

# COMOROS

**Table 1** **2021**

Population, million	0.9
GDP, current US\$ billion	1.3
GDP per capita, current US\$	1444.6
International poverty rate (\$1.9) <sup>a</sup>	19.1
Lower middle-income poverty rate (\$3.2) <sup>a</sup>	39.7
Upper middle-income poverty rate (\$5.5) <sup>a</sup>	64.6
Gini index <sup>a</sup>	45.3
School enrollment, primary (% gross) <sup>b</sup>	99.5
Life expectancy at birth, years <sup>b</sup>	64.3
Total GHG Emissions (mtCO2e)	0.7

Source: WDI, Macro Poverty Outlook, and official data.

a/ Most recent value (2014), 2011 PPPs.

b/ WDI for School enrollment (2018); Life expectancy (2019).

*The COVID-19 is still weighing on Comoros, as the economy grew below its potential in 2021. Driven by an expansionary fiscal policy, growth is expected to pick up in 2022-2024. However, the recovery could be constrained. The country, already at a high risk of debt distress, is facing growing imbalances. In addition, Comoros will however face several external headwinds. Poverty will decline in 2022 due to improvement in economic growth.*

## Key conditions and challenges

Comoros is a small and fragile island with significant structural challenges hindering its development. The GDP per capita growth rate which was, around 0.5 percent, over the last two decades, is a result of institutional and economic weaknesses, poor infrastructure provision, and natural shocks.

Low domestic revenue mobilization, stemming from weak administrative capacity as well as poor economic performance, translated into low human and physical capital. Consequently, between 2002 and 2018, the country's produced physical capital per capita declined by 27.7 percent while the human capital wealth per capita increased by only 0.16 percent. Thus, human and physical capital's contribution to Comoros growth has been marginal.

Growth is primarily led by private consumption, and private remittances are fueling the consumption-driven growth trajectory. On the supply side, growth is heavily driven by the service and agriculture sectors while there is an important untapped potential in the fishing and tourism industries. Realizing a sustainable and inclusive growth would require tapping in those industries while improving human and physical capital, better leveraging the diaspora potential, and improving the institutional quality.

Comoros outlooks face several headwinds related to the risks for additional inflation-

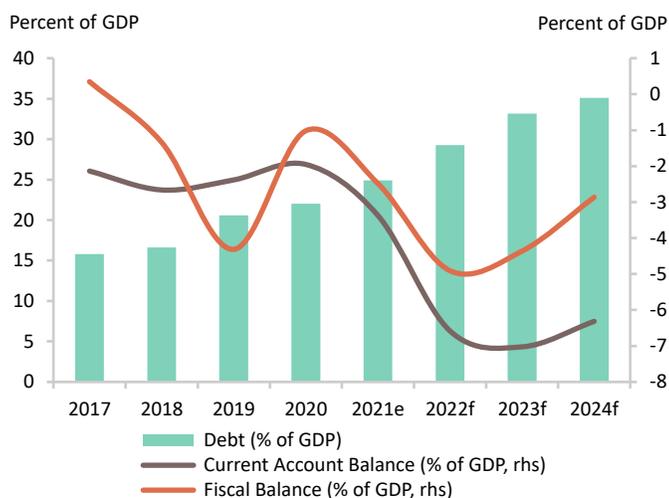
ary pressures that would reflect price trends in commodities and freight costs, the possible spread of new COVID-19 variants that would restrain international travel and trigger stringent restrictions at the national and global levels, and there is a high risk of sovereign debt distress.

## Recent developments

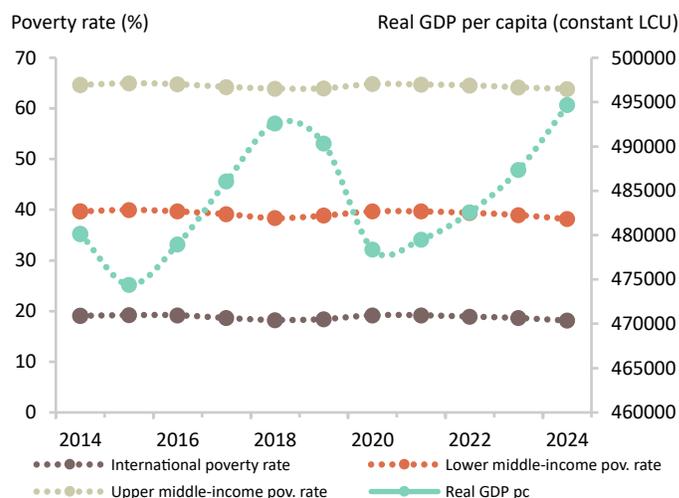
While Comoros has been relatively spared by the COVID-19, the pandemic still weighed on the economy through the impact of national restrictive measures on consumption. Thus, driven by an expansionary fiscal policy and a sluggish private consumption, the economy expanded by 2.4 percent in 2021. The service sector, which was the main driver of the growth, recovered slightly, growing by 2.8 percent in 2021 in comparison to -2.2 percent in 2020. Compared to 2020, the poverty rate remained stable at 39.7 percentage points in 2021.

Moreover, the pandemic and its impacts on the global supply chain fueled shortages and the inflation rate reached 7.1 percent (y-o-y) in December 2021 from -4.8 percent in December 2020. The price increase was primarily driven by food and non-alcoholic beverage products (+12.2 percentage points), health prices (+7.6 percentage points) and transport prices (+5.3 percentage points). Though, it remained low, on average, in 2021 (1.4 percent).

The expansionary fiscal policy led to a higher fiscal deficit (2.5 percent of GDP in 2021 from 1.0 percent in 2020). This policy

**FIGURE 1 Comoros / Selected macroeconomic indicators**


Sources: National authorities, and staff estimates and forecasts.

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


Source: World Bank. Notes: see Table 2.

was characterized by an increase in transfers (+0.7 percent of GDP) and capital expenditures (+4.5 percent of GDP). Moreover, the government kept the freight cost valuation for imports to pre-March 2021 levels to reduce inflationary pressures. The increased fiscal needs (13.0 percent of GDP in 2021) stemming from this policy was financed by external partners (10.7 percent of GDP), including the World Bank support for the vaccine rollout. The deficit was contained through the implementation of some tax and customs administration reforms under the IMF Staff Monitored Program. With a sluggish growth and expansionary fiscal policy, public debt increased to 24.9 percent of GDP in 2021 from 22.1 percent in 2020. There is a high risk of public debt distress due to the signature of a non-concessional loan for the tourism sector.

Following the decrease in remittances and the increase in the import bill, Comoros recorded a deterioration of its current account deficit to 3.4 percent of GDP in 2021, from 2.0 percent in 2020. However, Comoros' overall external position has marginally improved as reserves had

increased to 9.6 months of imports at end-September 2021, in comparison with 9 months at end-2020. This improvement in the overall external position stems from the Special Drawings Rights allocation of US\$24 million.

## Outlook

The economy is projected to expand by 2.8 percentage points in 2022 on the back of an expansionary fiscal policy. This slow recovery also reflects difficulties in the service sector that would grow below its potential because of structural sectoral issues, existing COVID-19 restrictions, and a lower purchasing power due to increased inflationary pressures at the global and national levels. In fact, the Russian invasion, war, and associated sanctions will impede Comoros recovery through its consequences on increased inflationary pressures, less remittances from France which hosts a substantial share of the Comorian diaspora, and the resulting slower increase in the domestic demand. The

economy is expected to grow at a rate of 3.4 percent in 2023-2024 when the vaccination rate will increase, and if advanced economies fully recover, and tourists, mainly the ones from the diaspora, can return to Comoros for the different cycles of Grand Marriage.

A deterioration of the fiscal deficit is projected to increase to 4.9 percent of GDP on the back of an increase in domestically financed investment. With an increase in the import bill due to the expansionary fiscal policy, and a decline of remittances, a deterioration of the external position is projected, and the current account deficit is forecasted to increase to 6.6 percent of GDP in 2022 and reach 7.0 percent in 2023.

Against this backdrop, the poverty rate is expected to decrease only moderately over the next two years. By 2023, poverty is projected to return to its pre-COVID levels at 39.5 percent (when measured against the poverty line for lower middle-income countries of USD 3.2 a day per capita in PPP terms). Poverty rate is expected to continue to decrease to about 39.3 percent in 2024.

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

(annual percent change unless indicated otherwise)

	2019	2020	2021e	2022f	2023f	2024f
<b>Real GDP growth, at constant market prices</b>	1.8	-0.3	2.4	2.8	3.1	3.7
Private Consumption	3.8	3.8	1.6	2.1	4.6	3.3
Government Consumption	3.5	4.1	2.3	12.1	-1.1	5.3
Gross Fixed Capital Investment	-8.4	-14.4	2.5	6.2	8.1	-1.7
Exports, Goods and Services	6.8	-46.3	23.1	28.4	9.8	4.9
Imports, Goods and Services	5.7	-9.3	0.9	13.8	9.7	0.8
<b>Real GDP growth, at constant factor prices</b>	1.9	-0.8	2.4	2.8	3.1	3.7
Agriculture	0.9	4.3	1.6	-4.5	0.4	4.9
Industry	4.0	-5.6	2.1	6.3	3.1	3.2
Services	1.9	-2.2	2.8	5.6	4.3	3.2
<b>Inflation (Consumer Price Index)</b>	3.7	0.8	1.4	6.4	3.3	1.0
<b>Current Account Balance (% of GDP)</b>	-2.4	-2.0	-3.4	-6.6	-7.0	-6.3
<b>Fiscal Balance (% of GDP)</b>	-4.3	-1.0	-2.5	-4.9	-4.4	-2.9
<b>Debt (% of GDP)</b>	20.6	22.0	24.9	29.3	33.2	35.1
<b>Primary Balance (% of GDP)</b>	-4.1	-0.8	-2.2	-4.5	-3.7	-1.9
<b>International poverty rate (\$1.9 in 2011 PPP)<sup>a,b</sup></b>	18.4	19.2	19.2	18.9	18.6	18.1
<b>Lower middle-income poverty rate (\$3.2 in 2011 PPP)<sup>a,b</sup></b>	38.9	39.7	39.7	39.4	39.0	38.2
<b>Upper middle-income poverty rate (\$5.5 in 2011 PPP)<sup>a,b</sup></b>	63.9	64.8	64.7	64.6	64.2	63.8
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	3.5	2.4	2.6	3.2	3.1	3.1
<b>Energy related GHG emissions (% of total)</b>	42.4	42.3	42.5	43.0	43.4	43.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

a/ Calculations based on 2014-EESIC. Actual data: 2014. Nowcast: 2015-2021. Forecasts are from 2022 to 2024.

b/ Projection using neutral distribution (2014) with pass-through = 0.87 based on GDP per capita in constant LCU.