

## Central africa industry and market trends

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The Economic freedom index measure ten components of economic freedom, grouped into four broad categories or pillars of economic freedom: Rule of Law (property rights, freedom from corruption); Limited Government (fiscal freedom, government spending); Regulatory Efficiency (business freedom, labour freedom, monetary freedom); and Open Markets (trade freedom, investment freedom, financial freedom). Each of the freedoms within these four broad categories is individually scored on a scale of 0 to 100. A country's overall economic freedom score is a simple average of its scores on the 10 individual freedoms.

See the country risk analysis provided by Coface.

BANGUI, August 04, 2021 -The fourth edition of the Central African Republic Economic Update, released today by the World Bank, has confirmed that the country's economy decelerated in 2020. The combined impacts of the COVID-19 pandemic and renewed insecurity amid post-election disputes are expected to plunge the economy into a recession in 2021. The report looks at the human capital challenges facing the country and presents opportunities to strengthen investment in people to protect the future.

Titled "Investing in Human Capital to Protect the Future," the report notes that the economy slowed in 2020 for the fifth consecutive year, and that real GDP growth fell to 0.8%--its lowest level in five years--as a result of the COVID-19 pandemic. On the demand side, private consumption contracted in 2020, reflecting a decline in household income, while on the supply side, the strong performance of the agriculture sector prevented the economy from entering a recession, and the forestry and telecommunications sectors proved more resilient than expected.

The report notes as well that despite inflationary pressures caused by supply chain disruptions, year-on-year inflation fell to 2.3% in 2021, which is below the regional convergence criterion. The fiscal position deteriorated, while debt forgiveness and rescheduling further reduced the public debt to 44.1% of GDP in 2020.

"With COVID-19 and renewed insecurity, it is estimated that CAR could lose four years in per capita income growth, with projections showing that per capita GDP is expected to remain at the same level in 2023 as in 2019," says Wilfried A. Kouam?, World Bank economist and lead author of the report. He addressed a number of concerns and noted that "economic growth could recover in the medium term, supported by higher levels of agricultural and industrial production, but only if security conditions improve. In any event, it is expected that

more than 3.5 million people will continue to live in extreme poverty between 2022 and 2024, and that food insecurity and limited access to basic public services, particularly in remote areas, will remain major concerns."

In terms of outlook, the country remains highly vulnerable to debt distress, owing primarily to weak domestic resource mobilization and export revenues. Weak external demand and private transfers, as well as an increased balance of goods deficit, widened the current account deficit from 4.8% of GDP in 2019 to 8.7% of GDP in 2020, while goods exports fell and non-oil imports were boosted by donor-financed investments in the context of the COVID-19 pandemic.

On the human capital front, CAR is grappling with numerous challenges and tremendous needs, even though human capital is a key driver of sustainable economic growth and poverty reduction. According to Han Fraeters, World Bank Country Manager for the Central African Republic, "CAR has roughly 35 years to take full advantage of its young working-age population and leverage its demographic dividend." To reverse this trend, "CAR must ensure that tomorrow's adults are in good health and are well-educated and productive. But these investments must be made today. Investing in human capital must become a priority for the government. Otherwise, the demographic dividend will turn into a demographic curse."

The report provides several recommendations to help strengthen human capital and protect the future, while spurring economic growth and improving the populations' living standards. These recommendations include:

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