarbon GDP (-2.0 percent y-o-y). Growth was underpinned by strong investment (+13.2 percent y-o-y), which boosted imports (+25.2 percent y-o-y). Resilient household consumption (+4.4 percent y-o-y), amid rising public sector wages, supported services (+4.3 percent y-o-y) and

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Sources: Algerian authorities and World Bank.

FIGURE 2 / Consumer price index (CPI) inflation and contributions to CPI inflation



Sources: Algerian authorities and World Bank.

non-hydrocarbon industries (+4.2 percent y-o-y). Agricultural output grew markedly (+5.3 percent y-o-y), bolstered by favorable rainfall in the East. Satellite nightlights data suggest non-hydrocarbon activity remained robust across regions in H2 2025.

The current account deficit widened sharply in H1 2025 to US\$10.5 billion, up from US\$2.9 billion (1.1 percent of GDP) in 2024, as declining hydrocarbon prices and export volumes coincided with rapid import growth. Foreign exchange reserves stood at 15.0 months of imports at end-2024. After reaching 13.8 percent of GDP, the fiscal deficit is expected to have narrowed slightly in 2025 due to a one-off transfer of Bank of Algeria dividends to the budget. At the same time, public debt decreased slightly as a share of GDP and remains nearly completely domestically held at long-term maturities and low interest rates.

Inflation continued to decelerate in 2025, reaching 1.4 percent y-o-y over the first eleven months, driven by decreasing food prices and a stable official exchange rate, despite exchange rate pressures. Money supply growth slowed, while credit growth remained robust (+5.4 percent) in H1 2025. The policy interest rate was reduced from 3 to 2.75 percent and the reserve requirement rate from 3 to 2 percent in August 2025, followed by another easing in monetary conditions in January 2026, when the policy interest rate was reduced to 2.5 percent and the reserve requirement rate to 1 percent.

GDP per capita growth was positive in 2025, and household welfare likely benefited from low inflation, rising public wages and pensions, and new unemployment benefits. National Office of Statistics data indicate 450,000 jobs were created in 2024, while the working-age population increased by about 600,000.

The unemployment rate stood at 9.7 percent at end-2024. The previous available rate dates to May 2019 (11.4 percent).

Outlook

GDP growth is expected to decelerate over 2026–2028 as gradual fiscal consolidation is implemented according to the government's medium-term framework, including slowing wage growth and decreasing investment expenditures.

The fiscal and external deficits would narrow in 2026 amid higher hydrocarbon prices in the context of the conflict in the Middle East. Assuming hydrocarbon prices return to relatively low levels, the twin deficits would widen in 2027–2028. Elevated budget deficits would translate into rising public debt, projected to reach 67 percent of GDP by 2028 in the baseline scenario.

Algeria's economy remains vulnerable to volatile hydrocarbon markets. Climate change increases risks through its effects on agriculture, while the global low-carbon transition and the European Carbon Border Adjustment Mechanism are expected to reduce demand for Algeria's hydrocarbon and selected non-hydrocarbon exports, notably fertilizers and iron and steel.

Reducing these risks and ensuring sustainable, inclusive, and job-creating growth will require a stronger macroeconomic framework and progress on diversification. Priority reforms include strengthening domestic revenue mobilization through tax policy and administration reforms, improving medium-term budgeting and resource-revenue management, reducing price distortions, and improving the business climate.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	4.1	3.7	3.8	3.7	3.1	3.1
Private consumption	4.0	3.9	4.4	3.6	3.3	3.0
Government consumption	3.4	2.8	2.5	2.2	2.0	1.8
Gross fixed capital investment	9.2	9.8	12.2	3.5	4.0	5.2
Exports, goods and services	3.1	-2.4	2.5	4.3	2.2	0.8
Imports, goods and services	16.1	11.9	17.3	3.0	3.9	4.3
Real GDP growth, at constant factor prices	3.8	3.5	3.8	3.7	3.1	3.1
Agriculture	3.0	5.3	5.2	2.8	2.6	2.6
Industry	3.9	2.1	3.6	3.9	3.2	3.0
Services	3.8	4.1	3.6	3.7	3.1	3.2
Employment rate (% of working-age population, 15 years+)	36.3	36.1	36.5	36.9	37.0	37.1
Inflation (consumer price index)	9.3	4.0	1.4	2.8	3.4	3.5
Current account balance (% of GDP)	2.6	-1.1	-5.9	-2.4	-9.7	-11.3
Fiscal balance (% of GDP)	-5.5	-13.8	-13.0	-7.4	-10.8	-10.4
Revenues (% of GDP)	31.9	23.8	23.6	24.7	21.9	21.7
Debt (% of GDP)	47.6	48.1	47.2	49.8	60.3	67.0
Primary balance (% of GDP)	-5.7	-13.4	-14.4	-7.7	-11.0	-10.3
GHG emissions growth (mtCO2e)	3.8	2.9	3.2	3.1	2.8	2.9

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

BAHRAIN

The economy faces risks from its high exposure to the conflict in the Middle East, with adverse effects on tourism, energy exports and investment sentiment. Bahrain's combination of small size and geographic proximity to the conflict's epicenter makes it one of the most economically vulnerable states in case of prolonged tensions. This adds to the fiscal woes, with fiscal deterioration and a rapidly rising debt.

Key conditions and challenges

Bahrain's exposure to the conflict in the Middle East risks triggering economic losses associated with extreme hydrocarbon market volatility, disruptions in trade routes and damages to ports, in addition to impact on incoming tourism. Before the eruption of the conflict in February 2026, the country demonstrated strong non-hydrocarbon growth performance particularly in financial services, real estate, and manufacturing. To strengthen its public finances, Bahrain rolled out a series of fiscal reforms, including a draft law being referred to legislative bodies to introduce a 10 percent corporate income tax, effective in 2027.

Recent developments

Bahrain's real GDP growth reached 4 percent in Q3 2025 (y/y) thanks to the contribution of the non-oil sector (3.1 percent growth in Q3 2025 y/y). The oil sector is estimated to have grown by 3 percent for the full year 2025, and the non-oil sector by 3.1 percent. Non-oil activities accounted for 85 percent of GDP in Q3 2025 with the financial sector being the largest contributor (17.8 percent of

Population ¹ million	Poverty
1.6	..
Life expectancy at birth ² years	School enrollment ³ primary (% gross)
81.3	96.9
GDP ⁴ current US\$, billion	GDP per capita ⁵ current US\$
49.2	30328.9

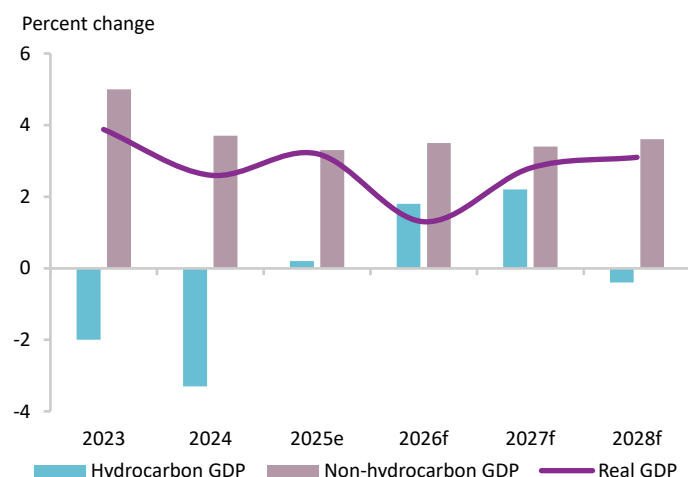
Sources: WDI, MFMMod, and official data. 1/ 2025. 2/ 2023. 3/ 2024. 4/ 2025. 5/ 2025.

GDP) followed by the manufacturing sector (16.1 percent), and construction (6.8 percent of GDP). On the demand side of GDP, total consumption grew by 2 percent while government fixed capital formation increased by 3.4 percent in Q3 2025 (y/y). Inflation declined to 0.3 percent in 2025.

In 2025, Bahrain's fiscal deficit is estimated at 10.8 percent of GDP, primarily driven by lower oil revenues and surging debt service costs. Public debt increased significantly to 131.1 percent of GDP in 2025. The government mostly relied on the Central Bank overdraft facility to finance its fiscal deficit. To stabilize debt and improve the fiscal balance, the Bahraini Cabinet approved in December 2025 a fiscal reform package. According to official projections, the package would generate an additional 1.1 percent of GDP in revenues by end-December 2026.

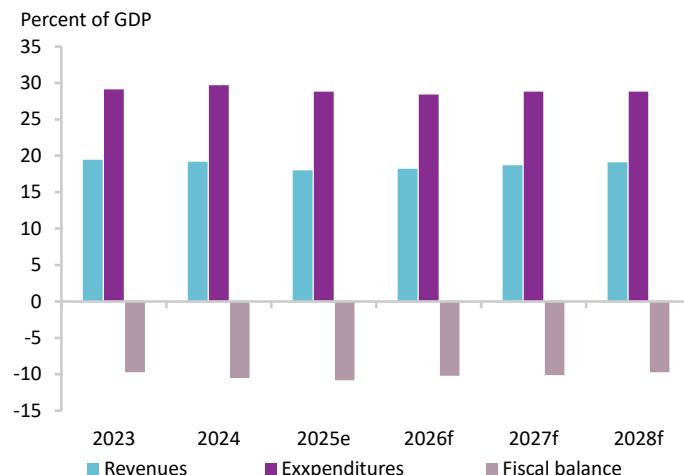
The current account recorded a surplus of 3.5 percent of GDP in 2025. Total goods exports increased from 24.3 percent of GDP in 2024 to 24.6 percent of GDP in 2025, driven by a 12 percent increase in non-oil exports (led by aluminum). Nevertheless, crude oil accounts for 48.2 percent of total exports, with 53.3 million barrels exported in 2025. Foreign direct investment inflows remained strong around 5.3 percent of GDP.

FIGURE 1 / Real annual GDP growth



Sources: Bahrain authorities and World Bank.

FIGURE 2 / General government operations



Sources: Bahrain authorities and World Bank.

Relative to Q4 2024, total employment in Q3 2025 increased by 1.3 percent, with a faster rate for the Bahrainis than non-Bahraini workers: 1.5 versus 1.3 percent, respectively. Among Bahraini nationals, employment growth was significantly stronger for women than men: 5.1 versus 0.9 percent, respectively. Despite these gains, disparities persist across demographic groups. Modelled International Labour Organization estimates indicate that unemployment rates remain higher among youth, particularly young women, at around 5.4 percent and about 12.5 percent in 2025, respectively.

Outlook

The escalation or prolongation of the conflict in the Middle East has adverse effects on the near-term growth outlook, notably given the absence of fiscal buffers to absorb economic shocks. In March 2026, the expectation for increased oil production in Bahrain was dashed by an attack on the Sitra refinery. As a result, growth is expected to slow to 1.3 percent in 2026. In parallel, rising fertilizer prices are expected to increase the total import bill, primarily through higher food import costs.

Bahrain's fiscal outlook is characterized by high, rising debt levels and a persistent fiscal deficit. The deficit is projected to reach 10.2 percent of GDP in 2026. As a result of the conflict in the Middle

East, Bahrain's fiscal position is expected to face intensified pressure, likely widening due to disruptions in oil exports, increased security spending, and high debt-servicing costs. High and rising public debt is not expected to stabilize in the medium term.

Bahrain's current account balance is projected to remain in surplus although narrowing due to infrastructure damage and trade disruptions. Exports will likely suffer from risks to shipping in the Strait of Hormuz. The cost of imports is expected to rise due to supply chain disruptions. Foreign direct investment is expected to face headwinds in 2026, with risks including reduced investor confidence and higher insurance costs for shipping. Bahrain will continue facing high external financing needs in the medium term due to significant upcoming debt maturities.

Key downside risks to the outlook can arise in case of a prolonged conflict, which would only add to the existing economic pressures. Additional damage to infrastructure would affect oil production and trigger revenue losses for the government. This could further push up the debt-to-GDP ratio and debt servicing burden. The conflict in the Middle East and rising fertilizer prices heighten Bahrain's vulnerability to food price shocks: heavy reliance on imported staple foods—especially through the Strait of Hormuz—means that disruptions can translate quickly into higher food prices, with disproportionate impacts on vulnerable households.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	3.9	3.1	3.2	1.3	2.8	3.1
Private consumption	4.7	4.8	4.9	2.1	4.2	4.6
Government consumption	7.3	5.3	0.3	2.7	1.9	1.9
Gross fixed capital investment	2.1	2.4	4.4	2.6	4.2	4.1
Exports, goods and services	-9.1	2.0	2.9	1.1	3.6	3.7
Imports, goods and services	2.6	3.5	3.4	2.3	4.7	4.6
Real GDP growth, at constant factor prices	3.8	3.1	3.2	1.2	2.8	3.1
Agriculture	4.7	2.1	3.0	2.1	3.2	2.8
Industry	0.1	4.1	6.5	1.7	3.6	3.7
Services	6.5	2.3	0.9	0.8	2.2	2.7
Employment rate (% of working-age population, 15 years+)	70.1	69.9	69.9	69.9	69.9	69.9
Inflation (consumer price index)	0.1	0.9	0.3	4.7	2.9	3.1
Current account balance (% of GDP)	5.8	4.8	3.5	2.4	3.3	3.2
Net foreign direct investment inflow (% of GDP)	13.2	4.6	3.4	4.2	4.7	4.8
Fiscal balance (% of GDP)	-8.5	-10.5	-10.8	-10.2	-10.1	-9.7
Revenues (% of GDP)	19.4	19.2	18.0	18.2	18.7	19.1
Debt (% of GDP)	123.0	131.8	131.1	139.7	145.2	141.0
Primary balance (% of GDP)	-4.4	-6.3	-7.2	-6.2	-5.4	-5.1
GHG emissions growth (mtCO₂e)	3.1	4.0	3.5	1.8	2.6	3.0

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

DJIBOUTI

Economic activity remained resilient in 2025, but pressures intensified from global trade uncertainty, maritime risks, and domestic constraints. GDP growth eased to 6.5 percent from 7.0 percent in 2024, supported by construction, telecommunications, tourism, and Ethiopia-corridor demand. Inflation stayed near zero, supporting household consumption. High public debt constrains fiscal space, and poverty reduction hinges on jobs and climate resilience.

Key conditions and challenges

On February 16, 2026, Djibouti adopted its third national development plan (ADEEG 2025–30), with the objective of shifting its current development model, concentrated in trade and logistics, toward a more diversified economy. The current economic model remains service-led, with port services, transit trade, and related transport activities, driving growth, fiscal revenues, and foreign exchange.

On the other hand, this is also a source of external vulnerability. Uncertainty over global trade policies, heightened security risks in the Red Sea, and oil price shocks, stemming from the conflict in the Middle East will weigh on shipping demand and carrier routing decisions. Djibouti is better positioned to absorb a pure oil-price shock than a combined shock affecting both energy costs and port activity, given its reliance on transshipment. The Ethiopia corridor remains the main stabilizer, although it is also a source of dependency. Given the heavy concentration of household consumption on food, particularly among poorer households, price increases stemming from the conflict could translate into high losses in purchasing power for those in most need.

Population ¹ million	Poverty ² millions living on less than \$4.20/day
1.1	0.5
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
66.0	64.4
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
4.6	4248.8

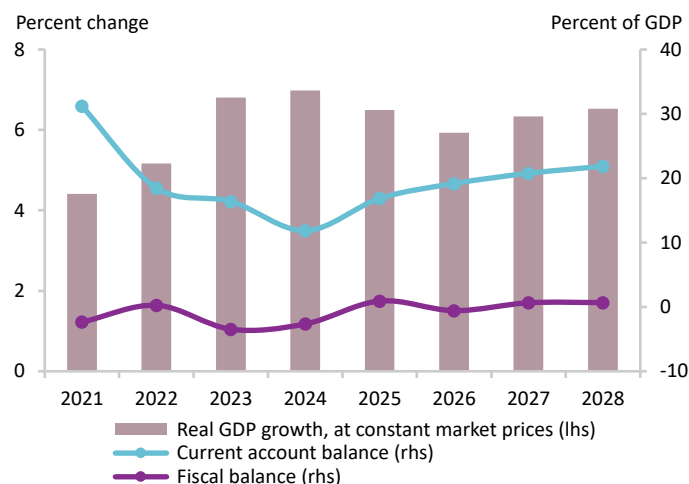
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2017 (2021 PPPs). 3/ 2023. 4/ 2017. 5/ 2025. 6/ 2025.

Domestic bottlenecks still stifle diversification. High electricity costs and limited competition keep firms' expenses elevated. Some key challenges Djibouti faces include limited human capital, water scarcity, and climate vulnerability. Debt service continues to place pressure on the budget, limiting space for social spending and climate adaptation.

Recent developments

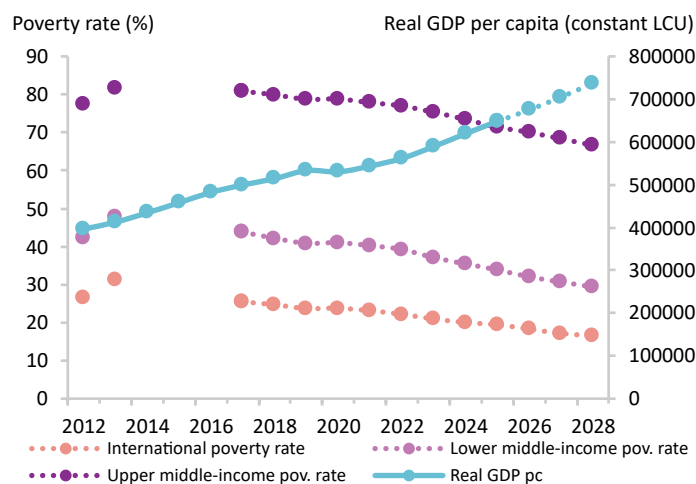
Economic activity is estimated to have grown by 6.5 percent in 2025, an upward revision of 0.5 percentage point from the fall forecast, while easing from 7.0 percent in 2024, as logistics momentum softened. Total container throughput fell 10.5 percent, y-o-y, in 2025H1 and a further 17.5 percent in 2025H2, reflecting a sharp pullback in global-facing activity. Beyond the port gates, signals were mixed. Cement sales rose about 35 percent in the first three quarters of 2025, consistent with an active construction and infrastructure pipeline. Electricity production contracted 3.4 percent, while telecommunications (7.5 percent) and tourism (17 percent) expanded. While softer port-related activity weighed on household earnings, especially in logistics-related services, private consumption increased by 5.5 percent as inflation fell from

FIGURE 1 / Real GDP growth, fiscal and current account balances



Sources: Government of Djibouti and World Bank.

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



Source: World Bank. Notes: See footnotes in the table on the next page.

2.2 percent in 2024 to near zero in 2025, aided by lower commodity prices amid persistent trade policy uncertainty and maritime security disruptions.

Sustained economic growth has been accompanied by a gradual poverty reduction. Official poverty, as measured by national poverty lines, stood at around 21.1 percent in 2017. The share of the population living below US\$3.00 a day (2021 PPP) declined from 25.4 percent in 2017 to an estimated 18.5 percent in 2026, while poverty at US\$4.20 line fell from 43.7 to an estimated 32.0 percent. According to the first Djiboutian survey on labor statistics, as of 2025Q1, unemployment was 36.4 percent, with notable gender and urban-rural disparities. The forthcoming data from the 2024 Population Census, the 2025 Household Budget Survey, in addition to the first labor force survey, are expected to improve measurement and support more targeted, evidence-based policies.

The overall fiscal balance (including grants) improved from a deficit of 2.7 percent of GDP in 2024 to a surplus of 0.9 percent of GDP in 2025, reflecting fiscal consolidation consistent with the currency board arrangement, and supporting a decline in public debt. Total revenues surged to 22.6 percent of GDP in 2025 from 18.6 percent in 2024, lifted by stronger tax collection and a modest rise in grants, while spending held steady at 21.7 percent. Public debt fell to 63.7 percent of GDP in 2025, from 68.4 percent in 2024, though arrears remained at 3.1 percent of GDP as of September 2025, largely owed to Exim Bank of India (26.8 percent) and Exim Bank of China (20.4 percent). The current account surplus widened to 16.8 percent of GDP in 2025, up from 11.8 percent in 2024, partly due to a lower fuel import bill. However, reserve coverage of broad money remains low (64.27 percent as

of June 2025), warranting close monitoring to safeguard confidence in the peg.

Outlook

The medium-term outlook is favorable, but downside risks dominate. Growth is projected to ease to 5.9 percent in 2026, reflecting the impact of the conflict in the Middle East, before averaging 6.4 percent in 2027–28, supported by a recovery in global shipping, resilient Ethiopia-corridor trade, and continued robust activity in construction and services. Inflation is expected to remain contained at 2.0 percent, anchored by the currency board arrangement. Tax revenues are projected to increase over the forecast horizon, but declining grant financing is expected to moderate overall revenue growth. Spending pressures should remain contained, in line with the government's ongoing fiscal consolidation efforts. Small fiscal surpluses (around 0.2 percent of GDP) under the ADEEG 2025–30 framework are expected to reduce public debt from 63.7 percent of GDP in 2025 to 56.3 percent in 2026–28, helped by debt talks and well-managed public-private partnerships. The current account surplus is expected to widen but remains sensitive to port receipts and fuel prices. Sustained growth and low inflation are expected to extend the poverty reduction trend observed in recent years.

Downside risks include a prolonged conflict in the Middle East, sustained trade-policy uncertainty, renewed tariffs, deteriorating Red Sea security and weaker Ethiopian demand, reducing port throughput and corridor activity, and worsening inflation in Ethiopia affecting imported food prices. Delayed energy reforms, and climate shocks could further curb investment and livelihoods.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	6.8	7.0	6.5	5.9	6.3	6.5
Private consumption	5.3	4.3	5.5	10.3	9.5	9.5
Government consumption	-14.2	3.8	-4.5	-2.8	-3.9	-3.9
Gross fixed capital investment	-8.3	0.5	12.9	-2.5	3.7	3.7
Exports, goods and services	2.1	-9.6	-1.5	2.1	2.1	2.1
Imports, goods and services	1.9	-5.5	-2.9	1.5	2.0	2.0
Real GDP growth, at constant factor prices	6.7	7.7	6.5	5.9	6.3	6.5
Agriculture	3.5	14.1	7.5	7.6	7.5	7.4
Industry	5.5	16.7	15.3	14.5	13.4	12.7
Services	7.1	5.9	4.6	3.8	4.5	4.8
Employment rate (% of working-age population, 15 years+)	23.7	23.8	23.8	23.8	23.8	23.8
Inflation (consumer price index)	1.4	2.2	0.0	2.0	2.0	2.0
Current account balance (% of GDP)	16.4	11.8	16.8	19.2	20.8	21.9
Fiscal balance (% of GDP)	-3.5	-2.7	0.9	-0.6	0.6	0.7
Revenues (% of GDP)	18.1	18.6	22.6	18.0	17.2	15.1
Debt (% of GDP)	72.9	68.4	63.7	59.6	55.6	53.7
Primary balance (% of GDP)	-3.3	-2.4	1.0	-0.7	0.4	0.4
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	20.9	20.0	19.4	18.5	17.2	16.5
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	37.1	35.4	33.8	32.0	30.7	29.4
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	75.3	73.5	71.4	70.2	68.4	66.7
GHG emissions growth (mtCO₂e)	2.6	1.4	1.7	2.4	2.7	3.0

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2017-EDAM. Actual data: 2017. Nowcast: 2018-2025. Forecasts are from 2026 to 2028.

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

ARAB REPUBLIC OF EGYPT

Growth is expected to soften to 4.3 percent in FY26 from 4.4 percent in FY25. Inflation remains in double digits, thus constraining household purchasing power. The conflict in the Middle East will weaken the external position and pose risks to the growth and poverty-reduction outlooks. Job-rich growth and improved socioeconomic outcomes require strengthening fiscal institutions and advancing the “business ready” agenda and human capital development.

Key conditions and challenges

Egypt began addressing key constraints to growth, through broader fiscal consolidation commitments, tax reforms, and more reliable infrastructure. Economic activity and labor force participation, including among women, were recovering prior to the escalation of the conflict in the Middle East.

Deeper reforms are needed to enable longer-term growth and job creation, by streamlining the state’s footprint, boosting revenue generation to allocate sufficient resources to human capital, and improving the business environment.

Immediate spillovers from the conflict in the Middle East stem from the surge in international oil and gas prices and capital flight, weighing on Egypt’s external and fiscal accounts and raising inflationary pressures. Prolonged conflict escalation may also lead to a slowdown in tourism activity, a decline in remittances, a reversal of the recent uptick in Suez Canal traffic, and challenges in securing sufficient affordable energy for power generation. Authorities

Population ¹ million	107.9	Poverty ² millions living on less than \$4.20/day	7.9
Life expectancy at birth ³ years	71.6	School enrollment ⁴ primary (% gross)	96.7
GDP ⁵ current US\$, billion	365.3	GDP per capita ⁶ current US\$	3386.1

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

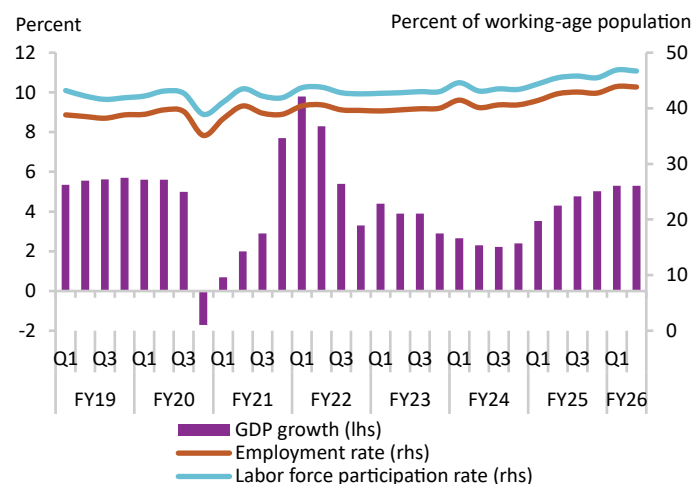
responded by maintaining exchange rate flexibility, tightening fiscal policy, expanding safety nets, moving to secure concessional financing, and increasing fuel and electricity prices to contain macro-economic impacts while providing some social mitigation

Socioeconomic scars from the 2023–2024 inflation spike persist. World Bank estimates indicate that the national poverty rate was 33.5 percent in 2021/22, and that poverty—measured using the lower-middle-income country (LMIC) international poverty line (US\$4.20/day in 2021 PPP terms)—increased by about five percentage points between 2022 and 2024.

Recent developments

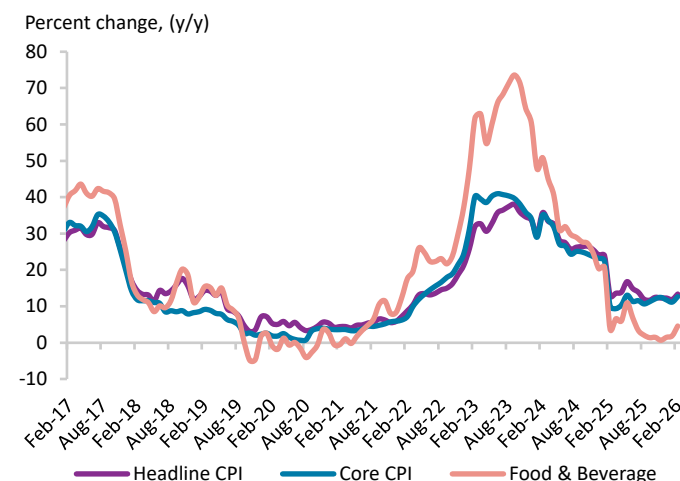
Real GDP growth reached 5.3 percent in H1 FY26 (July–December 2025), up from 3.9 percent in H1 FY25. This reflects base effects in non-oil manufacturing (due to better access to foreign exchange and imports), the Suez Canal’s gradual resumption of maritime traffic, and robust activity in tourism and communications. However, extractives continue to weigh negatively on growth due to

FIGURE 1 / Real GDP growth, employment and labor force participation rates



Sources: World Bank estimates based on Central Agency for Public Mobilization and Statistics (CAPMAS), and Ministry of Planning and Economic Development (MoPED).

FIGURE 2 / Annual inflation rates



Sources: CAPMAS and Central Bank of Egypt.

the sector's outstanding arrears. Labor market indicators—including for women—have improved. As of Q2 FY26, the employment rate was 43.8 percent and labor force participation 46.7 percent, both 1.2 percentage points (ppt) above their levels a year earlier, albeit remaining below potential and historical averages.

Inflation has declined from the peak of 38 percent in late-2023, but remains elevated—last reported at 13.4 percent in February 2026. The disinflation has enabled the Central Bank of Egypt to reduce policy rates by a cumulative 825 basis points between April 2025 and February 2026, bringing overnight deposit and lending rates to 19 percent and 20 percent, respectively. Credit to the private sector increased to 23.7 percent of GDP at end-FY25, yet remains below the LMIC average of 45 percent of GDP.

Official foreign reserves and other foreign currency assets reached US\$67.5 billion as of end-February 2026, up from US\$59.7 billion a year earlier. The current account deficit narrowed in Q1 FY26, supported by remittances, tourism revenues, and slight uptick in Suez Canal receipts. Meanwhile, the capital and financial account posted a temporary deficit driven by banking system foreign asset accumulation before reverting to a surplus sufficient to sustain the overall reserves build-up. Foreign currency resources are expected to have been affected since the conflict in the Middle East escalated, with portfolio outflows estimated at US\$6.1 billion during the first half of March 2026.

On the fiscal side, while the primary balance remains in surplus (3.5 percent of GDP in FY25), large interest payments (equivalent to 10.6 percent of GDP and 87.1 percent of tax revenues in FY25) crowd out priority spending. Fiscal data for July-January FY26 shows a continued uptick in the primary surplus, while the overall deficit widened driven mainly by rising interest payments.

Central government debt declined from 90.1 percent of GDP at end FY24 to 82.5 percent at end FY25, yet contingent liabilities—last reported at 27 percent of GDP—pose additional fiscal risks. Total external debt (public and private) stood at US\$163.7 billion at end-September 2025 (36.7 percent of projected FY26 GDP).

Outlook

Near-term prospects indicate challenges to the nascent recovery. Real GDP growth is projected at 4.3 percent in FY26 (from 4.4 percent in FY25 and 2.4 percent in FY24), supported by solid private consumption, and to a lesser extent private investment, during H1 FY26. Annual average inflation is expected to continue moderating, although the 2026 energy price adjustments and imported inflation will delay the disinflation path. The poverty rate (measured by the LMIC poverty line) is expected to remain stagnant in 2026. The government introduced a social mitigation package—estimated at 0.2 percent of GDP—in February 2026, including additional cash transfers to beneficiaries of existing social protection programs.

External debt repayments and interest commitments (amounting to US\$36.3 billion) are due in the first half of 2026, underscoring the importance of accelerated export and foreign direct investment-related reforms and multilateral support. On the fiscal side, revenue led measures should support the downward trajectory for government debt. However, debt service and contingent liabilities remain key priorities to address.

Risks to the outlook include spillovers from increasingly volatile regional geopolitics, uncertain global trade and investment flows, and slower implementation of structural reforms.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	3.8	2.4	4.4	4.3	4.0	4.6
Private consumption	3.6	8.0	9.2	8.0	5.3	6.6
Government consumption	-2.8	0.2	-2.0	3.0	4.0	2.0
Gross fixed capital investment	-16.6	-6.6	-5.5	5.4	0.0	11.0
Exports, goods and services	31.4	-10.6	23.7	-4.5	13.0	14.9
Imports, goods and services	1.1	4.7	29.2	10.0	12.0	19.0
Real GDP growth, at constant factor prices	3.6	2.3	4.4	4.3	4.0	4.6
Agriculture	4.1	3.8	2.8	1.7	2.0	3.5
Industry	-0.6	-1.9	4.6	3.8	2.8	4.1
Services	6.2	4.6	4.6	5.0	5.1	5.1
Employment rate (% of working-age population, 15 years+)	40.4	40.4	42.5	43.2	43.8	44.4
Inflation (consumer price index)	24.1	33.6	20.9	13.6	13.7	6.7
Current account balance (% of GDP)	-1.2	-5.3	-4.2	-4.2	-4.0	-2.6
Net foreign direct investment inflow (% of GDP)	2.5	11.7	3.2	2.6	2.3	2.2
Fiscal balance (% of GDP)	-6.0	-3.6	-7.1	-7.6	-6.9	-5.6
Revenues (% of GDP)	15.4	18.3	14.6	15.5	16.2	16.7
Debt (% of GDP)	95.2	90.1	82.5	82.9	79.2	78.0
External government debt (% of GDP)	25.1	27.3	21.5	21.2	19.9	18.3
Primary balance (% of GDP)¹	1.6	6.2	3.5	3.1	3.2	4.0
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{2,3}	10.2	12.6	12.5	12.5	12.4	..
GHG emissions growth (mtCO2e)	-0.7	-0.9	0.9	0.9	0.7	1.2

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise. All figures are reported on a fiscal year basis (July 1 - June 30).

1/ The primary balance excludes interest payments received.

2/ Calculations based on 2010-HIECS, 2015-HIECS, and 2021-HIECS. Actual data: 2021. Nowcast: 2022-2025. Forecasts are from 2026 to 2028.

3/ Projection using annualized elasticity (2010-2015) with pass-through = 0.01 based on GDP per capita in constant LCU. Poverty estimates for 2023, 2024, and 2026 are based on microsimulations of the impacts of high inflation and government mitigating measures.

IRAN, ISLAMIC REPUBLIC

Economic activity has been severely disrupted by conflict, economic sanctions, and social unrest. The rising cost of the conflict and potential disruption to oil exports could add severe fiscal pressures. Disruptions to imports of essential goods add inflationary pressures and raise food security risks. The outlook is subject to significant downside risks given the high uncertainty surrounding conflict scope and duration.

Key conditions and challenges

Economic activity was significantly disrupted in 2025, following the military escalation in June of that year, along with widespread protests and strikes, and a country-wide internet and telecommunications blackout. The disruption to economic activity jolted the stock market and led to a sharp currency depreciation. Industrial production and agriculture production have further been impacted by energy and water shortages. To ease fiscal and foreign exchange (FX) pressures and to address overconsumption of gasoline, in November 2025 the government reduced the monthly consumption quota of gasoline at existing subsidized prices and introduced a higher price tier for any additional demand. In December 2025, amid social grievances, the subsidized exchange rate allocated for the import of essential goods was significantly scaled back and resources were redirected to households as quasi-universal e-vouchers for purchase of essential goods.

The more recent conflict in the Middle East has created compounding and unprecedented challenges. In addition to the human toll,

Population ¹ million	86.6	Poverty ² millions living on less than \$8.30/day	32.7
Life expectancy at birth ³ years	77.7	School enrollment ⁴ primary (% gross)	104.7
GDP ⁵ current US\$, billion	375.2	GDP per capita ⁶ current US\$	4331.8

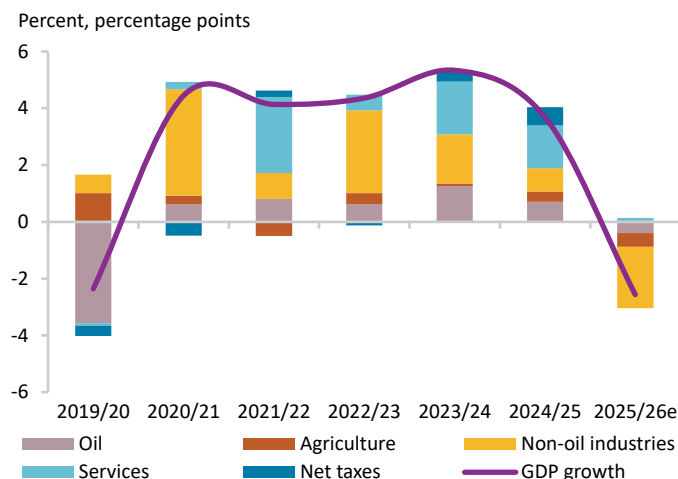
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2023 (2021 PPPs). 3/ 2023. 4/ 2020. 5/ 2025. 6/ 2025.

the closure of banks, bazaars, businesses, and airspace have brought economic activity to a halt. The previously resilient oil production and exports through the Persian Gulf have been impacted, significantly exacerbating fiscal pressures and straining limited accessible FX reserves. Disruption to trade routes, internet outages, and heightened economic uncertainty have significantly weakened non-oil sector activity. Dependence on imported foodstuffs has also raised food security risks due to shipping disruptions through the Strait of Hormuz and the depletion of strategic reserves.

Recent developments

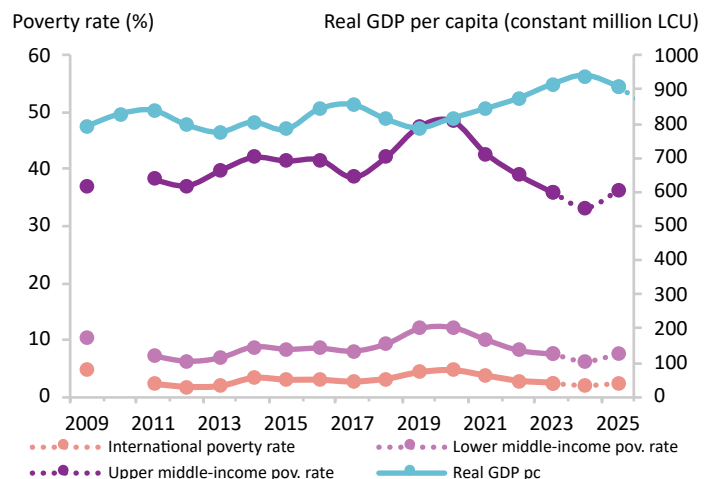
Even prior to the latest conflict, GDP in April–September 2025 (first half of the Iranian year) contracted by 0.7 percent year-on-year (y-o-y), despite oil GDP growing modestly by 1.1 percent y-o-y. The contraction coincided with the military escalation in June 2025, which led non-oil GDP to contract by 0.8 percent y-o-y. The slowdown was most pronounced in the agriculture sector (2.9 percent) as the country also faced severe water shortages. Non-oil industrial production was further weighed down by gas and

FIGURE 1 / Real GDP growth and supply-side contributions to real GDP growth



Sources: Central Bank of Iran and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

electricity outages. Overall, GDP is estimated to have contracted by 2.7 percent in 2025/26 (Iranian year ending March 20, 2026), also reflecting the additional impact of protests and intensified hostilities in the final quarter, as well as trade disruptions in March 2026 amid growing tensions in the Strait of Hormuz.

The contraction in exports and limited access to FX reserves, due to the intensification of sanctions and conflict, contributed to a 44 percent y-o-y currency depreciation in early March 2026. Inflationary expectations coupled with the pass-through from phasing out the subsidized exchange rate, pushed inflation to 62.2 percent y-o-y in February 2026, with food price inflation reaching a historical high of 99 percent y-o-y. In response, the government announced an electronic voucher program providing IRR10 million (US\$7) per person to 80 million citizens, for the purchase of selected food staples. These credits are expected to only partially offset the effect of price pressures on household welfare. According to the latest estimates from 2023/24, 36 percent of Iranians subsist on less than US\$8.30 a day (2021 PPP), which is the poverty line for upper-middle-income countries.

Outlook

The ongoing conflict in the Middle East has placed the Iranian economy on a pronounced downward trajectory, with exceptionally high uncertainty surrounding the outlook. Growth prospects depend critically on the duration and intensity of the conflict, the extent of infrastructure damage, and disruptions to oil exports and trade routes. Oil sector performance is expected to be constrained

by disruptions to shipping through the Strait of Hormuz, at least in the near term, while non-oil growth is projected to be limited by damaged infrastructure, persistent water and energy shortages, and weakened investment sentiment amid heightened uncertainty. High inflation and declining real incomes are projected to suppress domestic demand, while international trade is likely to remain constrained by financial sanctions and challenges in securing international transport and insurance services. Poverty is expected to increase, driven by high food inflation, import shortages and other conflict-related shocks.

Fiscal pressures are projected to remain elevated as lower oil revenues and a weaker tax base coincide with higher social spending. The deficit is expected to be financed through a combination of domestic bond issuance, withdrawals from the sovereign wealth fund, and monetary financing, contributing to continued inflationary pressures.

Risks to the outlook remain firmly tilted to the downside. More extensive damage to transport and logistics infrastructure could further curb oil exports to China and degrade industrial production. A permanent curtailment of trade relations with traditional partners such as the United Arab Emirates and Oman in the aftermath of the conflict could exacerbate shortage of essential consumer goods and inputs for industrial production. Further rounds of conflict and civil unrest could keep Iran in a protracted cycle of fragility and lead to mass emigration, as socio-economic conditions deteriorate. Conversely, a fast cessation of conflict and the re-establishment of economic ties could help moderate these shocks.

Recent history and projections

	2023/24	2024/25	2025/26e
Real GDP growth, at constant market prices	5.3	3.7	-2.7
Private consumption	1.6	3.5	0.9
Government consumption	-0.6	3.8	0.6
Gross fixed capital investment	6.3	3.8	-11.9
Exports, goods and services	13.2	6.0	-5.3
Imports, goods and services	1.5	2.7	-14.8
Real GDP growth, at constant factor prices	5.0	3.1	-2.7
Agriculture	0.8	3.6	-4.7
Industry	7.3	2.8	-5.4
Services	4.0	3.3	0.3
Employment rate (% of working-age population, 15 years+)	37.9	37.9	37.5
Inflation (consumer price index)	41.0	40.2	49.1
Current account balance (% of GDP)	1.9	2.8	0.2
Net foreign direct investment inflow (% of GDP)	0.0	0.0	0.2
Fiscal balance (% of GDP)	-2.7	-3.8	-4.4
Revenues (% of GDP)	9.6	9.4	9.3
Debt (% of GDP)	26.1	25.4	31.3
Primary balance (% of GDP)	-2.4	-3.3	-3.8
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	2.5	2.0	2.5
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	7.5	6.3	7.5
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	36.0	33.2	36.2
GHG emissions growth (mtCO2e)	1.2	2.6	-2.5

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2017-HEIS, 2019-HEIS, and 2023-HEIS. Actual data: 2023. Nowcast: 2024-2025.

2/ Projection using annualized elasticity (2017-2019) with pass-through = 1 based on GDP per capita in constant LCU.

IRAQ

The conflict in the Middle East has led to a significant disruption in economic activity and a sizable loss in oil revenues, adding to fiscal and external account strains and raising food security challenges. These challenges along with demographic pressures on the labor market could undermine poverty reduction. Economic prospects hinge on implementation of policy reforms and are subject to significant domestic and conflict risks.

Key conditions and challenges

Iraq's economy faces renewed pressures, reflecting its large dependence on oil and exposure to the conflict in the Middle East. In 2025, oil accounted for an estimated 53 percent of real GDP, 88 percent of government revenues, and 91 percent of merchandise exports. As a result of the conflict, the blockade of the Strait of Hormuz—through which most of Iraq's oil transits—has significantly reduced export capacity and slowed production.

Iraq faces a significant youth employment challenge. Youth, aged 15–29, account for nearly 29 percent of the total population. This large cohort is entering the labor market at a time when job creation is limited, amid preferences for public-sector employment and a private sector that remains limited in size and absorptive capacity. As a result, Iraq records higher unemployment (13.5 percent) and lower labor force participation rates (38 percent) than the regional average.

Advancing economic reforms and managing emerging risks will be critical in the medium term. Following the parliamentary elections in November 2025, government formation has faced delays,

Population ¹ million	Poverty ² millions living on less than \$8.30/day
47.0	12.6
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
72.3	104.6
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
259.8	5526.3

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2023 (2021 PPPs). 3/ 2023. 4/ 2007. 5/ 2025. 6/ 2025.

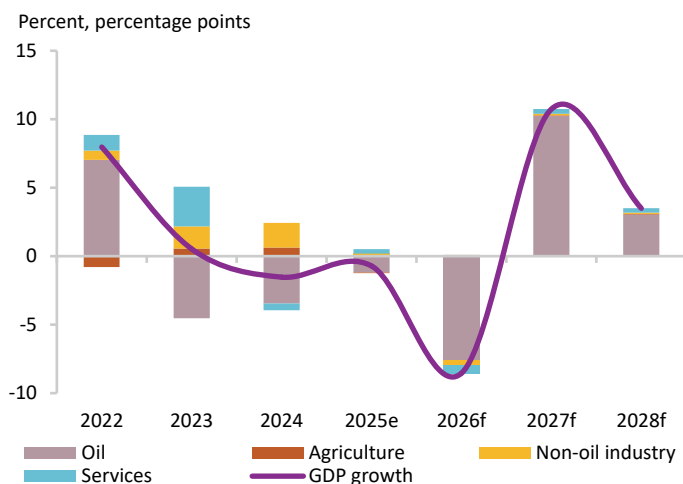
postponing the approval of a budget law that remains key to address pressing public financial pressures and support economic stability amid higher regional uncertainty.

Recent developments

GDP declined by 2.4 percent year-on-year (y/y) in the first nine months of 2025, driven by a 5.7 percent y/y contraction in oil GDP as oil production was constrained by the Organization of the Petroleum Exporting Countries and its partners (OPEC+) production limits. Non-oil GDP growth also slowed to 1.5 percent y/y due to water and electricity shortages and a liquidity crunch caused by falling oil revenues. Oil production grew steadily in the last quarter of 2025, with the unwinding of OPEC+ quotas and the resumption of oil exports from the Kurdistan Region of Iraq in September 2025.

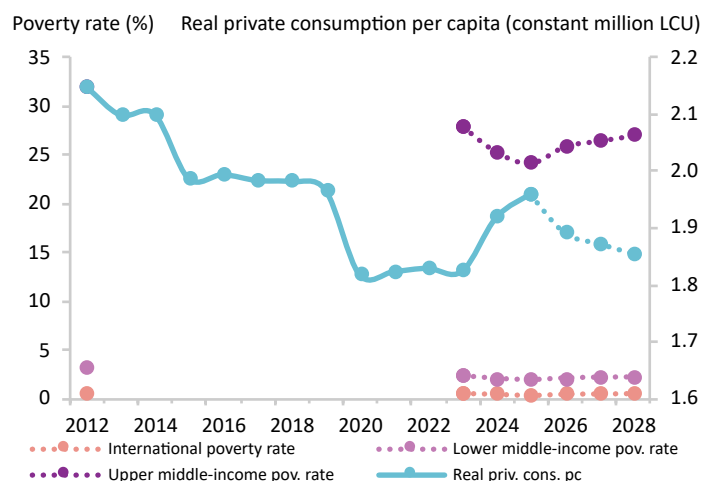
The overall fiscal deficit widened to 2.1 percent of GDP (on a cash basis) in 2025 as oil revenues fell by 11.8 percent y/y in total and despite a significant under execution of planned investments. These fiscal pressures led to delays in processing payments and the accumulation of arrears. On the external side, lower exports pushed the current account balance to a deficit of 0.9 percent

FIGURE 1 / Real GDP growth and supply-side contributions to real GDP growth



Sources: Ministry of Finance, Ministry of Oil, and World Bank.

FIGURE 2 / Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Notes: See footnotes in table on the next page.

of GDP in Jan–Sep 2025, bringing GDP growth to a contraction of 0.7 percent for the year.

The recent conflict in the Middle East severely impacted the economy, primarily through the oil channel. Oil production fell to less than a third (1.3 million barrels per day (mbpd)), resulting in foregone oil revenues of up to US\$7 billion in March 2026 and is expected to remain at this level if conditions do not improve. Airspace and border closures, heightened security risks and exacerbated electricity shortages, following the loss of gas imports, add headwinds to non-oil growth. High food import dependence has also raised food security risks amid trade disruptions that could create inflationary pressures. However, sizable Central Bank of Iraq international reserves of US\$98.7 billion (covering 11 months of imports) as of February 2026 mitigate short-term current account and foreign exchange pressure risks.

The national poverty rate declined to 17.5 percent in 2023/24 from 18.9 percent in 2012 while inequality remained stable with a Gini coefficient of 0.3.

Outlook

GDP is projected to grow in the medium term in tandem with oil sector developments. Assuming normalization of exports through the Strait of Hormuz by late-2026, oil GDP is expected to contract by 14.6 percent in 2026, recover in 2027, and expand by 2028

returning to the historical average growth of 0.22 mbpd per year. Non-oil activity is projected to weaken due to the impact of conflict and as fiscal stimulus wanes. Average annual GDP growth is forecast to reach 1.9 percent in 2026–2028.

Without deeper reforms to improve expenditure efficiency and mobilize domestic revenues, fiscal pressures are expected to persist in the medium term. Even if Iraq could benefit from the positive oil price shock through gradual recovery of export volumes in 2026 due to conflict and with significantly lower investment spending, large recurrent spending and lower oil revenues are projected to keep the fiscal account in deficit in the medium term, pushing the debt-to-GDP ratio above 68 percent by 2028.

The economic outlook is subject to significant downside risks, primarily stemming from a prolonged disruption of oil exports or potential damage to key infrastructure under a more protracted and intensive regional conflict. Spillover of conflict would also be significant for the non-oil sector, especially if mobility restrictions persist and religious tourism is impacted. Households' access to vital services, such as electricity, might be further constrained, while a longer conflict could increase displacement, exacerbating Iraq's humanitarian needs. Continued bottlenecks in food imports from the southern ports would heighten food security risks given Iraq's high import dependence. Domestically, further delays in government formation could postpone the passing of a budget law, thereby exacerbating liquidity shortages and undermining implementation of key policy reforms.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	1.7	-1.5	-0.7	-8.6	10.7	3.5
Private consumption	2.0	7.4	4.3	-1.5	1.0	1.0
Government consumption	3.5	4.2	-5.9	-1.4	-2.8	0.8
Gross fixed capital investment	-8.6	-0.5	-13.4	-10.7	-19.5	-2.0
Exports, goods and services	12.1	-0.1	1.1	-24.7	28.5	6.5
Imports, goods and services	0.5	10.0	2.0	-19.0	4.0	2.0
Real GDP growth, at constant factor prices	0.5	-1.5	-0.7	-8.6	10.7	3.5
Agriculture	19.5	18.5	-1.0	2.0	1.5	1.5
Industry	-4.5	-2.7	-1.7	-13.0	17.7	5.0
Services	9.2	-1.5	1.0	-1.9	0.9	0.9
Employment rate (% of working-age population, 15 years+)	35.9	35.8	36.1	35.5	35.6	35.9
Inflation (consumer price index)	4.4	2.6	0.3	3.0	2.5	2.5
Current account balance (% of GDP)¹	9.7	0.1	-1.3	-2.1	-3.8	-2.4
Net foreign direct investment inflow (% of GDP)¹	2.1	2.9	2.9	-2.4	-2.6	-2.5
Fiscal balance (% of GDP)¹	0.9	-0.1	-2.1	-2.6	-6.1	-4.9
Revenues (% of GDP)	38.4	38.7	36.8	34.9	32.9	33.6
Debt (% of GDP)¹	42.4	46.3	53.6	57.8	66.2	68.2
Primary balance (% of GDP)¹	1.6	0.5	-1.6	-1.2	-4.6	-3.3
International poverty rate (\$3.00 in 2021 PPP)^{2,3}	0.5	0.5	0.4	0.5	0.5	0.5
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{2,3}	2.4	2.0	1.9	2.1	2.2	2.2
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{2,3}	28.0	25.4	24.2	25.9	26.5	27.0
GHG emissions growth (mtCO2e)	-7.2	-1.2	0.9	-4.8	6.1	3.3

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Share of factor cost GDP. Primary balance excludes interest received.

2/ Calculations based on 2023-IHSES. Actual data: 2023. Nowcast: 2024-2025. Forecasts are from 2026 to 2028.

3/ Projection using neutral distribution (2023) with pass-through = 0.7 (Low (0.7)) based on private consumption per capita in constant LCU.

JORDAN

Jordan's economy continued to expand in 2025, supported by stable macroeconomic conditions and reforms. Inflation declined, while external balances improved. Fiscal consolidation continued, although public debt remains high. The outlook is subject to heightened uncertainty amid the ongoing conflict in the Middle East. Growth is projected to gradually strengthen to around 3 percent over the medium term, supported by reforms and stronger private-sector dynamism.

Key conditions and challenges

Jordan's growth performance reflects its economic size, high degree of openness, and location in a volatile regional environment. This openness allows Jordan to benefit from favorable regional and global conditions, while also increasing its exposure to external shocks.

Within this context, macroeconomic stability has remained a central policy anchor. Elevated public debt has required sustained fiscal consolidation, necessitating prioritization of public spending. At the same time, the peg of the Jordanian dinar to the U.S. dollar continues to support price stability. The key policy challenge ahead is to translate this stability into stronger, private sector-led growth and job creation, to absorb a growing labor force, raise per capita incomes, and place public debt on a firmer downward trajectory.

Climate-related pressures add to these structural constraints. Water scarcity, rising temperatures, and more frequent extreme weather events, including flash floods, pose risks to infrastructure, agricultural output, and energy demand. Episodes of severe weather in early 2026 caused localized flooding while higher summer

Population ¹ million	Poverty
11.7	..
Life expectancy at birth ² years	School enrollment ³ primary (% gross)
77.8	98.6
GDP ⁴ current US\$, billion	GDP per capita ⁵ current US\$
61.4	5260.8

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2023. 3/ 2024. 4/ 2025. 5/ 2025.

temperatures continue to increase electricity demand and strain system capacity.

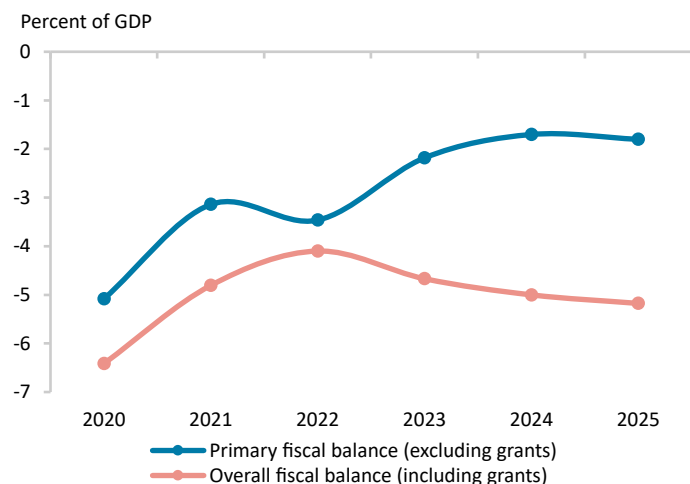
Recent developments

Jordan's economy expanded by 2.8 percent in the third quarter of 2025, with full-year growth estimated at 2.8 percent, up from 2.6 percent in 2024. Growth in 2025 was supported by agriculture, manufacturing, and services. In late 2025, the Department of Statistics updated its national accounts methodology, expanding sector coverage from 14 to 20 to improve the granularity of economic measurement.

Labor market challenges persist. The unemployment rate stood at 21.4 percent in the third quarter of 2025, slightly lower than a year earlier. Male unemployment declined to 18 percent, while female unemployment rose to 33.9 percent. Female labor force participation also edged down to 14.4 percent.

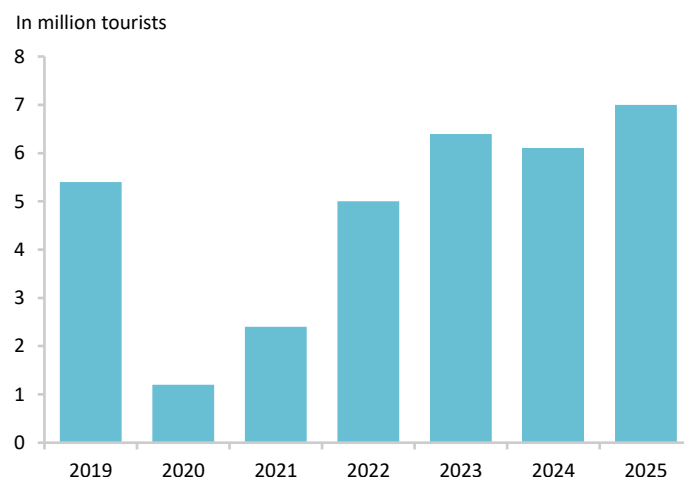
As of February 2026, nearly 184,000 refugees registered with the United Nations High Commissioner for Refugees have returned from Jordan to Syria since December 2024, while about 410,000 registered Syrian refugees remain in the country. At the peak of the

FIGURE 1 / Central government fiscal balance narrowed



Sources: Ministry of Finance and World Bank.

FIGURE 2 / Tourist arrivals increased despite regional instability



Sources: Ministry of Tourism and Antiquities, and World Bank.

influx in 2015, approximately 1.3 million Syrians were living in Jordan, according to the latest census.

Inflation remained contained, reaching 1.1 percent in January 2026, while average inflation in 2025 was 1.8 percent. The Central Bank of Jordan reduced policy rates by 75 basis points in 2025 to 5.75 percent, maintaining alignment with the U.S. Federal Reserve due to the exchange rate peg. The overnight deposit window rate stood at 5.5 percent in December 2025. Lower domestic inflation relative to trading partners, together with the global depreciation of the U.S. dollar, supported external competitiveness. Stronger exports and resilient tourism are estimated to have contributed to a narrowing current account deficit, which continues to be financed through external inflows.

The central government's overall deficit, including grants, narrowed to an estimated 5.2 percent of GDP in 2025. Domestic revenue increased by 6.0 percent, driven mainly by higher collections from taxes on goods and services and other revenue. Total expenditure rose by 6.2 percent, with capital spending increasing faster than current spending. Public debt increased and remained above pre-pandemic level. Debt vulnerabilities are partly mitigated by continued market access and historically low sovereign bond spreads.

The national poverty rate was 15.7 percent based on the 2017–18 Household Income and Expenditure Survey. Results from the 2021–22 Household Income and Expenditure Survey have yet to be released.

Outlook

Economic growth is expected to gradually accelerate over the medium term. However, the ongoing conflict in the Middle East has

heightened uncertainty and tilted risks to the downside. The magnitude of the impact will depend on the duration and intensity of the conflict. Potential transmission channels include disruptions to trade and tourism, higher energy and commodity prices, weaker remittance inflows, and increased risk premia.

The authorities have announced that strategic reserves of fuel, food and essential commodities remain sufficient. Together with measures to ease supply constraints—including temporary exemptions from customs duties and taxes to contain freight costs—these buffers could help limit inflationary pressures. Tourism could weaken if regional tensions persist, although peak arrival periods typically occur later in the year. Higher global commodity prices would increase import costs but could support export revenues, particularly for phosphate and fertilizer.

Jordan has historically demonstrated resilience to global shocks. Nonetheless, the current environment adds to the challenges of sustaining reforms. These shocks highlight the importance of accelerating reforms under the Economic Modernization Vision to strengthen growth and resilience. Given limited fiscal space, improving the efficiency and impact of public spending—including support to vulnerable households—will remain critical. In the utilities sector, measures to improve operational efficiency, strengthen financing strategies, and enhance risk management could help reduce fiscal risks and support debt sustainability.

Over the medium term, reducing poverty and promoting shared prosperity will require stronger private-sector-led growth, particularly in export-oriented and higher-productivity industries. Stronger growth would also support revenue mobilization and help advance fiscal consolidation.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	3.1	2.6	2.8	2.7	2.9	3.0
Real GDP growth, at constant factor prices	3.6	2.5	3.1	2.8	3.1	3.2
Agriculture	6.7	6.7	7.9	4.5	4.0	4.0
Industry	4.9	3.1	3.8	3.0	3.0	3.0
Services	2.8	1.9	2.3	2.6	3.1	3.3
Inflation (consumer price index)	2.1	1.6	1.8	2.9	2.4	2.4
Current account balance (% of GDP)	-3.3	-5.8	-5.2	-6.0	-5.6	-5.2
Net foreign direct investment inflow (% of GDP)	3.3	2.7	3.0	3.0	3.0	3.0
Fiscal balance (% of GDP)¹	-4.7	-5.9	-5.2	-5.3	-4.8	-4.5
Revenues (% of GDP)	22.9	22.7	23.0	23.6	23.4	23.5
Expenditures (% of GDP)¹	27.6	28.5	28.2	28.9	28.2	27.9
Consolidated debt (% of GDP)²	81.0	82.1	83.3	83.4	82.3	81.1
Unconsolidated debt (% of GDP)²	103.3	106.1	108.8	109.8	109.3	108.3
Primary balance (% of GDP)¹	-0.4	-0.9	-0.2	-0.4	0.2	0.6
GHG emissions growth (mtCO2e)	0.8	0.4	0.2	-0.5	0.2	0.6

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Including the Adjustment on receivables and payables (use of cash) as per IMF Country Report No. 23/49.

2/ Consolidated debt coverage refers to debt excl. the holdings of the Social Security Corporation (SSC) investment arm.

KUWAIT

The conflict in the Middle East is affecting Kuwait's economy through multiple channels. Disruptions to shipping in the Strait of Hormuz have completely halted oil exports and inflated import costs. Infrastructure damage, emergency military spending, and weaker investor sentiment are straining a public spending model that has long relied on hydrocarbon windfalls. Further prolongation or escalation of the conflict could exacerbate existing fiscal pressures.

Key conditions and challenges

In the near term, the conflict is likely to squeeze oil revenues through production disruptions and shipping constraints in the Strait of Hormuz, Kuwait's main export route. Rising shipping and insurance costs will inflate the cost of imported food and construction materials. Beyond the immediate crisis, Kuwait's main challenges remain transitioning to a growth model with a stronger private-sector role, to modernize the economy and absorb new labor market entrants. Fiscal reforms will be needed to ease pressures on the state budget, including containing the public-sector wage bill, rationalizing untargeted subsidies, and mobilizing non-oil revenues. Accelerating structural reforms to attract investment remains a priority.

Several reforms were introduced in 2025, including the Domestic Minimum Top-up Tax law for Multinationals Enterprises, and the adoption of a new public debt law, which is expected to reduce reliance on the General Reserve Fund, typically used to finance the budget deficit. In November 2025, S&P Global Ratings raised Kuwait's sovereign credit ratings from

Population ¹ million	Poverty
5.0	..
Life expectancy at birth ² years	School enrollment ³ primary (% gross)
83.2	82.4
GDP ⁴ current US\$, billion	GDP per capita ⁵ current US\$
154.5	31026.7

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2023. 3/ 2021. 4/ 2025. 5/ 2025.

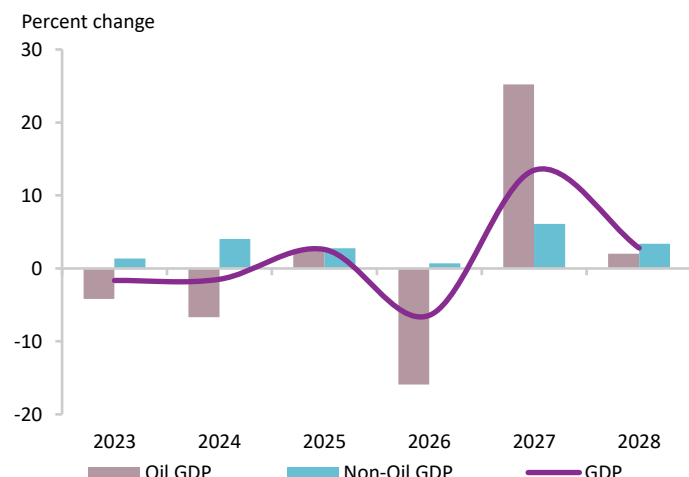
'A+/A-1' to 'AA-/A-1+' with a stable outlook, citing strong fiscal and external balance sheets.

From a structural standpoint, sustaining higher and more inclusive growth will depend on advancing reforms to improve the business climate, build confidence in the country's macro stability, and diversify away from hydrocarbons. Prolonged regional tensions could intensify fiscal trade-offs, including between drawing on sovereign wealth reserves, moderating social spending, and accelerating structural reforms.

Recent developments

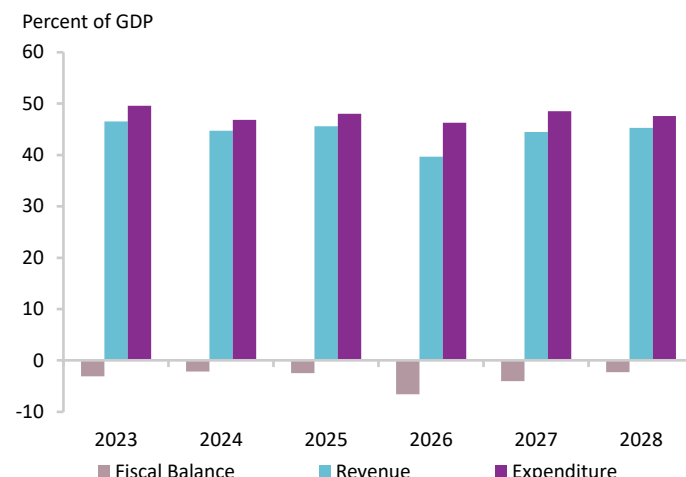
Kuwait's economy improved in 2025 after two turbulent years, as real GDP growth is estimated to have reached 2.6 percent compared to an average of -1.5 percent in the previous two years. The oil sector grew by 2.4 percent thanks to the unwinding of the Organization of the Petroleum Exporting Countries and its partners production cuts, while non-oil growth continues its solid performance at 2.8 percent in the same period. Private sector credit increased 4.7 percent in 2025, up from 3.9 percent in 2024,

FIGURE 1 / Annual real GDP growth



Sources: Central Statistical Bureau of Kuwait and World Bank.

FIGURE 2 / Fiscal balance



Sources: Kuwait Ministry of Finance and World Bank.
Note: Exclude investment income and FGF transfers.

driven by credit to manufacturing, construction, real estate, telecommunications, health and social work sectors, and by large infrastructure projects. Inflation moderated to 2.4 percent in 2025, from 3 percent in 2024, driven by lower rates in furnishing equipment and household maintenance and clothing and footwear, as demand pressures eased.

The fiscal deficit is estimated to have reached 2.5 percent of GDP in 2025, up from 2.1 percent in 2024, due to higher spending on capital expenditure and goods and services. The current account surplus is estimated at 26.8 percent of GDP in 2025, down from 28.9 percent in 2024, mainly due to the decline in oil prices, increase in imports and increase in remittances outflows by 20.4 percent during 9M-2025 compared to the same period in 2024. Net foreign direct investment decreased by 10.4 percent during 9M-2025 (4.7 percent of GDP).

The number of workers increased by 3.1 percent annually in September 2025, showing mixed trends among Kuwaiti and non-Kuwaiti workers. While non-Kuwaiti employment rose by 3.9 percent, Kuwaiti workers declined by 1.3 percent across sectors, including the government sector, which employs more than 80 percent of citizens. Employment declined by 3 percent among women but increased by 1 percent among men. The International Labour Organization estimated youth unemployment in 2025 at 15.1 percent, nearly seven times the overall unemployment rate of 2.2 percent, with unemployment among young women reaching nearly 30 percent. The recent regional conflict could further weigh on private-sector economic activity, where most non-Kuwaiti workers are employed.

Outlook

The escalation of the conflict is weighing on the near-term growth outlook, through its impact on oil revenues and investment sentiment. Consequently, real GDP growth is expected to contract, by 6.4 percent in 2026, driven by oil sector disruptions (assuming 3 months shipping constraints in the Strait of Hormuz), before recovering, with a 13.5 percent growth rate in 2027, and normalizing to 2.8 percent in 2028. Constraints on oil exports are predicted to reduce government revenues in the near term. As storage capacity expected to fill within weeks from the closure of the Strait, oil production risks delays or curtailments, thus affecting production. Higher shipping and insurance costs are expected to increase import prices notably food, as fertilizers prices go up with disruptions in liquefied natural gas trade. Inflation is expected to accelerate to 4 percent in 2026, disproportionately affecting low-income households and migrant workers.

Kuwait's budget was already under pressure before the conflict; however, infrastructure damage, weakening investor confidence, and emergency military spending are expected to widen fiscal imbalances. The fiscal deficit is estimated to reach 6.6 percent of GDP in 2026 driven by lower oil receipts, before stabilizing around 3.2 percent in the medium term, underscoring the need for comprehensive reforms. The current account surplus is expected to drop to 22.4 percent in 2026, before recovering over the medium term alongside improvements on the oil trade balance. Downside risks remained linked to a prolonged escalation of geopolitical tensions and associated disruptions to oil markets.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	-1.6	-1.5	2.6	-6.4	13.5	2.8
Private consumption	2.5	2.6	3.5	2.3	5.8	2.5
Government consumption	4.2	2.3	2.9	0.3	4.5	4.3
Gross fixed capital investment	-2.6	-18.3	2.3	1.4	3.1	4.7
Exports, goods and services	2.4	-3.2	2.4	-14.5	21.2	2.1
Imports, goods and services	13.4	-7.1	3.2	-4.0	6.2	3.0
Real GDP growth, at constant factor prices	-1.3	-0.9	2.6	-6.4	13.5	2.8
Agriculture	0.1	0.3	0.7	-4.1	5.2	0.9
Industry	0.1	-2.1	2.8	-12.2	21.7	2.4
Services	-3.0	0.8	2.4	0.9	4.5	3.4
Employment rate (% of working-age population, 15 years+)	72.5	72.2	71.4	72.1	72.9	73.4
Inflation (consumer price index)	3.6	3.0	2.4	4.0	2.4	2.1
Current account balance (% of GDP)	30.6	28.9	26.8	22.4	28.2	28.1
Net foreign direct investment inflow (% of GDP)	-5.4	-6.0	-3.7	-1.8	-3.4	-4.7
Fiscal balance (% of GDP)¹	-3.1	-2.1	-2.5	-6.6	-4.0	-2.3
Revenues (% of GDP)	46.5	44.7	45.6	39.7	44.5	45.3
Debt (% of GDP)¹	3.1	2.9	7.4	14.5	18.1	18.6
Primary balance (% of GDP)¹	-3.0	-1.8	-2.5	-6.6	-3.5	-1.5
GHG emissions growth (mtCO2e)	1.8	1.6	4.4	-3.2	8.0	6.9

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Based on fiscal year cycle (April to March 31). Fiscal balances exclude investment income and FGF transfers.

LEBANON

Economic activity accelerated and reforms advanced in the second half of 2025. However, Lebanon has been significantly affected by the escalation of the conflict in the Middle East since February 2026, which is expected to weigh heavily on economic activity. Risks are tilted sharply to the downside, and the 2026 outlook remains highly uncertain, contingent on the scale, intensity, and duration of the conflict.

Key conditions and challenges

The recent escalation of the conflict in the Middle East is expected to stall reform momentum and heavily weigh on economic growth. Military operations in Lebanon commenced on March 2, two days after the escalation of the regional conflict. Prior to the conflict, the authorities had been pursuing critical reforms although progress on restoring debt sustainability and establishing a fiscal anchor through a medium-term fiscal framework had been slow. Large-scale internal displacement—with more than 800,000 persons displaced—combined with the adverse impact of the conflict on tourism and higher oil prices will weigh significantly on economic activity and stoke inflationary pressures.

On December 26, 2025, the Cabinet approved and submitted to Parliament the Financial Stabilization and Depositor Recovery Law (FSDR, so-called “financial gap law”) —a notable step in the reform agenda. Previous drafts did not advance to the legislative stage. While revisions to the draft are required to strengthen alignment with international best practices, the draft law significantly advances the regulatory framework for bank restructuring by introducing (i) face value repayments for eligible USD deposits over a

Population ¹ million	Poverty
5.8	..
Life expectancy at birth ² years	School enrollment ³ primary (% gross)
77.8	81.8
GDP ⁴ current US\$, billion	GDP per capita ⁵ current US\$
30.6	5229.4

Sources: WDI, MFMMod, and official data. 1/ 2025. 2/ 2023. 3/ 2024. 4/ 2025. 5/ 2025.

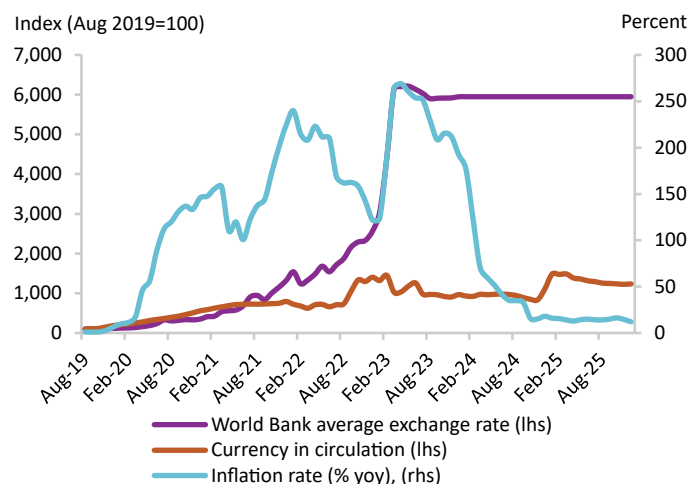
period of 4 to 20 years tiered by deposit size and with longer maturities for larger balances, and (ii) mandating an Asset Quality Review for commercial banks and Banque du Liban, the central bank.

Recent developments

Economic activity accelerated in the second half of 2025. High-frequency indicators through December 2025 point to stronger momentum in H2-2025. Cleared checks in Lebanese pounds and USD rose by approximately 49.5 percent and 29 percent relative to H1-2025. Construction activity also picked up, with construction permits and cement deliveries increasing by 12.8 percent and 14 percent relative to H1-2025. Passenger arrivals, an indicator of tourism activity, rose by 24.5 percent. Relative to 2024, cement deliveries and construction permits increased by 36 percent (yoy) and 29.3 percent (yoy), and night-time lights, an alternative proxy for economic activity, rose by 30 percent (yoy).

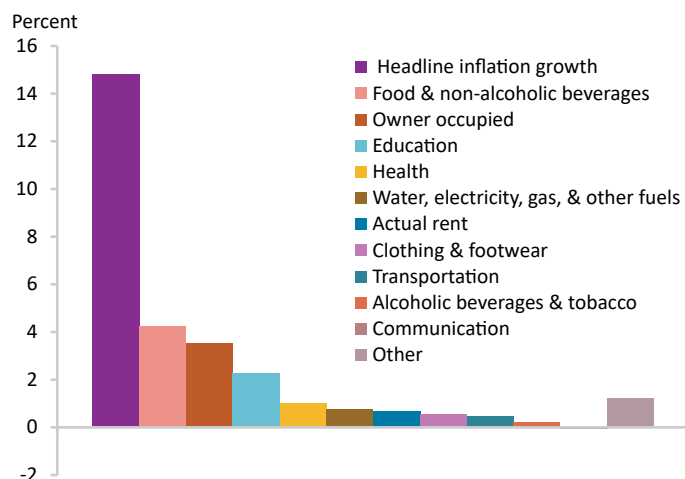
Fiscal outturns for 2025 indicate primary and overall surpluses of US\$ 1.87 and US\$ 1.55 billion, on a cash basis. Official data show revenues rising by 49 percent, outpacing a 27 percent increase in expenditure. Indirect taxes—value-added tax

FIGURE 1 / Conflict could stoke inflationary pressure in 2026



Sources: Lebanese authorities and World Bank.

FIGURE 2 / Contributions to overall inflation in 2025



Source: Lebanese authorities and World Bank.

and customs receipts—accounted for the bulk of revenues, at 32.3 percent and 7.1 percent. The surpluses reflect improved tax compliance, fiscal restraint, and lower interest expenses as Lebanon stopped servicing most of its debt since the March 2020 sovereign default. Official figures exclude spending financed by external loans. Public debt remains unsustainable at 155.2 percent of GDP in 2025, and Lebanon has been shut out of international capital markets since the default. The debt-to-GDP ratio has decreased due to higher nominal GDP.

Despite a modest pickup in consumer prices in H2 2025, headline inflation fell to 14.6 percent for the year. Within the consumer price index basket, education and rent posted the largest increases—38.8 and 27.0 percent (yoy), respectively—while food and non-alcoholic beverages rose by 20.4 percent (yoy). Domestic inflation remains well above global inflation even as the exchange rate has been stable since August 2023.

In 2025, poverty among Lebanese nationals remained high but showed stabilization after peaking in 2024 due to conflict related disruptions and economic contraction. Microsimulations suggest headcount poverty eased slightly in five governorates, from about 37 percent in 2024 to 36 percent in 2025. Food insecurity also declined from a peak of 24 percent in late 2024 to about 13 percent in early 2026, just before the onset of the conflict; food insecurity nevertheless remains high by historical standards.

The trade-in-goods deficit widened to US\$ 17.4 billion in 2025 (56.8 percent of GDP). Imports rose by 24.7 percent (yoy), outweighing a

34.4 percent increase in exports. A large trade-in-goods imbalance is partially offset by remittances, which are underestimated as informal channels are not captured, and tourism receipts. Foreign direct investment grew by 7.3 percent (yoy) over 9M-2025, reaching approximately US\$ 1.5 billion, but continues to fall short of covering the gross external financing needs. Weaknesses in balance of payments statistics distort official estimates of the current account deficit and help explain a reserve accumulation of US\$ 1.7 billion despite a large current account deficit.

Outlook

The fragile rebound in economic activity is expected to come under severe stress, with risks tilted sharply to the downside. The conflict and ensuing flight disruptions across the region, are expected to halt tourism—a key engine of growth. Large-scale internal displacement and heightened uncertainty are also projected to weigh on consumption and investment, while the conflict's toll on Lebanon's human and physical capital is likely to be significant. Energy imports accounted for approximately 29 percent of the total import bill in 2025. With continued dependence on oil for electricity generation and transportation, the rise in oil prices is expected to weigh on both the current account deficit and external financing needs. Higher freight rates and oil prices will stoke inflationary pressures, while increased demand for emergency and reconstruction spending will likely put the approved budget for 2026, which targets a balanced budget, under pressure.

Recent history and projections

	2023	2024	2025e
Real GDP growth, at constant market prices	-0.8	-7.1	3.5
Private consumption	0.2	-4.6	1.5
Government consumption	-18.4	16.6	18.4
Gross fixed capital investment	4.5	-31.6	54.7
Exports, goods and services	-1.1	-9.7	1.9
Imports, goods and services	-0.3	-0.1	-0.3
Real GDP growth, at constant factor prices	-0.8	-7.1	3.4
Agriculture	-0.2	-8.7	2.1
Industry	0.1	-5.8	2.3
Services	-1.0	-7.1	3.7
Employment rate (% of working-age population, 15 years+)¹	36.3	36.5	36.5
Inflation (consumer price index)	221.3	45.2	14.6
Current account balance (% of GDP)	-28.1	-22.2	-15.8
Net foreign direct investment inflow (% of GDP)	2.9	1.1	1.9
Fiscal balance (% of GDP)	0.5	0.5	0.0
Revenues (% of GDP)	13.7	15.3	16.3
Debt (% of GDP)	179.7	176.5	155.2
Primary balance (% of GDP)	1.4	0.9	0.1
GHG emissions growth (mtCO2e)	2.7	-9.0	2.0

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ ILO data is through 2023, with 2024-2025 projections imputed using the World Bank model. These projections are highly uncertain due to the 2023-24 conflict's impact, causing a steep contraction in 2024 and a potential rebound in 2025, with the overall employment effect unclear.

LIBYA

Libya faces persistent political fragmentation and weak fiscal discipline, with the lack of a unified budget undermining stability and depleting reserves. Nevertheless, economic performance in 2025 was strong, underpinned by higher oil production, buoyant consumption, and a balanced fiscal position aided by exchange rate devaluation. The outlook hinges on political stability and oil performance, with moderate growth, and improving fiscal and external balances.

Key conditions and challenges

Ongoing rivalry among political actors continues to impede governance, fiscal coordination, and the unification of state institutions. The United Nations Support Mission in Libya-led Structured Dialogue, launched in Dec 2025, provides an inclusive platform to establish a sound and viable electoral framework and unify Libya's fragmented institutions. Political division continues preventing the adoption of a unified budget despite modest institutional progress on fiscal coordination.

Weak fiscal discipline has worsened macroeconomic instability. Increasing public spending depleted foreign reserves by US\$8 billion annually during 2023–2025. As a result, the Central Bank of Libya (CBL) tightened access to foreign exchange and devalued the Libyan Dinar (LYD) twice in less than a year (April 2025 and January 2026) to control the widening gap between official and parallel market exchange rates.

Libya's welfare situation is weaker than its oil-wealth status warrants and marked by inequalities. Findings from the recent

Population ¹ million	Poverty
7.5	..
Life expectancy at birth ² years	School enrollment ³ primary (% gross)
69.3	107.0
GDP ⁴ current US\$, billion	GDP per capita ⁵ current US\$
48.1	6455.0

Sources: WDI, MFMMod, and official data. 1/ 2025. 2/ 2023. 3/ 2006. 4/ 2025. 5/ 2025.

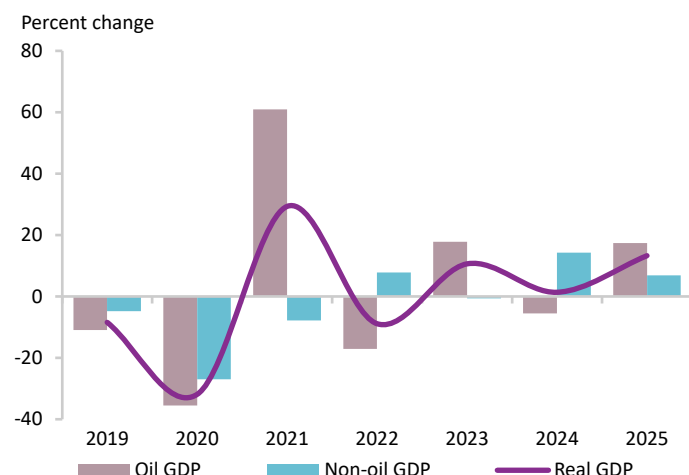
Multiple Indicators Cluster Survey (MICS 2024–25) indicate high levels of access to services such as electricity, water, health, and education. However, gaps remain: only 38 percent of households have access to safely managed drinking water. About 12 percent of children under five are stunted, with significant regional variation. School attendance rates are high at the primary and secondary levels. However, these gains do not translate into labor market outcomes and private-sector jobs.

Recent developments

In 2025, the Libyan economy achieved a robust growth rate of 13.4 percent, supported by the strong performance of the oil and non-oil sectors. Oil GDP expanded by 17.4 percent, while non-oil sectors expanded by 6.9 percent, mainly due to a surge in private consumption supported by a 4 percent wage growth.

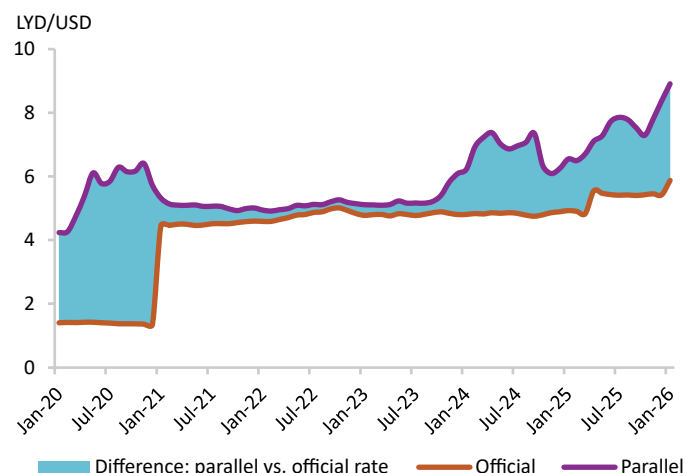
Despite robust domestic demand, inflation remained subdued at 2.1 percent in 2025, as generous subsidies continue to shield consumers from inflationary pressures.

FIGURE 1 / Annual real GDP growth



Sources: Libyan authorities and World Bank.

FIGURE 2 / LYD/USD exchange rate in the official and parallel markets



Source: Central Bank of Libya.

The Government of National Unity posted a balanced budget in 2025, which helped place the debt-to-GDP ratio on a downward trajectory (from 115 to 102 percent of GDP). Total revenues reached 53.6 percent of GDP with oil revenues increasing by 30 percent despite softening oil prices. Higher oil production levels and the devaluation of LYD in April 2025, by 13.3 percent, more than compensated for falling prices. Meanwhile, the sharp 26 percent decrease in capital expenditure did not offset the significant 21 percent expansion in current spending, resulting in total spending increasing by 11.2 percent. The inflated current spending reflects a higher wage bill and the reintroduction of fuel subsidies into the budget following the abolishment of oil-for-fuel swap in May 2025.

The agreement between the two legislative chambers—House of Representatives in the East and the High Council of State in the West—to establish a unified channel for development spending between the competing governments is a promising first step towards financial stability through unifying the national budget and institutions.

During 2025, the merchandise trade balance surplus narrowed by 15 percent (reaching 21 percent of GDP) to reflect higher imports and lower oil receipts. Despite tighter access to foreign exchange and trade financing implemented by the CBL, imports grew by 3 percent fueled by public and private consumption. Meanwhile, merchandise exports fell by 4 percent with softening oil prices. As a result, the gap between official and parallel markets' exchange rates widened from 31 percent in Apr 2025 to 51 percent in January 2026, forcing the CBL to further devalue the LYD by 14.7 percent.

Outlook

Libya's economic prospects over the medium term are shaped primarily by developments in the oil sector, which has been attracting investments to expand production capacity to 2 million barrels per day (mbpd) by 2030. Assuming the national security and political environment remains overall stable, oil production is projected to average 1.35 mbpd in 2026, which translates into a 4.7 percent growth in the oil sector and a 4.5 percent growth in the overall economy. The non-oil sector is expected to grow by 4.2 percent supported by consumption and a recovery in investments and exports. With the anticipation of continued recovery of oil output in the medium term, the Libyan economy is expected to expand by 5 percent on average during 2027–2028.

Inflation is likely to rise to 3.2 percent in 2026 reflecting the devaluation of the LYD. Higher anticipated oil prices, due to the conflict in the Middle East, supported by an increase in output will improve both fiscal and external positions in 2026. The fiscal balance is expected to register a surplus of 5.3 percent of GDP, while the current account surplus widens to 23.6 percent of GDP. The twin surpluses are expected to narrow in the medium term, driven by lower energy prices.

The overarching risk remains the political and security environment. A timely and effective resolution of the political crisis is critical for Libya's economic recovery and the welfare of its citizens. On the other hand, the escalation or prolongation of the conflict in the Middle East may lead to even higher oil prices and receipts, however, this may stall execution of reforms.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	10.2	1.9	13.4	4.5	4.0	6.0
Private consumption	5.3	2.3	5.0	6.2	6.0	6.0
Government consumption	5.5	5.5	18.0	1.2	2.9	3.0
Gross fixed capital investment	-10.7	-8.4	8.6	6.2	1.9	27.9
Exports, goods and services	7.1	-6.9	19.1	5.2	3.9	7.5
Imports, goods and services	-16.5	-3.0	8.2	4.6	3.8	16.0
Real GDP growth, at constant factor prices	10.7	1.4	13.3	4.5	4.0	6.0
Agriculture	6.8	-0.9	2.0	2.3	2.2	2.2
Industry	17.8	-5.5	17.4	4.7	3.7	7.1
Services	-1.0	15.2	7.2	4.3	4.6	4.2
Inflation (consumer price index)	2.4	2.1	2.1	3.2	3.0	2.5
Current account balance (% of GDP)	4.2	0.4	0.2	23.6	11.7	9.0
Fiscal balance (% of GDP)	-0.1	0.1	0.0	5.3	1.8	2.5
Revenues (% of GDP)	59.3	52.7	53.6	44.5	48.6	47.4
Debt (% of GDP)	100.0	115.6	102.5	82.4	82.0	80.0
Primary balance (% of GDP)	-0.1	0.1	0.0	5.3	1.8	2.5
GHG emissions growth (mtCO2e)	4.8	-0.2	10.0	3.3	4.0	5.3

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

MOROCCO

Growth momentum is robust, driven by infrastructure investment and agricultural recovery. Labor markets remain weak, with high inactivity and unemployment. Fiscal consolidation progresses but spending pressures could strain public finances. The current account deficit is widening but contained, supported by tourism and FDI. Near-term prospects are favorable, with growth projected at 4.2 percent in 2026, though downside risks remain, including Middle East conflict.

Key conditions and challenges

Morocco's economy has entered a phase of renewed momentum, supported by both traditional and emerging growth drivers. A public investment push in construction and infrastructure is supporting aggregate demand, while post-pandemic structural reforms are beginning to yield discernible effects.

However, stronger growth has had limited impact on the labor market, which continues to face major challenges: climate shocks have displaced agricultural workers who struggle to find jobs in other sectors; female labor force participation is among the lowest globally; unemployment has not yet returned to pre-pandemic levels; and many young Moroccans are unable to find jobs matching their rising educational attainment. To address these challenges, the government has adopted a jobs roadmap that bolsters active labor market policies, supports small and medium enterprises (SMEs) and agriculture, and realigns technical and vocational education and training with private-sector needs. Additional efforts may be needed to foster private-sector-led growth by deepening competition, enabling SMEs to scale, and accelerating firm-level productivity.

Population ¹ million	Poverty ² millions living on less than \$4.20/day
38.4	3.9
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
75.3	116.6
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
179.2	4663.1

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2013 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

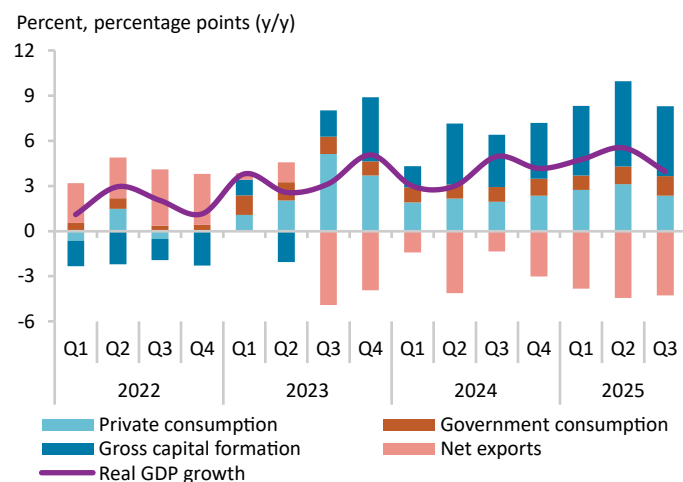
Ongoing investments and reforms could strain public finances, and Morocco is yet to rebuild fiscal buffers. This entails improving expenditure efficiency and strengthening revenue mobilization. However, increasing investments through public-private partnerships and state-owned enterprises (SOEs) present significant contingent liability risks requiring robust frameworks for assessing, disclosing, and provisioning, alongside continuing to strengthen SOE governance.

Recent developments

Based on High Planning Commission (HCP)'s preliminary data, growth accelerated to 4.7 percent in 2025, driven by a sustained expansion in gross fixed capital formation of 16.8 percent. Agricultural output recovered owing to favorable precipitation, growing 3.7 percent, while non-agricultural sectors expanded by 4.8 percent, with strong contributions from tourism, mining, and construction. Headline and core inflation both moderated to 0.8 percent, leading Bank Al-Maghrib to leave interest rates unchanged at 2.25 percent. The real exchange rate remained broadly stable.

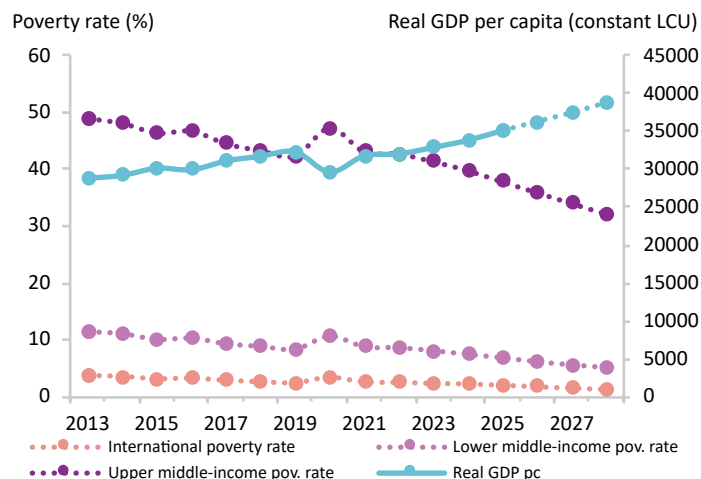
The trade deficit widened by 15.8 percent in 2025, driven by 8 percent import growth in capital goods and intermediate inputs.

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Sources: HCP and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

Export growth remained modest at 2.8 percent. Tourism revenues and remittances partially cushioned the deterioration, keeping the current account deficit at 2.1 percent of GDP. Foreign direct investment rebounded by 26 percent, and international reserves maintained comfortable coverage at close to five months of imports.

The fiscal position registered a modest improvement. Tax collections rose 14.1 percent in 2025, driven by corporate income tax and value-added tax, while non-tax revenues increased on the back of SOE transfers and sale-and-leaseback operations. These efforts narrowed the budget deficit from 3.9 percent of GDP in 2024 to 3.6 percent in 2025.

Labor market trends remain uneven: the economy gained 203,000 urban jobs between 2024 and 2025, while rural areas lost 10,000. Unemployment declined marginally from 13.3 to 13 percent, and labor force participation stagnated at 43.5 percent, reflecting persistently weak female participation at 19 percent. Despite this, poverty at the US\$3.00 line declined to 2.1 percent in 2025, from 2.3 percent in 2024.

Outlook

Growth is projected to slow down to 4.2 percent in 2026, reflecting agricultural recovery of nearly 10 percent and non-agricultural deceleration to 3.6 percent, on the back of the Middle East conflict. Over the medium term, growth is expected to reach 4.3 by 2028, with demand side drivers rebalancing toward private consumption, underpinned by a declining inflation despite the expected uptick to 2.4 percent in 2026 due to commodity prices shocks.

The current account deficit is projected to reach 3.3 percent of GDP in 2026. While higher international fertilizer prices may support export revenues, higher input costs and capacity limits are likely to moderate the overall impact. In addition, higher public investment and oil imports would weigh on the trade balance.

The budget deficit is expected to see an uptick to 3.8 percent of GDP in 2026 due to the fallout from the Middle East conflict, before declining to 3.4 percent by 2028, while the primary deficit stabilizes around 1.1 percent of GDP. Total revenues are projected to rise from 30 percent of GDP in 2025 to around 31 percent over the medium term, supported by tax policy reforms and improved administration. Total expenditure will stabilize around 34.5 percent of GDP over 2027–28, despite pressures from higher civil servant salaries, infrastructure investments, and social protection reforms.

The balance of risks is tilted to the downside. Climate conditions threaten agricultural recovery, fiscal consolidation faces challenges from spending pressures, higher-for-longer oil prices, and reliance on non-recurring revenues, and trade tensions, the Middle East conflict, and slower European growth could widen the current account deficit. These risks could be partially offset by robust non-agricultural activity, structural reforms, and strong trade ties.

Growth is expected to drive a 22.2 percent decline in poverty by 2028, bringing it to 1.4 percent at the international poverty line and to 5.1 percent at the lower-middle-income threshold. To sustain improvements in living standards, reforms should focus on promoting job creation through a more dynamic private sector, entrenching social protection systems, and reducing territorial disparities.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	3.7	3.8	4.7	4.2	4.0	4.3
Private consumption	4.8	3.4	4.4	4.2	4.3	4.8
Government consumption	6.1	5.6	6.1	6.0	5.7	5.5
Gross fixed capital investment	2.3	12.8	16.8	11.2	9.7	6.9
Exports, goods and services	7.9	8.0	7.6	7.6	7.9	8.4
Imports, goods and services	9.5	11.6	13.2	10.9	10.5	9.3
Real GDP growth, at constant factor prices	3.4	3.4	4.7	4.1	4.0	4.2
Agriculture	1.8	-4.5	3.7	9.9	3.1	2.3
Industry	0.8	4.2	4.8	3.8	4.0	4.2
Services	5.0	4.6	4.5	3.6	3.7	4.1
Employment rate (% of working-age population, 15 years+)	39.7	39.7	39.9	40.0	40.1	40.1
Inflation (consumer price index)	6.1	0.9	0.8	2.4	1.9	1.7
Current account balance (% of GDP)	-1.0	-1.2	-2.1	-3.3	-2.3	-1.9
Net foreign direct investment inflow (% of GDP)	-0.1	0.6	1.3	1.4	1.5	1.5
Fiscal balance (% of GDP)	-4.4	-3.9	-3.6	-3.8	-3.5	-3.4
Revenues (% of GDP)	27.6	29.1	30.0	30.6	30.9	31.1
Debt (% of GDP)	68.7	68.0	67.2	67.8	67.4	67.2
Primary balance (% of GDP)	-2.3	-1.8	-1.1	-1.4	-1.2	-1.2
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	2.4	2.3	2.1	1.8	1.6	1.4
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	8.1	7.5	6.8	6.1	5.6	5.1
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	41.4	39.9	37.9	36.0	34.1	32.3
GHG emissions growth (mtCO2e)	0.0	2.0	2.8	2.8	2.6	2.8

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2013-ENCDM. Actual data: 2013. Nowcast: 2014-2025. Forecasts are from 2026 to 2028.

2/ Projection using neutral distribution (2013) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

OMAN

The conflict in the Middle East presents a mixed outlook for Oman's growth. Higher oil prices and improved fertilizer export revenues could support fiscal and external balances, at least in the short term, although logistical frictions and elevated regional uncertainty may negatively affect tourism sector and the broader economic sentiment.

Population ¹ million	Poverty
5.5	..
Life expectancy at birth ² years	School enrollment ³ primary (% gross)
80.0	89.2
GDP ⁴ current US\$, billion	GDP per capita ⁵ current US\$
108.1	19672.0

Sources: WDI, MFMOD, and official data. 1/ 2025. 2/ 2023. 3/ 2022. 4/ 2025. 5/ 2025.

Key conditions and challenges

The conflict in the Middle East introduces both upside and downside risks for Oman. While Oman's energy exports are relatively resilient given its access to ports outside the Strait of Hormuz, maritime trade frictions could still complicate the road towards Oman's Vision 2040, contingent on the duration and intensity of the conflict. Oman's neutral foreign policy and fiscal buffers help cushion near-term shocks, but a protracted conflict would likely strain reform momentum and private sector sentiment.

Higher global prices of oil and fertilizers, together with Oman's position as a net exporter of both, are likely to support export revenues and provide a temporary fiscal cushion, which could lend support to overall GDP relative to pre-conflict expectations. At the same time, heightened risks of geoeconomic fragmentation and supply chain disruptions at the regional level could lead to a more volatile environment that may weigh on growth and foreign investment flows. Oman's Vision 2040 prioritizes economic diversification and investment in non-hydrocarbon sectors. In late 2025, the government reported that 74 percent of Vision performance indicators were showing measurable progress.

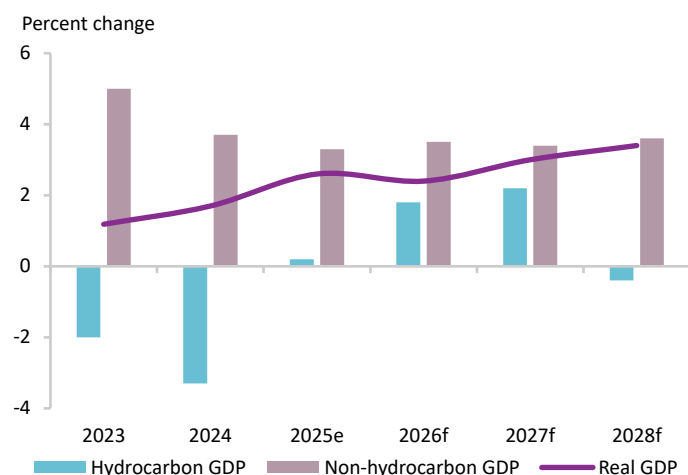
Recent developments

In 2025, real GDP growth is estimated at 2.6 percent, driven by the non-oil sector. Inflation remained well-contained, with the annual average rate remaining stable at 0.9 percent. In December 2025, Fitch Ratings had upgraded Oman to BBB—with a stable outlook, following a similar move by S&P Global.

The fiscal position also improved, thanks to reforms aimed at diversifying revenue, improving spending efficiency, and managing oil windfalls. The overall fiscal surplus, estimated at 0.7 percent of GDP in 2025, represents an improvement compared to a 1.2 percent of GDP deficit during the first half of the year. Government debt is estimated at 38.5 percent of GDP in 2025, down from 68.8 percent of GDP in 2020, supported by expenditure rationalization and state-owned enterprise debt reduction.

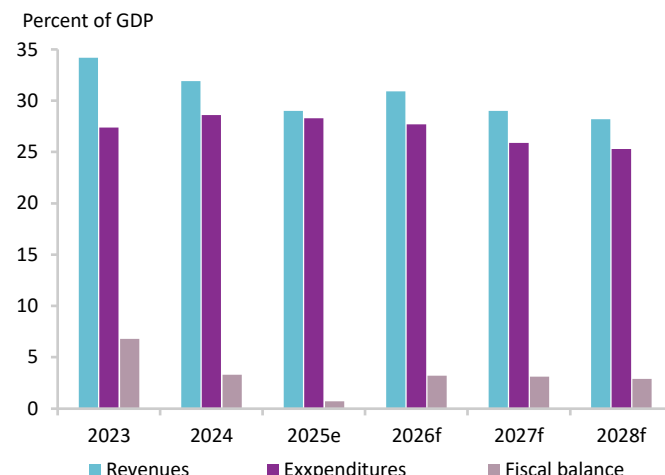
The current account balance is estimated to have turned into a deficit of 1 percent of GDP in 2025 as a result of lower oil prices. Oman's oil exports receipts decreased to 29.1 percent of GDP in 2025 from 35.4 percent of GDP in 2024. On the other hand, higher volumes of non-hydrocarbon exports (minerals, plastic and rubber

FIGURE 1 / Real annual GDP growth



Sources: Oman authorities, World Bank, and IMF.

FIGURE 2 / General government operations



Sources: Oman authorities and World Bank.

products) partially offset the impact of lower oil export revenues. Central Bank reserves reached US\$19.3 billion in end-2025, up from US\$18.4 billion in 2024, covering about 4 months of imports.

The latest data indicate a modest 1.5 percent increase in total employment in Oman between 2024 and 2025. Employment gains were driven primarily by Omani nationals, whose employment rose by around 3.8 percent overall, including a 7.3 percent increase in the private sector. However, International Labour Organization modelled estimates show that youth aged 15–24 and young women in particular remain the most vulnerable groups in the labor market, with unemployment rates of 13.9 and 29 percent in 2025, respectively.

Outlook

While Oman's coastal waters are generally less exposed than those of regional peers that rely directly on transit through the Strait of Hormuz, a prolongation of maritime tensions could still create indirect pressures on Oman, through higher shipping costs and longer transit times. Ports like Duqm, Salalah, and Sohar—key components of Oman's strategy to develop regional transit hubs—may face increased operational uncertainties, although their location outside Hormuz provides a degree of resilience.

Against this background, and weighing both supportive and adverse factors, Oman is projected to grow by 2.4 percent in 2026. The country's domestic gas sector is structurally resilient, with production and transmission largely onshore and independent of

shipping routes through the Hormuz Strait. Nevertheless, rising gas and fertilizer prices are expected to exert upward pressure on inflation, particularly through imported food inflation. Oman's reliance on imports of key food commodities, like grains, oilseeds and vegetable oils, increases the country's exposure to international price volatility in the event of a prolonged crisis.

Oman's 2026 budget, anchored in the Eleventh Five-Year Development Plan and Vision 2040, sets a prudent course for growth focusing on non-oil sector expansion and fiscal sustainability. In the medium term, the fiscal balance is expected to remain in surplus, reflecting controlled spending and improved tax collection. The implementation of personal income taxation, the first among Gulf countries and effective from January 2028, is a key milestone in the country's tax reforms.

The current account balance is projected to achieve a modest surplus in 2026, supported by higher oil prices and sustained non-oil exports. Foreign direct investment inflows may moderate in the very near term as investors reassess risks associated with the evolving regional conflict.

Key downside risks to the outlook include a further escalation or prolongation of the conflict in the Middle East. Heightened geopolitical frictions and regional security risks could affect supply chains and trade flows, as well as weigh on the attractiveness of Oman as a tourism and investment destination. On the upside, continued implementation of the 11th Five-Year Development Plan can help sustain market confidence and support economic diversification, strengthening economic resilience over the medium term.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	1.2	1.7	2.6	2.4	3.0	3.4
Private consumption	5.4	3.3	2.8	1.9	2.7	3.1
Government consumption	4.0	2.0	2.6	1.4	1.6	1.8
Gross fixed capital investment	2.2	2.6	3.0	2.4	3.6	4.0
Exports, goods and services	1.9	1.5	3.2	2.6	3.5	4.3
Imports, goods and services	1.6	1.8	3.6	1.5	3.0	3.7
Real GDP growth, at constant factor prices	1.4	1.7	2.6	2.4	3.0	3.4
Agriculture	5.9	2.8	3.1	2.9	3.4	3.8
Industry	-0.2	2.6	1.6	2.4	2.6	3.2
Services	3.0	0.6	3.9	2.4	3.4	3.6
Employment rate (% of working-age population, 15 years+)	65.7	65.6	65.6	65.6	65.6	65.6
Inflation (consumer price index)	1.0	0.6	0.9	4.1	3.3	3.4
Current account balance (% of GDP)	2.5	2.2	-1.0	3.4	3.1	3.3
Net foreign direct investment inflow (% of GDP)	2.2	4.6	4.8	5.0	5.1	4.8
Fiscal balance (% of GDP)	6.9	3.3	0.7	3.1	3.0	2.9
Revenues (% of GDP)	34.3	31.9	29.0	30.9	29.0	28.2
Debt (% of GDP)	37.5	38.5	38.4	36.2	34.8	31.6
Primary balance (% of GDP)	9.4	5.5	3.1	5.3	5.2	4.8
GHG emissions growth (mtCO2e)	2.0	2.5	3.1	3.2	4.9	5.0

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

PAKISTAN

Economic activity in Pakistan gained momentum in FY26 as domestic demand strengthened. However, the conflict in the Middle East will significantly affect the growth outlook as disruptions to energy markets, and trade routes raise Pakistan's import bill, weigh on exports and remittances, and dampen domestic activity. Fiscal discipline, oil price pass-through, exchange rate flexibility, and structural reforms are critical to managing risks and sustaining growth.

Key conditions and challenges

Pakistan's economy stabilized in FY25 supported by fiscal discipline, and prudent monetary policy. Stabilization dividends began to materialize in H1 FY26, as economic activity accelerated supported by an industrial rebound and stronger confidence. However, the conflict in the Middle East will significantly impact Pakistan's economic activity through end-2026, by widening the current account deficit, disrupting access to energy, and pressuring limited fiscal and external buffers. A protracted conflict would amplify these shocks further. Maintaining fiscal discipline, exchange rate flexibility, and sustained oil price pass-through—alongside support to vulnerable households—will be critical to contain the impact of the conflict. Structural reforms—including trade liberalization, a new National Finance Commission award, power sector restructuring, private participation in state-owned enterprises, and strengthened social service delivery—remain essential to support higher sustained growth, job creation, and poverty reduction.

Population ¹ million	255.2	Poverty ² millions living on less than \$4.20/day	114.9
Life expectancy at birth ³ years	67.6	School enrollment ⁴ primary (% gross)	83.7
GDP ⁵ current US\$, billion	407.9	GDP per capita ⁶ current US\$	1598.1

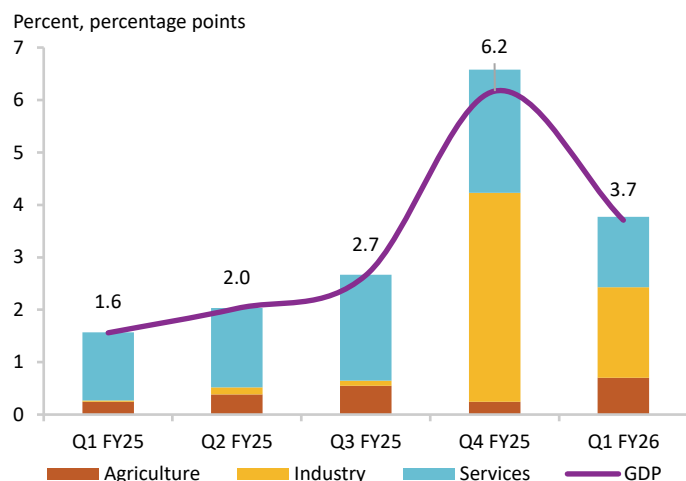
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

Recent developments

Economic activity gained momentum in Q1 FY26, with real GDP expanding by 3.7 percent y-o-y, compared to 1.6 percent in FY25. Agriculture, employing 33 percent of the labor force, grew by 2.9 percent, as strong livestock performance offset flood-related damage to crop production. Industry, employing 26 percent of the workforce, grew by 9.4 percent, driven by a rebound in large-scale manufacturing. Services, employing 41 percent of the workforce, expanded by 2.4 percent, reflecting positive spillovers from commodity-producing sectors.

The current account registered a US\$1.2 billion deficit in H1FY26, from a surplus of US\$1.0 billion in H1FY25. This reflected a decline in food exports (-35.5 percent y-o-y), following India's resumption of rice exports and Pakistan's sugar export ban. Eased import controls and stronger domestic demand raised goods imports by 12 percent y-o-y. Services exports sustained double-digit growth (16.5 percent y-o-y), driven by the Information and Communication Technologies (ICT) sector. Nevertheless, a 15.8 percent increase in services imports from a higher base more than offset these gains.

FIGURE 1 / Real GDP growth and sectoral contributions to real GDP growth



Sources: Pakistan Bureau of Statistics and World Bank.

FIGURE 2 / Poverty headcount rate at lower middle-income poverty line (US\$4.20/day)



Source: World Bank.

Strong remittance and external financing inflows kept the balance of payments in surplus, raising reserves to US\$17.4 billion.

Headline inflation declined to 5.2 percent y-o-y in H1FY26 from 7.2 percent in H1FY25, reflecting easing supply side pressures and improved macroeconomic conditions. Food inflation moderated after a flood-related uptick, while exchange rate stability helped contain imported inflation. Core inflation eased but remained in high single digits, signaling persistent underlying pressures. With headline inflation declining, the policy rate was reduced from 11 to 10.5 percent in December 2025.

Fiscal adjustment remained on track, with the primary surplus widening from PKR 3.6 trillion to PKR 4.1 trillion (an 8 percent real increase y-o-y). Total revenues grew by 4 percent in real terms, but remained below target, reflecting subdued direct tax performance, with gains driven by indirect taxes, notably the petroleum levy. Total expenditure declined by 15 percent in real terms, as lower interest payments more than offset higher primary spending. Consequently, the consolidated fiscal account recorded a surplus of PKR 542 billion, compared to a PKR 1.5 trillion deficit in H1FY25.

New official estimates indicate poverty rose from 44.7 to 47.9 percent at the lower-middle-income poverty line over FY19–25. Despite higher nominal consumption, overlapping shocks—persistently high inflation, macroeconomic instability, and devastating floods—eroded purchasing power for 70 percent of the population, pushing inequality to a twenty-year peak.

Outlook

Real GDP growth at factor cost is projected to decline from 3.1 percent in FY25 to 3.0 percent in FY26 and remain subdued at 3.2 percent in FY27, as disruptions to energy markets and trade routes significantly constrain the pace of economic recovery. These disruptions should nonetheless remain manageable, provided the conflict de-escalates by end-2026 and exchange rate flexibility and market-based fuel pricing are sustained. Headline inflation is projected to average 7.4 percent y-o-y in FY26 and 8.2 percent in FY27, reflecting pass-through from higher commodity prices. By FY28, as the global shock subsides and demand strengthens, growth is projected to reach 3.7 percent, while headline inflation returns to around 7 percent.

The current account deficit is projected to reach 1.2 percent of GDP in FY26 and 1.1 percent in FY27, as elevated oil prices and softer remittance inflows from Gulf states add to pre-existing pressures from subdued goods exports. Over the medium term, the current account deficit is expected to remain close to 1 percent of GDP amid steady demand. The fiscal deficit is projected to narrow to 4.3 percent of GDP in FY26, contingent on sustained fiscal consolidation amid subdued revenue performance, increasing yields and spending pressures from the commodity shock. During FY27–28, the fiscal balance is projected to remain around 4.4 percent, supported by modest revenue growth, and restrained primary spending.

Poverty is expected to decline only gradually, as limited progress in human capital investments constrains the transmission of growth into poverty reduction. The commodity shock will slow poverty reduction further, as elevated prices erode poor households' real incomes, increasing vulnerability.

Recent history and projections

	2022/23	2023/24	2024/25e	2025/26f	2026/27f	2027/28f
Real GDP growth, at constant market prices	-0.4	3.1	3.7	3.0	3.2	3.7
Private consumption	2.0	6.1	2.2	4.7	3.4	3.0
Government consumption	-3.9	-8.7	10.1	2.3	1.3	2.4
Gross fixed capital investment	-16.1	-1.3	13.5	1.5	2.5	5.3
Exports, goods and services	2.9	-1.3	0.6	-8.7	3.1	4.3
Imports, goods and services	0.6	5.8	2.5	4.0	2.5	1.3
Real GDP growth, at constant factor prices	-0.2	2.6	3.1	3.0	3.2	3.7
Agriculture	2.2	6.4	1.5	2.5	2.9	3.2
Industry	-3.9	-0.9	5.3	4.0	4.1	4.7
Services	0.0	2.3	3.1	3.0	3.1	3.7
Employment rate (% of working-age population, 15 years+)	49.7	49.7	49.7	49.7	49.7	48.6
Inflation (consumer price index)	29.2	23.4	4.5	7.4	8.2	7.0
Current account balance (% of GDP)	-1.0	-0.6	0.5	-1.2	-1.1	-0.7
Net foreign direct investment inflow (% of GDP)	0.2	0.6	0.6	0.3	0.6	0.6
Fiscal balance, including grants (% of GDP)	-7.8	-6.8	-5.4	-4.3	-4.4	-4.4
Revenues (% of GDP)	11.6	12.6	15.8	15.8	15.2	15.0
Debt (% of GDP)	81.8	72.9	76.1	73.2	70.9	69.3
Primary balance, including grants (% of GDP)	-0.9	0.9	2.4	2.1	1.6	0.9
GHG emissions growth (mtCO2e)	0.5	3.4	4.8	3.6	3.8	1.8

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

PALESTINIAN TERRITORIES

The Palestinian economy experienced an unprecedented contraction after the 2023–25 Gaza conflict. Despite the ceasefire, Gaza still suffers from catastrophic infrastructure destruction, access restrictions, and loss of life. Spillover effects in the West Bank included job losses, service disruptions, and an intensified fiscal crisis. The outlook depends on security stability—locally and regionally—Gaza’s reconstruction, and how Israeli restrictions in the West Bank evolve.

Key conditions and challenges

Even before the 2023–25 conflict, the Palestinian economy was stifled by prolonged occupation, movement restrictions (the Government of Israel states that these measures exist to safeguard its security and that of its citizens), and territorial fragmentation. These constraints were compounded by governance deficits and inconsistent policy reform by the Palestinian Authority (PA). Over two decades, the economy faced deindustrialization and aid-dependency, lacking growth drivers beyond transient consumption rebounds. Driven by rapid demographic growth, the labor market couldn’t absorb enough new entrants, leaving it reliant on employment opportunities in the Israeli labor market.

The Gaza conflict worsened structural fragilities. Gaza’s physical damage, estimated at over US\$35 billion, and identified reconstruction needs at over US\$70 billion, exceed previous conflicts and reversed decades of development, inducing near-universal poverty. In the West Bank, Israeli measures to limit labor access and increase deductions from clearance revenues (tax revenues payable

Population ¹ million	Poverty ² millions living on less than \$8.30/day
5.4	1.5
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
65.2	91.4
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
16.9	3115.0

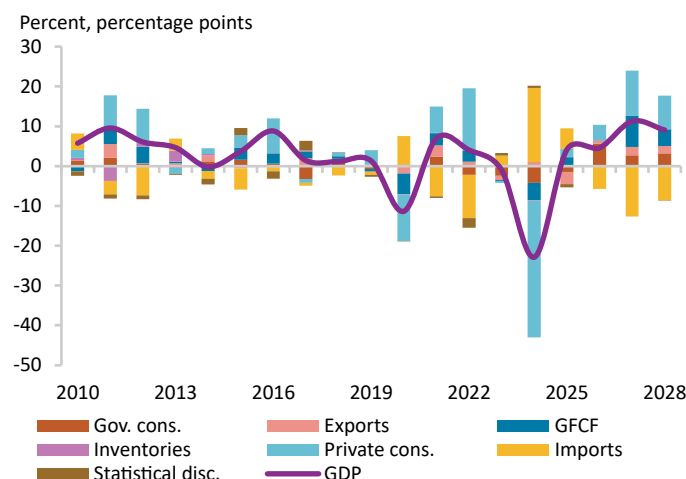
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2023 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

to the PA that are collected by Israel)—progressing to a complete suspension of transfers altogether—have severely curtailed primary income streams. This has constrained private sector liquidity and intensified disparities in living standards. The Palestinian territories have regressed to lower-middle-income status, with Gaza’s real per capita income dropping to US\$200 by late 2025, a level associated with the poorest low-income countries, and a full 95 percent below the West Bank’s. Additional shocks from the new conflict in the Middle East will add headwinds to an already severely constrained economy.

Recent developments

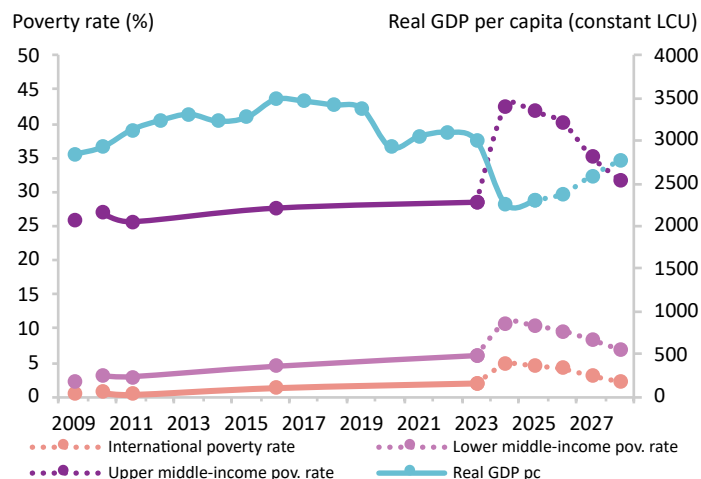
Following a sharp decline in 2024, the West Bank economy grew by 3.2 percent in 2025, driven by marginal recovery in private consumption as Palestinian workers’ access to the Israeli labor market was restored to a modest degree. In Gaza, real GDP rose by an estimated 30 percent in 2025. This reflects a statistical ‘low base effect’ following the historic 83 percent contraction in 2024, rather than a meaningful recovery. While embryonic normalization is developing under the

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Sources: Palestinian Central Bureau of Statistics and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

ceasefire, persistent kinetic activity, volatility and destruction have left most productive sectors largely paralyzed, with only minimal activity observed in trade and a narrow set of public services.

Gaza's consumer price index briefly dropped in early 2025 as aid supplies increased during the first truce, only to spike when fighting resumed. Despite a new decline after the October 2025 ceasefire, overall prices increased by 22 percent for the year. Conversely, inflation in the West Bank remained flat, edging down by 0.1 percent in 2025 reflecting subdued aggregate demand.

The PA faced one of its most dire fiscal crises in 2025, after Israel completely suspended clearance revenue transfers in May. With declining domestic revenues and insufficient external aid, the PA further cut public salary payments to 50–60 percent in late 2025. To manage the deficit, the PA expanded domestic bank borrowing beyond prudential limits and continued accumulating arrears to public employees, the private sector, and the pension fund—further straining the domestic financial system.

In Gaza, unemployment reached an unprecedented rate of 78 percent in 2025, a nearly fourfold increase from already significant pre-conflict levels. In the West Bank, unemployment moderated to 28 percent in 2025 from its 35 percent peak at the conflict's onset, supported by incremental labor access of Palestinians to Israel and marginal ensuing gains in consumer spending power.

Proportionally, poverty surged to 41.8 percent in 2025 (at the international poverty line of US\$8.30/day, PPP). While slightly improved from 2024, this represents a sustained poverty plateau far above the 2023 levels of 28.6 percent. Since 2024, poverty in Gaza has become pervasive, affecting nearly the entire population as a direct consequence of the conflict.

Outlook

The Palestinian economy is projected to grow by 4.5 percent in 2026, contingent on continued ceasefire in Gaza and stability in the West Bank. Fixed asset losses will restrict activity in Gaza, while recovery in the West Bank will depend on labor mobility within the territories and access to the Israeli labor market. Poverty should remain high, above 40 percent through 2026. Assuming that Gaza's reconstruction starts in 2027 and Israeli-dependent fiscal measures in the West Bank are reversed, recovery could accelerate and poverty gradually decrease to 31.8 percent by 2028. However, a return of GDP to pre-conflict levels remains a long-term challenge, especially given Gaza's extremely large recovery needs.

On the fiscal front, despite uncertainty, the baseline assumes the normalization of clearance revenue transfers by 2027, alongside a gradual uptick in domestic tax collection given fiscal consolidation efforts by the PA. These factors should slightly improve the deficit trajectory over the medium term, though risks remain clearly weighted to the downside, including higher fiscal costs related to the conflict in the Middle East.

The medium-term outlook remains contingent on the sustainability of the ceasefire, large-scale aid flows to Gaza, a cohesive post-conflict governance framework, and the resumption of regular clearance revenue transfers. The outlook is clouded by significant headwinds, amid shifting regional and global geopolitical dynamics. The conflict in the Middle East poses risks including increased energy prices and uncertainty in financial markets; however, the more consequential impact for the Palestinian economy may stem from disruptions to foreign assistance flows and reconstruction planning, as regional and international priorities may shift.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	-1.0	-22.9	4.1	4.5	11.3	9.1
Private consumption	-0.5	-34.4	2.3	4.6	13.5	10.0
Government consumption	-11.7	-22.9	-8.2	34.8	13.0	15.2
Gross fixed capital investment	-0.8	-17.1	8.3	3.3	24.8	13.4
Exports, goods and services	-6.0	5.8	-12.4	4.0	10.3	9.0
Imports, goods and services	-4.2	-30.5	-9.4	14.0	22.4	15.0
Real GDP growth, at constant factor prices	-3.2	-21.8	5.1	4.5	11.3	9.1
Agriculture	-27.7	-14.2	7.4	3.0	11.0	10.0
Industry	172.6	-19.1	8.9	3.5	13.1	9.5
Services	-49.8	-27.1	-1.6	6.5	8.1	8.2
Employment rate (% of working-age population, 15 years+)	30.4	19.6	29.2	32.4	33.4	33.4
Inflation (consumer price index)	5.9	98.2	10.5	-7.0	2.0	3.0
Current account balance (% of GDP)	-12.5	-18.1	-17.6	-15.5	-13.9	-13.7
Net foreign direct investment inflow (% of GDP)	1.5	0.9	-0.6	1.5	1.3	1.2
Fiscal balance (% of GDP)	-3.7	-8.1	-7.7	-8.7	-4.7	-4.4
Revenues (% of GDP)	25.1	24.6	24.8	29.1	31.8	31.8
Debt (% of GDP)	56.5	69.8	76.3	84.9	82.3	75.6
Primary balance (% of GDP)	-3.1	-7.3	-6.7	-7.6	-3.7	-3.4
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	2.1	4.8	4.6	4.2	3.2	2.3
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	6.1	10.8	10.4	9.7	8.4	6.9
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	28.6	42.6	41.8	40.3	35.3	31.8
CO2 emissions growth (mtCO2e)	-2.0	-2.0	-2.0	-2.1	-1.7	-1.7

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2023-PECS. Actual data: 2023. Nowcast: 2024-2025. Forecasts are from 2026 to 2028.

2/ Projection using neutral distribution (2023) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

QATAR

Qatar's economy has been significantly affected by the conflict in the Middle East, including attacks on liquefied natural gas (LNG) infrastructure and disruptions to the Strait of Hormuz, the primary route for its hydrocarbon exports. The halt in LNG production and constrained trade flows are expected to drive a sharp contraction in 2026. While strong external buffers provide some resilience, risks to the near-term outlook are firmly tilted to the downside.

Key conditions and challenges

Qatar faces elevated risks from disruptions to its hydrocarbon sector and external trade routes. The hydrocarbon sector—accounting for about 80 percent of fiscal revenues and goods exports—relies almost entirely on maritime transit through the Strait of Hormuz, which remains largely nonfunctional as of March 2026. Limited LNG storage capacity, equivalent to only a few days of production, further constrains the ability to smooth export disruptions. Damage to the Ras Laffan LNG complex has reduced production capacity and contributed to volatility in global gas markets, reflecting Qatar's significant role as a supplier of around 20 percent of global LNG. At the same time, rising shipping and insurance costs are increasing import and production costs, while temporary airspace closures have disrupted aviation and tourism.

Notwithstanding these challenges, Qatar entered the crisis with strong macroeconomic fundamentals. Prior to the shock, economic activity was robust, inflation remained subdued, and the labor market was stable. Large external buffers—supported by hydrocarbon revenues and sovereign wealth assets—provide policy

Population ¹ million	Poverty
3.2	..
Life expectancy at birth ² years	School enrollment ³ primary (% gross)
82.4	94.2
GDP ⁴ current US\$, billion	GDP per capita ⁵ current US\$
223.2	69462.0

Sources: WDI, MFMMod, and official data. 1/ 2025. 2/ 2023. 3/ 2022. 4/ 2025. 5/ 2025.

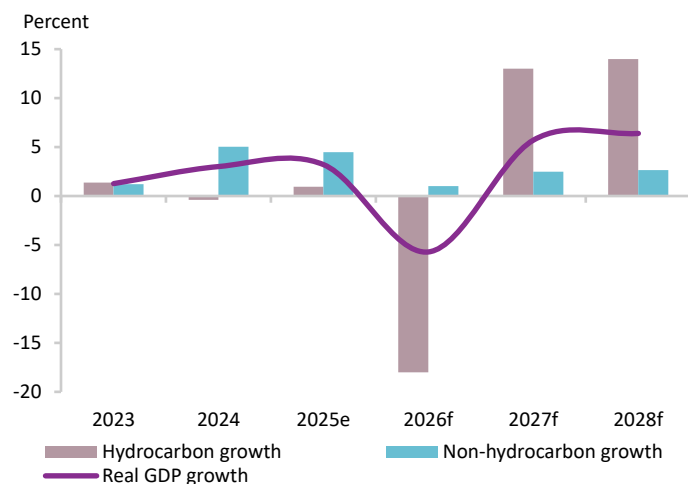
space to absorb part of the shock, helping to cushion near-term macroeconomic and financial pressures.

Recent developments

The recent conflict in the Middle East has directly disrupted Qatar's hydrocarbon sector. Following the initial attack in early March 2026 and disruptions to the Strait of Hormuz, LNG operations have been halted as of end-March. Damage to key facilities at Ras Laffan has reduced export capacity by an estimated 17 percent, representing a medium-to-long-term shock, as full recovery is expected to take years. LNG expansion plans have been postponed to 2027. Ongoing shipping disruptions and security risks in the Strait of Hormuz continue to constrain exports, and even under improved conditions, restarting LNG operations may take weeks or months. Together with higher shipping and insurance costs, these factors have significantly weakened economic activity in 2026.

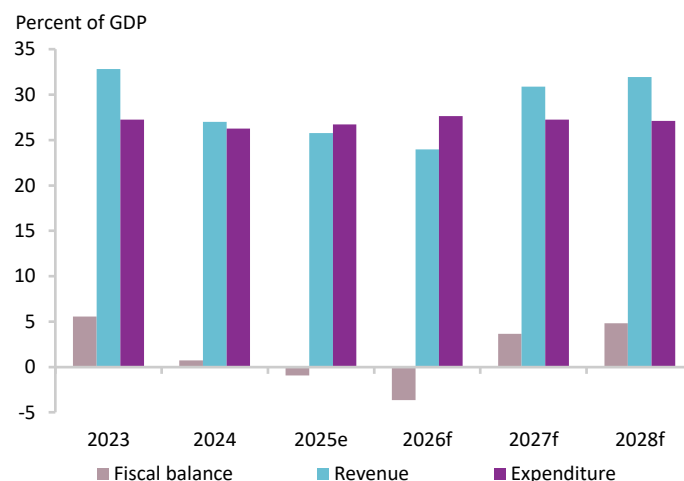
Prior to the conflict, economic conditions remained favorable, providing a strong starting point before the onset of the shock.

FIGURE 1 / Annual real GDP growth



Sources: National Planning Council and World Bank.

FIGURE 2 / Fiscal balance



Sources: Ministry of Finance and World Bank.

Real GDP growth in 2025 is estimated at 3.2 percent, with non-hydrocarbon sectors expanding by around 4.5 percent, supported by construction, trade, and financial services. Inflation declined to 0.5 percent in 2025, from 1.3 percent in 2024, reflecting easing housing costs and stable import prices.

Fiscal developments in 2025 reflected softer energy prices, which reduced hydrocarbon revenues by 1.3 percent. The decline was partly offset by stronger non-hydrocarbon revenues, including one-off corporate tax receipts. Meanwhile, government spending increased by 5.3 percent, driven by infrastructure and development outlays, resulting in an estimated fiscal deficit of about 1 percent of GDP. Against this backdrop, public debt remained relatively stable at around 40.9 percent of GDP. External balances also weakened in 2025, with the current account surplus narrowing to 15.4 percent of GDP in 2025 (from 17.5 percent in 2024), reflecting lower export prices and volumes.

Reflecting solid economic fundamentals, labor market conditions were also strong prior to the shock. Qatar's employment rate was around 88 percent in 2024, with substantially higher employment among non-Qataris (91.3 percent) than Qataris (54.7 percent). Most Qataris (82 percent) worked in the public sector or state-owned enterprises, while non-Qataris were predominantly employed in the private sector (93.3 percent). Youth employment rates were lower, largely reflecting labor-force inactivity rather than unemployment. Labor market conditions in Qatar remained strong in 2025, with unemployment rates remaining very low across all groups. This reflects the country's dual labor market structure, in which nationals are largely employed in the public sector, while labor demand for non-nationals adjusts flexibly in line with economic conditions through migration flows. However, the conflict could weaken labor-market conditions, particularly for non-Qatari workers.

Outlook

The outlook has deteriorated markedly. Over the medium term, growth prospects remain anchored in LNG sector expansion, particularly the North Field East project. Spillovers are expected to support non-hydrocarbon sectors, including logistics, construction, and industrial services. Medium-term prospects remain cautiously positive, supported by large infrastructure projects that are expected to increase expansion capacity from 2027; however, heightened geopolitical uncertainty may delay investment or implementation.

Real GDP is projected to contract sharply in 2026, by 5.7 percent year-on-year, driven by a significant decline in hydrocarbon output and broader trade disruptions. Industrial activity is expected to account for most of the contraction, while non-hydrocarbon sectors remain positive but at a slower pace. Higher shipping and insurance costs are projected to raise import prices, contributing to inflationary pressures, at least over the short term, particularly affecting lower-income and migrant households. The fiscal deficit is expected to widen, and the current account surplus is expected to continue narrowing.

The outlook remains subject to significant downside risks, largely reflecting uncertainty around the duration and intensity of the conflict. A prolonged disruption, further damage to key facilities, or delays in restoring production capacity could slow the recovery, particularly given the importance of large-scale energy and infrastructure projects to Qatar's growth trajectory. Continued geopolitical tensions may also weigh on investor confidence and delay project implementation. While higher LNG prices could partly offset losses in export volumes, strengthening resilience over the medium term will depend on sustaining reform momentum and advancing diversification efforts to support more broad-based growth.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	1.2	3.0	3.2	-5.7	5.7	6.4
Real GDP growth, at constant factor prices	1.3	3.0	3.2	-5.7	5.7	6.4
Agriculture	5.4	1.0	9.8	5.8	4.8	4.7
Industry	0.3	1.6	2.2	-10.5	8.4	7.9
Services	2.5	4.9	4.4	0.3	2.6	4.5
Employment rate (% of working-age population, 15 years+)	87.6	87.8	87.9	87.5	87.7	87.9
Inflation (consumer price index)	3.0	1.3	0.5	2.7	1.9	1.6
Current account balance (% of GDP)	17.1	17.5	15.4	8.8	11.6	11.7
Net foreign direct investment inflow (% of GDP)	-0.1	-0.5	-0.7	-0.3	-0.7	-0.9
Fiscal balance (% of GDP)	5.6	0.7	-1.0	-3.7	3.6	4.8
Revenues (% of GDP)	32.8	27.0	25.8	24.0	30.9	32.0
Debt (% of GDP)	43.7	41.7	40.9	44.0	42.0	39.6
Primary balance (% of GDP)	7.0	2.0	0.3	-2.3	5.0	6.1
GHG emissions growth (mtCO2e)	0.7	1.4	0.5	-5.4	3.2	3.9

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

SAUDI ARABIA

While growth remains robust, the Middle East conflict is introducing heightened economic risks for Saudi Arabia, potentially slowing progress towards its Vision 2030. Elevated uncertainty may weigh on recent growth momentum supported by oil and non-oil sectors. Before the conflict, inflation was contained and unemployment declined, though fiscal pressures intensified. Risks stem from oil supply disruptions, Strait of Hormuz exports, and threats to critical infrastructure.

Key conditions and challenges

Saudi Arabia's economic outlook is influenced by the recent escalation of the conflict in the Middle East. The primary transmission channel is the oil sector, where heightened regional tensions raise the risk of supply disruptions, including potential impacts linked to the Strait of Hormuz and energy infrastructure. While higher global oil prices may provide temporary revenue gains, uncertainty over production and exports could affect fiscal and external balances. In this context, the outlook remains particularly sensitive to the duration and intensity of regional tensions and their spillover effects on global energy markets.

Beyond hydrocarbons, prolonged conflict could weigh on non-oil activity by dampening investor confidence, disrupting trade, and affecting foreign direct investment (FDI). Security considerations pose risks to the retention and attraction of skilled expatriate labor, and to the growing tourism sector. In the event of sustained regional instability, Saudi Arabia's diversification momentum may potentially slow, financing costs could rise, and aspects of 'Vision 2030' may be affected.

Population ¹ million	Poverty
35.9	..
Life expectancy at birth ² years	School enrollment ³ primary (% gross)
78.7	104.0
GDP ⁴ current US\$, billion	GDP per capita ⁵ current US\$
1234.5	34369.7

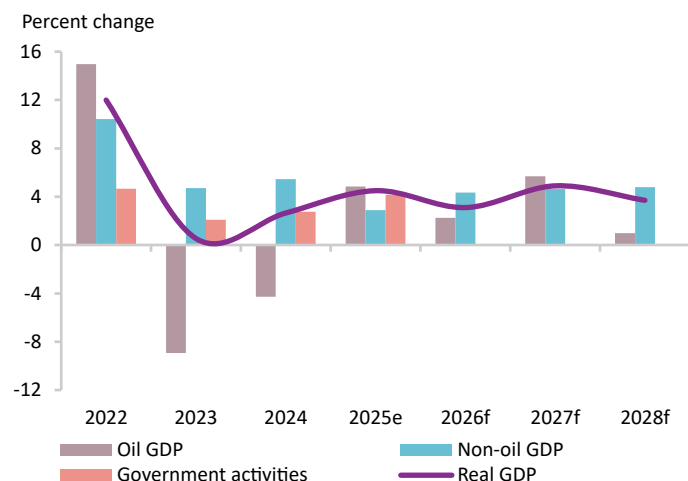
Sources: WDI, MFMMod, and official data. 1/ 2025. 2/ 2023. 3/ 2024. 4/ 2025. 5/ 2025.

Recent developments

Economic indicators were encouraging before the conflict. Real GDP growth reached 4.5 percent in 2025, compared to 2.6 percent in 2024, driven by non-oil and oil activities. The phasing-out of the Organization of the Petroleum Exporting Countries and its partners' voluntary production cuts from April 2025 onward contributed to an estimated 4.9 percent production increase in 2025. In Q1–Q3 2025, non-oil growth was driven by wholesale and retail trade, restaurants and hotels (+6.5 percent y/y) and finance, insurance, real estate and business services (+5.5 percent).

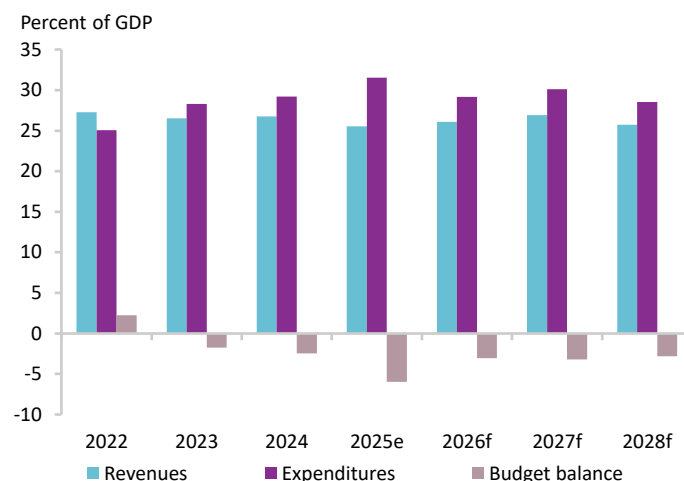
Fiscal pressures increased in 2025, with the central government deficit settling at an estimated 6 percent of GDP, up from 2.5 percent in 2024. Revenues decreased by 11.7 percent, while expenditure remained relatively stable (+1 percent). Falling revenue reflected a 19.8 percent decline in oil revenue relative to 2024 due to lower oil prices. To finance infrastructure projects, the government borrowed from international bond markets, raising the debt-to-GDP ratio from 25.9 percent in 2024 to 33.0 percent in 2025.

FIGURE 1 / Annual real GDP growth



Sources: GASTAT Saudi Arabia and World Bank.

FIGURE 2 / Central government operations



Sources: GASTAT Saudi Arabia and World Bank.

Inflation remained low, averaging 2 percent in 2025, mainly driven by rentals (8.2 percent y/y), with more modest contributions from personal care, social protection, and miscellaneous goods and services (5.1 percent increase y/y) and insurance and financial services (6.3 percent increase y/y), while prices remained contained for food and beverages (1.1 percent). Price increases in the housing sector and concerns over affordability prompted the government to freeze rents in Riyadh for five years.

Saudi Arabia's external sector position weakened in Q1–Q3 2025 relative to the same period in 2024. The current account deficit reached 2.6 percent of GDP, up from 0.4 percent in 2024 during the first three quarters (1.3 percent for whole year). The trade surplus weakened slightly from 3.3 percent of GDP to 1.7 percent in 2025. While imports were up by 1.5 percentage points of GDP, oil exports decreased by 1.5 percentage points and non-oil exports increased by 1.3 percentage points. The financial account balance was responsible for the rest of the external position weakening in Q1–Q3, deteriorating from -1.2 percent of GDP to -3.3 percent because of the balance of portfolio investments.

Total unemployment decreased, reaching 3.4 percent in Q3-2025 against 3.7 percent in Q3-2024, with differing dynamics for female unemployment (-1.5 percentage point) and male unemployment (+0.2 percentage point). Saudi unemployment rates, however, remain higher than those of non-Saudi workers (7.5 percent vs 1.4 percent in Q3-2025). Stalling labor force participation, especially among Saudi and non-Saudi women, remains a structural constraint to diversification efforts.

Outlook

The escalation of the conflict in the Middle East introduces a degree of uncertainty to Saudi Arabia's economic prospects. The economy is projected to grow at 3.1 percent in 2026, supported by both oil and non-oil sectors, though further conflict escalation could add downside risks. Absent a protracted conflict, growth is expected to average 4.3 percent in 2027–2028. Non-oil sectors are projected to expand steadily (4.3 percent in 2026 and 4.7 percent in 2027–2028), while the service sector is expected to grow 4.0 percent in 2026 and an average of 4.5 percent in 2027–2028.

The current account balance is projected to remain in deficit in the medium run, averaging -2.1 percent of GDP in 2027–2028. In 2026, however, a surplus of 3.3 percent of GDP is expected, reflecting significantly higher global oil prices, at least in the near term. Over the medium term, the current account balance might worsen contingent on any potential oil supply disruptions, higher energy and freight import costs, and softer tourism inflows. The capital account may also experience some volatility, as international investors reassess the Kingdom's risk profile, with possible implications for FDI outcomes.

Fiscal pressure predates the conflict; however, defense-related expenses in a context of heightened regional tensions could exert additional pressure, and thus potentially delaying some initiatives under Vision 2030. Absent these additional risks, the general government deficit is projected to stabilize after widening to 6 percent of GDP in 2025, averaging 3.0 percent of GDP in 2026–2028.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	0.5	2.6	4.5	3.1	4.9	3.7
Private consumption	7.6	3.8	1.7	3.2	3.7	3.8
Government consumption	5.5	3.1	3.7	3.5	4.0	3.0
Gross fixed capital investment	9.4	10.1	-2.2	3.9	4.4	4.3
Exports, goods and services	-5.6	2.5	3.1	5.1	7.4	4.3
Imports, goods and services	15.1	7.4	-1.7	5.2	5.1	5.0
Real GDP growth, at constant factor prices	0.2	2.5	3.4	3.8	4.9	3.7
Agriculture	4.6	5.1	2.0	2.0	2.0	2.0
Industry	-3.5	-0.3	3.5	3.6	5.6	2.9
Services	4.3	5.5	3.4	4.0	4.4	4.6
Employment rate (% of working-age population, 15 years+)	63.9	64.0	60.3	60.3	60.3	60.3
Inflation (consumer price index)	2.3	1.6	2.0	2.8	2.6	2.0
Current account balance (% of GDP)	2.1	-1.3	-2.7	3.3	-2.2	-2.1
Net foreign direct investment inflow (% of GDP)	1.9	1.7	1.7	1.5	1.9	2.0
Fiscal balance (% of GDP)	-1.8	-2.5	-6.0	-3.0	-3.2	-2.8
Revenues (% of GDP)	26.5	26.8	25.5	25.3	26.9	25.7
Debt (% of GDP)	23.0	25.9	33.0	32.4	34.9	35.2
Primary balance (% of GDP)	-0.9	-1.7	-5.2	-2.2	-2.2	-1.7
GHG emissions growth (mtCO2e)	4.8	1.8	-0.3	1.3	2.7	2.1

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

SYRIAN ARAB REPUBLIC

Syria shows steady signs of economic recovery as sanction relief, national reconciliation, accelerating refugee returns, improved electricity supply, major public-private investment, and substantial reconstruction needs are expected to lift growth. Violence, high living costs, limited aid, banking constraints, and security risks weigh on the outlook. Years of conflict have disrupted statistical systems and data production, increasing uncertainty around economic estimates.

Key conditions and challenges

One year after the fall of the Assad regime, Syria continues its steady but fragile transition from conflict. Partial parliamentary elections in October 2025 and the government's January 2026 deal with the Syrian Democratic Forces restored country-wide territorial control and provided a platform for wider reconciliation. Economic activity picked up through 2025 and into 2026 as security improved and sanctions were lifted. At the same time, ongoing localized violence continues to constrain Syria's economy and social cohesion with fatalities rising in 2025 according to Armed Conflict Location and Event Data.

Return movements have accelerated. By March 19, 2026, the United Nations High Commissioner for Refugees estimates that 1.5 million Syrians had returned from neighboring countries since December 2024, while 1.7 million internally displaced people had returned home by February 5, 2026. Meanwhile, Syria's 2025 humanitarian plan is only 35 percent funded, with assistance reaching less than 10 percent of displaced families. The ongoing conflict in the

Population ¹ million	25.6	Poverty ² millions living on less than \$3.00/day	4.0
Life expectancy at birth ³ years	72.1	School enrollment ⁴ primary (% gross)	81.4
GDP current US\$, billion	..	GDP per capita current US\$	..

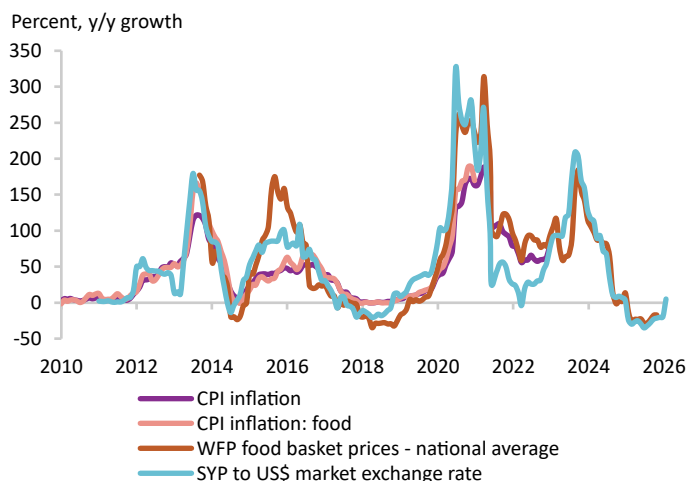
Sources: WDI, MFMMod, and official data. 1/ 2025. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2024.

Middle East is exacerbating Syria's energy vulnerabilities, as disruptions to natural gas supplies from Jordan and Egypt have reduced electricity generation and, even if imports resume, higher gas prices are expected to impose significant additional financial losses on the energy sector.

Recent developments

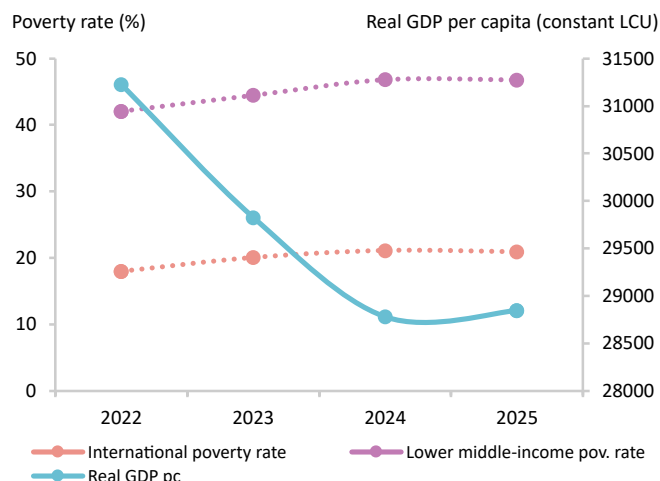
While official data remains limited, and of uneven reliability, high frequency indicators point to an incipient economic recovery. The sum of daily nighttime light intensity rose in 2025, reflecting easing sanctions, renewed trade, higher public sector wages, and refugee returns. Real GDP growth is expected to have strengthened in 2025, with estimates ranging between 2.0–4.0 percent. External connectivity improved markedly: air traffic more than doubled, while port traffic increased over sixfold, albeit from very low levels. Monthly imports through Tartous and Lattakia averaged 300,000 tons, and exports reached 52,000 tons, including Syria's first heavy crude shipment in 14 years. In February 2026, the transitional government regained control of key oil and gas

FIGURE 1 / Inflation and exchange rate



Sources: Central Bureau of Statistics, World Food Program Market Price Watch Bulletin, and World Bank.

FIGURE 2 / Actual poverty rates and real GDP per capita



Source: World Bank. Notes: See footnotes in table on the next page.

areas, significantly increasing its share of national oil production from around 20 to 88 percent. Since early 2025, Syria has advanced a broad reform agenda covering governance, civil service, fiscal management, taxation, banking regulation, and investment policy, aimed at modernizing institutions and supporting economic stabilization and reconstruction.

Despite these gains, sectoral conditions remain uneven. Tourism investment has resumed, but arrivals remain well below pre-conflict levels. Agriculture, though benefiting from better 2026 rainfall, is still recovering from the sharp 2025 drought that cut vegetation indices by 21 percent and drove wheat output to historic lows, forcing costly grain imports amid scarce foreign currency.

The Syrian pound has been appreciating since December 2024, reflecting improved external conditions and policy reforms. Inflation has eased, estimated at 11.5 percent in 2025, down from 72.1 percent in 2024. By December 2025, the World Food Programme's Minimum Expenditure Basket was 25 percent lower year on year but remained high at SYP 2.2 million (USD 206 at the official exchange rate), triple the official minimum wage, leaving nearly 90 percent of households facing difficulties in meeting basic needs.

Outlook

Subject to high uncertainty, economic activity is expected to continue modestly strengthening in 2026, weighted down by the conflict in the Middle East, which could reverse recent improvements by dampening trade, tourism, investment and electricity provision. Growth is expected to be still supported by recovering domestic demand from the return of refugees, higher public wages, increased business registration, and higher oil and gas output.

Inflation is projected to ease only gradually in 2026 and remains highly exposed to shocks associated with the conflict in the Middle East.

After registering a small surplus in 2025, spending is projected to rise in 2026 to help restore services and productive capacity. Revenues are expected to continue recovering, driven by stronger economic activity, increased oil and gas output, and the implementation of broad tax reforms to income, real estate, and sales taxes.

The outlook remains subject to risks stemming from evolving security dynamics, transitional institutional arrangements with the northeast, and the duration and the scale of the conflict in the Middle East. While reopened trade routes, sanctions relief, and renewed oil and gas export potential could support economic activity, persistent constraints—including limited access to international banking, weaknesses in energy distribution, and trade route disruptions—continue to weigh on trade and investment. In a highly uncertain regional context, investment pledges may also be reprioritized, affecting prospects for external financing and reconstruction support. High dependence on imported food, fuel, and consumer goods heightens vulnerability to external price shocks, which are rapidly transmitted to domestic inflation and erode household purchasing power. A precarious labor market and low aid funding would continue to exert downward pressure on household income, with poverty projected to increase slightly in 2026. Return movements are expected to create short-term pressures on already constrained public services and humanitarian assistance. Over the medium term, however, returnees could support growth through renewed economic activity, increased labor supply, and the return of human and financial capital.

Recent history and projections

	2023p	2024p	2025p
Real GDP growth, at constant market prices	0.3	0.9	2.0-4.0
Inflation (consumer price index)	129.9	72.1	11.5
Fiscal balance (% of GDP)	-7.7	-5.1	1.4
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	20.1	21.1	20.9
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	44.5	46.8	46.8

Source: World Bank, Fiscal Policy & Growth Department.
Notes: p = figures are provisional, may be subject to revision and may diverge from official projections. Data in annual percent change unless indicated otherwise.
1/ Calculations based on 2022-HNAP.
2/ Projection using neutral distribution (2022) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU for 2023-2024 and the upper-bound projection of GDP per capita in constant LCU for 2025.

TUNISIA

Tunisia's economy grew by 2.5 percent in 2025, driven by agricultural recovery and increased manufacturing activity. With limited external financing, elevated debt levels, and the conflict in the Middle East, the outlook remains uncertain. To boost economic growth, sustain poverty reduction, and keep public debt at sustainable levels, Tunisia would benefit from engaging in fiscal adjustment, improving the business environment, and facilitating competition.

Key conditions and challenges

Over the past fifteen years, Tunisia has continued to face challenging economic conditions. Constraints to competition, limited access to finance, governance challenges, and low female labor force participation have resulted in a growth divergence from other middle-income countries. As private job creation stagnated, the state stepped in as an employer of last resort and price stabilizer through subsidies. While poverty declined, public debt has elevated, and dynamic job creation will be important to sustain poverty reduction going forward. Furthermore, due to a limited external financing environment, the government tapped into domestic financing from commercial banks and the Central Bank, which has likely crowded out credit to the rest of the economy and could have implications for the credibility of monetary policy.

Tunisia's growth prospects hinge on structural measures to address economic distortions and reduce fiscal pressures. Priority actions could include making the tax system more efficient, improving public administration and state-owned enterprises, and reducing barriers to business entry. Progress in these areas is key to lay the foundation for inclusive economic growth.

Population ¹ million	Poverty ² millions living on less than \$4.20/day
12.3	0.3
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
76.5	104.4
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
57.5	4656.6

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

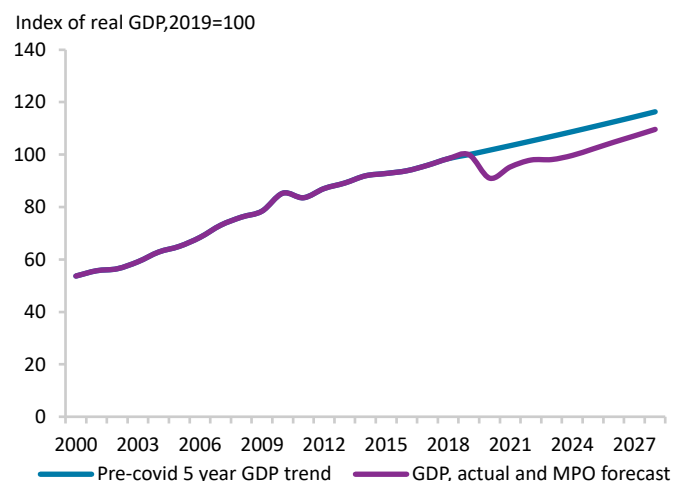
Recent developments

Tunisia's growth has been modest and volatile since the sharp Covid-related contraction. After stalling in 2023 due to limited demand, drought, uncertain external financing conditions, and regulatory constraints, the economy showed signs of recovery in 2024 (1.6 percent growth). In 2025, however, economic growth picked up to 2.5 percent, driven by a recovery in the agricultural sector and increased activity in the components industry.

Tunisia's external situation remained broadly stable. Growth in service exports (+5.3 percent) and remittances (+14.9 percent) did not offset the increase in the merchandise trade deficit (+13.4 percent). As a result, the current account deficit increased from 1.5 percent of GDP in 2024 to 2.4 percent of GDP in 2025. A capital account surplus, combined with capital flow management, has kept reserves at 3.3 months of imports at the end of 2025.

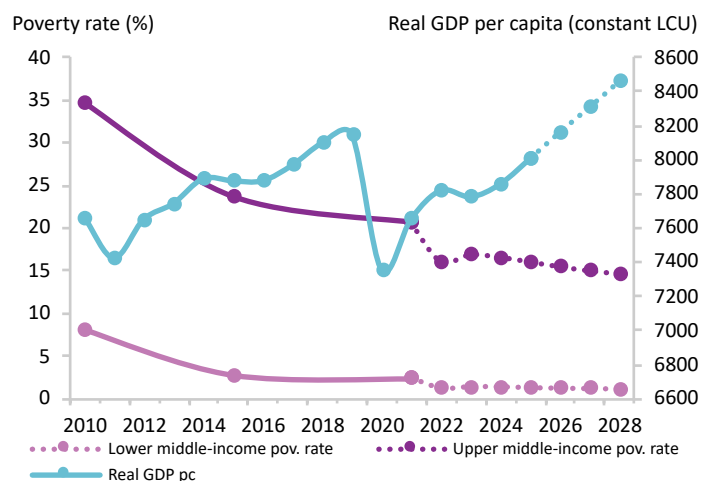
The government engaged in fiscal consolidation, while public debt remains elevated. The fiscal deficit moderated to 5.2 percent in 2025, down from 6.1 percent of GDP in 2024. Public debt decreased from 84.9 percent of GDP in 2024 to 82.2 percent of GDP

FIGURE 1 / Real GDP, actual, forecast, and pre-COVID-19 trend



Source: World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

in 2025. Given Tunisia's limited access to international markets, the authorities are increasingly relying on domestic sources to cover their financing needs, including repeated foreign exchange borrowing from the Central Bank.

Inflation continued to decline from the peak of February 2023 (10.4 percent), reaching 5 percent in February 2026. Core inflation fell to 4.9 percent, down from 6.8 percent a year earlier. Food inflation remains higher than headline inflation, at 5.9 percent, impacting the purchasing power of low-income households. As a response to disinflation, the Central Bank lowered its main policy rate to 7 percent in December 2025, down from 8 percent at the start of the year.

With economic growth picking up in 2025, the unemployment rate decreased to 15.2 percent in Q4 2025, down from 16.5 percent in the previous year, with youth unemployment remaining above the national average. The labor force participation rate reached 45.9 percent in Q4 2025, with a stark difference between men and women (64.8 and 27.7 percent, respectively). The poverty rate, based on the upper-middle-income poverty line (US\$8.30/person/day in 2021 PPP), is nowcasted to have declined from an estimated 16.6 percent in 2024 to 16.0 percent in 2025.

Outlook

The economy is expected to grow by 2.5 percent in 2026, driven by a sustained increase in agricultural production and elevated

services activity. In the medium term (2027–28), growth is expected to moderate to 2.3 percent amid a limited financing environment and barriers to market entry. Poverty (US\$8.30 line) is projected to slightly decrease from an estimated 16 percent in 2025 to 15.4 percent by 2027, with downside risks if regional conflicts raise inflation pressures.

The budget deficit is projected at 6.1 percent of GDP in 2026. This projection reflects, among other factors, the level of energy subsidies in the context of evolving regional energy price dynamics. In the medium term, the government is expected to return to fiscal consolidation, with the overall deficit reaching 4 percent of GDP in 2028. Public debt is expected to fall to 81 percent of GDP.

The current account deficit is projected to increase to 3.7 percent of GDP in 2026 with a widening of the trade deficit due to increased energy imports. In the medium term, the current account deficit is expected to reduce to 3 percent of GDP by 2028. With foreign direct investment projected to remain stable, external financing pressures would remain elevated.

The 2026–28 growth forecast is subject to downside risks. In the near term, the conflict in the Middle East, constrained financing conditions, or a climatic event could raise macroeconomic challenges. Medium-term prospects would improve if Tunisia took steps toward strengthening fiscal policies, modernizing state-owned enterprises, and fostering greater competition.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	0.2	1.6	2.5	2.5	2.3	2.3
Private consumption	0.8	1.1	4.3	2.4	3.4	3.5
Government consumption	-0.2	1.4	4.3	-0.3	-1.0	0.0
Gross fixed capital investment	1.9	0.7	4.3	0.9	4.5	3.0
Exports, goods and services	9.0	-1.6	7.0	4.9	2.3	2.3
Imports, goods and services	5.1	3.8	10.1	5.0	3.5	3.4
Real GDP growth, at constant factor prices	0.0	1.6	2.6	2.5	2.3	2.3
Agriculture	-16.2	9.0	10.3	8.0	2.0	2.0
Industry	-0.9	-2.2	2.9	1.6	1.6	1.6
Services	2.9	2.0	1.4	2.0	2.6	2.6
Employment rate (% of working-age population, 15 years+)	38.9	38.2	38.2	38.2	38.2	38.2
Inflation (consumer price index)	9.3	7.0	5.7	5.5	4.5	4.5
Current account balance (% of GDP)	-2.3	-1.5	-2.4	-3.7	-2.9	-3.0
Net foreign direct investment inflow (% of GDP)	1.5	1.4	1.6	1.8	1.7	1.8
Fiscal balance (% of GDP)	-7.1	-6.1	-5.2	-6.1	-4.5	-4.0
Revenues (% of GDP)	28.9	29.4	28.8	29.1	28.8	28.6
Debt (% of GDP)	84.6	84.9	82.2	83.3	82.7	81.2
Primary balance (% of GDP)	-3.2	-2.1	-1.5	-1.7	0.3	0.6
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	1.4	1.4	1.3	1.3	1.2	..
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	16.9	16.6	16.0	15.7	15.4	..
GHG emissions growth (mtCO2e)	-5.2	-0.4	2.5	3.0	2.4	2.3

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2021-NSHBCSL. Actual data: 2021. Nowcast: 2022-2025. Forecasts are from 2026 to 2028.

2/ Projection till 2023 and from 2026 using point to point elasticity (2010-2015) with passthroughs, and 2024-2025 using neutral distribution (2021) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

UNITED ARAB EMIRATES

The economy has been severely affected by conflict in the Middle East, with large spillovers to hydrocarbons, tourism, aviation, trade, and logistics. Prior to the conflict, growth was strong, supported by robust non-hydrocarbon activity and improving oil production. Strong fiscal and external buffers, low inflation, and ongoing reforms underpin macroeconomic stability, while diversification, digital investment, and energy transition initiatives will support resilience.

Key conditions and challenges

The conflict in the Middle East has increased uncertainty and challenged the United Arab Emirates' (UAE's) stability narrative. Disruptions to the Strait of Hormuz affect energy shipments, container traffic, logistics services, and re-exports. Although pipeline infrastructure allows for a partial bypass of this corridor, most hydrocarbon exports—including liquefied natural gas—still rely on maritime routes through the Strait. As a regional hub for tourism, aviation, and logistics, the economy is also sensitive to geopolitical instability, with potential spillovers to services activity and non-oil growth.

Despite these risks, the UAE has strong fundamentals to absorb shocks. Large fiscal and external buffers, a resilient financial system, and continued diversification support macroeconomic stability, although investor confidence could weaken in the near term. Growth in 2025 outperformed regional and global averages, supported by broad-based non-oil activity and higher hydrocarbon production within the Organization of the Petroleum Exporting

Population ¹ million	Poverty
11.2	..
Life expectancy at birth ² years	School enrollment ³ primary (% gross)
82.9	108.0
GDP ⁴ current US\$, billion	GDP per capita ⁵ current US\$
585.4	52063.3

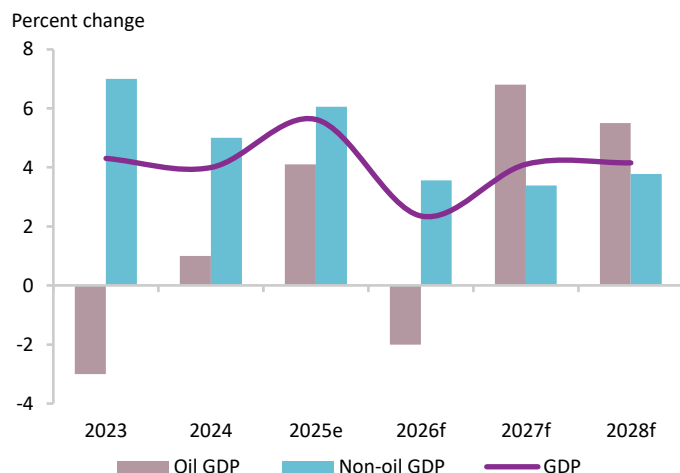
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2023. 3/ 2024. 4/ 2025. 5/ 2025.

Countries and its partners (OPEC+) framework. Population growth, steady foreign direct investment (FDI) inflows, and continued labor and business reforms also supported this expansion.

Recent developments

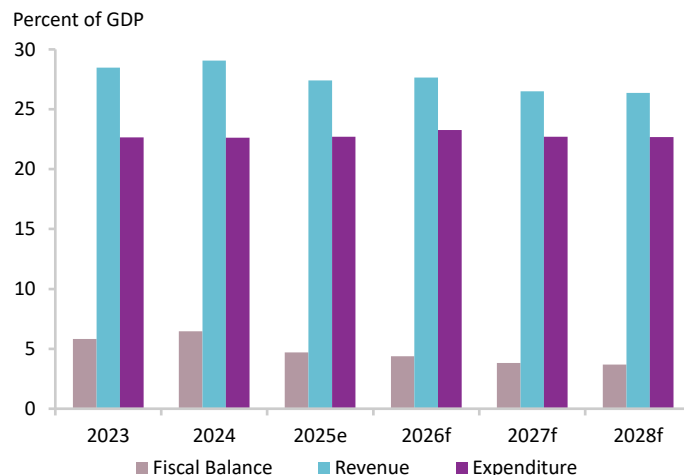
The conflict has disrupted the UAE's strong economic momentum. Airspace restrictions and flight rerouting have increased operational costs for airlines and reduced connectivity for tourism and business travel. Heightened security risks in regional shipping routes have increased insurance and freight costs, affecting hydrocarbon exports, logistics services, and re-export activities. Recent drone strikes on the Fujairah oil hub have also disrupted some loading operations, underscoring rising risks to regional energy infrastructure. Geopolitical uncertainty risks weakening investor sentiment and increasing financial market volatility. In response to the conflict, the UAE Central Bank introduced a five pillar resilience package to support liquidity, ease regulatory constraints, and ensure continued credit flow, helping mitigate downside risks and strengthen financial sector resilience amid heightened uncertainty.

FIGURE 1 / Annual real GDP growth



Sources: Federal Competitiveness and Statistics Centre, and World Bank.

FIGURE 2 / General government operations



Sources: Department of Finance and World Bank.

Prior to the conflict, economic activity remained strong. Real GDP growth is estimated at 5.6 percent in 2025, supported by robust non-oil growth (6.1 percent) and moderate oil sector expansion (4.1 percent). Non-oil activity was driven by wholesale and retail trade, manufacturing, and financial services, reflecting continued diversification. Following higher OPEC+ quotas, oil production increased by 6.8 percent to approximately 3.12 million barrels per day in 2025. Inflation remained contained at 1.3 percent, down from 1.7 percent in 2024, as easing food inflation and lower transport costs partly offset rising housing prices.

Fiscal performance remained strong, although the surplus is estimated to have narrowed to 4.7 percent of GDP in 2025, from 6.4 percent in 2024, reflecting higher spending. The external position also remained robust, with the current account surplus estimated at 13.8 percent of GDP in 2025 and FDI inflows remaining strong, estimated at about 8 percent of GDP in 2025. Foreign exchange reserves and sovereign wealth assets provide additional buffers. Banks remain well capitalized and liquid, with improving asset quality and stronger credit growth, while monetary policy remained aligned with the U.S. Federal Reserve, given the exchange rate peg.

The number of economic establishments and workers grew by 7.8 percent and 12.4 percent, respectively, in 2025, reflecting continued growth in expatriate employment and the dominant share of non-Emirati workers in the labor force. At the same time, Emirati employment in the private sector rose markedly, by 33.6 percent, in line with Emiratization objectives. International Labour Organization modelled estimates indicate that young women remain the most vulnerable to unemployment, with rates above the national average. Ongoing geopolitical uncertainty may weigh on investment and employment in labor-intensive sectors such as tourism, construction, wholesale, and retail trade.

Outlook

The conflict is expected to weigh on growth in 2026, given the UAE's exposure to disruptions in regional trade, logistics, and financial flows. Investor sentiment and key services sectors, including tourism and aviation, face downside risks from elevated uncertainty. Airspace disruptions and higher shipping costs could further compress trade flows and raise import prices, triggering inflationary pressures. Labor-intensive sectors such as hospitality, retail, and construction—where expatriate workers are concentrated—could be particularly affected if instability persists. Higher energy prices may partly offset these effects depending on hydrocarbon production and exports.

Absent a prolonged conflict, growth is projected to slow to 2.4 percent in 2026, reflecting conflict-related disruptions. Growth is expected to accelerate in 2027–2028, supported by a recovery in hydrocarbon output and continued expansion in non-hydrocarbon sectors—particularly financial services, construction, trade, and tourism—although the conflict's near-term impact may continue to weigh on activity. These developments could prompt the government to further accelerate business reforms to reinforce the country's position as a regional hub for business, investment, and innovation. Meanwhile, inflation is projected to rise moderately before stabilizing, while fiscal and current account surpluses are expected to remain robust over the medium term.

Downside risks remain elevated and depend largely on the duration and intensity of the conflict. While a short disruption would likely have limited economic effects, prolonged instability could weaken growth, increase inflation, and disrupt trade, tourism, aviation, and logistics. Higher risk premia could also dampen investment and cross-border trade flows, slowing job creation and diversification efforts.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	4.3	4.0	5.6	2.4	4.1	4.2
Real GDP growth, at constant factor prices	4.3	4.0	5.6	2.4	4.1	4.2
Agriculture	1.2	1.8	2.5	2.3	2.0	1.9
Industry	0.9	3.0	4.7	1.3	4.5	3.8
Services	7.5	4.9	6.4	3.3	3.8	4.4
Employment rate (% of working-age population, 15 years+)	76.8	79.8	80.1	79.8	80.0	80.2
Inflation (consumer price index)	1.6	1.7	1.3	2.5	2.1	1.7
Current account balance (% of GDP)	13.1	14.5	13.8	13.6	10.2	10.3
Fiscal balance (% of GDP)¹	5.8	6.4	4.7	4.4	3.8	3.7
Revenues (% of GDP)	28.5	29.1	27.4	27.7	26.5	26.4
Debt (% of GDP)	31.9	31.2	29.9	29.1	28.4	28.1
Primary balance (% of GDP)	6.5	7.2	5.4	5.0	4.5	4.3
GHG emissions growth (mtCO₂e)	-2.4	-0.4	1.1	-0.9	0.3	0.4

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Consolidated fiscal balance.

REPUBLIC OF YEMEN

Yemen's economy contracted again in 2025 amid persistent conflict, institutional fragmentation, and blocked oil exports. CBY-Aden interventions have stabilized the exchange rate, but vulnerabilities remain. Humanitarian needs remain severe, with 23.1 million people expected to require assistance in 2026. The new IRG Cabinet's reform commitments in early 2026 offer a window of opportunity for economic recovery, but the conflict in the Middle East poses acute downward risks.

Key conditions and challenges

Yemen's economic crisis reflects a decade of conflict and institutional fragmentation. Since 2015, real GDP per capita has declined by nearly 60 percent. The country now operates as two economic zones: areas under Houthi control host about 70 percent of the population, while hydrocarbon-rich areas are under the Internationally Recognized Government (IRG). Oil production remains constrained by the export blockade in place since October 2022, limited investment, and ongoing insecurity. Non-oil sectors face significant constraints, including limited access to finance, disrupted supply chains, overlapping tax regimes, weak governance, and regulatory distortions.

Food insecurity remains severe and in 2025 reached its highest level on record. According to the World Food Programme (WFP), the share of households facing inadequate food consumption fell from 70 percent in July 2025 to 64 percent in December, following a reduction in the minimum food basket cost in IRG-controlled areas starting from August. In

Population ¹ million	Poverty
41.8	..
Life expectancy at birth ² years	School enrollment ³ primary (% gross)
69.3	77.0
GDP ⁴ current US\$, billion	GDP per capita ⁵ current US\$
19.6	468.4

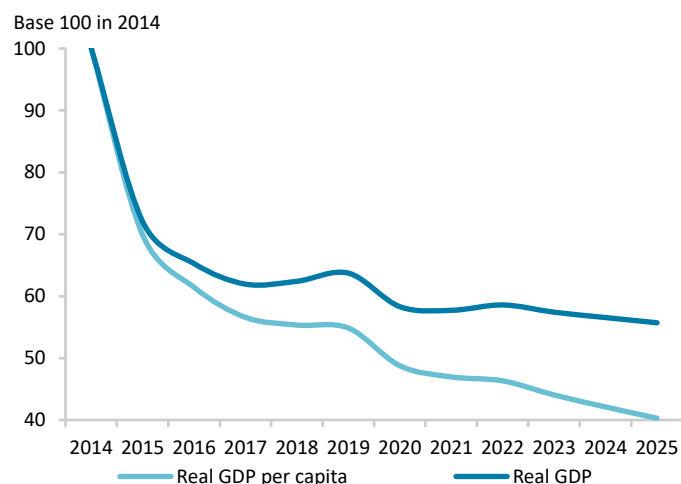
Sources: WDI, MFMMod, and official data. 1/ 2025. 2/ 2023. 3/ 2016. 4/ 2025. 5/ 2025.

January 2026, the Famine Early Warning Systems Network ranked Yemen among the most food-insecure countries globally. These outcomes reflect income losses from conflict and climate hazards, combined with reduced humanitarian assistance—particularly in Houthi-controlled areas. Model-based estimates indicate that nearly three-quarters of the population live below the monetary poverty line.

Recent developments

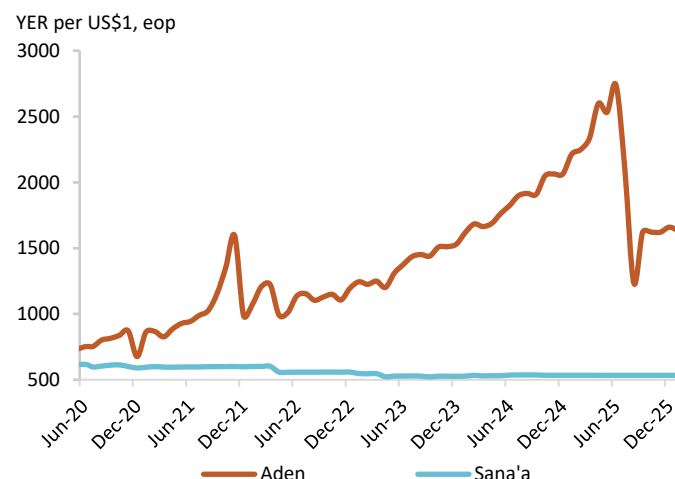
National real GDP contracted for a third consecutive year in 2025, falling by 1.5 percent. Oil activity remained stagnant under the export blockade, while the non-oil economy stayed under strain from a weak business environment and tight liquidity. In IRG-controlled areas, inflation averaged roughly 20 percent, eroding household purchasing power; in Houthi-controlled areas, damage to Hodeidah port constrained imports and market supply. Humanitarian financing also deteriorated: WFP suspended operations in Houthi-controlled areas in August 2025 following the detention of United Nations (UN) staff,

FIGURE 1 / Real GDP and real GDP per capita



Source: World Bank.

FIGURE 2 / Exchange rate trend: Sana'a and Aden



Sources: Telegram Exchange Market Group and World Bank.

and the UN's 2025 response plan was only 28.4 percent funded, down from 56.5 percent in 2024.

The IRG's fiscal position deteriorated further in 2025. Revenues fell to 5.6 percent of GDP from 8.6 percent in 2024, largely driven by a drop in grants—from 3.6 to 0.8 percent of GDP—as Saudi support tapered prior to recovering again in early 2026. Expenditures were compressed to 6.1 percent of GDP, disrupting service delivery, while capital spending was nearly suppressed at 0.2 percent of GDP. The fiscal deficit nonetheless remained contained at 0.5 percent of GDP.

Monetary and financial fragmentation persisted. In August 2025, the Yemeni rial (YER) in Aden appreciated sharply—from YER 2,905 per US\$1 in mid-July to about YER 1,600—and has since stabilized. This reflects Central Bank of Yemen (CBY) in Aden measures including caps on foreign-currency access, a ban on using foreign currency in local transactions, and license revocations for exchange houses suspected of manipulation. The National Committee for the Regulation and Financing of Imports (NCRFI) continued prioritizing foreign exchange for essential goods, while Saudi financial support announcements helped anchor confidence. Sustaining these gains will require adequate reserves and disciplined fiscal policy. For now, the underlying fundamentals—remittances, exports, and aid—remain fragile. In Houthi-controlled areas, the rial has been held near YER 535 per USD through constrained money supply, enforced official rates, and price controls. The local economy remains largely cash-based, liquidity shortages are intensifying, and financial institutions are increasingly relocating from Sana'a to Aden amid elevated sanctions risk following the U.S. Foreign Terrorist Organization redesignation of the Houthi movement.

External imbalances narrowed but remained substantial. Yemen's current account deficit is estimated at 14.7 percent of GDP in 2025, down from 26.6 percent in 2024, driven primarily by import compression in Houthi-controlled areas rather than export-led improvement. Gross foreign exchange reserves were about US\$1.2 billion—roughly one month of import coverage.

Outlook

Economic prospects for 2026 remain subdued. With IRG oil exports still blocked and institutional fragmentation persisting, public finances and the external position are expected to remain under strain, even as revenue recover due to the IRG's mobilization efforts and increased Saudi grants. As a net oil and food importer, Yemen is particularly vulnerable to spillovers from the conflict in the Middle East: rising global energy and food prices are projected to weigh on the import bill, fiscal balance, and household purchasing power—compounding already severe levels of food insecurity. Exchange rate stability in Aden will depend on continued enforcement of money exchange regulations and sustained external inflows supporting foreign exchange availability. Acute liquidity constraints, particularly in Houthi-controlled areas, will continue to suppress consumption and private sector activity. National real GDP is projected to contract by 0.5 percent in 2026.

Downside risks are elevated. Direct Houthi involvement in the conflict in the Middle East could lead to critical infrastructure damage and widen the gap between humanitarian needs and available financing. Further increases in global energy prices could amplify inflationary pressures, deepening food insecurity, particularly among the most vulnerable households. Prolonged conflict could also disrupt remittance flows—especially from Gulf countries—while aid diversion represents an additional risk. Domestic frictions could deepen monetary and financial fragmentation. Humanitarian operations are unlikely to return to previous levels given funding shortfalls and operational constraints in Houthi-controlled areas, heightening the likelihood that poverty and vulnerability remain widespread absent de-escalation.

Even so, the new IRG Cabinet's reform commitments in early 2026 offer a window of opportunity—but this requires concrete follow-through and sustained donor support. If the new cabinet prioritizes development and macroeconomic stabilization, livelihoods and living conditions could improve. Ultimately, the country's prospects hinge on progress toward national peace, reconstruction, and institutional reforms to restore confidence and reignite growth.

Recent history and projections

	2023	2024	2025e	2026f	2027f
Real GDP growth, at constant market prices¹	-2.0	-1.5	-1.5	-0.5	1.6
Inflation (consumer price index)^{2, 3}	0.9	33.9	20.0	10.6	7.5
Current account balance (% of GDP)¹	-20.4	-26.6	-14.7	-16.5	-16.4
Fiscal balance (% of GDP)³	-3.7	0.2	-0.5	-0.7	-0.3
Revenues (% of GDP)³	7.2	8.6	5.6	7.9	9.7

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ National coverage.

2/ Inflation rates refer to end-of-period figures.

3/ Data for IRG-controlled areas only.

Bangladesh
Bhutan
India

Maldives
Nepal
Sri Lanka

South Asia

BANGLADESH

GDP growth is projected to remain subdued in FY26 due to the impact of the Middle East conflict, elevated inflation, and weak investment amid persistent financial sector vulnerabilities. Poverty increased by 1.4 million between FY24–25, with the conflict projected to push an additional 1.2 million into poverty in FY26. Growth is expected to recover gradually in FY27–28 as reforms in domestic resource mobilization, the financial sector, and the business environment accelerate.

Key conditions and challenges

A newly elected government, led by the Bangladesh Nationalist Party (BNP), assumed office in February 2026. The government has inherited several macroeconomic challenges, including slowing economic growth, elevated inflation, constrained fiscal space, vulnerabilities in the banking sector, and subdued investment and job creation. The conflict in the Middle East will compound pre-existing domestic fragilities and negatively impact external balance, fiscal balance, inflation, and growth.

Labor market conditions remain weak, with job creation insufficient to absorb new entrants, employment shifting back toward agriculture, and female labor force participation falling sharply to 38.4 percent in 2024, narrowing the productivity dividend that drove two decades of poverty reduction. The conflict is projected to compound these pressures, particularly for the one-third of the population that remains vulnerable to falling back into poverty.

Bangladesh faces significant medium- to long-term challenges relating to low domestic resource mobilization, a weak financial sector, poor governance and business climate, limited export

Population ¹ million	Poverty ² millions living on less than \$4.20/day
175.7	34.7
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
74.7	106.5
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
456.3	2597.4

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

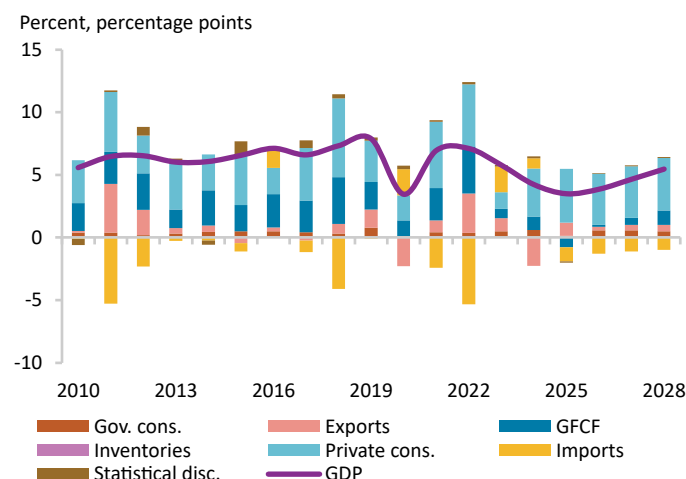
diversification, inadequate human capital, and vulnerability to climate and external shocks.

Recent developments

The conflict in the Middle East has started to weigh on the economy. Even before the conflict, economic activity over the past 6 months remained constrained by elevated inflation and weak investment amid pre-election political uncertainty, high interest rates, and elevated production costs. Banking sector vulnerabilities continued, with the non-performing loans ratio increasing to 30.6 percent in December 2025 from 20.2 percent in December 2024, and the capital-to-risk-weighted asset ratio remaining low at 4.5 percent in June 2025. Despite ongoing challenges in FY26, economic conditions improved relative to FY25 largely due to base effects, as growth in FY25 had already fallen to a low 3.5 percent following a sharp decline in investment by 2.5 percent amid the July 2024 student-led uprising and heightened political uncertainty.

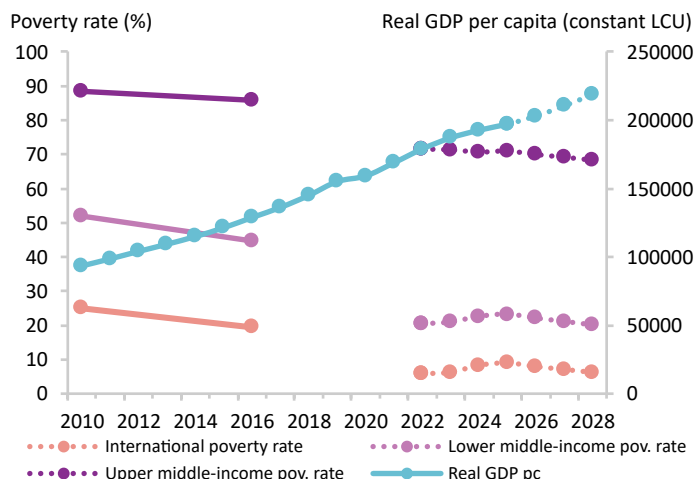
Inflation remained elevated at 9.1 percent in February 2026, although moderating from the FY25 average of 10 percent. Monetary policy remained tight, and the policy rate has remained unchanged

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Sources: Bangladesh Bureau of Statistics and World Bank.

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



Source: World Bank. Note: See footnotes in table on the next page.

at 10 percent since October 2024. The conflict is projected to raise the poverty rate to 8.7 percent at the US\$3.0 line in FY26 from 8.0 percent with nearly 600,000 jobs expected to be lost due to the ongoing conflict. Rising prices account for around 10 percent of the increase, hitting the poorest hardest and widening the poverty gap. Remittances offer little buffer for the poor in this context.

The current account balance turned into a deficit of US\$343 million in the first half of FY26, led by declining exports as global trade uncertainty continued to dampen external demand. However, remittances growth remained robust at 18 percent, boosting foreign exchange reserves to nearly 3.8 months of prospective imports (US\$30.3 billion) in February 2026. Total domestic revenue is expected to increase to 8.4 percent of GDP in FY26. An increase in current expenditures is likely to be offset by a reduction of capital expenditure to contain fiscal deficit in FY26. Risk to debt distress remained moderate based on the latest Debt Sustainability Analysis.

Outlook

Real GDP growth for FY26 has been revised downwards to 3.9 percent from 4.6 percent (Global Economic Prospects, January 2026), reflecting the impact of the Middle East conflict and ongoing domestic economic challenges. The Middle East conflict is also expected to impact on the current account deficit, which is projected to widen compared to FY25 due to higher import and slower export growth. Inflation is expected to moderate in FY26 compared to FY25, but the impact of the conflict will keep it elevated. The fiscal

deficit is also expected to widen compared to FY25 despite improvements in revenue, as current expenditure is projected to rise due to higher fuel subsidy requirements resulting from the Middle East conflict, the recapitalization of the banking sector, and the new government's promised increased social spending. Public debt as a share of GDP is expected to rise gradually to over 45 percent of GDP by FY28.

Growth is expected to rise moderately to 4.6 percent in FY27, but remain constrained by spillovers from the Middle East conflict and existing structural challenges in the economy. It is projected to reach 5.3 percent in FY28, supported by a modest recovery in private and public investment. However, medium-term growth will continue to be constrained by financial sector weaknesses. Poverty at the US\$3.0 line is projected to remain around 0.9 percentage points above the pre-conflict baseline through FY28, as labor market conditions are expected to recover only gradually.

Risks are significantly tilted to the downside. If prolonged, the Middle East conflict could further widen the current account deficit, reduce remittance inflows, keep inflation elevated, increase subsidy pressures, and weigh on growth. Further weakening of the banking sector and trade disruptions from the Middle East conflict and global policy uncertainty could further dampen economic activities. On the upside, political stability post-elections and resulting renewed investor confidence, and accelerated structural reforms in domestic revenue mobilization, business climate, and the financial sector could support a faster growth rebound and employment expansion.

Recent history and projections

	2022/23	2023/24	2024/25e	2025/26f	2026/27f	2027/28f
Real GDP growth, at constant market prices	5.8	4.2	3.5	3.9	4.6	5.5
Private consumption	2.0	6.0	6.6	6.0	6.0	6.0
Government consumption	8.5	9.8	2.3	9.2	8.5	7.0
Gross fixed capital investment	2.2	3.3	-2.5	0.6	1.8	4.1
Exports, goods and services	8.0	-17.1	10.0	2.3	4.1	4.7
Imports, goods and services	-9.8	-4.6	6.8	7.7	6.4	5.5
Real GDP growth, at constant factor prices	6.2	4.3	3.9	3.9	4.7	5.5
Agriculture	3.4	3.3	2.4	3.0	3.2	3.4
Industry	8.4	3.5	3.7	3.8	4.9	6.1
Services	5.4	5.1	4.3	4.1	4.8	5.4
Inflation (consumer price index)	9.0	9.7	10.0	8.6	7.5	6.0
Current account balance (% of GDP)	-2.7	-1.5	0.0	-0.8	-1.0	-1.1
Net foreign direct investment inflow (% of GDP)	0.4	0.3	0.4	0.3	0.5	0.6
Fiscal balance (% of GDP)	-4.6	-3.9	-3.5	-4.4	-4.9	-4.8
Revenues (% of GDP)	8.2	8.3	8.0	8.3	8.6	8.9
Debt (% of GDP)	37.0	37.6	39.5	41.9	44.4	46.3
Primary balance (% of GDP)	-2.6	-1.7	-1.1	-1.6	-2.1	-1.8
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	6.3	8.3	9.0	8.7	8.0	7.2
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	21.0	22.6	23.2	22.8	22.1	21.3
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	71.3	70.7	71.0	70.4	69.6	69.1
GHG emissions growth (mtCO2e)	2.1	1.5	1.5	1.9	2.8	3.4

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on SAR-POV harmonization, using 2022-HIES. Actual data: 2022. Nowcast: 2023-2025. Forecasts are from 2026 to 2028.

2/ Projections using microsimulation methodology.

BHUTAN

Growth accelerated to 8.1 percent in FY24/25, driven by new hydropower projects and tourism recovery, but youth unemployment remained high at 20.6 percent. The fiscal deficit widened to 2.6 percent of GDP, and the current account deficit (CAD) remained elevated. Growth is projected at 7.1 percent in FY25/26, with poverty declining, with risks stemming from higher fuel prices and fiscal pressures linked to the Middle East conflict.

Key conditions and challenges

Despite robust growth, labor market continues to face structural challenges with limited private sector development. Although overall unemployment rate was at 3.8 percent in Q4 2025, youth unemployment reached 20.6 percent. Limited opportunities for quality job and large wage differentials compared to abroad have contributed to the emigration as of 2025 of about 9 percent of Bhutan's population, especially highly skilled youth. Implementation of the 13th Five-Year Plan (FYP, 2024–2029) aims to address these challenges by fostering private sector development and formal job creation.

Robust growth and remittances supported improvements in living standards over the past decade, with extreme poverty (US\$3.0/day) nearly eradicated. However, progress remains uneven; poverty ranges from 1.5 percent in Thimphu to 41.4 percent in Zhemgang (reduced to 37.1 percent in 2025, National Statistics Bureau (NSB) 2025), and 87 percent of the poor live in rural areas (NSB Poverty Analysis Report 2022). Spatial disparities are mirrored in human development outcomes, with wide disparities in literacy and infant mortality across dzongkhags. Gender gaps persist,

Population ¹ thousand	Poverty ² thousands living on less than \$4.20/day
796.7	3.2
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
73.0	114.9
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
3.6	4495.0

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

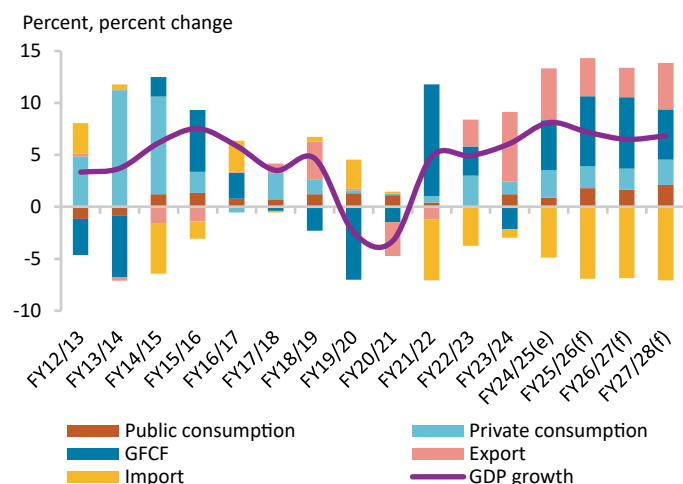
with 44.2 percent of working-age women neither employed nor actively seeking employment, compared to 27.3 percent of men (NSB Q4 2025). Slow structural transformation leaves livelihoods vulnerable, as climate-sensitive agriculture employs 46.3 percent of the workforce, including most rural and female workers.

Recent developments

Real GDP grew rapidly at 8.1 percent in FY24/25, driven by hydropower expansion and continued recovery in services. Industrial growth accelerated to 12.0 percent from 3.1 percent in FY23/24, supported by the commissioning of the Puna-II hydropower plant and construction of Dorjilung and Khorlochhu hydropower plants. Service sector grew by 6.7 percent, supported by a revival of tourism, although tourist arrivals remained below pre-pandemic levels. On the demand side, growth was underpinned by hydropower exports and increased private investments associated with hydropower construction. Headline inflation softened to 2.6 percent in FY24/25 from 4.3 percent in FY23/24.

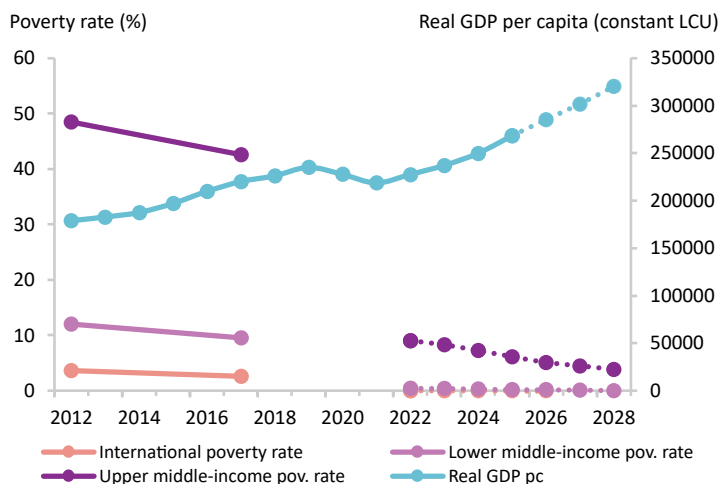
Fiscal deficit increased to 2.6 percent of GDP in FY24/25 from 0.2 percent in FY23/24, driven by higher capital spending with the

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Source: National Statistics Bureau (NSB).

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



Source: World Bank. Notes: See footnotes in table on the next page.

implementation of investment projects under the 13th FYP. Total revenue, including tax and grants, was 26.5 percent of GDP, similar to the previous year's 26.8 percent. Public debt declined by 5.7 percentage points to 111.2 percent of GDP in FY24/25, with no new issuance of government Treasury bills.

The CAD improved from 20.4 to 17.4 percent of GDP between FY23/24 and FY24/25, reflecting lower cryptocurrency-mining-related imports and higher remittances (US\$242 million). The deficit was financed primarily through external loans and grants. Gross international reserves increased from US\$800 million in June 2025 to US\$1.1 billion in January 2026 (covering 7.3 months of imports). The financial sector is stable, but asset quality is weakening with increasing non-performing loans.

Outlook

Real GDP growth is projected at 7.1 percent in FY25/26 and 6.4 percent in FY26/27, supported by the construction of the Khorlochu and Dorjilung plants and higher capital spending under the 13th FYP. The industry sector is expected to grow by 11.8 percent in FY25/26, driven by hydropower and electricity exports. The services sector growth is expected to moderate to 5.6 percent due to tourism disruptions from higher oil prices. Headline inflation is projected to reach 5.2 percent and 5.6 percent in FY25/26 and FY26/27, respectively, driven by higher food and oil prices linked to the Middle East conflict and transitory inflationary pressures from recent tax reforms.

The CAD is expected to widen in the short term, reflecting higher imports of hydropower machineries and construction materials. Financing is expected to come from increased remittances, official grants, concessional loans and foreign direct investment (FDI),

and cryptocurrency loan repayment. International reserves are projected to increase to US\$1,309 million in FY25/26.

Fiscal deficit is expected to widen to 3.7 percent in FY25/26 and 5.2 percent in FY26/27, reflecting higher capital spending and a diesel subsidy—adding 0.4 percentage points of GDP in spending in FY25/26—in response to rising fuel prices due to the Middle East conflict. Recent cuts to corporate and personal income taxes are likely to reduce tax revenue from 14.4 percent of GDP in FY24/25 to around 12 percent in the medium term. Public debt is projected to rise to 113.4 percent of GDP in FY26/27, due to hydropower financing.

Poverty is projected to continue declining due to the robust growth, with the US\$8.3/day poverty rate falling to 5.1 percent in 2026 and 4.5 percent in 2027. However, these gains remain fragile. Rising fuel costs linked to the Middle East conflict, alongside broader inflationary pressures, could weigh on household welfare and food security in the near term. With employment still concentrated in climate-sensitive agriculture, livelihoods remain highly exposed to natural hazards. Over the medium term, persistently high youth unemployment and continued skilled emigration could further weaken human capital accumulation and constrain growth, affecting livelihoods.

Key domestic risks include delays in hydropower projects, weaker-than-expected tax revenues, and materialization of financial sector contingent liabilities. External risks stem from heightened geopolitical tensions, including the Middle East conflict, through higher fuel costs and disruptions to tourism, alongside climate hazards. Volatile cryptocurrency prices could slow the accumulation of foreign reserves. The economic demarcation between the Gelephu Mindfulness City (GMC) project and the rest of Bhutan is a key point of risk management, while the GMC is also expected to generate private sector opportunities.

Recent history and projections

	2022/23	2023/24	2024/25e	2025/26f	2026/27f	2027/28f
Real GDP growth, at constant market prices	4.9	6.1	8.1	7.1	6.4	6.8
Private consumption	6.1	2.4	5.5	4.4	4.5	5.4
Government consumption	-0.5	6.0	4.3	9.1	7.8	10.3
Gross fixed capital investment	5.6	-4.2	10.3	14.0	13.5	9.0
Exports, goods and services	9.8	24.2	15.4	10.6	7.9	12.4
Imports, goods and services	7.5	1.7	10.3	14.0	13.2	12.9
Real GDP growth, at constant factor prices	4.7	5.9	7.9	7.1	6.4	6.8
Agriculture	0.1	2.6	2.8	1.7	1.6	1.9
Industry	2.3	3.1	12.0	11.8	9.6	9.1
Services	7.4	8.3	6.7	5.6	5.4	6.3
Inflation (consumer price index)	4.6	4.3	2.6	5.2	5.6	4.0
Current account balance (% of GDP)	-34.0	-20.4	-17.4	-19.9	-20.3	-20.0
Net foreign direct investment inflow (% of GDP)	-0.4	-0.1	-3.1	-3.5	-2.8	-2.7
Fiscal balance (% of GDP)	-4.7	-0.2	-2.6	-3.7	-5.2	-2.1
Revenues (% of GDP)	25.3	26.5	26.8	28.8	27.1	26.7
Debt (% of GDP)	126.1	116.9	111.2	112.4	113.4	111.8
Primary balance (% of GDP)	-4.1	0.6	-1.7	-3.5	-4.6	-0.3
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	0.0	0.0	0.0	0.0	..	..
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	0.4	0.3	0.2	0.2	0.1	0.0
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	8.3	7.2	6.1	5.1	4.5	3.8
GHG emissions growth (mtCO2e)	-2.4	-2.5	-3.7	-4.4	-3.1	-3.3

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Fiscal year is from July 1 to June 30 of next year. Data in annual percent change unless indicated otherwise.

1/ Calculations based on SAR-POV harmonization, using 2022-BLSS. Actual data: 2022. Nowcast: 2023-2025. Forecasts are from 2026 to 2028.

2/ Projection using neutral distribution (2022) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

INDIA

Growth accelerated to 7.6 percent in FY26, driven by private consumption and investment. Poverty has continued to decline since 2011, with lower-middle-income country poverty at 16 percent in 2023. Growth is projected to moderate to 6.6 percent in FY27, due to headwinds from higher oil, gas, and fertilizer prices caused by the conflict in the Middle East. Risks to the outlook hinge on the evolution of the conflict and related energy market disruptions.

Key conditions and challenges

India aims to become a developed economy by 2047, building on two decades of progress. In the last two decades, the size of the economy quadrupled—to become the world's 5th largest—and real per capita income tripled. Growth has also become more stable and broad-based, rebounding quickly from the COVID-19 shock and averaging 7.7 percent in the post-pandemic years (FY23–FY26). Poverty declined from 58 percent in 2011 to 16 percent in 2023, lifting nearly 500 million out of poverty, and extreme poverty dropped from 27 to 2.6 percent (footnote 1/). Both rural and urban poverty declined, from 65 to 19 percent and 40 to 8.6 percent, respectively. Poverty remains concentrated; 43 percent of the poor live in the more populous states of Uttar Pradesh, Maharashtra, and Bihar. Employment is mostly in low-productivity and poor-quality jobs; only 23 percent of workers held salaried jobs as of 2023.

In recent months, India has taken important steps toward opening its economy (via free trade agreements, lower tariffs, and the removal of regulatory barriers) and liberalizing factor markets. Maintaining reform momentum will be critical to sustaining rapid growth and expanding productive job opportunities.

Population ¹ million	Poverty ² millions living on less than \$4.20/day
1463.9	232.7
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
72.0	120.5
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
3904.1	2666.9

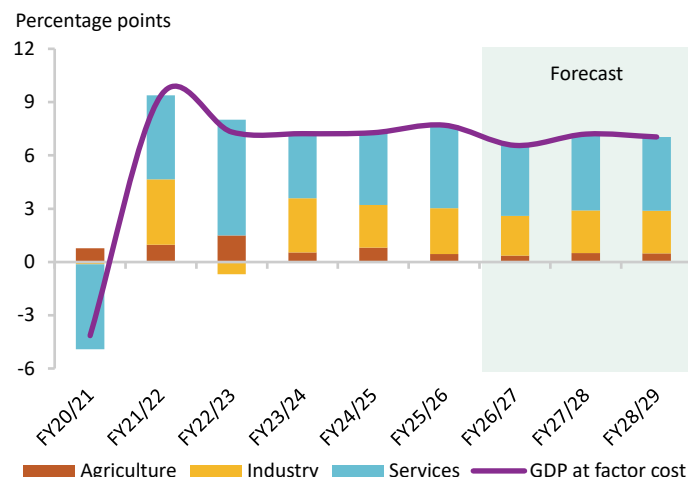
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2023 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

Recent developments

Growth is estimated to have accelerated from 7.1 percent in FY25 to 7.6 percent in FY26 (April 2025–March 2026), owing to strong domestic demand and export resilience. Private consumption growth rose, supported by low inflation and rationalization of the Goods and Services Tax (GST). Investment growth also accelerated, with higher public capital expenditure and private investment in manufacturing plants and equipment. These developments more than offset a drag from net exports. On the supply side, services drove growth, led by finance and IT, followed by manufacturing, particularly electronics and automobiles. Inflation averaged 1.9 percent in April 2025–February 2026, thanks to low food and fuel prices, allowing the Reserve Bank of India (RBI) to cut the policy rate from 6.25 percent to 5.25 percent.

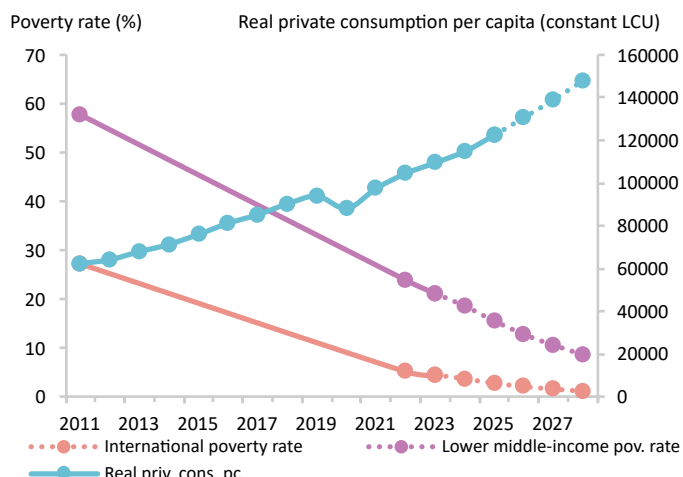
Labor market conditions improved over Q1–Q3 FY26. Unemployment declined (4.8 percent) and labor force participation increased (56 percent), with relatively stronger job creation in rural areas and among women. Nonetheless, structural labor market challenges persist, including high youth unemployment (14.8 percent) and low

FIGURE 1 / Real GDP growth and contributions to real GDP growth at factor cost



Sources: National Statistics Office (NSO) and World Bank.
Note: FY23/24 refers to the fiscal year 2023–24 (April 2023–March 2024) and so on.

FIGURE 2 / Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Notes: See footnotes in table on the next page.

female labor force participation (35.3 percent compared to the 47 percent average for middle-income countries).

The general government fiscal deficit is estimated to have narrowed to 7.4 percent of GDP in FY26, from 7.7 percent in FY25, driven by strong non-tax revenues and modest expenditure growth at the central level. However, public debt rose to 84.5 percent of GDP in FY26 due to subdued nominal GDP growth. The current account deficit is estimated to have widened to 1.0 percent of GDP in FY26 due to a larger merchandise trade deficit. Net foreign direct investment inflows rose to 0.5 percent of GDP (from 0.03 percent in FY25), reflecting increased gross inflows and flat repatriation outflows. However, net foreign portfolio investment declined to near zero as a share of GDP amid global financial-market uncertainty. Nevertheless, India's foreign reserves rose to US\$730 billion in February—thanks to higher gold valuation—providing around 11 months of import cover.

Outlook

Growth is projected to decelerate to 6.6 percent in FY27, reflecting headwinds from the Middle East conflict (based on the assumption of extended disruption of global oil and gas supply until end-2026). Although reduction in GST rates should continue to support consumer demand in the first half of FY27, elevated global energy prices are expected to put upward pressure on prices and constrain households' disposable income. Government consumption growth is expected to soften to offset higher subsidy outlays for cooking fuel and fertilizers. Investment growth is likely to moderate amid elevated uncertainty and rising input costs. Improved access to the US and EU markets for India's exports, enabled by recent

free trade agreements, will be undermined by slower growth in major trading partners. Headline inflation is expected to rise to 4.9 percent in FY27, as food prices normalize from a low base in FY26 and the partial pass-through of elevated global oil and gas prices into higher transport, food services, and imported input costs (generating a 90-basis-point increase in headline inflation relative to the pre-conflict baseline). The overall fiscal deficit is projected to widen to 7.6 percent of GDP in FY27 as increased subsidy outlays, excise duty cuts, and measures to limit inflation pass-through to consumers (0.5 percent of GDP) are only partially met by reductions in non-essential expenditures. The current account deficit is projected to widen to 1.8 percent of GDP (0.7 percent of GDP higher than the pre-conflict baseline), driven by a larger energy import bill compounded by depreciation pressures.

Poverty is projected to decline further to 8.9 percent in FY27, supported by sustained growth. The impacts of new labor codes, including measures to improve worker welfare, increase formalization, and establish a national wage floor, alongside planned changes to the rural employment guarantee program, will materialize over time.

There are substantial downside risks to the outlook. India can absorb temporary shocks from the Middle East conflict, but its reliance on energy imports and remittances from the region makes the current account, inflation, and the fiscal account vulnerable to large and sustained increases in oil prices. Fiscal risks would rise if measures to limit fuel price pass-through need to be scaled up. Elevated prices globally would eventually increase retail inflation, dampen domestic demand, raise producers' input costs, and affect household welfare. Lower remittances from the Middle East would impact remittance-dependent states.

Recent history and projections

	2023/24	2024/25e	2025/26f	2026/27f	2027/28f	2028/29
Real GDP growth, at constant market prices	7.2	7.1	7.6	6.6	7.2	7.0
Private consumption	5.8	5.8	7.7	7.0	7.6	7.2
Government consumption	0.6	6.5	6.6	6.3	7.8	7.2
Gross fixed capital investment	7.3	6.4	7.1	6.7	7.1	7.0
Exports, goods and services	0.7	6.6	6.5	6.5	7.5	8.0
Imports, goods and services	-1.0	5.3	6.4	6.7	7.5	7.4
Real GDP growth, at constant factor prices	7.2	7.3	7.7	6.5	7.2	7.0
Agriculture	2.6	4.2	2.4	2.0	3.0	3.0
Industry	10.9	8.3	8.8	7.5	8.0	7.9
Services	7.0	7.9	9.0	7.5	8.1	7.8
Employment rate (% of working-age population, 15 years+)¹	52.4	53.2	54.0	54.8	55.7	56.7
Inflation (consumer price index)	5.4	4.6	2.3	4.9	4.4	4.0
Current account balance (% of GDP)	-0.7	-0.6	-1.0	-1.8	-1.2	-0.6
Net foreign direct investment inflow (% of GDP)	0.3	0.0	0.5	0.6	0.7	0.6
Fiscal balance (% of GDP)	-7.9	-7.7	-7.4	-7.6	-7.4	-7.2
Revenues (% of GDP)	21.3	22.6	23.1	23.0	22.7	22.6
Debt (% of GDP)	85.0	84.1	84.5	84.1	82.2	80.8
Primary balance (% of GDP)	-2.7	-2.6	-2.3	-2.7	-2.7	-2.6
International poverty rate (\$3.00 in 2021 PPP)²	2.6	2.1	1.5	1.2	0.8	0.6
Lower middle-income poverty rate (\$4.20 in 2021 PPP)²	16.1	13.8	11.1	8.9	6.8	5.3
Upper middle-income poverty rate (\$8.30 in 2021 PPP)²	80.0	77.7	74.2	70.7	66.5	62.2
GHG emissions growth (mtCO2e)	5.2	2.9	3.6	2.9	3.7	3.5

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ These estimates are based on the current weekly activity status in the Periodic Labour Force Surveys, which is aligned with ILO recommendations. Since January 2025, the PLFS has been revamped to collect monthly estimates. The comparability of the series before-and post-January 2025 may be affected.

2/ Calculations based on SAR-POV harmonization, using 2023. Actual data: 2023. Nowcast: 2024-2025. Forecasts are from 2026 to 2028.

MALDIVES

The current conflict in the Middle East is expected to significantly affect Maldives, disrupting tourism and driving up import costs. In 2026, growth is projected to slow, inflation to rise, unemployment to increase slightly as service-sector earnings fall, and poverty to increase with eroding real incomes. Foreign exchange (FX) liquidity pressures are intensifying, while buffers in the form of usable reserves remain low.

Key conditions and challenges

Tourism has underpinned Maldives' rising per capita income and substantial welfare improvements and poverty reduction over the past three decades. However, fiscal and external imbalances have widened due to high public spending, an expanded state-owned enterprise (SOE) footprint, and increased reliance on non-concessional external borrowing, resulting in elevated debt distress and mounting FX liquidity pressures.

The country is still in a demographic dividend phase, but a rapidly ageing society by 2031 makes efficient and sustainable public spending critical. Overall unemployment remains low, yet women and youth face persistent labor-market barriers, reflected in a 27.7 percentage points gender employment gap in 2025Q3.

Urgent fiscal consolidation is needed to restore debt sustainability while protecting the poor and vulnerable, through better-targeted social protection programs, more efficient health and capital spending, and stronger SOE governance. Despite tourism's recovery post-pandemic, many households remain near poverty and highly exposed to inflation in an import-dependent economy.

Population ¹ thousand	Poverty ² thousands living on less than \$8.30/day
529.7	54.8
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
81.0	99.7
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
7.8	14686.3

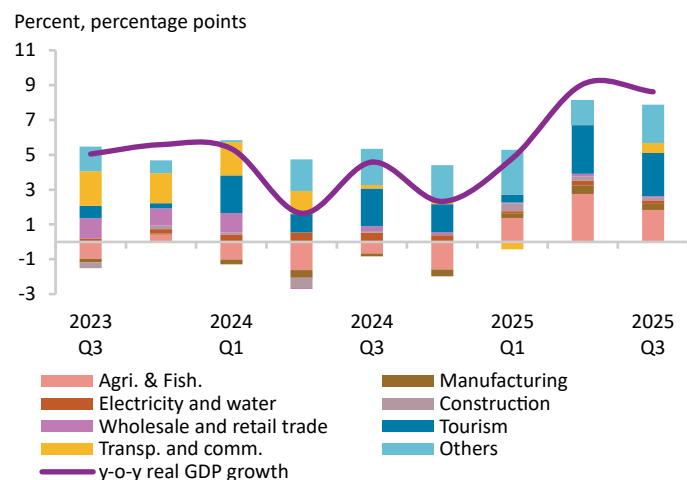
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2019 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

Recent developments

Real GDP is estimated to have grown by 5.7 percent (y-o-y) in 2025, driven by robust performance in tourism and a recovery in fisheries. Tourist arrivals increased by 9.8 percent (y-o-y) and reached a historical high of 2.25 million in 2025. Following a sharp contraction in fisheries in 2024 – due to sectoral disruptions, including the closure of a major cannery – fish exports grew strongly by 94.0 percent (y-o-y) in 2025. As a result, poverty declined by more than one percentage point in 2025 relative to 2024.

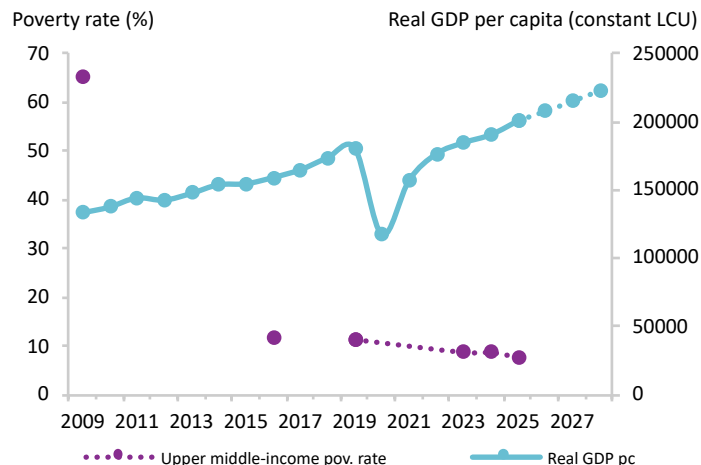
Headline inflation accelerated to 4.0 percent in 2025, driven mainly by an 80.6 percent increase in tobacco prices due to higher import duties on cigarettes, and a 4.7 percent rise in food and non-alcoholic beverage costs, linked to FX liquidity constraints. Poorer households are especially affected, as they spend over a third of their budgets on food. Social protection benefits are not effectively adjusted for inflation and remain poorly targeted, contributing to declining real non-labor incomes and inclusion and exclusion errors.

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Source: World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

The fiscal deficit is estimated to have narrowed to 4.3 percent of GDP in 2025. Reported capital expenditure fell sharply by about 35.9 percent (y-o-y), but it is difficult to ascertain whether this reflects a decline in commitments or an increase in the accumulation of arrears due to liquidity challenges. Revenues increased robustly by an estimated 12.2 percent (y-o-y) in 2025, primarily driven by tourism-related revenues.

With an increase in goods exports and a decline in imports, the trade deficit is estimated to have narrowed by 6.1 percent (y-o-y) in 2025. Official reserves increased to US\$983 million (2.3 months of imports) by end-2025 from a low of US\$371 million (0.8 months of imports) in September 2024, supported by a US\$400 million currency swap, rollover of some maturing loans, new FX regulations for resorts, and a narrowing trade deficit. In the meantime, FX liquidity constraints remain pressing and there was a reported significant increase in the parallel market exchange rate for US dollars. Despite the recovery in official reserves, estimated usable reserves remain significantly lower.

Outlook

The current conflict in the Middle East is expected to weigh heavily on Maldives' outlook through tourism disruptions, higher fuel prices, and tighter financing. Tourism revenue is projected to fall in 2026 amid fewer arrivals and shorter stays, limiting real GDP growth to 0.7 percent before a rebound in 2027–28. Inflation is expected to rise to 6 percent in 2026, reflecting higher global commodity prices, and remain above 4 percent through 2028 due to intensified FX constraints and demand pressures for food and essential goods.

Unemployment is projected to increase slightly, with service sector workers earning less due to reduced hours worked. Inflation will further erode real incomes, pushing the poverty rate from 7.7 percent in 2025 to 7.9 percent in 2026 and increasing vulnerability, particularly in atolls, where 93 percent of the poor live and access to infrastructure and markets is limited.

The fiscal deficit is projected at 11 percent of GDP in 2026, driven by weaker tourism revenues and higher subsidies, and to remain elevated at around 9.5 percent of GDP in 2027–28 without major fiscal reforms. Heightened global oil prices are projected to drive up import costs leading to a widening of the current account deficit to about 21.3 percent of GDP in 2026, before slight moderation in 2027–28. Debt servicing obligations are estimated at US\$1.5 billion in 2026, including a Sukuk bullet repayment of US\$500 million due in April, while the official reserves, including the Sovereign Development Fund, are estimated at US\$1.0 billion as of January 2026. Public debt is projected to exceed 140 percent of GDP in the medium term, reflecting rising fiscal deficits, increased borrowing costs, and slowing growth.

Maldives faces significant downside risks. Key domestic risks stem from large upcoming debt repayments and FX liquidity pressures, while external risks reflect prolonged conflict-related shocks to tourism, supply chains, and import costs. Fiscal consolidation and a credible debt financing strategy remain top priorities to address imbalances and mitigate risks. If left unaddressed, these risks could translate into weaker growth, fewer jobs, and constrained access to essential goods, heightening poverty and food insecurity.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices¹	4.9	3.5	5.7	0.7	7.2	4.0
Real GDP growth, at constant factor prices	4.8	3.8	5.9	0.7	7.2	4.0
Agriculture	3.2	-25.9	39.5	3.6	3.7	3.4
Industry	3.2	0.8	7.0	2.3	3.1	3.8
Services	5.1	6.0	4.3	0.4	7.9	4.1
Inflation (consumer price index)	2.9	1.4	4.0	6.0	4.3	4.1
Current account balance (% of GDP)	-24.2	-21.2	-7.4	-21.3	-16.3	-16.6
Net foreign direct investment inflow (% of GDP)	11.6	11.4	10.9	10.8	10.6	10.6
Fiscal balance (% of GDP)	-10.5	-9.9	-4.3	-11.0	-9.4	-9.6
Revenues (% of GDP)	33.5	32.3	32.9	30.4	29.7	28.8
Debt (% of GDP)	123.6	133.4	129.2	137.3	139.8	142.5
Primary balance (% of GDP)²	-6.4	-5.6	-0.2	-4.2	-2.8	-2.6
Upper middle-income poverty rate (\$8.30 in 2021 PPP)³	8.7	8.9	7.7	7.9	..	..
GHG emissions growth (mtCO2e)	8.4	8.4	8.0	7.5	7.3	7.2

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise. The fiscal projections do not include arrears, which might be significant.

1/ This MPO was prepared based on published data available on or before March 10, 2026.

2/ The primary balance excludes interest payments received.

3/ Calculations based on SAR-POV harmonization, using 2019-HIES. Actual data: 2019. Nowcast: 2020–2025. Forecasts are from 2026 to 2028. The 2024–2026 poverty estimation uses growth rates produced by the World Bank microsimulation model, anchored to the 2023 poverty rate. Poverty rates for Maldives are reported relative to the international poverty lines based on 2021 PPPs.

NEPAL

Growth is projected to decelerate to 2.3 percent in FY26 from 4.6 percent in FY25, driven by service sector disruptions linked to the September 2025 unrest, the impact of the current conflict in the Middle East, and slower agricultural growth. Poverty reduction is expected to slow down due to weaker remittances, with many households remaining vulnerable. Medium-term recovery depends on the pace of reforms and reconstruction.

Key conditions and challenges

Youth-led anti-corruption protests in September 2025 escalated into widespread unrest, leading to the prime minister's resignation and the dissolution of the House of Representatives (HoR). The disturbances caused human and economic losses estimated at 1.3 percent of GDP. Under an interim government, snap HoR elections on March 5, 2026, resulted in a single-party majority government.

Structural constraints, including governance, a challenging business environment, inconsistent tax policy, and inadequate infrastructure have hindered private sector development. Consequently, growth averaged 4.3 percent during FY12–25, lagging regional peers and failing to generate sufficient jobs. With youth unemployment rate at 22.7 percent in FY23, migration is a dominant livelihood strategy. Remittances—averaging 23.3 percent of GDP—remained a critical stabilizer; without them, an estimated 2.6 million additional people would fall below the poverty line. However, persistent spatial inequalities continue to shape welfare outcomes.

Addressing these constraints requires effective implementation of reforms across several areas, including increasing

Population ¹ million	29.6	Poverty ² millions living on less than \$4.20/day	2.7
Life expectancy at birth ³ years	70.4	School enrollment ⁴ primary (% gross)	124.6
GDP ⁵ current US\$, billion	44.8	GDP per capita ⁶ current US\$	1512.9

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

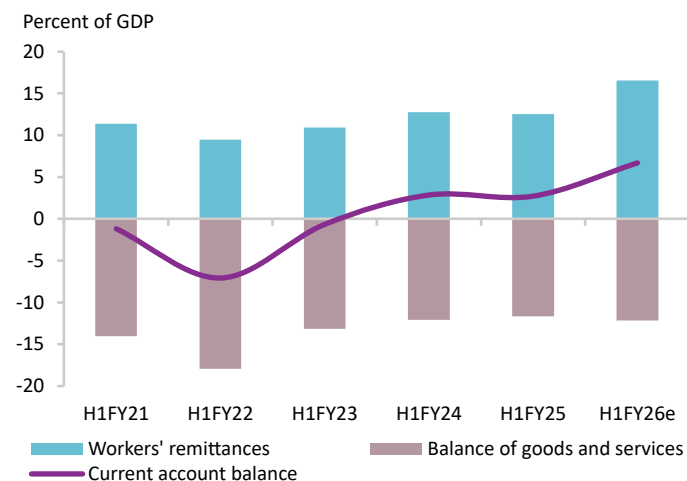
policy predictability, simplifying tax policy and administration, relaxing capital account restrictions, reducing corruption and red tape, and accelerating infrastructure investment.

Recent developments

Growth slowed in H1FY26 due to disruptions from the September unrest and weaker agricultural performance. Heightened uncertainty contributed to an 18 percent year-on-year drop in tourist arrivals in September 2025, which later recovered to 4.0 percent in H1FY26 from 3.6 percent in H1FY25. Unfavourable weather disrupted main-season paddy production, slowing agricultural growth. Real estate transactions fell 7.7 percent, weighing on the construction sector. Hydroelectric capacity increased, with over 350 megawatt added to the grid.

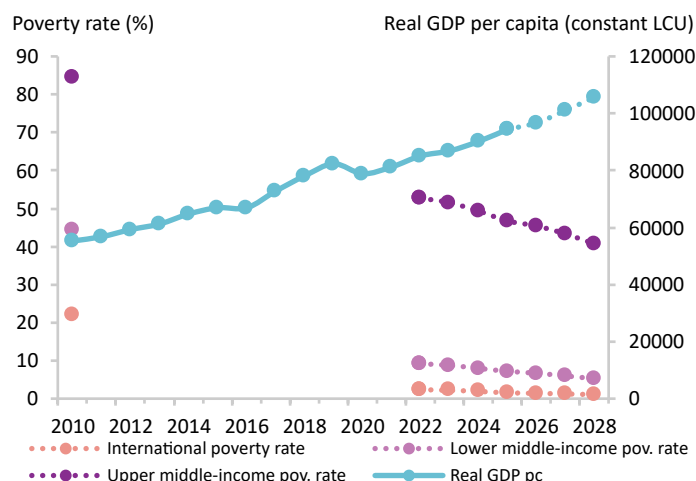
Average headline inflation declined from 5 percent in H1FY25 to 1.7 percent in H1FY26, driven by lower food prices, potentially mitigating adverse impacts on vulnerable households. Monetary policy remained cautiously accommodative with two policy rate cuts in H1FY26 lowering the rate to 4.25 percent. Despite record-low lending rates, private sector credit growth slowed to a three-year low

FIGURE 1 / The current account surplus widened to a record high in H1FY26



Sources: National Statistics Office, Nepal Rastra Bank, and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

of 4 percent and the non-performing loan (NPL) ratio exceeded 5 percent, reflecting the slowdown in the real economy.

The current account surplus (CAS) increased from 2.7 percent of GDP in H1FY25 to 6.7 percent in H1FY26, supported by strong remittances offsetting a widening trade deficit driven by higher merchandise imports. Crude soybean oil imports rose sharply but were largely offset by increased exports of refined soybean oil to India.

The fiscal balance shifted from near balance in H1FY25 to a deficit of 0.3 percent of GDP in H1FY26, due to lower non-trade taxes and non-tax revenues. Total expenditure remained broadly unchanged, as a 0.2 percentage point GDP increase in current spending—partly from interest subsidies and higher allowances—was largely offset by low capital spending, with only 12.1 percent executed in H1FY26.

Outlook

The conflict in the Middle East is expected to affect Nepal's economy through higher commodity prices, subdued remittances, lower tourist arrivals, and less investment. Nepal imports all petroleum products from India and more than half of its fertilizers from the Middle East. Over 70 percent of Nepal's migrant workers are in the region, contributing nearly 40 percent of remittances.

Reflecting the conflict and September unrest, growth is projected to moderate to 2.3 percent in FY26. Services growth is expected to moderate due to subdued tourist arrivals and restricted credit growth. Industrial growth is expected to decelerate amid weak investor sentiment and higher input costs. Agricultural growth is projected to slow, driven by a drop in paddy production. Growth is projected to average 4.4 percent over FY27–28, driven by

reconstruction, continued hydropower expansion, and a consumption boost from the 2027 subnational elections.

Inflation is expected to average 4.7 percent in FY26–27, reflecting higher import and fuel prices, before easing to 4.2 percent in FY28 as global commodity prices moderate. Despite the conflict's impact on imports and remittances, robust remittance growth in FY26 to date is expected to widen FY26's CAS, although growth may slow later as migrant outflows decline.

The conflict in the Middle East is projected to have modest but non-negligible effects on poverty. Poverty at the US\$4.2/day line is expected to reach 6.6 percent in 2026 under the conflict scenario, compared to 6.5 percent pre-conflict, before remaining unchanged in 2027 (5.9 percent) and 2028 (5.2 percent). These effects reflect slower growth, higher inflation that erodes real incomes—particularly for poorer households—and a sharp decline in remittance inflows, especially affecting remittance-dependent rural areas. Additional pressures stem from the suspension of overseas labor permits issuance and limited, weakly responsive social assistance, constraining the government's ability to protect vulnerable households and potentially widening inequalities.

The fiscal deficit is projected to widen marginally in FY26, reflecting election-related spending and lower revenues, but expected to narrow as growth recovers. Public debt is expected to rise slightly in FY26, before declining over FY27–28 in line with lower deficit.

Rising NPLs, recurring floods and landslides, Financial Action Task Force (FATF) Grey-Listing, and uncertainty from the conflict in the Middle East tilt risks downward. On the upside, a majority government and sustained structural reforms could strengthen investor sentiment, supporting stronger growth recovery.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	2.0	3.7	4.6	2.3	4.2	4.6
Private consumption	0.7	1.1	1.8	3.4	3.1	3.0
Government consumption	-21.2	13.3	-0.4	9.6	9.2	5.4
Gross fixed capital investment	-15.8	2.0	1.5	1.0	9.3	10.6
Exports, goods and services	4.3	11.8	20.7	9.3	8.1	12.1
Imports, goods and services	-18.8	-2.5	6.3	6.5	7.4	7.9
Real GDP growth, at constant factor prices	2.3	3.4	4.0	2.3	4.2	4.6
Agriculture	3.0	3.4	3.3	2.4	2.8	3.0
Industry	1.3	0.1	4.5	3.6	6.5	7.9
Services	2.2	4.4	4.2	1.9	4.3	4.4
Employment rate (% of working-age population, 15 years+)	35.6	35.5	35.5	35.5	35.5	35.5
Inflation (consumer price index)	7.7	5.4	4.1	4.3	5.1	4.2
Current account balance (% of GDP)	-0.9	3.9	6.7	8.5	7.8	7.2
Net foreign direct investment inflow (% of GDP)	0.1	0.1	0.1	0.1	0.1	0.1
Fiscal balance (% of GDP)	-5.8	-2.5	-1.6	-1.9	-1.5	-1.0
Revenues (% of GDP)	19.3	19.4	20.1	19.4	19.8	20.3
Debt (% of GDP)	42.8	42.7	43.8	45.5	44.3	42.8
Primary balance (% of GDP)	-4.6	-1.2	-0.5	-0.5	-0.1	0.4
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	2.3	2.0	1.5	1.4	1.2	1.0
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	8.7	7.9	7.1	6.6	5.9	5.2
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	51.5	49.4	46.7	45.4	43.5	40.8
GHG emissions growth (mtCO₂e)	-0.1	2.9	2.9	2.7	3.1	2.3

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on SAR-POV harmonization, using 2022-LSS-IV. Actual data: 2022. Nowcast: 2023-2025. Forecasts are from 2026 to 2028.

2/ Projection using neutral distribution (2022) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

SRI LANKA

The economic recovery has been strong, with key sectors resilient to Cyclone Ditwah. However, households remain vulnerable, with real wages and employment below pre-crisis levels. Medium-term growth and poverty reduction hinge on continued macro stability amid external shocks such as the conflict in the Middle East, implementation of growth-enhancing structural reforms, and the pace and scale of government post-cyclone reconstruction efforts.

Key conditions and challenges

The Sri Lankan economy started recovering in 2024, with growth picking up to 5 percent (year-on-year, y-o-y), after the severe economic crisis in 2022. This also contributed to a notable improvement in macro-fiscal conditions with inflation stabilizing, gross usable reserves rising to US\$4.7 billion (3 months of imports) and public and publicly guaranteed debt trending downwards but remaining elevated at 103.2 percent of GDP. The recovery was supported by the implementation of cost-reflective energy pricing, market-determined exchange rate, and phasing out of monetary financing. In contrast, socio-economic indicators have continued to worsen: poverty is double its 2019 levels, malnutrition and stunting have increased, and the labor market recovery remains incomplete. Despite the strong recovery, Sri Lanka continues to face structural challenges to growth, including an inward-oriented economy, weak investment climate and inefficient factor markets, and low productivity.

Recent developments

In late 2025, Sri Lanka was struck by Cyclone Ditwah, resulting in 646 fatalities and physical damages of 1.8 percent of GDP. Despite

Population ¹ million	22.0	Poverty ² millions living on less than \$4.20/day	2.5
Life expectancy at birth ³ years	77.5	School enrollment ⁴ primary (% gross)	91.5
GDP ⁵ current US\$, billion	108.8	GDP per capita ⁶ current US\$	4940.4

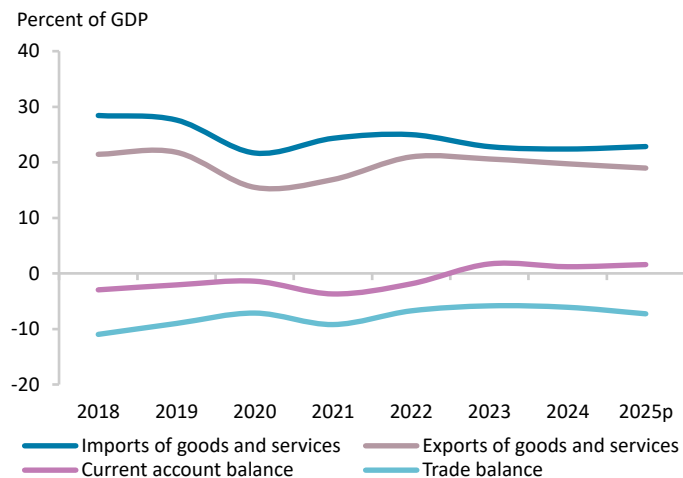
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2019 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

this, real GDP expanded by 5 percent in 2025 (y-o-y), supported by a broad-based industrial rebound and steady growth in financial and tourism-related services.

Headline inflation turned positive in August 2025 after eleven months and increased gradually thereafter (1.6 percent, y-o-y, February 2026). With subdued inflation, monetary policy remained accommodative. The overnight policy rate was reduced by 25 basis points to 7.75 percent in May 2025. With surplus domestic liquidity, commercial lending rates declined and private sector credit growth increased sharply (26.3 percent, y-o-y, January 2026). Benign inflation, increased wages, and high private sector credit growth supported the continued recovery in private consumption.

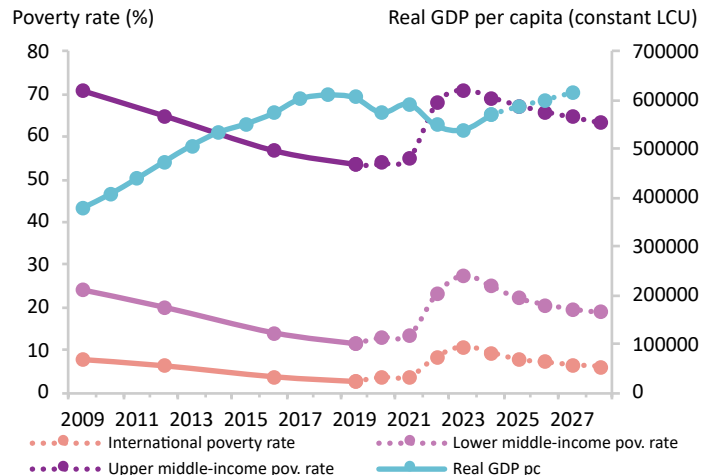
The current account surplus increased to US\$1.7 billion in 2025, anchored by robust tourism and remittances. However, the merchandise trade deficit widened as imports—driven by motor vehicles and general consumer goods—outpaced exports, which have remained resilient amid heightened global uncertainties. Despite government measures to ration fuel and introduce additional public holidays, the recent Middle East conflict could further widen the trade deficit. High import demand, slower foreign exchange purchases by the central bank, and high debt service payments,

FIGURE 1 / External sector performance



Sources: Central Bank of Sri Lanka, Department of Census and Statistics, and World Bank. Note: 2025 values are provisional.

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



Source: World Bank. Notes: See footnotes in table on the next page.

resulted in a slower reserve accumulation. Official usable reserves reached US\$5.4 billion by end-2025 (3 months import cover) and the rupee depreciated 6 percent against the US dollar.

Fiscal buffers strengthened in 2025, supported by revenues from motor vehicle imports and increased consumption, and capital budget under-execution. The primary surplus is estimated to be 5.4 percent of GDP in 2025, well above the budget target of 2.3 percent. External debt restructuring, including of SriLankan Airlines debt, is nearly complete as of March 2026.

Following multiple shocks, household welfare recovery remains uneven and slow, with 32.8 percent of households experiencing moderate or severe food insecurity in 2025. Real wages in the public and private sectors and the labor force participation rate, particularly in urban areas, are below pre-crisis levels. Further, lagging regions in the northern and eastern provinces and interior hill country, where poverty and food insecurity levels exceed the national average, were among the hardest hit by the cyclone, reinforcing the economy's spatial inequities.

Outlook

In 2026, growth is expected to slow to 3.6 percent (y-o-y), driven by investment and supported by post-cyclone reconstruction activity. Poverty is projected to decline to 20.1 percent (US\$4.20 per person per day, PPP) in 2026 but the pace of

poverty reduction is expected to slow. The conflict in the Middle East has contributed to the worsened growth and poverty outlook, due to reduced agricultural incomes, disruptions in supply of critical inputs, dampened construction activity, lower global growth, and higher inflation. Higher commodity prices are expected to increase inflation above the central bank target in 2026 and result in a small current account deficit.

Despite additional budgetary spending on reconstruction, robust indirect revenue collection and prudently managed expenditure is expected to drive a primary surplus. The persistence of the primary surplus remains contingent on the resolution of the conflict in the Middle East, and on the timing, scale, and sequencing of the government's reconstruction program. Careful prioritization and phasing of reconstruction investment in line with absorptive capacity is critical to manage undue fiscal and external stress.

Downside risks remain high. Prolonged conflict in the Middle East and trade uncertainty will weigh heavily on export demand and deter investments, while continued reliance on trade taxes could hinder export competitiveness. Further shocks to livelihoods could slow poverty reduction as household resilience remains limited.

On the policy front, monetary policy needs to remain agile to manage the impact of commodity price shocks on inflation, while the flexible exchange rate can help absorb external volatility. Implementing structural reforms remains critical to improving the economy's long-term growth prospects.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices¹	-2.0	5.0	5.0	3.6	3.8	3.9
Private consumption	-1.9	4.0	4.7	3.9	4.2	4.4
Government consumption	-5.4	-1.8	0.5	1.7	0.2	-1.9
Gross fixed capital investment	-7.4	19.1	13.6	6.7	4.0	3.7
Exports, goods and services	13.2	12.5	5.4	4.1	4.9	5.2
Imports, goods and services	8.9	22.5	11.2	7.3	4.5	3.8
Real GDP growth, at constant factor prices	-2.3	4.6	4.4	3.6	3.8	3.9
Agriculture	0.1	0.6	1.4	0.8	1.1	1.3
Industry	-9.2	11.1	7.8	5.2	5.8	6.1
Services	0.5	2.4	3.3	3.1	3.2	3.2
Employment rate (% of working-age population, 15 years+)	46.8	47.3	47.3	47.3	47.3	47.3
Inflation (consumer price index)	17.4	1.2	-0.5	5.4	4.4	4.1
Current account balance (% of GDP)	1.7	1.2	1.6	-0.3	0.5	0.6
Net foreign direct investment inflow (% of GDP)	0.8	0.7	0.9	0.6	0.7	0.7
Fiscal balance (% of GDP)	-8.3	-6.8	-2.3	-2.9	-1.9	-1.6
Revenues (% of GDP)	11.2	13.6	16.7	16.6	16.7	16.7
Debt (% of GDP)²	104.2	95.4	95.0	88.0	83.9	79.8
Primary balance (% of GDP)³	0.6	2.2	5.4	3.9	4.2	4.3
International poverty rate (\$3.00 in 2021 PPP)⁴	10.8	9.3	7.9	6.9	6.5	6.2
Lower middle-income poverty rate (\$4.20 in 2021 PPP)⁴	27.6	25.0	22.1	20.1	19.5	18.9
Upper middle-income poverty rate (\$8.30 in 2021 PPP)⁴	71.1	69.3	66.7	65.4	64.5	63.4
GHG emissions growth (mtCO2e)	-3.8	4.4	6.3	6.9	7.0	5.9

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Components of GDP by expenditure for 2023-2025 are estimates, as the data published on March 17, 2026, by authorities only included GDP by production.

2/ The series uses central government debt figures.

3/ The primary balance excludes interest payments received.

4/ Calculations based on SAR-POV harmonization, using 2019-HIES. Actual data: 2019. Nowcast: 2020-2025. Forecasts are from 2026 to 2028.

Angola
Benin
Botswana
Burkina Faso
Burundi
Cabo Verde
Cameroon
Central African Republic
Chad
Comoros
Congo, Democratic Rep.
Congo, Republic
Côte d'Ivoire
Equatorial Guinea
Eritrea
Eswatini

Ethiopia
Gabon
Gambia, The
Ghana
Guinea
Guinea-Bissau
Kenya
Lesotho
Liberia
Madagascar
Malawi
Mali
Mauritania
Mauritius
Mozambique
Namibia

Niger
Nigeria
Rwanda
São Tomé and Príncipe
Senegal
Seychelles
Sierra Leone
Somalia
South Africa
South Sudan
Sudan
Tanzania
Togo
Uganda
Zambia
Zimbabwe

Sub-Saharan Africa

ANGOLA

Growth weakened in 2025, hampered by oil-sector constraints. Inflation eased and the exchange rate remained stable, allowing monetary policy easing. Job creation remained limited. External and fiscal balances weakened. Medium-term growth is expected to rely on non-oil sectors but poverty reduction is likely to be limited. In the short term, Angola would benefit from higher global oil prices but oil dependence and slow reform implementation remain a risk.

Key conditions and challenges

Angola has substantial economic and human capital potential, supported by abundant natural resources, a young population, fertile agricultural land, and a strategic Atlantic coastline. Beyond oil and diamonds, the country holds significant deposits of critical minerals and has scope to expand agriculture and regional trade, notably through the development of the Lobito corridor. However, the economy remains dependent on oil, which accounts for one-fifth of GDP, 60 percent of fiscal revenue, and more than 95 percent of exports.

The oil-led growth model has remained weak and volatile and has failed to create jobs and reduce poverty. Poverty and inequality remain high, human capital outcomes are weak, and chronic malnutrition affects 40 percent of children under 5. Labor force participation is high but about 80 percent of employment is informal and unemployment is high. Limited economic diversification reflects structural bottlenecks, including infrastructure gaps and low educational attainment. Weak governance and regulatory constraints hinder private investment and productivity growth.

Population ¹ million	39.0	Poverty ² millions living on less than \$3.00/day	12.3
Life expectancy at birth ³ years	64.6	School enrollment ⁴ primary (% gross)	86.7
GDP ⁵ current US\$, billion	141.7	GDP per capita ⁶ current US\$	3630.3

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2018 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

Accelerating structural reforms to strengthen macroeconomic stability, improve the business climate, and invest in people and infrastructure is critical to unlock non-oil GDP growth. Initiatives such as the Lobito Corridor could support diversification and regional integration.

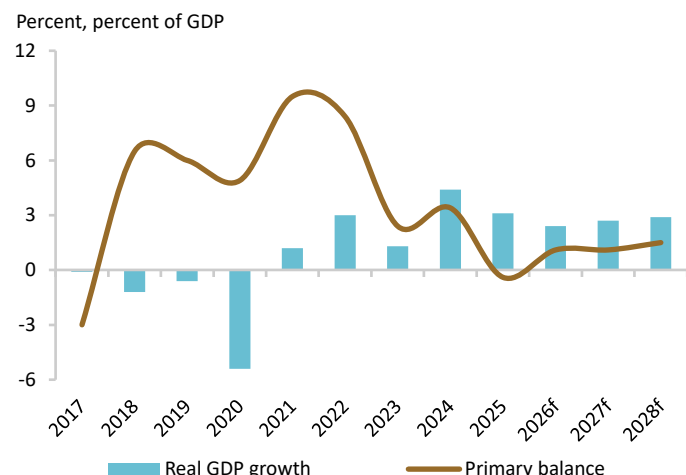
Recent developments

Real GDP grew by 3.1 percent year-on-year in 2025, down from 4.4 percent in 2024, supported by services, non-oil industry, and agriculture, while oil production declined, amid declining production, mainly in maturing fields, and subdued global prices.

The unemployment rate declined from 30.8 percent in Q3-2024 to 26.9 percent in Q3-2025. The international poverty rate (US\$3.0 per day, 2021 PPP) is projected to have remained broadly unchanged at 42.3 percent in 2025, reflecting subdued economic growth that trails population growth and limited job creation.

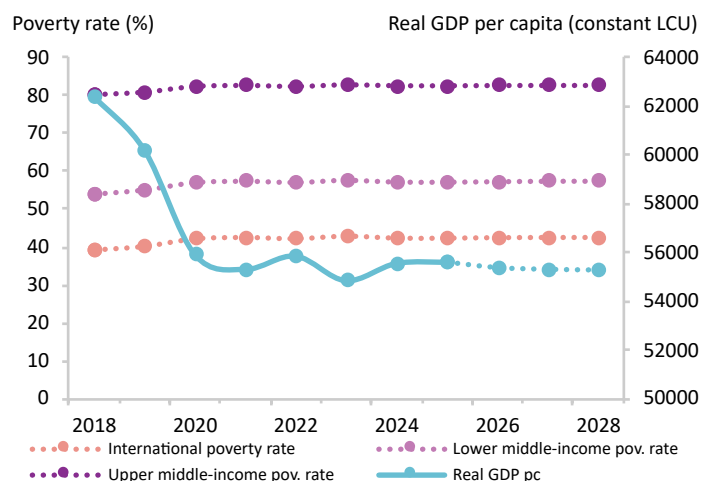
Inflation moderated to 15.7 percent by end-2025, reflecting slower food price growth and a stable exchange rate, which helped

FIGURE 1 / Real GDP growth and primary fiscal balance



Sources: Ministry of Finance and Statistics Institute.

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



Source: World Bank. Notes: See footnotes in table on the next page.

contain earlier cost pressures from fuel price, water and electricity tariff adjustments. Monetary policy was eased, with the central bank lowering the policy rate by 200 basis points since September 2025 to 17.5 percent in January 2026.

The current account surplus declined to 0.4 percent of GDP in 2025, from 5.5 percent of GDP in 2024, driven by lower oil exports, and higher goods imports. Gross international reserves increased slightly to US\$15.9 billion in December 2025, equivalent to about 8.2 months of imports.

2025 fiscal balances were weaker than budgeted with revenue lower than budget forecasts by 0.5 percent of GDP and expenditure higher by 2.3 percent of GDP, driven by higher subsidies, spending on goods and services and investment. The overall fiscal deficit increased to 4.1 percent of GDP. Public debt is estimated at 52.3 percent of GDP in 2025.

Outlook

Growth is projected to remain subdued at 2.4 percent in 2026, amid global uncertainty and as oil production remains constrained. Over the medium term, growth is expected to average around 3.0 percent, supported by agriculture, mining, the development of the Lobito Corridor and linked opportunities for diversification and regional integration, and the gradual implementation of structural reforms. Rapid population growth and limited job creation will continue to keep GDP per capita flat and constrain improvements in living standards. Poverty rate at the international poverty line is projected to remain higher than would be expected for a country at Angola's income level—with the poverty rate at 42.4 percent by

2028, highlighting the need for strengthened social protection and higher investment in human capital, and faster, job rich growth.

Monetary policy is expected to gradually ease as inflationary pressures subside. Inflation is projected to moderate, averaging 13.0 percent in 2026–28.

The current account surplus is projected to reach 1.2 percent of GDP in 2026 and 0.5 percent in 2028, reflecting declining oil exports. Gross international reserves are expected to remain at comfortable levels, above seven months of imports, although elevated external debt service will continue to exert pressure on foreign exchange liquidity.

In 2026, based on the latest developments in the Middle East, revenue would be higher than in the 2026 budget, which would help mitigate spending pressures. Over the medium term, fiscal pressures are expected to remain contained. The fiscal deficit is projected to stabilize at about 2.8 percent of GDP by 2028, while public debt is expected to decline to 49.7 percent of GDP, supported by prudent budgets and continued reform efforts.

Risks remain significant, including the global impact of the conflict in the Middle East, oil price volatility, tighter global financial conditions, and delays in macroeconomic and structural reforms. Persistently higher global oil prices would translate into higher fiscal revenue and exports. But a rise in risk aversion could affect Angola's borrowing strategy. Higher global food prices could also raise inflation, disproportionately affecting the poorest households. Inadequate communication and mitigation of the social impact of subsidy reforms could increase social tensions. The upcoming political cycle could pose risks to fiscal discipline.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	1.3	4.4	3.1	2.4	2.7	2.9
Real GDP growth, at constant factor prices	1.0	5.0	3.1	2.4	2.7	2.9
Agriculture	2.7	4.7	2.4	3.4	3.4	3.5
Industry	-0.2	5.6	-2.9	-1.0	1.4	1.8
Services	1.7	4.6	8.5	4.7	3.5	3.6
Inflation (consumer price index)	13.6	28.2	20.2	14.9	12.5	11.5
Current account balance (% of GDP)	3.8	5.5	0.4	1.2	0.4	0.5
Net foreign direct investment inflow (% of GDP)	-1.9	-1.0	-0.7	-1.2	-1.0	-1.0
Fiscal balance (% of GDP)	-2.5	-1.3	-4.1	-3.2	-3.3	-2.8
Revenues (% of GDP)	20.7	18.7	14.8	16.0	14.2	14.3
Debt (% of GDP)	70.6	59.3	52.3	50.1	49.1	49.7
Primary balance (% of GDP)	2.4	3.4	-0.4	1.1	1.1	1.5
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	42.8	42.3	42.3	42.4	42.4	42.4
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	57.7	57.2	57.1	57.2	57.3	57.3
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	82.8	82.5	82.5	82.5	82.6	82.6
GHG emissions growth (mtCO₂e)	0.2	-0.3	-1.4	-1.2	2.9	-0.8

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2018-IDREA. Projection using neutral distribution (2018) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

2/ Actual data: 2018. Nowcast: 2019–2025. Forecasts are from 2026 to 2028.

BENIN

GDP growth accelerated to 8.1 percent in 2025, driven by services and industry, and is projected to moderate to 7.1 percent in 2026–28. Inflation eased to 1.1 percent but will rise due to rising global fuel prices. Poverty continues to decline but remains high at 40.1 percent. Fiscal consolidation reduced the deficit to 2.9 percent of GDP and public debt declined to 56.8 percent. Key downside risks include the Middle East conflict, insecurity, climate shocks, and political risks.

Key conditions and challenges

Benin achieved lower-middle-income status in 2020 and has since successfully navigated multiple shocks, including global uncertainties and regional insecurity, to maintain solid growth of 6.8 percent in 2021–24. However, poverty remains high at the lower-middle-income poverty line, with a poverty rate of 42.7 percent in 2024. The modest transmission from GDP to poverty reduction reflects low labor productivity and limited creation of quality jobs, as workers shifted from agriculture to informal low-productivity services. The labor structure remains characterized by a low share of wage jobs, 18.7 percent of total employment in 2020–24, while self-employment remains high at 80.2 percent and only 6 percent of youth holding wage jobs in 2024. Female labor force participation stands at 76.4 percent, only 2 percentage points (ppt) below men. Firm-level productivity and job creation lag peer countries, hindered by gaps in infrastructure, human capital, and technology adoption.

Fiscal space has improved due to increased domestic revenue mobilization and contained expenditures. Debt carrying capacity has strengthened, and overall debt sustainability remains at a moderate risk of distress, though the space to absorb shocks has

Population ¹ million	Poverty ² millions living on less than \$4.20/day
14.8	6.7
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
60.8	108.0
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
24.6	1659.8

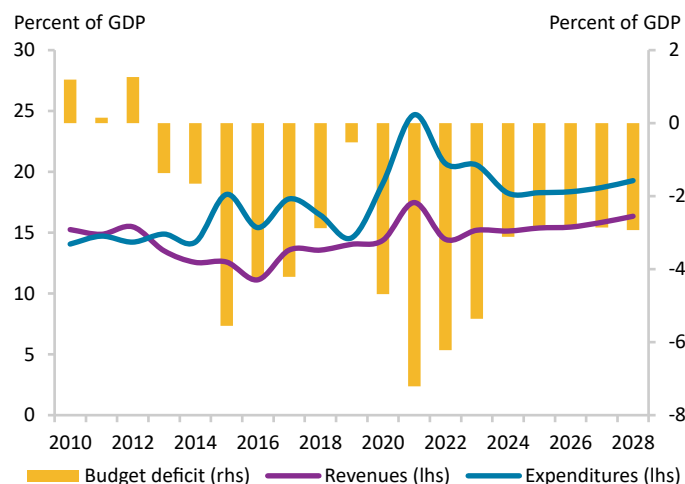
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2025. 6/ 2025.

deteriorated and the share of external debt is high. Achieving the Alafia 2060 Vision will require sustaining sound macroeconomic performance, accelerating structural reforms, and strengthening foundational infrastructure to meet the needs of productive sectors and reverse current labor market dynamics.

Recent developments

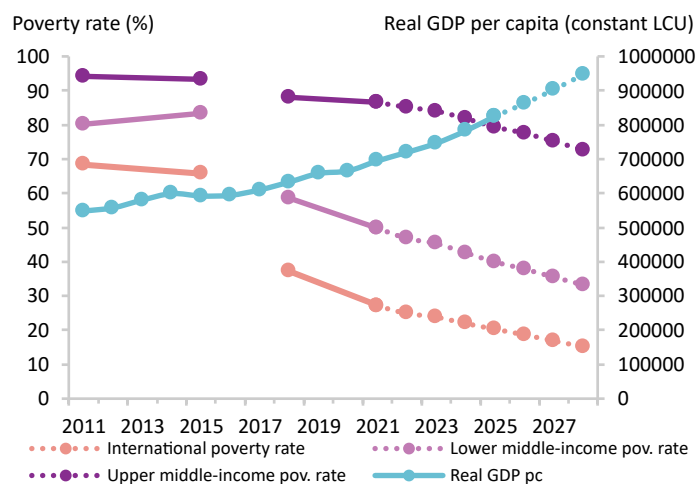
In 2025, growth reached 8.1 percent, up from 7.5 percent in 2024, driven by services and industry. Services activity rose by 8.7 percent, led by trade and transport, contributing 4.1 ppt to overall growth. The rebound reflects the resumption of port activity, with merchandise volumes up 69.9 percent year-over-year (yoy) in Q3 2025, supported by the modernization of the Port of Cotonou, new regional trade routes and rising export volumes. Construction strengthened along with manufacturing, lifting the secondary sector contribution to 1.7 ppt. Agriculture grew by 6 percent, consistent with export-crop diversification and modernization efforts. Large-firm employment grew by 4.9 percent yoy in Q3 2025 led by gains in services and industry. Growth in sectors employing less well-off households, including agriculture and services, supported a reduction in the lower-middle-income poverty

FIGURE 1 / Fiscal conditions



Source: World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

(US\$4.2 in 2021 PPP) rate by 2.6 ppt to 40.1 percent in 2025. On the demand side, private consumption and investment remained the main drivers of growth.

Although food inflation increased to 3.4 percent in 2025 (from 0.8 percent in 2024), headline inflation fell to 1.1 percent, driven by deflation in restaurants, utilities, and communication services. The West African Economic and Monetary Union (WAEMU) inflation rate declined to 0.2 percent in 2025 from 3.5 percent in 2024, driven by lower food prices. Regional foreign reserves increased to 6.1 months of imports. After maintaining its monetary policy stance unchanged since June 2025, the Central Bank of West African States (BCEAO) reduced its key policy rates in March 2026 by 25 basis points. This lowered the liquidity call rate and the marginal lending facility rate to 3 percent and 5 percent, respectively.

The fiscal deficit fell to 2.9 percent of GDP as revenue rose by 0.4 ppt to 15.5 percent of GDP, outpacing expenditure growth. Public debt declined to 56.8 percent of GDP, but the share of external debt rose to 85.3 percent in 2025. The current account deficit (CAD) narrowed to 5.7 percent of GDP due to lower imports of equipment and services, and was primarily financed by project loans, commercial loans, and foreign direct investment (FDI).

Outlook

The Middle East conflict is expected to push inflation up to 1.7 percent in 2026, before declining in 2027–28, while having a

limited impact on growth. Growth is projected to slow down to 7.0 percent in 2026 before picking up to 7.3 percent by 2028, driven by lower private consumption and investment in 2026 before recovering in 2027–28. Exports are projected to increase, driven by the development of industrial zones and the resumption of oil production. Services will remain the primary growth driver benefiting from trade and transport. The secondary sector is projected to continue growing rapidly, driven by construction, manufacturing, and extractives. Agriculture is projected to grow by 6.1 percent, supported by increased access to inputs and equipment. Regional inflation is expected to remain in line with the 1–3 percent WAEMU target band from 2026 onward. Foreign reserves are projected to average 5.9 months of imports during 2026–28. Poverty reduction is expected to continue, falling to 33.1 percent by 2028, driven by robust growth and moderate inflation.

The fiscal deficit is projected to hover around the 3 percent of GDP WAEMU target, as expenditure increases are aligned with tax revenue performance. Public debt is expected to decline to 53.2 percent of GDP by 2028.

The CAD is projected to narrow to 5.2 percent of GDP in 2026 despite increased costs of energy imports, thanks to the decline in infra-related equipment and services and will remain stable. The CAD is financed by project loans, FDI, and external bonds, including the US\$850 million bond issuance in January 2026. The outlook is subject to downside risks, including insecurity in the north, climate shocks, Middle East conflict, and political risks.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	6.4	7.5	8.1	7.0	7.2	7.3
Private consumption	6.0	5.0	5.2	5.0	4.6	4.9
Government consumption	0.5	1.1	15.1	2.6	7.1	4.7
Gross fixed capital investment	15.8	10.6	11.4	9.1	11.2	11.5
Exports, goods and services	4.3	4.4	6.3	9.1	8.9	9.8
Imports, goods and services	10.4	-0.8	5.4	4.3	6.9	7.8
Real GDP growth, at constant factor prices	6.3	7.5	8.1	7.0	7.2	7.3
Agriculture	5.1	5.9	6.0	6.1	6.2	6.2
Industry	7.3	9.7	9.7	9.4	9.6	9.5
Services	6.6	7.5	8.7	6.6	6.8	7.0
Employment rate (% of working-age population, 15 years+)	74.3	74.4	74.3	74.3	74.3	72.1
Inflation (consumer price index)	2.7	1.2	1.1	1.7	1.6	1.6
Current account balance (% of GDP)	-8.2	-6.7	-5.7	-5.2	-5.1	-4.8
Net foreign direct investment inflow (% of GDP)	2.2	2.0	2.2	2.3	2.4	2.3
Fiscal balance (% of GDP)	-5.4	-3.1	-2.9	-2.9	-2.9	-2.9
Revenues (% of GDP)	15.2	15.1	15.5	15.6	15.9	16.3
Debt (% of GDP)	61.3	60.5	56.8	56.7	54.9	53.2
Primary balance (% of GDP)	-4.0	-1.5	-1.3	-1.4	-1.5	-1.6
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	23.9	22.0	20.5	18.8	17.0	15.2
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	45.4	42.7	40.1	38.1	35.6	33.1
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	84.0	81.8	79.6	77.8	75.2	72.5
GHG emissions growth (mtCO2e)	0.7	0.9	1.2	1.4	1.9	1.8

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2021-EHCVM. Actual data: 2021. Nowcast: 2022–2025. Forecasts are from 2026 to 2028.

2/ Projections using microsimulation methodology.

BOTSWANA

After an estimated 0.9 percent contraction in 2025, Botswana's GDP is projected to grow by 2.7 percent in 2026, reflecting a moderate rebound in diamond production. Sustaining growth will require gains in private sector led diversification and fiscal consolidation. Downside risks stem from delays to domestic reforms and external shocks. Poverty levels, projected at 19.7 percent in 2026 (US\$3 line, 2021 PPP), have stagnated over the past decade.

Key conditions and challenges

Once a model of economic stability built on diamond wealth, Botswana now faces growing challenges. Diamonds account for about 80 percent of exports and a significant share of government revenue, leaving the economy highly exposed to structural shifts in the global market, in particular the consumer shift toward artificial diamonds. Limited private sector led economic diversification has resulted in insufficient job growth, persistently high unemployment, and stark income inequality.

Fiscal sustainability is under pressure from declining mineral revenues and rigid expenditure, which have reduced fiscal space and contributed to the rapid increase in public debt in recent years. These risks are amplified by the near depletion of the government's liquidity buffer, the Government Investment Account at the Central Bank, and volatile Southern African Customs Union (SACU) transfers, highlighting the urgent need for a stronger fiscal framework to contain debt growth.

Restoring inclusive growth will depend on structural changes that accelerate diversification into sectors like tourism, financial

Population ¹ million	Poverty ² millions living on less than \$3.00/day
2.6	0.5
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
69.2	109.3
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
20.6	8036.5

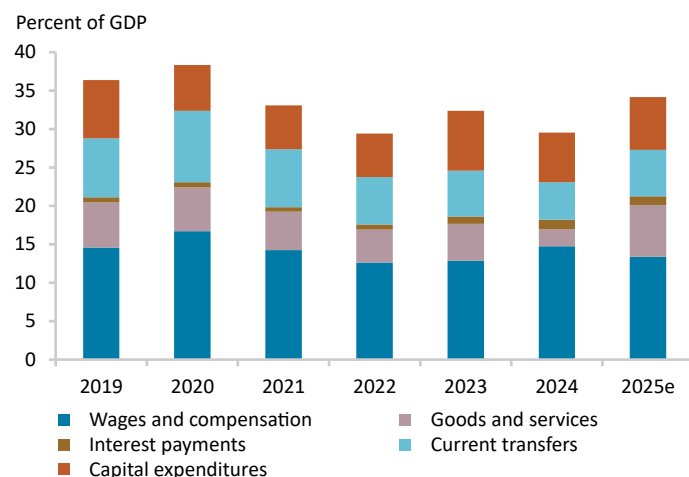
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2015 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2025. 6/ 2025.

services, and agrobusiness, by enhancing competition, streamlining regulations, improving access to finance, and fostering entrepreneurship, especially for small and medium enterprises. These reforms are central to generating jobs-rich growth that raises income prospects for poorer households. Outcomes also hinge on investment in education and vocational training to build a competitive workforce. In a context of high inequality, well-designed social safety nets and pro-poor spending will remain important to ensure a more inclusive future.

Recent developments

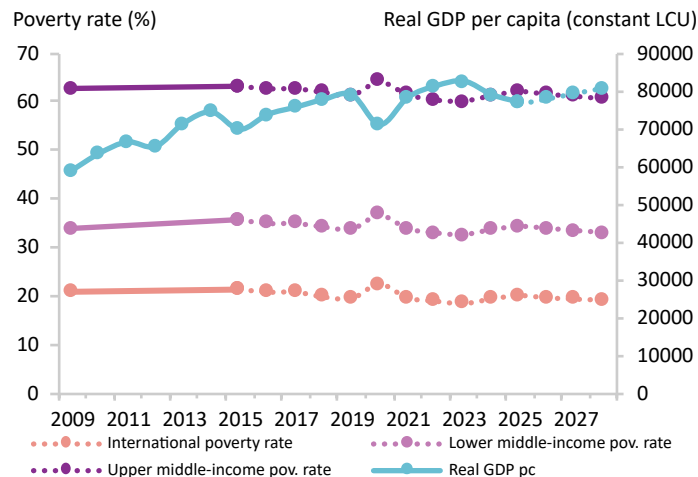
GDP contracted by an estimated 0.9 percent in 2025 after a 2.8 percent decline in 2024. A strong rebound in mining during the third quarter provided temporary support, but scheduled maintenance at the largest production site reversed some of these gains by year-end. Growth across most other sectors remained modest, in the range of 1–3 percent, while construction and utilities declined amid reduced public investment and financial pressures on state-owned enterprises.

FIGURE 1 / Public expenditure rigidities constrain fiscal space and crowd out private sector-led growth



Sources: Ministry of Finance and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

Inflation averaged 2.7 percent in 2025 but rose gradually to 3.9 percent by December, as the Pula depreciated against the Rand, prompting a 160-basis point policy rate increase in October.

Fiscal consolidation efforts reduced the deficit to about 6.5 percent of GDP, compared with the 8 percent initially projected in the February 2025 budget. Public debt is projected to reach about 39.5 percent of GDP by March 2026, up from 22.5 percent in 2023. Heavy reliance on domestic markets pushed the volume of issuance to five times the 2018–2023 average, contributing to a sharp increase in 12-month T-Bill yields from 2.5 percent to 11.8 percent between July 2024 and February 2026, reflecting higher risks, as perceived by local banks and pension funds.

On the external front, international reserves rose from US\$3.4 billion in 2024 to US\$4.2 billion in 2025, while the current account shifted from a deficit of 4.5 percent of GDP to a small surplus. These developments were driven by a recovery in diamond exports and an increase in concessional financing. However, ongoing tensions in the Middle East add uncertainty to global markets, further complicating the country's recovery.

Outlook

GDP growth is projected to reach 2.7 percent in 2026 and average 3.2 percent in 2027–28. This outlook reflects a modest recovery in diamond sales (albeit remaining well below historical values), gradual improvements in electricity supply, and an improved business climate supported by trade, financial, and administrative reforms. Poverty, at the US\$3 per day (2021 PPP) line, is projected to remain broadly unchanged at 19.7 percent (around 513,000 people) in 2026.

Driven by recent hikes in electricity tariffs and the depreciation of the local currency, inflation may pick up in the coming months and runs the risk of breaching the 6 percent upper bound of the Bank of Botswana's target range, before converging to 4.5 percent in the medium term.

On the external front, international reserves are expected to slightly increase, supported by higher concessional borrowing, while the current account deficit is projected to stabilize at around 1.0 percent of GDP.

The fiscal deficit is projected at 7.1 percent of GDP in 2026 and to narrow gradually over the medium term. This outlook reflects expected gains in domestic revenue from value-added tax (VAT) and income tax reforms, alongside efforts to contain recurrent spending, including the wage bill, and maintain tighter expenditure discipline. Risks are two-sided: deficits could widen if expenditure restraint weakens, while liquidity constraints could instead force a sharper-than-planned adjustment through under-execution.

The outlook is subject to significant downside risks. Continued uncertainty in the diamond sector could delay the recovery and intensify fiscal pressures, while higher oil prices linked to tensions in the Middle East would further strain the economy and could push up inflation above the 6 percent upper range limit. A slow pace of structural reforms would further weaken Botswana's capacity to reduce poverty and inequality and to withstand future shocks. Without faster adjustment and reform, these pressures could translate into sustained fiscal stress, as declining revenues, rising obligations, and narrowing policy space complicate efforts to restore stability.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices¹	3.2	-2.8	-0.9	2.7	3.2	3.1
Private consumption	5.6	1.9	5.5	2.2	2.0	2.0
Government consumption	4.8	5.9	3.7	3.1	3.2	2.9
Gross fixed capital investment	4.2	5.0	4.3	1.8	2.1	1.8
Exports, goods and services	-12.4	-4.4	13.5	2.9	3.5	2.8
Imports, goods and services	-7.1	17.6	2.3	2.1	1.7	1.0
Real GDP growth, at constant factor prices	2.8	-2.8	-0.9	2.7	3.3	3.0
Agriculture	1.8	-0.3	2.0	2.2	1.8	1.6
Industry	2.3	-13.5	8.4	1.4	0.9	3.4
Services	3.2	3.9	-6.0	3.5	4.7	2.8
Inflation (consumer price index)	5.1	2.8	2.7	5.5	4.5	4.5
Current account balance (% of GDP)	-0.6	-4.5	1.5	-1.0	-1.2	-1.2
Net foreign direct investment inflow (% of GDP)	3.4	1.3	0.5	0.8	0.9	0.8
Fiscal balance (% of GDP)²	-4.2	-7.3	-6.5	-7.1	-6.9	-5.4
Revenues (% of GDP)	28.1	26.4	26.6	27.1	26.8	26.3
Debt (% of GDP)³	22.5	29.3	39.5	44.3	47.0	47.7
Primary balance (% of GDP)²	-3.2	-6.0	-5.3	-5.9	-5.7	-4.0
International poverty rate (\$3.00 in 2021 PPP)^{4,5}	18.6	19.5	20.1	19.7	19.4	19.3
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{4,5}	32.5	33.6	34.4	34.0	33.5	33.1
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{4,5}	59.9	61.1	62.0	61.4	61.0	60.5
GHG emissions growth (mtCO2e)	-1.0	-3.9	2.7	-1.6	1.3	1.3

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Projections presented in this report reflect revised diamond production volumes.

2/ Fiscal balances are reported in fiscal years (April 1st -March 31st).

3/ Refers to Public and Publicly Guaranteed debt.

4/ Calculations based on 2015-BMTHS. Actual data: 2015/16. Nowcast: 2017–2025. Forecasts are from 2026 to 2028.

5/ Projection using neutral distribution (2015) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

BURKINA FASO

In 2025, GDP growth is estimated at 5.3 percent (3.0 percent per capita), driven by broad-based sectoral expansion. Inflation fell to -0.5 percent, reducing the extreme poverty rate to 34.6 percent. Growth is projected to slow to 4.9 percent in 2026, reflecting spillovers from the conflict in the Middle East. The outlook faces downside risks from insecurity, climate, and terms-of-trade shocks.

Key conditions and challenges

Burkina Faso's economy is dominated by low-productivity services, rain-fed agriculture, and gold mining, which represents 80 percent of exports. The country faces significant labor market and poverty challenges. The working-age population is projected to grow by 3.3 percent to 14.0 million in 2026, while 93.5 percent of jobs remain informal and 83.0 percent of workers are in vulnerable employment, making it difficult to escape poverty.

Women are particularly disadvantaged, with lower labor force participation rates (66.2 percent vs. 78.0 percent for men) and difficult transitions from school to work: 27.8 percent of young women are not in employment, education, or training, vs. 15.7 percent of young men. Asset ownership shows stark inequality: only 8.8 percent of women report owning land, compared to 51.5 percent of men, limiting women's security, productivity, and access to finance.

In 2025, the country has accelerated its recovery from a security crisis that has affected the economy for almost a decade. Annual fatalities, as measured by the Armed Conflict Location and Event Data (ACLED), declined from a peak in 2023 at 8,499 to 5,160 in

Population ¹ million	Poverty ² millions living on less than \$3.00/day
24.1	9.3
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
61.1	77.2
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
27.2	1130.1

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

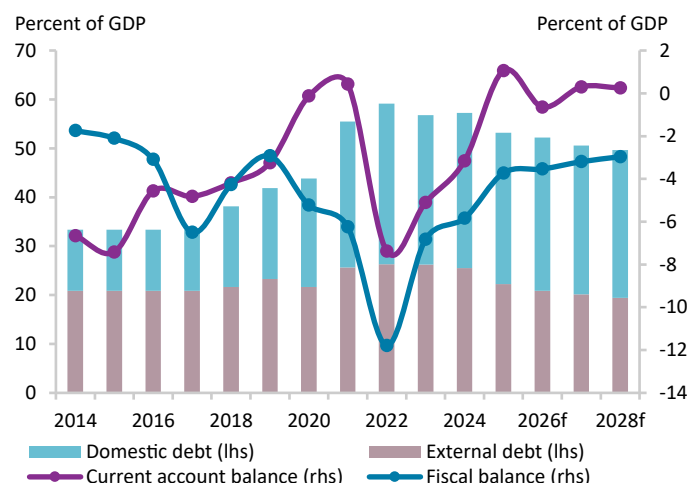
2025. The resulting improved access to land and reopening of some mines supported agricultural and extractive activities.

As a member of the West African Economic and Monetary Union (WAEMU), and following its exit from the Economic Community of West African States (ECOWAS), the country has been strengthening its economic and political ties within the Confederation of Sahel States (AES).

Recent developments

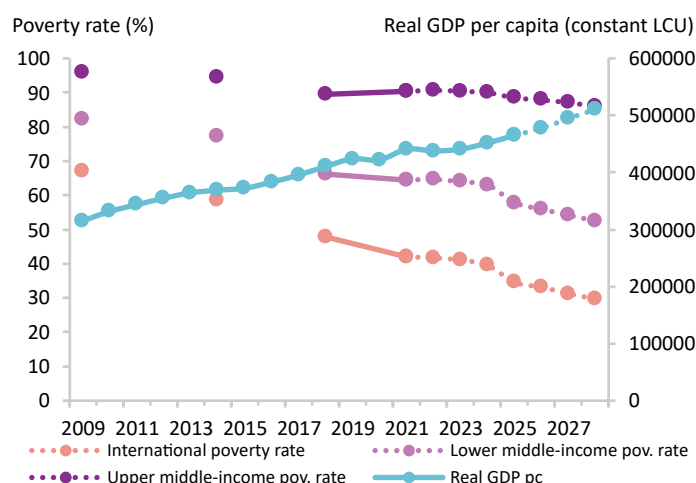
GDP growth is estimated at 5.3 percent in 2025 (3.0 percent per capita), up from 4.8 percent in 2024. Services contributed 2.1 percentage points (pp) to growth, driven by public administration (22 percent of the economy), with reduced insecurity boosting retail, trade, and repair activities. Agriculture contributed 1.7 pp, supported by favorable rainfall and the government's "Offensive Agricole" that provides irrigation, fertilizer, improved seeds, land clearing, and mechanization. Despite a smaller cultivated area than 3–5 years ago, provisional cereal production for 2025/2026 reached 7.1 million tons, up 17.6 percent from the previous season. The secondary sector contributed 0.9 pp, driven

FIGURE 1 / Public debt, fiscal and current account balances



Source: World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

by construction and mining. Gold production reached 94 tons in 2025 (versus 61 tons in 2024), primarily from formalization of artisanal mining by the National Company of Precious Substances (SONASP) (43 tons, though only partially reflected in national accounts) and resumed industrial production at Youga and Boun-gou mines plus new production at Kiaka.

The current account balance is estimated to have shifted to a surplus of 1.1 percent of GDP in 2025 (vs. -3.2 percent in 2024), driven mainly by higher gold prices and lower oil prices. Inflation fell to -0.5 percent in 2025, driven by strong agricultural output and lower energy prices, leading to broad-based disinflation. Low inflation combined with two successive years of strong harvests is estimated to have contributed to a reduction in extreme poverty by 5.0 pp to 34.6 percent.

The WAEMU inflation rate sharply declined to 0.2 percent in 2025 from 3.5 percent in 2024, driven mainly by lower global food prices, and regional foreign reserves increased to 6.1 months of imports. After maintaining its monetary policy stance unchanged since June 2023, the Central Bank of West African States (BCEAO) reduced its key policy rates in March 2026 by 25 basis points, lowering the liquidity call rate and the marginal lending facility rate to 3.0 and 5.0 percent, respectively.

The fiscal deficit is estimated to have narrowed to 3.7 percent of GDP in 2025, driven by lower expenditures on capital (-1.6 pp of GDP) and personnel (-0.3 pp of GDP), alongside stable revenue mobilization. The deficit continues to be financed mainly through borrowing from the WAEMU capital market, amid lower but still elevated interest rates; the average yield on 12-month treasury bills declined to 8.7 percent in 2025 (vs. 9.4 percent in 2024). Both public and external debt remain at moderate risk of distress.

Outlook

Assuming a further improvement in domestic security conditions, average rainfall, and policy stability, GDP growth is projected to decrease to 4.9 percent in 2026—below initial expectations—as the conflict in the Middle East has led to higher oil and fertilizer prices. However, elevated gold prices will help contain the adverse impact. GDP growth is projected to reach 5.5 percent by 2028, supported by sustained gold production and higher government revenue.

Base effects from 2025 and elevated oil prices from the conflict in the Middle East that pass through higher transport, production, and energy costs might increase inflation sharply to 3.1 percent in 2026. At the regional level, inflation is expected to remain in line with the 1–3 percent WAEMU target band from 2026 onward, while foreign reserves are projected to average 5.9 months of imports during 2026–2028, supported by resilient export performance.

The fiscal deficit is expected to remain at 3.5 percent of GDP in 2026, with further consolidation to bring it within the WAEMU ceiling of 3 percent by 2028. Given robust GDP growth and lower fiscal deficits, the public debt-to-GDP ratio is projected to decline. Moderate agricultural growth and low inflation are forecast to reduce poverty by about 1 pp per year, lifting 690 thousand Burkinabè out of extreme poverty and lowering the total number of extreme poor to 7.6 million by 2028.

Downside risks to the outlook include insecurity, climate shocks, and a sharp deterioration in the terms of trade (prolonged conflict in the Middle East). Reforms to improve the investment climate and women's economic empowerment could boost growth.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	3.0	4.8	5.3	4.9	5.8	5.5
Private consumption	2.8	9.5	5.6	5.0	6.4	6.6
Government consumption	5.2	7.5	7.9	6.3	3.1	1.4
Gross fixed capital investment	4.5	9.7	3.7	5.1	5.2	5.4
Exports, goods and services	-3.8	-4.2	4.1	3.2	2.5	2.0
Imports, goods and services	-2.0	13.2	5.3	5.0	2.9	2.9
Real GDP growth, at constant factor prices	2.7	4.8	5.3	4.9	5.8	5.5
Agriculture	1.6	10.6	9.0	6.1	6.0	5.6
Industry	2.2	-3.0	4.0	5.1	4.8	4.5
Services	3.4	6.6	4.4	4.3	6.2	5.9
Inflation (consumer price index)	0.7	4.2	-0.5	3.1	2.0	2.0
Current account balance (% of GDP)	-5.1	-3.2	1.1	-0.6	0.3	0.3
Net foreign direct investment inflow (% of GDP)	1.9	1.2	1.0	0.9	0.8	0.7
Fiscal balance (% of GDP)	-6.8	-5.8	-3.7	-3.5	-3.2	-3.0
Revenues (% of GDP)	22.1	22.0	22.4	22.4	22.0	21.2
Debt (% of GDP)	56.8	57.2	53.2	52.2	50.6	49.7
Primary balance (% of GDP)	-4.5	-3.6	-1.5	-1.4	-0.9	-0.8
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	41.2	39.6	34.6	33.2	31.3	29.8
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	64.1	63.1	57.9	56.0	54.2	52.5
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	90.4	90.1	88.5	88.0	87.2	86.1
GHG emissions growth (mtCO₂e)	2.6	3.7	4.2	4.3	4.4	4.4

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2021-EHCV. Actual data: 2021. Nowcast: 2022–2025. Forecasts are from 2026 to 2028.

2/ Projections using microsimulation methodology.

BURUNDI

Real GDP grew by 4.0 percent in 2025, driven by agriculture, services, and public spending. Inflation nearly doubled amid fiscal monetization, supply constraints, and fuel shortages. The parallel exchange rate premium narrowed by about one-third, thanks to increased mining export proceeds and favorable seasonal import dynamics. The poverty rate remains high at 74 percent due to inflation and limited job creation.

Key conditions and challenges

Burundi's economy remains fragile, constrained by weak fundamentals, rapid population growth, and governance challenges. Over 85 percent of the labor force works in low-productivity subsistence farming. Traditional exports—particularly coffee and tea—have declined, while significant mineral resources remain largely untapped. These resources have contributed only about 2 percent of GDP over the past decade, rising to 3.8 percent in 2025, yet accounting for roughly 35 percent of exports. Structural bottlenecks, including inadequate infrastructure and limited investment, hinder diversification and growth.

Persistent balance of payments pressures reflect these structural weaknesses. Foreign direct investment (FDI) is minimal, and external grants, which once averaged 20–25 percent of GDP prior to the 2015 political crisis, fell below 5 percent afterward. Although export receipts improved in 2025, covering about 35.5 percent of import needs (up from 27.3 percent in 2024), coverage remains well below the Sub-Saharan Africa average.

Population ¹ million	Poverty ² millions living on less than \$3.00/day
14.4	9.4
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
63.7	101.7
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
4.2	291.8

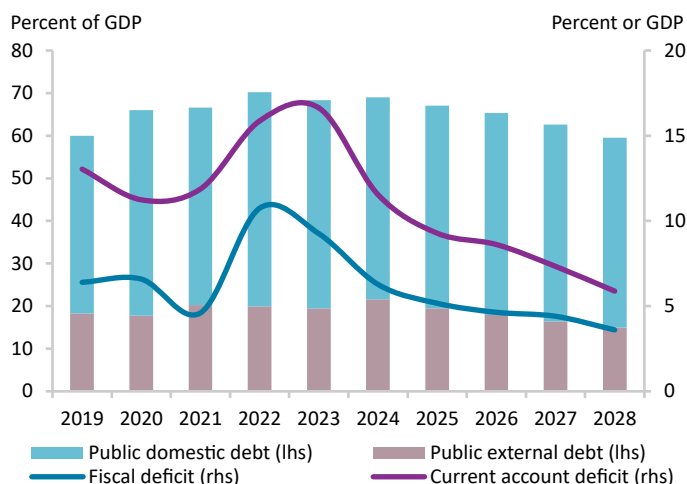
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2020 (2021 PPPs). 3/ 2023. 4/ 2020. 5/ 2025. 6/ 2025.

Macroeconomic imbalances have persisted since 2015, characterized by large fiscal and external deficits, continued monetization of fiscal shortfalls, foreign exchange shortages, and exchange rate misalignment. Rising domestic debt and chronic underinvestment in infrastructure and human capital have further deepened social vulnerabilities.

Per capita GDP was US\$291.8 at the official exchange rate in 2025, with 74.3 percent of the population living below the US\$3.00 a day (2021 PPP) poverty line. High inflation, averaging 25.1 percent over 2022–2025, has eroded purchasing power and weakened food security. Social indicators are weak, with less than half of children completing primary school, gross secondary enrollment at just 46 percent, and 56 percent of children under five being chronically malnourished.

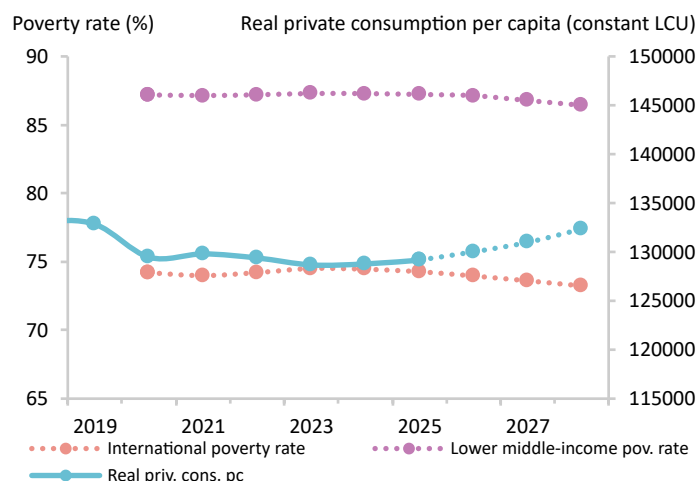
Addressing these challenges requires stronger governance, targeted infrastructure investment—particularly in energy, transport, and digital connectivity—and reforms to support private sector-led growth. Closing skills and human capital gaps and restoring macroeconomic stability through exchange rate reforms and sustained monetary and fiscal consolidation

FIGURE 1 / Public debt, fiscal and current account deficit



Sources: Official statistics and World Bank.

FIGURE 2 / Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Notes: See footnotes in table on the next page.

are critical to rebuilding investor confidence and enabling durable and inclusive growth.

Recent developments

Real GDP grew by 4.0 percent in 2025, marginally below 4.1 percent in 2024, supported by infrastructure investment and higher recurrent public spending, notably wage increases. Agriculture expanded by 4.1 percent (from 3.1 percent), driven by favorable rainfall, while industry grew by 2.3 percent (from 1.0 percent), thanks to improved electricity supply. Services remained the fastest growing sector at 4.6 percent, down from 5.7 percent, supported by trade, communications, and public services, despite temporary transport disruptions linked to fuel shortages. On the demand side, fiscal stimulus bolstered growth, with government consumption rising by 5.0 percent in 2025 (from 4.4 percent), supporting private sector activity.

Inflation averaged 34.0 percent in 2025 but eased after peaking at 45.5 percent in April, falling to 15.2 percent by December. Price pressures reflected persistent supply constraints, fuel shortages, and a wide parallel exchange rate premium. The late year price easing was driven by slower food price increases during the harvest season, with food inflation moderating to 10.5 percent in December from 37.0 percent a year earlier, alongside tighter monetary conditions as the Central Bank curtailed monetary financing.

The fiscal deficit narrowed to 5.2 percent of GDP in 2025 (from 6.3 percent), supported by stronger revenue collection (+1.5 percentage points of GDP) and inflation effects, while spending rose modestly (+0.5 percentage points) due to higher wages and interest payments. Public debt fell to 67.6 percent of GDP (from 69 percent). The current account deficit narrowed to 9.3 percent of GDP (from 11.5 percent) on higher export proceeds, though external

vulnerabilities remain elevated amid low reserves, negative net foreign assets, and a wide parallel exchange rate premium.

Outlook

Growth is projected to strengthen to 4.1 percent in 2026 and average 4.8 percent over 2027–28, driven by higher coffee production, expanding gold exports, and increased energy generation and distribution. Private investment, including FDI in energy and mining, is also expected to boost momentum. Inflation is projected to decline to 16.8 percent in 2026 and average 13.3 percent over 2027–28, reflecting improved agricultural performance, reduced fiscal monetization, and easing supply constraints.

The fiscal deficit is expected to narrow over the medium term as revenue mobilization strengthens and expenditure is rationalized. Public debt is projected to fall gradually to 59.5 percent of GDP by 2028. The current account deficit is forecasted at 8.6 percent in 2026, before improving to 5.9 percent by 2028 as mining exports expand and foreign reserves rebuild. The poverty rate is projected to edge down to 73.2 percent by 2028, falling short of meaningful poverty reduction, reflecting insufficient job creation and limited private consumption gains relative to population growth.

Risks are tilted to the downside. Domestically, persistent foreign exchange and fuel shortages, adverse weather shocks, and unmonitored state-owned enterprise contingent liabilities remain key vulnerabilities. Externally, a prolonged Middle East conflict could raise energy and import costs, re-accelerate inflation, and dampen investment, with impacts compounding over time. On the upside, elevated gold and critical mineral prices provide an export buffer, and successful implementation of the authorities' macroeconomic stabilization program could strengthen confidence.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	2.7	4.1	4.0	4.1	4.8	4.9
Private consumption	2.2	2.7	2.7	3.0	3.1	3.5
Government consumption	5.4	4.4	5.0	4.5	7.7	6.4
Gross fixed capital investment	4.0	2.6	8.4	9.4	7.5	10.0
Exports, goods and services	2.9	3.0	8.1	8.3	8.0	8.0
Imports, goods and services	4.2	1.4	4.5	4.8	5.7	5.7
Real GDP growth, at constant factor prices	2.7	4.1	4.0	4.1	4.8	4.9
Agriculture	1.5	3.1	4.1	4.9	5.1	5.1
Industry	3.4	1.0	2.3	3.6	4.0	4.0
Services	3.1	5.7	4.6	3.8	4.8	5.2
Inflation (consumer price index)	27.1	20.2	34.0	16.8	14.0	12.5
Current account balance (% of GDP)	-16.6	-11.5	-9.3	-8.6	-7.3	-5.9
Net foreign direct investment inflow (% of GDP)	0.0	0.0	-0.1	-0.1	-0.1	-0.1
Fiscal balance (% of GDP)	-9.3	-6.3	-5.2	-4.6	-4.4	-3.6
Revenues (% of GDP)	24.9	23.5	25.0	25.9	26.3	26.9
Debt (% of GDP)	68.4	69.0	67.1	65.3	62.6	59.5
Primary balance (% of GDP)	-6.9	-4.1	-2.9	-2.0	-1.6	-1.3
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	74.5	74.4	74.3	74.0	73.6	73.2
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	87.3	87.3	87.2	87.1	86.8	86.4
GHG emissions growth (mtCO₂e)	2.5	2.3	2.4	2.5	2.5	2.5

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2020-EICVMB. Actual data: 2020. Nowcast: 2021–2025. Forecasts are from 2026 to 2028.

2/ Projection using neutral distribution (2020) with pass-through = 0.87 (Med (0.87)) based on private consumption per capita in constant LCU.

CABO VERDE

Growth remained robust in 2025, supported by tourism and public investment. Inflation edged up but remains well anchored. Privatization receipts improved the fiscal position markedly. Consolidation should continue, although the 2026 electoral cycle brings uncertainty. Growth is set to soften in 2026 reflecting headwinds from the conflict in the Middle East. Increased price pressures could slow down poverty reduction, though remittances should provide some cushioning.

Key conditions and challenges

Cabo Verde is a small, archipelagic, open island economy with a fixed exchange rate regime anchored to the euro and growth driven primarily by tourism. These features support macroeconomic stability but also expose the economy to external demand and price shocks, global financial conditions, and climate-related risks. Despite sustained growth in recent years, structural challenges remain, including high public debt, limited economic diversification, low productivity, weak linkages between tourism and the domestic economy, and persistent fiscal risks from state-owned enterprises (SOEs).

Employment has strengthened alongside the expansion of tourism and related services, reducing poverty rates; however, job creation remains concentrated in low productivity activities, reinforcing the duality between a small formal sector and a large share of informal or precarious work. Persistent skills mismatches limit firms' ability to expand and move up the value chain, while emigration of young and educated workers continues to weigh on human capital accumulation.

Population ¹ thousand	Poverty ² millions living on less than \$8.30/day
527.3	0.3
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
76.1	103.0
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
3.1	5873.1

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2015 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2025. 6/ 2025.

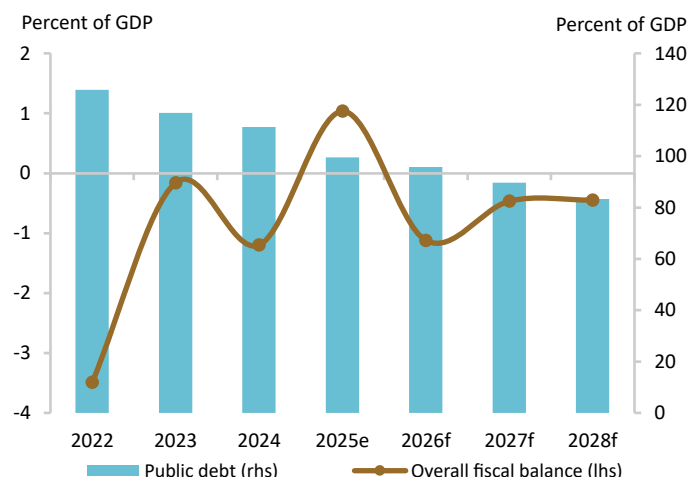
Recent developments

Growth remained strong in 2025, at an estimated 6.3 percent (5.8 percent per capita), supported by tourism and construction. Tourist arrivals and receipts continued to increase, reflecting strong demand from European markets, expanded accommodation capacity, and increased frequency of low-cost flights.

Average inflation accelerated to 2.3 percent in 2025, driven by increased services inflation. Monetary conditions remained aligned with the euro area, safeguarding reserves and the peg.

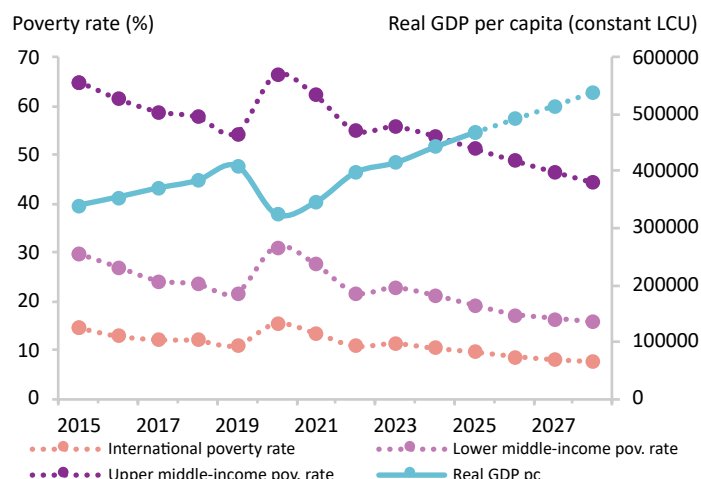
The overall fiscal balance recorded a surplus of 1 percent of GDP in 2025, the first since 2007, owing to the final receipts from the airport concession fee (1.7 percent of GDP). Revenue performance remained robust, reflecting greater value-added tax efficiency and income tax collection including payment of tax arrears. Increased revenues helped support a notable increase in public investments transitioning to the implementation phase. Public debt declined to 99.5 percent of GDP (excluding guaranteed SOE debt), but remains elevated, and fiscal risks from SOEs persist—particularly in aviation.

FIGURE 1 / Evolution of fiscal and debt indicators



Sources: Ministry of Finance and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

Strong tourism receipts and steady remittances maintained the current account surplus, at 3.6 percent of GDP (from 3.8 percent in 2024) despite higher imports linked to improved execution of public investments. This, along with the concession fee payment caused reserves to surge to 7.8 months of prospective imports (from 5.6 in 2024).

Growth in the service sector, which employs more than two-thirds of workers, and remittances inflows contributed to reducing extreme poverty to 9.5 percent in 2025 (from 10.3 percent in 2024). Benchmarked against the upper-middle-income country (UMIC) international line (US\$8.3 PPP2021), poverty declined from 53.8 percent in 2024 to 51.2 percent in 2025, equivalent to approximately 13,000 Cabo Verdeans leaving poverty. Unemployment declined during the first half of 2025 to 7.5 percent, 1.3 percentage points lower than in the same period of 2024, mainly benefiting male employment.

Outlook

As a small open economy, the country is vulnerable to global shocks and uncertainty. The conflict in the Middle East will weigh on growth which is projected to soften in 2026 to 4.8 percent. Tourism will remain the primary driver, although momentum is likely to slow as growth in the euro area weakens. Government consumption is expected to pick up, reflecting ongoing wage bill reforms and election-related spending in 2026. In the medium term, growth is projected to stabilize around 5 percent. Inflation will rise to 3.2 percent in 2026, pushed by higher energy and food prices.

A normalization in revenues, combined with higher spending on wages, elections and sustained momentum in the execution of public investments will move the fiscal balance into a deficit in 2026. A commitment to gradually contain current spending will support the narrowing of the fiscal balance to 0.4 percent of GDP by 2028.

The current account will slip into a deficit as investment-linked imports and import prices grow faster than exports in 2026–2028. External financing is expected to be covered by foreign direct investment and concessional financing towards public investment projects. Reserves are projected to remain adequate, above six months of prospective imports.

Poverty is anticipated to continue declining over the medium term—extreme poverty under the international poverty line would fall to 7.6 percent by 2028, and to 45.0 percent under the UMIC line—supported by sustained growth and remittances. However, increased price pressures threaten to slow down poverty reduction, and disparities in the pace of poverty alleviation may persist if growth continues to be driven by services and tourism in Boa Vista and Sal islands. Policies aimed at facilitating women's engagement in the labor market has the potential to further enhance poverty reduction.

Risks to the outlook are tilted to the downside. A sharper slowdown in European partner economies, global uncertainty, related volatility in global commodity prices, or climate-related shocks could weaken growth. Domestically, fiscal slippages during the electoral period or delays in SOE reforms could weigh on confidence. Upside risks include stronger-than-expected tourism demand, faster reform implementation, and sustained policy reforms through the electoral cycle.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	4.8	7.2	6.3	4.8	5.0	5.1
Private consumption	0.2	9.1	5.3	4.7	6.0	6.2
Government consumption	5.2	5.3	8.0	14.5	3.1	3.3
Gross fixed capital investment	0.9	-5.6	8.7	-3.9	4.9	4.7
Exports, goods and services	5.9	8.6	6.0	4.9	5.1	5.2
Imports, goods and services	-1.7	4.8	6.2	5.1	5.4	5.6
Real GDP growth, at constant factor prices	4.1	7.0	6.3	4.8	5.0	5.1
Agriculture	-2.7	7.3	3.5	2.9	2.0	2.0
Industry	2.2	3.8	6.4	5.8	4.5	4.0
Services	4.8	7.5	6.4	4.8	5.2	5.4
Inflation (consumer price index)	3.7	1.0	2.3	3.2	2.0	2.0
Current account balance (% of GDP)	-2.6	3.8	3.6	-1.5	-1.0	-0.7
Net foreign direct investment inflow (% of GDP)	6.0	3.3	4.3	2.7	2.7	2.8
Fiscal balance (% of GDP)	-0.2	-1.2	1.0	-1.1	-0.5	-0.4
Revenues (% of GDP)	26.0	25.0	29.6	26.6	25.8	25.7
Debt (% of GDP)	116.9	111.4	99.5	95.8	89.7	83.3
Primary balance (% of GDP)	2.1	1.2	3.1	1.0	1.2	1.1
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	11.3	10.3	9.5	8.8	8.1	7.6
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	22.6	21.1	19.1	17.7	16.6	15.8
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	55.7	53.8	51.2	49.2	46.9	45.0
GHG emissions growth (mtCO2e)	5.0	6.3	5.5	5.4	5.3	5.2

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2015-IDRF. Actual data: 2015. Nowcast: 2016-2025. Forecasts are from 2026 to 2028.

2/ Projections using microsimulation methodology.

CAMEROON

Cameroon's growth slowed to 3.2 percent in 2025 amidst post-election unrest, with poverty remaining unchanged at just over 28 percent. Revenue dropped, widening the deficit to 2.2 percent of GDP, with public debt at 43.8 percent of GDP. Near-term growth relies on improved power supply and private investment, but downside risks remain from slow pace of reforms, limited donor funding, and volatile commodity prices.

Key conditions and challenges

Cameroon's economy has shown resilience, but per capita income in 2025 remains around 20 percent below the mid-1980s oil boom levels. Progress towards upper-middle-income status is held back by structurally low productivity, infrastructure gaps, governance challenges, and repeated external shocks. Job creation lags work-force growth and human capital (HCI=0.4) lags that of peer countries. Persistent structural weaknesses require urgent reforms to raise productivity, diversify the economy, and improve services through decentralization.

The number of people living below US\$3 (2021 PPP) per day is estimated to have increased from 7.1 million to over 8.4 million between 2021 and 2025. Weak economic growth, lingering inflation, low job creation and recurrent shocks undermined progress on poverty reduction.

Cameroon's debt service has risen markedly over the past decade and in 2026 accounted for a third of total expenditures, more than triple the 2013 figure of just under 10 percent. The high debt service burden increases pressures on the space for other spending,

Population ¹ million	Poverty ² millions living on less than \$4.20/day
29.9	11.1
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
63.7	114.4
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
56.8	1901.8

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

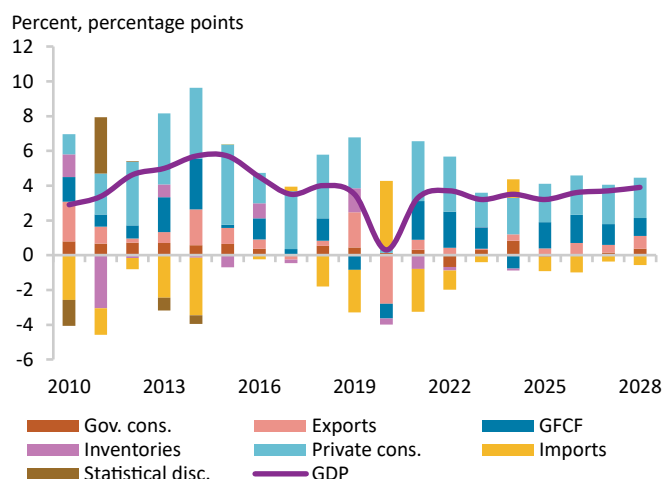
for example, social spending will account for only 17.9 percent of the budget in 2026.

Recent developments

In 2025, real GDP increased by just 3.2 percent, driven by private consumption and investment. Post-election unrest and lockdowns curtailed economic activity, particularly services. Although cocoa bean exports performed well, ongoing decreases in oil production and log exports, along with stronger imports, widened the current account deficit from 3.4 percent of GDP in 2024 to 4.2 percent in 2025. Inflation fell to 3.4 percent by December 2025, reflecting tight monetary policy, price controls, and less imported inflation. The Bank of Central African States (BEAC) cut its policy rate in March 2025 but, with net foreign assets falling, reversed this in December 2025.

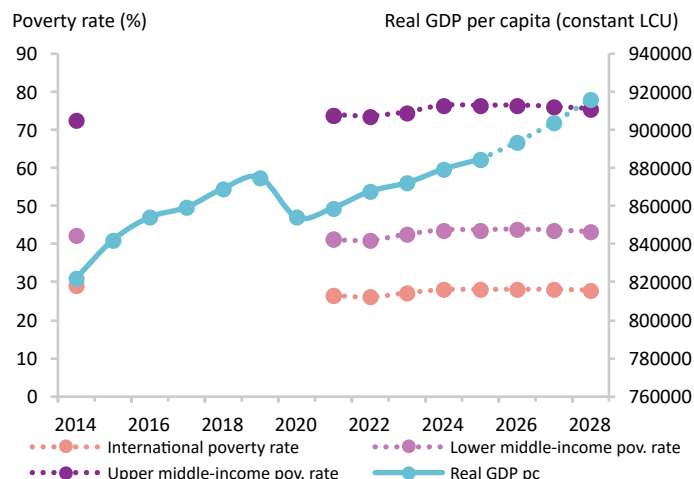
The combined effects of growth driven by private consumption and investment could have reduced poverty by supporting demand and jobs. Higher cocoa exports also benefit rural households. However, post-election unrest and service disruptions hurt urban informal incomes.

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Source: World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

The fiscal deficit rose from 1.5 percent of GDP in 2024 to 2.2 percent in 2025, primarily because of diminished oil revenues and weaker non-oil income associated with post-election unrest and lockdowns. The non-oil primary deficit slightly deteriorated to 2.6 percent of GDP. Current spending stayed elevated (election-related) while capital expenditures fell. The public debt-to-GDP ratio decreased to 43.8 percent by the end of 2025 from 44.8 percent the previous year. Public debt is considered sustainable, though liquidity risks remain elevated. Export earnings are insufficient to fully meet external debt servicing requirements, and overall interest payments have increased to 1.4 percent of GDP. The 2026 budget prioritizes inclusive growth, with measures designed to reduce poverty and narrow inequality. For instance, it has earmarked 50 billion CFA francs (FCFA) for a Special Fund to empower women economically and expand youth employment. However, higher debt service reduces the fiscal space available for poverty-reducing programs and social spending more broadly, potentially slowing progress in improving living standards and human development.

Outlook

Real GDP growth is expected to increase slowly, remaining moderate in the short term. Between 2026 and 2028, it should average 3.7 percent, driven by better energy access for businesses and a rise in private investment. Connecting the new Nachtigal power dam to Douala's industrial zones should ease power shortages,

boosting manufacturing, construction, and services. Both the fiscal deficit and debt-to-GDP ratio are projected to decrease slightly in the medium term, with stronger tax collection offsetting falling oil revenues. Meanwhile, the external sector may deteriorate further with lower oil output, and import-intensive private investment. This is notwithstanding the fact that oil price spillovers from the conflict in the Middle East are expected to support the current account and GDP growth in 2026, while only slightly reducing the fiscal deficit. Upward pressures on prices are expected to keep inflation well above 3 percent until 2028, further worsening food insecurity that is already strained.

The poverty rate is expected to remain flat at around 28 percent, as higher than expected inflation and modest real per capita growth prevent a significant reduction in poverty. The number of people living on less than US\$3 per day would rise by about 863,596 between 2025 and 2028, to over 9 million in total. The key priority for poverty reduction is to accelerate job-generating growth—particularly in agriculture and other labor-intensive sectors—while strengthening targeted social protection programs.

The outlook faces notable risks, including commodity price volatility, continued security crisis, insufficient donor support, energy shortages, protracted conflict in the Middle East, and food insecurity from rising prices, all threatening economic growth. Enhancing macro-fiscal buffers, advancing structural reforms, fiscal decentralization, and better social protection targeting can help address challenges and promote more inclusive growth.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	3.2	3.5	3.2	3.4	3.7	3.9
Private consumption	2.7	2.8	3.0	2.9	3.1	3.2
Government consumption	2.9	7.9	-0.8	0.1	1.6	3.7
Gross fixed capital investment	6.1	-3.7	7.8	7.7	5.7	4.9
Exports, goods and services	0.4	2.3	2.6	4.6	2.8	4.7
Imports, goods and services	1.9	-5.0	4.3	5.1	1.8	2.9
Real GDP growth, at constant factor prices	3.1	3.5	3.2	3.4	3.7	3.9
Agriculture	2.2	3.6	1.4	1.3	2.1	2.3
Industry	2.3	2.4	3.5	4.9	4.0	4.9
Services	3.8	4.0	3.7	3.4	4.1	3.9
Employment rate (% of working-age population, 15 years+)	63.3	62.9	63.0	63.2	63.5	63.8
Inflation (consumer price index)	7.4	4.5	3.4	5.7	3.8	3.0
Current account balance (% of GDP)	-4.1	-3.4	-4.2	-4.6	-4.9	-4.3
Fiscal balance (% of GDP)	-1.0	-1.5	-2.2	-1.5	-1.8	-1.8
Revenues (% of GDP)	16.6	16.3	15.5	16.5	15.8	16.1
Debt (% of GDP)	42.3	44.8	43.8	43.5	43.8	42.6
Primary balance (% of GDP)	0.1	-0.2	-0.7	0.2	-0.3	-0.1
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	27.3	28.2	28.2	29.0	29.3	28.8
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	42.7	43.8	43.8	44.6	44.5	44.2
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	74.7	76.4	76.4	76.6	76.5	75.9
GHG emissions growth (mtCO₂e)	0.1	0.4	0.8	0.9	1.2	1.1

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2021-ECAM-V. Actual data: 2021. Nowcast: 2022-2025. Forecasts are from 2026 to 2028.

2/ Projections using microsimulation methodology.

CENTRAL AFRICAN REPUBLIC

Real GDP growth stood at 4.5 percent in 2025, driven by strong gold exports and improved fuel availability. Election-related expenses widened the primary fiscal deficit to 4.6 percent, raising debt. High debt service, limited donor support, unforeseen security spending, and weak public financial management constrain government spending on wages and essential services. Extreme poverty rates, at over two-thirds of the population, are high and persistent.

Key conditions and challenges

The Central African Republic (CAR) remains extremely fragile, with abundant natural resources yet to translate into broad-based stability and growth. In 2025, real GDP per capita stood at around US\$394, below its level of the 1960s. Poverty is widespread; 67.5 percent of the population lived on under US\$3 per day (2021 PPP) in 2025. Jobs, especially for youth, are scarce. Political challenges and persistent areas of insecurity, exacerbated by regional spillovers, are straining a highly centralized state with limited fiscal space and high risk of debt distress. Frequent fuel and power shortages, weak governance, and a narrow production base are slowing growth.

Achieving a level of macro-fiscal stability to put the country on a sustained growth path to reduce poverty requires urgent reforms in the fuel sector, the business environment, fiscal policy, and public financial management, which in turn could also help unlock more donor support.

Population ¹ million	Poverty ² millions living on less than \$3.00/day
5.5	3.7
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
57.4	96.8
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
3.2	572.9

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2016. 5/ 2025. 6/ 2025.

Recent developments

Economic growth is estimated to have reached 4.5 percent in 2025, well above the 0.9 percent average over the past five years and following an increase of 1.5 percent in 2024. This performance is driven by a significant rise in gold exports, underpinned by higher prices and improved recording of production volumes. Ongoing public works construction and higher fuel consumption further sustained momentum. On the demand side, exports and government consumption are the main drivers of growth.

The Bank of Central African States (BEAC) eased policy in March 2025 amid falling inflation, cutting the rate to 4.5 percent and expanding liquidity, before tightening in December 2025 to 4.75 percent to slow the decline in net foreign assets. In this context, CAR's inflation eased further to 1.0 percent in 2025 (from 1.5 percent in 2024), driven by softer imported goods inflation and lower food prices, and reduced fuel pump prices. Elevated non-performing loans and high sovereign exposure represent significant financial

FIGURE 1 / Real GDP growth and contributions to real GDP growth

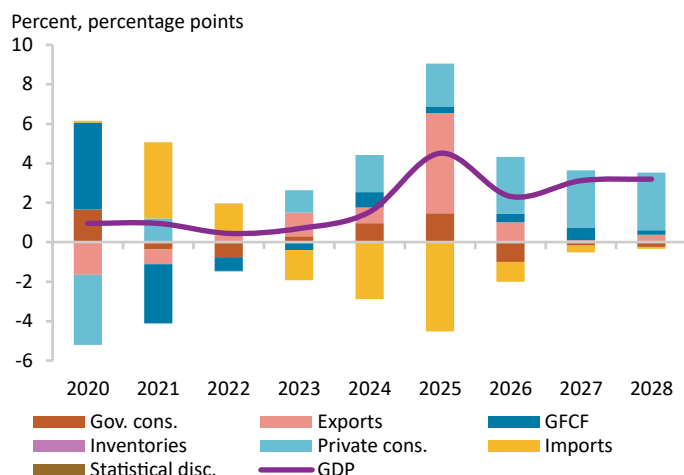
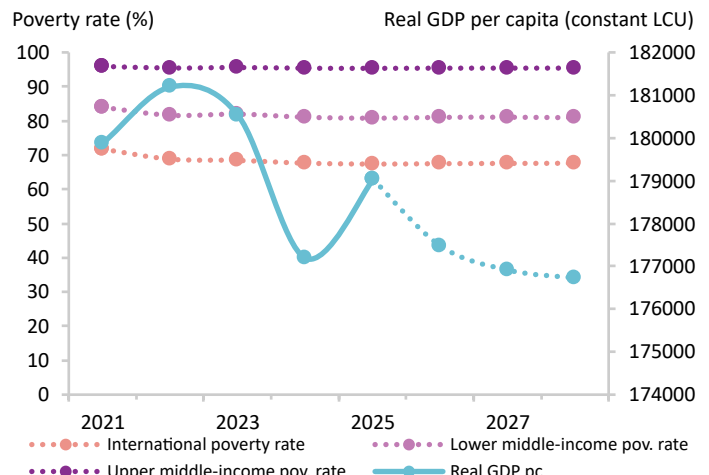


FIGURE 2 / Actual and projected poverty rates and real GDP per capita



sector risks despite strengthened banking sector oversight and improved banking stability.

The overall fiscal deficit, targeted at 2.5 percent of GDP, widened to 5.6 percent in 2025 from 5.1 percent in 2024 due to higher-than-expected election spending, despite stronger domestic revenues, including proceeds from 5G licenses. Reform implementation has been slow. The fifth review of the International Monetary Fund (IMF)'s Extended Credit Facility, which was planned for October 2025, has yet to be completed resulting in the non-disbursement of associated resources in 2025. In addition, access to grants and concessional financing remains limited. Facing a significant financing gap the government has resorted to short-term, high-interest regional borrowing and domestic bank loans. This raised interest costs, rollover and liquidity risks.

The current account deficit narrowed from 9.1 percent to 7.7 percent of GDP in 2025, reflecting higher gold exports driven by a 44.3 percent rise in gold prices between 2024 and 2025, stronger production, and improved reporting.

Higher GDP growth did not impact poverty due to limited spillovers from the mining sector and lack of access to basic services. For 2025, poverty is estimated at 67.5 percent of the population, similar to the 2024 estimated rate (67.8 percent). Spatial disparities are stark: extreme poverty reaches 78.3 percent in rural areas versus 52.0 percent in urban areas.

Outlook

Average GDP growth is expected to decelerate to 2.3 percent in 2026 following the exceptional performance in 2025, before returning to a medium-term trend of 3.2 percent. Stabilization of gold

production after the high jump in 2025 combined with decline in public spending (after elections) is weighing on this trend. Additionally, the conflict in the Middle East poses material downside risks to GDP growth, as CAR's high dependence on fuel imports exposes the country to global price pressures and heightens the risk of fuel shortages, which can in turn suppress domestic output. While regulated fuel prices may temper the shock, rising informal fuel market prices are likely to sustain inflationary pressure and erode real incomes for the poorest, though inflation is expected to remain below BEAC's 3 percent target by 2028.

The overall fiscal deficit is expected to slightly decrease to 4.8 percent of GDP by 2026, primarily as a result of modest expenditure rationalization. Public debt is expected to progressively increase driven by limited access to grants/concessional loans and large recourse to regional/domestic markets to finance the deficit. The current account balance is expected to continue improving, under the assumption that gold production and exports remain stable.

Extreme poverty is projected to remain flat, as real per capita growth in the agriculture sector, where most of the poor work, is expected to be negative. An additional 410,000 people are projected to fall into extreme poverty between 2025 and 2028, driven by population growth. To boost agricultural productivity, farmers need higher access to inputs, credit, and markets, supported by trade facilitation and road infrastructure.

CAR's GDP growth and macro-fiscal stability face significant downside risks: ongoing insecurity, fuel shortages and frequent power outages, limited government financial reserves, unpredictable and expensive regional market financing, as well as challenges in governance and implementation of reform. The ongoing conflict in the Middle East represents an additional emerging risk to GDP growth and macro-fiscal stability.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	0.7	1.5	4.5	2.3	3.1	3.2
Private consumption	1.2	2.1	2.4	3.2	3.2	3.2
Government consumption	3.5	11.2	15.6	-9.7	-1.9	-2.7
Gross fixed capital investment	-2.7	5.3	2.0	2.9	4.3	1.6
Exports, goods and services	9.0	5.5	33.8	5.2	0.5	1.9
Imports, goods and services	5.5	9.9	14.4	2.9	1.0	0.3
Real GDP growth, at constant factor prices	0.7	1.6	4.5	2.3	3.1	3.2
Agriculture	2.3	1.7	3.0	3.0	3.0	3.0
Industry	-0.5	0.9	10.0	3.0	2.0	2.0
Services	0.1	1.8	3.3	1.5	3.7	3.9
Employment rate (% of working-age population, 15 years+)	69.3	69.2	69.2	69.2	69.2	69.2
Inflation (consumer price index)	3.0	1.5	1.0	2.0	1.8	2.0
Current account balance (% of GDP)	-9.3	-9.1	-7.7	-6.8	-5.8	-4.1
Fiscal balance (% of GDP)	-3.6	-5.1	-5.6	-4.8	-4.8	-4.7
Revenues (% of GDP)	14.5	14.5	15.9	16.0	15.8	15.2
Debt (% of GDP)	57.6	60.7	62.0	62.6	62.7	62.4
Primary balance (% of GDP)	-3.0	-4.2	-4.6	-3.5	-3.5	-3.2
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	68.5	67.8	67.1	67.6	67.5	67.5
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	82.0	81.2	80.5	81.0	80.9	80.9
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	95.6	95.3	95.2	95.3	95.3	95.3
GHG emissions growth (mtCO2e)	-0.1	-0.3	-0.3	-0.2	-0.1	-0.1

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2021-EHCVM. Actual data: 2021. Nowcast: 2022-2025. Forecasts are from 2026 to 2028.

2/ Projections using microsimulation methodology.

CHAD

In 2025, GDP growth reached 5.6 percent (2.1 percent per capita). Lower food and transport prices pushed inflation to -2.6 percent, reducing poverty to 40.7 percent (US\$3.00, 2021 PPP). Growth is expected to remain robust, supported by non-oil expansion. Higher oil prices from the Middle East conflict could boost exports and fiscal revenues but may also increase transport costs, raising the import bill and fueling inflation.

Key conditions and challenges

Chad's economy remains highly dependent on oil, despite recent expansion of the non-oil sector, leaving it vulnerable to price volatility but also benefiting from rising global energy prices following the conflict in the Middle East. In 2024, the oil sector contributed 14.3 percent of GDP, 51.8 percent of fiscal revenues, and 65.3 percent of exports. The non-oil economy is dominated by rain-fed agriculture, which accounts for 40 percent of GDP but remains vulnerable to climate shocks and low productivity.

With 40.7 percent of the population living below the international poverty line, Chad's poverty is deeply rooted in structural weaknesses: a labor market dominated by informal, low-productivity agricultural jobs, limited opportunities in the formal sector, and a large share of youth disconnected from education and employment. These factors cause low and unstable incomes, especially in rural areas where almost 90 percent of the poor live.

Ongoing regional conflicts have sharply increased displaced populations, with Chad hosting over 1.5 million refugees, more than 226,000 internally displaced persons, and nearly 96,000 returnees

Population ¹ million	Poverty ² millions living on less than \$3.00/day
21.0	7.3
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
55.1	88.5
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
21.4	1017.7

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

as of February 2026 (United Nations High Commissioner for Refugees, UNHCR).

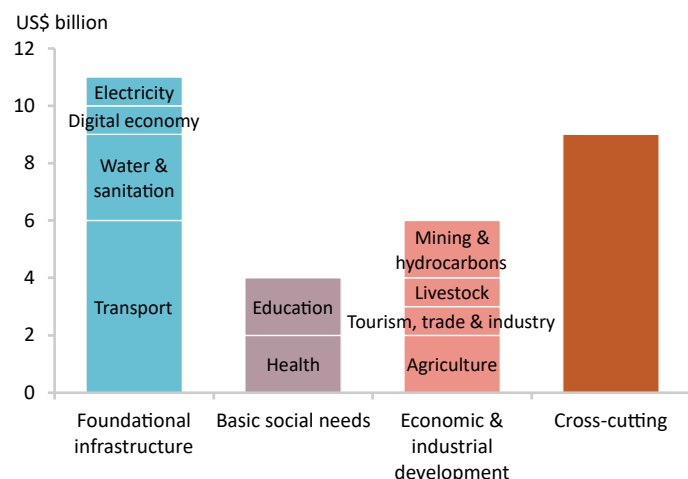
Despite restructuring efforts, Chad's financial sector remains fragile and concentrated, with 10 banks, 50 microfinance institutions, and 3 insurance companies. Only five banks meet prudential requirements, and non-performing loans stand at 33.3 percent, mainly in commerce, real estate, and construction.

Chad completed its political transition with nationwide elections and the adoption of a new constitution. The country also launched the National Development Plan 2025–2030 (NDP) at the November 2025 roundtable, securing US\$20.5 billion in commitments against a target of US\$30 billion.

Recent developments

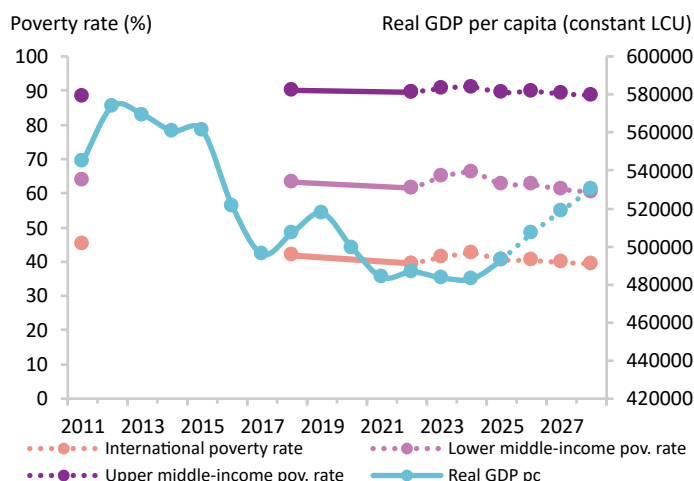
Chad's economy grew an estimated 5.6 percent in 2025 (2.1 percent per capita), driven by oil-sector expansion (+6.6 percent) from increased extraction and non-oil-sector growth (+5.5 percent) led by mining and agriculture. On the supply side, agriculture contributed 1.9 percentage points (pp) to growth, followed by industry

FIGURE 1 / 2025–2030 NDP investment plans by pillar and sector



Source: Chadian authorities.

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



Source: World Bank. Notes: See footnotes in table on the next page.

(+1.8 pp) and services (+1.6 pp). On the demand side, exports drove growth (+3.4 pp), followed by private consumption (+2.4 pp), partly reflecting increased demand from the refugee population.

The current account deficit reached 1.3 percent of GDP in 2025, reflecting weaker income and transfer balances. Inflation averaged -2.6 percent, supported by improved food supplies and market connectivity. Growth in agriculture and improved food availability contributed to a 1.9 percentage point decline in the poverty rate to 40.7 percent, with 8.5 million people living in extreme poverty. Foreign exchange reserves declined 2.7 percent year-on-year by end-2025, reducing import cover to 4.2 months and the external coverage ratio to 67 percent. In response, the Bank of Central African States raised the tender rate from 4.50 percent to 4.75 percent and the marginal lending facility rate from 6.00 percent to 6.25 percent on December 16, 2025.

Total revenues reached 17.8 percent of GDP, supported by a 16.1 percent increase in non-oil revenues. Government spending rose to 19.4 percent of GDP, driven by higher infrastructure outlays (+10.6 percent), resulting in a fiscal deficit of 1.7 percent of GDP and a non-oil primary deficit of 6.6 percent. Public debt increased slightly to 30.2 percent of GDP. The latest Debt Sustainability Analysis finds debt sustainable but at high risk of distress due to vulnerabilities around baseline projections. Regional market saturation and tight liquidity constrain access to domestic financing.

Outlook

GDP growth is projected to reach 5.2 percent in 2026 (2.5 percent per capita), driven by continued non-oil sector expansion (+6.0 percent). In 2026, higher global oil prices linked to the Middle East conflict are expected to boost oil export revenues and fiscal space,

while also adding upward pressure on inflation through higher import and transport costs. Over the medium term, growth is expected to remain strong, supported by oil production expansion, higher private investment, and steady consumption.

The fiscal deficit is projected to narrow to 0.4 percent of GDP in 2026, with the primary balance turning positive and debt declining to 28.7 percent of GDP, supported by a rebound in oil prices. Over 2027–2028, the fiscal deficit is expected to widen to an average of 1.0 percent of GDP, reflecting sustained investment spending linked to the NDP and subdued oil revenues from easing global oil prices. Public debt is anticipated to edge up to 30.9 percent of GDP in 2027 before declining to 29.0 percent in 2028. The current account deficit is projected to narrow to -0.1 percent of GDP in 2026, supported by higher oil prices and revenues, before widening to 2.2 percent in 2027 and moderating to 1.2 percent in 2028.

Inflation is projected to rise to 2.2 percent in 2026 due to the pass-through of higher global energy prices, before averaging 2.7 percent over the medium term, while poverty (US\$3.00 per day) is projected to decline to 39.5 percent by 2028. Improving education, agricultural productivity, climate resilience, and social protection can accelerate poverty reduction.

Upside risks include higher global oil prices and effective implementation of the NDP, supported by strong financing and continued reforms. Sustained higher oil prices could boost export earnings, fiscal revenues, and investment in the oil sector, supporting progress toward expanding oil production. Downside risks include regional insecurity, financial sector fragilities, climate shocks, and rising refugee inflows. Higher oil prices linked to the Middle East conflict could also increase transport and logistics costs, contributing to inflation and a higher import bill.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	4.0	5.0	5.6	5.2	5.3	5.3
Private consumption	2.0	3.5	3.5	4.4	4.7	4.6
Government consumption	0.2	3.5	3.9	3.0	2.3	2.8
Gross fixed capital investment	19.7	7.5	4.4	13.9	5.5	3.9
Exports, goods and services	6.2	1.1	13.8	4.6	6.1	7.4
Imports, goods and services	5.3	-1.0	6.2	8.1	2.9	3.0
Real GDP growth, at constant factor prices	3.6	5.5	5.6	5.2	5.3	5.3
Agriculture	1.8	8.2	4.9	4.4	5.0	4.5
Industry	6.4	4.1	7.3	6.8	6.3	4.1
Services	3.5	3.4	5.0	5.0	4.8	7.4
Employment rate (% of working-age population, 15 years+)	59.8	59.6	58.3	56.4	54.6	53.1
Inflation (consumer price index)	4.1	5.7	-2.6	2.2	2.6	2.8
Current account balance (% of GDP)	1.6	1.4	-1.3	-0.1	-2.2	-1.2
Fiscal balance (% of GDP)	-1.5	-3.4	-1.7	-0.4	-1.7	-0.2
Revenues (% of GDP)¹	15.8	15.3	17.8	18.6	18.4	18.9
Debt (% of GDP)	32.8	32.7	30.2	28.7	30.9	29.0
Primary balance (% of GDP)	-0.4	-2.2	-0.2	0.5	-0.9	0.6
International poverty rate (\$3.00 in 2021 PPP)^{2,3}	41.4	42.5	40.7	40.2	39.9	39.5
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{2,3}	64.9	66.3	62.8	62.1	61.5	60.5
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{2,3}	90.6	91.0	89.5	89.5	89.2	88.8
GHG emissions growth (mtCO₂e)	3.1	2.4	2.6	3.3	3.6	3.5

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ 2024 data includes one-off non-oil, non-tax revenues, such as windfalls from the increase in the fuel price and dividends from the Société de raffinage de N'Djamena.

2/ Calculations based on 2022-EHCVM. Actual data: 2022. Nowcast: 2023-2025. Forecasts are from 2026 to 2028.

3/ Projections using microsimulation methodology.

COMOROS

Estimated growth was 3.8 percent in 2025, driven by private consumption, supported by easing inflation (3.3 percent) and strong remittances. Poverty was estimated at 17.1 percent in 2025 (US\$4.20/day, 2021 PPP) and is projected to continue declining. Growth is expected to average 4.1 percent over 2026–2028, amid increased tourism from hosting an international sporting event. Revenue mobilization and private sector competitiveness remain priorities.

Key conditions and challenges

Comoros faces significant structural challenges, which have led to low economic growth. Weak institutions, limited competition and innovation, a small and fragmented domestic market, and geographic remoteness have hindered broader economic progress. From 2015 to 2024, real GDP per capita increased by just US\$198 (constant 2015 US\$), one of the lowest increases among peer nations. The economy relies heavily on private consumption, particularly from grands mariages, large traditional weddings that drive household spending but do little to foster sustainable growth. Despite these challenges, Comoros' stable growth and high remittances in recent years contributed to poverty reduction, from 25.9 percent of the population in 2020 to 18.0 percent in 2024 (US\$4.20/day, 2021 PPP).

Although political stability improved in the last two decades, economic progress remains sluggish—owing to political economy and structural factors. State-owned enterprises (SOEs) dominate key sectors, limiting competition and stifling the private sector. This limits job creation, with 88 percent of workers engaged in the informal sector. Low human capital and productivity further

Population ¹ million	Poverty ² millions living on less than \$4.20/day
0.9	0.2
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
66.8	97.0
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
1.8	2002.9

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

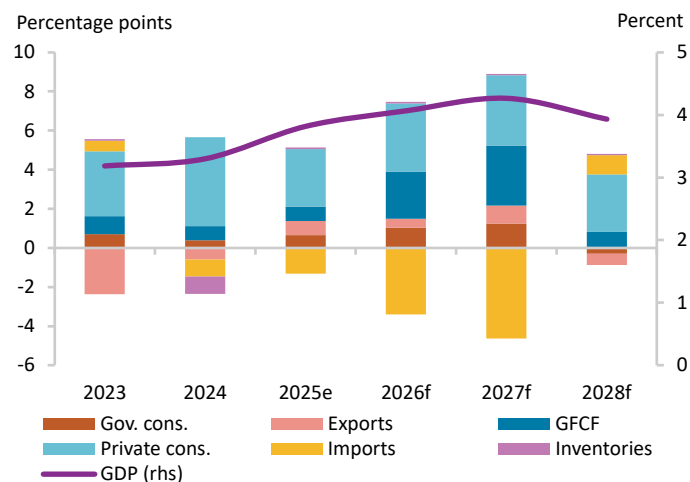
hamper economic progress, while limited access to finance curtails entrepreneurship and business growth. Traditional systems and informal power structures weaken state institutions, compounding governance issues.

The relatively slow pace of reforms to promote economic transformation and private sector development has hindered growth. Low revenues, due to tax exemptions and administrative inefficiencies, undermine fiscal sustainability, while the high risk of debt distress limits access to capital markets. Climate risks, such as cyclones and rising sea levels, further disrupt economic activity, increase vulnerability to poverty, and threaten development.

Recent developments

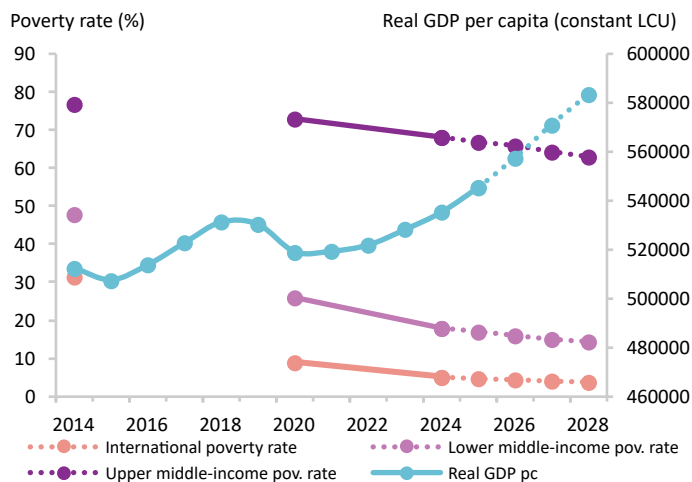
Growth rose to an estimated 3.8 percent in 2025, up from 3.3 percent in 2024, with all three sectors expanding by more than 3.5 percent. Services remained the main driver; industry grew fastest at 5.3 percent but had limited impact given its small GDP share and benefited from investments in ports, roads, and hotels ahead of the 2027 Indian Ocean Island Games. Private consumption

FIGURE 1 / Real GDP growth and demand-side contributions to real GDP growth



Sources: World Bank, IMF, and Government of Comoros calculations.

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



Source: World Bank. Notes: See footnotes in table on the next page.

strengthened on lower inflation (3.3 percent), partly offset by a wide trade deficit.

The fiscal deficit widened marginally to 2.4 percent of GDP, from 2.1 percent, with 0.5 percent financed domestically. Total revenue, including grants, rose to 15.4 percent of GDP, as tax revenue improved by 0.7 percentage points to 8.0 percent of GDP, driven by one-off arrears collections rather than structural gains in revenue mobilization. Grants remained stable at 6 percent of GDP. Current expenditure fell by 0.7 percentage points to 11.1 percent of GDP, notwithstanding off-budget slippages that were debt-financed. Nevertheless, total expenditure rose from 16.9 to 17.9 percent of GDP, as capital spending increased from 5.1 to 6.8 percent of GDP on Games-related investments. Public debt is mostly concessional and remains sustainable, despite rising to 25.2 percent of GDP in 2025.

Domestic credit rose to 22.5 percent of GDP by end-September 2025, with private sector credit recovering strongly to 9.4 percent year-on-year after slowing to 1.6 percent in 2024, while public sector credit remained robust at 16.1 percent. Financial sector vulnerabilities, including high non-performing loans, declining provisioning, and an undercapitalized institution, pose risks to credit intermediation and macro-financial stability.

The current account deficit is estimated to have narrowed to 1.8 percent of GDP, as goods exports rose by 50 percent despite declines in vanilla and cloves. This increase was driven by the overseas sale of waste materials, reflecting a one-off stock depletion rather than increased domestic production. Imports fell 1 percentage point, driven by a sharp 17.5 percent fall in energy costs, while net remittances strengthened with a 5.6 percent increase in inflows. Despite a recent fuel shipment, hoarding linked to the conflict in the Middle East has prompted government rationing.

Outlook

Real GDP growth is projected to reach 4.1 percent in 2026, only the third time since 2010, before peaking at 4.3 percent in 2027 as Games-driven tourism surges, moderating to 3.9 percent in 2028. Private consumption is expected to remain robust as inflation converges toward 2 percent. Rising growth and remittances are expected to reduce poverty to 14.4 percent in 2028 (US\$4.20/day, 2021 PPP). Rising oil prices and trade disruptions, from prolonged regional conflict could hinder poverty reduction, create food insecurity, and fuel inflationary pressure, given Comoros' reliance on imported energy and food.

Hosting the Games presents an opportunity to advance Comoros' tourism ambitions, but limited fiscal space and elevated debt risks call for disciplined, transparent planning to avoid wasteful spending. To ease fiscal pressures and improve debt sustainability, it is crucial to strengthen tax policy and rationalize spending by curbing tax exemptions, restructuring SOE liabilities, enhancing procurement transparency, and improving public investment management. Weak public financial management, treasury coordination, and debt management institutions raise the risk that the new treasury bill market, intended for liquidity management, instead finances fiscal deficits and crowds out private credit, as banks in a weak judicial recovery environment may favor sovereign paper over riskier small and medium-enterprise lending.

The current account deficit is expected to widen in 2026–2027 as higher goods imports linked to the Games offset gains in service exports from tourism. Downside risks to the outlook include the realization of contingent liabilities, particularly in the SOE sector, delays or failure to secure the Games, climate and geopolitical shocks, and financial sector strains, including pre-existing solvency pressures and risks linked to expanded domestic borrowing.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	3.2	3.3	3.8	4.1	4.3	3.9
Private consumption	3.6	5.0	3.2	3.8	3.9	3.2
Government consumption	5.6	3.1	5.2	8.1	9.3	-2.2
Gross fixed capital investment	4.8	3.7	3.8	12.2	14.5	3.5
Exports, goods and services	-15.9	-4.9	6.3	3.9	8.0	-4.8
Imports, goods and services	-1.3	2.2	3.4	8.9	11.6	-2.3
Real GDP growth, at constant factor prices	3.1	3.3	3.8	4.1	4.3	3.9
Agriculture	1.8	3.2	3.5	2.8	2.6	2.7
Industry	3.6	4.2	5.3	5.5	5.8	3.3
Services	3.7	3.2	3.7	4.4	4.7	4.6
Inflation (consumer price index)	8.5	5.0	3.3	4.3	3.0	2.2
Current account balance (% of GDP)	-1.4	-2.0	-1.8	-2.6	-3.4	-2.3
Fiscal balance (% of GDP)	-0.9	-2.1	-2.4	-2.5	-2.8	-2.2
Revenues (% of GDP)	15.1	14.8	15.4	15.9	16.1	15.3
Debt (% of GDP)¹	23.7	24.5	25.2	26.1	27.2	27.7
Primary balance (% of GDP)	-0.5	-1.8	-2.1	-2.1	-2.4	-1.9
International poverty rate (\$3.00 in 2021 PPP)^{2,3}	..	5.1	4.6	4.4	4.0	3.8
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{2,3}	..	18.0	17.1	16.0	15.0	14.4
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{2,3}	..	68.2	66.9	66.0	64.4	63.1
GHG emissions growth (mtCO₂e)	3.9	7.7	10.3	11.1	11.1	11.0

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Debt figures do not include publicly guaranteed debt.

2/ Calculations based on 2024-EHCVM. Actual data: 2024. Nowcast: 2025. Forecasts are from 2026 to 2028.

3/ Projection using neutral distribution (2024) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

DEMOCRATIC REP. OF CONGO

Growth slowed in 2025 but remained broadly robust. Stronger export revenues and external financing helped rebuild foreign reserves, stabilized the Congolese franc, and supported a decline in inflation. However, the intensification of conflict in the East increased security spending and tightened fiscal space. Although growth prospects remain positive, growth has not yet translated into meaningful poverty reduction through pro-poor use of natural resource revenues.

Key conditions and challenges

The eastern Democratic Republic of Congo (DRC) has faced persistent insecurity for decades, driven by armed groups competing for resource-rich areas, with conditions worsening in 2025. This escalation has compounded fiscal pressures and undermined stability, service delivery, and development prospects in affected regions. Conflict dynamics have aggravated DRC's severe development challenges, including widespread extreme poverty and limited service delivery. Recent conflict has directly affected an estimated 14 percent of the population, resulting in 2.7 million people facing severe food insecurity and 700,000 people currently displaced. Underlying drivers include weak governance, illicit resource exploitation by armed actors, and deep socioeconomic vulnerabilities. These factors perpetuate violence, erode state capacity, and hinder progress on sustainable development and poverty reduction. Human capital constraints, particularly weak education and health outcomes, continue to limit productivity gains and slow poverty reduction. While reform momentum and partnerships begun to support business confidence, elevated security risks and heavy

Population ¹ million	112.8	Poverty ² millions living on less than \$3.00/day	81.9
Life expectancy at birth ³ years	61.9	School enrollment ⁴ primary (% gross)	117.6
GDP ⁵ current US\$, billion	87.6	GDP per capita ⁶ current US\$	776.7

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2020 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

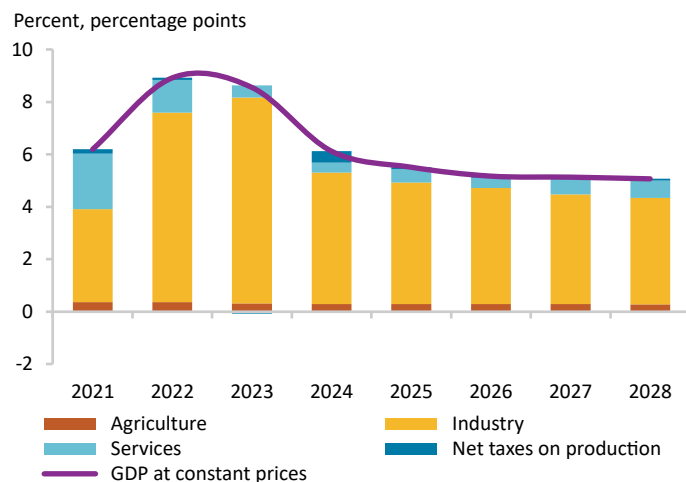
reliance on extractives expose growth and fiscal revenues to volatile global commodity markets. Addressing these challenges will require sustained efforts to strengthen governance, advance conflict resolution, restore security, and curb illicit resource flows.

Recent developments

Real GDP growth remained resilient, estimated at 5.5 percent in 2025, from 6.1 percent in 2024 above the Sub-Saharan Africa average. Growth was driven by the extractive sector, though momentum moderated due to policy measures and security challenges. Mining output moderated slightly to 10.1 percent (from 11.9 percent in 2024), supported by strong copper production and exports including from Kamoa-Kakula. However, the temporary cobalt export ban (February–October 2025) sharply reduced cobalt volumes. Non-mining sectors grew by 3.1 percent, driven mainly by construction and services.

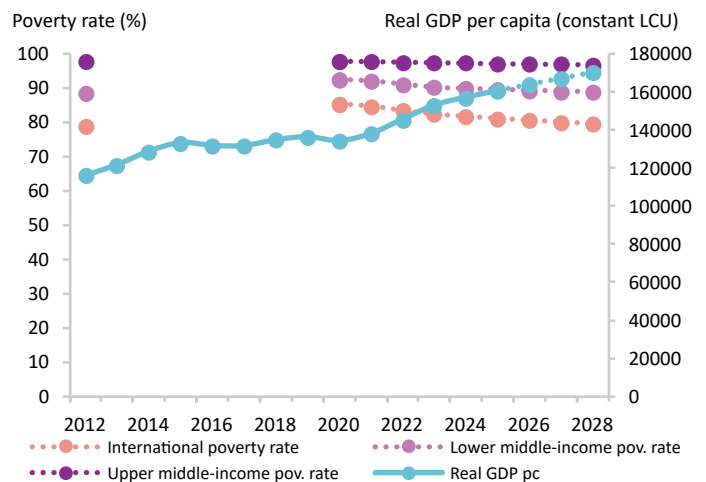
Despite solid output growth, the poverty rate stood elevated at 81.7 percent at US\$3/day PPP, underscoring persistent challenges

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Sources: Democratic Republic of Congo Statistical Authorities and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

in translating resource-driven growth into broad-based improvements in living standards. Wage employment accounts for only 26.1 percent of total employment, and 65.8 percent of wage earners still live below the national poverty line, reflecting limited access to productive jobs.

Robust copper exports narrowed the current account deficit to 3.6 percent of GDP (from 4.2 percent in 2024), partly offsetting the drop in cobalt export earnings from the suspension. Foreign direct investment (FDI) and external financing lifted foreign reserves to 3 months of imports (up from 2.5 months at end-2024), helping stabilize the exchange rate. The Congolese franc (CDF) appreciated by 5 percent (annual average), mainly reflecting stronger bank demand for CDF under revised reserve requirements. Inflation decelerated sharply to 7.5 percent in 2025 (from 17.7 percent in 2024), due to tight monetary policy, stable exchange rate, and lower global food and fuel prices.

Fiscal deficit widened to 2.9 percent of GDP in 2025 (from 1.9 percent in 2024) as rising security-related spending pressures outweighed revenue gains. It was financed through a mix of external budget support and domestic borrowing. Public debt remained contained at about 21.1 percent of GDP in 2025, with debt sustainability risks assessed as moderate. However, the economy remains vulnerable to commodity price volatility and broader fiscal pressures.

Outlook

Growth is projected to average 5.1 percent in 2026–2028, reflecting a gradual slowdown in mining output growth, as major projects reach maturity. The non-mining economy is forecast to grow

by 3.8 percent by 2028 (from 3.5 percent in 2026), driven mainly by services and construction as infrastructure investment and demand for transport and telecommunications continue to expand. Higher copper export receipts are expected to contribute to narrowing the current account deficit to 3.4 percent of GDP in 2026, and further to 2.9 percent by 2028 as cobalt restrictions ease. External financing and FDI are projected to keep foreign reserves at about 3 months of imports through 2028. A stable external position, combined with the absence of Central Bank of Congo (BCC) budget financing, is expected to support exchange rate stability and keep inflation near the 7 percent medium-term target.

Successful containment of wage bills, better control of security-related spending, and improved tax administration are expected to gradually reduce the fiscal deficit to 1.8 percent of GDP by 2028. Public debt is projected to remain moderate under this baseline, though vulnerabilities persist given the country's narrow export base and exposure to commodity price volatility. Poverty rate is expected to remain above 80 percent throughout 2027, underscoring the limited transmission of natural resource-driven growth to household wellbeing. Meaningful poverty reduction will require a more pro-poor allocation of resource revenues, with scaled-up investments in basic public services, infrastructure, and income-generating opportunities.

Risks remain tilted to the downside, as the ongoing conflict in the East, heightened global uncertainty, commodity price volatility and potential exposure to commercial financing could strain public finances and weigh on medium-term growth. While fuel prices remain regulated and stable, persistent supply interruptions could necessitate price adjustments, with potential implications for inflation and household living standards. Output might also decline if DRC's partners are affected by the conflict in the Middle East.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	8.6	6.1	5.5	5.2	5.1	5.1
Private consumption	3.5	3.7	4.3	4.4	4.5	4.5
Government consumption	-12.9	9.1	10.6	7.3	7.0	6.1
Gross fixed capital investment	98.0	11.1	5.6	6.0	6.4	6.3
Exports, goods and services	15.7	12.9	3.2	4.7	6.1	6.6
Imports, goods and services	85.6	11.6	4.8	5.6	6.4	6.4
Real GDP growth, at constant factor prices	8.7	5.7	5.5	5.2	5.1	5.1
Agriculture	2.2	2.2	2.3	2.3	2.4	2.4
Industry	16.0	9.6	8.6	7.9	7.3	7.0
Services	1.3	1.1	1.6	1.3	2.0	2.3
Employment rate (% of working-age population, 15 years+)	62.5	62.4	62.4	62.4	62.4	62.4
Inflation (consumer price index)	19.9	17.7	7.5	6.0	6.4	7.0
Current account balance (% of GDP)	-5.5	-4.2	-3.6	-3.4	-3.2	-3.0
Fiscal balance (% of GDP)¹	-2.4	-2.4	-3.2	-2.6	-2.6	-1.8
Revenues (% of GDP)	14.6	14.9	14.4	14.5	14.9	15.1
Debt (% of GDP)	27.4	22.9	21.1	21.6	21.8	22.1
Primary balance (% of GDP)²	-1.7	-1.7	-2.6	-1.8	-1.3	-0.9
International poverty rate (\$3.00 in 2021 PPP)^{3,4}	82.4	81.7	81.1	80.6	80.1	79.5
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{3,4}	90.2	89.8	89.6	89.3	89.1	88.8
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{3,4}	97.5	97.4	97.2	97.2	97.1	97.0
GHG emissions growth (mtCO2e)	0.3	0.3	0.3	0.3	0.4	0.4

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Fiscal balance figures are reported on a cash basis (% of GDP).

2/ The primary balance excludes interest payments received.

3/ Calculations based on 2020-EGI-ODD. Actual data: 2020. Nowcast: 2021-2025. Forecasts are from 2026 to 2028.

4/ Projection using neutral distribution (2020) with pass-through = 0.7 (Med (0.87)) based on GDP per capita in constant LCU.

REPUBLIC OF CONGO

Congo's growth is recovering slowly, but poverty remains persistently high. The country is in debt distress and continues to face significant liquidity pressures. Over the medium term, the conflict in the Middle East is expected to increase growth volatility, making business-climate reforms essential to establishing non-oil sectors as genuine engines of economic expansion.

Key conditions and challenges

The Republic of Congo has faced a prolonged economic crisis due to its heavy oil dependence. The 2014 oil price collapse triggered a recession that cut per capita income by a third, fueled a 13.6 percentage point (ppts) rise in poverty US\$3 (2021 PPP) poverty line between 2015 and 2022, and left poverty stagnating at 51.7 percent in 2025.

Although growth turned positive after 2021, it remains weak (1.8 percent in 2022–24), job creation has mirrored this trend, and most employment for the poor remains trapped in low-productivity agriculture and informal sectors.

Congo's reliance on oil heightens vulnerability to price shocks, while weak non-oil sectors limit diversification and jobs. Stronger medium-term growth will require economic diversification through better human capital, infrastructure, governance, and business conditions.

Population ¹ million	Poverty ² millions living on less than \$4.20/day
6.9	2.5
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
65.8	87.9
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
16.3	2356.0

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2011 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

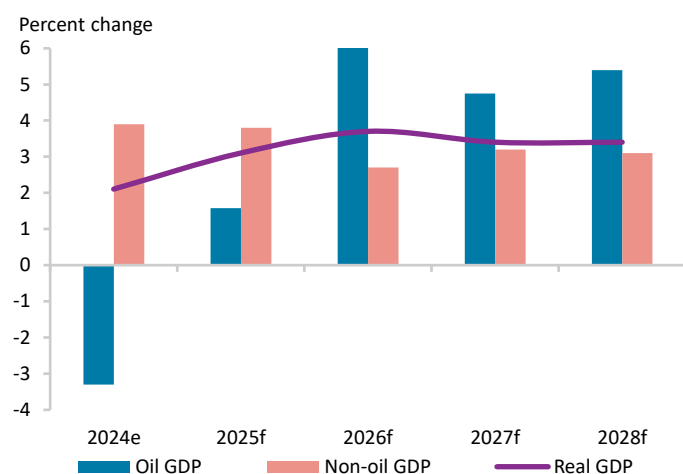
Recent developments

Economic activity in the Republic of Congo sustained its growth momentum in 2025, with real GDP expanding by an estimated 3.1 percent, driven by broad-based gains across oil and non-oil sectors. Non-oil growth reached 3.8 percent, supported by services, while the oil sector contributed positively to growth, driven by investments and new established operators.

Despite this expansion, poverty remains stagnant at 51.7 percent, reflecting the economy's heavy dependence on oil sector, which generates limited employment.

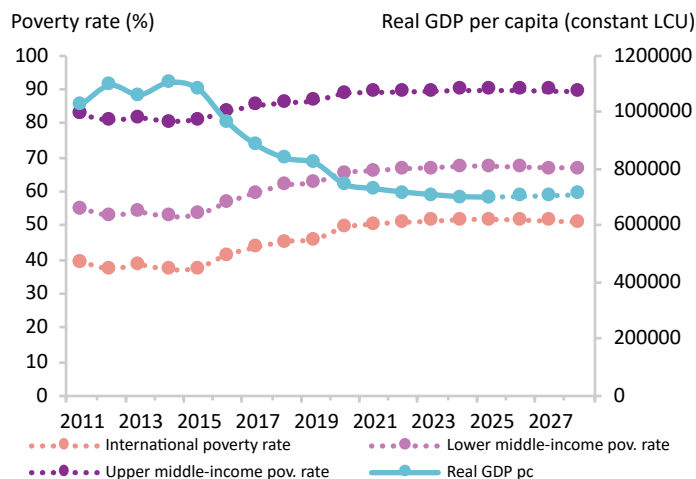
On the fiscal side, the budget surplus narrowed sharply to 0.6 percent of GDP, driven by declining oil revenues. However, the non-oil fiscal deficit continued to narrow, reaching 6.8 percent of GDP in 2025, down from 7.4 percent in 2024, reflecting sustained non-oil revenue mobilization efforts. Congo's non-oil revenues have strengthened due to value-added tax (VAT) on oil imports, customs

FIGURE 1 / Real GDP growth



Source: World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

modernization, and fiscal reforms, but public finances remain under pressure from high spending and liquidity constraints.

The government issued US\$1.63 billion in Eurobonds to refinance short-term debt, yet public debt remains very high at 97.4 percent of GDP and the country stays in debt distress. While the Eurobond issuances provided temporary relief, they increase currency and liquidity risks, as servicing dollar-denominated debt amid declining foreign exchange inflows in Central African Economic and Monetary Community (CEMAC) could weaken reserves and heighten macroeconomic vulnerabilities.

The current account fell into deficit, reaching 2.5 percent of GDP in 2025, driven by weaker oil export revenues and inflation eased slightly to 2.9 percent.

Outlook

Economic growth in the Republic of Congo is projected to remain positive in 2026, estimated at 3.7 percent, though modest. Growth will be underpinned by the oil sector, benefiting from elevated oil prices driven by the ongoing Middle East conflict. Non-oil sector growth, however, is expected to decelerate from 3.8 percent in 2025 to 2.7 percent, reflecting: (i) a projected softening in agricultural output amid rising fertilizer prices; and (ii) a moderation in services growth, as non-oil private investment weakens in response to heightened uncertainty and tighter global financial

conditions associated with the same conflict. Despite the boost to growth from elevated oil prices over the medium term, poverty is expected to decline only marginally from 2026 onward. Poverty is projected to remain persistently high—above 51 percent—reflecting limited job creation, unreliable energy supply, and weak social protection systems.

The fiscal surplus is expected to peak at 3.0 percent of GDP in 2026, driven by higher oil revenues, and the decline in expenditure driven by the return to equilibrium of spending on goods and services, while external interest payments increased, linked to higher international interest rates stemming from the conflict in the Middle East. Public debt remains high—around 87.3 percent of GDP in 2026–28—but is projected to decline gradually. A shift toward international market financing could reduce domestic banks' exposure to sovereign risk, despite higher foreign currency risk. The external position will strengthen in 2026, with the current account surplus reaching 9.1 percent of GDP, supported by elevated oil prices. In the context of ongoing disruptions to maritime transport, inflation is projected to rise to 3.5 percent in 2026. The strengthened policy measures adopted in February 2025—including adjustments to customs duties and VAT on essential goods aimed at easing the cost of living—should help reduce the risk of food insecurity.

The outlook is subject to significant downside risks linked to oil price volatility, shipping disruptions, weaker global demand, and tighter financing conditions could weigh on growth prospects, and liquidity pressures.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	1.9	2.1	3.1	3.7	3.4	3.4
Private consumption	4.9	6.5	4.0	4.7	4.0	3.7
Government consumption	0.6	0.5	5.9	-9.3	0.7	2.5
Gross fixed capital investment	8.6	5.6	5.0	5.2	4.5	4.3
Exports, goods and services	1.0	-0.5	1.6	6.3	4.3	4.2
Imports, goods and services	8.9	5.0	4.4	3.6	4.9	5.0
Real GDP growth, at constant factor prices	1.9	2.5	3.1	3.7	3.4	3.4
Agriculture	2.8	4.2	3.7	2.7	2.9	3.0
Industry	0.7	0.3	1.8	5.3	4.0	4.4
Services	3.4	5.3	4.5	2.9	3.4	3.1
Employment rate (% of working-age population, 15 years+)	54.5	54.6	54.6	54.6	54.6	54.6
Inflation (consumer price index)	4.3	3.8	2.9	3.5	3.2	3.0
Current account balance (% of GDP)	8.6	4.0	-2.5	9.1	-4.8	-5.4
Net foreign direct investment inflow (% of GDP)	9.5	5.0	5.2	4.8	4.6	4.3
Fiscal balance (% of GDP)	3.6	2.7	0.6	3.0	-0.5	0.3
Revenues (% of GDP)	24.3	25.1	23.2	25.1	22.2	22.0
Debt (% of GDP)	102.9	98.1	97.4	93.8	87.2	80.9
Primary balance (% of GDP)	6.4	6.4	4.2	6.8	3.6	3.6
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	51.2	51.7	51.7	51.5	51.3	51.2
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	66.7	67.1	67.1	66.8	66.8	66.7
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	89.6	89.8	89.8	89.8	89.8	89.6
GHG emissions growth (mtCO₂e)	3.0	2.5	1.5	1.6	2.4	2.6

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2011-ECOM. Actual data: 2011. Nowcast: 2012-2025. Forecasts are from 2026 to 2028.

2/ Projection using neutral distribution (2011) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

CÔTE D'IVOIRE

Growth remained strong at 6.3 percent in 2025, supported by strong private demand, near-zero inflation, and a decade-high trade surplus. Fiscal consolidation reduced the deficit to 3.0 percent of GDP. Despite strong performance, high informality and weak job quality limit poverty reduction. Growth is set to average 6.4 percent over 2026–2028, lowering middle-income poverty amid climate and significant geopolitical risks, especially from the Middle East events.

Key conditions and challenges

Côte d'Ivoire has sustained one of West Africa's most dynamic economic trajectories. Growth averaged 6.5 percent over the past decade, and lower-middle-income poverty (US\$4.20/day) declined from 41.7 to 36.0 percent between 2021 and 2025. Yet growth has not been sufficiently inclusive. Sluggish productivity and weak pass-through from growth to labor quality limit poverty reduction, with rural areas registering little progress.

Employment increased to 65.2 percent in 2024, up 2 percentage points (ppts) since 2020, but job quality lags. Structural mismatches persist: industrial employment and formal employment stagnate at only 10 percent and 25 percent of the workforce, respectively, pushing youth and women into low-skilled self-employment, high informality (82 percent), and vulnerable employment (72 percent).

To attain upper-middle-income status by 2035, the government launched the US\$206 billion National Development Plan (NDP 2026–30), targeting 7.2 percent annual growth and four million decent jobs. Success will require tackling structural bottlenecks, including a fragmented land market, infrastructure gaps,

Population ¹ million	32.7	Poverty ² millions living on less than \$4.20/day	12.3
Life expectancy at birth ³ years	61.9	School enrollment ⁴ primary (% gross)	93.3
GDP ⁵ current US\$, billion	98.6	GDP per capita ⁶ current US\$	3014.2

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

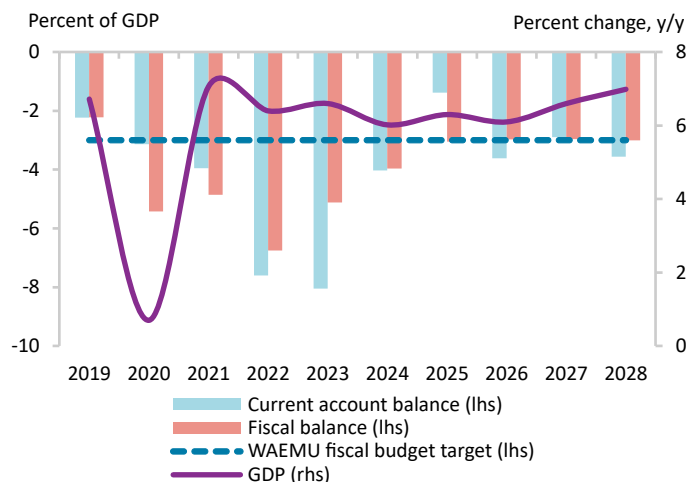
weak human capital, limited finance access and maintaining macroeconomic discipline.

Recent developments

Growth reached 6.3 percent in 2025 (3.8 percent per capita), up from 6.0 percent (3.5 percent per capita) in 2024, with output expanding 7.3 percent y/y in Q1–Q3 on broad momentum. Household consumption strengthened on lower inflation, higher employment, and supportive farmgate prices. Private investment accelerated, reflecting robust intermediate and capital imports. Public investment rose through major road and social projects. On the supply side, services contributed 2.9 ppts, led by digital and trade related activities, while industry added 2.0 ppts, driven by construction and hydrocarbons from the start-up of Baleine Phase 2, despite slower gold and manufacturing. Agriculture contributed 0.4 ppt, supported by stronger cocoa and food crop production.

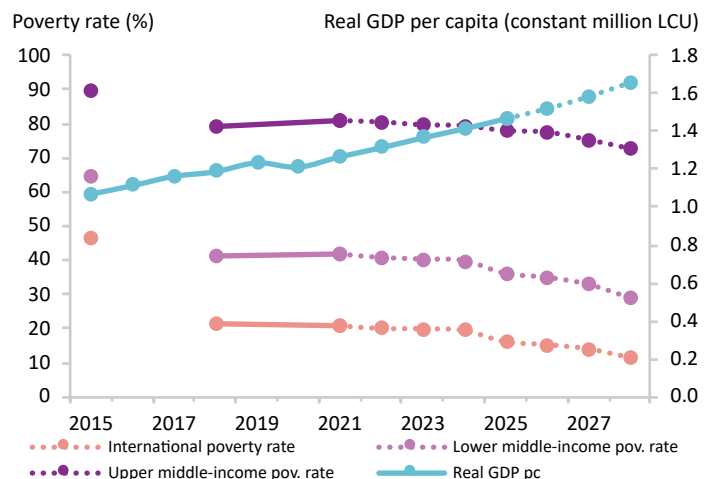
Inflation fell sharply to 0.1 percent in 2025 from 3.4 percent in 2024, driven by ample domestic food supply, lower global fuel prices, and the pass-through of global disinflation. Near-zero inflation and strong, broad-based growth reduced

FIGURE 1 / Fiscal balance, current account deficit, and GDP growth



Source: World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

lower-middle-income poverty from 39.7 to 36.0 percent over the year. The West African Economic and Monetary Union (WAEMU) inflation dropped to 0.2 percent from 3.5 percent in 2024, reflecting slower food prices, while regional foreign reserves increased to 6.1 months of imports. After maintaining its monetary policy stance since June 2025, the Central Bank of West African States (BCEAO) reduced its key rates by 25 basis points in March 2026, lowering the liquidity call and marginal lending rates to 3.0 and 5.0 percent, respectively, supporting an 11 percent rise in private sector credit amid firmer business confidence.

The fiscal deficit met its 3.0 percent of GDP target in 2025, down from 4.0 percent in 2024, as revenues rose to 17.3 percent of GDP despite lower grants, on strong domestic tax collection. The current account deficit (CAD) narrowed sharply to 1.4 percent of GDP from 4.0 percent, supported by a decade-high trade surplus on large terms of trade gains (+40 percent y/y), higher hydrocarbons, mining, and processed goods exports, and fiscal consolidation. Public debt fell to 58.1 percent of GDP, underpinned by proactive liability management, including issuance of the region's first local currency Eurobond and an Environmental, Social, and Governance (ESG) bond in Japan, which extended maturities and broadened the investor base.

Outlook

In 2026, the Middle East conflict is expected to dampen growth and exert upward pressure on inflation and the CAD, mainly through higher energy import costs, worsening terms of trade, and heightened uncertainty, partially offset by rising oil production and gold prices. Nevertheless growth is projected at 5.8 percent in 2026 and expected to accelerate to 6.7 percent over 2027–28,

supported by expanded hydrocarbon and mining production, notably from the second phase of the Baleine project, continued reforms under the NDP 2026–2030, and favorable terms of trade. Private investment is expected to remain the main engine of demand, with the private sector projected to finance approximately 70 percent of the NDP's total investment envelope.

Inflation is expected to rise sharply to 3.3 percent in 2026 given high fuel imports and rising global energy prices but revert to the regional norm thereafter. At the regional level, inflation is expected to remain in line with the 1–3 percent WAEMU target band from 2026 onward, while foreign reserves are projected to average 5.9 months of imports during 2026–28, supported by resilient export performance. Normalized inflation from 2027 and improved job quality will drive lower-middle-income poverty down to 29.0 percent by 2028.

The government is committed to maintaining the fiscal deficit at 3.0 percent of GDP through 2028, underpinned by continued domestic revenue mobilization and expenditure prioritization. Public debt is projected to decline gradually from 56.8 percent of GDP in 2026 to 54.0 percent by 2028. The CAD is projected to widen to 3.7 percent of GDP in 2026, reflecting lower cocoa prices and higher energy costs linked to the conflict in the Middle East, before narrowing to 2.8 percent in 2027 as new hydrocarbon exports ramp up. Despite Côte d'Ivoire's status as a net oil importer, the structural expansion of domestic hydrocarbon production is expected to progressively reduce the economy's external vulnerability.

Downside risks, including climate shocks, global trade uncertainty and prolonged geopolitical tensions, and regional insecurity, could erode macro-fiscal buffers, tighten financing, and heighten short-term debt rollover risks.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	6.6	6.0	6.3	5.8	6.5	7.0
Private consumption	10.2	2.5	4.8	4.4	4.8	3.7
Government consumption	6.4	4.6	5.8	6.7	0.6	0.4
Gross fixed capital investment	2.9	7.0	4.4	8.3	12.5	9.7
Exports, goods and services	6.6	25.1	23.0	14.0	15.3	15.9
Imports, goods and services	8.7	3.1	18.3	14.0	15.9	11.7
Real GDP growth, at constant factor prices	6.6	5.9	6.3	5.8	6.5	7.0
Agriculture	3.1	5.3	5.8	4.7	7.1	8.8
Industry	10.7	4.8	6.0	7.6	9.1	9.0
Services	6.0	6.7	6.6	5.4	5.0	5.4
Employment rate (% of working-age population, 15 years+)	65.2	65.2	65.4	66.2	66.6	66.9
Inflation (consumer price index)	4.4	3.5	0.1	3.3	2.7	2.0
Current account balance (% of GDP)	-8.0	-4.0	-1.4	-3.7	-2.8	-3.5
Net foreign direct investment inflow (% of GDP)	2.5	3.8	3.8	3.1	3.9	4.2
Fiscal balance (% of GDP)	-5.1	-4.0	-3.0	-3.0	-3.0	-3.0
Revenues (% of GDP)	15.9	16.4	17.3	17.9	18.6	18.9
Debt (% of GDP)	57.7	60.0	58.1	56.8	55.6	54.0
Primary balance (% of GDP)	-2.6	-1.3	-0.2	-0.2	-0.6	-0.6
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	19.9	19.4	16.1	15.3	14.0	11.4
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	40.2	39.7	36.0	34.9	33.0	29.0
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	79.6	79.4	77.9	77.6	75.4	72.8
GHG emissions growth (mtCO₂e)	1.8	1.7	1.9	2.0	2.7	2.9

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2021-EHCV. Actual data: 2021. Nowcast: 2022–2025. Forecasts are from 2026 to 2028.

2/ Projections using microsimulation methodology.

EQUATORIAL GUINEA

The economy contracted by an estimated 5.4 percent in 2025, driven by a decline in the hydrocarbon sector expected to persist over the medium term. Weak growth in labor-intensive sectors—agriculture and services—is expected to increase poverty by 1 percentage point. Fiscal and external balances deteriorated as exports declined. A sharper-than-expected decrease in oil output represents the main downside risk to the outlook.

Key conditions and challenges

Equatorial Guinea's heavy dependence on hydrocarbons, limited economic diversification and a decline in oil production from maturing fields have dragged on growth for over a decade. The remarkable growth of the 2000s oil boom was followed by a sharp fall in oil production, from 104.5 million barrels in 2010 to 28.9 million barrels in 2024. As a result, Gross National Income per capita (constant 2015 US\$) dropped from US\$14,560.6 in 2008 to US\$4,134.4 in 2024.

Despite infrastructure investment, 24 percent of the population lack access to electricity and 32.4 percent lack access to piped water. Human capital accumulation is modest, as children born today will reach only half of their productivity potential. Human capital is underutilized, with 13.7 percent of the labor force unemployed while 17 percent of jobs are formal. By 2022, 58.1 percent of the population lived with less than US\$8.3 per day (2021 PPP).

The authorities have defined an ambitious structural reform agenda to accelerate diversification and inclusive growth. Recent

Population ¹ million	Poverty ² millions living on less than \$8.30/day
1.9	1.0
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
63.7	107.8
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
13.5	6962.4

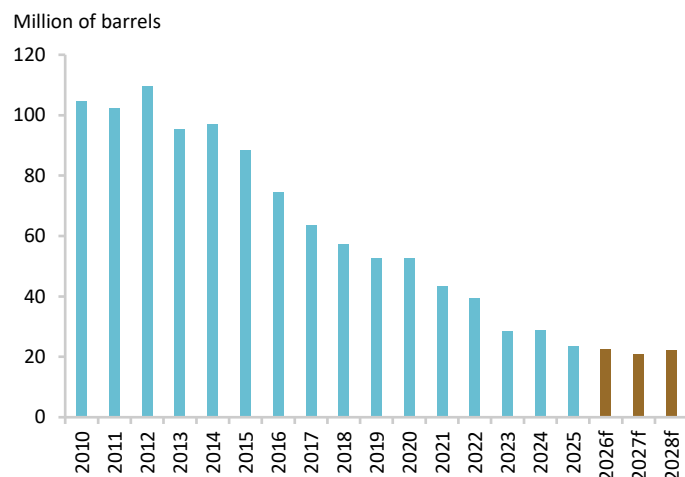
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2025. 6/ 2025.

steps—including tax and anticorruption reforms, a new procurement law, state-owned enterprises' audits, the customs IT system rollout, progress towards the implementation of a Treasury Single Account, the launch of a debt management system, and the gradual phaseout of fuel subsidies—are encouraging. Sustaining reform momentum and effective implementation will be key to strengthening governance and the business environment, and boosting private sector-led and pro-poor growth.

Recent developments

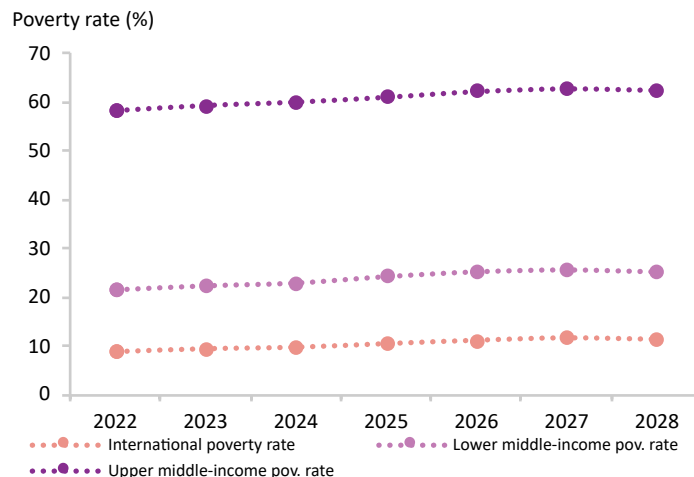
After a modest growth of 0.4 percent in 2024, GDP is estimated to have contracted by 5.4 percent in 2025 as oil production fell by an estimated 19 percent in 2025 due to unforeseen operational disruptions. In early 2026, the economy faces shocks, including the conflict in the Middle East, which is contributing to uncertainty and volatility in global energy markets. As agriculture and services employ 86 percent of workers, weak growth in these sectors is expected to constrain household incomes, increasing poverty from 59.9 to 61.0 percent between 2024 and 2025.

FIGURE 1 / Oil production



Source: Equatorial Guinea authorities.

FIGURE 2 / Actual and projected poverty rates



Source: World Bank. Notes: See footnotes in table on the next page.

Preliminary data show that fiscal revenues increased by 19 percent in the first half of 2025 (H1 2025), year-on-year, driven by higher oil prices and inventory sales, which temporarily offset weaker hydrocarbon production. However, a 25.9 percent decline in hydrocarbon production in H2 2025, year-on-year, combined with lower prices, offset earlier gains, leaving annual revenues broadly flat. Expenditure execution reached 94 percent by mid-2025, reflecting lower capital spending. Overall, weaker second-half revenues and higher current spending resulted in an estimated fiscal deficit of about 0.9 percent of GDP in 2025. The current account deficit widened to an estimated 1.1 percent of GDP in 2025, from 0.7 percent in 2024, due to lower hydrocarbon exports.

The public debt-to-GDP ratio is estimated to have edged up to 36.3 percent in 2025, with the overall risk of sovereign stress assessed as high. Financial sector vulnerabilities persist, with non-performing loans at 31.7 percent of total gross loans in mid-2025.

After cutting its policy rate to 4.5 percent in March 2025, the Bank of Central African States (BEAC) reversed course and raised it to 4.75 percent in December 2025 as regional net foreign assets declined. Lower food prices slightly reduced inflation from 3.4 percent in 2024 to 3.2 percent in 2025. External reserves fell from 6.1 months of imports in 2022 to 3.7 months in 2024, with further declines expected in 2025.

Outlook

GDP is projected to contract by 3.5 percent per year over 2026–27, reflecting a decline in hydrocarbon output due to maturing wells,

before growing by 2.2 percent in 2028 as production increases. Combined with higher food inflation—from rising energy and fertilizer costs—and weaker services growth, this is expected to reduce real labor income and raise poverty by 1.8 percentage points over 2026–27, before partly reversing in 2028.

As a net oil exporter, the country would benefit from higher oil prices in 2026 due to the conflict in the Middle East, temporarily improving fiscal (to 2.6 percent of GDP) and current account (to 0.1 percent of GDP) balances. However, deficits are projected to reemerge as production declines continue. By 2027, the current account deficit is projected to widen to 1.6 percent of GDP and the fiscal balance to shift to a deficit of 1.3 percent of GDP, before narrowing in 2028 as revenues recover and spending remains contained.

Risks to the outlook are tilted to the downside. A sharper-than-projected decline in hydrocarbon production, prices, or reserves in the medium term would compromise growth and strain fiscal and external balances. Tighter global financial conditions and weaker external demand could undermine growth. Trade or geopolitical disruptions would affect commodity and food markets and erode poorer households' purchasing power, increasing food insecurity risks. Conversely, new hydrocarbon discoveries and stronger reform implementation would improve the outlook.

Priority reforms should strengthen domestic revenue mobilization, spending efficiency, governance and the business environment, and human capital. Digitalization and tourism sector development could unlock new economic opportunities.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	-7.4	0.4	-5.4	-3.5	-3.4	2.2
Private consumption	1.7	3.0	1.9	2.0	2.1	2.2
Government consumption	2.2	3.3	-1.1	-0.6	-1.3	-0.8
Gross fixed capital investment	-1.7	-13.2	-1.0	-2.2	1.3	1.8
Exports, goods and services	-22.9	11.0	-8.8	-6.4	-5.3	6.5
Imports, goods and services	-27.8	16.9	-3.3	-3.9	-1.7	0.9
Real GDP growth, at constant factor prices	-7.1	0.5	-5.4	-3.5	-3.4	2.2
Agriculture	0.6	2.1	3.9	3.2	3.3	2.9
Industry	-15.1	-1.5	-12.9	-9.6	-10.0	1.6
Services	4.8	3.0	3.0	2.2	2.0	2.7
Inflation (consumer price index)	2.9	3.4	3.2	6.2	2.9	2.6
Current account balance (% of GDP)	0.9	-0.7	-1.1	0.1	-1.6	-0.3
Net foreign direct investment inflow (% of GDP)	-1.9	-0.4	0.7	1.6	1.9	2.0
Fiscal balance (% of GDP)	2.3	-0.5	-0.9	2.6	-1.3	-0.9
Revenues (% of GDP)	21.3	16.8	17.7	19.8	15.8	15.2
Debt (% of GDP)	35.4	34.1	36.3	36.7	39.8	37.2
Primary balance (% of GDP)	3.4	0.5	0.2	3.7	-0.1	0.3
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	9.4	9.7	10.4	11.1	11.6	11.3
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	22.3	22.9	24.2	25.2	25.6	25.2
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	59.2	59.9	61.0	62.2	62.8	62.5
GHG emissions growth (mtCO₂e)	-4.0	-1.2	-4.2	-2.8	-2.6	0.3

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2022-ENH2. Actual data: 2022. Nowcast: 2023-2025. Forecasts are from 2026 to 2028.

2/ Projections using microsimulation methodology.

ERITREA

Growth in 2025 was supported by strong mining activity and lower inflation due to moderation of global prices of food and fuel. Investments to develop the Colluli potash mine and upgrading of Eritrea's power stations are expected to support growth of around 3.5 percent in the near term. Downside risks include production delays at the Colluli mine, volatility in global commodity markets, geopolitical, and climate vulnerabilities.

Key conditions and challenges

Eritrea is a subsistence agriculture economy relying on the mining industry, primarily zinc and gold, for foreign exchange. About 70 percent of the population lives in rural areas, relying on rainfed farming, livestock, and fisheries. Frequent weather shocks due to climate change impact economic activity and livelihoods. Unemployment is low (6 percent, according to estimates by the International Labour Organization) due to mandatory National Service, which distorts employment statistics. Otherwise, most jobs are low productivity and informal.

Following the lifting of United Nations (UN) sanctions in 2018, Eritrea emerged from prolonged isolation, having relied largely on domestic growth. Economic competition remains constrained by state owned enterprise dominance and regulatory restrictions. Exports are highly concentrated in zinc, copper, and gold, exposing the economy to commodity price swings and demand from China. Fiscal dominance and a shallow financial sector limit the effectiveness of monetary policy under the fixed exchange rate.

Population ¹ million	Poverty
3.6	..
Life expectancy at birth ² years	School enrollment ³ primary (% gross)
68.6	89.7
GDP ⁴ current US\$, billion	GDP per capita ⁵ current US\$
3.1	860.1

Sources: WDI, MFMMod, and official data. 1/ 2025. 2/ 2023. 3/ 2022. 4/ 2025. 5/ 2025.

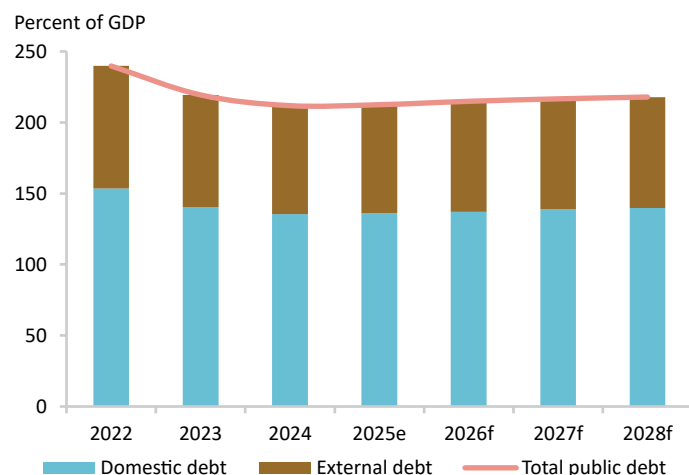
Despite substantial mineral wealth, mining development is hindered by weak infrastructure, limited ports and restrictive regulations. The lack of competition law and import controls deter foreign investment and constrain demand for foreign exchange amid low reserves. Informal cross-border trade has improved since the end of the conflict in northern Ethiopia.

Official statistics are severely limited: national accounts data are unpublished, inflation data cover only Asmara, the capital city, and balance of payment are incomplete. Poverty statistics have not been produced for over a decade. An ongoing Population and Health Household survey, collected with support from UN agencies, should provide much-needed updated statistics on multiple social dimensions, though not on monetary poverty.

Recent developments

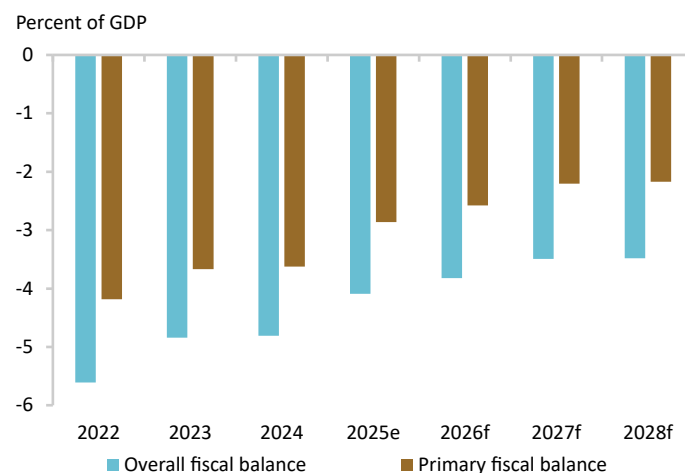
Real GDP growth is estimated to have increased to 3.2 percent in 2025, supported by strong mining output and private consumption and by moderation in global food and oil prices. Inflation continued its downward trend and is expected to average at 3.9 percent

FIGURE 1 / Evolution of total public debt



Sources: Ministry of Finance, Planning and Economic Development, IMF, and World Bank.

FIGURE 2 / Primary and overall fiscal balances



Sources: Ministry of Finance, Planning and Economic Development, IMF, and World Bank.

in 2025, reflecting easing global prices for oil and non-oil commodities, which are critical imports for the country.

Eritrea continued to maintain a large current account surplus supported by a strong increase in global metal prices amid tight import and capital controls. International gold prices rose 44 percent in 2025 while the increase in copper and zinc prices were more modest at 9 and 3 percent, respectively. These three minerals account for more than 95 percent of Eritrea's export earnings.

Following an engagement hiatus in 2020, Eritrea has begun to re-engage with international development partners and revitalize some bilateral relations since 2023. The African Development Bank is supporting several projects including the building of a 30-megawatt solar photovoltaic power plant in Dekemhare, scheduled to be completed in 2027. China is Eritrea's principal commercial partner dominating the mining and infrastructure sector as well as being a major trading partner. In early 2023, the Chinese company Sichuan Road and Bridge Group acquired a 50 percent stake in the Colluli potash mine—one of the largest and most easy-to-exploit deposits in the world. Once it becomes operational (expected by end-2027), it could contribute up to 10 percent of GDP. In September 2025, Eritrea embarked on upgrading of its two main power stations at Beleza and Hirgigo to increase its current capacity of 151 megawatts. This project, undertaken by a Chinese company, CFECO, is expected to be completed by end-2026.

Outlook

GDP growth is projected at 3.5–3.6 percent in the near to medium term driven by construction of the Colluli

mine. Inflation is expected to ease at about 4 percent as global food prices fall. A large current account surplus (around 14 percent of GDP in 2026) reflects strong mining exports and tight import controls. Gradual fiscal consolidation and higher mining sector receipts should support a narrowing of the fiscal deficit over the medium term. Once operational, Colluli could generate US\$200mn annually. But the poverty rate is not expected to decline significantly in the coming years due to the low projected growth rates for GDP per capita, especially in the agricultural sector. Major advancements in agriculture, along with more high-productivity jobs in cities, are essential for tackling the widespread deprivation in the country.

Significant downside risks include weaker than expected global or Chinese demand for commodity exports, volatility in metals and minerals prices, production delays at the Colluli mine, spillovers from the Sudan conflict, and recent escalation in tensions with Ethiopia. Elevated global fuel prices and supply disruptions related to the Middle East conflict pose downside risks to Eritrea's economic activity, given its reliance on fossil fuels. Climate vulnerabilities could intensify in the coming years, increasing an already high risk of food insecurity. Eritrea's re-engagement with the international community could help to significantly reduce external arrears and provide much-needed financing to build essential infrastructure over the medium term. This would help reduce the risks associated with climate change and foster the development of the private and financial sectors, which could enhance job creation and promote inclusive growth.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	2.6	2.9	3.2	3.5	3.6	3.6
Private consumption	4.0	2.1	2.7	2.5	2.1	3.1
Government consumption	3.7	1.9	1.4	2.7	4.1	2.4
Gross fixed capital investment	22.7	4.2	4.4	4.0	4.2	4.4
Exports, goods and services	5.1	3.2	3.5	3.7	3.8	3.8
Imports, goods and services	5.3	4.2	4.3	4.3	5.1	5.1
Real GDP growth, at constant factor prices	2.6	2.9	3.2	3.5	3.6	3.6
Agriculture	3.5	3.6	3.2	3.2	3.2	3.2
Industry	2.9	3.3	3.3	3.4	3.1	3.1
Services	1.5	1.6	3.1	3.9	4.8	5.1
Inflation (consumer price index)	6.4	4.1	3.9	3.8	3.7	3.7
Current account balance (% of GDP)	14.1	14.5	14.1	14.8	14.7	14.5
Net foreign direct investment inflow (% of GDP)	1.2	1.2	1.3	1.3	1.3	1.3
Fiscal balance (% of GDP)	-4.8	-4.8	-4.1	-3.8	-3.5	-3.5
Revenues (% of GDP)	27.6	26.6	26.8	27.2	27.7	27.9
Debt (% of GDP)	219.4	211.8	212.5	214.8	216.6	217.9
Primary balance (% of GDP)	-3.7	-3.6	-2.9	-2.6	-2.2	-2.2
GHG emissions growth (mtCO2e)	1.2	1.5	1.5	1.6	1.7	1.6

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

ESWATINI

Eswatini's GDP growth is expected to edge lower to 3.9 percent in 2026 amid rebounding consumption, slowing investment and unfavorable global impacts. Despite recent robust growth, fiscal pressures and high unemployment persist, with more than half the population living in poverty below the lower-middle-income threshold. Fiscal consolidation is needed over the medium term to ensure sustainability of public finances.

Key conditions and challenges

Over the past decade, Eswatini's economic growth has remained below that of many middle-income peers, reflecting persistent structural constraints and vulnerability to external shocks. Growth averaged around 2.5 percent over the past decade, weighed down by a narrow production base, a constrained business environment, and heavy reliance on volatile Southern African Customs Union (SACU) revenues, accounting for about 40 percent of government resources. Limited access to finance, skills mismatches, and regulatory bottlenecks continue to hinder private sector development, particularly for small, medium, and micro enterprises.

Poverty remains widespread despite improvements in access to basic services. More than half of the population lives below the lower middle-income country poverty line, and income inequality remains high. While multidimensional poverty has declined over time, weak labor market absorption has constrained income gains, especially among youth. Unemployment is high at 35.4 percent in 2023.

Macroeconomic management is complicated by significant fiscal rigidities. A large public wage bill (a third of expenditure) and

Population ¹ million	Poverty ² millions living on less than \$4.20/day
1.3	0.7
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
64.1	116.5
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
5.4	4304.8

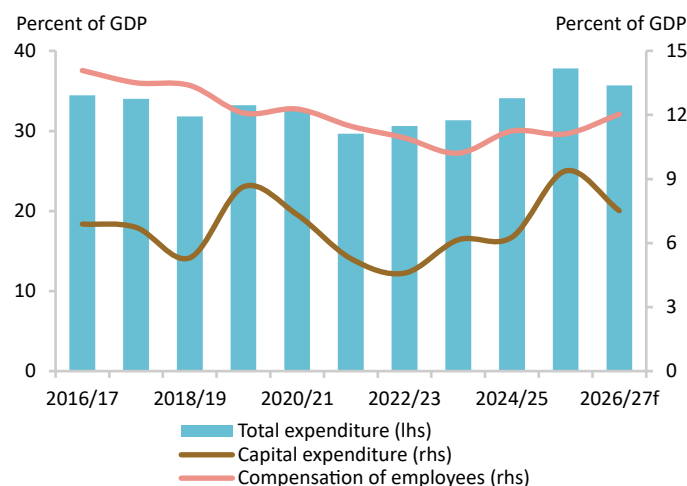
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2016 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

recurrent spending pressures limit the scope for countercyclical policy and crowd out priority investments. Dependence on SACU revenues exposes the budget to regional economic developments, particularly in South Africa, while climate related shocks pose additional risks to growth, food security, and fiscal stability. Addressing these challenges requires structural reforms to improve the business environment, enhance public spending efficiency, and strengthen resilience to external and climate shocks.

Recent developments

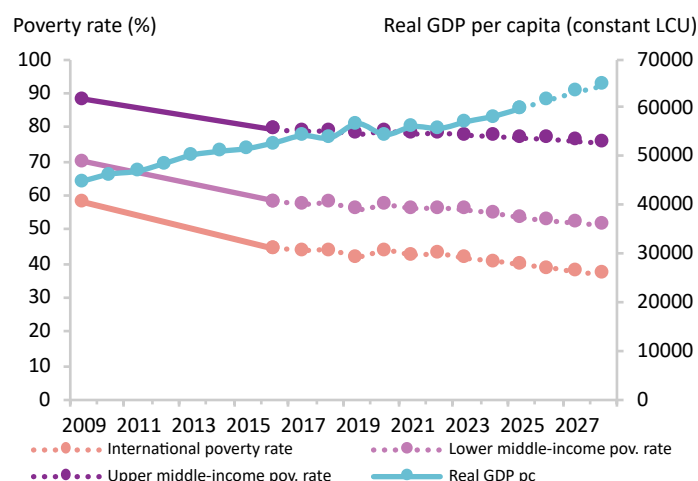
Eswatini's real GDP grew by 4.0 percent in 2025, a marked increase from 3.0 percent in 2024 and well above the ten-year average of 2.5 percent. This growth was driven by robust activity in manufacturing and services. Investments in infrastructure—roads, water systems, and energy projects like the Mpakeni dam—contributed to the expansion, though less than anticipated. Inflation remained subdued, averaging 3.1 percent in 2025 versus 4.0 percent the previous year, while monetary policy easing aligned with the South African Reserve Bank further supported consumer spending. Severe flooding disrupted growth momentum heading into early 2026, impacting logistics and agriculture. Animal production faced challenges due

FIGURE 1 / Government expenditure trends



Sources: WDI and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

to the ongoing foot and mouth disease outbreak. The conflict in the Middle East increased near-term uncertainty, affecting domestic fuel prices and external demand, risking higher food prices and worsening food insecurity.

Despite solid growth in 2025, fiscal pressures worsened as the budget deficit widened sharply to an estimated 6.3 percent of GDP, more than double the planned 3.1 percent. This was due to a 21 percent decline in SACU revenues and higher-than-expected recurrent and capital spending, highlighting the need for stricter commitment controls. A long-awaited wage review for government employees was enacted in late 2025, with its effects expected to be most evident in 2026/27, further reinforcing expenditure rigidity. Government debt rose to about 44 percent of GDP.

The decline in SACU inflows also contributed in shrinking the current account surplus to 0.5 percent of GDP from 2.1 percent in 2024. This was compounded by a growing primary income deficit and increased imports, including infrastructure goods. Foreign exchange reserves grew, in nominal terms, to E11.9 billion in 2025 from external borrowing and SACU receipts, but import cover stayed below the three months threshold at 2.8 months.

Outlook

Eswatini's economic growth is projected to edge lower in the near term before moderating further over the medium term. Real GDP growth is projected at 3.9 percent in 2026, amid rebound of private consumption and easing investment growth. Growth is projected

to slow further from 2027 as the contribution from government consumption, including the impact of the wage bill review, declines, investment moderates and domestic demand normalizes.

Poverty reduction is expected to be gradual. With estimated moderate employment gains and steady—but not employment intensive—growth, the share of the population living below the lower middle income poverty line (\$4.20, 2021 PPP) is projected to decline slowly from about 54 percent in 2025 to 51 percent by 2028.

Fiscal pressures are expected to persist, requiring consolidation, mainly through expenditure reductions as revenue recovery is anticipated to be modest. Despite the marked deterioration in 2025, the budget deficit is expected to remain sizeable at 5.2 percent of GDP in 2026. SACU revenues are set to increase in 2026/27, providing some reprieve, but their level remains uncertain for the outer years. Maintaining fiscal sustainability will require stricter spending controls and improved investment efficiency. Amid larger financing needs, public debt is expected to reach about 50 percent of GDP by 2028.

The external position is expected to deteriorate over the medium term driven by rising imports associated with investment activity and widening primary deficits. Higher energy prices are anticipated to affect short-term inflation; however, inflation is projected to remain around 4 percent during 2026–28.

Risks to the outlook mainly lean to the downside, including global uncertainties (particularly the conflict in the Middle East), SACU revenue volatility, investment project delays, rising public debt, and climate-related shocks.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	3.5	3.0	4.0	3.9	3.8	3.3
Private consumption	4.9	0.7	5.0	5.2	4.1	4.1
Government consumption	2.3	14.0	6.1	11.0	4.7	4.3
Gross fixed capital investment	9.0	0.3	9.3	8.5	7.5	5.0
Exports, goods and services	9.4	14.3	4.2	5.1	4.5	4.5
Imports, goods and services	12.9	7.1	8.1	11.4	6.3	6.3
Real GDP growth, at constant factor prices	3.4	3.3	4.0	3.9	3.8	3.3
Agriculture	-9.1	-1.5	-0.5	1.5	3.5	3.1
Industry	-0.5	7.3	6.9	6.0	4.4	3.0
Services	7.6	1.2	2.5	2.7	3.3	3.5
Employment rate (% of working-age population, 15 years+)	30.8	30.9	30.9	30.9	30.9	30.9
Inflation (consumer price index)	5.0	4.0	3.1	4.3	3.8	3.8
Current account balance (% of GDP)	2.2	2.1	0.5	-1.7	-1.9	-2.1
Net foreign direct investment inflow (% of GDP)	1.1	1.5	1.9	1.7	1.6	1.6
Fiscal balance (% of GDP)	-1.7	-2.6	-6.3	-5.2	-5.0	-4.8
Revenues (% of GDP)	31.2	31.2	30.3	30.5	29.5	28.9
Debt (% of GDP)	39.9	40.5	44.3	47.9	49.4	50.9
Primary balance (% of GDP)	1.1	0.2	-3.4	-2.1	-1.8	-1.6
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	41.4	40.7	39.5	38.7	37.5	36.8
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	55.7	54.8	53.6	52.8	52.1	51.4
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	77.8	77.4	76.9	76.6	76.0	75.4
GHG emissions growth (mtCO2e)	-0.4	0.9	0.3	1.5	2.4	1.3

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2016-HIES. Actual data: 2016. Nowcast: 2017-2025. Forecasts are from 2026 to 2028.

2/ Projection using neutral distribution (2016) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

ETHIOPIA

Eighteen months after the revival of economic reforms, macroeconomic conditions are improving. In the first half of FY26, exports and revenues were robust, inflation continued easing, reserves increased, and poverty began to decline. Continued foreign exchange (FX) market distortions, and the Middle East conflict, are risks to these gains. Whether reforms deliver tangible gains for people will depend on sustaining momentum over the medium term.

Key conditions and challenges

Since July 2024, reforms are addressing macroeconomic and structural weaknesses that were the legacy of Ethiopia's state-led investment model. That model relied on overvalued exchange rates and financial repression and crowded out social spending without sufficiently raising productivity or job growth. Shocks from COVID19, conflict, and droughts deepened imbalances, culminating in Ethiopia's debt default in late 2023. Over this period, poverty rose from 33 to 39 percent (2015 and 2021; US\$3/day). Employment remained concentrated in agriculture.

Major reforms implemented since July 2024 include exchange rate liberalization, a shift to an interest-rate based monetary policy framework, elimination of monetary financing, recapitalization of the largest state-owned bank, trade and tax reforms, and increased social assistance to cushion the poor from reform impacts. These reforms are supported by debt relief through the Group of Twenty (G20) Common Framework and financing from the International Monetary Fund and World Bank. Sustained reform implementation remains essential for improving outcomes.

Population ¹ million	Poverty ² millions living on less than \$3.00/day
135.5	47.2
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
67.3	84.4
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
132.6	978.6

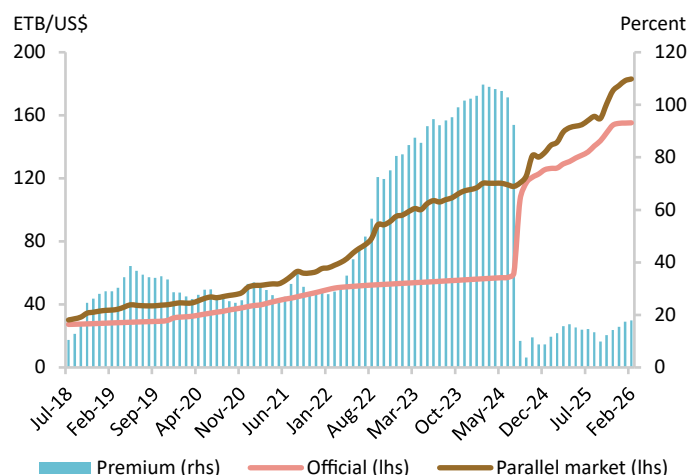
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

Recent developments

GDP growth was stronger than expected in FY25 at 9.2 percent from robust crop harvests, mining, construction, and manufacturing. Exports rose by 53 percent year-on-year in the first half of FY26. Gold and coffee were 75 percent of total exports as global prices remained high. Goods imports grew by 23 percent as FX availability improved. Further FX market reforms to ease current account restrictions and improve the conduct of FX auctions have improved FX availability but the parallel market premium remains elevated (high teens since end-December 2025). Official FX reserves reached US\$6.4 billion (2.8 months of imports) at end-December 2025, a sharp turnaround from precariously low pre-reform levels.

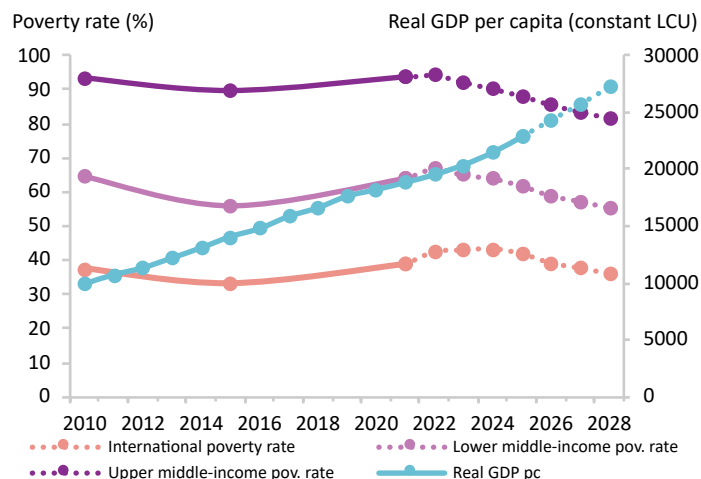
Inflation fell to just under 10 percent in February 2026 despite rapid money growth (averaging 36 percent between July–December 2025), fueled by central bank domestic gold purchases. To contain monetary pressures, the policy rate has been unchanged at 15 percent since July 2024. Despite higher bank credit ceilings (raised from 18 to 24 percent in September 2025), tighter reserve requirements (up from

FIGURE 1 / Nominal exchange rate of Ethiopian Birr (ETB)



Source: National Bank of Ethiopia.

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



Source: World Bank. Notes: See footnotes in table on the next page.

7 to 10 percent in December 2025) continue constraining private credit.

Tax revenues increased by 63 percent year-on-year in the first half of FY26, supporting higher public spending on safety nets, health, and education, after years of decline. Debt restructuring is also creating fiscal space, with G20 bilateral creditors agreeing on a memorandum of understanding (MOU) while negotiations with private creditors, including Eurobond holders, continue.

With inflation declining sharply and GDP growth remaining strong, poverty is falling, though it remains above 2021 levels. Linger price pressures and uneven income recovery across households has slowed the pace of poverty reduction. Household sentiments have improved but remain subdued due to persistent cost-of-living pressures.

Outlook

Growth is expected to drop to 8 percent in FY26 and 6.9 percent in FY27 reflecting the impact of the Middle East crisis before rebounding in FY28. While inflation will continue its deceleration in FY26, it is expected to pick up in FY27 driven by commodity price increases

due to the Middle East crisis. Strong import demand may widen the current account deficit before reform-linked increases in exports stabilize it over the medium term. Tax reforms, debt relief, and official development assistance will continue to help public finances recover, reversing a sharp decline in inflation-adjusted spending that deteriorated public services and development outcomes. The poverty rate is projected to reach 37.7 percent by 2027. Poverty reduction could accelerate if reforms increase incomes through higher job creation and agricultural market participation, and if better public spending improves human capital.

Ethiopia's outlook hinges on advancing reforms to shift from stabilization to private sector led growth while protecting the poor and strengthening human capital. Key risks include incomplete FX reform, slow progress on investment barriers, rising fiscal risks from state-owned enterprises, and ongoing domestic and regional conflicts. The Middle East conflict poses major risks through higher fuel and commodity prices, trade disruptions, and lower remittances. These channels could raise production costs, slow growth, strain supply chains, and reduce FX inflows in FY26/27. As a result, cost of living could rise, particularly for urban households, weakening the prospects for poverty reduction. Well-targeted safety nets will remain essential to helping the poor cope.

Recent history and projections

	2022/23	2023/24	2024/25e	2025/26f	2026/27f	2027/28f
Real GDP growth, at constant market prices	7.2	8.1	9.2	8.0	6.9	8.4
Private consumption	6.1	7.1	6.8	6.4	5.7	6.5
Government consumption	-16.0	-5.8	32.2	18.9	9.5	10.9
Gross fixed capital investment	11.2	13.8	7.9	12.1	9.0	10.7
Exports, goods and services	-0.8	4.5	35.8	13.5	4.8	3.1
Imports, goods and services	-4.1	13.0	16.4	21.4	9.3	8.6
Real GDP growth, at constant factor prices	7.2	8.1	9.2	8.0	6.9	8.4
Agriculture	6.3	7.0	7.3	6.6	5.2	5.8
Industry	6.9	9.2	13.0	11.2	9.3	9.7
Services	8.0	8.3	8.1	6.8	6.5	9.3
Employment rate (% of working-age population, 15 years+)	65.5	65.4	64.9	64.6	64.4	64.4
Inflation (consumer price index)	32.6	26.7	16.0	11.6	12.1	9.0
Current account balance (% of GDP)	-2.8	-2.8	-1.1	-2.3	-1.8	-2.1
Fiscal balance (% of GDP)	-2.7	-2.1	-1.1	-1.8	-1.4	-1.6
Revenues (% of GDP)	7.9	7.2	11.0	11.6	12.0	12.4
Debt (% of GDP)	25.1	22.3	38.6	34.9	30.5	27.6
Primary balance (% of GDP)	-2.1	-1.5	-0.3	-0.6	-0.2	-0.6
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	42.9	43.3	41.8	39.1	37.7	36.1
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	65.1	64.0	61.8	58.9	57.2	55.3
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	92.2	90.2	88.1	85.5	83.5	81.7
GHG emissions growth (mtCO2e)	3.5	4.0	4.1	3.6	3.2	3.5

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise. Growth projections reflect limited available information, and are subject to revision as better data becomes available.

1/ Calculations based on 2021-HCES. Actual data: 2021. Nowcast: 2022-2025. Forecasts are from 2026 to 2028.

2/ Projections using microsimulation methodology.

GABON

Gabon's growth decelerated to an estimated 2.5 percent in 2025 amid maturing oilfields and challenges facing the wood and manganese sectors. Lower oil production and high spending needs pose significant fiscal challenges. To create more jobs and reduce poverty substantially, it will be key to prioritize energy, transport and social areas, while aligning public investments with fiscal space and creating better business conditions for firms.

Key conditions and challenges

Gabon returned to constitutional order in late 2025, following the 2023 coup. While a new constitution and institutions are in place, challenges remain. Fiscal constraints are tight and debt elevated. Modest, state-led and oil-reliant growth limited jobs and private sector growth in recent decades, leaving about a third of youth unemployed. Over a third of wage workers are in the public sector, and many private jobs are in low productivity services. Households and firms struggle with power cuts, transport gaps, rural-urban services disparities, and skills mismatches. Labor disputes have risen, with teacher strikes in early 2026 and strike risks in health and oil sectors.

Amid liquidity and debt pressures, rising arrears, and deteriorating credit ratings and regional reserves, Gabon requested an International Monetary Fund (IMF) program in March 2026, with plans to strengthen the fiscal situation. A population census conducted in February–March 2026 will also be key to updating data and guide policies. To raise living standards, it will be essential to prioritize productive infrastructure, health and education, and strengthen fiscal sustainability and governance of public finances.

Population ¹ million	Poverty ² millions living on less than \$8.30/day
2.6	0.7
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
68.3	100.2
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
21.5	8278.3

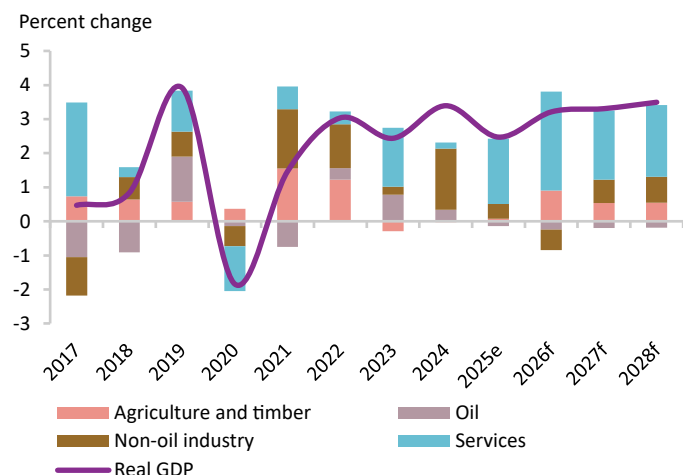
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2017 (2021 PPPs). 3/ 2023. 4/ 2019. 5/ 2025. 6/ 2025.

Recent developments

GDP grew by an estimated 2.5 percent in 2025, down from 3.4 percent in 2024. Technical incidents and ageing oilfields reduced oil output, whereas transport, labor, and demand issues affected manganese and timber. Large public investments in infrastructure benefited services and construction, remaining a major growth driver on the demand side. Meanwhile, underperforming non-oil exports, lower oil revenues, and rising imports driven by construction and public spending reduced the current account surplus.

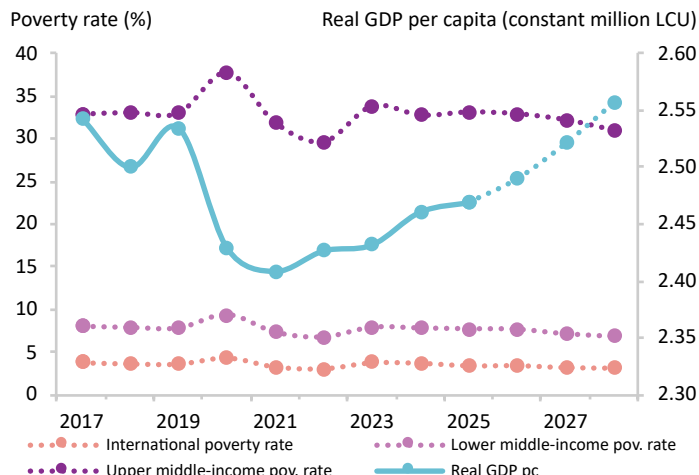
Tax revenues increased thanks to digitalization progress in 2025, but oil revenues declined amid lower prices and production. Public spending increased to cover public works, social measures like fuel subsidies and scholarships, civil service hiring, and costly debt service (which reached over 60 percent of revenues). This resulted in a wider estimated fiscal deficit of 4.6 percent of GDP in 2025. Public debt was estimated at over 80 percent of GDP at end-2025, with domestic and external debt arrears reaching 3.5 percent of GDP. Higher oil prices due to the conflict in the Middle East should increase oil revenues but also the cost of fuel subsidies.

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Sources: National authorities and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

Monthly inflation stood at 1.6 percent (y-o-y) in December, below the regional convergence criterium, thanks to subsidies, price controls, and tight monetary policy. Despite contained inflation and modest growth, the Bank of Central African States (BEAC) raised its policy rate by 25 basis points to 4.75 percent in December 2025, to support the currency and regional reserves, which dropped to an estimated 4.25 months at end-2025 amid lower oil prices. Credit to firms expanded by 6.6 percent in September 2025 driven by services and construction.

Gabon's modest growth has not translated into improved living conditions, which continued to deteriorate. While extreme poverty is estimated under 4 percent of the population, the share of Gabonese living below the upper-middle-income poverty line of US\$8.30/day (2021 PPP) rose slightly to 33.1 percent in 2025. With population growth, the absolute number of people living in poverty rose by an estimated 27,000, reaching roughly 858,000.

Outlook

Over 2026–2028, growth is projected to average 3.3 percent as rising global demand for manganese, timber, palm oil and rubber offsets the structural decline in oil. A new Development Plan, sectoral funds, a poultry import ban scheduled for 2027 and a crude manganese export ban set for 2029 aim at boosting employment, growth, and the external position. Upcoming iron ore production at Belinga and investments in infrastructure and manganese

processing should also support growth. Declining oil output and demand for imports from public investments should gradually shrink trade surpluses.

Revenues are projected to remain broadly stable in 2026–2028. Plans for digital value-added tax invoices, enforcement of property taxes, new taxes on carbon and urban maintenance, and higher wood export duties would support tax collection. Oil receipts will benefit from higher prices but would be impacted by lower oil production. Gradual fiscal consolidation, notably through capital expenditure cuts, is projected to progressively reduce fiscal deficits and debt.

Public investment in infrastructure and support for agriculture are expected to boost growth and employment, subject to financing constraints and implementation risks. Despite stronger inflation, sustained growth in agriculture and services is projected to reduce the upper middle-income poverty rate from 33.1 percent in 2025 to 31.0 percent by 2028, leaving 855,000 people poor.

The conflict in the Middle East will increase oil prices, supporting oil revenues and export values in Gabon. It is also likely to increase inflation. It could hurt global demand for other goods and increase risk premia and food insecurity. Potential oil windfalls should be used prudently to rebuild fiscal buffers and reserves. High fiscal risks and borrowing costs still require difficult decisions to raise tax revenues, clear arrears, and rationalize spending. Infrastructure spending cuts can hinder growth, needing a strategy to preserve development priorities and enhance spending efficiency.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	2.4	3.4	2.5	3.0	3.3	3.5
Private consumption	2.1	3.5	3.6	0.7	2.1	1.7
Government consumption	-4.7	-4.8	9.7	-4.3	-0.5	-0.5
Gross fixed capital investment	6.0	0.5	11.3	8.9	1.5	1.7
Exports, goods and services	-5.3	5.5	0.1	2.1	8.2	8.1
Imports, goods and services	-2.2	1.3	9.1	4.7	3.9	3.8
Real GDP growth, at constant factor prices	2.6	2.5	2.5	3.0	3.3	3.5
Agriculture	-2.7	-0.3	0.8	9.0	5.4	5.4
Industry	3.2	6.6	0.9	-3.3	2.8	1.5
Services	3.4	0.4	3.9	5.9	3.3	4.3
Inflation (consumer price index)	3.6	1.2	1.8	3.2	2.1	2.0
Current account balance (% of GDP)	27.2	30.5	25.6	39.1	23.5	21.8
Net foreign direct investment inflow (% of GDP)	2.5	2.2	1.7	1.6	1.5	1.4
Fiscal balance (% of GDP)	1.9	-3.3	-4.6	-3.3	-2.7	-3.0
Revenues (% of GDP)	25.5	23.3	23.9	23.8	23.6	22.3
Debt (% of GDP)	74.6	74.7	81.9	78.4	80.3	74.7
Primary balance (% of GDP)	5.0	0.0	-1.1	0.3	0.9	0.6
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	3.8	3.7	3.4	3.4	3.2	3.1
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	7.9	7.8	7.7	7.7	7.1	6.8
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	33.8	32.8	33.1	32.9	32.2	31.0
GHG emissions growth (mtCO2e)	-1.2	-1.4	-0.8	0.2	1.2	1.1

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2017-EGEP. Actual data: 2017. Nowcast: 2018-2025. Forecasts are from 2026 to 2028.

2/ Projections using microsimulation methodology.

THE GAMBIA

Gambia's economy grew at a robust 5.9 percent in 2025 across sectors while inflation continued to moderate, supporting higher labor income and a decline in poverty to 20.3 percent. Growth is projected to slow to 5.3 percent in 2026 amid continued fiscal consolidation and conflict-related shocks in the Middle East. Risks from debt vulnerabilities and lower development assistance cloud the outlook.

Population ¹ million	2.8	Poverty ² millions living on less than \$3.00/day	0.6
Life expectancy at birth ³ years	65.9	School enrollment ⁴ primary (% gross)	98.6
GDP ⁵ current US\$, billion	2.6	GDP per capita ⁶ current US\$	919.1

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2020 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

Key conditions and challenges

The Gambia experienced a growth acceleration since the democratic transition in 2017 averaging 5 percent annually during 2017–24 (2.7 percent per capita), from 2.8 percent over 1990–2016. However, labor market conditions remain weak, with low labor force participation (47.1 percent), high underemployment (26.7 percent), and widespread informality (81 percent), amid rising social pressures from a youthful population.

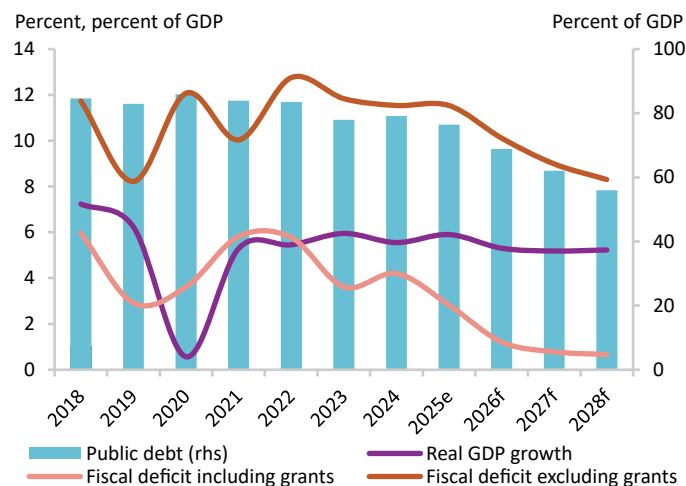
The Gambia is seeking to boost growth, productivity and employment by tackling structural weaknesses, including governance and institutional gaps, fiscal vulnerabilities including low revenues, declining official assistance and high debt, an unfavorable business environment, inadequate infrastructure, and human capital deficits, compounded by exposure to global economic and climate shocks. Continued reforms are expected to accelerate sluggish poverty reduction—between 2020 and 2024 the share of the population in extreme poverty only declined marginally from 22.0 to 21.5 percent (measured at the international poverty line of US\$3.00 per day PPP 2021).

Recent developments

Growth accelerated to an estimated 5.9 percent (3.6 percent per capita) in 2025, supported by broad-based sectoral expansion. Rice and groundnut production benefited from favorable policies and rainfall, industry from increased construction activity, and services from strong tourism. Robust private consumption and tourism service exports supported growth on the demand side. Inflation returned to single digits, reaching 7.9 percent in 2025, reflecting lower food prices and monetary tightening. Higher labor incomes—driven by growth in the agriculture and tourism sectors—and soaring remittances supported household consumption and higher living standards, contributing to a decline in extreme poverty to an estimated 20.3 percent in 2025 from 21.5 percent in 2024.

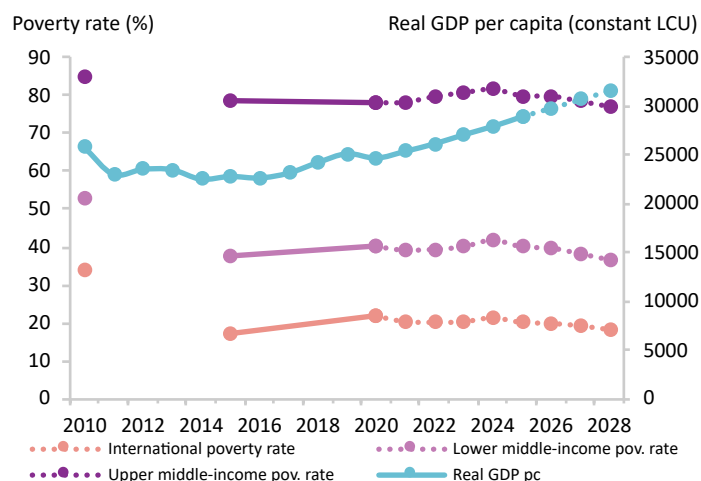
The fiscal deficit narrowed to an estimated 2.8 percent of GDP in 2025, as revenues rose by 2.8 percentage points to 24.1 percent of GDP—driven by grants, tax and non-tax revenues, including higher mining royalties—despite a 1.4 percentage points increase in expenditure to 26.9 percent of GDP. This resulted in a primary balance surplus for the first time since 2019. Debt to

FIGURE 1 / Real GDP growth, fiscal deficit, and public debt



Sources: The Gambian authorities and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

GDP continued to decline to 76.4 percent in 2025, supported by stronger growth and lower fiscal deficit. Nevertheless, The Gambia remains at high risk of debt distress owing to low revenue mobilization and high debt service.

The current account deficit (CAD) narrowed to an estimated 5.1 percent of GDP in 2025, reflecting lower investment-related imports after the completion of major infrastructure projects, robust remittances, and higher tourism exports. Monetary policy remained tight despite a 100-basis-point policy rate cut to 16 percent in December 2025 as inflation eased. Gross international reserves remained at comfortable levels, reaching 4.5 months of prospective imports, owing to robust remittances and tourism receipts, with an average annual nominal exchange rate depreciation of about 5.2 percent. The banking sector remains stable, with capital adequacy well above requirements and non-performing loans declining to 8.9 percent in June 2025.

Outlook

Growth is projected at 5.3 percent in 2026 and an average of about 5.2 percent (3.0 percent per capita) over 2027–28, supported by broad-based sectoral expansion despite fiscal consolidation and Middle East conflict-related shocks, including inflationary, balance of payments and currency pressures. The outlook assumes favorable rainfall, continued policy support to agriculture, strong tourism, and completion of ongoing infrastructure projects. Aggregate demand growth will be driven by investment and resilient, remittance-supported consumption. Inflation is expected to converge to the Central Bank's medium-term target of 5 percent, after

a slower-than-expected decline in 2026 due to higher food and energy prices linked to the Middle East crisis.

Rising economic activity, higher remittances, and declining inflation are expected to improve household welfare. Poverty is projected to decline to 20.1 percent in 2026 and 18.5 percent by 2028, lifting around 30,000 Gambians out of extreme poverty (compared to 2025). Nonetheless, structural impediments to poverty reduction remain, underscoring the need for better access to health and education facilities and stronger private sector-led, job-rich growth for future inclusive growth.

The CAD is projected to widen to 5.5 percent of GDP in 2026, driven by a higher import bill amid rising energy and food prices following the Middle East conflict, while narrowing to about 4.0 percent over 2027–28, assuming oil price stabilization, sustained remittances and tourism growth.

The fiscal deficit is expected to decline to around 0.9 percent of GDP, underpinned by revenue measures that raise tax revenues to 13.3 percent of GDP by 2028, partly offsetting lower grants projected at 8.3 percent of GDP over 2026–2028. Together with spending prioritization, these measures will reduce public debt to 56.0 percent by 2028. Nevertheless, The Gambia is expected to remain at high risk of debt distress due to low revenue and high debt service.

Downside risks to the outlook include weaker than expected development assistance and heightened balance of payment and inflationary pressures stemming from the Middle East conflict, which could trigger currency depreciation and higher external debt service costs.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	5.9	5.6	5.9	5.3	5.2	5.2
Private consumption	6.4	-0.7	3.1	2.8	3.1	3.2
Government consumption	37.2	9.8	11.4	3.3	0.2	1.7
Gross fixed capital investment	7.7	9.7	8.3	5.8	5.8	6.5
Exports, goods and services	20.8	17.5	34.0	17.5	15.4	11.0
Imports, goods and services	14.6	17.2	4.3	3.8	3.6	3.6
Real GDP growth, at constant factor prices	5.9	5.6	5.9	5.3	5.2	5.2
Agriculture	7.0	0.3	5.1	3.0	3.5	3.3
Industry	9.3	5.3	6.0	5.7	4.8	4.8
Services	4.3	8.0	6.2	6.1	6.0	6.1
Employment rate (% of working-age population, 15 years+)	44.5	44.4	44.4	44.4	44.4	44.4
Inflation (consumer price index)	16.9	11.7	7.9	5.8	5.0	5.0
Current account balance (% of GDP)	-5.4	-6.5	-5.1	-5.5	-4.3	-3.7
Fiscal balance (% of GDP)	-3.6	-4.2	-2.8	-1.2	-0.8	-0.7
Revenues (% of GDP)	20.5	21.3	24.1	24.3	23.4	22.4
Debt (% of GDP)	78.0	79.1	76.4	68.8	62.0	56.0
Primary balance (% of GDP)	-1.5	-1.1	0.2	1.5	1.1	1.0
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	20.4	21.5	20.3	20.1	19.4	18.5
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	40.1	41.8	40.1	39.8	38.3	36.8
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	80.6	81.5	79.9	79.8	78.5	77.2
GHG emissions growth (mtCO2e)	2.4	2.6	2.7	2.8	2.8	2.9

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2020-IHS. Actual data: 2020. Nowcast: 2021–2025. Forecasts are from 2026 to 2028.

2/ Projections using microsimulation methodology.

GHANA

Sustaining macro-financial stability will depend on disciplined fiscal and monetary policy, expanding the revenue base, enhancing public financial management and accelerating sector reforms—namely in energy and cocoa. Along with macroeconomic stability, improving the investment environment will enable broader-based growth and job creation, accelerating poverty reduction.

Population ¹ million	Poverty ² millions living on less than \$4.20/day
35.1	16.5
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
65.5	98.2
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
114.8	3272.9

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2016 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2025. 6/ 2025.

Key conditions and challenges

Ghana's economy kept momentum in 2025, supported by robust gold exports and tight fiscal and monetary policies. Higher gold production and prices boosted foreign exchange and strengthened the cedi, easing debt service and lowering inflation. Sustaining these gains will require structural reforms in the energy and cocoa sectors, a better investment climate, and scaled-up infrastructure and climate-resilience investments. The conflict in the Middle East affects domestic demand through trade disruptions but also contributes to higher gold-related foreign currency inflows. Domestically, large infrastructure financing needs, cocoa sector strains, and sizable debt repayments put pressure on macro-fiscal stability.

Since 2022, high inflation and slow growth pushed more Ghanaians into poverty by eroding household purchasing power. With inflation declining since 2024, the share of Ghanaians living in poverty started declining in 2025. As the economy steadies, job creation and measures to mitigate the impact of shocks and reforms on the poorest, especially from electricity tariff hikes, are required.

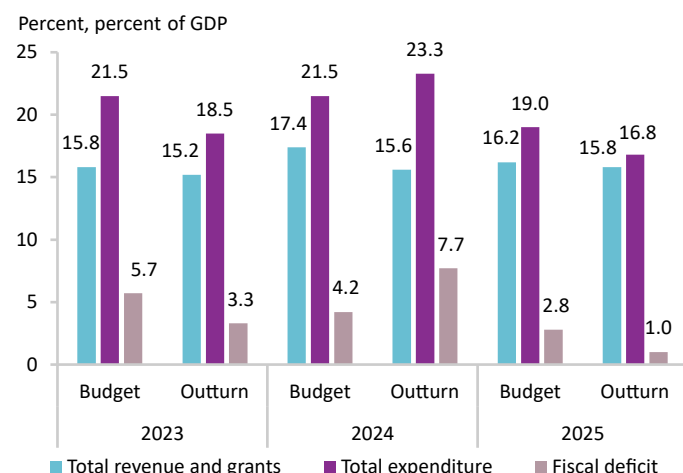
Recent developments

Real GDP grew 6 percent in 2025 (y-o-y), led by an 8.3 percent expansion in services—notably information and communications, transport, and education. Agriculture rebounded to 6.8 percent on crop gains, cocoa recovery, and livestock, while industry slowed to 2.3 percent on weaker oil and gas output. On the demand side, strong private consumption and private investment offset weaker public investment and a higher import bill.

The current account surplus rose to 7.9 percent of GDP in 2025 driven by favorable terms of trade and higher small scale gold output. Gross international reserves reached US\$13.8 billion (5.7 month import cover), with gold holdings converted into foreign exchange improving reserve liquidity. Higher gold and oil prices linked to the conflict in the Middle East will support a positive trade balance despite a higher fuel import bill.

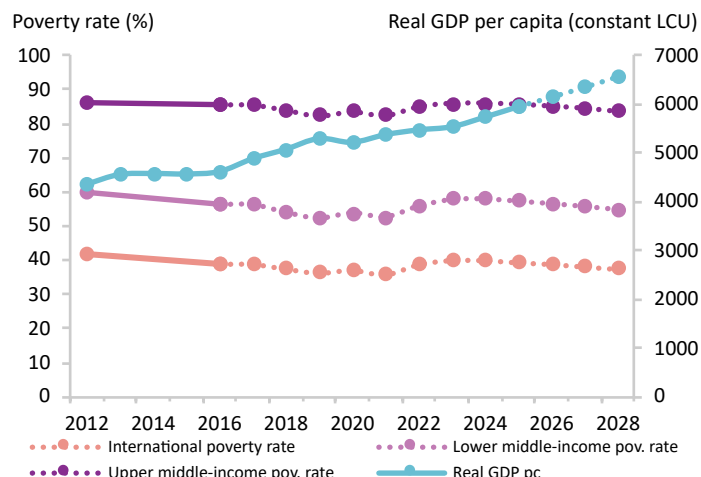
Headline inflation fell sharply to 3.2 percent in March 2026 from 22.4 percent a year earlier, reflecting tighter monetary policy, a 23.7 percent cedi appreciation against the USD, and improved food supply. With inflation expectations anchored, the policy rate was

FIGURE 1 / Fiscal targets and outturns



Sources: Ministry of Finance and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

cut from 28 to 14 percent between July 2025 and March 2026. Inflation risks will result from rising fuel and food import prices.

Fiscal discipline delivered a 2.5 percent of GDP primary surplus in 2025, versus the 1.5 percent target. Expenditure rationalization lowered spending to 16.6 percent of GDP—over two percentage points below target—reflecting lower energy sector transfers, capital outlays, and interest costs from the cedi's appreciation. Revenues came in at 15.7 percent of GDP, slightly below target, owing to weaker personal and trade taxes, and oil receipts.

Strong growth and cedi appreciation improved debt indicators. Ghana met all debt obligations in 2025 and operationalized a sinking fund to help cover obligations of US\$12.2 billion in 2026. Restructuring of the remaining US\$2.4 billion commercial debt—less than 5 percent of pre-restructuring debt—is underway and signing of bilateral creditor agreements continue.

The financial sector strengthened further in 2025. Assets grew 21.5 percent y-o-y, and the capital adequacy ratio (CAR) rose to 17.5 percent from 14 percent in 2024. By January 2026, only two banks were below the CAR threshold, with plans to comply within 2026. Real private credit grew 13.1 percent in 2025 y-o-y supported by easing policy rates and improved macroeconomic conditions. Non-performing loans remained elevated at 18.9 percent.

Lower inflation and improved growth in 2025 reversed the rising poverty trend. At the lower-middle-income poverty line (US\$4.2/day, 2021 PPP), the poverty rate declined from 56.7 percent in 2024 to 56.5 percent in 2025. However, the number

of people under poverty may still have increased modestly due to population growth.

Outlook

Growth is projected to ease to 4.8 percent in 2026 as macro-stability gains taper, oil and gas output soften, agricultural output lessens, and Middle East headwinds persist. The government will provide free fertilizer to all registered farmers to mitigate input disruptions, replacing the subsidized model. Medium-term growth should converge toward potential as reforms take hold, non-extractive sectors strengthen, and PECAN oil production comes on-stream. Inflation should remain within the target range despite upward pressures in 2026.

A primary fiscal surplus of 1.5 percent of GDP remains achievable over the medium term if spending is contained and revenues strengthen. After a value-added tax reform, plans center on reforming income, customs, and extractive tax regimes to broaden the base and improve compliance. Reinstated fiscal rules and a stronger fiscal council should reinforce discipline, though sizable financing needs pose risks.

With continued growth and lower inflation, the lower-middle-income poverty rate will keep falling to 54.5 percent by 2027. External tensions and trade-related price pressures could slow this progress. The number of people in poverty will continue rising slightly due to population growth and slower increases in earnings from agriculture and services activities. Sustained poverty reduction will rely on stable, inclusive growth, and stronger social protection programs.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	3.1	5.8	6.0	4.8	4.9	5.0
Private consumption	10.2	4.5	5.8	3.8	4.7	4.7
Government consumption	0.5	3.7	-0.7	7.9	6.7	6.9
Gross fixed capital investment	-28.9	15.2	13.0	9.0	6.3	7.8
Exports, goods and services	5.1	9.1	8.3	8.3	7.0	8.0
Imports, goods and services	-1.2	9.5	9.9	8.8	7.7	9.2
Real GDP growth, at constant factor prices	3.2	5.8	6.0	4.8	4.9	5.0
Agriculture	5.9	2.7	6.8	3.5	3.8	3.9
Industry	-1.7	7.2	2.3	2.7	2.9	3.0
Services	5.7	6.2	8.3	6.9	6.8	6.8
Employment rate (% of working-age population, 15 years+)	61.5	61.1	60.7	60.4	60.1	60.1
Inflation (consumer price index)	39.2	22.9	14.6	9.0	8.0	8.0
Current account balance (% of GDP)	-0.9	2.0	7.9	6.2	5.3	4.3
Net foreign direct investment inflow (% of GDP)	1.6	2.1	2.0	2.3	2.5	2.7
Fiscal balance (% of GDP)	-2.1	-7.5	-1.0	-2.0	-1.8	-2.0
Revenues (% of GDP)	15.3	15.8	15.7	16.7	16.8	16.9
Debt (% of GDP)¹	78.8	70.1	56.0	54.5	52.5	50.2
Primary balance (% of GDP)	1.2	-3.6	2.5	1.5	1.5	1.5
International poverty rate (\$3.00 in 2021 PPP)^{2,3}	40.1	39.4	38.9	37.9	37.5	37.1
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{2,3}	57.9	56.7	56.5	55.1	54.5	53.7
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{2,3}	85.8	85.0	84.8	83.9	83.3	82.8
GHG emissions growth (mtCO2e)	9.3	3.7	13.6	10.1	9.8	10.8

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Starting from 2022, public debt numbers include, in addition to central government debt, explicitly guaranteed (and certain implicitly guaranteed) SOE debt, cocobills issued by Cocobod, and reconciled domestic arrears to suppliers.

2/ Calculations based on 2016-GLSS-VII. Actual data: 2016. Nowcast: 2017-2025. Forecasts are from 2026 to 2028.

3/ Projections using microsimulation methodology.

GUINEA

In 2025, growth accelerated to 7.4 percent, spurred by bauxite production. Revenues reached 17.9 percent of GDP, inflation fell to 3.2 percent, and the poverty rate decreased to 22.3 percent. GDP growth is projected at 8.8 percent in 2026, averaging 11.1 percent over 2027–28 as Simandou iron production ramps up. The fiscal deficit will narrow to 3.0 percent by 2028, amid risks from the conflict in the Middle East and weather shocks.

Key conditions and challenges

Mining sustained growth during 2016–24, averaging 6.5 percent (3.8 percent per capita). Real effective exchange rate appreciation induced by the mining boom is eroding competitiveness of tradable non-mining sectors, hampering economic diversification and poverty reduction. Limited local procurement and few downstream activities constrain transmission of mining booms to broad-based employment in job-intensive sectors. As a result, employment is low, with only about 49 percent of the working-age population employed. Poverty rose between 2019 and 2023 by 2.9 percentage points (an additional 0.8 million poor people) measured at US\$4.20 per day, 2021 PPP, but has recently started to decline.

Guinea's labor structure is characterized by a low share of formal wage jobs, at just 8.5 percent of total employment, while self-employment dominates and one in three young Guineans is not in education, employment, or training. Women's labor force participation (43 percent) lags men's (63 percent), with over 95 percent of female employment classified as vulnerable. Firm-level productivity and job creation lag peer countries,

Population ¹ million	15.1	Poverty ² millions living on less than \$4.20/day	3.7
Life expectancy at birth ³ years	60.7	School enrollment ⁴ primary (% gross)	100.5
GDP ⁵ current US\$, billion	28.3	GDP per capita ⁶ current US\$	1875.7

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2018 (2021 PPPs). 3/ 2023. 4/ 2020. 5/ 2025. 6/ 2025.

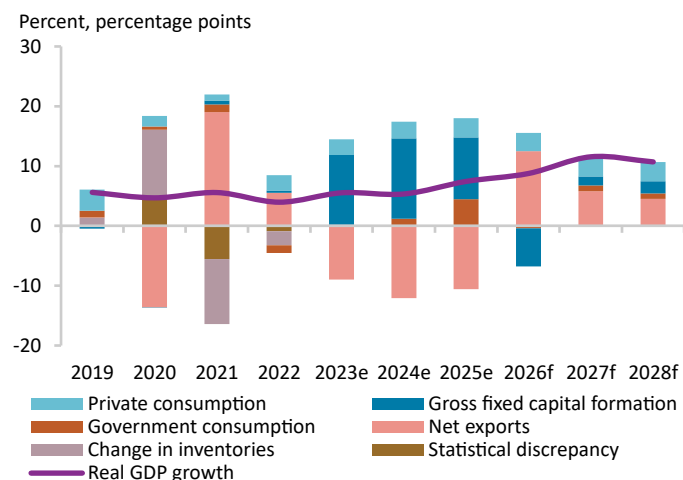
hindered by gaps in infrastructure, human capital, and a shallow financial sector with limited access to finance and high intermediation costs.

Simandou iron exports, launched in November 2025, initiated a second mining boom that could catalyze private-sector-led, job-rich growth and faster poverty reduction, if paired with appropriate reforms. Realizing these gains will require mitigating real exchange rate appreciation effects on non-mining competitiveness and improving the business environment. Mobilizing domestic and private capital—alongside pro-poor spending, better public investment management and credible, predictable management of extractive revenues—will be equally critical.

Recent developments

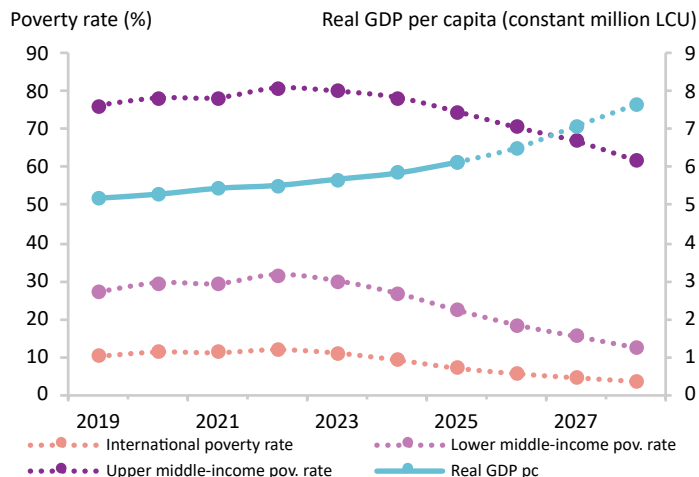
Economic growth accelerated from 5.4 percent in 2024 to an estimated 7.4 percent in 2025, driven primarily by mining, with bauxite production up 30 percent. Non-mining activity also strengthened, supported by higher public investment and spillovers from the recent public-sector wage revaluation.

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Source: World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

Total revenues rose markedly to 17.9 percent of GDP from 15.2 percent in 2024, driven by tax administration improvements, including mandatory online payments. Public spending reached 22.1 percent of GDP, up by 2.1 percentage points, reflecting higher election-related spending and ongoing capital outlays in transport. As a result, the fiscal deficit narrowed but remained elevated at 4.1 percent of GDP, contributing to raising public debt to 47.9 percent of GDP in 2025. Debt distress risk nevertheless remains moderate on strong growth prospects.

Inflation declined significantly to 3.2 percent in 2025 from 5.1 percent in 2024 as food and transport price pressures moderated, helped by subdued imported food price inflation and favorable base effects. The central bank eased monetary policy twice in 2025 to support growth amid emerging banking-sector liquidity pressures, while financial intermediation expanded despite cash withdrawal limits. The increase in real GDP per capita, combined with lower inflation, reduced the poverty rate (US\$4.20 per day, 2021 PPP) to 22.3 percent in 2025 from 26.7 percent in 2024.

Large mining foreign direct investment-related imports kept the current account deficit (CAD) wide at 14.5 percent of GDP, while international reserves improved to 3.6 months of imports (from 1.4 months at end-2024).

Outlook

In 2026, the Middle East conflict is expected to have a small negative impact on growth partially offset by elevated gold prices, and exert upward pressure on inflation primarily through higher

oil prices. Growth is projected to accelerate to an average 10.3 percent in 2026–28, led by mining, which is expected to expand 23.3 percent on average as Simandou iron production and exports ramp up. The non-mining sector is projected to grow by 5.6 percent on average in 2026–28, supported by private consumption and continued public investment growth.

Inflation is expected to rise to 4.7 percent in 2026 with the higher economic pace and higher global oil prices, before declining thereafter. Poverty is projected to continue declining steadily, falling to 18.5 percent in 2026 and to 12.5 percent by 2028, supported by large nominal gains in per capita incomes across sectors alongside moderate inflation.

Fiscal consolidation is expected to continue gradually, with revenues averaging 17.3 percent of GDP in 2026–28, supported by tax administration reforms, elevated gold export related revenues in 2026 and initial Simandou-related receipts, while expenditure rebalances toward more efficient capital outlays and better-targeted social spending, reducing the fiscal deficit to 3.0 percent by 2028 and the debt-to-GDP ratio to 44.8 percent.

The CAD is projected to improve to -2.6 percent of GDP in 2026 and to +3.4 percent by 2028 despite higher energy import prices in 2026 as import volumes ease and Simandou exports expand, further supporting reserve accumulation.

Risks include global trade uncertainty, adverse weather disrupting production, banking-sector liquidity pressures, and spillovers from prolonged conflict in the Middle East. Upside risks stem from faster reform implementation and stronger-than-expected mining exports.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	5.5	5.4	7.4	8.8	11.6	10.7
Private consumption	4.0	4.3	5.0	4.8	5.4	5.6
Government consumption	0.8	6.2	22.8	-1.7	4.8	4.8
Gross fixed capital investment	63.6	47.1	26.0	-13.7	4.1	5.9
Exports, goods and services	8.8	4.5	8.2	11.8	17.0	14.0
Imports, goods and services	25.0	22.0	20.0	-5.8	6.8	6.8
Real GDP growth, at constant factor prices	5.5	5.4	7.4	8.8	11.6	10.7
Agriculture	5.7	6.5	5.8	5.6	6.5	6.8
Industry	7.8	6.5	10.8	14.6	20.4	17.2
Services	3.7	3.8	5.4	5.1	5.4	5.4
Employment rate (% of working-age population, 15 years+)	49.6	49.3	49.3	49.0	49.0	49.1
Inflation (consumer price index)	7.8	5.1	3.2	4.7	3.8	3.7
Current account balance (% of GDP)	-7.5	-14.3	-14.5	-2.6	1.8	3.4
Net foreign direct investment inflow (% of GDP)	13.1	14.9	14.0	7.7	7.1	7.3
Fiscal balance (% of GDP)	-3.9	-4.9	-4.1	-4.0	-3.6	-3.0
Revenues (% of GDP)	14.5	15.2	17.9	17.0	17.4	17.7
Debt (% of GDP)	41.4	43.5	47.9	46.3	45.6	44.8
Primary balance (% of GDP)	-3.0	-3.7	-2.6	-2.6	-2.3	-1.8
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	11.1	9.3	7.1	5.7	4.6	3.7
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	29.9	26.7	22.3	18.5	15.5	12.5
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	79.9	78.3	74.6	70.5	66.9	61.9
GHG emissions growth (mtCO₂e)	4.6	5.0	5.2	4.8	4.0	4.1

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise. Data do not yet reflect the rebased national accounts under preparation. Inflation through 2023 is based on capital-city prices, which tend to run higher, while the new methodology uses national coverage.

1/ Calculations based on 2018-EHCVM. Actual data: 2018. Nowcast: 2019–2025. Forecasts are from 2026 to 2028.

2/ Projections using microsimulation methodology.

GUINEA-BISSAU

Stronger cashew production, solid private demand, and easing inflation supported 5.5 percent growth in 2025 and reduced poverty to 39.8 percent. The fiscal deficit narrowed less than planned due to weak tax mobilization. Growth is projected to soften in 2026, with headwinds from the conflict in the Middle East, political instability, elevated food and oil prices, and lower international cashew prices.

Key conditions and challenges

Cashew production is the backbone of Guinea-Bissau's economy, contributing 11 percent to real GDP, 88 percent to exports and providing income to around 80 percent of the population, making the economy acutely vulnerable to external shocks. Poverty remains widespread—especially outside urban centers—reflecting low productivity in the cashew sector, limited access to credit, and weak infrastructure.

Guinea-Bissau has a long history of recurrent political instability, which has sharply increased uncertainty and deepened the country's structural fragility. The November 2025 coup d'état and related developments have disrupted donor-financed programs, heightened debt rollover and financing risks, and deteriorated investor confidence, posing risks to the outlook.

Recent developments

Real GDP growth strengthened to 5.5 percent (3.3 percent per capita) in 2025, up from 4.1 percent in 2024, supported by higher

Population ¹ million	2.2	Poverty ² millions living on less than \$3.00/day	0.8
Life expectancy at birth ³ years	64.1	School enrollment ⁴ primary (% gross)	113.4
GDP ⁵ current US\$, billion	2.5	GDP per capita ⁶ current US\$	1115.0

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2010. 5/ 2025. 6/ 2025.

cashew production and exports, which stimulated private demand and activity in the services sector.

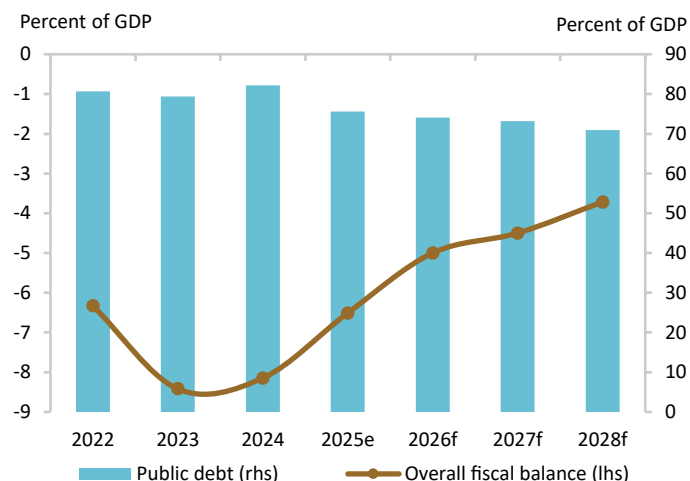
Average inflation declined to 0.9 percent in 2025, driven by a sharp reversal in utility prices, resulting from lower international fuel prices and the base effect from the removal of tax exemptions in mid-2024.

Growing agricultural output, strong cashew farmgate price, and easing price pressures supported poverty reduction. The extreme poverty rate—defined as living on less than US\$3.00 per person per day (2021 PPP)—declined to 39.8 percent in 2025, down from 42.7 percent in 2024.

The combined effect of higher cashew export volumes and increased international prices contributed to narrowing the current account deficit (CAD) to 5.1 percent of GDP in 2025.

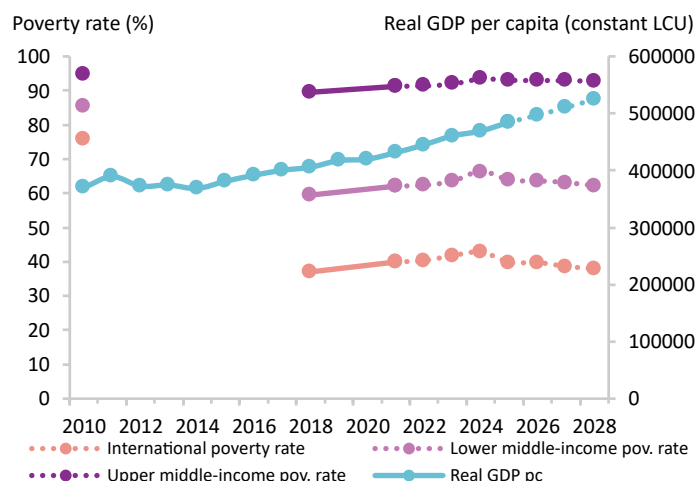
While the fiscal deficit decreased to 6.5 percent of GDP in 2025 (from 8.1 percent in 2024), the adjustment relied largely on higher cashew related revenues and cuts to capital spending, which could weigh on infrastructure, service delivery, and long term growth. The fiscal deficit target of 3 percent in the 2025 budget

FIGURE 1 / Evolution of fiscal and debt indicators



Sources: Ministry of Finance and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

was missed due to weaker than expected income tax collections from large taxpayers.

Debt-to-GDP ratio declined to 75.6 percent in 2025 mainly supported by higher nominal growth (contributing 6.5 percentage points to the decline). While external debt remains sustainable, the risk of debt distress is high, and roll-over risks are mounting.

The West African Economic and Monetary Union (WAEMU) inflation rate sharply declined to 0.2 percent in 2025 from 3.5 percent in 2024, driven mainly by lower global food prices, and regional foreign reserves increased to 6.1 months of imports. After maintaining its monetary policy stance unchanged since June 2025, the Central Bank of West African States reduced its key policy rates in March 2026 by 25 basis points, lowering the liquidity call rate and the marginal lending facility rate to 3.0 percent and 5.0 percent, respectively.

Outlook

Growth is set to soften to 4.8 percent in 2026, reflecting negative spillover effects from the conflict in the Middle East and political uncertainty. The slowdown is driven by weaker private and donor-financed investments following the coup, and lower consumption growth amid higher international food and oil prices. Average inflation is expected to reach 3 percent in 2026. Over the medium term, the business environment is expected to improve, supported by recent investments—including the new airport, port rehabilitation, upgrades to electricity supply, and roads—and a return to constitutional order following the elections scheduled for December 6, 2026.

The external position is subject to heightened risks from global supply chain disruptions linked to the conflict in the Middle East.

Disruptions to Red Sea trade routes have increased shipping times and freight costs, raising cashew transport and processing costs. These factors may weaken global cashew demand, compress margins along the value chain, and weigh on export volumes and prices over the near term. Combined with higher import prices, this is expected to widen the CAD to 7.3 percent of GDP in 2026 before gradually narrowing to 4.4 percent of GDP by 2028.

Extreme poverty is expected to fall to 39.6 percent in 2026, driven by per capita growth but mitigated by the impact of higher food and oil prices. Poverty reduction is expected to continue until 2028. A coordinated policy framework aimed at increasing agricultural productivity and diversification, promoting the processing of raw cashew nuts, and financial inclusion in agriculture would help to accelerate poverty reduction.

Improved revenue collection and lower capital spending are projected to reduce the fiscal deficit to 5.0 percent of GDP in 2026 and debt to 74.1 percent of GDP. The medium-term fiscal adjustment relies on steadfast commitment to revenue-enhancing reforms and strengthened expenditure controls, building on those under the ongoing International Monetary Fund program.

At the regional level, inflation is expected to remain in line with the 1–3 percent WAEMU target band from 2026 onward, while foreign reserves are projected to average 5.9 months of imports during 2026–28, supported by resilient export performance.

Political instability, election-related slippages, and the conflict in the Middle East pose significant downside risks to the outlook. Additional risks include financing constraints in the regional market, debt rollover risks, contingent liabilities, and climate and terms-of-trade shocks.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	5.8	4.1	5.5	4.8	4.9	5.0
Private consumption	3.0	2.9	6.2	5.8	5.5	5.5
Government consumption	-0.4	11.8	4.5	4.7	4.1	3.4
Gross fixed capital investment	9.3	16.0	-7.4	-1.4	1.5	3.3
Exports, goods and services	-5.1	-26.4	31.7	9.1	7.0	6.1
Imports, goods and services	-6.1	2.4	7.0	5.7	5.5	5.5
Real GDP growth, at constant factor prices	5.7	4.3	5.5	4.8	4.9	5.0
Agriculture	4.7	2.7	5.2	4.2	4.0	4.0
Industry	12.1	8.0	6.5	5.1	5.5	5.6
Services	4.5	4.2	5.5	5.1	5.3	5.5
Employment rate (% of working-age population, 15 years+)	61.1	61.1	61.2	61.1	61.2	61.3
Inflation (consumer price index)	7.2	3.7	0.9	3.0	2.3	2.0
Current account balance (% of GDP)	-7.5	-7.3	-5.1	-7.3	-5.5	-4.4
Fiscal balance (% of GDP)	-8.4	-8.1	-6.5	-5.0	-4.5	-3.7
Revenues (% of GDP)	12.8	12.9	12.5	12.8	13.5	13.8
Debt (% of GDP)	79.4	82.2	75.6	74.1	73.2	70.9
Primary balance (% of GDP)	-6.2	-5.5	-2.9	-1.5	-1.5	-1.0
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	41.7	42.7	39.8	39.6	38.5	37.8
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	63.5	66.3	63.8	63.6	63.1	62.2
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	92.0	93.6	93.2	93.1	93.0	92.9
GHG emissions growth (mtCO₂e)	2.4	1.7	2.1	1.7	1.9	2.0

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2021-EHCV. Actual data: 2021. Nowcast: 2022–2025. Forecasts are from 2026 to 2028.

2/ Projections using microsimulation methodology.

KENYA

Economic activity was moderate in 2025, but a rebound in construction—following partial arrears clearance—strengthened momentum; real GDP growth is estimated at 4.9 percent, up from 4.7 percent in 2024. A wide fiscal deficit and elevated public debt remain Kenya's main macroeconomic challenge, requiring decisive action. Medium-term priorities to create jobs and reduce poverty require stronger fiscal management, improved governance, and enhanced competitiveness.

Key conditions and challenges

Kenya's economy is maintaining relative macroeconomic stability and steady growth, with inflation under control and international reserves at record high. However, longstanding structural constraints continue to weigh on its development path. Currently, limited fiscal space and elevated public debt seem to be restricting the country's ability to scale priority investments, while productivity and export growth remain subdued. At the same time, the pace of quality job creation remains insufficient to absorb a fast-growing labor force, with most workers—especially youth—employed in informal, lower-paying jobs. The international poverty rate in Kenya estimated at 42.5 percent in 2025 has declined only by 3 percentage points in the last 3 years (US\$3.00 in 2021 PPP), highlighting that structural impediments prevent Kenya from translating its growth into meaningful poverty reduction.

Fiscal vulnerabilities remain Kenya's Achilles heel, and debt sustainability is still at risk; Kenya is assessed as being at high risk of debt distress. Public debt remained elevated at 68 percent of GDP by the end of 2025, and the FY2025/26 deficit is expected to remain high, at 6 percent of GDP. The government intends to fund a new

Population ¹ million	57.5	Poverty ² millions living on less than \$3.00/day	24.7
Life expectancy at birth ³ years	63.6	School enrollment ⁴ primary (% gross)	98.2
GDP ⁵ current US\$, billion	136.4	GDP per capita ⁶ current US\$	2371.0

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

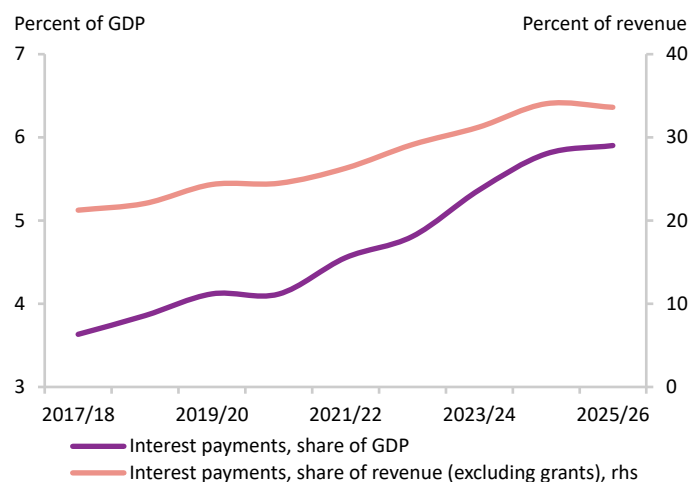
national infrastructure fund and sovereign wealth fund using proceeds from partial privatizations of selected state-owned enterprises; as of February 2026, these proceeds corresponded primarily from Kenya Pipeline Company and Safaricom. Still, sustained fiscal consolidation and structural reforms to strengthen revenue mobilization, boost spending efficiency and public sector governance, and improve fiscal equity remain a priority.

Recent developments

Agriculture, construction, and services were the main drivers of growth for the first three quarters of 2025. Agricultural growth stabilized, although performance in Q3 slowed compared to the previous year (3.2 percent versus 4.0 percent, respectively). The industrial sector saw stronger momentum; the construction sector grew by 6.7 percent in Q3 and showed strong performance during the year after a 2.6 percent decline in 2024. This recovery in domestic demand translated into growth in private consumption and the services sectors.

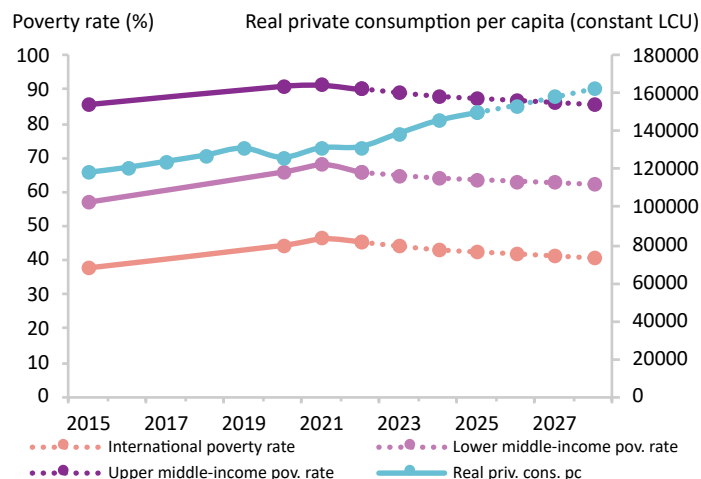
Inflation remained within the Central Bank's target range, reaching 4.4 percent in January 2026, allowing further monetary easing and

FIGURE 1 / Interest payments as a share of GDP and revenues



Source: World Bank calculations based on National Treasury of Kenya.

FIGURE 2 / Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Notes: See footnotes in table on the next page.

a recovery in private sector credit, which grew by 6.4 percent year-on-year. Export-oriented agriculture benefited from strong prices—particularly coffee—despite lower volumes, while tea and horticulture exports continued to expand; goods exports rose by 6.1 percent. Strong construction activity boosted machinery and transport equipment imports by 21.4 percent, contributing to overall goods import growth of 9.1 percent in 2025. As a result, the current account deficit widened to 2.4 percent of GDP.

In the first half of FY2025/26, the fiscal deficit exceeded the target amid revenue shortfalls and spending pressures. Revenue, including grants, reached 7.9 percent of annual GDP, below the 8.6 percent target, while higher domestic interest payments and operations and maintenance spending pushed total expenditure 0.3 percentage points above target. The overall deficit rose to 2.7 percent of annual GDP, compared to a 2.3 percent target.

Outlook

Without major economic and fiscal reforms, it is unlikely that growth will accelerate significantly. Moreover, the supply shock driven by the current conflict in the Middle East is likely to increase the costs of inputs and affect private investment, as well as impacts on the current account deficit and private consumption through rising commodity prices and reduced remittances. Real GDP growth

is projected at 4.4 percent in 2026 and 5.0 percent in the medium term. Private consumption will remain a key driver of growth, while private investment is expected to recover gradually, supported in part by the clearance of government arrears in the construction sector. Exports are expected to grow moderately, but higher imports—linked to investment, consumption, and ongoing geopolitical tensions—will likely widen the current account deficit to around 3.4 percent of GDP over the medium term.

The fiscal deficit is projected to average about 5.2 percent of GDP, with public debt remaining elevated. The Government plans further consolidation, centered on tax administration and spending efficiency. However, without stronger measures, fiscal vulnerabilities will persist. Raising productivity, strengthening fiscal equity, and advancing governance and anti-corruption reforms will be critical to reinforce consolidation efforts.

With modest per capita GDP growth, poverty reduction will remain gradual unless growth translates into higher incomes for the poor. The international poverty rate is projected to decline marginally to 41.9 percent in 2026 and 41.3 percent in 2027.

Risks are tilted to the downside, including heightened global risks, weaker fiscal adjustment, and adverse weather shocks. The 2027 elections could also slow reform momentum. On the upside, stronger reform credibility or faster investment recovery could lift growth.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	5.7	4.7	4.9	4.4	5.0	5.0
Private consumption	7.5	6.9	4.9	4.7	5.0	5.0
Government consumption	2.0	0.4	1.5	1.9	3.4	2.9
Gross fixed capital investment	1.9	6.2	4.5	4.8	5.1	5.4
Exports, goods and services	11.7	7.5	7.6	6.2	8.6	8.8
Imports, goods and services	1.3	2.7	5.0	5.8	7.2	7.2
Real GDP growth, at constant factor prices	5.9	4.9	4.9	4.4	5.0	5.0
Agriculture	6.6	4.6	4.8	3.9	4.8	4.7
Industry	2.0	0.8	3.5	3.2	3.9	3.9
Services	6.8	6.1	5.3	4.8	5.3	5.4
Employment rate (% of working-age population, 15 years+)	63.2	63.4	63.6	63.6	63.7	63.8
Inflation (consumer price index)	7.7	4.5	4.1	5.0	5.0	5.0
Current account balance (% of GDP)	-3.6	-2.3	-2.4	-3.4	-3.4	-3.1
Net foreign direct investment inflow (% of GDP)	0.2	0.3	0.3	1.4	0.7	0.7
Fiscal balance (% of GDP)^{1,2}	-5.7	-5.8	-6.0	-5.6	-5.2	-4.9
Revenues (% of GDP)	17.0	17.5	17.2	17.2	17.6	17.9
Debt (% of GDP)	73.4	67.3	68.0	70.3	71.2	71.3
Primary balance (% of GDP)	-0.9	-0.5	-0.5	-0.1	0.3	0.5
International poverty rate (\$3.00 in 2021 PPP)^{3,4}	44.2	43.1	42.5	41.9	41.3	40.7
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{3,4}	64.7	63.9	63.5	63.1	62.7	62.2
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{3,4}	88.9	87.9	87.3	86.8	86.2	85.6
GHG emissions growth (mtCO₂e)	3.5	4.4	4.7	4.9	5.1	5.1

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Fiscal data are in fiscal years 2022= FY2022/23.

2/ Fiscal data from Kenya's National Treasury, revised per GFS 2014. Numbers may vary from official estimates due to GDP projection differences.

3/ Projection using point to point elasticity at regional level with pass-through = 0.7 based on private consumption per capita in constant LCU. Actual data: 2022. Nowcast: 2023-2025. Forecasts are from 2026 to 2028.

4/ Actual data: 2021. Nowcast: 2022-2024. Forecasts are from 2025 to 2027.

LESOTHO

Growth is projected to remain weak, averaging about 1.5 percent over 2026–28, amid heightened geopolitical uncertainty, higher and more volatile oil prices, and declining aid. These headwinds are expected to be partly offset by the Lesotho Highlands Water Project, higher water royalties, and strong Southern African Customs Union (SACU) revenues. Poverty is projected to remain high at about 59 percent of the population, based on the international poverty line.

Key conditions and challenges

Over the past decade, Lesotho's growth averaged just 0.5 percent and remained highly volatile, far too weak to absorb the expanding labor force or reduce poverty. As a result, GDP per capita remains below its 2007 level. This weak performance reflects persistent structural constraints and continued vulnerability to shocks. Weak fiscal management, a burdensome regulatory environment, governance and implementation gaps, and limited access to finance hinders private sector development, growth and job creation.

Poverty and inequality remain high, and labor market outcomes are particularly weak for young people. Youth unemployment stands at 38.9 percent, while nearly half of those aged 15–24 are not in education, employment, or training. More broadly, many workers remain concentrated in low-productivity and low-wage activities, while rural households remain especially vulnerable to food insecurity.

Macroeconomic management is characterized by large fiscal rigidities and volatile revenues. Dependence on SACU transfers and other non-tax inflows have contributed to high and rigid

Population ¹ million	Poverty ² millions living on less than \$4.20/day
2.4	1.2
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
57.4	80.2
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
2.6	1089.3

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2017 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

public spending, while weaknesses in expenditure management, shortcomings in procurement and public investment management have reduced spending efficiency. External and climate-related shocks, including droughts and floods, intensify these vulnerabilities. Addressing these challenges will require stronger fiscal discipline, a more enabling business environment, and reforms to raise private investment, productivity, and resilience.

Recent developments

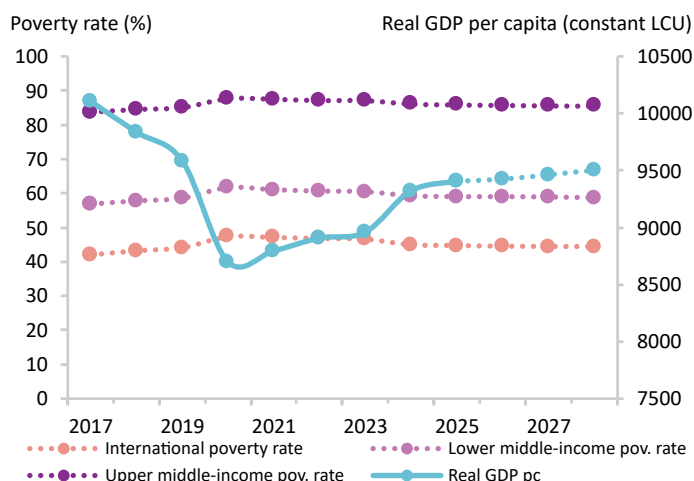
Cumulative growth over the first three quarters of 2025 reached 4.0 percent relative to the same period in 2024, driven mainly by mining (4.7 percent), hospitality (7.4 percent), business services (4.2 percent), and other services (7.5 percent). This was partly offset by contractions in manufacturing (-8.0 percent), wholesale and retail trade (-2.9 percent), transport (-3.8 percent), information and communication (-7.3 percent), and finance and insurance (-6.5 percent), and construction (-4.6 percent). Continued weakness in manufacturing, together with anecdotal information on mining slowing down in Q4, and seasonality suggests that activity is likely to have softened in Q4. This signals a potential contraction for Q4, bringing estimated growth to 2.0 percent in 2025.

FIGURE 1 / Consumer price inflation



Source: World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

Headline inflation averaged 4.5 percent in 2025, down from 6.1 percent in 2024 thanks to lower fuel prices. Inflationary pressures were driven mainly by food, clothing and footwear, and restaurants and hotels. After reducing the policy rate by 25 basis points in November 2025, the Central Bank of Lesotho kept the rate unchanged at 6.50 percent at its January 2026 Monetary Policy Committee meeting, balancing inflation against the need to safeguard the loti-rand peg.

The budget registered a surplus of 3 percent of GDP, down from 9.5 percent the year before, mainly reflecting a sharp decline in SACU revenues of 5.8 percentage points of GDP. This was partially offset by an increase in water royalties (4 percent), while capital spending rose by about a 1 percentage point of GDP. Public debt fell to 51 percent of GDP in 2025, down from 54 percent of GDP in 2024. The risk of external and overall debt distress remains moderate.

Based on currently available data through Q12025, the current account balance is expected at a 0.2 percent of GDP surplus, thanks to higher water royalties that partially offset the decline in SACU revenues.

Outlook

Growth is projected to average about 1.5 percent over the medium term. Ongoing implementation of the Lesotho Highlands Water Project will boost investment, while higher water royalties and still-elevated SACU revenues will strengthen the fiscal position. However, economic activity will be constrained by weaknesses in the textile and diamond sectors, reflecting a weaker external

environment. Slow growth will restrain employment growth and poverty reduction.

Inflation is projected to edge up to 5.8 percent in 2026, driven by higher oil and food prices. The current account is projected to revert to a small deficit of 0.2 percent of GDP in 2026, driven by lower exports and higher imports for capital investments. It will then revert to a surplus in 2027 and 2028, thanks to higher water royalties.

The government is expected to continue reporting fiscal surpluses of about 3.4 percent of GDP over 2027–28, driven by higher water royalties, under more conservative revenue assumptions compared to the budget. The FY2026/27 budget anticipates a sizable spending expansion, driven by the wage bill, goods and services, and capital outlays. But delays in implementation of investment projects will likely reduce execution. The budget recognizes the need to save SACU and mineral windfall through fiscal rules and a stabilization framework. However, persistent weaknesses in expenditure management, including procurement shortcomings, weak cash management, continue to weaken spending efficiency and undermine fiscal credibility. Mitigating them will require continued progress toward fiscal rules and a stabilization mechanism, alongside stronger public financial management, particularly through e-procurement and a Treasury Single Account.

Risks are skewed to weaker growth and higher inflation. Weaker regional and global activity, continued geopolitical uncertainty in the Middle East, and uncertainty over the African Growth and Opportunity Act beyond 2026 could weigh on growth, while higher international oil prices could raise inflation, squeeze household purchasing power, and increase food insecurity, especially among poorer households.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	1.7	5.2	2.0	1.3	1.5	1.5
Real GDP growth, at constant factor prices	1.7	4.6	2.6	1.3	1.5	1.5
Agriculture	7.7	7.2	-2.5	0.1	0.4	0.4
Industry	-8.9	2.3	0.5	0.5	0.5	0.5
Services	5.5	5.1	4.0	1.7	2.0	2.0
Employment rate (% of working-age population, 15 years+)	48.5	48.4	48.4	48.4	48.4	48.4
Inflation (consumer price index)	6.4	6.1	4.5	5.4	5.0	5.0
Current account balance (% of GDP)	-6.8	3.6	0.2	-0.2	0.1	1.1
Net foreign direct investment inflow (% of GDP)	-1.2	-0.5	-0.6	-0.6	-0.6	-0.6
Fiscal balance (% of GDP)	7.0	9.5	3.0	-1.7	3.5	3.4
Revenues (% of GDP)	59.0	62.8	60.8	62.2	66.8	67.3
Debt (% of GDP)	60.4	54.7	50.9	50.3	48.6	46.9
Primary balance (% of GDP)	9.1	11.4	5.1	0.1	5.2	5.0
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	46.6	45.0	44.7	44.5	44.5	44.4
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	60.5	59.3	59.0	59.0	58.9	58.7
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	87.2	86.2	86.0	85.8	85.7	85.6
GHG emissions growth (mtCO₂e)	1.1	4.1	3.0	2.8	3.2	3.2

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2017-CMSHBS. Actual data: 2017. Nowcast: 2018-2025. Forecasts are from 2026 to 2028.

2/ Projection using neutral distribution (2017) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

LIBERIA

Liberia's economy grew by 5.1 percent in 2025, up from 4.0 percent in 2024, driven by a rebound in mining. Inflation remained in single digits, and fiscal consolidation strengthened public finances despite declining grants. Extreme poverty is projected to increase in 2025, before reversing thereafter. The quality of jobs remains weak and financing conditions tight, underscoring the need for diversification, domestic revenue mobilization, and private investment.

Population ¹ million	Poverty ² millions living on less than \$3.00/day
5.7	1.6
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
62.2	66.6
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
5.2	915.3

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2016 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2025. 6/ 2025.

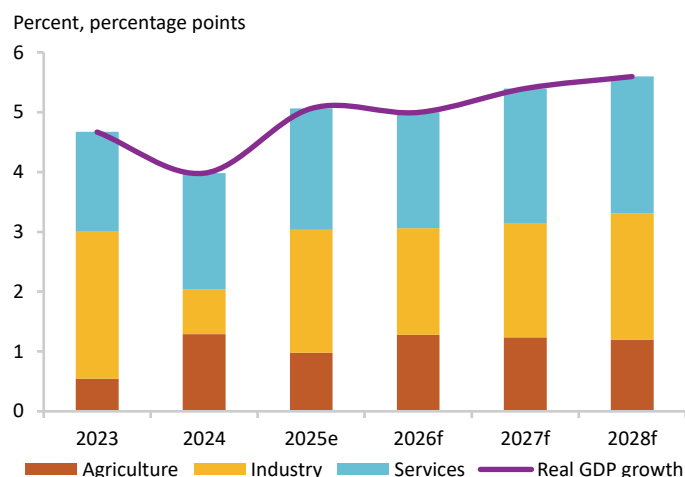
Key conditions and challenges

Liberia's economic performance has been volatile over the past decade. Real GDP per capita (constant 2015 dollars) peaked at US\$717 in 2013, declined sharply to US\$605 in 2020 following external shocks and public health crises, and only partially recovered to US\$684 in 2025. Structural constraints, including weak infrastructure, limited access to finance, low human capital, and a narrow export base, continue to hinder diversification and private sector-led growth. Social outcomes and labor market conditions remain constrained. Institutional and capacity weaknesses continue to weigh on service delivery and reform implementation. Meanwhile, declining external aid is tightening fiscal space, making sustained improvements in domestic revenue mobilization more urgent. Liberia must prioritize macroeconomic stability, resilience, alongside a transition to a more diversified, private sector-driven growth model capable of creating more and better jobs.

Recent developments

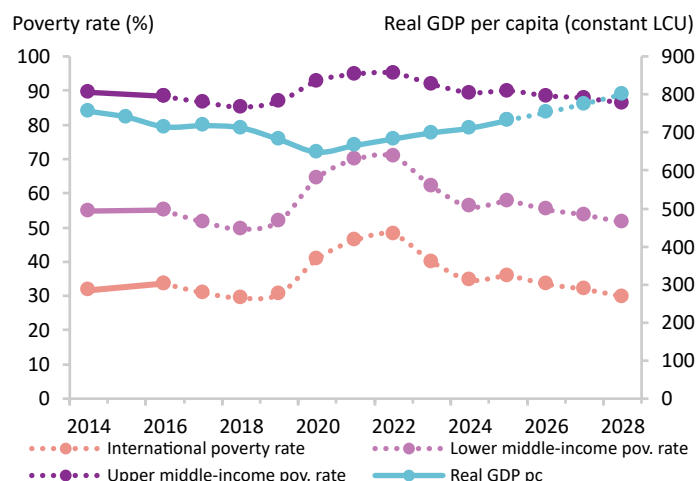
Real GDP growth picked up to an estimated 5.1 percent in 2025, driven by a rebound in mining, with limited spillovers to the rest of the economy. Mining output expanded by an estimated 17 percent as earlier investments came on stream, with iron ore production surging by about 42 percent. This mining-led upswing followed a weaker 2024, when growth slowed to 4.0 percent amid a sharp deceleration in mining activity, underscoring the sector's outsized influence on aggregate growth. Outside mining, activities remained subdued in 2025. Services growth eased to 4.6 percent, supported by trade, transport, and financial services, while non-mining manufacturing contracted by 2.8 percent, reflecting persistent structural constraints in tradables. Agricultural growth moderated to 2.6 percent as weather and price effects faded and rubber output slowed. On the demand side, growth was underpinned by private consumption and strong mineral exports, particularly iron ore and gold, while public consumption continued to contract in line with fiscal consolidation.

FIGURE 1 / Sectoral contributions to real GDP growth



Sources: Liberian authorities and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

Inflation averaged 8.3 percent in 2024 and edged up marginally to 8.5 percent in 2025. Headline inflation peaked in early 2025 before declining steadily to 4.0 percent year-on-year by December, reflecting a restrictive monetary stance, relative exchange rate stability, and easing food and transportation costs. Food inflation fell sharply, while non-food inflation remained more persistent, driven by domestic cost pressures in housing, utilities, healthcare, and hospitality, highlighting structural supply bottlenecks rather than external price shocks.

Extreme poverty is projected to rise to 35.8 percent in 2025 due to inflation, before declining thereafter. Recent growth has been largely jobless. Without stronger links between growth, employment, and productivity, poverty reduction will remain gradual despite improving macroeconomic conditions.

In 2025, exports rose sharply reaching US\$2.1 billion, driven by gold and iron ore, but higher imports and sizable services and income outflows offset much of the export gains. Strong remittances helped contain the current account deficit to 6.5 percent of GDP, but external buffers remained limited, with reserves at US\$572 million (about 1.8 months of imports), constraining resilience to shocks.

Fiscal consolidation over 2024–25 strengthened Liberia's fiscal position, narrowing the overall deficit from 7.1 percent of GDP in 2023 to 1.1 percent in 2025, while the primary balance recorded a surplus of 0.2 percent of GDP in 2025 from a 6.1 percent deficit in 2023. Domestic revenue rose to 15.8 percent of GDP in 2025, up from 14.7 percent of GDP in 2024, driven primarily by stronger income and profit tax collections (increasing from 5.5 percent to 6.7 percent of GDP). Goods and services tax receipts stagnated at 1.4 percent of GDP, reinforcing the case for

value-added tax reform. Sharp decline in external grants (from 7.8 percent of GDP in 2024 to 5.1 percent in 2025) tightened the resource envelope and compressed capital spending (from 8.2 percent to 5.3 percent of GDP), highlighting the growing constraints on public investment and growth prospects under the current financing mix.

Outlook

Liberia's medium-term outlook is cautiously optimistic. Real GDP growth is projected at 5.0 percent in 2026, rising to 5.6 percent by 2028, driven by mining expansion and reforms in energy and transport. Inflation is expected to ease to around 5.5 percent by 2028, supported by prudent monetary policy. The fiscal deficit is projected to average about 1.5 percent of GDP over 2026–28, with public debt declining on the back of sustained fiscal discipline. External imbalances will remain elevated in the near term due to capital imports for extractives and infrastructure, despite growth in mining exports.

Poverty is projected to decline to 29.8 percent by 2028, supported by growth and easing inflation. Accelerating this trend will require reforms to boost private sector jobs especially in labor-intensive sectors and investment in human capital and social protection.

The conflict in the Middle East poses risks of higher inflation, weaker growth, wider current account deficits, unplanned fiscal pressures and increased food insecurity. Despite these headwinds, the outlook remains cautiously optimistic, contingent on accelerated and sustained reforms. Key downside risks include governance and capacity constraints, policy slippage, global trade shocks, and declining international aid.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	4.7	4.0	5.1	5.0	5.4	5.6
Private consumption	3.5	3.7	3.6	3.8	3.9	3.9
Government consumption	0.0	-18.4	-5.2	5.6	6.0	6.2
Gross fixed capital investment	36.2	-0.4	4.7	7.7	9.6	11.0
Exports, goods and services	23.6	21.1	10.4	6.1	6.2	6.3
Imports, goods and services	25.1	6.9	4.5	5.0	5.5	6.0
Real GDP growth, at constant factor prices	4.7	4.1	5.1	5.0	5.4	5.6
Agriculture	1.4	3.4	2.6	3.5	3.4	3.4
Industry	13.9	3.9	10.7	8.8	9.1	9.7
Services	3.7	4.9	4.6	4.4	5.2	5.3
Employment rate (% of working-age population, 15 years+)	74.6	74.6	74.6	74.6	74.6	74.6
Inflation (consumer price index)	10.1	8.3	8.5	7.0	6.2	5.5
Current account balance (% of GDP)	-20.1	-8.1	-6.5	-13.4	-13.3	-13.6
Fiscal balance (% of GDP)	-7.1	-2.0	-1.1	-1.7	-1.2	-1.6
Revenues (% of GDP)	20.1	22.5	20.9	20.8	21.0	21.1
Debt (% of GDP)	58.8	56.8	52.4	52.8	53.6	51.9
Primary balance (% of GDP)	-6.1	-0.8	0.2	-0.5	0.2	-0.3
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	40.0	34.7	35.8	33.4	31.9	29.8
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	62.1	56.1	57.7	55.3	53.8	51.6
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	91.8	89.4	89.9	88.5	87.8	86.3
GHG emissions growth (mtCO₂e)	2.9	3.0	3.2	3.2	3.2	3.2

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2016-HIES. Actual data: 2016. Nowcast: 2017–2025. Forecasts are from 2026 to 2028.

2/ Projections using microsimulation methodology.

MADAGASCAR

GDP growth moderated to 3 percent in 2025, driven mainly by textiles and services, while the political crisis in late 2025 weighed on economic activity. Growth is projected to average 4.2 percent over 2026–28, supported by public and private investments. Extreme poverty is expected to remain high at around 65 percent. The outlook is subject to downside risks including institutional fragility, slow reform implementation, and vulnerability to external shocks.

Key conditions and challenges

Economic growth, averaging about 3 percent per year since the 2010s, has been insufficient to generate jobs or sustain meaningful poverty reduction, against a 2.4 percent annual population growth. Low productivity activities, particularly subsistence agriculture, weak infrastructure, slow human capital accumulation, and low tax revenue (below 11 percent of GDP over the past decade), have constrained growth and translated into poor development outcomes.

GDP per capita (constant 2015 US dollars) declined from US\$812 in 1960 to US\$456.5 in 2025. The poverty headcount at US\$3/day (international poverty line, 2021 PPP) increased from 67 percent in 2012 to 69 percent in 2021 and is estimated at 66.5 percent in 2025. While poverty remains particularly acute in rural areas, urban living standards have also deteriorated markedly, reflecting weak job creation, rising living costs, and growing vulnerability to economic and climate shocks.

Reducing poverty and promoting high and resilient growth requires improved governance, structural reforms in key sectors (particularly agriculture, energy, mining, and telecommunications),

Population ¹ million	Poverty ² millions living on less than \$3.00/day
32.7	20.5
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
63.6	132.7
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
18.5	564.2

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

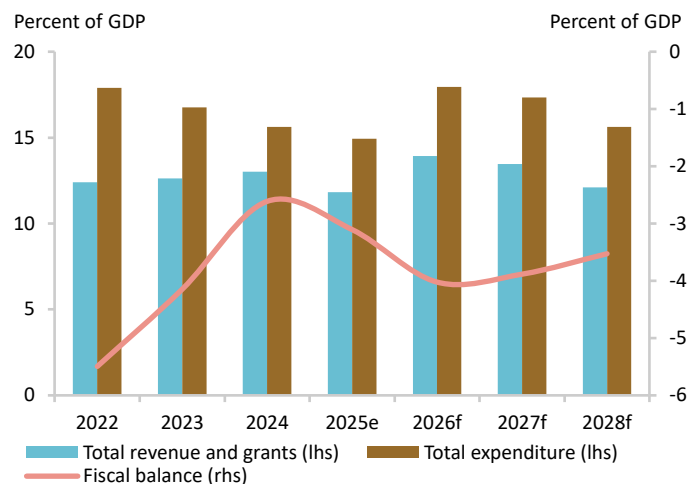
and faster human and physical capital accumulation. Accelerating productivity growth in labor-intensive sectors is key to creating more and better jobs and absorbing 420,000 annual net labor force entrants.

Recent developments

Growth is estimated at 3 percent in 2025, driven by manufacturing and services, notably tourism-related sectors, telecommunications, trade, and banking. Textiles expanded as production was front-loaded ahead of the expiration of the African Growth and Opportunity Act (AGOA). Crop yields fell due to droughts. Absence of permits for new mining projects and frequent power outages weighed on growth. On the demand side, private investment and private consumption supported growth. Public investment accelerated initially but halted following September's political unrest.

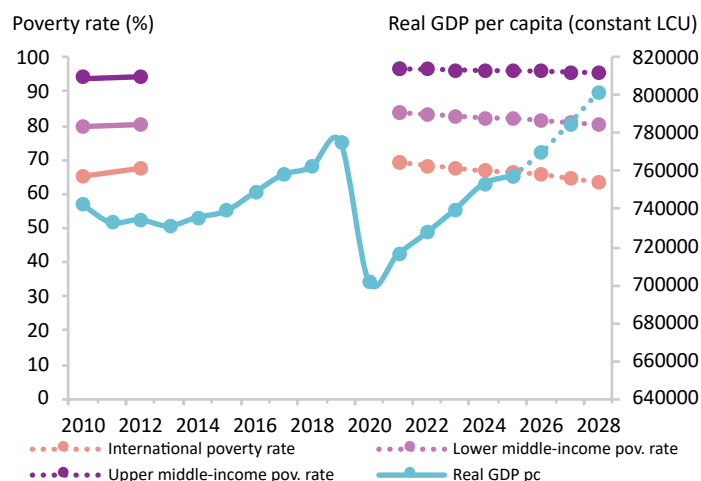
Monthly headline inflation (y/y) eased from 9.5 percent in January to 7.2 percent in December 2025, averaging 8 percent, driven by high food and import prices. The central bank raised its policy rate to 12 percent in May 2025 (up 150 basis points from August 2024) to contain inflation. Bank credit to the economy grew

FIGURE 1 / Revenue, expenditure, and fiscal balance



Sources: Ministry of Economy and Finance, and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

by 11.5 percent, supporting car sales, transport, manufacturing, and households, though social unrest dampened credit expansion. The banking sector remained well capitalized with regulatory capital at 12 percent of risk-weighted assets, even as non-performing loans edged up to 9.5 percent by end 2025, up from 9 percent a year earlier.

The current account deficit (CAD) widened to 6.6 percent of GDP in 2025, reflecting a larger trade deficit. Weak cash-crop and nickel prices dampened export earnings, partially offset by robust exports of garment, essential oil, and food products. The import bill rose by 3.1 percent, driven by higher demand for food, equipment, and production inputs. The CAD was mainly financed by official external borrowing, while international reserves increased to 6.8 months of imports by end 2025. The ariary strengthened by 2.5 percent against the dollar but depreciated by 8.8 percent against the euro.

The fiscal balance deteriorated to -3.1 percent of GDP in 2025, reflecting broad-based revenue shortfalls that offset a modest expenditure compression. All categories of revenue declined, with notable drops in customs duties and import VAT (0.3 percentage point (pp) of GDP) and project grants (0.6 pp of GDP) in 2025 compared with 2024. On the spending side, execution slowed in Q4, causing both externally financed investment and non-wage current expenditure (i.e., goods and services) to fall below 2024 levels. In contrast, subsidies to JIRAMA, the state-owned utility, increased as part of its debt clearance plan, and due to increased thermal generation costs. Public debt is estimated at 52.7 percent of GDP in 2025. The risk of debt distress remained moderate (2025 joint World Bank-IMF Debt Sustainability Analysis).

Outlook

Growth is projected at 3.8 percent in 2026, supported by post-cyclone reconstruction, and to average 4.2 percent over 2027–28, underpinned by public investment in critical infrastructure (including electricity and transport) and private investment in mining, tourism, and telecommunications. Rising energy and shipping costs resulting from the conflict in the Middle East are expected to push inflation to 8.3 percent in 2026 before easing gradually under tight monetary policy. Poverty is projected to decline marginally, remaining around 65 percent over the medium term.

The CAD is projected to widen to an average of 7.3 percent of GDP in 2026–28, driven by reconstruction and investment-related imports, notwithstanding the one-year AGOA extension and continued tourism recovery. The fiscal deficit is expected to remain around 4 percent of GDP over the medium term, consistent with the government commitment to expanded spending on social services and infrastructure. Public debt is expected to rise modestly but stay below 55 percent of GDP.

The outlook is subject to downside risks, including institutional fragility, uneven reform implementation, JIRAMA's slow financial and operational recovery, weaker performance in major tourist destinations, the non-renewal of AGOA beyond 2026, and vulnerability to external shocks (including climate events). Prolonged conflict in the Middle East could raise energy and shipping costs, increasing inflation through transport, electricity, and food prices, disproportionately affecting urban households while also squeezing incomes in small scale farming.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	4.2	4.3	3.0	3.8	4.5	4.4
Private consumption	4.4	3.0	3.0	2.8	3.2	2.9
Government consumption	-2.7	4.2	-4.6	6.3	3.0	6.2
Gross fixed capital investment	3.0	4.0	12.3	13.3	16.7	12.1
Exports, goods and services	0.4	0.5	0.5	2.7	3.2	5.7
Imports, goods and services	-5.6	13.9	4.0	6.3	8.0	7.8
Real GDP growth, at constant factor prices	4.5	4.0	3.0	3.8	4.5	4.4
Agriculture	5.3	4.5	1.6	3.2	2.9	2.9
Industry	5.2	3.4	4.5	5.9	4.8	4.5
Services	3.9	3.9	3.2	3.5	5.1	5.0
Employment rate (% of working-age population, 15 years+)	82.9	82.9	82.9	82.9	82.9	82.9
Inflation (consumer price index)	9.9	7.6	8.0	8.3	8.1	6.7
Current account balance (% of GDP)	-4.6	-5.3	-6.6	-7.0	-7.6	-7.4
Net foreign direct investment inflow (% of GDP)	2.2	2.7	3.1	2.3	2.7	2.9
Fiscal balance (% of GDP)	-4.1	-2.6	-3.1	-4.0	-3.9	-3.5
Revenues (% of GDP)	12.6	13.0	11.8	13.9	13.5	12.1
Debt (% of GDP)	52.1	50.8	52.7	54.7	54.9	54.7
Primary balance (% of GDP)	-3.4	-2.0	-2.3	-3.0	-3.0	-2.7
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	67.6	66.8	66.5	65.9	64.8	63.7
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	82.9	82.4	82.2	81.6	81.0	80.4
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	96.3	96.1	96.1	96.0	95.8	95.6
GHG emissions growth (mtCO2e)	2.5	2.4	1.0	1.1	2.3	1.9

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2021-EPM. Actual data: 2021. Nowcast: 2022-2025. Forecasts are from 2026 to 2028.

2/ Projection using neutral distribution (2021) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

MALAWI

Driven by a modest recovery in agriculture, growth is projected at 2.3 percent in 2026—a contraction in per capita terms. Ongoing fiscal consolidation and debt restructuring are expected to place public debt on a gradual downward path. However, modest growth, high inflation, widespread exchange rate distortions, and limited job creation mean poverty reduction will remain constrained, with only limited gains in household incomes.

Key conditions and challenges

Malawi's growth has been constrained by macroeconomic imbalances, a narrow export base, and agricultural policies favoring subsistence over commercialization. Widening fiscal deficits, high inflation, and foreign exchange distortions deter investment and depress productivity. Emphasis on food self-sufficiency and broad input subsidies has slowed the shift toward higher-productivity sectors, keeping exports weak and limiting poverty reduction. Firms face high costs, unreliable power, and pervasive foreign exchange distortions, resulting in low productivity and capacity utilization. Per capita GDP growth has been negative for five years.

Chronic food insecurity persists, driven by weather shocks, low agricultural productivity, and inefficient fertilizer distribution. Many rural households cannot produce enough food or earn sufficient income to meet basic needs. The share living below US\$3 per day remains around 76 percent, reflecting limited structural transformation and weak job creation. Although fertility has declined, 41 percent of the population are below age 14, increasing dependency and pressure for job creation. The labor market is 91 percent informal; 19 percent are unemployed, and 55 percent face labor underutilization.

Population ¹ million	22.2	Poverty ² millions living on less than \$3.00/day	14.4
Life expectancy at birth ³ years	67.4	School enrollment ⁴ primary (% gross)	139.0
GDP ⁵ current US\$, billion	14.9	GDP per capita ⁶ current US\$	671.5

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2019 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

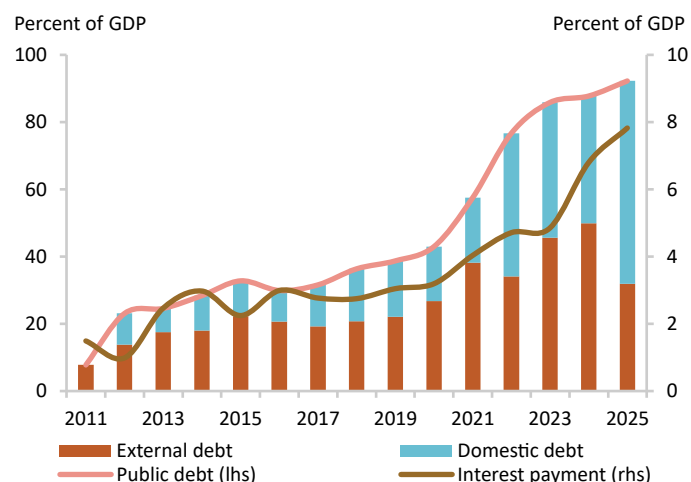
Inconsistent reform commitment has undermined stabilization and investor confidence. Recent adjustment programs in 2022–23 sought to restore fiscal discipline, strengthen debt management, and increase exchange-rate flexibility, but momentum weakened in 2024 as elections neared. Fiscal adjustment stalled, exchange-rate reforms were reversed, and the parallel-market premium widened above 140 percent. Election-year overspending, quasi-fiscal activities, and costly domestic borrowing deepened deficits, crowded out priority spending, and fueled inflation. Malawi has been in debt distress since 2022 and external debt-restructuring remains incomplete.

This stop-start pattern, combined with entrenched governance weaknesses, has slowed debt reduction and deterred private investment needed for export diversification. Sustained, credible policy implementation is essential to unlock productivity growth, attract foreign direct investment, and enable agriculture, tourism, and mining to drive economic transformation.

Recent developments

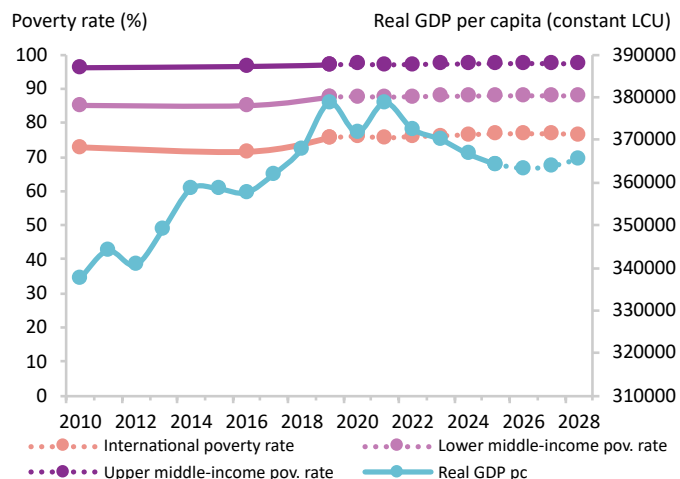
Economic growth remained subdued at 1.9 percent in 2025, below pre-COVID trends. With population growth at 2.6 percent,

FIGURE 1 / Public debt, external debt, domestic debt and interest payments as share of GDP



Sources: World Bank, and Ministry of Finance and Economic Planning and Development.

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



Source: World Bank. Notes: See footnotes in table on the next page.

per-capita incomes continue to fall. Labor market pressures remain acute: 40 percent of youth aged 15–35 are not in employment, education, or training.

Since October 2025, the new administration has initiated reforms including expenditure cuts and a higher value-added tax rate. The fiscal deficit narrowed to 8.4 percent of GDP in 2025 from 9.1 percent in 2024, with primary surpluses recorded in the final quarter after significant pre-election overruns. The 2026–27 budget increases development spending without sufficient new revenue, putting consolidation gains at risk, though domestic debt restructuring should reduce interest burdens.

External imbalances persist, with imports more than triple exports, reflecting a weak export base and high trade costs. An overvalued exchange rate and a widening parallel-market premium—around 140 percent in early 2026—continue eroding competitiveness. Official reserves remain critically low at under one month of import cover, with total economy-wide reserves slightly above two months.

Inflation remains among the region's highest, though is trending downward. Headline inflation averaged 28.4 percent in 2025, driven by high food prices and money creation linked to pre-election deficits. The policy rate was recently reduced to 24 percent, after remaining at 26 percent for over two years.

Outlook

Malawi's new government faces a fragile macroeconomic environment. While the administration has taken steps to restore

fiscal control, deeper structural challenges endure. Growth is projected to reach 2.7 percent by 2027, but this will not significantly improve living standards. Structural constraints and foreign exchange distortions will continue limiting industrial activity and labor market dynamism. Persistent inflation will strain household welfare; nearly half the population cannot afford a basic consumption basket. Poverty is projected to remain high, at 76.6 percent in 2026.

The fiscal deficit is expected to narrow steadily but remain elevated, supported by domestic debt restructuring, with public debt projected on a gradual downward path. Inflation should moderate further, supported by easing food prices and reduced monetary financing, though increases in fuel and utility prices linked to automatic tariff adjustments and conflict in the Middle East may elevate non-food inflation and impact fertilizer availability in the coming agriculture season.

Downside risks remain significant. Lower-than-anticipated revenues and insufficient spending controls could trigger renewed fiscal slippage and monetary financing, undermining stabilization. Failure to address the exchange-rate misalignment and structural weaknesses in the business environment would prolong supply constraints and delay the recovery. Reserves remain too low to withstand shocks.

On the upside, faster disinflation could occur with favorable harvests and policy discipline. Stronger reform execution—fiscal consolidation, exchange-rate unification, investment climate reforms—and accelerated mining investment could improve medium-term prospects, contingent on sustained commitment and supportive external conditions.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	1.9	1.7	1.9	2.3	2.7	3.0
Private consumption	4.2	1.8	2.0	1.9	2.0	3.2
Government consumption	-4.4	1.7	-0.9	0.7	2.2	2.5
Gross fixed capital investment	-15.5	-3.7	18.6	6.2	4.8	1.3
Exports, goods and services	22.4	2.0	3.0	3.1	4.6	4.6
Imports, goods and services	1.7	-0.2	2.5	2.0	2.3	3.2
Real GDP growth, at constant factor prices	1.5	1.8	1.9	2.3	2.7	3.0
Agriculture	0.5	-0.2	1.2	1.9	2.0	2.1
Industry	2.2	2.1	2.0	1.9	2.1	2.1
Services	1.6	2.6	2.1	2.6	3.1	3.7
Inflation (consumer price index)	28.7	32.3	28.4	21.9	19.5	17.4
Current account balance (% of GDP)	-12.4	-13.9	-15.0	-15.0	-12.8	-11.8
Net foreign direct investment inflow (% of GDP)	1.1	2.4	2.7	1.9	2.7	3.5
Fiscal balance (% of GDP)	-12.8	-9.1	-8.4	-11.8	-10.0	-8.6
Revenues (% of GDP)	17.8	21.7	20.4	20.9	20.6	20.5
Debt (% of GDP)	85.9	87.8	92.3	81.4	78.6	64.4
Primary balance (% of GDP)	-7.9	-2.3	-0.6	-0.9	-1.4	-2.2
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	76.0	76.3	76.6	76.6	76.6	76.5
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	87.7	87.9	88.0	88.0	88.0	88.0
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	97.2	97.2	97.2	97.3	97.2	97.2
GHG emissions growth (mtCO2e)	2.0	2.4	2.8	3.0	3.2	3.3

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2019-IHS-V. Actual data: 2019. Nowcast: 2020–2025. Forecasts are from 2026 to 2028.

2/ Projection using neutral distribution (2019) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

MALI

In 2025, GDP growth declined to 4.1 percent (1.1 percent per capita), as the fuel blockade imposed by terrorists constrained activity. Inflation accelerated to 4 percent. Growth is projected to rebound to 5.0 percent in 2026, supported by mining but weakened by spillovers from the Middle East conflict. Poverty is projected to decline marginally supported by strong cereal and cotton harvests. Risks include insecurity, climate and spillovers from conflicts.

Key conditions and challenges

Mali's economy remains vulnerable to climate, insecurity and fluctuations in commodity prices. Poverty and job creation remain persistent challenges with 235,000 youth entering annually the labor market. Rain-fed agriculture and services dominate output, while gold and cotton account for most exports.

A landlocked country importing over 40 percent of its energy needs, Mali relies on supply routes from Senegal and Côte d'Ivoire. This dependence was exposed in Q4 2025, when terrorists blockaded transport corridors that disrupted fuel and supply chains.

Chronic electricity shortages worsened as the blockade cut diesel supplies critical to thermal generation, accounting for 60 percent of total energy output.

Mali has deepened integration with fellow Confederation of Sahel States (AES) members through the launch of a unified biometric passport, the establishment of the AES Investment and Development Bank, and the activation of a 5,000-strong joint

Population ¹ million	Poverty ² millions living on less than \$3.00/day
25.2	8.5
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
60.4	72.8
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
28.4	1128.3

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

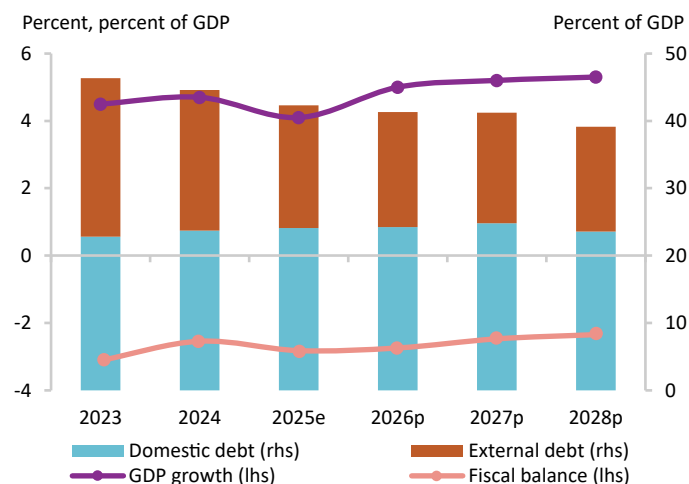
military force. Mali has consolidated its commitment to West African Economic and Monetary Union (WAEMU) economic convergence criteria.

Recent developments

GDP growth decelerated to an estimated 4.1 percent in 2025 (1.1 percent per capita), reflecting the blockade and a drop in gold production from 57 to 47 metric tons. Services (+4.7 percent y/y) remained the primary growth driver, with telecommunications expanding 5.3 percent on continued network investment, while transport contracted 9.3 percent due to trade corridor disruptions. Agriculture grew 4.0 percent, supported by cereal production and stronger cotton ginning activity (+16 percent y/y), while industry expanded 3.5 percent, buoyed by lithium production and construction (20.3 percent y/y).

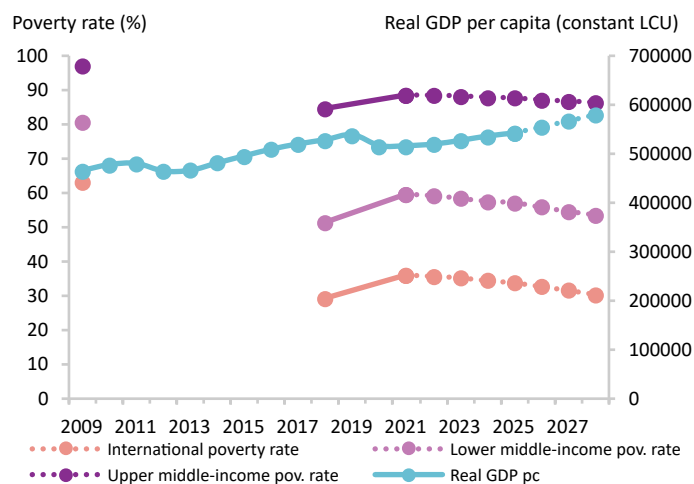
On the demand side, private consumption is estimated to have been the main growth driver (+3.2 pps), followed by investment (+0.9 pps). The current account deficit is estimated to have widened to 5.0 percent of GDP, as import costs outweighed cotton exports and first lithium shipments.

FIGURE 1 / GDP growth, fiscal balance, and debt



Source: World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

The WAEMU inflation rate sharply declined to 0.2 percent in 2025 from 3.5 percent in 2024, driven by lower global food prices, and regional foreign reserves increased to 6.1 months of imports. After maintaining its monetary policy stance unchanged since June 2025, the Central Bank of West African States (BCEAO) reduced its policy rates in March 2026 by 25 basis points, lowering the liquidity call rate and the marginal lending facility rate to 3.0 percent and 5.0 percent, respectively.

Headline inflation in Mali rose to an estimated 4.0 percent, driven by fuel and food price pressures from transport disruptions.

While below the WAEMU 3 percent of GDP target, the fiscal deficit is expected to widen to 2.9 percent of GDP, as the blockade dampened tax collection and lowered revenues to 18.5 percent of GDP. Expenditure eased to 21.4 percent of GDP, reflecting weak government consumption and lower interest payments. Public debt fell to 42.3 percent of GDP as regional liquidity conditions improved, and Mali remains at moderate risk of debt distress.

Poverty declined to 33.9 percent, supported by a strong cereal harvest, favorable cotton production, and high gold prices benefiting artisanal miners. Extreme deprivation persists in central and northern regions, where ongoing conflict has created a dire food security situation.

Outlook

Real GDP growth is projected to average 5.1 percent in 2026–2027, assuming the stabilization of transport corridors, improvements in electricity generation, and no deterioration in domestic security.

Services are expected to remain the primary growth engine, while rising lithium production is projected to offset declines in gold output. In 2026, the Middle East conflict is expected to have a negative impact on growth and an upward pressure on inflation through higher energy import costs, partially offset by elevated gold prices.

Inflation is projected to average 3 percent in 2026–2027, within the WAEMU target band, as the dissipation of blockade effects is partially offset by elevated global oil prices. The current account deficit is expected to narrow to an average of 4.1 percent of GDP, driven by lithium and cotton exports. The fiscal deficit is projected at 2.7 percent of GDP, below the WAEMU ceiling, as revenues recover on the back of tax reforms. Public debt is expected to decline to 41.1 percent of GDP by 2026–2027.

At the regional level, inflation is expected to remain aligned with the WAEMU target band from 2027 onward, while foreign reserves are projected to average 5.9 months of imports during 2026–2028, supported by exports.

Downside risks include a recurrence of the blockade of transport corridors, an unresolved electricity crisis, climate shocks and a prolonged conflict in the Middle East, while accelerated lithium production, sustained global demand for gold and improved regional relations could support growth.

Poverty is forecast to decline to 32 percent by 2028, with the number of extreme poor reaching 8.8 million. Insecurity continues to pose downside risks by disrupting agriculture and market access. Although most of the poor reside in the less-affected south, localized disruptions are increasingly spreading to these areas.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	4.5	4.7	4.1	5.0	5.2	5.3
Private consumption	4.6	4.4	4.4	4.8	4.9	4.9
Government consumption	7.0	6.0	3.4	5.1	5.2	-0.1
Gross fixed capital investment	4.5	5.9	5.3	3.9	4.6	10.5
Exports, goods and services	-0.3	2.7	3.4	3.8	6.0	5.3
Imports, goods and services	2.3	3.9	4.5	3.2	4.8	4.5
Real GDP growth, at constant factor prices	4.0	4.1	4.1	5.0	5.2	5.3
Agriculture	2.3	4.5	4.0	4.5	4.8	4.8
Industry	2.0	-1.0	3.5	3.3	3.5	3.6
Services	6.4	6.4	4.5	6.2	6.3	6.4
Employment rate (% of working-age population, 15 years+)	64.8	64.8	64.8	64.8	64.8	64.9
Inflation (consumer price index)	2.1	3.2	4.0	3.7	2.8	2.5
Current account balance (% of GDP)	-6.4	-4.6	-5.0	-4.0	-4.3	-3.9
Net foreign direct investment inflow (% of GDP)	2.1	2.2	2.3	2.3	2.3	2.2
Fiscal balance (% of GDP)	-3.1	-2.5	-2.9	-2.7	-2.5	-2.3
Revenues (% of GDP)	19.2	19.1	18.5	19.0	19.3	18.3
Debt (% of GDP)	46.4	44.6	42.3	41.3	41.2	39.1
Primary balance (% of GDP)	-1.6	-0.9	-1.5	-1.4	-1.1	-1.1
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	35.7	35.0	33.9	33.4	32.8	32.4
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	58.1	56.8	56.1	55.9	55.0	54.7
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	87.4	86.5	85.9	85.6	85.4	85.1
GHG emissions growth (mtCO2e)	1.5	5.2	5.6	5.3	4.9	1.0

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2021-EHCVM. Actual data: 2021. Nowcast: 2022–2025. Forecasts are from 2026 to 2028.

2/ Projections using microsimulation methodology.

MAURITANIA

Estimated GDP growth declined to 4.2 percent in 2025, as extractive output and gas investment declined. Lower inflation and stronger agricultural growth reduced poverty to 25.2 percent. Fiscal and external balances improved, underpinned by initial gas revenues, elevated gold prices, and new fiscal measures. Growth is projected to rebound to 4.4 percent in 2026, as rising gas output and high commodity prices offset import price pressures from the Middle East conflict.

Key conditions and challenges

Mauritania's economy remains highly concentrated in a few commodities (fish, iron ore, gold, and gas since 2025), leaving growth and fiscal revenues exposed to commodity price volatility and reserves depletion, with limited transmission to the broader economy. This capital-intensive growth model has translated into weak job creation and uneven welfare gains, with employment concentrated in low-productivity, informal activities. Poverty is disproportionately concentrated in rural and semi-urban areas, where households depend heavily on low-productivity agriculture and remain vulnerable to food price inflation and climate shocks.

While the start of gas exports in 2025 offers scope to strengthen fiscal space and accelerate diversification, realizing this potential will depend on effectively channeling extractive revenues into transformative institutional, human and physical infrastructure, including sustained reforms to address non-extractive sector bottlenecks and support private sector development.

Population ¹ million	Poverty ² millions living on less than \$4.20/day
5.3	1.2
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
68.5	105.4
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
11.7	2206.4

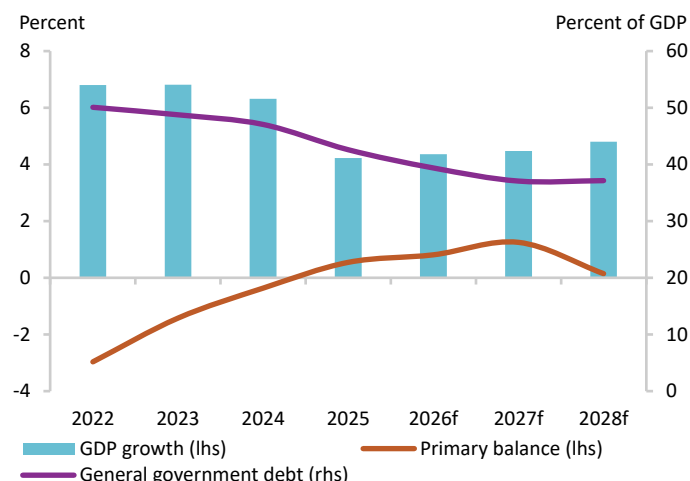
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2019 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

Recent developments

Mauritania's growth moderated to 4.2 percent (1.4 percent in per capita terms) in 2025, down from 6.3 in 2024, reflecting declining fish, iron ore, and services output. Despite gas production coming on stream, the boost was offset by weaker private investment, as large gas-related construction projects wound down. Agricultural output continued to grow at a moderate pace, supporting rural incomes.

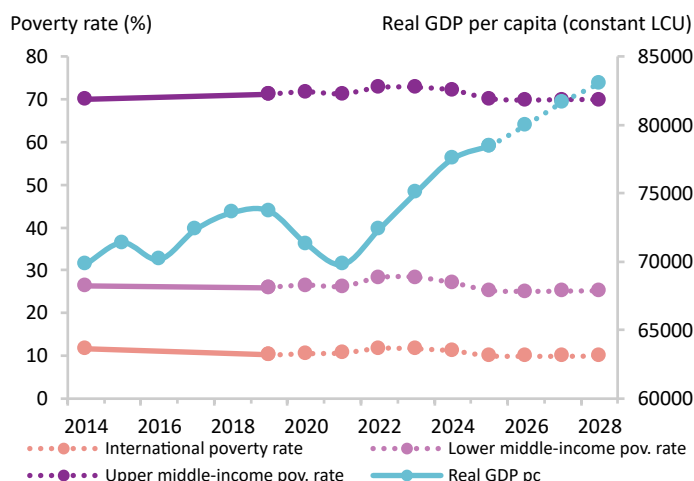
Against the regional trend, inflation accelerated in the second half of the year, reaching 4.0 percent y/y in December, driven mainly by rising food and beverages prices, linked to disruptions to Senegal-Mali trade routes, which redirected food import demand toward Mauritania. Despite this late-year spike, inflation averaged 1.5 percent in 2025, down from 2.5 percent in 2024. In this context, the Central Bank of Mauritania (BCM) cut its policy rate by 0.5 basis points to 6.0 percent in August, maintaining a prudent liquidity stance through Treasury bill issuance and Shari'ah-compliant facilities. The banking sector remained broadly stable, though non-performing loans remain high.

FIGURE 1 / Evolution of main macroeconomic indicators



Source: World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

Lower annual inflation and a moderate increase in agricultural income growth contributed to a decline of poverty from 27.0 percent in 2024 to 25.2 percent (at the US\$4.2/day in 2021 PPP) in 2025, lifting about 55,000 people out of poverty.

The fiscal deficit narrowed to 0.2 percent of GDP in 2025, from 1.4 percent in 2024, reflecting strong revenue growth—from high gold prices, initial gas receipts, a new carbon tax, and tax digitalization—and contained spending. Public debt-to-GDP declined to 42.5 percent in 2025, supported by fiscal consolidation and the restructuring of BCM's public sector claims, which reduced the recorded stock of government debt. Mauritania's risk of debt distress remains moderate.

The current account deficit narrowed further in 2025 to 5.8 percent of GDP, supported by initial gas exports, higher gold prices, and lower imports of capital goods and services following the completion of gas-related infrastructure, contributing to a modest increase in foreign exchange reserves to 5.6 months of import cover (excluding extractives). Financial outflows continued, reflecting inter-company debt repayments. The ouguiya remained broadly stable against the US dollar, depreciating only 0.13 percent year-on-year.

Outlook

In 2026, the Middle East conflict is expected to exert a modest drag on growth and upward pressure on inflation, through higher food and energy import prices, partially offset by elevated gold and hydrocarbon prices. Nevertheless, growth is set to reach 4.4 percent (1.6 percent in per capita terms), supported by

gas production ramping up to full capacity, favorable commodity prices, and higher public investment. Growth is expected to remain broadly stable at 4.5 percent in 2027, before strengthening to 4.8 percent in 2028. However, the extractive-driven growth is expected to generate limited formal jobs, keeping unemployment and informality high.

Rising global food and energy prices are expected to push inflation to 4.8 percent in 2026. With capital-intensive growth and high population growth, the poverty rate is expected to decline marginally from 25.4 percent in 2026 to 24.7 percent in 2028. Inclusive growth and job creation will remain essential for poverty reduction.

The fiscal deficit is expected to improve to 0.1 percent of GDP and record a small surplus in 2027, supported by buoyant extractive receipts and tax administration reforms, partly offset by higher infrastructure and social spending. Public debt is projected to stabilize at around 37 percent of GDP by 2028, underpinned by prudent fiscal policy and debt management.

The current account deficit is projected to widen slightly in 2026 but remain below its past-decade average, as higher hydrocarbon and gold export revenues strengthen the trade balance, partly offset by a widening services and income deficit. Foreign exchange reserves are expected to hover around 5.3 months of imports.

Downside risks include a prolonged Middle East conflict, adverse terms-of-trade shocks, Sahel insecurity, and climate shocks. Upside risks include steady Greater Tortue Ahmeyim gas production, sustained global demand for gold, sound macroeconomic management, and faster reform implementation.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	6.8	6.3	4.2	4.4	4.5	4.8
Private consumption	3.0	3.0	3.3	3.2	3.4	2.7
Government consumption	6.7	5.0	4.2	0.9	-7.9	7.1
Gross fixed capital investment	-11.7	16.9	-6.1	9.7	12.0	6.7
Exports, goods and services	3.5	12.0	13.2	13.0	0.2	3.6
Imports, goods and services	-0.3	7.3	3.3	9.6	-1.3	1.8
Real GDP growth, at constant factor prices	3.3	2.3	4.2	4.3	4.5	4.7
Agriculture	3.8	2.8	4.8	2.8	3.0	3.0
Industry	3.8	-1.4	7.2	7.9	5.8	6.7
Services	2.8	4.5	2.1	2.7	4.4	4.2
Inflation (consumer price index)	5.0	2.5	1.6	4.8	3.3	3.8
Current account balance (% of GDP)	-9.0	-9.5	-5.8	-6.2	-6.0	-6.0
Net foreign direct investment inflow (% of GDP)	7.9	13.2	7.9	5.4	5.1	4.9
Fiscal balance (% of GDP)	-2.4	-1.4	-0.3	-0.1	0.4	-0.6
Revenues (% of GDP)	22.3	22.2	23.5	24.4	24.4	24.1
Debt (% of GDP)	48.7	47.0	42.6	39.4	37.1	37.1
Primary balance (% of GDP)	-1.4	-0.4	0.5	0.8	1.2	0.1
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	11.7	11.2	10.0	10.0	9.8	9.6
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	28.3	27.0	25.2	25.1	24.6	24.4
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	72.8	72.1	70.2	69.8	69.3	68.8
GHG emissions growth (mtCO2e)	3.8	4.1	3.2	3.3	3.6	3.8

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2019-EPCV. Actual data: 2019. Nowcast: 2020-2025. Forecasts are from 2026 to 2028.

2/ Projections using microsimulation methodology.

MAURITIUS

Economic growth is estimated at 3.2 percent in 2025, driven by tourism, financial services, and information and communication technologies (ICT). Growth is forecasted at 2.5 percent in 2026, as key service sector activities maintain momentum. The poverty rate is projected to fall from 12 percent to 9.5 percent by 2028. Fiscal consolidation is expected to be gradual, with public debt likely to rise. A possible sovereign rating downgrade could weigh investor confidence.

Key conditions and challenges

Over the past 50 years, Mauritius, a small island nation of 1.2 million citizens, has transformed from a low-income sugar producer to an upper-middle-income, relatively diversified economy, led by tourism, fisheries, manufacturing, and financial services. Sustained average annual growth of 4–6 percent in the decades preceding the COVID-19 pandemic enabled Mauritius to briefly reach high-income status in 2020. However, the pandemic reversed these gains, and Mauritius has yet to regain high-income status.

Reaching and sustaining high-income status will require Mauritius to reduce reliance on consumption-led growth, raise productivity, increase productive investment, and accelerate economic diversification. To achieve this, Mauritius will have to address existing challenges, including declining export competitiveness, low female labor force participation, and high youth unemployment, all within the context of an ageing population. Fiscal pressures add a further constraint, as rising commitments on public universal pensions and social benefits continue to strain resources, contributing to elevated fiscal deficits and public debt. Poverty at

Population ¹ million	Poverty ² millions living on less than \$8.30/day
1.2	0.2
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
73.4	107.3
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
15.5	12486.6

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2017 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

the upper-middle-income country poverty line of US\$8.3 per day (2021 PPP) stood at 19 percent in 2017, and income inequality remains significant with a Gini index of 37 percent.

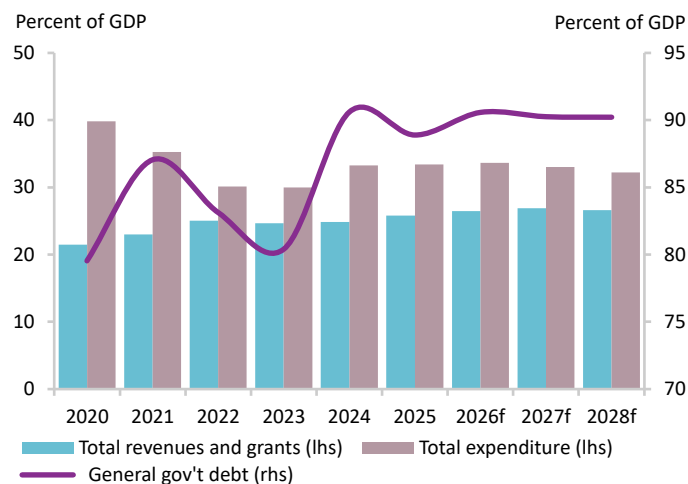
Recent developments

The completion of major infrastructure projects and a slowdown in new projects contributed to a deceleration in growth to 3.2 percent in 2025, despite record tourist arrivals and gains in financial services and ICT. Unemployment fell to a two-decade low of 5.6 percent in 2025Q3, while wage growth moderated.

The current account deficit widened to an estimated 6.7 percent of GDP, reflecting front-loaded imports ahead of excise tax increases and continued weakness in goods exports. Robust financial services inflows raised gross international reserves by 21 percent year-on-year to 14.3 months of import cover.

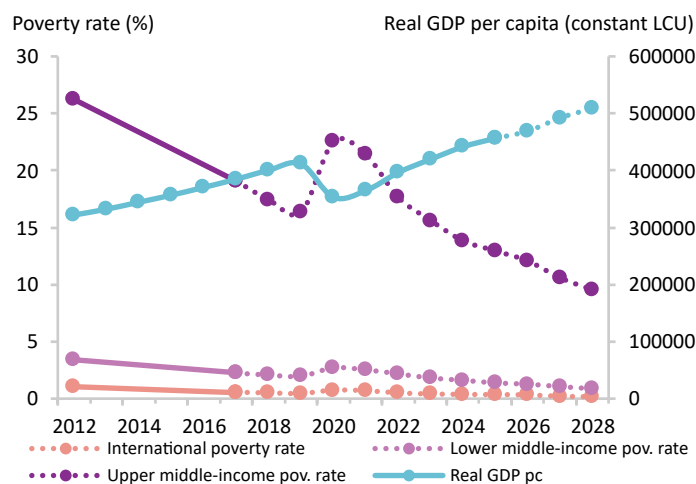
In February 2026, the monetary policy rate was held at 4.5 percent. Domestic wage pressures moderated, but transitory excise tax-driven price increases raised average inflation to 3.7 percent by December 2025.

FIGURE 1 / Fiscal revenues, expenditure, and financing needs



Source: World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

Given elevated public debt and sovereign rating pressures, the government pursued fiscal consolidation in 2025, though near-term effects remain limited. Revenue measures implemented in October 2025, including a reduction in the value-added tax (VAT) threshold and a tourist fee of 3 euros per night, raised revenue to 25.8 percent of GDP. However, delays in ratifying the Chagos Islands agreement with the British government weighed on expected revenues relative to budget expectations. Expenditure stayed broadly stable at 33.4 percent of GDP, as measures to increase the Basic Retirement Pension age to 65 and the rationalization of social transfers initiated in the second half of 2025 will be phased gradually over time. These dynamics resulted in a fiscal deficit of 7.6 percent of GDP and a primary deficit of 4.3 percent of GDP. After successive downgrades to Baa2 and Baa3 in 2021 and 2022 respectively, Moody's further revised Mauritius' sovereign outlook to negative in January 2026, reflecting persistently high public debt at 89 percent of GDP in 2025. These domestic dynamics unfold against a backdrop of heightened global uncertainty resulting from the conflict in the Middle East.

Outlook

Real GDP growth is projected to decelerate to 2.5 percent in 2026, driven by subdued external demand and heightened uncertainty from the conflict in the Middle East. With Middle East carriers accounting for 15 percent of total flights to Mauritius, the reduction in services is expected to weigh on visitor arrivals, compounded by higher oil prices and airfares. Nonetheless, tourism is expected to remain broadly resilient, supported by direct flight connections

from other airlines to European markets. Price pressures are expected to widen the current account deficit to 7.0 percent of GDP, while inflation is projected to rise to 3.9 percent in 2026, though remaining within Bank of Mauritius's target range.

Fiscal measures implemented from the second half of 2025, together with the introduction of VAT on digital services in January 2026, are expected to raise revenues to 26.5 percent of GDP in 2026. Reforms to the Basic Retirement Pension and the rationalization of social benefits are expected to moderate recurrent expenditure. Nonetheless, increased public sector wages and capital investments are projected to keep total expenditure at 33.6 percent of GDP in 2026. The fiscal deficit is expected to remain elevated at 7.1 percent of GDP, while public debt is projected to rise to 90.5 percent of GDP. Notwithstanding the phased rationalization of social benefits, poverty is estimated to decrease from 12.9 percent in 2025 to 12 percent in 2026, based on the US\$8.3-per-day poverty line.

Risks are heavily tilted to the downside. If prolonged, the conflict in the Middle East could weaken external demand and dampen investor sentiment, while the accompanying rise in oil prices risks further raising airfares and production costs, eroding export competitiveness, adding to inflationary pressures, and offsetting earlier gains in poverty reduction. Additionally, lower-than-expected tax revenue and delays in pension reforms or in the ratification of the Chagos Islands agreement could slow fiscal consolidation. Together, these risks, compounded by elevated public debt, could result in a sovereign rating downgrade, thus affecting investor confidence. Cyclone exposure adds further vulnerability to tourism revenues and infrastructure.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices¹	4.7	4.9	3.2	2.5	4.6	3.1
Private consumption	3.4	3.1	5.4	3.9	3.3	1.8
Government consumption	-3.2	6.3	7.6	2.7	1.7	3.0
Gross fixed capital investment	10.2	13.6	1.0	2.9	12.4	9.4
Exports, goods and services	-1.9	2.8	1.4	1.1	1.3	1.2
Imports, goods and services	4.2	5.4	5.3	3.6	2.4	2.6
Real GDP growth, at constant factor prices	4.6	4.9	3.2	2.5	4.6	3.1
Agriculture	14.5	7.5	8.2	2.5	3.5	3.4
Industry	3.7	4.7	0.8	0.4	0.9	0.9
Services	4.4	4.8	3.5	3.0	5.5	3.6
Employment rate (% of working-age population, 15 years+)	52.6	52.4	52.5	52.6	52.7	52.7
Inflation (consumer price index)	6.1	3.5	3.7	3.9	3.7	3.5
Current account balance (% of GDP)	-4.2	-6.4	-6.7	-7.0	-6.5	-6.1
Net foreign direct investment inflow (% of GDP)	12.6	-6.4	-4.1	-9.7	-7.5	-5.3
Fiscal balance (% of GDP)²	-5.4	-8.4	-7.6	-7.1	-6.1	-5.6
Revenues (% of GDP)	24.7	24.8	25.8	26.5	26.9	26.6
Debt (% of GDP)²	80.4	90.6	88.9	90.6	90.3	90.2
Primary balance (% of GDP)²	-2.6	-5.6	-4.3	-3.4	-2.6	-2.1
International poverty rate (\$3.00 in 2021 PPP)^{3,4}	0.4	0.4	0.3	0.3	0.2	0.2
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{3,4}	1.8	1.6	1.4	1.3	1.0	0.8
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{3,4}	15.6	13.8	12.9	12.0	10.6	9.5
GHG emissions growth (mtCO2e)	0.7	2.9	2.2	2.2	3.9	2.6

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Historical demand-side data is being revised due to a consistency problem.

2/ Fiscal balances are reported in fiscal years (July 1st - June 30th). For the purpose of this report, the fiscal year data has been converted to calendar year data.

3/ Calculations based on 2017-HBS. Actual data: 2017. Nowcast: 2018-2025. Forecasts are from 2026 to 2028.

4/ Projection using neutral distribution (2017) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

MOZAMBIQUE

Following the 0.5 percent contraction in 2025, growth is projected at 0.9 percent in 2026, supported by the resumption of the Mozambique Liquefied Natural Gas (LNG)–TotalEnergies project. The recovery remains fragile amid fiscal pressures, foreign exchange shortages, and flood-related disruptions. Poverty is projected to stay high at 82 percent, amid weak non-extractive growth and limited job creation, with risks from climate shocks, fiscal slippages, and insecurity.

Key conditions and challenges

The economy continues to face overlapping shocks in a fragile macro-fiscal context. The January 2026 floods, comparable to the 2000 floods, compounded existing vulnerabilities, damaging agriculture, transport corridors, and basic infrastructure as services were gradually resuming. Given agriculture's central role in employment and rural livelihoods, the shock is expected to weaken food security and household incomes. Poverty at the US\$3 per day (PPP) line remains high, affecting about 82 percent of the population.

Structural constraints persist. Agriculture employs over 70 percent of workers but remains low-productivity and highly climate-exposed. Informality dominates the labor market, constraining productivity and revenue mobilization, while growth remains concentrated in extractives with limited job creation and weak spillovers.

Fiscal pressures have intensified. Limited external financing has increased reliance on domestic borrowing, raising debt vulnerabilities. Mozambique is in debt distress, and public debt is assessed as

Population ¹ million	35.6	Poverty ² millions living on less than \$3.00/day	26.6
Life expectancy at birth ³ years	63.6	School enrollment ⁴ primary (% gross)	119.2
GDP ⁵ current US\$, billion	22.4	GDP per capita ⁶ current US\$	628.6

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2022. 5/ 2025. 6/ 2025.

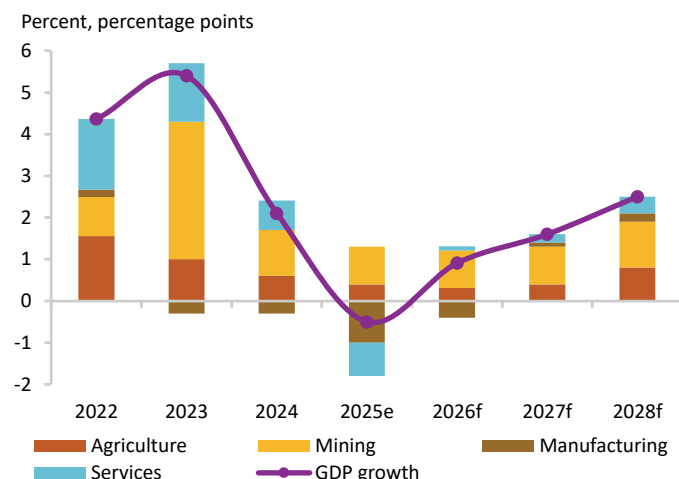
unsustainable, reflecting high financing needs and limited buffers. The wage bill and interest payments absorb 87 percent of tax revenues, crowding out investment and social spending.

Recent developments

Economic activity contracted by 0.5 percent in 2025, reflecting post-election unrest following the October 2024 elections, compounded by fiscal pressures and foreign exchange shortages that weakened investor confidence. The downturn was most pronounced in manufacturing, transport, hotels and restaurants, and electricity and water.

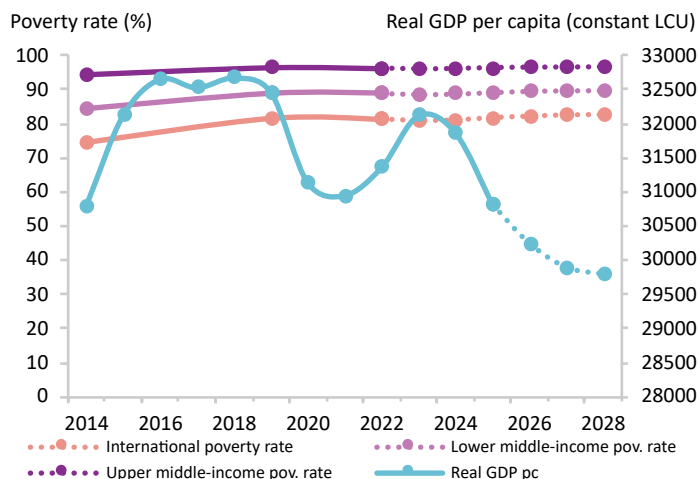
Inflation averaged 4.4 percent in 2025, up from 3.2 percent in 2024, but remained below the central bank's 5 percent target. Year-on-year inflation fell to 3.2 percent in February 2026 (from 4.7 percent a year earlier), driven mainly by food and transport. The Bank of Mozambique continued easing, lowering the policy rate to 9.25 percent in January 2026. However, private sector credit remains subdued at 16 percent of GDP, reflecting high lending rates and crowding out from domestic government borrowing.

FIGURE 1 / Real GDP growth and sectoral contributions to real GDP growth



Sources: National Bureau of Statistics and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

The current account deficit widened from 11 to 14 percent of GDP between 2024 and 2025, driven by higher profit repatriation and external debt service, despite slight declines in both exports and imports. International reserves rose to five months of exports (excluding megaprojects). Nonetheless, foreign exchange pressures intensified, reflected in a backlog estimated at US\$800 million (excluding dividends) and a premium of around 10 percent as of January 2026.

Total revenue declined from 27.1 percent of GDP in 2024 to 26.2 percent in 2025, reflecting lower grants and value-added tax revenue, which was affected by higher refund payments. Expenditures declined from 33.3 to 30.3 percent of GDP, driven by cuts in public investment. Although this reduced the fiscal deficit from 6.1 to 4.1 percent of GDP, the adjustment constrained capital spending and service delivery. Financing relied largely on domestic borrowing, contributing to rising domestic debt and interest costs.

Public debt increased to 91 percent of GDP in 2025. The 2026 World Bank–International Monetary Fund Debt Sustainability Analysis assessed public debt as “in distress” and “unsustainable,” reflecting arrears to external and domestic creditors (estimated at 1.3 percent of GDP at end-2025) and solvency indicators projected to remain above sustainability thresholds for several years.

Outlook

Growth is projected to recover modestly to 0.9 percent in 2026, supported by the construction of the Mozambique LNG project. However, the recovery is expected to remain subdued, reflecting the lingering effects of flood-related disruptions to agriculture, infrastructure, and services, as well as the closure of Mozambique Aluminium (MOZAL), a large aluminum smelter. Growth is

projected to strengthen gradually to 1.6 percent in 2027 and 2.5 percent in 2028, but medium-term prospects remain constrained by structural weaknesses and limited non-extractive job creation. Poverty is projected to remain at 82 percent through 2027 and 2028. Rapid population growth and recent climate shocks are expected to increase the number of people living in poverty by 1.8 million, reaching 32 million by 2028.

Inflation is expected to rise to 7.5 percent in 2026, driven by higher food prices following flood-related supply disruptions and rising fuel costs due to global oil prices increases.

The current account deficit is projected to widen significantly, averaging 23 percent of GDP in 2026–2028, driven by rising LNG-related capital imports, higher fuel import costs, and lower exports. The closure of MOZAL will reduce megaproject export revenues by US\$1.1 billion. The deficit is expected to be financed largely by foreign direct investment inflows associated with gas investments.

The fiscal deficit is projected to widen to 5.2 percent of GDP in 2026, reflecting modest revenue recovery (26.3 percent of GDP), higher current spending driven by wage pressures, and increased capital expenditure. Public debt is projected to rise to 108 percent of GDP by 2028, driven mainly by domestic borrowing, despite a gradual decline in the external debt ratio.

The outlook faces significant risks from further climate shocks, persistent fiscal imbalances, continued foreign exchange pressures, and renewed insecurity in the north of Mozambique. A prolonged conflict in the Middle East could raise global fuel prices, increasing inflationary pressures and worsening poverty outcomes. Fiscal consolidation is critical to restoring debt sustainability and securing macroeconomic stability.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	5.5	2.1	-0.5	0.9	1.6	2.5
Private consumption	9.1	-0.2	-0.3	1.5	2.6	3.5
Government consumption	6.7	7.4	2.4	9.1	5.4	3.2
Gross fixed capital investment	-42.5	-16.0	-23.1	-0.2	0.2	4.3
Exports, goods and services	-5.9	-3.4	-3.4	-2.0	0.5	1.0
Imports, goods and services	-25.3	-10.7	-10.7	2.8	3.5	4.0
Real GDP growth, at constant factor prices	6.8	2.0	-0.5	0.9	1.6	2.5
Agriculture	3.8	2.3	1.3	1.2	2.0	3.0
Industry	13.9	2.4	-0.5	2.0	2.5	3.0
Services	4.0	1.2	-2.3	-0.4	0.3	1.4
Employment rate (% of working-age population, 15 years+)	76.2	76.1	76.1	76.1	76.1	76.1
Inflation (consumer price index)	7.0	3.2	4.4	7.5	6.0	5.5
Current account balance (% of GDP)	-10.6	-11.0	-14.2	-22.7	-23.0	-24.6
Net foreign direct investment inflow (% of GDP)	12.0	15.6	25.4	32.0	28.0	26.2
Fiscal balance (% of GDP)¹	-1.6	-6.1	-4.1	-5.2	-5.7	-6.1
Revenues (% of GDP)	29.0	27.1	26.2	26.3	26.4	27.0
Debt (% of GDP)	90.8	90.1	91.4	94.6	101.6	107.9
Primary balance (% of GDP)¹	2.2	-2.0	-0.4	-1.3	-1.5	-1.0
International poverty rate (\$3.00 in 2021 PPP)^{2,3}	80.8	81.0	81.8	82.3	82.7	82.8
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{2,3}	88.8	88.9	89.3	89.6	89.8	89.8
GHG emissions growth (mtCO₂e)	2.2	1.3	1.0	1.5	2.0	1.9

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Figure includes once-off capital gains revenues in 2017, estimated at 2.7 percent of GDP.

2/ Calculations based on 2022-IOF. Actual data: 2022. Nowcast: 2023–2025. Forecasts are from 2026 to 2028.

3/ Projection using neutral distribution (2022) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

NAMIBIA

GDP growth is estimated to slow to 1.7 percent in 2025, with a modest recovery to 2.7 percent in 2026, influenced by ongoing Middle East conflict. New energy projects could boost medium-term growth. With lower Southern African Customs Union (SACU) revenues, maintaining fiscal discipline is crucial to reduce debt. Due to modest growth and high unemployment, poverty is estimated at 28.3 percent in 2025 (US\$3/day international poverty line, 2021 PPP).

Key conditions and challenges

From 1990 to 2015, GDP grew at an average of 4.3 percent due to sound macroeconomic management, investment, and commodity gains. Resource wealth was utilized to improve public services, such as education and health, and expand social protection, reducing poverty from 47.6 percent in 2003 to 22.9 percent in 2015. Namibia's economy has struggled since 2016, with a recession through 2020 driven by drought and falling investment; and the pandemic shock. Recovery from COVID-19 has been modest, mostly fueled by a mineral sector that benefited from renewed foreign direct investment and favorable commodity prices. While GDP is above pre-pandemic levels, some sectors including manufacturing remain weak, and real per capita income remains below its 2015 peak. Namibia's slow economic growth and rapid population rise—about 15 percent higher than population projections according to the 2023 census—resulted in its reclassification from upper- to lower-middle-income in 2025.

Despite progress in the first two decades after independence in 1990, structural socio-economic challenges remain significant.

Population ¹ million	Poverty ² millions living on less than \$3.00/day
3.1	0.5
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
67.4	120.7
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
15.1	4870.8

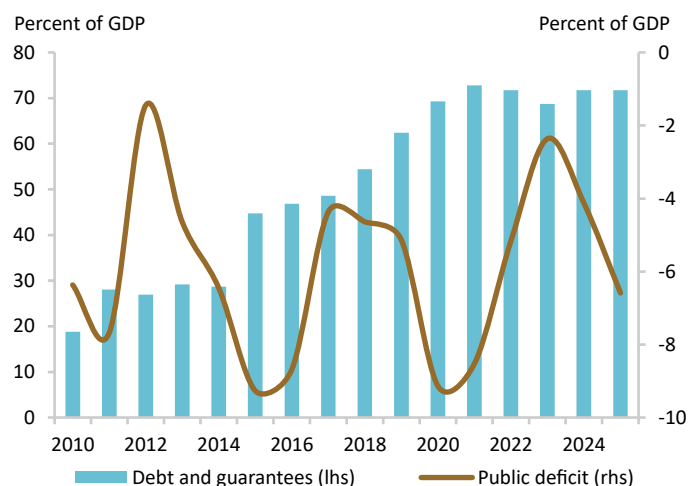
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2015 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

Growth is insufficient to generate enough jobs and reduce poverty. Namibia faces some of the highest unemployment rates globally at 36.9 percent of the working-age population (excluding own-use production work), along with very high inequality reflected in a Gini index of 59.1. Shifts in global trade policies and related uncertainties add to preexisting domestic challenges. To pursue the objectives set out in the National Development Plan launched in July 2025, it is vital to foster private investment, boost productivity, address education gaps, improve the efficiency and effectiveness of public spending, and fully operationalize the sovereign wealth fund, all of which will help promote stronger and more inclusive economic growth.

Recent developments

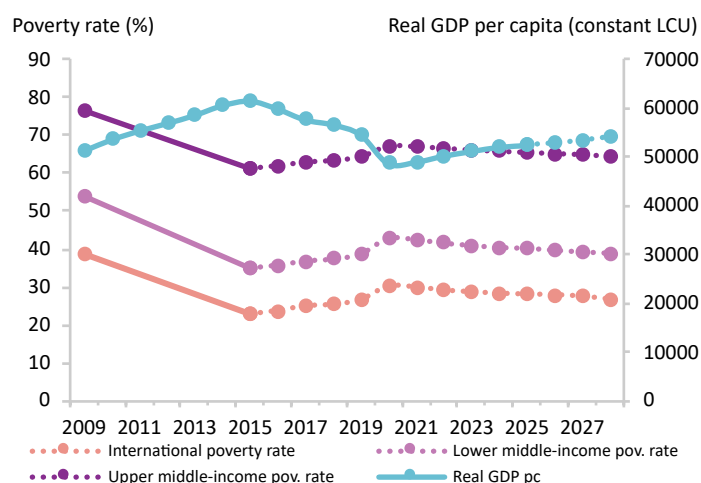
Economic growth is estimated to have slowed to 1.7 percent in 2025, down from 3.7 percent the previous year. GDP growth was largely driven by information and communication, wholesale and retail, health, and education services. Agricultural output declined due to the lingering effects of the FY2023/24 drought, particularly impacting livestock. Mining and quarrying output also decreased due to lower diamond and metal ores production. On the demand

FIGURE 1 / Public debt, guarantees, and budget deficit



Source: World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

side, economic expansion was driven by export growth thanks to increased global demand and favorable commodity prices, as well as public investment and consumption growth. However, growth was held back by declining private consumption and investment despite lower interest rates. Due to modest economic growth, below population expansion, poverty is estimated at 28.3 percent in 2025 (US\$3/day international poverty line).

An improved but still sizeable current account deficit of 5.5 percent of GDP and the repayment of a US\$750 million Eurobond in October 2025 caused international reserves to decline to N\$52 billion (US\$2.9 billion) in December 2025, down from N\$63 billion (US\$3.8 billion) at the end of 2024, covering 3.2 months of imports—still above the three-month benchmark.

The estimated fiscal deficit was 6.6 percent of GDP in 2025, exceeding both the budgeted 4.6 percent and last year's 4.1 percent. This rise is due to lower revenues and grants, which dropped to 32.7 percent of GDP because of decreased SACU receipts and to a lesser extent, reductions in value-added tax collections, personal income tax receipts, dividends, and diamond royalty payments. As a result, interest payments equaled 15.2 percent of total revenues. Estimated expenditure fell to 39.3 percent of GDP in 2025. Although the fiscal deficit increased significantly, the estimated debt remained at 71.7 percent of GDP (including guarantees) in 2025, largely due to the Eurobond repayment.

Inflation averaged 3.5 percent in 2025, down from 4.2 percent in 2024. With inflation contained and muted capital outflows, the Bank of Namibia reduced its repurchase (repo) rate by 50 basis points to 6.5 percent to boost economic activity.

Outlook

GDP growth is projected at 2.7 percent in 2026, supported by an agricultural recovery but constrained by the effects of the ongoing Middle East conflict, including higher inflation, uncertainty, and risk premiums. Over the medium term, growth is forecasted to strengthen to 3.4 percent, supported by declining interest rates, subdued inflation, and an agricultural rebound. With stable but still moderate growth prospects, population growth, and persistently high unemployment, the poverty rate is projected to hover around 27 percent.

Low SACU revenues, coupled with weaknesses in domestic revenue mobilization, are likely to maintain the fiscal deficit close to 4.7 percent over the medium term. Consequently, Namibia's elevated debt-to-GDP and debt service-to-revenue ratios are anticipated to persist. High debt servicing costs and a substantial wage bill will continue to constrain fiscal space.

Risks to the outlook remain balanced. If major petroleum and green hydrogen projects currently in the feasibility phase come to fruition, foreign direct investment could meaningfully increase GDP over the next five years and raise fiscal revenues in the long run, although impact on job creation is uncertain. However, climate-related shocks, regional foot-and-mouth disease, and geopolitical uncertainties, including a potential escalation of the Middle East conflict, pose downside risks. With smaller projected SACU receipts, fiscal policy is prioritizing limiting spending to reduce debt. However, if cuts do not target inefficient expenditures, economic growth could be affected.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	4.4	4.0	1.7	2.7	3.4	3.4
Private consumption	4.7	13.4	-0.3	3.6	4.7	5.2
Government consumption	1.3	3.2	4.3	-3.6	0.9	0.0
Gross fixed capital investment	68.9	-7.9	-8.3	5.8	6.4	6.7
Exports, goods and services	13.3	2.0	11.8	4.5	5.0	6.0
Imports, goods and services	22.4	8.7	-3.7	3.5	5.9	6.8
Real GDP growth, at constant factor prices	4.3	3.5	1.8	2.7	3.4	3.4
Agriculture	-3.2	174.8	-7.2	0.2	1.8	2.9
Industry	9.6	-44.8	2.1	2.8	3.9	3.8
Services	3.0	4.9	4.7	3.4	3.7	3.4
Employment rate (% of working-age population, 15 years+)	47.8	47.9	47.9	47.9	47.9	47.9
Inflation (consumer price index)	5.9	4.2	3.5	4.2	3.4	3.4
Current account balance (% of GDP)	-15.2	-13.7	-5.5	-6.6	-7.2	-8.3
Net foreign direct investment inflow (% of GDP)	21.1	14.2	6.1	6.1	6.1	6.1
Fiscal balance (% of GDP)	-2.4	-4.1	-6.6	-6.9	-4.7	-4.7
Revenues (% of GDP)	34.7	36.6	32.7	31.6	31.4	30.1
Debt (% of GDP)¹	68.7	71.7	71.7	74.8	74.4	74.1
Primary balance (% of GDP)	2.9	1.2	-1.6	-0.8	0.4	0.4
International poverty rate (\$3.00 in 2021 PPP)^{2,3}	28.6	28.2	28.3	28.1	27.7	26.9
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{2,3}	41.0	40.5	40.5	40.3	39.5	39.0
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{2,3}	66.2	65.8	65.9	65.6	65.0	64.5
GHG emissions growth (mtCO2e)	-2.5	2.2	6.5	-3.5	-2.0	-0.1

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Refers to Public and Publicly Guaranteed debt.

2/ Calculations based on 2015-NHIES. Actual data: 2015. Nowcast: 2016-2025. Forecasts are from 2026 to 2028.

3/ Projection using neutral distribution (2015) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

NIGER

In 2025, estimated GDP growth is 7.0 percent (3.7 percent per capita) supported by oil exports and agriculture. Deflation (4.7 percent) and strong agricultural output reduced extreme poverty by 3.8 percentage points. Debt risks remain high amid tight financing conditions, rollovers and persistent arrears. In 2026, growth is projected at 6.7 percent, with oil output reaching 35 million barrels. Middle East spillovers are modest, but substantial risks remain.

Key conditions and challenges

Niger's economy primarily relies on rainfed agriculture (about 40 percent of GDP), which leaves it exposed to climate-related shocks. Low productivity and rapid population growth has left close to half of the population living in extreme poverty, a circumstance exacerbated by gender disparities and limited human capital. The completion of the Niger-Benin pipeline in May 2024 boosted the oil sector's role in exports, public revenues, and GDP growth, heightening vulnerability to external shocks, including price fluctuations.

The labor market remains characterized by low demand, seasonality, low compensation, and skills mismatches. In 2022, 93 percent of jobs were vulnerable, well above the Sub-Saharan Africa average, with pronounced gender gaps in asset ownership.

Since the July 2023 regime change, reduced external financing and seven months of sanctions, from the Economic Community of West African States (ECOWAS) and the West African Economic and Monetary Union (WAEMU), have constrained fiscal space, trade, and service delivery. Niger has since strengthened

Population ¹ million	27.2	Poverty ² millions living on less than \$3.00/day	14.8
Life expectancy at birth ³ years	61.2	School enrollment ⁴ primary (% gross)	64.7
GDP ⁵ current US\$, billion	21.7	GDP per capita ⁶ current US\$	797.9

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

economic and political ties with Mali and Burkina Faso through the Confederation of Sahel States (AES), while also consolidating its commitment to WAEMU economic convergence criteria.

Security challenges have intensified, disrupting agriculture, transport, and oil exports. Conflict events rose 22 percent and fatalities 17 percent relative to 2024. 2.6 million people are expected to require humanitarian assistance in 2026 due to insecurity and climate shocks.

Recent developments

In 2025, GDP growth is estimated to have moderated from 8.3 percent in 2024 to 7.0 percent (3.7 percent per capita), reflecting a normalization after the 2024 oil-driven surge. Growth remained supported by robust services and agricultural sectors. Exports were the main driver on the demand side (+6.8 ppt contribution), driven by increased oil production despite pipeline attacks.

Consequently, the current account deficit narrowed from 6.1 in 2024 to 5.7 percent of GDP. Financial conditions remained

FIGURE 1 / Real GDP growth and demand-side contributions to real GDP growth

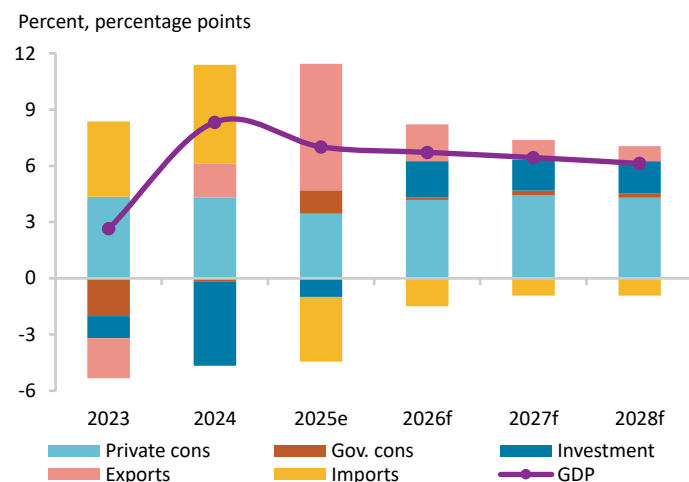
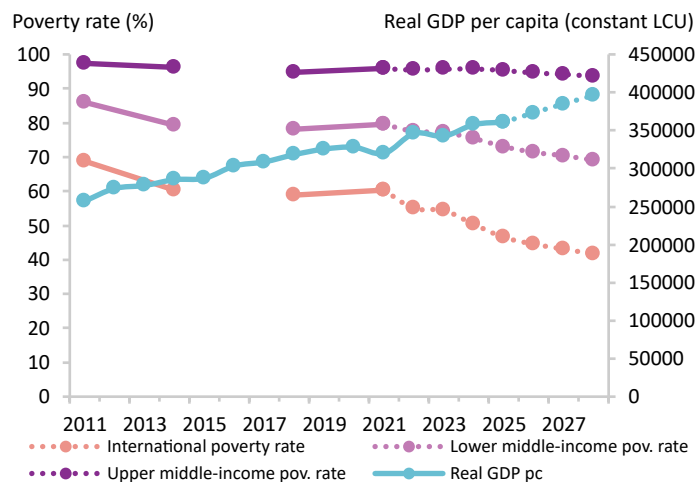


FIGURE 2 / Actual and projected poverty rates and real GDP per capita



tight, with persistent banking sector vulnerabilities, such as high non-performing loans, weak capital adequacy, and limited private sector credit growth.

Headline inflation dropped sharply from 9.1 percent in 2024 to -4.7 percent, reflecting base effects from 2024 and lower food prices from a strong agricultural season. Strong agricultural output and overall economic growth combined to reduce the extreme poverty rate (US\$3.00 in 2021 PPP) by 3.8 percentage points to reach 46.6 percent in 2025, with over 260,000 fewer people in extreme poverty, mainly in rural areas.

The WAEMU inflation rate sharply declined to 0.2 percent in 2025 from 3.5 percent in 2024, driven mainly by lower global food prices, and regional foreign reserves increased to 6.1 months of imports. After maintaining its monetary policy stance unchanged since June 2025, the Central Bank of West African States (BCEAO) reduced its key policy rates in March 2026 by 25 basis points, lowering the liquidity call rate and the marginal lending facility rate to 3.0 percent and 5.0 percent, respectively.

In 2025, the fiscal deficit narrowed to an estimated 2.9 percent of GDP, from 4.3 percent in 2024, as revenue gains outpaced expenditure growth. Revenues including grants rose to 12.4 percent of GDP, driven by a rebound in income taxes and stronger goods and services tax collection. However, the tax to GDP ratio of 9.1 percent remains well below the 14 percent WAEMU average and 20 percent WAEMU target. Spending reached 15.3 percent of GDP, reflecting higher externally financed capital investment. Debt vulnerabilities remain elevated, with mixed progress on arrears clearance. The March 2026 Joint Bank-Fund Debt Sustainability Analysis assessed Niger at high risk of debt distress, though public debt remains sustainable.

Outlook

GDP growth is forecast to ease slightly to 6.7 percent in 2026, contingent upon domestic oil production rising to 35 million barrels from 33 million in 2025. Inflation is expected to increase, averaging 1.2 percent, as pass through from the conflict in the Middle East and the base effect from food price deflation in 2025 manifest. The fiscal deficit is expected to temporarily widen in 2026, driven by deferred capital spending from 2025 and additional flood-related infrastructure rehabilitation. However, the authorities also aim to contain non-priority spending to preserve fiscal space for pressing social needs, including transfers and subsidies to address food insecurity and humanitarian assistance. Growth is expected to slow in 2027–28 as oil production reaches full capacity.

The conflict in the Middle East is expected to have a modest positive impact on growth, add to inflation, and narrow the fiscal deficit. Primary transmission channels include increased revenues from crude oil exports and imported inflation. At the regional level, inflation is expected to remain in line with the 1–3 percent WAEMU target band from 2026 onward, while foreign reserves are projected to average 5.9 months of imports during 2026–28, supported by resilient export performance.

Strong growth is expected to reduce extreme poverty to 41.6 percent by 2028, lifting out around 240,000 people out of poverty. Middle East effects should remain modest, but food insecurity should persist amid displacement, climate shocks, global trade uncertainty. The outlook faces significant downside risks from security shocks, trade disruptions, commodity price volatility, declining aid, climate, and banking sector stress. Improved regional relations present an upside potential.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	2.6	8.3	7.0	6.7	6.4	6.1
Private consumption	6.6	6.3	5.1	6.3	6.7	6.5
Government consumption	-13.4	-1.6	10.8	5.1	4.3	7.6
Gross fixed capital investment	-3.3	-13.4	-3.7	8.0	6.1	6.5
Exports, goods and services	-20.8	22.9	75.0	13.7	6.8	5.1
Imports, goods and services	-14.5	-22.9	21.1	10.8	5.7	7.9
Real GDP growth, at constant factor prices	3.1	9.1	7.0	6.7	6.4	6.1
Agriculture	5.5	12.3	5.7	6.3	6.8	6.8
Industry	6.5	15.9	8.5	7.4	4.2	4.1
Services	-1.1	1.7	7.5	6.8	7.4	6.5
Employment rate (% of working-age population, 15 years+)	72.5	72.4	72.4	72.4	72.5	72.6
Inflation (consumer price index)	3.7	9.1	-4.7	1.2	2.0	2.0
Current account balance (% of GDP)	-9.2	-6.1	-5.7	-5.5	-4.5	-3.9
Net foreign direct investment inflow (% of GDP)	3.2	1.5	1.9	2.0	1.9	1.8
Fiscal balance (% of GDP)	-4.3	-4.3	-2.9	-3.4	-3.1	-3.0
Revenues (% of GDP)	11.4	9.2	12.4	12.9	12.3	12.1
Debt (% of GDP)	53.9	47.1	45.8	47.5	45.5	45.4
Primary balance (% of GDP)	-3.2	-2.5	-1.3	-1.7	-1.5	-1.5
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	54.5	50.4	46.6	44.5	43.1	41.6
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	77.3	75.4	73.0	71.3	70.3	69.0
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	95.8	95.9	95.4	94.7	94.3	93.7
GHG emissions growth (mtCO₂e)	3.8	5.1	4.9	5.2	5.2	5.2

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2021-EHCV. Actual data: 2021. Nowcast: 2022–2025. Forecasts are from 2026 to 2028.

2/ Projections using microsimulation methodology.

NIGERIA

Nigeria's economy is expected to grow moderately as macro-economic conditions stabilize. Although poverty remains elevated, it is projected to decline gradually as inflation eases, albeit more slowly due to higher fuel prices linked to the Middle East conflict. Rising oil prices should support fiscal and external positions, partly offset by capital flow volatility amid global uncertainty. Sustaining reforms and addressing structural bottlenecks will be key to boosting growth and improving livelihoods.

Key conditions and challenges

Nigeria continues to face structural constraints limiting the pace and inclusiveness of growth. Reforms have helped improve macro-economic stability, but productivity growth remains modest and private investment subdued. High inflation has eroded purchasing power and contributed to higher poverty levels, although poverty appears to be moderating.

Despite macroeconomic progress, vulnerabilities persist. Government revenues remain low relative to GDP, limiting the ability to finance development and social spending. Infrastructure gaps, regulatory uncertainty, trade restrictions, and insecurity continue to raise the cost of doing business and constrain diversification. Concerted efforts are needed to reduce price pressures and ease structural constraints to support more inclusive and resilient growth.

Recent developments

Economic growth stabilized at 4.0 percent in 2025, following a modest acceleration in 2024, indicating sustained expansion

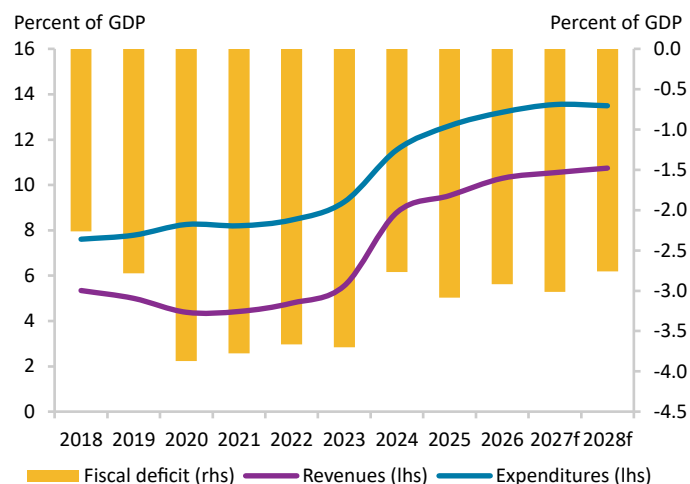
Population ¹ million	237.5	Poverty ² millions living on less than \$4.20/day	142.9
Life expectancy at birth ³ years	54.5	School enrollment ⁴ primary (% gross)	89.6
GDP ⁵ current US\$, billion	290.6	GDP per capita ⁶ current US\$	1223.3

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

despite high inflation and tight financial conditions. Services continued to drive growth, while agriculture and industry recorded more modest expansion, as their performance continues to be constrained by structural challenges such as infrastructure gaps, weak productivity, and insecurity. High-frequency indicators for early 2026 point to continued momentum and the growth impact of the Middle East conflict is likely to remain limited, given Nigeria's oil producer status.

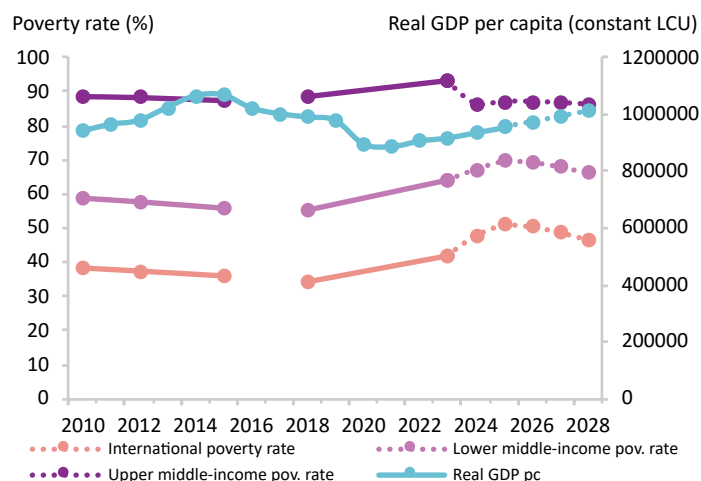
Inflation declined markedly from 33.2 percent in 2024 to 23.0 percent in 2025, supported by tight monetary conditions, exchange rate appreciation, and improved agricultural output. Food inflation is moderating but agriculture, employing more than half of the poor, lags services and industry. By February 2026 inflation slowed to 15.1 percent year-on-year, from 26.3 percent in the previous year. However, inflationary pressures are expected to persist due to higher oil import costs associated with the Middle East conflict. An additional 10 million Nigerians are estimated to have fallen into extreme poverty in 2025, raising the share of the population living below the international poverty line (US\$3.00, 2021 PPPs) to 50.9 percent from 47.7 percent in 2024. This represents an increase of just over 3 pp, down from an increase of 6 pp in the previous year.

FIGURE 1 / Fiscal revenues, expenditures, and deficit



Sources: Nigerian National Bureau of Statistics, WDI, and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

Federation revenues continued to increase, driven by robust non-oil collections and stable oil receipts despite lower oil prices in 2025. However, expenditures rose faster due to higher wage costs, elevated interest payments, and a sharp increase in state-level capital spending. The overall fiscal deficit thus slightly widened to 3.1 percent from 2.8 percent of GDP in 2024. Despite this, public debt declined from 42.9 percent of GDP in 2024 to 38.7 percent, supported by naira appreciation and favorable growth. The fiscal impact of the conflict in the Middle East is expected to be temporarily positive, as higher oil prices boost revenues, but gains will be limited by existing forward sales.

External balances remained robust, with the current account estimated to have recorded a surplus of 4.8 percent of GDP in 2025. This was driven by resilient oil export receipts alongside improving non-oil exports, while subdued import demand further strengthened the trade balance. Reflecting the favorable external position, gross reserves increased by 11.2 percent to US\$45.5 billion in 2025, while net reserves rose from US\$23.1 billion in 2024 to US\$34.8 billion in 2025 as short-term foreign exchange liabilities were cleared. In 2026, the external balance is likely to benefit from rising oil prices.

Outlook

Over the medium term, economic growth is projected to average 4.2 percent as improved macroeconomic stability supports business activity and investment. Nonetheless, structural constraints are expected to continue limiting stronger growth.

Inflation is projected to moderate to low double digits by 2028, with policy tightening and improved supply. Poverty is projected to begin declining to 50.5 percent in 2026 and further to 46.6 percent by 2028 as food inflation continues to ease despite additional inflationary pressures stemming from the conflict. Reforms to boost livelihoods—particularly by expanding access to more productive employment opportunities for the poor—will be key to reversing persistently high poverty rates.

The current account is expected to remain in surplus but moderate over the medium term. In 2026, higher oil export revenues are projected amid elevated oil prices, partly offset by crude imports for domestic refining. Foreign investment and portfolio inflows are projected to moderate, although volatility could increase with heightened global uncertainty.

Fiscal pressures may rise ahead of the 2027 elections, but higher oil revenues in 2026 could partly offset these, with fiscal consolidation expected over the medium term. Public debt is expected to decline gradually, with the risk of debt distress remaining moderate, although vulnerable to shocks.

The outlook is subject to significant risks, including tighter global financial conditions, security challenges, potential policy uncertainty ahead of elections and global uncertainty. These could weigh on investment sentiment and slow reform momentum. On the upside, higher oil prices could boost fiscal and external positions, although the resulting increase in domestic prices could have a negative effect on poverty.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	3.3	4.1	4.0	4.1	4.2	4.3
Real GDP growth, at constant factor prices	3.0	3.4	3.9	4.1	4.2	4.3
Agriculture	1.2	1.7	2.9	3.3	3.5	3.6
Industry	4.0	2.8	4.6	4.0	4.0	4.1
Services	3.7	4.4	4.1	4.5	4.6	4.6
Inflation (consumer price index)¹	24.7	33.2	23.0	14.9	12.1	10.7
Current account balance (% of GDP)	1.2	7.6	4.8	6.0	3.8	3.4
Net foreign direct investment inflow (% of GDP)	-0.4	-0.8	-1.8	-1.3	-1.9	-2.2
Fiscal balance (% of GDP)^{2, 3}	-3.7	-2.8	-3.1	-2.9	-3.1	-2.8
Revenues (% of GDP)	5.6	8.8	9.5	10.3	10.5	10.7
Debt (% of GDP)⁴	37.0	42.9	38.7	36.0	38.5	36.9
Primary balance (% of GDP)³	-1.1	-0.4	-0.5	-0.6	-0.6	-0.5
International poverty rate (\$3.00 in 2021 PPP)⁵	41.8	47.7	50.9	50.5	49.0	46.6
Lower middle-income poverty rate (\$4.20 in 2021 PPP)⁵	64.0	67.2	69.6	69.3	68.0	66.1
Upper middle-income poverty rate (\$8.30 in 2021 PPP)⁵	92.9	86.4	87.0	87.0	86.7	86.2
GHG emissions growth (mtCO₂e)	0.2	3.1	3.4	4.1	4.8	4.9

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ The Consumer Price Index (CPI) series reflects the normalized series from National Bureau of Statistics (NBS) after re-referencing.

2/ Fiscal accounts were updated to incorporate 2024 audited financial statement data of states, and spending that include FAAC deductions such as security spending and the Renewed Hope Ward Development Programme, among others.

3/ The fiscal balance is reported in cash basis. The primary balance excludes interest payment received.

4/ This includes remaining ways and means stock, AMCON liabilities, and explicit guarantees including the electricity subsidy arrears.

5/ Calculations based on 2022-LSS. Actual data: 2022. Nowcast: 2023-2025. Forecasts are from 2026 to 2028. Projections using microsimulation methodology.

RWANDA

Economic growth remained robust in 2025, driven by trade, transport, and construction activities. Inflation remained within its target range, but pressures are amounting following recent tax measures. Significant risks persist, including the potential decline in external financing and climate-related shocks. Poverty reduction is expected to be considerable in the short term if recent trends are sustained.

Population ¹ million	Poverty ² millions living on less than \$3.00/day
14.6	5.4
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
67.8	149.6
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
16.7	1143.2

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2023 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

Key conditions and challenges

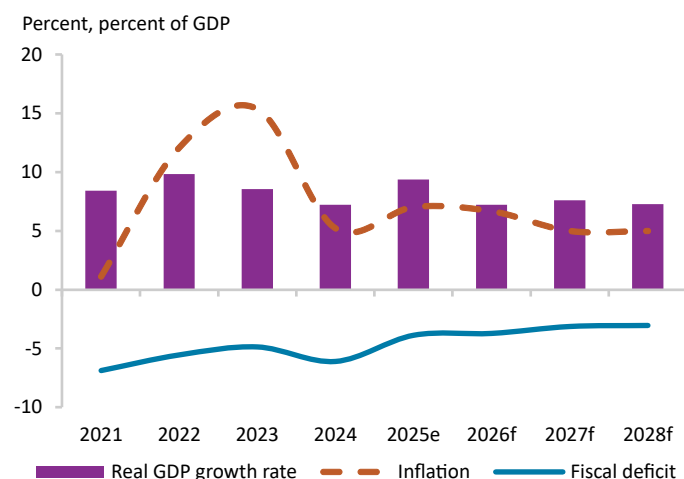
Rwanda has achieved strong development gains over the past two decades, with average GDP growth above 7 percent and the share of the population living in poverty by national standards falling from an imputed 39.8 percent in 2016 to 27.4 percent in 2023, reflecting sustained public investment and effective governance. As Rwanda enters a new phase, sustaining inclusive growth requires a shift toward private sector-led development and the creation of quality jobs, alongside stronger resilience to climate and external shocks. However, private sector job creation remains limited. Economic activity is concentrated in low-value added sectors dominated by microenterprises, with few firms scaling up, leaving youth and women particularly affected. Growth prospects are further constrained by climate change, environmental degradation, and uncertainty in external financing. Rwanda's reliance on climate-sensitive sectors and unplanned urbanization heightens vulnerability, with climate related GDP losses projected at 5–7 percent by 2050.

Recent developments

Growth remained strong in 2025, at 9.4 percent, after averaging 8.5 percent in 2022–2024. Growth was supported by the services, mainly in trade and transport, which generated about 40 percent of new jobs. Driven by construction activities, industrial growth was also strong. Agriculture saw a solid growth of 7.4 percent, a year after subdued growth due to unfavorable weather conditions. On the expenditure side, GDP growth was fueled by a resurgence in investment, coupled with steady household consumption.

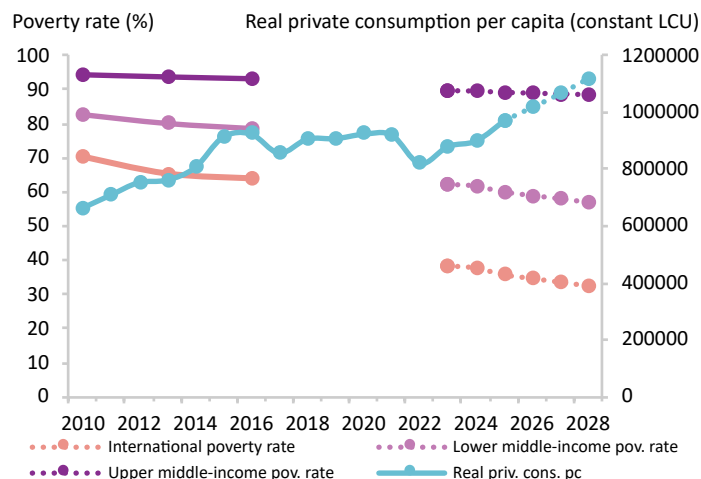
The current account deficit (CAD) is estimated at about 11.7 percent of GDP in 2025, reflecting modest import growth. Tourism receipts and remittance inflows remained strong, while official transfers dropped by about 1 percent of GDP. Increases in merchandise exports were driven by coffee exports benefiting from both higher prices and production volumes, and non-traditional and minerals exports benefiting from higher prices. The CAD was mostly funded through foreign direct investment (FDI) and external borrowing, mostly by the government, but there has also been a reduction in foreign reserves.

FIGURE 1 / Real GDP growth, headline inflation, and fiscal deficit



Sources: National Institute of Statistics of Rwanda, and National Bank of Rwanda.

FIGURE 2 / Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Notes: See footnotes in table on the next page.

In February 2026, inflation reached 9.2 percent, above the upper bound of the 2–8 percent target. This reflects increases in regulated prices such as electricity tariffs and health services, and new indirect taxes since July 2025, especially the new fuel levies. To contain inflation pressures, the policy rate was raised by cumulative 75 basis points since August 2025 to 7.25 percent in February 2026. The Rwandan franc depreciated by 5.3 percent y/y in 2025, a slower pace than the 9.4 percent depreciation recorded previously.

Fiscal deficit narrowed in FY25, as the government advanced its consolidation agenda. Tax revenue remained almost unchanged as percent of GDP while grants declined by 1 percent of GDP offset by a 2.7 percentage points reduction in public expenditure, mainly through reductions in capital spending (-0.6 percent in domestically financed and -0.7 percent in foreign-financed capital), as well as lower spending on goods and services (-1.3 percent of GDP). The deficit was mostly financed through external concessional borrowing. Public and publicly guaranteed debt is estimated at about 72.5 percent by end-2025.

Outlook

Growth is projected to remain above 7 percent in 2026–28, driven by robust investment, including the construction of the New Kigali International Airport and strong momentum in services. The CAD is projected to widen in 2026 due to imports required for the airport construction and will be covered through strong FDI inflows and government borrowing. Inflation is expected to

temporarily remain closer to the upper band of its 2–8 percent target due to the pass-through of recently implemented regulated prices adjustments and tax measures.

The fiscal deficit is projected to narrow gradually over 2026–28 due to a mix of revenue efforts (value-added tax on mobile phones, increases in fuel levy, gaming taxes, excise tax hikes, and improved customs controls) and expenditure rationalization and addressing fiscal risks, including by containing current expenditure and re-prioritization of investments, enhancing state-owned enterprise oversight and governance, and advancing the privatization agenda to mitigate contingency risks. Public debt is expected to peak at around 78 percent of GDP in 2027 before gradually declining over the medium term. The international poverty rate is projected to fall to 32.7 percent by 2028.

Outlook faces downside risks. Tighter external financing conditions, including heightened uncertainty around concessional financing, and underperformance in domestic resource mobilization are the main risks to Rwanda's fiscal sustainability. Advancing fiscal consolidation and supporting external competitiveness with real effective exchange rate adjustment are essential for mitigating these risks. Building resilience to weather and climate shocks, alongside investing a robust social safety net to protect the most vulnerable are essential for ensuring sustainable and inclusive growth. Additionally, the ongoing conflict in the Middle East could exert considerable pressure on balance of payments and contribute to rising inflation, primarily through increased fuel and fertilizer costs. Higher oil prices could also contribute to increased poverty and food insecurity.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	8.6	7.2	9.4	7.2	7.6	7.3
Private consumption	9.8	4.4	10.3	7.0	7.0	7.2
Government consumption	0.8	17.8	1.5	5.8	6.8	11.4
Gross fixed capital investment	15.5	2.6	9.3	10.5	7.7	4.4
Exports, goods and services	20.4	22.4	-15.5	10.6	8.6	7.9
Imports, goods and services	25.8	5.1	-9.0	10.8	6.6	6.6
Real GDP growth, at constant factor prices	9.3	7.2	8.9	7.2	7.6	7.3
Agriculture	4.9	3.2	7.4	5.5	5.2	5.1
Industry	8.5	7.5	11.2	9.2	8.6	8.8
Services	11.6	8.7	8.5	7.1	8.1	7.4
Employment rate (% of working-age population, 15 years+)	55.8	55.9	55.9	55.9	55.9	55.9
Inflation (consumer price index)	15.4	5.2	7.0	6.7	5.0	5.0
Current account balance (% of GDP)	-10.8	-11.1	-10.5	-11.5	-10.2	-8.6
Net foreign direct investment inflow (% of GDP)	3.1	3.5	3.6	6.2	6.3	4.7
Fiscal balance (% of GDP)	-4.9	-6.2	-3.9	-3.7	-3.1	-3.1
Revenues (% of GDP)	21.3	20.4	20.2	20.7	20.7	20.7
Debt (% of GDP)	70.0	73.8	72.4	77.0	78.4	78.0
Primary balance (% of GDP)	-2.8	-3.9	-1.6	-1.4	-0.9	-1.0
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	38.6	38.0	36.0	34.9	33.8	32.7
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	62.2	61.7	60.0	59.0	58.0	57.0
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	89.8	89.7	89.2	88.9	88.6	88.3
GHG emissions growth (mtCO2e)	1.5	3.2	3.4	3.9	4.7	4.5

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2010-EICV-III, 2016-EICV-V, and 2023-EICV7. Actual data: 2023. Nowcast: 2024-2025. Forecasts are from 2026 to 2028.

2/ Projection using average elasticity (2010-2016) with pass-through = 0.5 based on private consumption per capita in constant LCU.

SÃO TOMÉ AND PRÍNCIPE

Growth and employment remain subdued, hampered by energy sector challenges, while inflation is still elevated. Accelerating energy reforms is critical for higher inclusive growth, although short-term adjustments may weigh on households' living conditions. Stronger domestic revenue mobilization is needed to reduce grant dependence. Poverty is expected to decline gradually. Higher global oil prices pose risks for fiscal and external balances.

Key conditions and challenges

As a small island developing state, Sao Tome and Principe's economic growth has been constrained by its geographic isolation, a limited domestic market, high dependence on Official Development Assistance (ODA), climate shocks and a persistent electricity crisis, with growth averaging 1.4 percent over 2019–24. Recurring power outages continue to dampen economic activity.

The state-owned utility Empresa de Água e Electricidade (EMAE), has accumulated arrears to the domestic fuel supplier, Empresa Nacional de Combustíveis e Óleos (ENCO), estimated at 19.3 percent of GDP by end-2025. This led to the loss of a credit arrangement for fuel purchases, translating in the government taking responsibility for a large share of the country's fuel import needs, weighing on fiscal and external balances. Unreliable and costly electricity has constrained firms' activity, productivity and investment, limiting private sector development and job creation. Employment is weak, estimated at

Population ¹ thousand	Poverty ² thousands living on less than \$4.20/day
240.2	63.0
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
69.7	110.4
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
1.0	4222.3

Sources: WDI, MFMMod, and official data. 1/ 2025. 2/ 2017 (2021 PPPs). 3/ 2023. 4/ 2017. 5/ 2025. 6/ 2025.

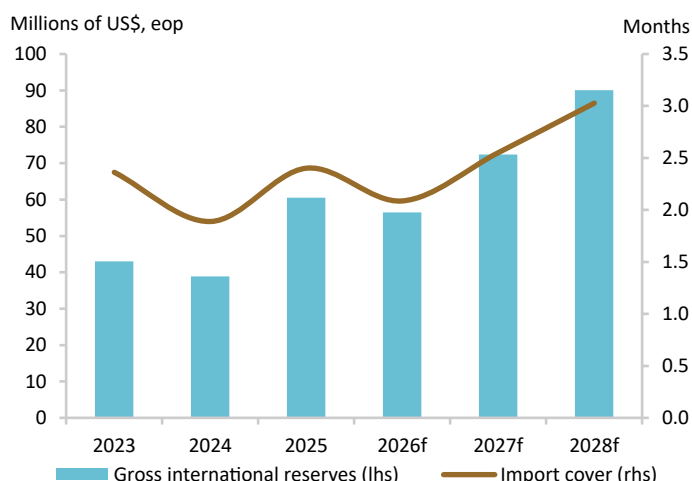
around 21 percent of the working age population in 2025. Nearly half of the young are neither working nor studying. Poverty reduction has stalled, with 30.5 percent of the population living below US\$4.2 a day (2021 PPP), while emigration, including among the educated youth, is rising.

Yet, Sao Tome and Principe has a unique potential in sectors like tourism, agriculture and fisheries, where it can develop value chains to achieve a more diversified and higher-value economy. Notably, the country could leverage the designation of its entire territory as a United Nations Educational, Scientific and Cultural Organization (UNESCO) Biosphere Reserve.

Recent developments

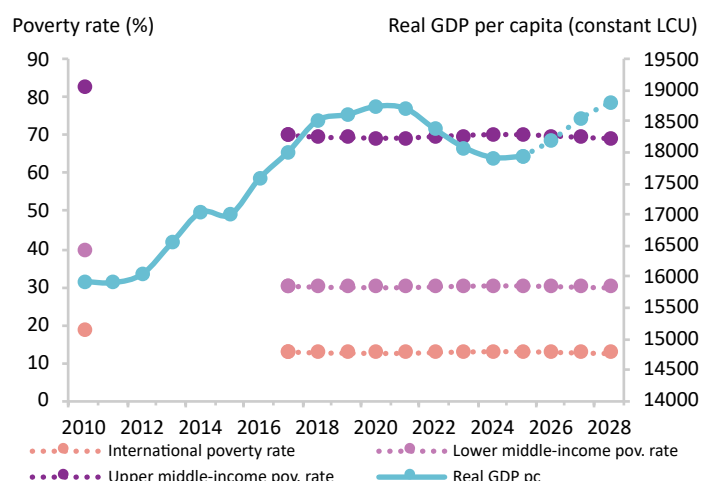
Growth is estimated at 2.1 percent in 2025. Improved electricity supply, rebound in tourism, and stronger cocoa and palm oil export supported growth. Recurring electricity outages in the second half of the year constrained activity, translating into stagnating real GDP per capita growth.

FIGURE 1 / International reserves



Source: Central Bank of Sao Tome and Principe.

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



Source: World Bank. Notes: See footnotes in table on the next page.

The external position improved substantially in 2024–25, allowing reserves to recover. The current account deficit averaged 4.3 percent of GDP over 2024–25 down from over 10 percent of GDP in 2022–23, driven by higher exports and lower fuel imports. International reserves recovered from US\$38.9 million in December 2024 to US\$69.4 million a year later, covering about two-and-a-half months of imports, supported by International Monetary Fund (IMF) disbursements and temporary capital flow management measures, introduced at end-2024.

Inflation eased to 11 percent in 2025, down from 21.1 percent in 2023, thanks to declining food prices, though not as fast as previously expected. Electricity tariff adjustments and persistent supply-side bottlenecks, including emigration-related labor shortages continued to weigh on domestic prices.

Fiscal performance improved markedly under the IMF program, but challenges persist, with grants accounting for around 40 percent of total revenue. In 2025, the primary deficit weakened to an estimated 1.9 percent of GDP, on the back of underperforming tax revenue notably due to the impact of power outages on economic activity and delayed fiscal reforms. The overall fiscal deficit (cash basis) improved from 2.6 percent of GDP over 2022–23 to 1.0 percent of GDP in 2024–25. Total public and publicly guaranteed debt is estimated at 56.5 percent of GDP in 2025, down from 65.2 percent of GDP in 2024. Public debt vulnerabilities stem from large contingent liabilities and EMAE's structural financial underperformance.

Outlook

Growth is expected to strengthen over the medium term, averaging 3.4 percent in 2026–28, underpinned by more reliable electricity supply, investments in renewable energy, a rebound in agriculture, exports and tourism. The share of people living below US\$4.2 a day is expected to average 30.3 percent in 2026–28.

The current account deficit is expected to remain high in 2026 due to higher global oil prices and to gradually decline to 4.5 percent by 2028. Higher tourism receipts, stronger cocoa and palm oil exports, and lower fuel imports linked to reforms in the energy sector are expected to improve the trade balance and support reserve accumulation. The current account is expected to be financed largely by grants and concessional loans and sizeable foreign direct investment for oil exploration around 7 percent of GDP.

Inflation is projected to ease as supply conditions improve and energy supply stabilizes, declining to 6 percent by 2028 despite temporary pressures from electricity tariff adjustments and persistent food inflation, especially given recent developments in the Middle East, which could erode poorest households' purchasing power. Prudent monetary policy will be needed to manage liquidity and preserve the credibility of the exchange rate peg.

The overall fiscal balance is projected at -0.5 percent of GDP in 2026, as more costly fuel imports offset domestic revenue mobilization efforts and spending rationalization. The primary balance is expected to strengthen to 3.4 percent of GDP by 2028, reducing grant dependence and gross public financing needs. Net transfers to EMAE are expected to decline gradually and turn negative from 2027, as structural reforms support a strong financial position of the state-owned enterprise.

The outlook is subject to downside risks, including delays in energy sector reforms that have potential spillovers to growth, fiscal performance, and external balances. Additional risks stem from weaker donor support, commodity price volatility, and climate-related shocks. Higher global fuel prices, driven by the conflict in the Middle East would weigh on fiscal and external balances, raise food prices, and delay macro-stabilization, while increasing poverty risks. On the upside, faster progress in the energy sector and structural reforms in tourism and agriculture, alongside stronger private investment, could lift growth and support poverty reduction.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	0.4	1.1	2.1	2.9	3.9	3.3
Real GDP growth, at constant factor prices	-1.1	1.9	2.0	2.9	3.9	3.3
Agriculture	-12.4	-6.2	1.1	1.2	3.0	3.0
Industry	-2.1	3.3	2.5	2.6	2.9	2.5
Services	0.0	2.1	2.0	3.1	4.2	3.4
Employment rate (% of working-age population, 15 years+)	21.5	21.4	21.4	21.4	21.7	21.8
Inflation (consumer price index)	21.1	14.4	11.0	11.0	7.9	6.0
Current account balance (% of GDP)	-12.3	-2.2	-6.3	-6.0	-5.1	-4.5
Net foreign direct investment inflow (% of GDP)	2.9	1.1	7.7	7.6	7.6	7.4
Fiscal balance (% of GDP)¹	-2.1	0.9	-2.5	-0.5	1.5	2.8
Revenues (% of GDP)	21.8	24.7	18.7	21.4	21.3	22.0
Debt (% of GDP)	73.2	65.2	56.5	51.2	46.5	44.0
Primary balance (% of GDP)¹	-1.4	1.6	-1.9	0.5	2.2	3.4
International poverty rate (\$3.00 in 2021 PPP)^{2,3}	13.0	13.0	13.0	13.0	12.8	12.8
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{2,3}	30.4	30.5	30.5	30.4	30.3	30.2
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{2,3}	69.9	70.1	70.0	69.9	69.6	69.4
GHG emissions growth (mtCO2e)	0.5	1.0	0.9	1.6	1.4	1.5

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Reported on commitment basis.

2/ Calculations based on 2013-, 2018-, and 2017-IOF. Actual data: 2017. Nowcast: 2018-2025. Forecasts are from 2026 to 2028.

3/ Projection using point to point elasticity at regional level with pass-through = 0.7 based on GDP per capita in constant LCU.

SENEGAL

In 2025, GDP growth is estimated at 6.7 percent, driven by new oil and gas production and agriculture. Low inflation at 1.4 percent and the rebound in agriculture are estimated to have reduced poverty to 36.2 percent. The fiscal deficit declined sharply to 8.1 percent of GDP supported by GDP growth. Senegal's economic outlook is constrained by debt sustainability risks and the conflict in the Middle East.

Population ¹ million	Poverty ² millions living on less than \$4.20/day
18.9	6.4
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
68.7	85.3
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
37.3	1969.4

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

Key conditions and challenges

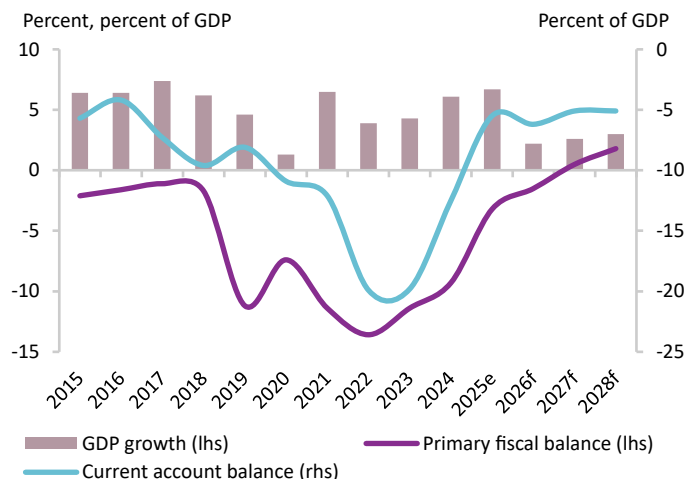
Senegal's economy is at a critical juncture. Significant investment in the extractives sector led to the start of hydrocarbon production in 2024, boosting the export and revenue base. At the same time, the discovery of unreported public expenditure and debt between 2019–2023—following government-led investigations—has materially worsened macro-fiscal and debt sustainability prospects, raising borrowing costs, and triggering credit rating downgrades. Compounding these vulnerabilities are structural headwinds: human capital deficits, weak formal employment, low labor productivity, high youth emigration, infrastructure gaps, climate change, and regional instability. Accelerating poverty reduction and realizing Senegal's Vision 2050 requires fiscal prudence and transparency to tackle debt sustainability issues, deepening investment climate reforms, expanding human capital programs, and mobilizing private investment into diversified, climate-resilient value chains, particularly in lagging regions.

Recent developments

Real GDP growth is estimated at 6.7 percent in 2025 (4.3 percent per capita), up from 6.1 percent in 2024 (3.6 percent per capita), driven by a strong expansion in oil and gas production that contributed to boost the secondary sector's value added by 16.7 percent. The primary sector grew at 7.0 percent, rebounding from a contraction in 2024 due to low rainfall. A slowdown in cultural, health, and specialized services lowered the contribution from services to GDP growth.

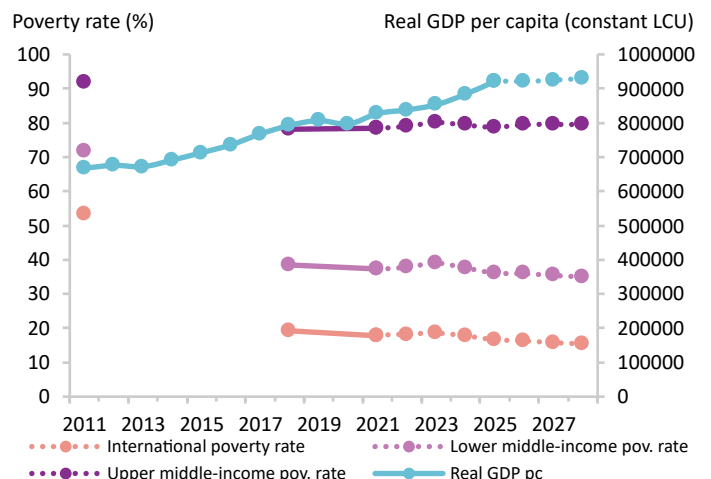
Inflation increased but remained low at 1.4 percent in 2025, supported by easing international food and oil prices and improved domestic agricultural production. Regionally, West African Economic and Monetary Union (WAEMU) inflation fell sharply to 0.2 percent (from 3.5 percent in 2024) on lower global food prices, while foreign reserves rose to 6.1 months of imports. After holding its stance unchanged since June 2025, the Central Bank of West African States (BCEAO) cut key policy rates by 25 basis points in March 2026, lowering the liquidity call rate to 3.0 percent and the marginal lending facility rate to 5.0 percent.

FIGURE 1 / Evolution of main macroeconomic indicators



Sources: National Bureau of Statistics and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

Domestically, banking sector asset quality remains a concern: the nonperforming loan ratio remained high at 10.3 percent in June 2025 (from 10.5 percent in June 2024), and the capital adequacy ratio was above the 11.3 percent regulatory minimum at 14.8 percent, though down from 15.5 percent over the same period.

The overall fiscal deficit narrowed to 8.1 percent of GDP in 2025, driven by economic growth and a nominal decline of public expenditures. In addition, revenue rose by 1.4 percentage points of GDP, underpinned by tax administration efficiency improvements. Central government debt is estimated to have declined to 118.9 percent of GDP in 2025, from 122.7 percent in 2024.

Supported by higher labor incomes from the agricultural rebound, poverty is estimated to have declined from 37.7 percent in 2024 to 36.2 percent in 2025 (measured at the US\$4.20/day, 2021 PPP threshold), equivalent to 6.9 million Senegalese.

The current account deficit narrowed sharply from 12.5 percent of GDP in 2024 to 5.5 percent in 2025, driven by a surge in hydrocarbon exports (+4.3 percentage points of GDP) and declining oil and equipment imports as hydrocarbon-related investment phased out. The external financing mix also shifted: hydrocarbon-related foreign direct investment contracted, while portfolio inflows rose as Senegal turned to the regional debt market to replace external commercial borrowing. Non-resident and diaspora financing programs also expanded.

Outlook

Real GDP growth is forecasted to slow to 2.2 percent in 2026 and average 2.8 percent over 2027–2028, as hydrocarbon production,

already at capacity, eases from its 2025 peak and fiscal consolidation weighs on domestic activity. Inflation is expected to average 2.4 percent in 2026–2028, reflecting global food and energy inflation spillovers from the conflict in the Middle East—and cost pass-through from new taxes on goods and services under the government's medium-term economic recovery program. Regionally, WAEMU inflation is projected to remain within the 1–3 percent target band from 2026 onward, with foreign reserves averaging 5.9 months of imports over 2026–2028.

Fiscal consolidation is projected to progressively reduce the deficit to 4.0 percent of GDP by 2028, reaching the WAEMU convergence criterion of 3 percent by 2029, though Middle East conflict-driven oil price pressures and energy subsidies pose a risk to this path. The current account deficit is projected to widen in 2026 before stabilizing at 5.1 percent of GDP over 2027–2028, as upward import price pressures and declining oil export quantities weigh on the trade balance.

Stable growth in agriculture, but a slowdown in services and industry and higher food prices are expected to reduce the poverty rate to 36.0 percent in 2026, with a subsequent decrease to 35.1 percent in 2028. Nonetheless, structural impediments to poverty reduction such as low labor productivity and high informality persist.

Economic uncertainty will remain elevated. External risks include oil and gas price volatility related to the conflict in the Middle East, tightening global financing conditions, and food price pressures. Key domestic risks encompass rainfall shocks to agriculture, lower-than-expected hydrocarbon production, unmet fiscal consolidation targets, investment climate, and delays in tackling debt sustainability risks.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	4.3	6.1	6.7	2.2	2.6	3.0
Private consumption	5.0	3.0	0.1	0.7	1.1	1.5
Government consumption	5.0	4.4	3.8	-0.3	3.6	7.0
Gross fixed capital investment	9.3	6.0	-3.7	-2.8	3.0	2.0
Exports, goods and services	-6.0	23.1	28.9	12.0	6.4	5.8
Imports, goods and services	-0.4	-13.4	-0.5	2.3	4.3	4.0
Real GDP growth, at constant factor prices	4.5	6.3	6.6	2.2	2.6	3.0
Agriculture	5.9	-3.0	7.0	5.5	5.6	5.8
Industry	5.2	18.7	16.7	3.1	3.9	4.4
Services	3.8	3.5	1.4	0.7	1.0	1.2
Inflation (consumer price index)	5.9	0.8	1.4	2.8	2.2	2.1
Current account balance (% of GDP)	-19.8	-12.5	-5.5	-6.2	-5.1	-5.1
Fiscal balance (% of GDP)	-14.8	-13.4	-8.1	-6.7	-4.9	-4.0
Revenues (% of GDP)	20.7	20.1	21.5	22.1	22.4	22.9
Debt (% of GDP)	111.0	122.7	118.9	118.7	119.3	118.2
Primary balance (% of GDP)	-11.4	-9.3	-3.2	-1.5	0.5	1.8
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	18.5	17.7	16.6	16.2	15.7	15.3
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	39.0	37.7	36.2	36.0	35.5	35.1
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	80.2	79.5	78.9	79.6	79.7	79.6
GHG emissions growth (mtCO₂e)	1.0	3.3	5.3	2.0	2.2	2.5

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2021-EHCVM. Actual data: 2021. Nowcast: 2022–2025. Forecasts are from 2026 to 2028.

2/ Projections using microsimulation methodology.

SEYCHELLES

Economic growth is estimated at 5.8 percent in 2025, mainly driven by tourism, with inflation at 0.3 percent and a poverty rate of 7.2 percent using the upper-middle-income poverty line of US\$8.30 per day (2021 PPP). Growth is projected at 1.1 percent in 2026, as visitor arrivals moderate. The government aims to maintain fiscal consolidation through improved revenue efficiency while expanding social benefits. External shocks and domestic policy uncertainties, however, pose downside risks.

Key conditions and challenges

Seychelles, an archipelago of 115 islands with a population of about 120,000 inhabitants, boasts the highest gross national income per capita in Africa. Its economy depends on tourism and fisheries, along with related activities that support these sectors. Since 2008, significant macroeconomic and structural reforms, including exchange rate and factor markets liberalization, have supported economic development. Nevertheless, the country's small size, geographic dispersion, remoteness, and vulnerability to external shocks, including climate risks—pose persistent structural challenges. Heavy dependence on a few sectors, as well as on imports, exposes the economy to external shocks, including fluctuations in international travel demand and volatility in food, fuel, and freight prices. In response, diversification efforts target the blue economy and financial services. However, geographic constraints raise production costs, hinder export competitiveness, and limit economic diversification, reinforcing reliance on the public sector and state-owned enterprises (SOEs) for essential services.

Seychelles' economic development faces both external and domestic risks. Climate risks are mounting, including increasingly intense

Population ¹ thousand	Poverty ² thousands living on less than \$8.30/day
121.9	8.2
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
75.0	93.4
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
2.4	19615.8

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2018 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

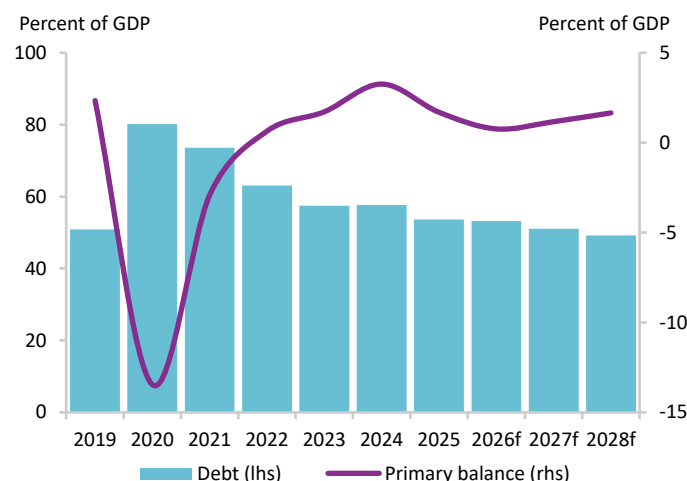
and frequent monsoon rains, as well as rising sea levels that lead to floods, landslides, and coastal erosion. Domestically, despite maintaining a low overall unemployment rate of 2.6 percent and having nearly eradicated extreme poverty, the country continues to grapple with socioeconomic vulnerabilities, with 16 percent of youth not in employment, education, or training. Additionally, challenges such as substance abuse, teenage pregnancy, declining educational outcomes, and high unemployment among single female parents threaten human capital development, undermine long-term economic sustainability, and impact household welfare.

Recent developments

Record-high tourism earnings supported an estimated GDP growth of 5.8 percent in 2025, as tourist arrivals surpassed the pre-pandemic peak recorded in 2019. Growth was broad-based across all source regions and reflected enhanced destination marketing, supported by improved air connectivity and major international events such as the FIFA Beach Soccer World Cup.

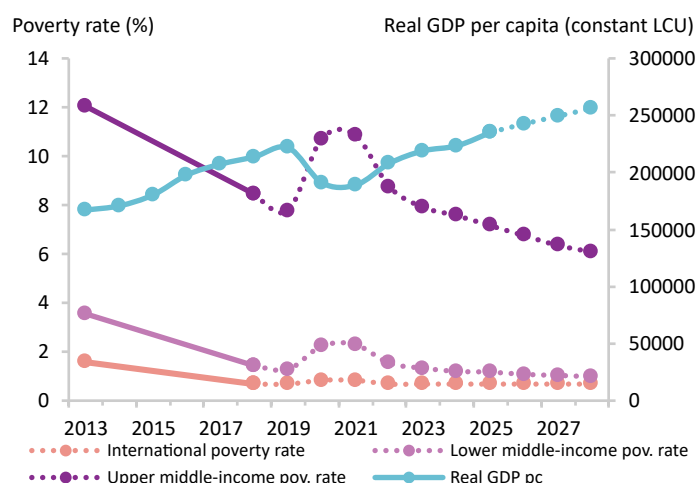
Increased tourism earnings contributed to a narrowing of the current account deficit to an estimated 5.5 percent of GDP in 2025,

FIGURE 1 / Public debt and primary balance



Source: World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

down from 7.5 percent in 2024. Net foreign direct investment inflows remained the main source of external financing, reflecting the commencement of hotel developments backed by foreign investors.

The Central Bank of Seychelles kept its policy rate at 1.75 percent since March 2024 to stimulate economic activity. Declines in utility tariffs, lower international fuel prices, and reduced freight costs kept inflation at 0.3 percent. The exchange rate also remained stable, as steady inflows from tourism offset outflows to meet the country's demand for goods.

Fiscal consolidation continued for a fifth year, with a primary surplus of 1.8 percent of GDP and a reduction in public debt to 53.6 percent. Total revenue is edged down to 32.8 percent of GDP, as lower SOE dividends more than offset gains in tax revenue. Capital investment drove an increase in total spending to 33.6 percent of GDP, although under-execution of the capital budget persisted. A new government took office in October 2025 following a peaceful transfer of power. The new administration aims to prioritize inclusive development and the expansion of social welfare programs to address the needs of the most vulnerable while committing to fiscal consolidation. These recent developments, however, are set against a more uncertain global backdrop due to the ongoing conflict in the Middle East.

Outlook

The conflict in the Middle East is having tangible effects, with GDP growth now expected to slow to around 1.1 percent. Seychelles relies on the Middle East for over 50 percent of inbound flights, 34 percent of goods imports (largely from the United Arab Emirates), and fuel which serves as input for 95 percent of electricity

generation. Given flight and freight uncertainties, these dependencies are expected to reduce tourism and slow public and private investment. To mitigate the impact on air connectivity, the authorities are lobbying airlines to fly larger planes on alternate routes, adding direct European routes via the national carrier, and encouraging tourists to maintain bookings through flight re-routing.

Higher commodity prices are projected to widen the current account deficit to 6.7 percent of GDP while also adding pressure on the currency and international reserves as inflows from tourism and other service activities decline. Inflation is expected to rise to 2.3 percent in 2026. In response, the authorities have introduced price controls for staple goods, legislating maximum mark-ups for wholesalers and retailers.

While the authorities have expressed commitment to fiscal consolidation, the conflict poses challenges, particularly as the new administration pursues key election pledges of lowering the pension eligibility age from 65 to 63, raising wages, and expanding social protection. Lower growth is expected to reduce tax revenues, narrowing the primary fiscal balance to around 0.8 percent of GDP, down from pre-conflict projections of 1.5 percent, while public debt is expected to decline more slowly than previously projected.

Risks are heavily tilted to the downside. A prolonged closure of Gulf airspace and the Strait of Hormuz could accentuate the impact on economic activity. Higher commodity prices and freight disruptions could raise inflation and cause shortages. Heightened geopolitical tensions, trade policy uncertainties, climate risks, and evolving anti-money laundering and combating the financing of terrorism standards could further weigh on tourism, trade, and investment, with disproportionate effects on lower-income households and tourism-dependent workers.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	5.2	3.4	5.8	1.1	4.5	3.1
Private consumption	-6.7	15.6	3.9	1.0	3.6	3.5
Government consumption	26.1	2.9	9.8	0.4	-1.2	-0.2
Gross fixed capital investment	55.8	-19.3	-0.7	-0.5	14.0	5.3
Exports, goods and services	-2.4	-0.8	5.4	-0.3	2.4	2.4
Imports, goods and services	2.6	1.9	3.8	-0.6	2.4	2.4
Real GDP growth, at constant factor prices	5.2	3.4	5.8	1.1	4.5	3.1
Agriculture	8.0	9.6	4.5	-0.2	4.1	4.0
Industry	13.8	2.6	13.0	1.9	2.1	2.0
Services	3.4	3.3	4.4	0.9	5.0	3.3
Inflation (consumer price index)	-1.0	0.3	0.3	2.3	1.9	1.5
Current account balance (% of GDP)	-7.1	-7.5	-5.4	-6.7	-6.9	-7.0
Net foreign direct investment inflow (% of GDP)	13.3	11.7	12.2	9.1	11.4	11.1
Fiscal balance (% of GDP)	-1.2	0.2	-0.8	-1.7	-1.1	-0.6
Revenues (% of GDP)	32.0	33.0	32.8	31.9	31.7	31.6
Debt (% of GDP)	57.5	57.7	53.6	53.2	51.1	49.2
Primary balance (% of GDP)	1.7	3.3	1.7	0.8	1.2	1.7
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	0.7	0.7	0.7	0.7	0.7	0.7
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	1.3	1.2	1.2	1.2	1.0	1.0
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	7.9	7.6	7.2	7.1	6.5	6.2
GHG emissions growth (mtCO₂e)	2.9	3.0	2.9	3.2	3.1	0.0

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2018-HBS. Actual data: 2018. Nowcast: 2019-2025. Forecasts are from 2026 to 2028.

2/ Projection using neutral distribution (2018) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

SIERRA LEONE

Sierra Leone's economy expanded modestly in 2025, underpinned by tighter monetary and fiscal policies. Sustained progress will depend on continued fiscal consolidation, prudent debt management, and institutional reforms to strengthen public financial management, governance and improve the investment climate. While extreme poverty remains widespread, it is expected to decrease as inflation eases, reducing cost-of-living pressures on households.

Key conditions and challenges

Sierra Leone's economy is gradually stabilizing, supported by a mix of tighter fiscal and monetary policies. The currency has been broadly stable, inflation has eased to single digits, contributing to reductions in food insecurity and extreme poverty. However, significant vulnerabilities remain—high debt-service pressures, a narrow revenue base, critically low foreign reserves, and a pronounced sovereign-bank nexus that crowds out private credit and jobs. Growth remains volatile and concentrated in mining and agriculture, leaving the economy exposed to shocks. Despite declining in 2025, poverty remains widespread, mainly due to limited jobs, weak social protection and low human capital. Continued stabilization and the rebuilding of policy buffers, together with a focus on addressing governance challenges (weak institutions, oversight and accountability), raising agricultural and overall productivity, strengthening human capital, and improving the business environment are vital for sustained growth, poverty reduction, diversification, and better jobs.

Population ¹ million	Poverty ² millions living on less than \$3.00/day
8.8	3.1
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
61.8	162.1
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
7.2	814.6

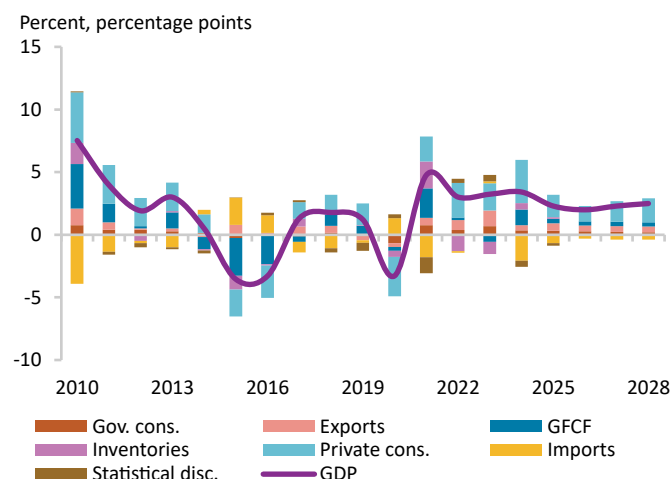
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2018 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

Recent developments

Sierra Leone's economy grew modestly in 2025, with real GDP up by an estimated 4.5 percent year-on-year, slightly higher than 4.4 percent in 2024. Growth was supported by robust agriculture—underpinned by the Feed Salone program—and a pickup in services growth, particularly retail and wholesale trade, which more than offset weaker industry, notably mining. While bauxite and iron ore output remained resilient despite lower global prices, overall mining activity softened due to reduced gold, rutile, and diamond production, compounded by the closure of the Koidu Holdings diamond mine in May 2025. On the demand side, private investment drove growth, and household consumption strengthened with lower inflation, partially offsetting reduced government consumption amid fiscal consolidation.

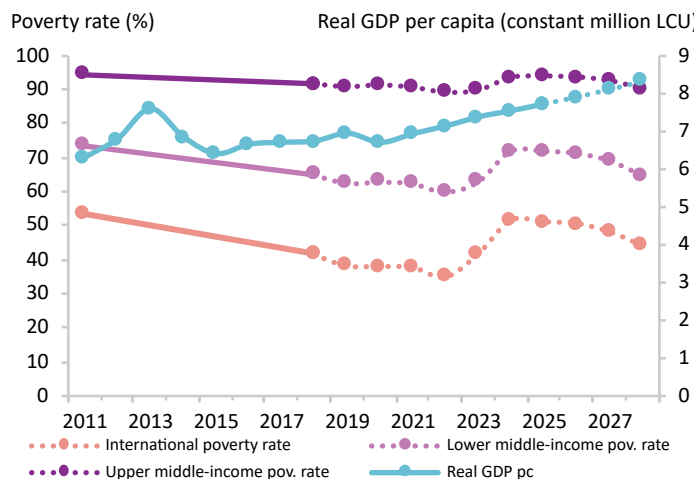
As inflation fell to single digits—reaching a multi-decade low of 4.3 percent in December 2025—supported by a stable currency, moderating reserve money growth, stronger domestic food production, and lower international food and energy prices, the monetary policy rate was consequently reduced by a cumulative 8 percentage points over the year to 16.8 percent. However, inflation rose to 8.1

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Sources: Statistics Sierra Leone and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

in February 2026, reflecting earlier impact of pump price increase in January. Extreme poverty declined modestly, from 51.4 percent in 2024 to 50.9 percent in 2025, reflecting the sharp reduction in inflation, improved agricultural productivity, and services sector expansion. Soaring prices may intensify food insecurity, particularly among the poor and vulnerable households as poverty is projected to rise to 51.2 percent by 2026.

The fiscal deficit narrowed to 4.3 percent of GDP in 2025, down from 5.1 percent in 2024 while a primary surplus of 0.5 percent of GDP was achieved, versus a primary deficit of 2.1 percent in 2024. Revenues increased to 13.2 percent of GDP (including grants), supported by stronger compliance, while spending was restrained, particularly on domestic capital, subsidies and transfers. However, these improvements were accompanied by the accumulation of arrears to domestic suppliers and Independent Power Producers (IPPs). The public energy utility's arrears to IPPs rose from US\$98 million to US\$132 million in 2025. Debt-service costs exceeded 100 percent of revenue, reflecting elevated interest payments and tight liquidity conditions. Domestic borrowing costs declined sharply—from 41 percent in 2024 to about 15–17 percent in 2025, amid the fall in inflation and reduced borrowing appetite. Credit to the private sector expanded by 49 percent (y/y) in 2025.

The current account deficit (CAD) narrowed significantly to an estimated 7.7 percent of GDP in 2025, reflecting slower import growth and fiscal consolidation. Exports were supported by cocoa and iron ore. Gross international reserves increased from US\$345 million in 2024 to US\$412 million in 2025, buoyed by International Monetary Fund disbursements and US\$85 million

in foreign exchange-bond purchases; however, import cover remains critically low at 1.7 months.

Outlook

Growth in 2026 is projected to slow to 4.0 percent due to higher energy and fertilizer costs amid ongoing conflict in the Middle East, but is projected to rebound to 4.7 percent in 2027, driven by industry, higher agricultural productivity, and resilient services. A temporary softening in growth is expected in 2028 amidst election-related uncertainties. Inflation is projected to pick up to an average 10.4 percent in 2026 as the conflict in the Middle East drives up freight costs, fertilizer and oil prices—the oil price surge has led to an increase in domestic pump prices by over 23 percent by April 2026, in addition to the 14 percent increase in January. Higher fuel costs may increase inflationary expectations and amplify cost-of-living pressures on households in the near term. However, poverty is projected to decline to 44.8 percent by 2028, as ongoing efforts to boost agricultural productivity, human capital, and targeted social protection continue. The current account deficit is expected to widen in 2026 and 2027 with rising import bills, in part due to the conflict in the Middle East. The outlook is predicated on a sustained fiscal consolidation which requires strengthening of tax policy and administration—alongside stronger public financial management, energy, and procurement reforms. Public debt-to-GDP is projected to decline due to faster nominal GDP growth and measures to contain borrowing costs, reduce arrears, extend maturities, and prioritize grants and concessional financing.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	5.7	4.4	4.5	4.0	4.7	4.6
Private consumption	2.2	-13.8	4.0	3.2	3.9	4.1
Government consumption	0.5	6.8	3.2	2.5	2.8	3.2
Gross fixed capital investment	12.8	18.7	19.7	18.8	17.7	13.6
Exports, goods and services	7.0	124.4	8.3	9.5	13.1	13.0
Imports, goods and services	9.3	30.7	11.7	16.2	18.5	16.4
Real GDP growth, at constant factor prices	5.7	4.5	4.5	4.0	4.7	4.6
Agriculture	2.4	3.6	3.6	3.0	3.7	3.4
Industry	14.4	3.5	2.6	2.2	3.7	4.2
Services	4.7	5.7	6.0	5.5	5.9	5.6
Inflation (consumer price index)	47.7	28.4	7.6	10.4	10.2	9.5
Current account balance (% of GDP)	-7.9	-14.1	-7.7	-8.2	-9.2	-8.2
Net foreign direct investment inflow (% of GDP)	3.8	3.3	3.4	3.9	3.8	3.3
Fiscal balance (% of GDP)	-4.8	-5.1	-4.3	-3.3	-3.5	-2.9
Revenues (% of GDP)	10.4	12.4	13.2	13.8	14.4	14.5
Debt (% of GDP)	46.0	44.4	43.4	42.2	40.1	36.0
Primary balance (% of GDP)	-2.5	-2.1	0.5	0.7	0.5	0.7
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	41.7	51.4	50.9	51.2	48.8	44.8
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	63.0	72.0	71.9	72.1	69.5	65.5
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	89.7	93.3	93.7	93.5	92.7	90.3
GHG emissions growth (mtCO2e)	-0.5	0.5	0.9	0.9	1.1	1.3

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2018-SLIHS. Actual data: 2018. Nowcast: 2019–2025. Forecasts are from 2026 to 2028.

2/ Projections using microsimulation methodology.

SOMALIA

Economic growth is estimated to have slowed in 2025, driven by cuts in foreign aid and adverse climate conditions. Declining foreign aid adversely impacted demand, fiscal performance, constrained humanitarian support, and slowed poverty reduction. Recent oil price shocks are expected to further downsize private consumption and GDP growth while increasing inflationary pressures. The medium-term outlook remains uncertain, with risks tilted to the downside.

Key conditions and challenges

Volatility and uncertainty in foreign aid have disrupted Somalia's economic activity and slowed its transition out of fragility. This setback has occurred despite notable progress in recent years that has strengthened the foundations for growth, including the completion of the Heavily Indebted Poor Countries Initiative in 2023, accession to the East African Community in 2024, and continued implementation of structural reforms in domestic revenue mobilization, public financial management, and financial sector regulation. This reduction in foreign aid is compounded by structural constraints, including high exposure to climate shocks, persistent security risks, a complex and incomplete federal system, low domestic revenue collection, and weak institutional capacity. Together, these vulnerabilities heighten macroeconomic fragility and underscore the urgency of accelerating reforms to strengthen resilience, fiscal sustainability, and foundations of inclusive growth. Following robust economic activity in 2023 and 2024, supported by favorable weather conditions and strong external assistance, economic momentum weakened in 2025. GDP per capita growth stagnated, constraining job

Population ¹ million	19.5	Poverty ² millions living under natl. poverty line	9.7
Life expectancy at birth ³ years	58.8	School enrollment ⁴ primary (% gross)	25.0
GDP ⁵ current US\$, billion	13.0	GDP per capita ⁶ current US\$	665.0

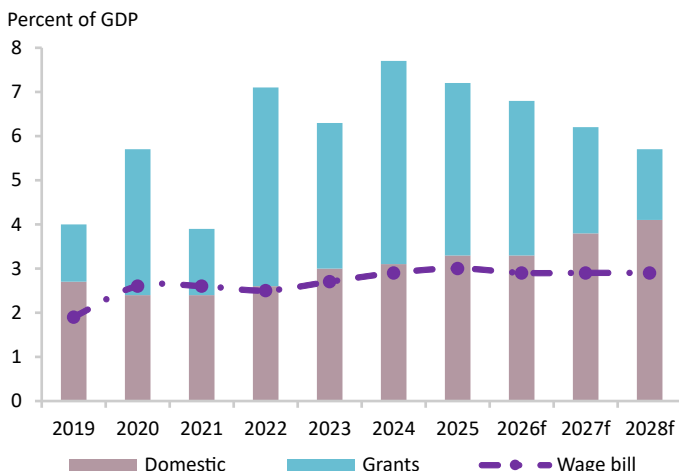
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2022 (NA). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

creation and efforts to raise living standards. In early 2026, 6.5 million Somalis are estimated to face high levels of acute food insecurity.

Recent developments

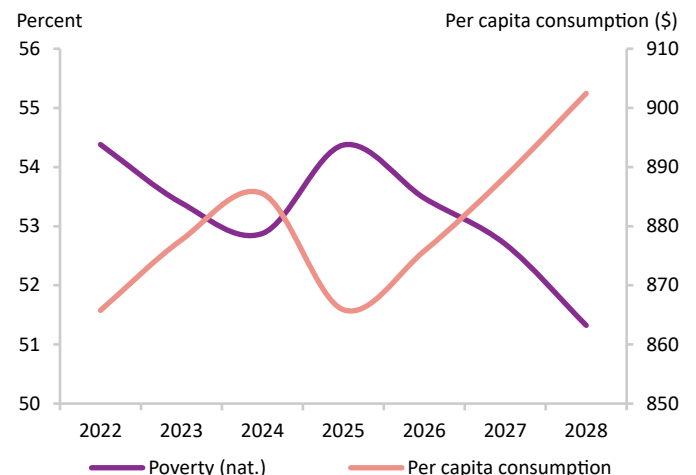
Economic activity slowed in 2025, reflecting a sharp contraction in foreign aid and adverse weather conditions. Real GDP growth moderated from 4.1 percent in 2024 to an estimated 3.0 percent in 2025. The steep reduction in foreign aid had a broad-based negative multiplier effect, weighing on aggregate demand, including private consumption, imports, and the provision of critical public services. Humanitarian support was significantly reduced while drought in late 2025 heightened food insecurity. Below-average rainfall during the October–December 2025 Deyr season, at less than 30 percent of the seasonal norm, reduced crop production and agricultural output, adversely affecting rural incomes, food security, and livestock exports. As a result, the national poverty rate is estimated to have remained broadly unchanged between 2024 and 2025, at just under 50 percent. Despite these headwinds, aggregate demand remained

FIGURE 1 / Total revenue and wage bill



Sources: Somalia Authorities and World Bank.

FIGURE 2 / Projected consumption and poverty changes



Source: World Bank staff calculations based on the SIHBS 2022.

relatively resilient, supported by robust remittance inflows, which provided an important buffer for households and the broader economy, alongside moderate headline inflation, although food prices remained elevated.

Supply side disruptions, adverse weather conditions, and a contraction in humanitarian assistance have kept food prices elevated with national inflation accelerating from 4 percent in January 2025 to 5.1 percent in December 2025. Increases in food prices were especially pronounced at the end of 2025 and in South-West State, Hishabelle State, and Somaliland.

External sector pressures intensified in 2025 as the current account deficit widened slightly, driven by a larger trade deficit and declining official transfers. Exports contracted, albeit from a high base, especially exports of livestock, fisheries, and crops. Import demand continued to grow, albeit at a slower pace as demand for food and medicines declined, affected by falling foreign aid. Somalia's goods and services deficit, averaging nearly 60 percent of GDP (2021–24), remains structurally large, reflecting a narrow export base and high import dependence. Official current transfers inflows fell by 4.2 percentage points of GDP, reflecting the sharp decline in external assistance.

Volatility in foreign aid further heightened fiscal pressures of the Federal Government of Somalia. On-budget external grants declined while compressed imports led to decline in customs revenue, the main tax revenue source. Lower bilateral grants and project grants led to fall in external grants compared to 2024. Domestic revenue reached 3.1 percent of GDP, a slight improvement compared to 2024, supported by reforms in income and sales taxes, which helped offset weaker customs revenues. Service delivery remained constrained by the limited domestic resources, significant security spending needs, and weak capacity to implement projects, especially spending on human capital and infrastructure. The fiscal

space to offset loss of service delivery due to donor funding cuts remains limited.

Outlook

Real GDP growth is projected to slow further to about 2.8 percent in 2026 and gradually pick up to 3.5 percent by 2028, reflecting continued headwinds from adverse weather conditions, declining foreign aid inflows, and a slowdown in remittances. Spillovers from the ongoing conflict in the Middle East through, among others, higher imported energy and food prices and logistics costs, and worsening agriculture conditions are expected to adversely affect private consumption and poverty reduction. Further, remittance inflows are projected to moderate due to regulatory changes in some host countries. However, the on-going structural reforms are anticipated to sustain private and public investment, partially offsetting these headwinds. Poverty reduction is projected to stall in 2026 before resuming at a slow pace between 2027 and 2028, with poverty estimated to decline by less than a percentage point between 2025 and 2028.

The outlook remains highly uncertain and tilted to the downside, shaped by volatility in external aid, heightened political and security risks related to upcoming elections, and persistent climate vulnerability. The prolonged conflict in the Middle East can add further uncertainty and could adversely affect Somalia's medium-term economic outlook, dampening the pace of poverty reduction and exacerbate food insecurity, given the country's high dependence on imports and vulnerability to external shocks. Accelerating domestic revenue mobilization, expanding climate resilience investments, and strengthening social protection systems will be critical to support inclusive growth and to sustain gains in poverty reduction.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	4.2	4.1	3.0	2.8	3.1	3.5
Private consumption	5.6	8.8	3.1	2.7	3.3	3.8
Government consumption	2.1	16.1	11.0	1.9	3.9	6.0
Gross fixed capital investment	14.5	21.1	8.7	7.8	8.3	9.3
Exports, goods and services	41.8	42.3	-1.2	2.3	3.4	4.7
Imports, goods and services	18.8	28.5	4.1	4.0	5.2	6.3
Inflation (consumer price index)¹	6.2	5.5	3.7	5.3	4.3	4.0
Current account balance (% of GDP)	-9.8	-9.3	-9.6	-9.9	-9.9	-10.0
Fiscal balance (% of GDP)	-0.4	0.2	-0.3	-0.6	-0.8	-1.2
Revenues (% of GDP)	6.3	7.6	7.2	6.8	6.2	5.8
Debt (% of GDP)	10.2	9.3	8.9	8.6	8.2	9.1
Primary balance (% of GDP)	-0.4	0.2	-0.2	-0.5	-0.7	-1.1
National poverty rate²	52.8	49.8	49.5	49.6	49.2	48.8
GHG emissions growth (mtCO2e)	-0.1	0.0	0.1	0.1	0.1	0.1

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Inflation figures for 2023-2024 are for Mogadishu only while for 2025-2028 refer to national inflation.

2/ Projections are based on applying private consumption growth to household consumption, with a neutral distribution.

SOUTH AFRICA

Growth will recover modestly over the medium term and remains insufficient to meaningfully improve jobs and poverty outcomes. Although poverty declined by about 6 percentage points since 2014, close to 60 percent of South Africans live below the upper-middle-income poverty line, while unemployment remains above 30 percent. With public debt nearing 80 percent of GDP, sustaining fiscal credibility while improving efficiency and impact of public spending remains critical.

Key conditions and challenges

South Africa has experienced 15 years of weak growth, leaving real income per capita below 2007 levels. Investment and job creation have been held back by bottlenecks in network industries, especially electricity, freight logistics, and water, as well as by a difficult business environment and weak human capital outcomes. At the same time, reforms are advancing. Progress under Operation Vulindlela is helping address constraints in key network sectors, easing electricity shortages and supporting advances in priority areas. While spending pressures and limited efficiency gains have raised public debt close to 80 percent of GDP, sustained reform implementation could strengthen growth and improve spending efficiency over time.

Socio-economic challenges persist. Close to 60 percent of the population is estimated to live in poverty in 2025 as defined by the upper-middle-income poverty line of US\$8.30 per person per day (2021 PPP). Inequality remains high, with a Gini coefficient of 0.54, and unemployment continues to affect more than 8 million people. Accelerating growth and job creation requires faster implementation of structural reforms across three fronts: strengthening

Population ¹ million	Poverty ² millions living on less than \$8.30/day
64.7	37.2
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
66.1	101.8
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
427.3	6599.9

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

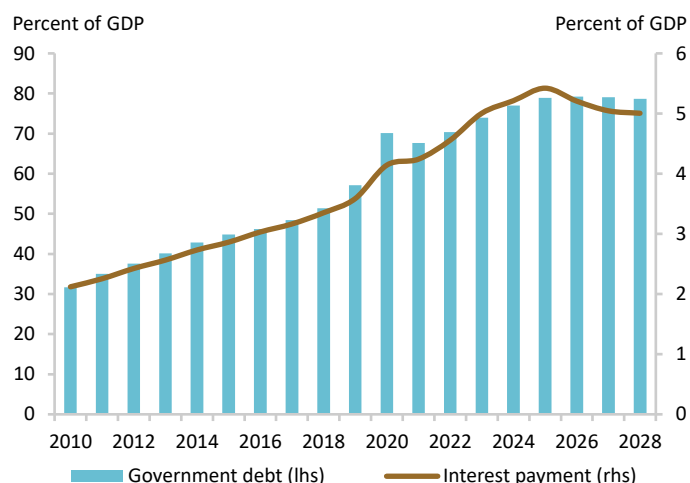
infrastructure and human capital foundations; improving the regulatory and competitive environment for a dynamic private sector; and mobilizing private capital at scale in a fiscally constrained environment with a large infrastructure spending gap.

Recent developments

Growth picked up modestly from 0.5 percent in 2024 to 1.1 percent in 2025, primarily driven by stronger private consumption, although investment and exports weakened. On the supply side, agriculture, financial services, and transport and communications supported activity, but manufacturing contracted. Despite improved electricity availability and some recovery in freight operations, the expansion remained constrained by logistics bottlenecks, limited market contestability, and persistent skills mismatches.

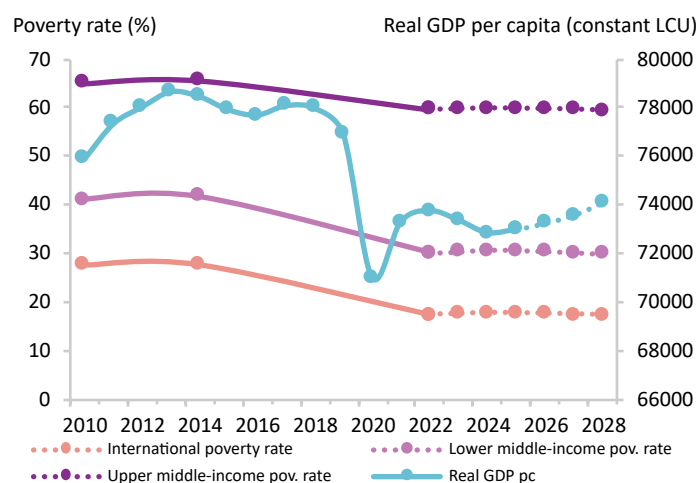
Despite negative per capita GDP growth between 2014 and 2022, recent data show some improvements in poverty, which decreased from 65.7 percent to 59.6 percent, and inequality, with the Gini coefficient falling from 0.63 to 0.54 during this period. This progress is primarily concentrated in rural areas. Labor market conditions

FIGURE 1 / Government debt and interest payments



Sources: National Treasury and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

remained a significant challenge with the unemployment rate averaging 32.4 percent in 2025.

In 2025, inflation eased to 3.2 percent from 4.4 percent in 2024 and registered at 3 percent at end February 2026. Banks remain liquid and well capitalized, with non-performing loans at 4.7 percent at end 2025. South Africa exited the Financial Action Task Force grey list in October 2025. The current account deficit is estimated at 0.5 percent of GDP in 2025, reflecting lower income payments and transfers offsetting a positive goods balance driven by improved terms of trade.

Fiscal pressures have eased thanks to strong revenues at 27.7 percent of GDP, up from 28.2 percent in 2024. The fiscal deficit is estimated at 5.5 percent of GDP in 2025, while public debt rose to 78.9 percent of GDP from 77.0 percent in 2024. Spending increased by about 1 percentage points of GDP, driven by Eskom debt relief.

Outlook

Growth is projected at 1.0 percent in 2026, as higher oil prices related to the conflict in the Middle East weigh on activity, before strengthening gradually to 1.7 percent by 2028, supported by improved energy availability and continued reforms in key infrastructure sectors. Even so, poverty is projected to remain persistently high, with about 60 percent of the population living below the upper-middle-income poverty line through 2028.

The primary balance is projected to return to surplus in 2026, supported by the phasing-out of Eskom debt relief,

expenditure discipline, and spending efficiency, while preserving social and infrastructure priorities. Over the medium term, revenues are projected at 28.3 percent of GDP in 2026–28, while expenditure declines from about 34.3 percent of GDP in 2025 to around 32.2 percent by 2028, narrowing the overall deficit to about 3.9 percent of GDP. Public debt is projected to peak at around 79.3 percent of GDP in 2027 before declining, underpinned by sustained primary surpluses and lower debt-service costs.

Inflation is projected at 4.1 percent in 2026, reflecting pass-through from higher international oil prices. A sustained rise in oil prices would add to imported inflation, raise transport and production costs, and weigh on growth. Together with possible supply-chain disruptions, higher import costs could intensify price pressures, erode household purchasing power, and increase the risk of food insecurity, especially among poorer households. Over the medium term, inflation is projected to average about 3.4 percent (2027–28), remaining within the newly established target band of 3 percent $\pm$ 1 percentage point. The current account deficit is projected to widen gradually to about 1.0 percent of GDP by 2028, as commodity export prices normalize and import demand rises with stronger investment.

Risks are tilted to the downside, as a weaker global outlook, heightened geopolitical tensions, higher oil prices, and domestic political and implementation delays could weigh on reform momentum, confidence, and investment. Faster progress in energy and logistics reforms, together with a stronger private investment response, could improve the outlook.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	0.8	0.5	1.1	1.0	1.5	1.7
Private consumption	0.2	1.0	3.6	2.0	2.2	2.3
Government consumption	1.9	-0.1	-0.2	-1.8	-0.7	-0.9
Gross fixed capital investment	3.0	-3.9	-2.2	0.8	2.9	3.9
Exports, goods and services	5.1	-2.8	-2.5	1.4	2.0	2.2
Imports, goods and services	3.9	-6.4	1.1	2.0	3.0	3.0
Real GDP growth, at constant factor prices	0.7	0.5	1.1	1.0	1.5	1.7
Agriculture	-4.6	-8.7	17.4	2.5	2.0	2.0
Industry	-0.3	-0.4	-1.6	2.0	1.3	1.3
Services	1.3	1.1	1.3	0.8	1.4	1.7
Employment rate (% of working-age population, 15 years+)	43.5	43.0	43.1	43.2	43.3	43.4
Inflation (consumer price index)	6.0	4.4	3.2	4.1	3.4	3.3
Current account balance (% of GDP)	-1.1	-0.7	-0.5	-1.0	-1.0	-1.0
Fiscal balance (% of GDP)¹	-5.4	-5.6	-5.5	-4.3	-4.0	-3.9
Revenues (% of GDP)	27.4	27.7	28.8	28.3	28.3	28.3
Debt (% of GDP)	73.9	77.0	78.9	79.3	79.3	78.9
Primary balance (% of GDP)	-0.4	-0.4	-0.1	0.9	1.1	1.1
International poverty rate (\$3.00 in 2021 PPP)^{2,3}	17.6	17.8	17.8	17.8	17.7	17.5
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{2,3}	30.4	30.7	30.7	30.7	30.6	30.3
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{2,3}	59.8	60.0	60.0	60.0	59.9	59.7
GHG emissions growth (mtCO₂e)	-2.2	-1.5	-0.2	-0.7	0.0	0.2

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ The Eskom debt-relief arrangement is reported above the line, in expenditures.

2/ Calculations based on 2022-IES. Actual data: 2022. Nowcast: 2023-2025. Forecasts are from 2026 to 2028.

3/ Projection using neutral distribution (2022) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

SOUTH SUDAN

A major oil export disruption in FY25 triggered a contraction in real GDP and sharp currency depreciation. High inflation, reduced development aid, and arrears to civil servants eroded household consumption and raised extreme poverty. With oil exports restored, early FY26 shows tentative stabilization. The outlook remains fragile amid entrenched corruption, weak governance, and escalating domestic conflict, and the conflict in the Middle East.

Key conditions and challenges

Nearly fifteen years after independence, South Sudan remains trapped in political, humanitarian, and macroeconomic crises, posting some of the weakest development outcomes globally despite abundant oil and arable land. Human and physical capital remain very limited: only one-third of the population is literate, just 2 percent of roads are paved, and only 5 percent of households have electricity. Food insecurity and malnutrition remain extremely high, about 6.0 million people (42 percent) face acute food insecurity, including roughly 1.3 million in emergency.

These outcomes reflect deep structural constraints. Corruption and weak governance have eroded the potential of the key export—oil—leaving the state unable to deliver services or invest in education, health, or infrastructure. Economic diversification is stifled by conflict, climate shocks, and limited investment. Large off-budget expenditures, and their impact on fiscal operations, are the main source of macroeconomic instability.

Population ¹ million	Poverty ² millions living on less than \$3.00/day
12.2	8.4
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
57.6	98.4
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
6.0	491.4

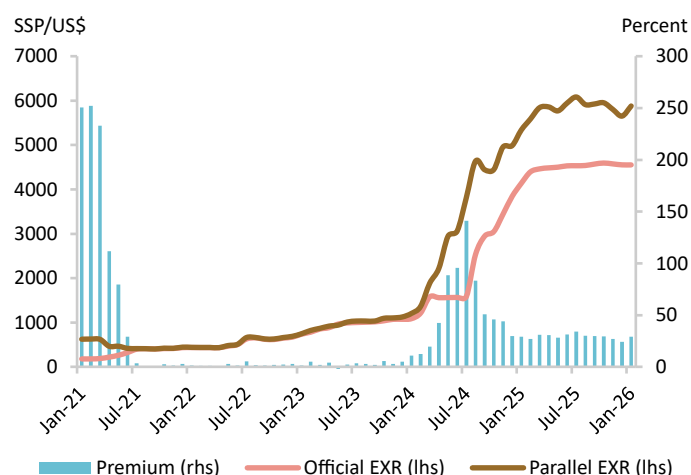
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2016. 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

The war in Sudan compounded macroeconomic stress, forcing the closure of the Dar Blend pipeline (February 2024–2025) transporting most of South Sudan's oil. The arrival of 1.3 million refugees and returnees since the beginning of the conflict in Sudan in April 2023, has created further economic and social pressures. Meanwhile, declining foreign aid has weakened household consumption and undermined essential services. An incomplete implementation of the 2018 peace agreement has escalated conflict in the northeast in recent months. After several postponements, the first post-independence elections are scheduled for December 2026.

Recent developments

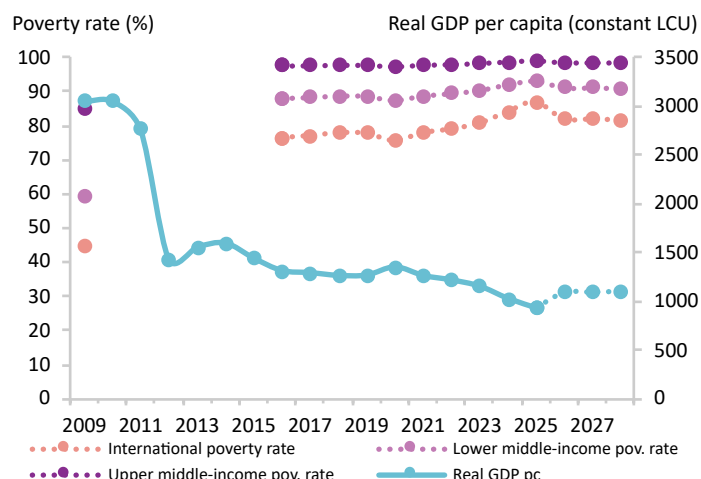
Despite the sharp drop in oil production during the pipeline shutdown, real GDP is estimated to have contracted by only 7.7 percent in FY25, cushioned by strong agriculture growth. The daily oil production is estimated to have moved towards 157,000 barrels per day in the first half of FY26 from around 95,000 in FY25. In December 2025, Sudanese warring parties and South Sudan reached a tripartite security agreement to safeguard critical oil export infrastructure in Sudan.

FIGURE 1 / Exchange rate developments



Source: Bank of South Sudan.

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



Source: World Bank. Notes: See footnotes in table on the next page.

The fiscal deficit widened to an estimated 6.7 percent of GDP in FY25 from 3.7 percent in FY24, largely due to higher goods and services spending, particularly by the Ministry of Presidential Affairs. As of January 2026, government agencies had accumulated salary arrears to civil servants of 8 to 13 months. Significant off-budget spending and financing likely contributed to a much larger headline fiscal deficit than reported. Additionally, public debt is mired in legal disputes around oil backed loans.

Off-budget expenditures financed through the banking sector, including the central bank, are estimated to have added to price pressures. Annual average inflation—proxied by food inflation measured by the World Bank Development Economics Data Group using World Food Program data—reached 234 percent in FY25. The National Bureau of Statistics ceased publishing official inflation data after May 2025, citing insufficient resources to collect price data.

Lower oil output and falling global prices turned the current account from a surplus of 3.4 percent of GDP in FY24 to a deficit of 0.3 percent of GDP in FY25. The official exchange rate depreciated by an average of 198 percent in FY25, while the parallel rate depreciated by 224 percent, with an average market premium of 41 percent.

Inflation, reduced development aid, and wage arrears further eroded household consumption and deepened poverty, although improved agricultural output provided some relief. Extreme poverty is estimated to have risen from 84 percent in 2024 to 87 percent in 2025, an addition of 0.56 million people.

Outlook

South Sudan's outlook is constrained by political and economic instability. The restoration of oil production will lift GDP growth in FY26 assuming no further conflict-related disruptions in Sudan. Sustaining growth, however, will require attracting investment, particularly foreign direct investment, into both oil and non-oil sectors.

Clearing salary arrears will widen the fiscal deficit over the next two fiscal years, though consolidation should narrow it by FY28. Inflation is projected to ease in FY26 from a high base, but conflict in the Middle East is expected to raise import prices and worsen food security. Medium-term price stability depends on avoiding unplanned spending. The current account is projected to return to surplus, supporting exchange rate stabilization, as rising oil prices offset costlier imports.

Intensified domestic conflict could derail stabilization. Frequent rotation of senior officials and accumulating salary arrears could further weaken bureaucracy and erode government functions. Further disruptions, including closure of key trade routes amid the conflict in the Middle East, could affect oil revenues and strain external and fiscal balances. Recurrent climate shocks, particularly flooding, threaten agricultural production and food security. Collectively, these risks underscore the urgency of advancing governance and structural reforms that underpin sustained development.

Calculations based on limited data suggest that eight in ten people are projected to live in extreme poverty by 2027, given high inflation, recurrent flooding, political tensions, and ongoing governance challenges.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	-1.3	-7.4	-7.7	20.3	2.4	2.9
Real GDP growth, at constant factor prices	-1.3	-7.4	-7.7	20.3	2.4	2.9
Agriculture	-1.7	8.3	10.7	4.4	4.4	4.4
Industry	-4.3	-16.9	-18.3	41.9	0.3	1.2
Services	3.6	2.4	0.0	4.0	4.5	4.5
Inflation (consumer price index)	48.7	105.1	233.6	33.3	8.9	7.2
Current account balance (% of GDP)	6.3	3.4	-0.3	3.7	2.0	4.0
Net foreign direct investment inflow (% of GDP)	0.6	1.5	0.5	0.5	0.5	0.5
Fiscal balance (% of GDP)	3.8	-3.7	-6.7	-4.0	-5.4	-2.1
Revenues (% of GDP)	32.7	25.7	18.1	25.5	24.5	25.2
Debt (% of GDP)	78.0	59.7	71.9	44.3	46.7	46.5
Primary balance (% of GDP)	3.8	-3.7	-6.6	-3.8	-5.3	-1.9
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	80.7	84.1	87.0	82.1	82.0	81.7
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	90.4	92.1	93.3	91.2	91.2	91.0
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	98.2	98.6	98.9	98.4	98.4	98.4
GHG emissions growth (mtCO2e)	0.4	1.0	1.2	0.9	0.5	0.6

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2016-HFS-W3. Actual data: 2016. Nowcast: 2017-2025. Forecasts are from 2026 to 2028.

2/ Projection using neutral distribution (2016) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

SUDAN

The economy shows early signs of recovery, supported by the return of displaced populations, pickup in economic activity, and easing supply constraints. Modest improvements in trade flows, localized market activity, and price stabilization in secure areas indicate nascent gains. However, the outlook remains uncertain. Recovery prospects depend on restoring peace and stability and rebuilding institutional capacity.

Population ¹ million	Poverty ² millions living on less than \$4.20/day
51.7	40.4
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
66.3	..
GDP ⁵ current US\$, billion	GDP per capita ⁵ current US\$
60.2	1164.5

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2026 (2021 PPPs). 3/ 2023. 4/ No recent data available. 5/ 2025. 6/ 2025.

Key conditions and challenges

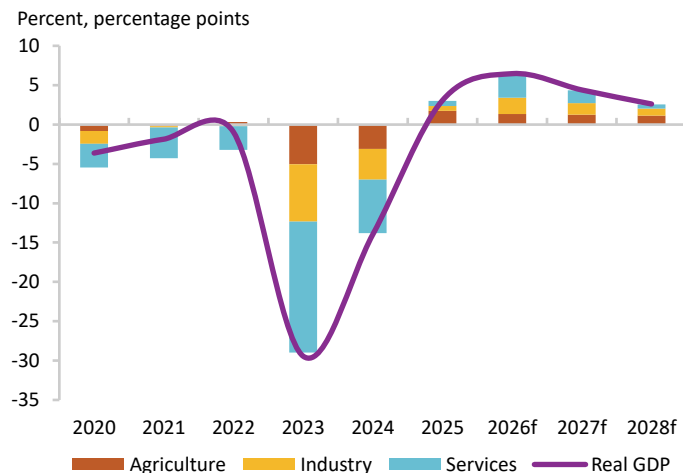
Improved security in Khartoum state and central and eastern Sudan has enabled the partial return of displaced populations; about 3.5 million people have returned to their areas of origin, according to the International Organization for Migration. This has supported the partial restoration of government functions, including education and health services, alongside the partial relocation of government institutions back to Khartoum, contributing to a modest recovery in economic activity. However, deteriorating security in western and southern regions threatens stability, underscoring the fragility of these gains. The United Nations High Commissioner for Refugees estimates that 11.7 million people remain displaced as of February 2026, while Integrated Food Security Phase Classification (IPC) reports that over 21 million people were experiencing acute food insecurity as of September 2025, highlighting the continued strain on household living conditions. Pre conflict weaknesses—limited fiscal space and chronic underinvestment in infrastructure and human capital—have worsened, leaving the economy more vulnerable. Limited data availability continues to hamper macroeconomic assessment.

Recent developments

Real GDP is estimated to have rebounded by 3.1 percent in 2025 following the severe contractions of 2023 and 2024, reflecting low base effects and an initial pickup in activity, supported by gradually rising private consumption. Growth has benefited from a partial easing of conflict related disruptions, including resumption of agriculture in secure areas, improved movement of goods along key transport routes, and reopening of local markets. Exports partially recovered in 2025, supported by the gradual restoration of export capacity in gold and agriculture sectors.

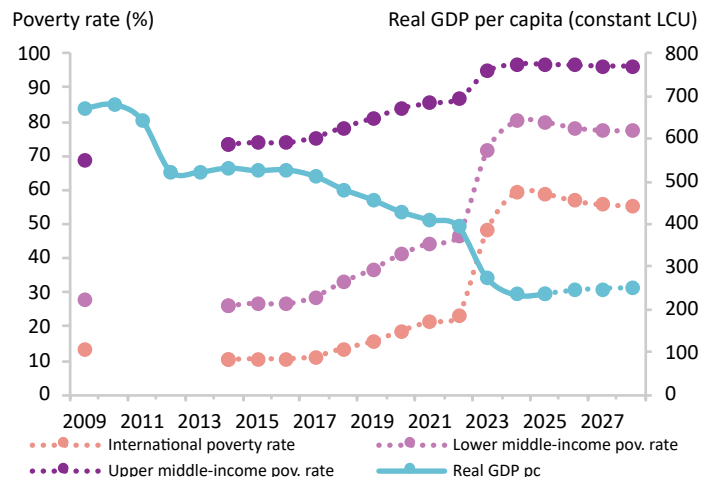
Inflation started to decelerate from April 2025, reflecting easing supply constraints and the gradual resumption of economic activity. By December 2025, year on year inflation declined to 68.2 percent, from a peak of 218 percent in August 2024. Still, price pressures remain elevated, driven mainly by higher housing and food costs and exchange rate depreciation—approximately 20 percent by December 2025 compared to December 2024. Money supply increased 74.7 percent in December 2025, compared to December 2024, mostly driven by monetization of fiscal deficit, which has widened as elevated spending pressures continued to outpace

FIGURE 1 / Real GDP growth and sectoral contributions to real GDP growth



Sources: Central Bureau of Statistics and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

gains in revenue mobilization. The authorities continued to rely on Central Bank's financing amid limited access to external financing and rising expenditure pressures.

Parts of Darfur and Kordofan regions are in IPC Phase 5, the highest phase of acute food insecurity. Extreme poverty, defined as the share of population living with less than US\$3 a day, is estimated to have significantly increased from 48 percent to 59 percent between 2023 and 2025.

Outlook

The government's partial return to Khartoum marks an important step toward re-establishing state presence and restoring core administrative functions, which is expected to underpin a moderate recovery in economic activity. Real GDP is projected to increase by 5.5 percent in 2026, reflecting improved security conditions and strengthened institutional capacity. Output gains are expected across industrial and services sectors as supply bottlenecks ease, transport links are progressively restored, and firms rebuild inventories and capacity. As the latest household survey is over a decade old, and conflict persists, poverty forecasts are highly uncertain. Nevertheless, extreme poverty and food insecurity are anticipated to remain high in the medium term.

Inflation is projected to decline gradually in 2026 and over the medium term, as conflict related constraints ease, though it will remain elevated. Exports are projected to strengthen in 2026, with gold playing a more prominent role, supported by improved security along key export

routes. Imports will rise in the near term, driven by recovering domestic demand and reconstruction needs.

Public revenues are projected to recover gradually but remain below pre-conflict levels, while expenditures will remain elevated, due to significant reconstruction needs, resulting in large fiscal deficits that narrow only gradually over the medium term. Public debt will remain elevated in the medium term, reflecting the continued accumulation of arrears and penalties, underscoring the importance of resuming the Heavily Indebted Poor Countries initiative to unlock debt relief and support a sustained post-conflict recovery.

Near-term risks remain elevated, given the ongoing conflict in several regions in Sudan and the potential for renewed violence to spread to currently stable areas. The announcement of a parallel government in territories outside the control of the central authorities heightens the risk of economic, political, and institutional fragmentation. Deep seated structural and institutional weaknesses will weigh on the medium-term outlook, and growth rates will revert to the economy's subdued pre-conflict trajectory.

The recent escalation of conflict in the Middle East is projected to raise Sudan's import bill and push up domestic fuel, transport, and food costs, adding to inflationary pressures and further widening the trade and current account deficits. A prolonged conflict could also drive-up fertilizer prices ahead of the agricultural season, intensifying input cost pressures. Prolonged instability in the Middle East may additionally constrain remittance inflows, weighing on private consumption and dampening growth. It may also divert essential international assistance away from the country, deepening the ongoing humanitarian crisis.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	-29.4	-14.0	3.1	5.5	4.4	2.6
Private consumption	-28.4	-16.2	4.8	4.8	3.1	2.0
Government consumption	-27.1	-0.6	6.0	19.3	14.4	8.7
Gross fixed capital investment	-20.0	-15.0	4.5	5.5	4.0	3.5
Exports, goods and services	-37.1	-30.0	75.0	9.0	7.0	4.0
Imports, goods and services	-12.7	-21.5	35.0	19.0	8.0	7.0
Real GDP growth, at constant factor prices	-29.4	-14.0	3.0	5.5	4.4	2.6
Agriculture	-14.9	-7.6	4.0	3.0	2.9	2.7
Industry	-25.8	-13.1	2.0	7.0	5.0	3.0
Services	-45.5	-24.0	2.6	8.1	6.3	2.0
Inflation (consumer price index)	65.8	170.0	111.5	77.7	50.0	25.0
Current account balance (% of GDP)	-6.2	-15.6	-9.8	-9.7	-9.3	-8.3
Net foreign direct investment inflow (% of GDP)	-0.7	-1.5	-0.6	-0.4	-0.3	-0.2
Fiscal balance (% of GDP)	-4.9	-5.1	-5.4	-5.2	-4.9	-4.6
Revenues (% of GDP)	3.7	3.7	4.2	5.1	5.4	5.9
Debt (% of GDP)¹	180.0	149.7	128.5	117.8	128.1	142.5
Primary balance (% of GDP)	-4.8	-5.0	-5.3	-5.1	-4.9	-4.5
International poverty rate (\$3.00 in 2021 PPP)^{2,3}	48.4	59.4	58.9	57.3	56.3	56.1
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{2,3}	71.7	80.1	79.9	78.8	77.8	77.7
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{2,3}	94.7	96.8	96.7	96.5	96.3	96.2
GHG emissions growth (mtCO2e)	-5.2	-2.6	0.3	3.2	3.6	2.9

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Debt projections do not include any restructuring achieved during the HIPC process.

2/ Calculations based on 2014-NBHS. Actual data: 2014. Nowcast: 2015-2025. Forecasts are from 2026 to 2028.

3/ Projection using neutral distribution (2014) with pass-through = 1 (High (1)) based on GDP per capita in constant LCU.

TANZANIA

Growth is projected at 6.1 percent in 2026, supported by infrastructure, extractives, an improving business environment, and macroeconomic stability with low inflation and exchange rate flexibility. External balances are manageable, amid positive terms of trade. Fiscal deficits will narrow as revenue strengthens. Yet, poverty is expected to decline marginally given human development gaps and scarce jobs. Risks include political tensions, fiscal pressures, Middle East conflict, and climate shocks.

Key conditions and challenges

Tanzania's growth momentum continues to accelerate. Economic dynamism is fueled by large investments in infrastructure and an improving business environment. Expanding transport infrastructure helps Tanzania to leverage its unique position as a connectivity hub in the region with East Africa's largest metropolis and a deep-sea harbor. Tanzania's traditionally strong macroeconomic fundamentals such as prudent fiscal and monetary policies further sustain growth momentum. Increasingly flexible exchange rate policy has largely addressed exchange rate distortions, closing the gap between official and parallel rates and bolstering the country's ability to absorb external shocks.

Despite these strengths, Tanzania continues to face structural and policy barriers that hinder broader, and more inclusive growth. Economic growth remains concentrated in a few sectors, with scarce opportunities for wage employment. Improving the business environment further and investing in human development are essential to building a private sector-driven economy that creates jobs and supports poverty reduction. Tanzania also navigates

Population ¹ million	70.5	Poverty ² millions living on less than \$3.00/day	29.5
Life expectancy at birth ³ years	67.0	School enrollment ⁴ primary (% gross)	92.7
GDP ⁵ current US\$, billion	90.1	GDP per capita ⁶ current US\$	1381.6

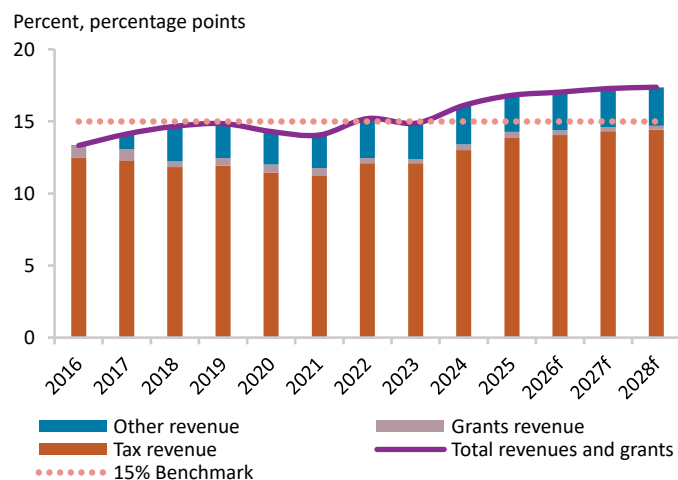
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2018 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

fiscal trade-offs as it prioritizes long-term infrastructure projects amid modest revenues and decreasing official development assistance—factors that leave critical investment needs in human development and public services unmet.

Recent developments

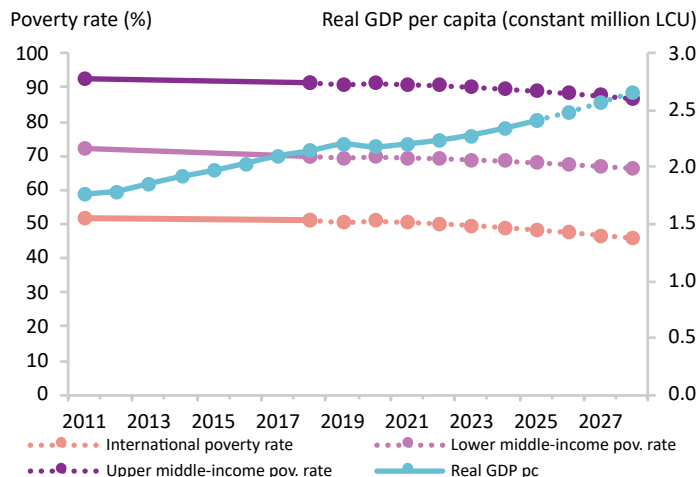
Despite disruptions following a contested election in the last quarter of 2025 and ongoing conflict in the Middle East, economic growth continued to pick up, driven by robust fundamentals. Agricultural sector performance was in line with long-run averages despite dryer-than-normal conditions in large parts of the country, benefiting from policy support. Robust increases in industrial output, including the construction sector, made up for weaker-than-expected service sector growth, including slowing tourism growth during the last quarter of 2025. Nominal wages in 2024 increased by just over 20 percent since 2020, roughly in line with nominal GDP growth per capita. With core inflation relatively subdued, the Bank of Tanzania lowered the policy rate by 25 basis points to 5.75 percent in July 2025. Exchange rates were more flexible over the past year with increased foreign exchange market liquidity.

FIGURE 1 / Total fiscal revenue and grants and contributions, percent of GDP



Source: World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

Tanzania continued to experience positive terms of trade because of high gold prices and, until recently, subdued fuel prices. While record gold prices led to continued double-digit growth in nominal merchandise exports, decreases in the volume of other exports and government gold purchases led to soft export sector performance in constant prices. Despite a narrowed trade deficit in 2025, lower transfer inflows combined with increased external payments led to an increasing current account deficit. However, given its moderate size and available financing the deficit remains unproblematic—foreign direct investment and government external borrowing alone more than cover it and reserves continue to trend up.

Fiscal deficits in the second half of 2025 were atypically high amidst election-related expenditure pressures. However, the overall fiscal deficit, estimated at 3.8 percent of GDP in 2025, was still moderate by regional standards. Fiscal allocations to the education and health sector increased in response to reduced foreign assistance, but overall human development programs remained constrained by infrastructure spending prioritization amid low domestic revenues. While increasing by 0.9 percentage points of GDP in 2025, tax revenues at 13.8 percent of GDP remained below common benchmarks and regional standards. Fiscal imbalances in Zanzibar (not captured in the headline deficit for Mainland Tanzania) continued to widen amid a major investment push.

Outlook

Growth is projected at 6.1 percent in 2026 and is expected to accelerate further to 6.5 percent over the medium term. Ambitious infrastructure investments, a robust extractives pipeline, and steady progress on the business environment are expected to sustain robust economic expansion.

Macroeconomic policies are expected to remain conducive to containing inflation below the 5 percent target despite pressure from recent fuel price shocks and preserving fiscal and debt sustainability. The government is expected to return to medium-term deficit targets through continuous efforts in domestic revenue mobilization. Tanzania's external balances will remain strong, supported by favorable terms of trade and flexible exchange rate policies.

Despite strong economic growth, poverty reduction is projected to remain modest as many structural bottlenecks affecting Tanzania's ability to translate growth into poverty reduction, such as limited public services for human development and social inclusion, persist. In addition to recent cuts, further development assistance is under review, which may adversely affect poverty reduction going forward, as programs may be scaled back or discontinued, disrupting service delivery to the poor in some areas.

Four primary risks could weigh on the baseline outlook. Renewed political instability could lead to lasting damage to Tanzania's reputation underlying recent increases in investment and tourism. Should the government's ambitious development plans outpace anticipated revenue growth, Tanzania's fiscal balance may come under pressure, straining public services. Extreme weather events may also adversely impact agriculture, affecting the country's poor and vulnerable groups. Global tensions and escalating conflict in the Middle East could weigh further on growth and external balances. On the upside, strengthened public-private partnerships, especially in transport and energy, increased economic openness, along with renewed investor confidence following expedited political reconciliation, could lift growth significantly above current forecasts.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	5.1	5.5	5.9	6.1	6.4	6.5
Private consumption	2.2	3.1	3.4	5.2	6.4	6.5
Government consumption	10.7	9.5	15.2	7.8	7.1	7.0
Gross fixed capital investment	5.7	5.3	9.0	5.1	6.5	6.1
Exports, goods and services	13.2	16.4	-5.0	6.8	6.4	6.5
Imports, goods and services	7.5	9.2	2.5	3.4	7.5	6.4
Real GDP growth, at constant factor prices	5.1	5.6	5.9	6.1	6.4	6.5
Agriculture	3.6	3.9	3.6	2.9	3.9	3.5
Industry	4.8	5.4	7.8	7.8	7.9	8.0
Services	6.2	6.8	5.8	6.9	6.8	7.1
Employment rate (% of working-age population, 15 years+)	79.6	81.8	81.8	81.8	81.9	81.9
Inflation (consumer price index)	3.8	3.1	3.4	4.1	3.9	4.0
Current account balance (% of GDP)	-3.8	-3.0	-3.3	-2.4	-2.3	-2.1
Net foreign direct investment inflow (% of GDP)	2.1	2.2	1.9	2.1	2.3	2.4
Fiscal balance (% of GDP)	-3.7	-2.7	-3.4	-3.1	-2.8	-2.6
Revenues (% of GDP)	14.9	16.1	16.8	17.1	17.3	17.4
Debt (% of GDP)	45.0	49.9	48.5	47.4	46.2	44.8
Primary balance (% of GDP)	-1.6	-0.2	-1.0	-0.4	-0.3	-0.2
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	49.7	49.1	48.3	47.5	46.7	45.8
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	69.0	68.5	68.1	67.6	67.0	66.4
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	90.2	89.6	89.0	88.4	87.6	86.9
GHG emissions growth (mtCO₂e)	1.1	1.5	-0.1	2.0	2.1	2.1

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2011-HBS and 2018-HBS. Actual data: 2018. Nowcast: 2019-2025. Forecasts are from 2026 to 2028.

2/ Projection using point to point elasticity at regional level with pass-through = 0.7 based on GDP per capita in constant LCU.

TOGO

GDP growth moderated to 5.9 percent in 2025, reflecting fiscal consolidation efforts and softening global demand. Growth is projected to narrow further to 5.0 percent in 2026, including spillovers from the Middle East, before recovering to 6.0 percent in 2027–28, supported by ongoing reforms. Extreme poverty is projected to decline to 22.2 percent by 2028. Escalating geopolitical tensions, regional security challenges, and climate shocks constitute key risks.

Key conditions and challenges

Togo's real GDP growth rebounded strongly during the post-COVID period but slightly moderated in 2025 amid global economic headwinds and fiscal consolidation efforts. Poverty reduction has been slow, constrained by key challenges, including restoring fiscal space, reducing spatial disparities in access to basic services, easing structural constraints to investment and formalization, and expanding productive job opportunities for a rapidly growing youth population.

Many young workers remain trapped in low-paying and precarious employment, with about 80 percent of those employed working in low-productivity agriculture or domestic services. Gender gaps remain significant, with women more exposed to vulnerable employment (84.4 percent) than men (66.3 percent). Addressing these challenges will require fast-tracked reforms to broaden the tax base, improve investment and debt management, expand access to electricity and digital services, strengthen regional competitiveness, and build skills for high-potential sectors.

Population ¹ million	Poverty ² millions living on less than \$3.00/day
8.6	3.1
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
62.7	114.3
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
11.8	1373.2

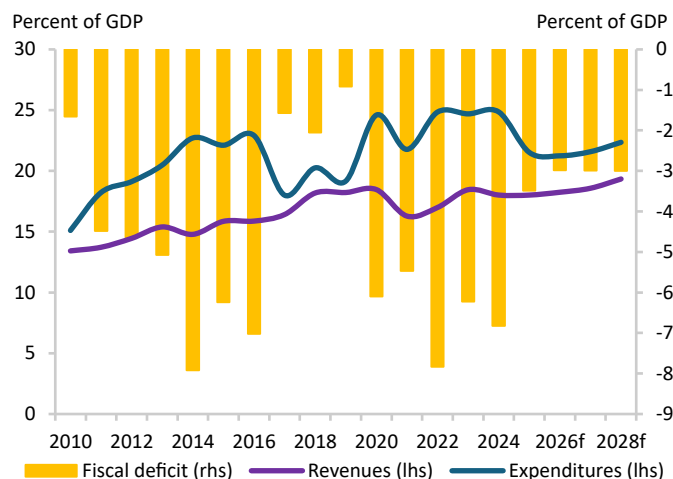
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2021 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

Recent developments

Real GDP growth is estimated at 5.9 percent in 2025 (3.6 percent in per capita terms), broadly in line with its average performance over the last decade. On the demand side, a slowdown in public investment and softer exports were offset by dynamic private investment and household consumption, buoyed by low inflation and confidence-building reforms. On the supply side, industry remained dynamic, benefiting from robust mining production and improved electricity reliability.

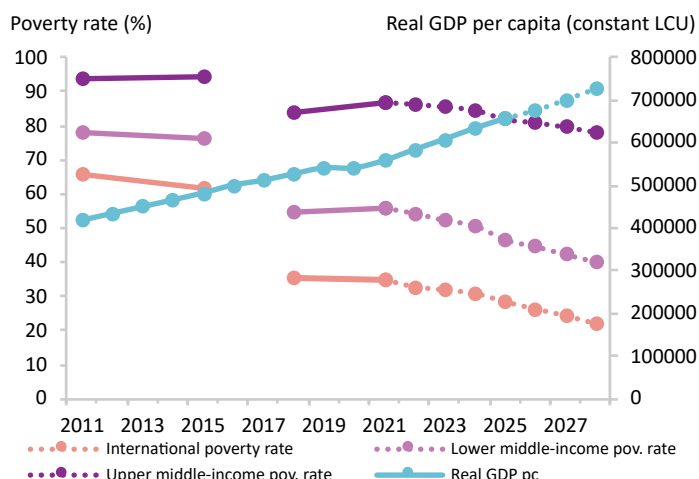
Services growth moderated slightly, while agriculture performed well thanks to generally favorable climatic conditions and productivity-enhancing policy measures. Employment as a share of the working-age population remained broadly stable at around 57.8 percent in 2025, as job creation barely matched labor supply growth. Revenue mobilization and public investment cuts reduced the fiscal deficit from 6.8 percent of GDP in 2024 to 3.5 percent in 2025 (excluding banking-sector operations). Financing relied largely on the West African Economic and Monetary Union (WAEMU) regional debt market amid tight financing conditions, while public debt declined slightly from 66.2 percent of GDP

FIGURE 1 / Revenues, expenditures, and deficit



Source: World Bank.

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



Source: Notes: See footnotes in table on the next page.

in 2024 to 63.0 percent in 2025. Inflation declined to a 5-year low of 0.4 percent in 2025, down from 2.9 percent in 2024, thanks to lower food and transport costs. Lower inflation, combined with households' nominal income gains across sectors, contributed to a decline in the international poverty rate—from 30.7 percent in 2024 to 28.3 percent in 2025. The WAEMU inflation rate sharply declined to 0.2 percent in 2025 from 3.5 percent in 2024, driven mainly by lower global food prices, and regional foreign reserves increased to 6.1 months of imports. After maintaining its monetary policy stance unchanged since June 2025, the Central Bank of West African States (BCEAO) reduced its key policy rates in March 2026 by 25 basis points, lowering the liquidity call rate and the marginal lending facility rate to 3.0 percent and 5.0 percent, respectively.

The current account deficit narrowed slightly from 3.0 percent in 2024 to 2.9 percent of GDP in 2025, as lower imports growth and improved terms of trade offset softer exports despite robust phosphate-sector performance. Transshipment activity at the Port of Lomé remained robust in 2025.

Outlook

GDP growth is projected to slightly moderate to 5.0 percent in 2026, reflecting continued fiscal consolidation efforts and the impact of the conflict in the Middle East, which is putting upward pressure on global energy markets and spilling over into domestic food, energy, and transport prices. Barring an escalation of geopolitical risks, growth is projected to strengthen to an average of 6.0 percent in 2027–28, supported by ongoing reforms expected to raise households' disposable income and private investment, including in Agriculture Development Zones and industrial zones. On the supply side, industrial activity and agricultural yields are also

expected to improve, supported by mining, light manufacturing, expanding electricity generation capacity, and continued sectoral reforms. The current account deficit is projected to widen slightly in 2026 despite strengthening export performance, driven by robust activity in the phosphate sector, partially offset by increased energy imports costs.

Economic growth is projected to raise the employment rate to 58.5 in 2026 and to 59.5 percent by 2027–28. Rising per-capita incomes across sectors and generally moderate inflation would support continued, albeit gradual, poverty reduction, with poverty declining to 26.4 percent in 2026 and 22.2 percent by 2028. Poverty reduction could be accelerated by reforms that raise productivity and expand access to better-quality jobs. At the regional level, inflation is expected to remain within the 1–3 percent WAEMU target band from 2026 onward, while foreign reserves are projected to average 5.9 months of imports during 2026–28, supported by resilient export performance. The fiscal deficit is projected to narrow to 3 percent of GDP from 2026 onwards, in line with the WAEMU target. This adjustment will rely mainly on tax policy and administration reforms, complemented by expenditure restraint. Public debt would reach 64.8 percent of GDP in 2026, declining to an average of 62.3 percent in 2027–28. Debt distress risks will remain moderate, though short-term refinancing pressures persist.

The outlook is subject to growing downside risks. In particular, a potential escalation of the conflict in the Middle East and regional security challenges, combined with heightened financial risk, could have more severe-than-expected effects on growth and exacerbate poverty, particularly in vulnerable regions. On the upside, a faster-than-expected implementation of structural reforms could mitigate emerging risks and further stimulate private investment and job creation.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	6.2	6.5	5.9	5.0	5.8	6.2
Private consumption	4.3	5.4	6.2	5.1	5.6	5.8
Government consumption	6.3	2.0	-0.3	2.0	5.8	3.3
Gross fixed capital investment	12.0	6.3	6.8	6.2	6.8	8.3
Exports, goods and services	6.8	5.8	5.7	5.5	6.2	6.7
Imports, goods and services	5.8	5.4	5.4	5.8	6.8	6.9
Real GDP growth, at constant factor prices	6.2	6.5	5.9	5.0	5.8	6.2
Agriculture	4.2	4.1	4.5	5.0	5.6	6.4
Industry	6.7	4.2	4.8	5.4	5.8	6.0
Services	6.7	8.2	6.7	4.9	5.8	6.2
Employment rate (% of working-age population, 15 years+)	57.0	56.7	57.8	58.5	59.2	59.8
Inflation (consumer price index)	5.3	2.9	0.4	2.8	2.5	2.1
Current account balance (% of GDP)	-3.1	-3.0	-2.9	-3.2	-3.1	-3.0
Net foreign direct investment inflow (% of GDP)	-0.5	0.0	0.5	0.4	0.3	0.5
Fiscal balance (% of GDP)	-6.2	-6.8	-3.5	-3.0	-3.0	-3.0
Revenues (% of GDP)	18.5	18.0	18.0	18.3	18.7	19.4
Debt (% of GDP)	63.5	66.2	63.0	64.8	63.4	61.8
Primary balance (% of GDP)	-3.7	-4.1	-1.1	-0.4	-0.5	-0.7
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	31.7	30.7	28.3	26.4	24.7	22.2
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	52.1	50.6	46.5	44.8	42.8	40.7
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	85.6	84.7	81.9	81.0	80.0	78.5
GHG emissions growth (mtCO₂e)	2.8	4.3	4.7	5.5	5.8	1.8

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2021-EHCVM. Actual data: 2021. Nowcast: 2022–2025. Forecasts are from 2026 to 2028.

2/ Projections using microsimulation methodology.

UGANDA

Economic activity remained resilient in H2-2025, supported by manufacturing and construction. Inflation remained low and stable, supported by prudent monetary policy and exchange rate stability. Following high pre-election spending and mounting interest costs, fiscal pressures are intensifying. Strengthening fiscal sustainability and accelerating economic transformation is critical to creating more and better jobs and reducing poverty.

Key conditions and challenges

Uganda's growth averaged 5.9 percent over the past three years, while inflation declined to below 5 percent. Foreign exchange reserves strengthened, supported by robust exports and portfolio inflows. However, fiscal vulnerabilities intensified as spending accelerated ahead of the January 2026 elections, amid limited concessional financing and costly domestic debt. The fiscal deficit widened, and public debt increased, diverging from the Charter of Fiscal Responsibility. Reliance on domestic financing raised debt service—now exceeding a third of revenues—crowding out priority spending and heightening fiscal risks. Domestic revenue mobilization remains low, at about 13 percent of GDP.

Economic transformation remains slow, with job creation failing to keep pace with rapid population growth. With around three-quarters of Ugandans depending on agriculture for their livelihoods yet the sector contributes only 23 percent of GDP, there is significant untapped potential to raise agricultural productivity and accelerate a transition toward higher value-added sectors.

Population ¹ million	51.4	Poverty ² millions living on less than \$3.00/day	25.6
Life expectancy at birth ³ years	68.3	School enrollment ⁴ primary (% gross)	106.2
GDP ⁵ current US\$, billion	62.0	GDP per capita ⁶ current US\$	1205.9

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2019 (2021 PPPs). 3/ 2023. 4/ 2017. 5/ 2025. 6/ 2025.

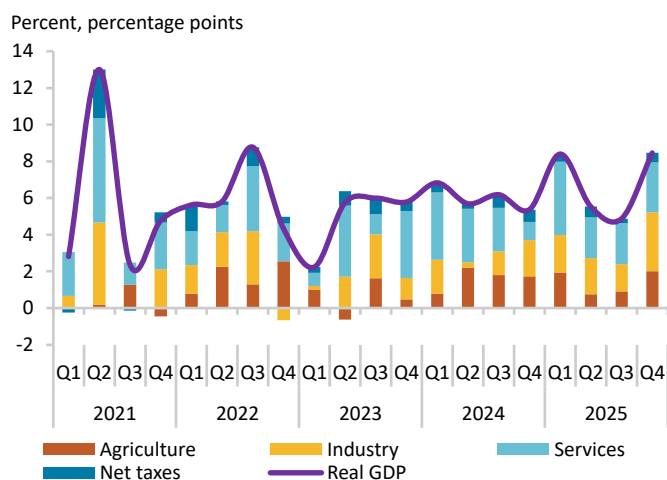
Underinvestment in health and education fuels a persistent human capital deficit, while employment remains largely informal, low-productivity, and climate-vulnerable, constraining the realization of a demographic dividend and weakening Uganda's economic potential. Consequently, 54.4 percent of Ugandans lived under the international poverty line (US\$3, 2021 PPP) in 2023.

Uganda's goal of achieving tenfold growth by 2040 requires creating more and better jobs for a rapidly growing workforce. While oil production and revenues would support growth from 2027, they cannot substitute for sustained reforms and sound macroeconomic management. Amid fiscal consolidation, the challenge will be to protect investments in human capital and foundational infrastructure, strengthen spending efficiency, raise domestic revenues to finance development priorities, and foster structural transformation away from low-productivity agriculture by crowding in private investment.

Recent developments

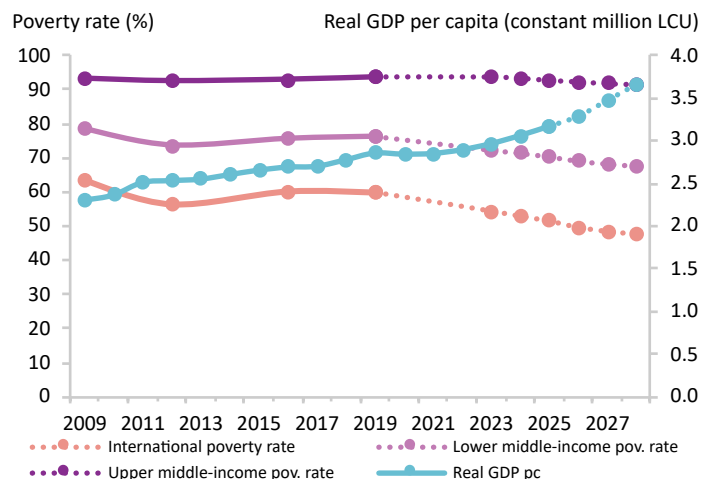
GDP growth remained strong at 6.7 percent year-on-year in H2-2025, driven primarily by strong private consumption growth

FIGURE 1 / Real GDP growth and contributions to real GDP growth



Source: Uganda Bureau of Statistics.

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



Source: World Bank. Notes: See footnotes in table on the next page.

(+16.0 percent y-o-y). Industrial and services activity remained strong, led by manufacturing, construction and services, but agricultural growth slowed amid lower rainfall. High-frequency indicators point to continued private-sector expansion in Q1-2026.

Headline and core inflation remained contained in H2-2025 at 3.5 percent and 3.7 percent y-o-y, respectively, below the Bank of Uganda's 5 percent target, despite food inflation rising (+4.5 percent), reflecting weaker agricultural output. A cautious monetary policy stance supported price stability, together with modest exchange rate appreciation, which was reversed at the onset of the Middle East conflict starting in March 2026 (-3.0 percent month-on-month). Poverty is projected to have declined to 51.5 percent in 2025.

The goods trade deficit expanded in H2-2025 to US\$1.4 billion, as import growth outpaced export growth (+24.7 and +21.5 percent, respectively, relative to H1-2025), driven by rising gold re-exports and oil-project-related imports. The larger current account deficit was financed by portfolio inflows into government securities and foreign direct investment in oil projects. As a result, the balance of payments improved and foreign exchange reserves rose to US\$6.0 billion at end-2025 (+US\$2.7 billion in 2025), equivalent to 4.2 months of import cover excluding oil-project imports.

Fiscal pressures intensified in H2-2025, driven by high debt service costs, supplementary spending worth 3.1 percent of projected GDP, and frontloading of the approved budget expenditures. Despite public debt rising to 52.4 percent of GDP at end-June 2025, it remained assessed at moderate risk of debt distress in December 2025.

Outlook

Growth is projected to reach 6.8 percent in 2026 before accelerating with the ramp-up in oil production in 2027 and 2028, boosting exports. Large investment projects financed by foreign direct investment, notably in petroleum refining, would sustain imports. The large fiscal deficit and costly domestic financing would initially raise the debt ratio, before rapid nominal GDP growth and oil revenues improve fiscal aggregates. The effects of the current conflict in the Middle East on oil, fertilizer and transport prices will weigh on Uganda's import bill, adding pressure on the exchange rate and external balance. Provided oil revenues translate into tangible and broadly shared economic gains, poverty would decline from 51.5 percent in 2025 to 47.7 percent by 2028.

Risks to the outlook are skewed to the downside. Further delays in oil production would affect growth, exports, and revenues, while fiscal slippage before oil revenues would accrue would increase deficits and debt service, undermining debt sustainability, investor confidence, and priority spending. These risks call for a rapid return to fiscal consolidation through expenditure rationalization and implementation of the new Domestic Revenue Mobilization Strategy. A prolonged conflict in the Middle East would exacerbate pressure on external financing as well as on import prices and inflation, affecting the purchasing power of poorer households and the margins of smallholder farmers and informal transport workers, stalling or reversing poverty reduction. Uganda also remains exposed to commodity price volatility and climate shocks given reliance on agriculture.

Recent history and projections

	2022/23	2023/24	2024/25e	2025/26f	2026/27f	2027/28f
Real GDP growth, at constant market prices	5.3	6.1	6.3	6.8	8.5	8.1
Private consumption	3.7	0.8	7.6	7.0	5.5	4.7
Government consumption	3.8	14.9	28.9	3.8	4.0	3.9
Gross fixed capital investment	3.7	6.7	7.2	5.6	2.1	5.6
Exports, goods and services	0.3	47.1	23.6	21.5	36.0	19.1
Imports, goods and services	-2.6	9.5	11.7	20.0	17.2	7.8
Real GDP growth, at constant factor prices	5.1	5.9	6.2	6.8	8.5	8.2
Agriculture	4.5	5.6	6.8	5.5	6.2	5.6
Industry	4.0	5.5	6.9	7.8	15.0	15.2
Services	5.9	6.4	5.4	6.8	5.8	4.8
Inflation (consumer price index)	8.8	3.2	3.7	3.9	4.2	3.8
Current account balance (% of GDP)	-7.7	-7.7	-5.9	-7.2	-3.7	-1.4
Net foreign direct investment inflow (% of GDP)	6.1	5.6	5.7	4.6	5.0	4.0
Fiscal balance (% of GDP)	-5.5	-4.7	-6.0	-6.5	-5.3	-4.6
Revenues (% of GDP)	14.5	14.1	14.7	15.2	15.8	16.0
Debt (% of GDP)	50.4	50.6	52.4	54.5	53.4	52.4
Primary balance (% of GDP)¹	-2.3	-1.6	-2.3	-2.0	-0.7	-0.2
International poverty rate (\$3.00 in 2021 PPP)^{2,3}	54.4	52.9	51.5	49.6	48.5	47.7
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{2,3}	72.3	71.4	70.4	69.1	68.3	67.6
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{2,3}	93.6	93.2	92.7	92.2	91.8	91.5
GHG emissions growth (mtCO₂e)	1.7	2.5	2.9	2.7	3.1	3.0

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise. All data and projections use fiscal years (July-June), except poverty data, which use calendar years.

1/ The primary balance excludes interest payments received.

2/ Calculations based on 2023-UNHS. Actual data: 2023. Nowcast: 2024-2025. Forecasts are from 2026 to 2028.

3/ Projection using neutral distribution (2023) with pass-through = 0.7 from 2024 to 2025 and pass-through rate = 0.2 thereafter based on GDP per capita in constant LCU.

ZAMBIA

Zambia's economy is resilient despite shocks—thanks to ongoing reforms supporting macroeconomic stability, debt sustainability, and fiscal discipline. Real GDP growth is projected to average 4.7 percent in 2026–2028, reflecting expected gains from foreign direct investment in mining, along with reforms to boost private-sector competitiveness in electricity, agriculture, transport, communications, and financial services. However, high poverty, inequality, and low job creation persist.

Key conditions and challenges

Zambia's economy has stabilized after significant external and climate shocks, which had caused macroeconomic imbalances, food shortages, and power outages. The government's commitment to fiscal discipline, credible monetary policies, energy sector reforms, and progress on debt restructuring (covering 94 percent of debt) has restored macro-fiscal stability. Economic growth is robust, driven by foreign investment in mining, higher copper exports, and gains in agriculture and electricity production. However, the country's resilience remains tied to copper export performance, with exchange rate stability and inflation control depending on favorable weather, food and power supplies, and a strong currency.

Zambia faces challenges in turning copper investments into broad employment and productivity due to weak supplier networks, low local involvement, and limited support services. Persistent poverty and inequality stem from widespread subsistence farming, leaving the economy vulnerable to external and climate risks. To foster inclusive growth and stability, reforms should enhance supplier linkages, local content, and convert mining investments into jobs, skills, and tax revenue. Diversifying away from rain-dependent

Population ¹ million	21.9	Poverty ² millions living on less than \$3.00/day	14.4
Life expectancy at birth ³ years	66.3	School enrollment ⁴ primary (% gross)	115.6
GDP ⁵ current US\$, billion	28.9	GDP per capita ⁶ current US\$	1317.0

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2022 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

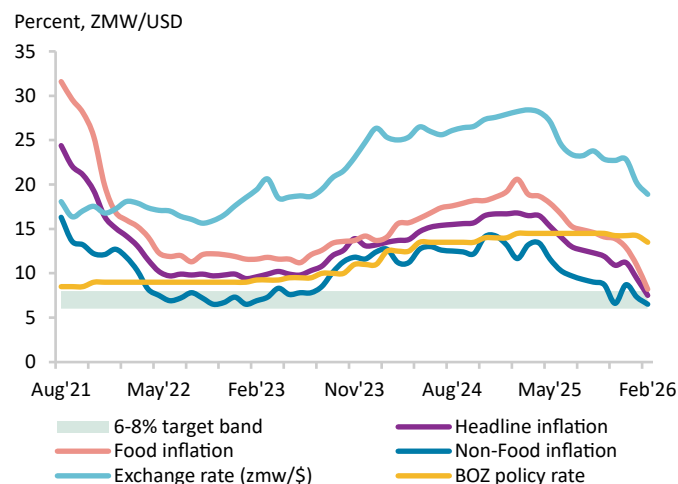
maize through climate-smart agriculture and supporting small and medium enterprises in storage and processing will boost agricultural productivity and rural incomes, strengthening food security.

Recent developments

Zambia's economy underperformed in 2025, growing by 3.8 percent—the same rate as in 2024. Economic activity lost momentum toward the end of the year, with real GDP growth slowing to 1.6 percent year-on-year in the fourth quarter (Q4) of 2025, down from 8.3 percent in Q4 2024. The main contributors included a doubling of agricultural output due to recovery from drought, reaching 3.9 million metric tons of maize; an 8 percent increase in copper production to 890,345 metric tons in 2025; and strong performance in construction, manufacturing, and transport. However, information and communications technology, along with wholesale and retail trade, suffered from load shedding through December, which pulled down economic growth. Labor market signals were mixed, with rising unemployment in 2024 even as formal and wage employment continued to grow.

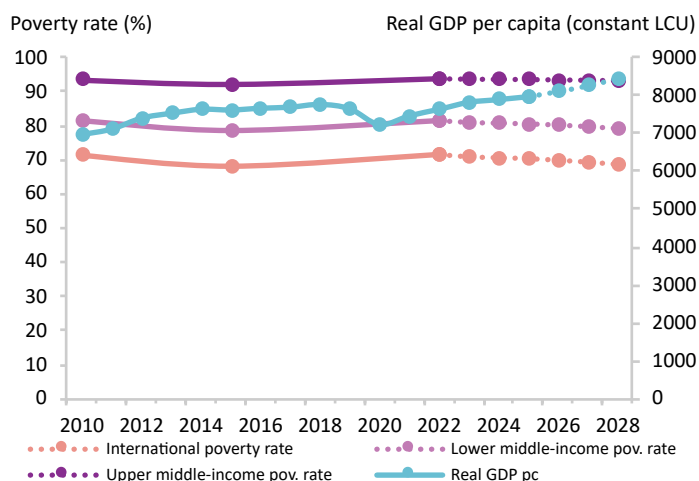
Higher copper prices boosted export earnings, but Zambia's current account deficit remained steady at US\$1 billion in 2025 due to

FIGURE 1 / Inflation, exchange rate, and monetary policy rates



Sources: Zamstats and Bank of Zambia.

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



Source: World Bank. Notes: See footnotes in table on the next page.

increased net imports, lower tourism revenue, and ongoing non-resident claims on transport services. By December 2025, gross reserves reached US\$5.5 billion, covering 4.8 months of imports, supported by International Monetary Fund (IMF) disbursements, Bank of Zambia (BOZ) net forex purchases, and domestic gold acquisitions. The kwacha appreciated by 18.2 percent in 2025 and 17.4 percent year-to-date in 2026, benefiting from improved market sentiment after a sovereign rating upgrade and regulatory measures encouraging local currency use and allowing Chinese-owned mines to pay taxes in renminbi.

Headline inflation dropped from 16.8 percent in February 2025 to 7.5 percent in February 2026, thanks to strong agricultural harvests, a firmer kwacha, and reduced oil and electricity prices. Between February 2025 and February 2026, petrol and diesel pump prices decreased by 20.3 percent and 24.7 percent, aided by the Tanzania Zambia Mafuta (TAZAMA) pipeline's open access. Emergency tariffs for Zambia Electricity Supply Corporation (ZESCO) power imports ended after 12 months on November 1. The Bank of Zambia began easing in November, cutting its policy rate to 14.25 percent—the first drop in five years—then further to 13.5 percent in February 2026.

Preliminary data indicate fiscal revenues reached 25.9 percent of GDP in 2025, driven by higher-than-expected income taxes and mineral royalties from elevated copper prices, despite increased value-added tax refunds and under-collection on customs as the exchange rate appreciated. With expenditure remaining below target, the primary fiscal surplus is estimated at 3.1 percent of GDP. Following progress made on debt restructuring, public debt fell from 133.4 percent of GDP in 2023 to 100.1 percent in 2025, remaining sustainable but still at high risk of distress. Domestic financing constraints have eased slightly, with a lift in the cap on non-resident access to the primary market, which has also supported the kwacha's appreciation.

Outlook

Zambia's outlook is positive, with GDP growth projected to increase from 3.8 percent in 2025 to an average of 4.7 percent in 2026–28 driven by agriculture, industry (including mining and agrifood processing), as well as services associated with mining, agriculture, and tourism. Poverty remains high at 70 percent and is expected to fall by about half a percentage point per year through 2027, though the reduction may accelerate over the medium term if subsistence agriculture transforms and urban labor markets improve.

Key growth drivers include capital accumulation through net foreign direct investment inflows into the mining sector, macroeconomic stability with restored debt sustainability, and structural reforms to enhance private sector competitiveness. Support from the global demand for energy transmission minerals and improved mining regulations adds to the positive outlook. Continued fiscal consolidation, along with another possible IMF program, should boost investor confidence and help manage spending before this year's elections.

Climate change and global trade uncertainties are major risks, threatening agricultural output, hydroelectric power, and mining prospects. Zambia is a net oil importer, and a prolonged conflict in the Middle East could reignite inflation and put pressure on the balance of payments and the exchange rate. Fiscal revenue could undershoot because the narrow tax base exacerbates revenue volatility during shocks. Higher-than-anticipated government spending and associated financing needs may arise from the upcoming elections. While mining will continue to support the favorable outlook, Zambia's overreliance on it poses structural volatility risks and may limit potential output.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	5.4	3.8	3.8	4.4	4.7	5.1
Private consumption	5.2	4.0	4.0	4.1	4.5	5.2
Government consumption	10.6	6.6	5.7	8.0	5.6	4.9
Gross fixed capital investment	5.3	3.3	3.7	4.4	4.9	5.4
Exports, goods and services	3.3	3.6	4.2	4.8	5.2	5.7
Imports, goods and services	4.5	3.2	4.1	4.5	4.8	5.6
Real GDP growth, at constant factor prices	5.2	4.2	4.4	4.4	4.7	5.1
Agriculture	-20.5	-9.2	51.1	10.0	4.6	4.0
Industry	0.9	3.5	5.2	6.8	6.1	5.8
Services	10.2	5.6	0.9	2.8	4.0	4.8
Employment rate (% of working-age population, 15 years+)	57.1	57.1	57.2	57.2	57.3	57.3
Inflation (consumer price index)	10.9	15.0	13.9	9.0	8.0	7.0
Current account balance (% of GDP)	-3.0	-4.4	-3.5	0.9	1.9	2.1
Net foreign direct investment inflow (% of GDP)	1.8	8.1	4.2	2.1	2.4	2.6
Fiscal balance (% of GDP)	-5.5	-3.5	-3.8	-4.9	-4.4	-3.1
Revenues (% of GDP)	21.9	23.1	25.9	24.8	24.7	26.0
Debt (% of GDP)	133.4	101.8	100.1	83.5	78.3	73.2
Primary balance (% of GDP)	0.6	3.1	3.1	1.4	2.0	2.5
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	71.0	70.7	70.4	70.0	69.4	68.7
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	80.9	80.7	80.4	80.1	79.6	79.1
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	93.8	93.7	93.6	93.4	93.2	92.9
GHG emissions growth (mtCO₂e)	2.3	1.1	1.5	1.7	1.8	2.0

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2022-LCMS-VIII. Actual data: 2022. Nowcast: 2023-2025. Forecasts are from 2026 to 2028.

2/ Projection using neutral distribution (2022) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

ZIMBABWE

Real GDP growth recovered strongly from the 2024 El Niño-induced drought to an estimated 7.5 percent in 2025. Improved macroeconomic stability, productive harvests, rising remittances, and mining growth (anchored by high global mineral prices) support the economic recovery and a robust near-term growth outlook. The poverty rate declined slightly in 2025 on the back of the economic growth driven by the agriculture sector.

Key conditions and challenges

Despite improved macroeconomic stability, market confidence in the local currency remains low due to past policy slippage, sustaining high levels of dollarization. Fiscal risks remain elevated due to significant domestic expenditure arrears, a high wage bill, non-concessional borrowing, and weaknesses in public financial management. Zimbabwe's debt is unsustainable and is in distress. Significant external arrears, of an estimated US\$7.4 billion, are blocking concessional financing. Total public debt stood at US\$23.6 billion in 2025, broadly unchanged from 2024 but its share in GDP was revised substantially from 72.9 percent in 2024 to 45.6 percent in 2025 due to GDP rebasing and exchange rate effects. GDP rebasing had a rather neutral effect on the fiscal balance/GDP, while the current account/GDP improved modestly. Zimbabwe's poverty rate remains persistently high compared to its comparators due to a high dependence on low-productivity agriculture, slow structural transformation, lack of productive jobs, and vulnerability to shocks.

Population ¹ million	Poverty ² millions living on less than \$4.20/day
17.0	9.9
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
62.8	93.1
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
50.2	2962.8

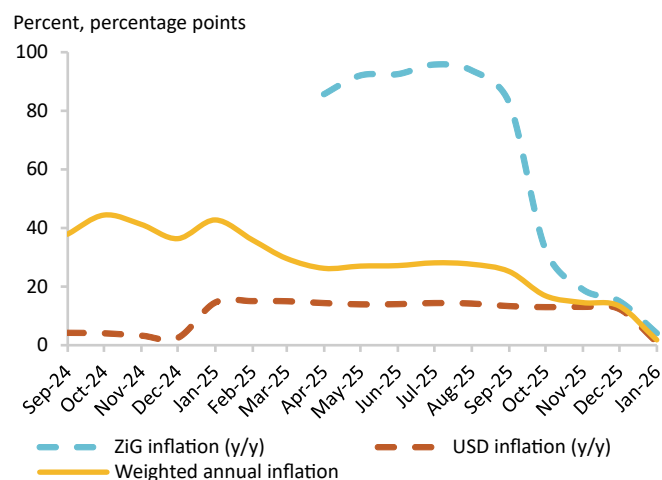
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2019 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

Recent developments

Zimbabwe's GDP growth rebounded strongly to an estimated 7.5 percent in 2025, driven by agriculture, mining and services growth. Agriculture, which had contracted by 18.1 percent in 2024, grew by an estimated 22.8 percent in 2025 thanks to a good rainy season; Maize and tobacco grew by 157 percent and 53 percent respectively, in 2025. The mining sector benefited from high gold and platinum group minerals (PGM) prices while growing remittances supported domestic consumption. Improved electricity generation supported growth in manufacturing and industry.

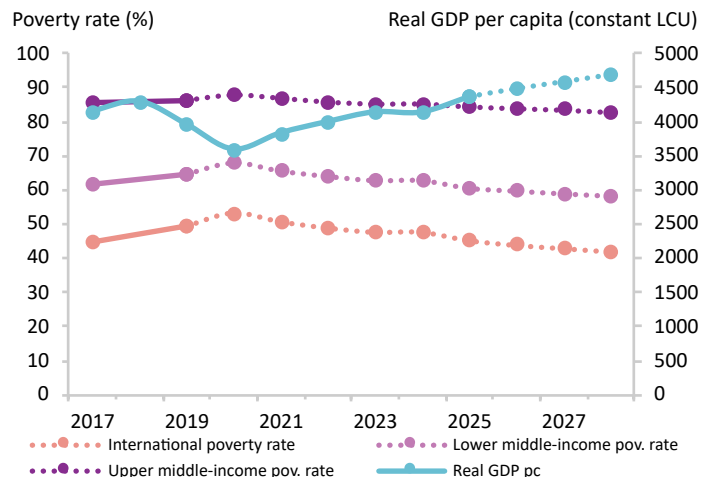
Despite improved revenue collection, fiscal pressure remained elevated. Revenue to GDP rose from 12.9 percent in 2024 to an estimated 15.2 percent in 2025, driven by macroeconomic stabilization and tax reforms. Government expenditure rose from 13.7 percent of GDP in 2024 to an estimated 15.6 percent in 2025, driven by a higher public wage bill and debt servicing costs. Despite the overall fiscal deficit narrowing modestly to an estimated 0.4 percent of GDP in 2025, domestic expenditure arrears continued to accumulate, to an estimated US\$1.3 billion (about 2.6 percent of GDP).

FIGURE 1 / Local currency inflation rate



Sources: Reserve Bank of Zimbabwe and World Bank.

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



Source: World Bank. Notes: See footnotes in table on the next page.

which adds to the overall debt burden. Monetization of arrears remains a prominent risk to stability.

Monetary and exchange rate policy were effective in 2025 in the absence of quasi-fiscal operations. The official and parallel exchange rates stabilized in 2025, with parallel market premiums narrowing to below 20 percent. Exchange rate stability and a tight monetary policy (policy rate remains at 35 percent since April 2024) supported a significant disinflation (Figure 1), with annual ZiG inflation rate declining to 4.1 percent in January 2026, from 85 percent in April 2025. This is the first time since 1997 that Zimbabwe has attained a single-digit annual local currency inflation rate. Nevertheless, conflict in the Middle East is a prominent risk to continued price stability, through the oil price channel. The key labor market indicators did not show much movement between Q1 of 2024 and Q2 of 2025. The labor force participation rate was between 47 and 48 percent and the employment-to-population ratio hovered around 37–38 percent.

Outlook

Strong GDP growth of 4.6 percent is projected in 2026, supported by rising remittances and another good agricultural season, albeit subject to the risk of fertilizer supply shortages, if the conflict in the Middle East persists. Growth momentum will decelerate over the medium term to around 4 percent by 2028, due to limitations in the regulatory environment and infrastructure weaknesses; roads, rail and electricity.

Zimbabwe signed an International Monetary Fund (IMF) staff level agreement for a 10-month Staff Monitored Program (SMP, awaiting management approval), that will form a basis for building a credible policy track record. Reforms under the SMP would support prudent fiscal management, keeping the fiscal deficit largely contained. The SMP together with the structured dialogue platform will help to prepare Zimbabwe for multilateral arrears clearance and debt resolution, which are prerequisites for a funded IMF program in future. Adherence to SMP benchmarks will further help to anchor inflation and exchange rate stability. Average local currency inflation is forecast to drop from 81.4 percent in 2025 to 6.7 percent in 2026 before stabilizing at around 5 percent over the medium term. The current account surplus is expected to improve modestly to 2.2 percent of GDP in 2026, from an estimated 1.5 percent in 2025 and remain in surplus over the medium term, as inflows improve. Gross international reserves remain below the prudential 3-month import coverage but increased from US\$484 million in 2024 to US\$1.2 billion in 2025 and will rise progressively over the medium term. However, downside risks emanating from poor implementation of the SMP, a possible lengthy debt resolution process and political uncertainty around the 2028 elections, will keep concessional funding and foreign investment severely curtailed.

Projected growth momentum will anchor gradual poverty reduction, but the pace remains highly elastic to agricultural growth. Improving agricultural productivity through investments in modern technology, enhancing structural transformation (through better quality jobs) and boosting household resilience through robust social protection programs, are necessary for sustained poverty reduction.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	5.3	1.7	7.5	4.6	4.2	4.1
Private consumption	1.8	1.5	6.1	11.4	10.6	0.4
Government consumption	69.6	2.0	-1.2	-52.1	-8.7	13.1
Gross fixed capital investment	-10.0	1.2	33.7	21.3	-21.4	32.2
Exports, goods and services	-35.5	1.3	1.9	2.8	4.7	0.4
Imports, goods and services	-34.0	0.5	4.5	9.4	10.9	0.1
Real GDP growth, at constant factor prices	4.8	1.5	7.5	4.6	4.2	4.1
Agriculture	0.6	-18.1	22.8	7.9	1.9	4.5
Industry	3.2	6.7	6.1	4.5	3.3	1.2
Services	6.7	2.8	5.7	4.0	5.2	5.8
Inflation (consumer price index)	667.4	-99.9	81.4	6.7	5.4	5.0
Current account balance (% of GDP)	0.3	1.1	1.5	2.2	1.7	1.5
Net foreign direct investment inflow (% of GDP)	1.4	1.0	0.9	0.9	1.0	0.7
Fiscal balance (% of GDP)	-0.5	-0.8	0.4	0.4	-2.0	-0.9
Revenues (% of GDP)	11.6	12.9	15.2	16.1	16.2	16.3
Debt (% of GDP)	76.1	72.9	45.6	45.4	44.1	43.2
Primary balance (% of GDP)	-0.5	-0.7	0.2	0.4	2.2	-0.9
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	47.6	47.6	45.2	43.9	43.0	42.0
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	62.8	62.8	60.5	59.7	58.9	58.2
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	85.3	85.3	84.5	84.0	83.6	82.9
GHG emissions growth (mtCO2e)	0.4	-0.6	-1.2	0.4	0.5	0.5

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2019-PICES. Actual data: 2019. Nowcast: 2020-2025. Forecasts are from 2026 to 2028.

2/ Projection using neutral distribution (2019) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

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