

Outlook dimmed by weaker oil accounts



General Information

GDP	USD17.228bn (World ranking 113, World Bank 2014)
Population	1.71mn (World ranking 151, World Bank 2014)
Form of state	Multiparty Presidential Republic
Head of government	Ali Ben BONGO Ondimba
Next elections	2016, presidential and legislative (National Assembly)



Strengths

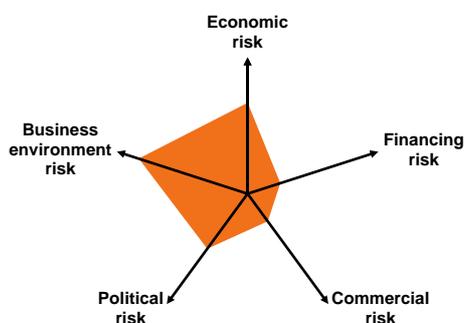
- Relatively stable political environment.
- Good natural resource base; Sub-Saharan Africa's fourth largest oil reserves and its second largest timber producer.
- Fiscal and current accounts record surpluses, or small and manageable deficits in periods of relatively weak oil revenues.
- Upper middle income classification.
- Foreign exchange reserves currently cover over six months of imports.
- Membership of the CFA franc zone provides a relatively stable background of monetary policy and reduces exchange rate and transfer risk.

Weaknesses

- Despite upper middle income status, levels of inequality and poverty are sources of potential social discord.
- Lack of significant economic diversification results in high vulnerability to external shocks, especially oil price volatilities.
- Economic reform agenda can be slow in implementation.
- Infrastructure impediments and a still difficult business environment limit economic growth potential.
- Small and vulnerable banking sector.
- High perceptions of corruption and of weak judicial oversight.
- Delisted by the Extractive Industries Transparency Initiative in 2013.

Country Rating

C3



Source: Euler Hermes

Trade Structure

By destination/origin (% of total)

Exports	Rank	Imports
United States	36% 1	29% France
China	16% 2	13% China
France	7% 3	10% United States
Trinidad and Tobago	6% 4	6% Belgium
Spain	5% 5	4% Cameroon

By product (% of total)

Exports	Rank	Imports
Petroleum, petroleum products and related materials	79% 1	8% Other industrial machinery and parts
Cork and wood	9% 2	8% Specialised machinery
Metalliferous ores and metal scrap	6% 3	8% Road vehicles
Cork and wood manufactures	2% 4	7% Iron and steel
Other transport equipment	2% 5	7% Other transport equipment

Source: UNCTAD

Economic Overview

Policy continuity is expected

Despite a heterogeneous population, made up of 40 different tribes, the system of multi-party democracy introduced in 1991 is dominated by a single political entity—the Parti Démocratique Gabonnais (PDG). Fiscal flexibility, using the country's oil wealth to limit potential opposition and social tension, may be constrained by current weak oil prices and reduced revenue flows. However, the next elections scheduled for August 2016 (presidential) and December 2016 (lower parliamentary chamber) are likely to result in a win for the PDG and therefore for relatively consistent policy formulation. The influence of China, as elsewhere in Africa, is becoming more noticeable.

Economic overview

The country has an abundant natural resource base and low population (1.7mn) so that revenues from commodity exports result in a relatively high annual GDP per capita of over USD10,000, although income inequalities provide some social tensions. Gabon is Sub-Saharan Africa's fifth largest crude oil producer and holds that region's fourth largest reserves. However, Gabon's known reserves of crude oil will provide only a further 23 years of output at current rates of extraction. Gabon is the world's fourth largest producer of manganese (after China, South Africa and Australia) and over 70% of its territory is tropical forest. The oil sector accounts for around one-third of GDP, almost 80% of exports and around 50% of government revenues. Annual GDP growth over a medium-term perspective is variable (see chart), reflecting conditions in international oil markets. However, annual GDP growth over a ten-year period to end-2014 was +3%, with an average +6% in 2010-14. Despite a relatively weak oil sector, GDP growth is forecast at +4% in 2015 and +5% in 2016, with a boost from large infrastructure projects (see below), as well as some progress in relation to economic diversification (forestry, mining and telecommunications) and boost to productivity in the agricultural sector.

Planning for the future

Acknowledgement of the country's dependence on the oil sector and relatively high unemployment (approximately 20% of the labour force), prompted the government to launch a reform plan, the Emerging Gabon Strategic Plan (PSGE), to transform the country into an emerging and diversified economy by 2025. The plan is underpinned by a rapid scaling up of the public investment programme (now subject to some delays) in order to address infrastructure bottlenecks.

Inflationary pressures are contained

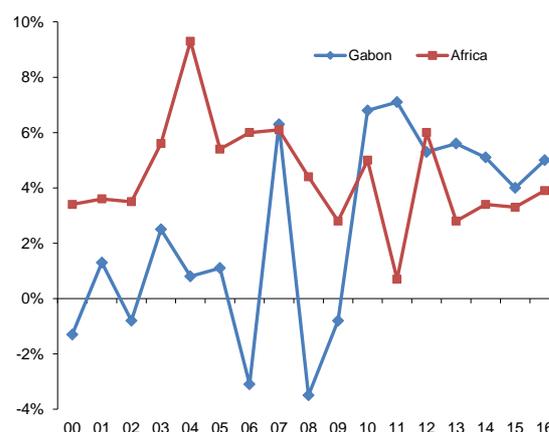
Inflationary pressures are not as evident as elsewhere in Sub-Saharan Africa, partly reflecting the regional central bank's ability to maintain a stable monetary background. EH expects the official rate of inflation will be around 1.5% at end-2015 (broadly on a par with 2014) but some moderate upward pressures will emerge next year, with inflation averaging around 3% in 2016.

Key economic forecasts

	2014	2015f	2016f	2017f
GDP growth (% change)	5.1	4.0	5.0	5.5
Inflation (% end-year)	1.7	1.5	2.5	3.0
Fiscal balance (% of GDP)	2.3	-3.5	-1.5	0.5
Public debt (% of GDP)	28.4	31.1	30.8	29.0
Current account (% of GDP)	6.8	2.0	0.0	-2.0
External debt (% of GDP)	24.8	32.0	33.5	31.0

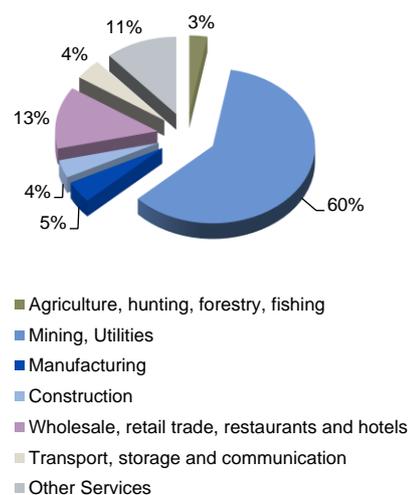
Sources: National sources, IHS, Euler Hermes

GDP Growth (%)



Sources: National sources, IHS, Euler Hermes

GDP Distribution



Sources: UN, Euler Hermes

Regional economic and financial support is strong

Gabon is a member of the Communauté Economique et Monétaire de l'Afrique Centrale (CEMAC) and of the Communauté Financière Africaine (CFA) franc zone. The central bank is the regional Banque des Etats de l'Afrique Centrale (BEAC). Membership of the CFA franc zone ensured generally modest inflation in recent years and this is forecast to continue in the short- to medium-term as the monetary policy of the BEAC is likely to remain sound and EH expects the CFA franc's peg to the euro, at a fixed rate of CFA655.96:EUR1, is unlikely to change in the period through to end-2016. Moreover, membership of the CFA franc zone also provides low exchange rate and transfer risk. In addition, France retains strong links with Gabon and is likely to provide assistance in the event of a financial crisis.

External accounts are relatively robust and debt ratios are low

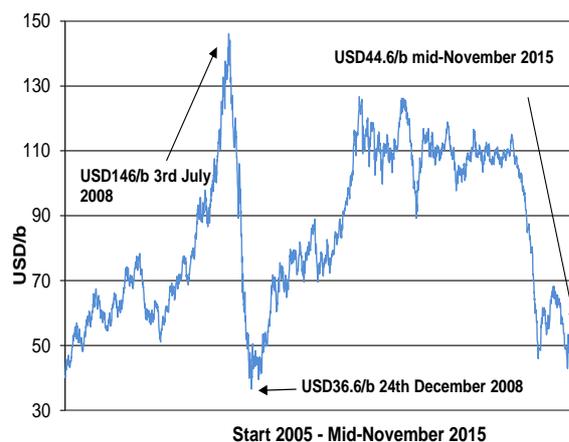
Output from the country's ageing oilfields has declined since 1997 and is unlikely to be reversed in the short- to medium-term periods. In the longer term, oil output may be boosted by development of offshore discoveries. In the interim, export growth is likely to focus on the forestry and mining sectors.

External liquidity indicators remain generally sound, with the current account usually recording surpluses (although declining and approximate balance may be recorded in 2016). FX reserves provide import cover of over six months and external debt ratios are manageable, although deteriorating.

A relatively weak business environment prevents achievement of full potential

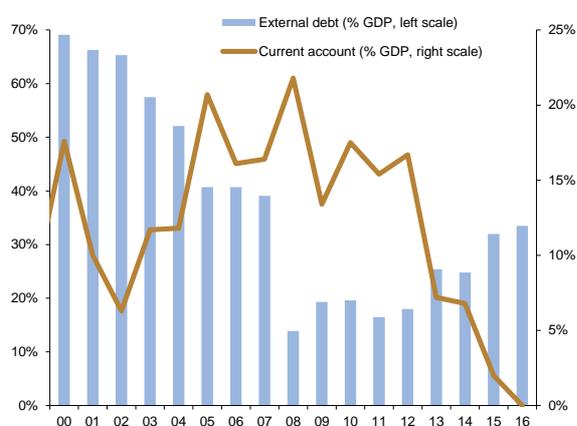
The business environment is below average, with serious impediments to strong, sustainable growth. The World Bank's Doing Business 2016 survey, a measure of how easy or difficult it is for a local entrepreneur to open and run a SME when complying with relevant regulations, ranks Gabon 162 out of 189 countries assessed, below Benin, Sudan and Niger but above Algeria, Madagascar and Guinea. The survey suggests Gabon is weak in terms of registering property, protection of investors and starting a business and that contract enforcement and insolvency resolution can be expensive and time consuming.

Crude Oil Prices (indicative Brent, USD/barrel)



Sources: FT, Euler Hermes

Current Account Balance and External Debt (% of GDP)



Sources: National sources, IHS, Euler Hermes

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