

Oil economy with regional support systems



General Information

GDP	USD18.661bn (World ranking 106, World Bank 2012)
Population	1.63 million (World ranking 151, World Bank 2012)
Form of state	Multiparty Presidential Republic
Head of government	Ali Ben BONGO Ondimba
Next elections	2016, presidential



Strengths

- Relatively stable political environment.
- Good natural resource base, with Sub-Saharan Africa's fourth largest oil reserves.
- Current account surpluses.
- Upper middle income classification.
- Foreign exchange reserves currently cover over five months of imports.
- Membership of the CFA franc zone provides a relatively stable background of monetary policy and it significantly reduces exchange rate and transfer risk.

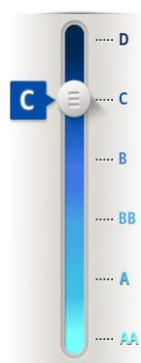
Weaknesses

- Despite being upper middle class status, levels of income 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.
- Small, vulnerable and inefficient banking sector.
- High perceptions of corruption and of weak judicial oversight.
- Delisted by the Extractive Industries Transparency Initiative in 2013.

Country Rating

C3

Country Grade



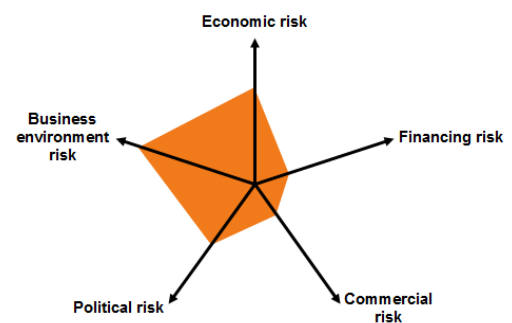
Country Risk Level

High risk



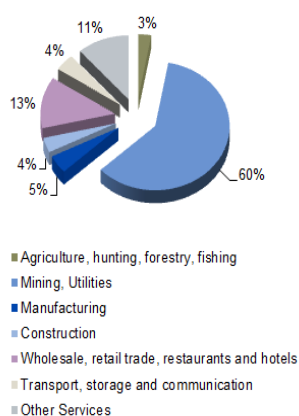
Low risk

Risk Dimensions



Economic Structure

GDP breakdown (% of total, 2011)



Sources: Chelem, UnctadStat, IHS Global Insight, Euler Hermes

Trade structure (% of total, 2011)

By destination/origin

Exports	Rank	Imports		
United States	44%	1	33%	France
China	10%	2	9%	China
Malaysia	9%	3	6%	United States
Australia	9%	4	6%	Belgium
Japan	6%	5	4%	Italy

By product

Exports	Rank	Imports		
Crude Oil	77%	1	7%	Construction Equipment
Non Ferrous Ores	8%	2	6%	Commercial Vehicles
Non-Edible Agricultural Prod.	8%	3	5%	Meat
Refined Petroleum Products	3%	4	5%	Miscellaneous Hardware
Wood Articles	1%	5	5%	Engines

Economic Forecast

	2009	2010	2011	2012	2013f	2014f
GDP growth (% change)	-2.8	6.5	6.9	6.0	6.0	6.5
Inflation (% end-year)	0.9	0.7	2.3	2.2	1.3	1.1
Fiscal balance (% of GDP)	2.2	1.9	0.7	0.3	-0.3	0.0
Public debt (% of GDP)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Current account (% of GDP)	9.4	8.6	4.4	3.6	1.3	0.3
External debt (% of GDP)	14.1	13.3	11.4	11.2	10.0	9.3

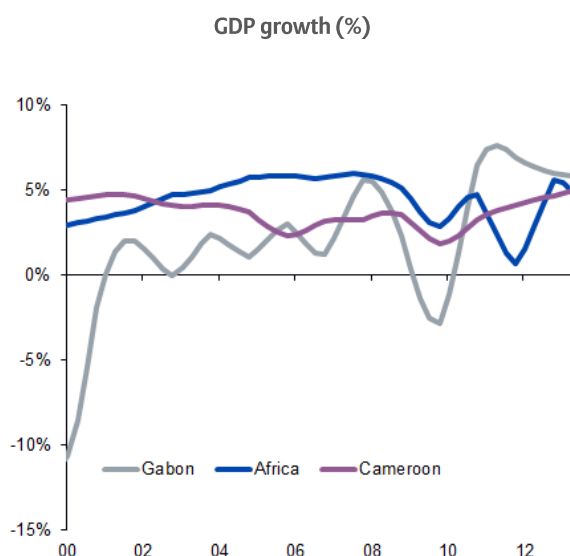
Sources: IHS Global Insight, National sources, Euler Hermes

Economic Overview

Economic diversification away from the oil sector has been limited and hydrocarbons still account for around 75% of exports, 65% of government revenues and 60% of GDP. Gabon has dwindling known reserves of crude oil, which at current rates of extraction (0.3% of world production) will provide a further 22 years of output. The non-oil sector is reliant on other primary industries, particularly mining (manganese, 80% of non-oil exports) and agriculture (timber, 15% of non-oil exports). However, the economy has still managed to register annual GDP growth of +6% each year since 2010 (-2.8% in 2009).

The outlook for economic growth depends partly on the success of the policy of diversification away from oil and partly, particularly in the short term, on global demand and prices for that commodity. The Belinga iron ore deposit is one of the largest relatively unexploited reserves in the world and manganese production is expected to double in the medium term. Accordingly, a weakening oil sector will be countered by increasing development of the non-oil sectors.

Assuming stability and security are maintained at current levels, EH expects GDP growth of +6% in 2013 and +6.5% in 2014, compared with a ten-year annual average up to 2012 of +3.2%.



Sources: IHS Global Insight, Euler Hermes

Economic Overview (continued)

With the support of the IMF, Gabon is attempting to improve the overall business environment and attractiveness of the country for international investors. More transparency in the judicial system, acceleration in the pace of structural reforms, privatisation and good governance are all factors that the IMF is promoting. Even so, policy uncertainties currently include the outcome of a new Petroleum Code, with oil companies expecting the government to legislate for an increased involvement in the sector. This may necessitate some renegotiation of tax agreements and associated contract revision. This story is being played out across Africa as governments seek to improve the returns they receive from exploitation of their countries' natural resources. However, Gabon is unlikely to insist on measures that lead to energy companies avoiding investments in Gabon, particularly as, with dwindling known oil reserves, it will want assistance in developing new deep-water offshore oilfields.

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 (annual rates of 0-2%) 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-2014. 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 liquidity indicators remain sound, with the current account of the balance of payments recording surpluses (albeit declining, with a surplus equivalent to 1.3% of GDP expected in 2013), FX reserves providing import cover of six months and relatively low external debt ratios (external debt/GDP is <10% and external debt/total export earnings is <20%).

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