Gambia

The Gambian economy slowed in 2010, posting growth of 5.4% after 6.7% in 2009, but held up relatively well against the continued negative impact of the global economic slump on trade, tourism and remittances. Growth should pick up to 5.6% in 2011 and 2012.

Gambia's business environment remains challenging although there has been some progress in the banking and communications sector. The government is pursuing initiatives to boost agriculture on which most people depend for their livelihood.

Emerging country partners are important for Gambia, among them Kuwait, Chinese Taipei and Venezuela.

Gambia is a low-income country with a structural food deficit but it has managed to post relatively strong growth rates over the past three years. In 2010, growth slowed to 5.4% from 6.7% in 2009 as the global slump continued to be felt on re-exports, tourism and remittances. Growth should pick up to 5.6% this year and next. Good harvests – especially of rice – and gains in the construction and banking sectors drove economic growth. The newly launched National Agricultural Investment Plan aims to improve agricultural sector productivity.

The government managed to maintain macroeconomic stability in the face of external shocks such as a reduction in grant aid and trade revenues, as well as rising oil and food prices. Debt, both domestic and external, remains a problem and the burden is expected to increase further in the near future. Inflation picked up in the second half of 2010, partly reflecting the Central Bank of the Gambia's financing of the budget deficit. The central bank accordingly hiked interest rates to 15% and succeeded in keeping inflation below its 6% target. Inflation in 2011, driven by higher oil and food prices, is expected to accelerate in the first quarter.

The banking sector is developing, driven by foreign direct investment (FDI). Increased competition and capacity in the industry has increased deposits and credit supply. However, a large share of bank credit has been absorbed by the government and private sector demand for credit is limited.

With the support of development partners, the government launched initiatives to promote the private sector, such as the Growth and Competitiveness Project (GCP) to support foreign trade and investment, and the Gambia National Agricultural Investment Plan (GNAIP) to improve agricultural productivity. GNAIP could be the first step towards broad-based agricultural development, provided that it is complemented by land reform and infrastructure provision. It could also encourage development partners to participate more actively in agricultural development.

The role of emerging country partners in the Gambia has remained relatively limited. Traditional development partners, including the World Bank, the International Monetary Fund (IMF) and the African Development Bank (AfDB), retain crucial roles. Among emerging country partners, Chinese Taipei remains the most important, followed by Cuba and Venezuela while Kuwait exerts a growing influence. The political situation in the Gambia was calm during 2010. There seems to be little interest in institutional reform.

Table 1: Macroeconomic indicators

	2009	2010	2011	2012
Real GDP growth	6.7	5.4	5.6	5.6
CPI inflation	4.6	5.8	5.9	6.3
Budget balance % GDP	-3	-2.7	-2.4	-1.5
Current account % GDP	-10.1	-12.2	-11.9	-11

Source: National authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

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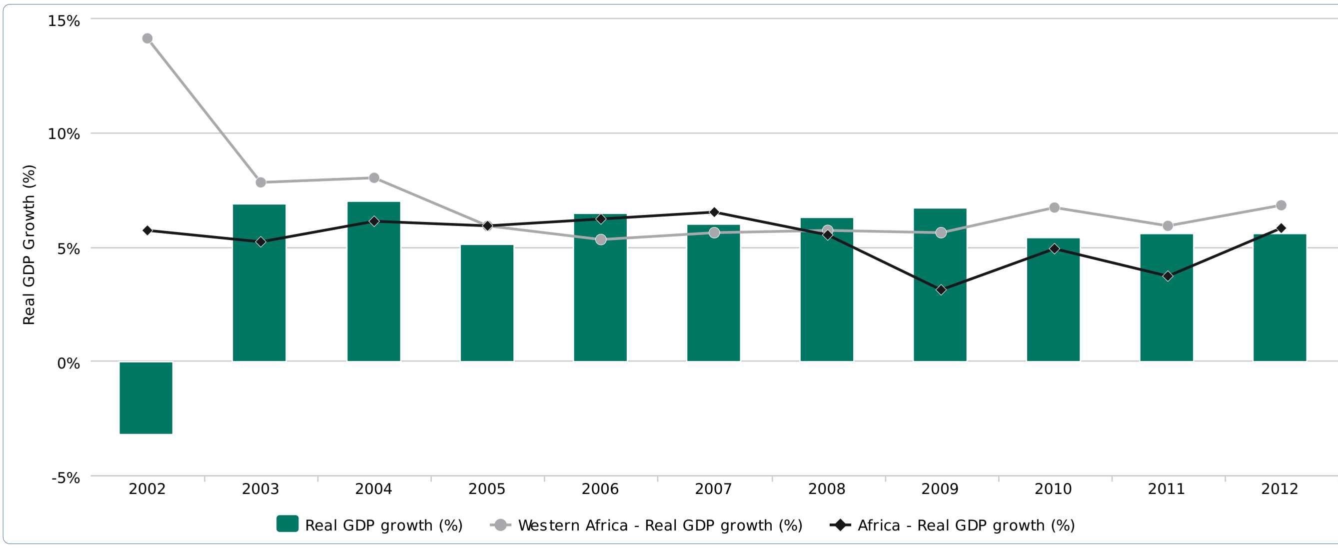
Figure 1: Real GDP growth (W)



Source: IMF and local authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

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