

BEST'S COUNTRY RISK REPORT

Gabon CRT-5

August 22, 2018

Region: Africa

[Country Risk Criteria Procedures](#)

[Guide to Best's Country Risk Tiers](#)

- The Country Risk Tier (CRT) reflects A.M. Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Gabon is a CRT-5 country, with a high level of economic risk and very high levels of political and financial system risk.
- Real GDP growth is projected to remain in the 2.5%- 4.5% range over the next few years, with the extraction and production of oil and other commodities (timber, gold, and manganese) driving economic expansion. Heavy reliance on the export commodity sector makes the country vulnerable to shifts in global demand and commodity price shocks.
- The majority of countries in Sub-Saharan Africa are categorized as CRT-5, the exceptions being Mauritius as a CRT-3 and South Africa at CRT-4.



- Country Risk Tier 1 (CRT-1) Very Low Level of Country Risk
- Country Risk Tier 2 (CRT-2) Low Level of Country Risk
- Country Risk Tier 3 (CRT-3) Moderate Level of Country Risk
- Country Risk Tier 4 (CRT-4) High Level of Country Risk
- Country Risk Tier 5 (CRT-5) Very High Level of Country Risk

Regional Summary: Sub-Saharan Africa

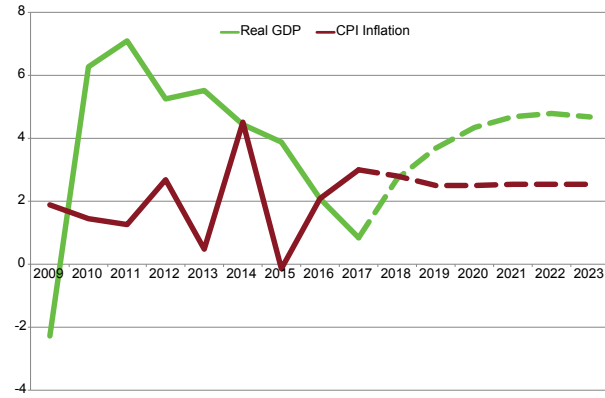
- Africa's growth prospects are expected to improve slightly on rising domestic demand, stronger global growth, a recovery in agricultural production, and modestly increasing commodity prices. However, economic growth continues to lag population growth, making any significant progress towards human development goals difficult.
- The region faces several headwinds that limit potential, including political uncertainty, challenging business environments that erode investor confidence, fiscal pressures, high debt, poverty, growing numbers of refugees, corruption, inadequate infrastructure, and an unstable security environment.
- The IMF estimates that about 40% of the region's low-income countries have a high risk of debt distress or are already in debt distress. A large share of the region's sovereign debt is denominated in foreign currency, and an appreciating dollar/euro would lead to larger debt burdens.
- Inflationary pressures have subsided owing to monetary policy, increasing foreign exchange reserves, and growing exchange rate flexibility.

Vital Statistics 2017		
Nominal GDP	USD bn	15.21
Population	mil	1.9
GDP Per Capita	USD	7,972
Real GDP Growth	%	0.8
Inflation Rate	%	3.0
United Nations Estimates		
Literacy Rate	%	83.2
Urbanization	%	87.6
Dependency Ratio	%	67.4
Life Expectancy	Years	52.1
Median Age	Years	18.6
Insurance Statistics		
Insurance Regulator	InterAfrican Conference on Insurance (CIMA)	
Premiums Written (Life)	USD mil	36
Premiums Written (Non-Life)	USD mil	131
Premiums Growth (2016 - 2017)	%	-3.6
Regional Comparison		
	Country Risk Tier	
Gabon	CRT-5	
Ghana	CRT-5	
Kenya	CRT-5	
Nigeria	CRT-5	
South Africa	CRT-4	
Togo	CRT-5	

Source: IMF, UN, Swiss Re, Axco and A.M. Best



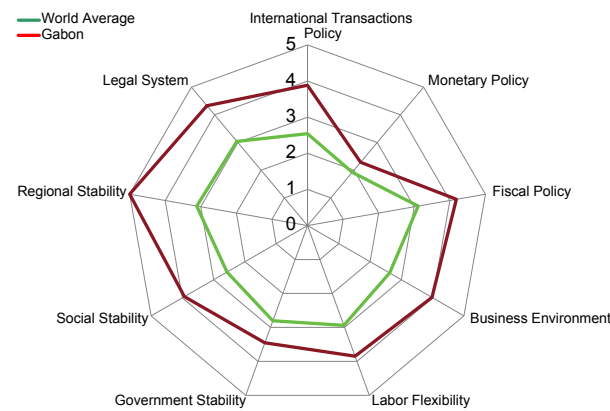
Economic Growth (%)



Source: IMF World Economic Outlook and A.M. Best

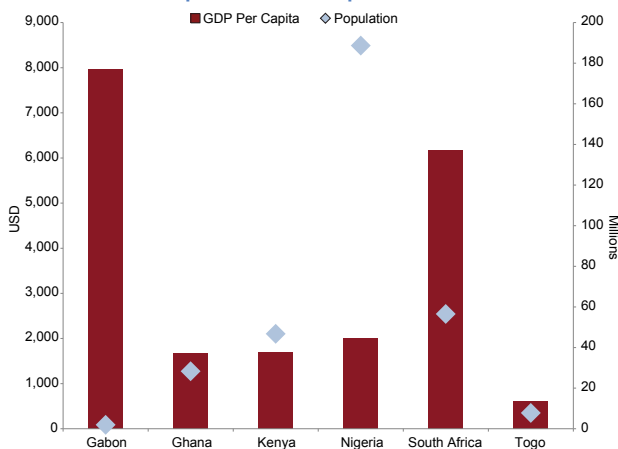
Political Risk Summary

Score 1 (best) to 5 (worst)



Source: A.M. Best

GDP Per Capita and Population



Source: IMF and A.M. Best

Economic Risk: High

- The country's economy depends highly on commodity exports, which leaves it vulnerable to changes in global demand conditions. The oil industry accounts for approximately 45% of GDP and 70% of export earnings. The country is also a significant exporter of gold, manganese and timber products.
- Government revenues declined more than 50% in the two years following the weakening of oil prices starting in 2014.
- There has been a large scale increase in foreign direct investment in Gabon's transportation infrastructure, despite a weak business operating climate.
- According to the World Bank's Ease of Doing Business Survey, Gabon ranks 167 out of 190 countries. Challenges to Gabon's operating environment include infrastructure gaps, frequent and unpredictable power outages, high levels of bureaucracy, a lack of qualified workers, and endemic corruption.

Political Risk: Very High

- Current President Ali Bongo Ondimba narrowly won re-election in 2016. His father, Omar Bongo, was the previous president and ruled the country for 41 years before his death in 2009.
- Constitutional amendments passed in 2018 give the president a wide array of new powers, including the ability to dismiss the prime minister. The constitutional changes also removed presidential term limits and extended presidential immunity to include the president's time in office.
- Declining oil revenues have led to cuts in government spending, but expenses continue to exceed revenue. Government debt levels continue to rise, leading to concerns about the government's fiscal position and liquidity.
- Gabon has maintained close relations with France since independence. France has intervened militarily in Gabon and maintains troops in the country for peace-keeping purposes.

Financial System Risk: Very High

- The insurance industry in Gabon is regulated by the CIMA (Conférence interafricaine des marchés d'assurance) code. The principal supervisor is the Regional Control Commission for Insurance.
- In June 2017, Gabon entered into a three-year, USD642 million, extended fund facility arrangement with the IMF, in the hopes of fostering macroeconomic stability and promoting equitable growth. Gabon has high levels of debt, and fiscal consolidation efforts will be needed.
- Although the banking sector remains generally sound, the financial sector is underdeveloped and requires a strategy and political support to strengthen regulatory and supervisory frameworks.