

SOMALIA

The Somali economy continued overall strong performance in 2024. Growth remained near 4 percent, supported by improved agriculture. Inflation fell below 6 percent, and a slight fiscal surplus was driven by improvements in revenue collection. Reliance on external financing continues. Poverty remains high and widespread, with high vulnerability to climatic shocks. Similar economic performance is expected over the medium term, barring major climate or security shocks.

Key conditions and challenges

The economy continued to rebound from the severe 2018-22 drought seasons. Progress on state and institution building has further strengthened the growth environment. Further progress hinges on continued economic reform progress, an improving security situation (including international support following the end of the African Union Transition Mission in Somalia (ATMIS) and building buffers against shocks to which Somalia is currently highly exposed. Multiple and overlapping climate-related and external shocks have interrupted the country's growth trajectory and slowed the transition from fragility. Real GDP growth averaged only 2.4 percent annually in 2019–24 with an average negative real GDP per capita growth of 0.4 percent. Given the high rates of economic inactivity and unemployment, current growth does not generate sufficient jobs, which is fundamental for poverty reduction.

Now that Somalia has graduated from the Heavily Indebted Poor Countries (HIPC) Initiative, it will be essential for the authorities to maintain macroeconomic stability, support a resilient private sector and continue prudent public finance policy implementation.

Population ¹ million	16.2	Poverty ² millions living under natl. poverty line	9.7
Life expectancy at birth ³ years	56.1	School enrollment ⁴ primary (% gross)	25.0
GDP ⁵ current US\$, billion	12.1	GDP per capita ⁶ current US\$	745.9

Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2022. 3/ 2022. 4/ 2023. 5/ 2024. 6/ 2024.

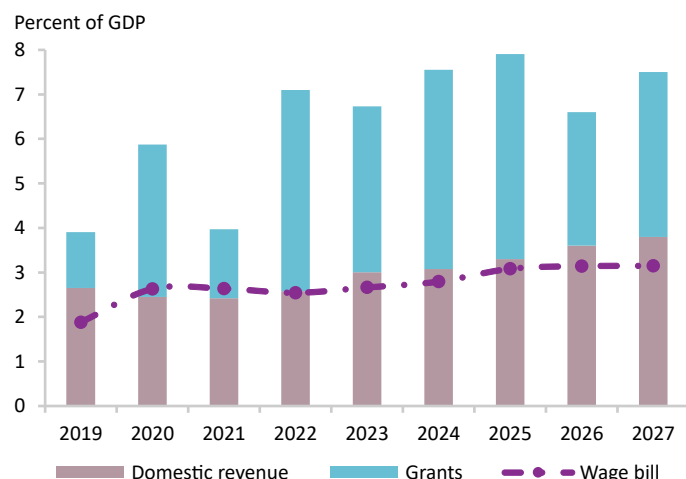
The latter includes accelerating domestic revenue mobilization reforms, improving the effectiveness of spending in social sectors, containing the wage bill, efficient security spending, advancing Public Finance Management reforms, and further strengthening of debt management. Macroeconomic stability and development in Somalia are expected to continue requiring a sustained and substantial flow of concessional finance over the medium term.

Poverty is high and widespread. The national poverty rate was 54 percent in 2022, ranging from 46 percent for the urban population to 78 percent among the nomadic population. In addition, there was very little progress in poverty reduction between 2017 and 2022, coinciding with a lack of per capita economic growth due to inconsistent economic growth and high exposure to shocks.

Recent developments

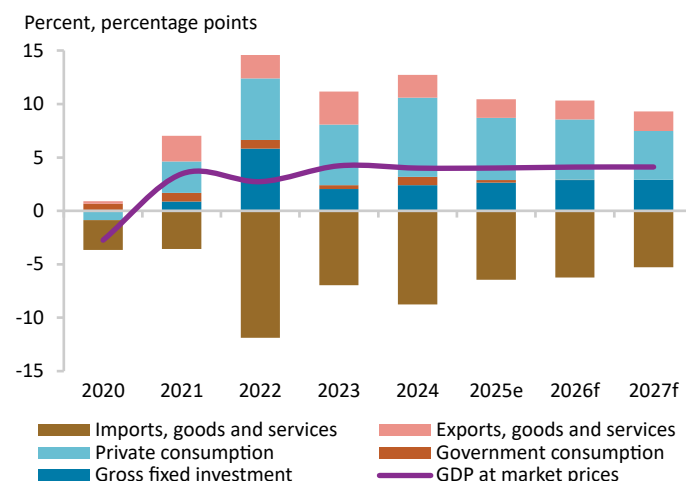
Economic growth remains strong, standing at 4.0 percent in 2024 compared to 4.2 percent in 2023, driven by agriculture production, livestock exports and household consumption. Improved climatic conditions boosted export recovery, with exports of goods and services increasing by 15 percent in 2024, mostly on account

FIGURE 1 / Total revenue and wage bill



Sources: Somalia Authorities and World Bank staff estimates.

FIGURE 2 / Real GDP growth and contributions to real GDP growth



Sources: Somalia National Bureau of Statistics and World Bank staff estimates.

of livestock. Imports of goods and services grew at a slower pace, supported by high demand for construction materials and lower food and oil imports. Thus, trade deficit grew up slightly as imports consistently exceed exports; nevertheless, the current account deficit narrowed to 8.9 percent of GDP in 2024 on the back of strong growth in livestock exports. However, food security remains a major concern, with nearly 4.6 million people in Somalia likely to experience high levels of acute food insecurity in April-June 2025.

Inflationary pressures have eased but despite falling food prices, annual inflation remained sticky. Inflation averaged 5.5 percent in 2024 compared to 6.1 in 2023. This inflation is for Mogadishu only and Somaliland and other State continue to face higher inflation.

The Federal Government of Somalia (FGS) budget ended in a small surplus of 0.1 percent of GDP in 2024 on account of continued improvements in revenue collection and prudent spending. Measures to expand the tax base and digitalize tax collection have resulted in significant improvement in collection of income and sales taxes. The wage bill and security costs accounted for the bulk of FGS spending, but social spending increased at a faster pace. Government's ability to deliver basic services to the population, however, remains limited and dependent on external funding.

Outlook

Growth is projected to remain near 4 percent over the medium term, though with significant downside risks such as climate shocks, insecurity, and slow domestic revenue growth. Macroeconomic and structural reforms implemented in the context of HIPC Completion Point are expected to start paying off and support sustained growth, albeit modestly due to continuing fragility. The recovery of agricultural production and exports is expected to continue in 2025. The agriculture sector, however, is likely to remain vulnerable to climate-related shocks. Remittances are projected to

remain strong supported by a favorable growth outlook in several host countries.

However, Somalia is highly exposed to climate risks, which can quickly worsen food insecurity and dampen economic activity. Despite improved climatic conditions in recent years, seasonal rainfall is forecast to be below normal in the first half of 2025. These worsening climatic conditions may expose existing vulnerabilities to climatic shocks, especially among the poor. Risks also emanate from lower global growth, higher commodity prices, the ATMIS transition, and political risks linked to federalism. As Somalia is highly dependent on external aid, planned reduction in donor support from US and other development partners would negatively impact growth, poverty reduction, and fiscal accounts. Recent global trade policy uncertainty drives additional downside risks to growth and inflation.

The current account deficit is forecast at 8.7 percent of GDP in 2025, due to increased livestock exports and mainly financed through a combination of foreign direct investment and grants. Inflation is projected at 4.2 percent in 2025, as commodity prices soften.

A fiscal deficit of 0.1 percent of GDP is expected in 2025, as the FGS is planning to expand provision of public services. New income tax legislation, continuing modernization and harmonization of customs, implementation of the revenue administration information system, and other reforms are expected to boost domestic revenue collection.

Poverty, measured using the national poverty line, is forecast to decrease throughout 2025 to 2027 by roughly a percentage point each year. However, potential shocks, including the scaling back of humanitarian aid and climatic shocks, may slow this projected poverty reduction. Accelerating poverty reduction will require strengthening climate resilience, especially for the rural and nomadic population, and promoting inclusive growth through job creation and increased human capital.

Recent history and projections

	2022	2023	2024e	2025f	2026f	2027f
Real GDP growth, at constant market prices	2.7	4.2	4.0	4.0	4.1	4.1
Private consumption	4.7	4.5	6.0	4.6	4.4	3.5
Government consumption	12.2	5.0	10.2	3.1	0.5	1.0
Gross fixed capital investment	31.5	8.7	9.8	10.2	10.4	10.0
Exports, goods and services	13.7	17.5	10.7	8.2	8.0	8.0
Imports, goods and services	18.8	9.5	11.4	7.8	7.3	6.0
Inflation (consumer price index)	6.8	6.2	5.5	4.2	3.6	3.4
Current account balance (% of GDP)	-8.6	-9.3	-8.9	-8.7	-9.8	-10.0
Fiscal balance (% of GDP)	0.0	0.1	0.1	-0.1	-0.5	0.6
Revenues (% of GDP)	7.1	6.7	7.6	7.9	6.6	7.5
Debt (% of GDP)	38.2	7.0	6.4	6.2	6.0	5.8
Primary balance (% of GDP)	0.1	0.2	0.2	0.0	-0.4	0.7
National poverty line¹	54.4	53.2	51.1	50.3	49.2	48.2
GHG emissions growth (mtCO2e)	-0.8	-0.2	0.2	0.2	0.1	0.0

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

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

1/ Projections are based on applying private consumption growth to household consumption, with a neutral distribution.