Key risk factors

— High dependence on hydrocarbon sector. Oil accounts for 87% of exports, 58% of fiscal revenues and 51% of GDP (average last 10 years), making Gabon very vulnerable to lower oil prices. Unless new discoveries are made off-shore, oil output is expected to start declining from 2013-14. Alternative exports like manganese or palm oil cannot compensate for declining oil revenues yet.

— Poor business climate despite political efforts. In 2009, President Ali Bongo followed his father's rule in contested elections. He has tried to ensure political stability by including leaders of different ethnicities in the government. Gabon suffers from a weak legal system and high administrative inefficiencies. It is ranked worse than the Sub-Saharan Africa average on the ease of doing business index (see chart).

— Weak track record with respect to fiscal management. Gabon’s poor fiscal payment culture became evident again in June 2012, when the government was delayed with the coupon payment on its USD 1bn Eurobond maturing in 2017. The government is also falling short of its commitment to make regular payments of USD 50mn annually to a sinking fund held at the World Bank that should mitigate repayment risk regarding the Eurobond.

Key mitigating factors

— Strong external and fiscal position. On the back of high oil revenues Gabon has run sustained fiscal and current account surpluses over the last decade (see chart). This has reduced the public and external debt level to below 20% of GDP in 2012 and increased international assets. As a consequence Gabon is expected to turn into a net external creditor this year.

— CFA Franc zone membership provides monetary stability. Gabon is a member of the Central African Monetary Zone (CEMAC) which is supported by the French Treasury. Its currency, the CFA Franc, is pegged to the Euro which ensures low inflation rates (2.3% in 2012) and exchange rate stability.

— Positive impact of government’s reform agenda. Efforts include the diversification of the economy away from oil towards higher value-added activities and the promotion of manufacturing through the opening of a special economic zone. This should drive non-oil growth in the long-run to compensate for declining oil output.

— Relatively high GDP per capita. GDP per capita is, at USD 10,900, much higher than the Sub-Saharan Africa average.