



Gabon

Gabon: Scenario Comparisons

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Chart 29: GDP per capita in the Current Path and scenarios, 2020-2043

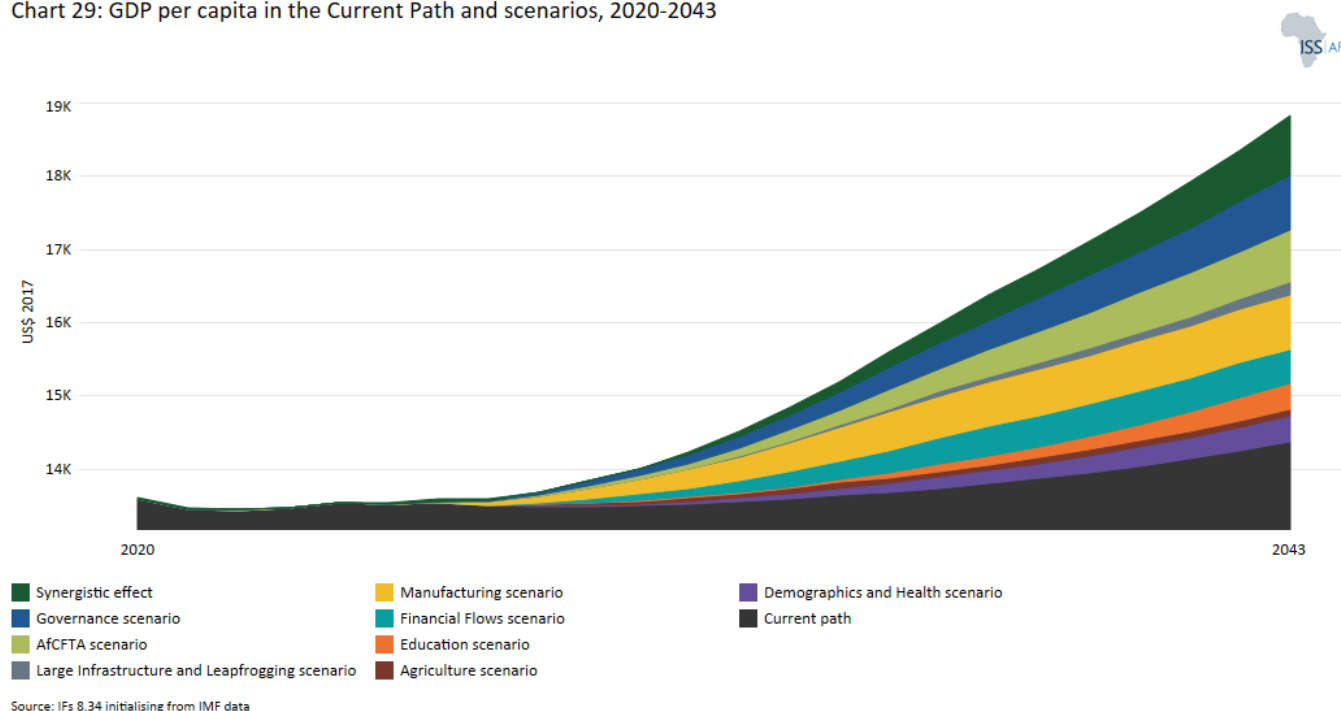


Chart 29 presents GDP per capita in purchasing power parity (PPP) in the Current Path and each of the eight sectoral scenarios, plus the synergistic effect and the Combined scenario. The data is from 2020 with a forecast to 2043.

In 2023, Gabon had a GDP per capita (PPP) of US\$13 460 which will increase by US\$910 to US\$14 370 in 2043. In the Combined scenario, GDP per capita rises much faster reaching US\$ 18 820 in 2043, US\$4 450 more than in the Current Path. In other words, in the Current Path, GDP per capita is set to increase by 6.8% over the forecast horizon versus 39.8% in the Combined scenario.

The impact on Gabon's GDP per capita in the different scenarios ranges from adding between US\$750 and US\$80 over the forecast period. The Manufacturing scenario increases GDP per capita the most and the Agriculture scenario the least. In the Manufacturing scenario, GDP per capita will reach US\$15 110 by 2043. The second- and third-largest increase is brought about by the Governance and the AfCFTA scenarios with GDP per capita forecast to reach US\$15 100 and US\$15 080 by 2043, respectively. The remaining five scenarios Financial Flows, Demographics and Health, Education, Large Infrastructure and Leapfrogging, and Agriculture take Gabon's GDP per capita to above US\$14 450 but below the US\$15 000 threshold. On the upper end, the Financial Flows scenario lifts GDP per capita to US\$ 14 840, and the Agriculture scenario takes it to US\$14 450, US\$80 above the Current Path in 2043.

The impact of the Manufacturing scenario illustrates the benefits of incentivising manufacturing in Gabon by improving the business environment, increasing investment in the sector and boosting government expenditure on research and development activities. Boosting manufacturing will pay off, as the sector creates higher quality jobs in the formal sector and serves as an important linkage between other sectors of the economy, with higher levels of productivity spilling over to agriculture and services.

Indeed, all the sectors represented by the individual scenarios have strong linkages among each other, and improvements in one will typically have positive side effects in another. Improved infrastructure and human capital development, for

example, are key for a productive manufacturing sector and are necessary conditions for a country to successfully diversify its economy. Better governance through the more efficient use of public funds and greater stability cuts across all the sectors. A coordinated policy push across sectors is thus optimal for achieving inclusive, sustained growth and development in Gabon.

Chart 30: Poverty in the Current Path and scenarios, 2023-2043

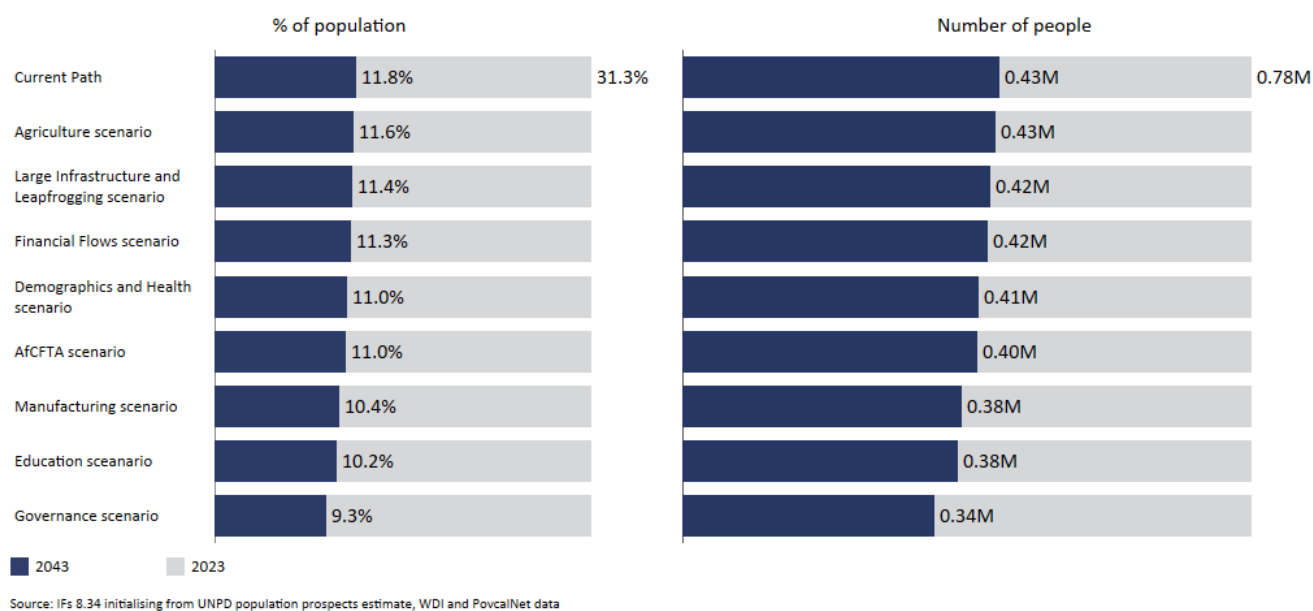


Chart 30 presents poverty in the Current Path and for each scenario, from 2020 to 2043. The user can select the number of extremely poor people or the percentage of the population.

In 2023, close to one third of Gabon's population lived below the poverty line (31.3%). On the Current Path, this rate will drop to 17.3% in 2030 and to 11.8% by 2043. The Combined scenario accelerates this progress. By 2043, the share of Gabon's population living in poverty will drop to 15.7% in 2030 and to 5% by 2043.

Among the sectoral scenarios, the Governance scenario is the most powerful in reducing poverty in Gabon over the forecast horizon. Under this scenario, the share of people living in poverty drops to 16.4% by 2030 and to 9.3% by 2043.

This shows the benefits of improving the government's capacity by reducing corruption, increasing government effectiveness, boosting economic and democratic freedoms, introducing targeted social grant programs and promoting greater gender equality throughout society. Over the past decade, the government of Gabon tried out a **variety of policy tools** to lift the poorest Gabonese out of poverty, such as providing universal access to primary education, compulsory health insurance schemes through the National Health Insurance Program, and the creation of a fund to support income-generating activities for the poorest citizens. More recent smaller initiatives included cash and in-kind transfers, cash-for-work and fee exemptions. Albeit only partly successful, those policies and initiatives provide a foundation for future measures. The significant impact of the Governance scenario also underlines the need to work towards political stability in Gabon.

Moreover, good governance is key for the efficient use of public funds, particularly at a time when fiscal pressure is high and social expectations are high. Public investment which focuses on creating an enabling environment for international investment by improving infrastructure, increasing stability and expanding the pool of high-skilled human capital will be

critical for economic growth.

The second-best impact on poverty reduction happens in the Education and Manufacturing scenarios, in which the share of the population living in poverty will drop to 10.2% and 10.4% by 2043. The impact on poverty reduction of the AfCFTA scenario is somewhat weaker with about 11% of the population living in poverty by 2043. In the Demographics and Health scenario, Gabon’s poverty rate will drop to 11.3%, similar to the Financial Flows scenario in which 11.3% of the population will live below the poverty line by 2043. The Large Infrastructure and Leapfrogging scenario and the Agriculture scenarios, in contrast, are less impactful yet significant when looking at poverty reduction. In fact, in those scenarios the poverty rate decreases to 11.4% and 11.6%, respectively, compared to 11.8% in the Current Path.

Chart 31: GDP (MER) in the Current Path and Combined scenario, 2020-2043

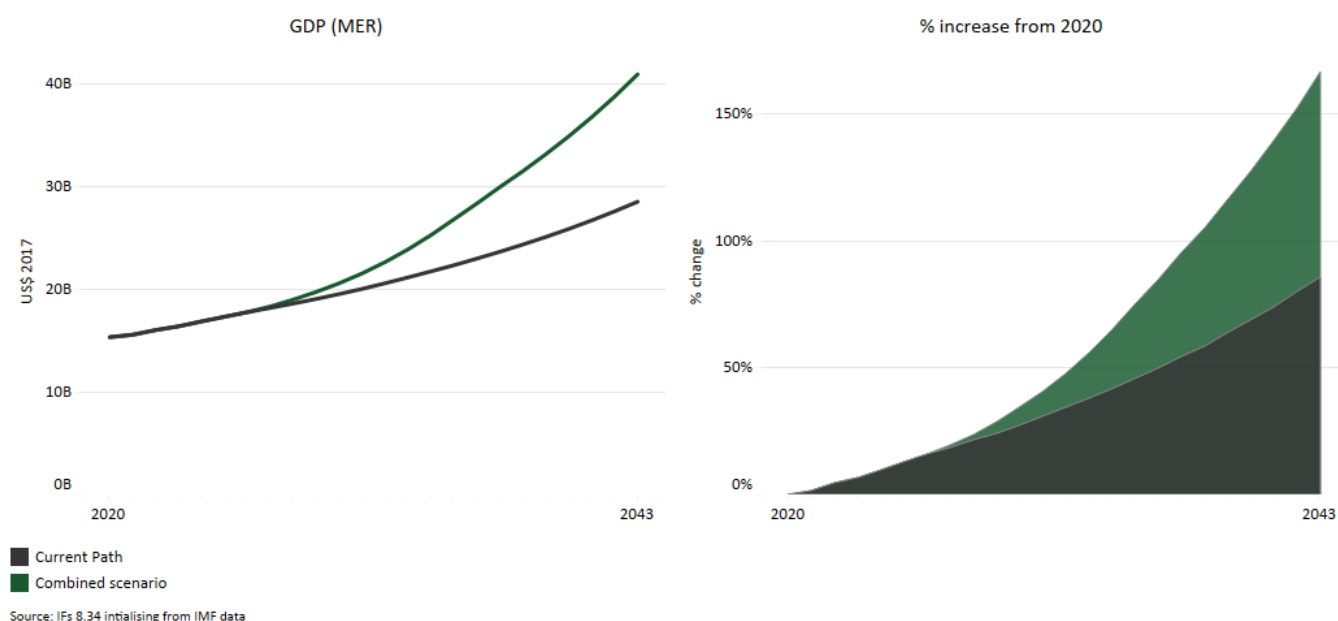


Chart 31 presents GDP in the Current Path and in the Combined scenario, from 2020 to 2043. The data is in US\$ 2017 and at market exchange rates (MER).

The Combined scenario combines all eight sectoral scenarios: Governance, Demographics and Health, Education, Large Infrastructure and Leapfrogging, Agriculture, Manufacturing, AfCFTA and Financial Flows.

The Combined scenario, if fully implemented, will lead to significant economic growth in Gabon. In this scenario, the economy will expand from US\$16.4 billion in 2023 to US\$26.8 billion in 2030 and to US\$40.3 billion in 2043, US\$12.4 billion more than on the Current Path. In other words, in the Combined scenario, Gabon's economy would be more than 40% larger than in the Current Path. In the latter, GDP will expand by 74% while in the Combined scenario, the economy will grow by 149%.

Chart 32: Value added by sector in the Current Path and Combined scenario, 2023-2043

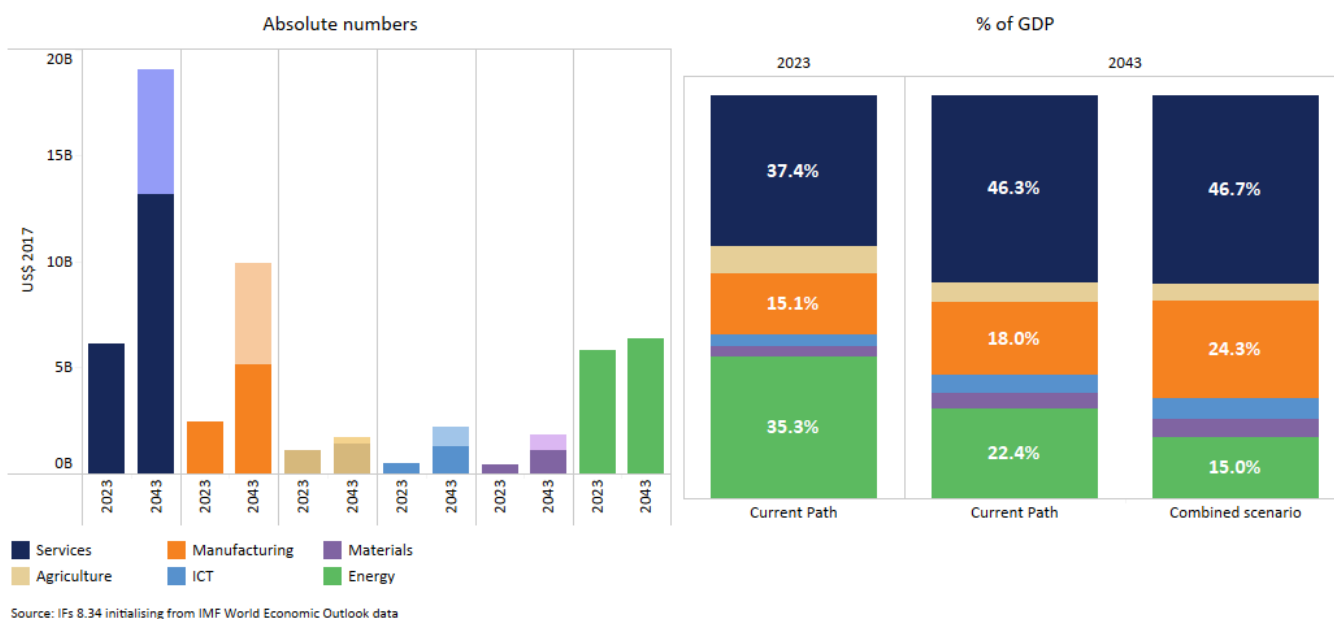


Chart 32 presents the value added by sector in the Current Path and in the Combined scenario, from 2020 to 2043. The data is in US\$ 2017 and as a percentage of GDP.

Our modelling provides forecasts in six economic sectors namely agriculture, energy, materials (including mining), manufactures, services and ICTech.

In 2023, value added from Gabon’s service sector accounted for 37.4% of GDP, the equivalent of US\$6.1 billion, followed by the energy sector which represented 35.3% of GDP (US\$5.8 billion). Value added from manufacturing accounted for about 15.1% (US\$2.5 billion), followed by agriculture contributing US\$1.1 billion, i.e. accounting for 6.7% of GDP. In the future, the services sector will be the most important contributor to Gabon’s GDP, forecast to account for 46.3% of GDP by 2043 at a value of US\$13.4 billion, followed by the energy sector that will account for 22.5% of GDP (US\$6.4 billion). The manufacturing sector will account for 18% of GDP, the equivalent of US\$5.1 billion) and the relative contribution of agriculture will decline to a 4.8% share of GDP (US\$1.4 billion).

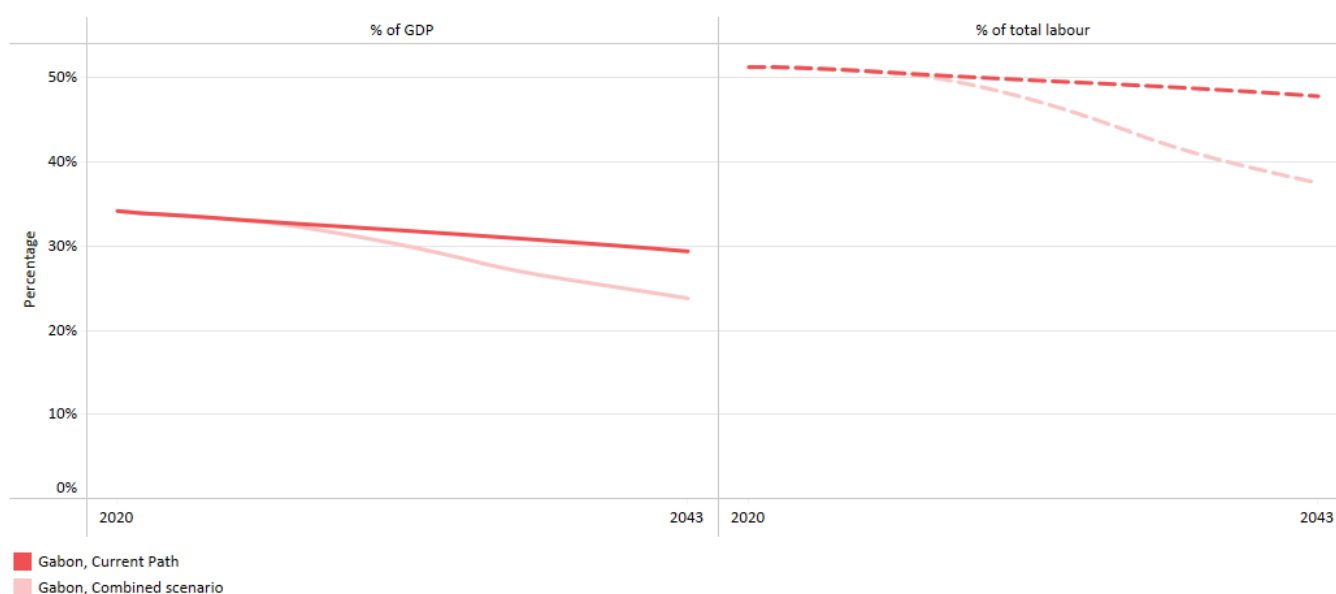
The Gabonese economy is dominated by the services and the energy sector. In 2023, the value added by the services sector accounts for 37.4% of GDP, followed by the energy sector which represents 34.1% of GDP. The value added from the manufacturing sector amounts to 15.1%, and agriculture accounts for 6.7% of GDP, followed by ICT and materials with a share of 2.8% and 2.6%, respectively.

On the Current Path, the composition of Gabon’s economy is not expected to change significantly although diversification is noticeable to some extent. In 2043, the services sector will be even more dominant and account for 46.3% of GDP. The share of the energy sector drops to 22.5% and the added value of manufacturing increases to 18% of GDP. However, value added from agriculture will decline in the Current Path accounting for only 4.8% in 2043. Materials and ICTech will rise to 3.9% and 4.6% of GDP, respectively.

The Combined scenario accelerates diversification of Gabon’s economy with the share of energy dropping to 15% and the share of manufacturing increasing to 24.3% in 2043. Value added from the service sector will still contribute the most to GDP at 46.7% in 2043 and the sector even gains relative importance. Agriculture, on the other hand, will drop to 4.2% of

GDP in the Combined scenario while ICTech and materials will account for 5.3% and 4.5% in 2043, respectively.

Chart 33: Informal sector in the Current Path and Combined scenario, 2020-2043



Source: IFS 8.34 initialising from Elgin and Oztunali (2008), and Schneider and Enste (2012) data

Chart 33 presents the size of the informal sector as percentage of the total economy in the Current Path and in the Combined scenario, from 2020 to 2043.

In 2023, the informal sector accounted for one third of Gabon's economy (33.6%). On the Current Path, the informal sector will become relatively smaller by representing 29.4% of GDP in 2043. The Combined scenario will accelerate this trend towards greater formalisation of the economy. In this scenario, the informal sector will only account for 23.8% of the country's GDP in 2043. The size of Gabon's informal sector relative to its GDP will still be much higher than the average for Africa's upper-middle-income economies (13.3%), not to mention Gabon's global income peers at 4.2%. Gabon will also still perform below the average of the world's lower-middle-income economies (15.9%) and essentially only be ahead of Africa's low- and lower-middle-income countries in which the informal sector is on average expected to account for 27.3% of GDP.

The scenario that has the greatest impact on reducing the informal economy as a share of GDP over the forecast horizon is the Governance scenario (27.1% in 2043) due to the improvements in government capacity, closely followed by the Manufacturing scenario (27.4% in 2043) due to its potential for job creation.

In 2023, informal labour accounted for more than half of Gabon's labour force (51.2%). On the Current Path, this share will reduce only slowly to 49.2% in 2035 and to 47.8% in 2043. In the Manufacturing scenario, informal labour as a share of total labour will drop to 41% by 2043 compared to 46.2% in the Governance scenario. In the Combined scenario, 37.5% of Gabon's labour force will work in the informal sector; significantly above the group average of 23.9% for Africa's upper-middle-income economies and almost twice as high as the group average of 21% for its global income peers.

Chart 34: Life expectancy in the Current Path and Combined scenario, 2020-2043

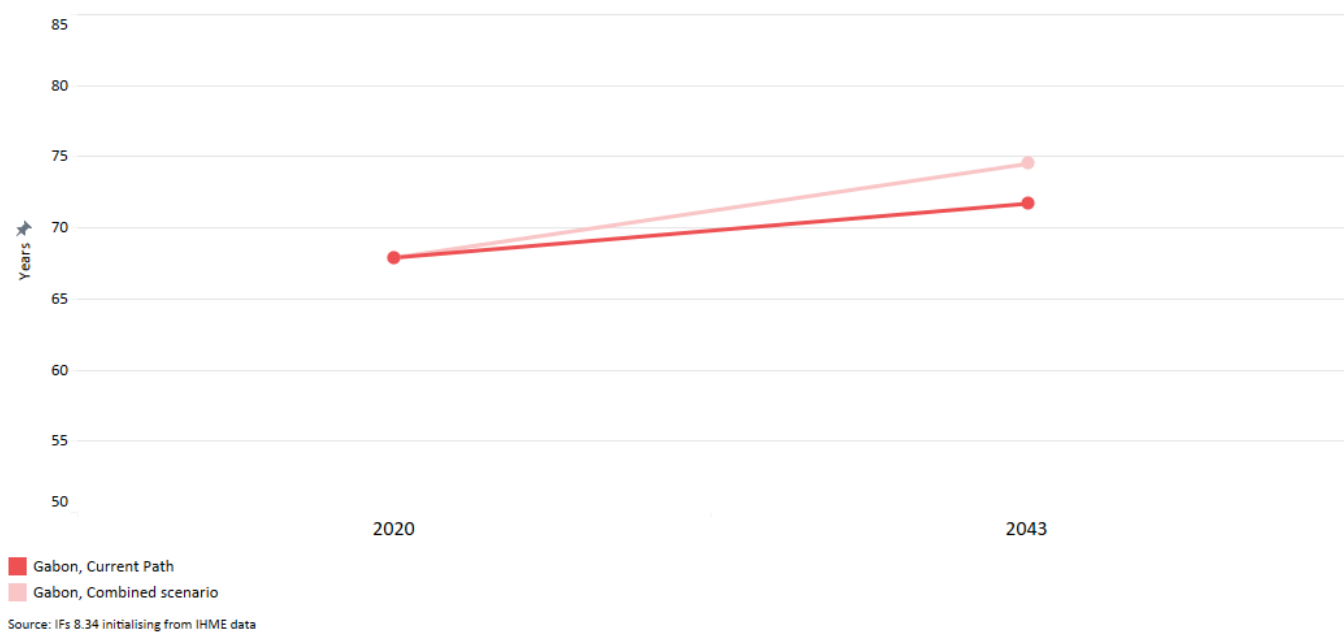


Chart 34 compares life expectancy in the Current Path with the Combined scenario from 2020 to 2043.

In 2023, the average person in Gabon had a life expectancy of 68.4 years. On the Current Path, life expectancy will increase to 71.7 years by 2043. The interventions in the Combined scenario accelerate improvements in life expectancy in Gabon so that Gabonese citizens can expect to live until 74.5 years; in other words add close to 3 years to their life expectancy.

Chart 35: Domestic Gini in the Current Path and Combined scenario, 2020-2043

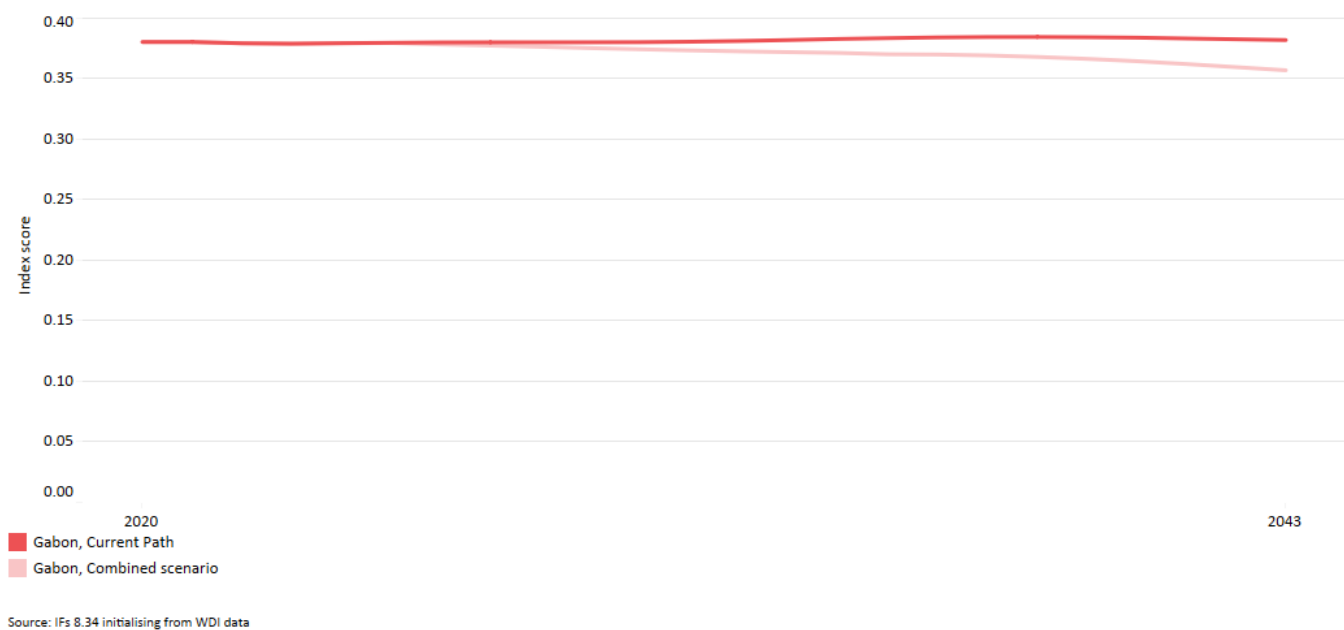


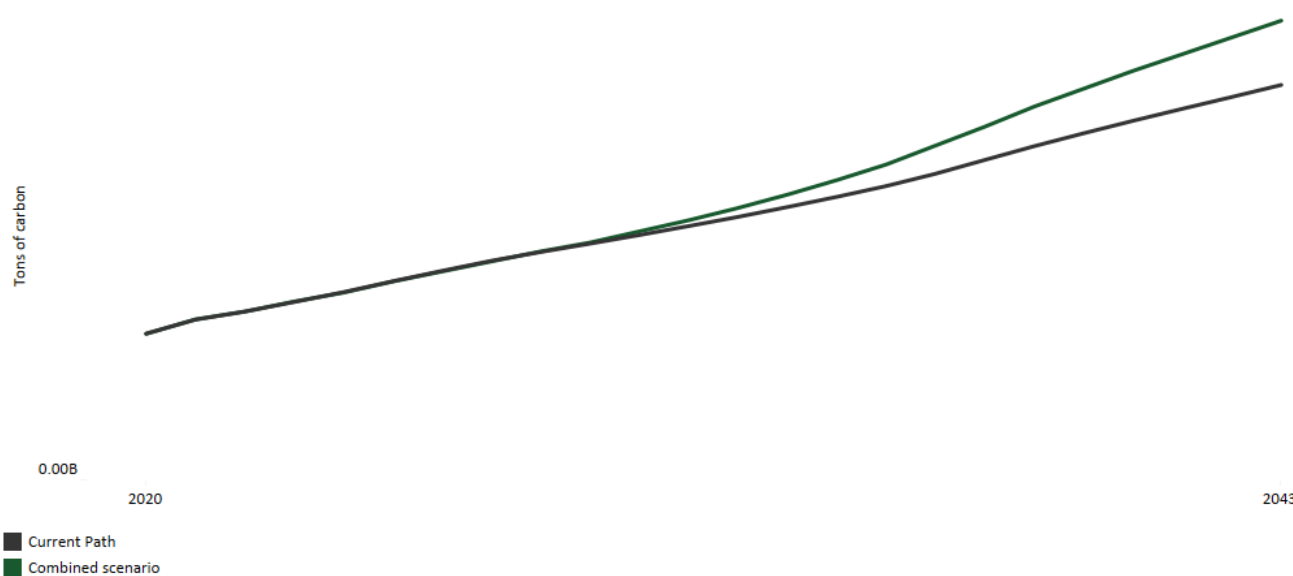
Chart 35 compares the Gini coefficient in the Current Path with the Combined scenario for 2023 and 2043.

Gabon’s domestic Gini coefficient stood at 0.38 in 2023 which places the country just below the continental average (0.396) and inline with the average of its global upper-middle-income peers but significantly below the average of its African income peers. The most unequal countries in that grouping are South Africa, Namibia and Botswana, followed by Guinea Equatorial with Gini coefficients ranging between 0.63 and 0.5 (in order of mention).

On the Current Path, income inequality in Gabon will remain on more or less the same level throughout the forecast horizon of this study although a slight drop begins to show from about 2040. In the Combined scenario, however, income inequality is reduced significantly with a Gini coefficient that starts falling from 2035 to reach 0.36 in 2043. Only when extending the forecast horizon by another decade, the true combined power of the interventions take effect. Inequality in Gabon is very entrenched, and some of its structural drivers need time to be reversed to achieve more inclusive economic growth.

Chart 36: Carbon emissions in the Current Path and Combined scenario, 2020-2043

Million tons of carbon (note, not CO₂ equivalent)



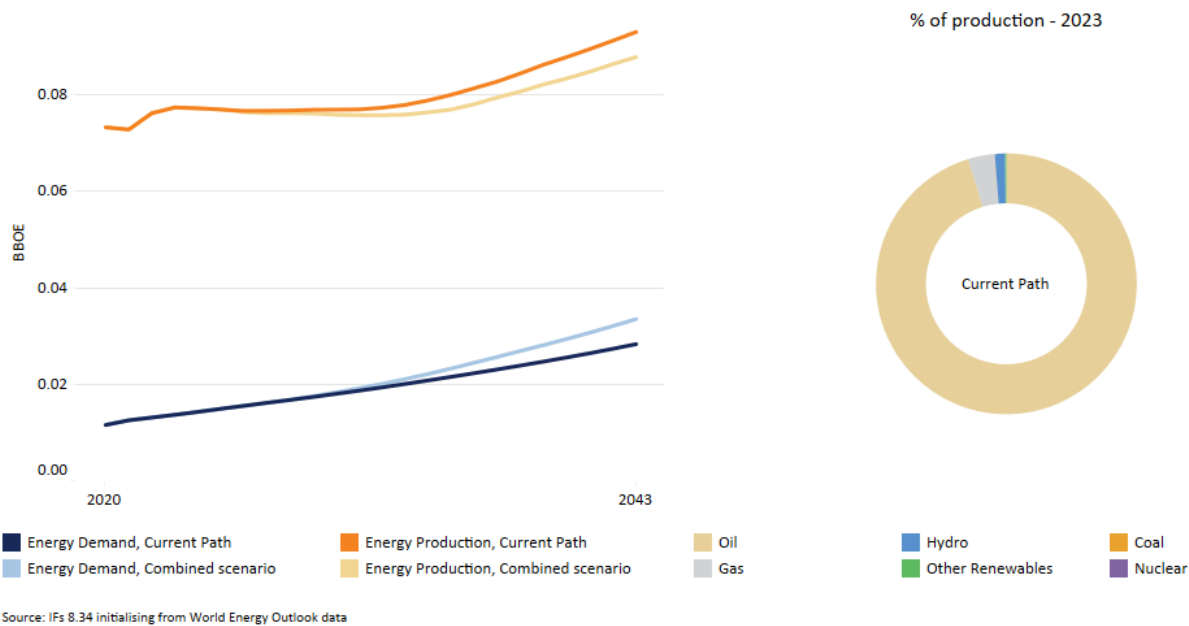
Source: IFs 8.34 initialising from Carbon Dioxide Information Analysis Center data

Chart 36 compares carbon emissions in the Current Path with the Combined scenario from 2020 to 2043. Note that the data is in million tons of carbon, not CO₂ equivalent.

Carbon emissions in 2023 stood at 1.6 million tons of carbon. On the Current Path, they will more than double to 3.5 million tons of carbon. In the Combined scenario, however, carbon emissions will grow more quickly and increase by close to 160% to reach 4.1 million tons of carbon in 2043.

The most carbon-intensive scenario is the Manufacturing scenario with an expected emission level of 3.7 million tons of carbon in 2043, followed by the Governance and the AfCFTA scenarios with similar emission levels. The least carbon-intensive scenarios are the Large Infrastructure and Leapfrogging and the Demographics and Health scenarios.

Chart 37: Energy demand and production by type in the Current Path and Combined scenario, 2020-2043



Source: IFS 8.34 initialising from World Energy Outlook data

Chart 37 compares energy demand and production in the Current Path with the Combined scenario from 2020 to 2043. Production is done in eight types, namely oil, gas, coal, hydro, nuclear, geothermal, wind, solar and other renewables. The data is converted into billion barrels of oil equivalent (BOE) to allow for comparisons. Note that energy production could be for domestic use or for export with exports dominating in the case of Gabon.

Total energy produced in Gabon in 2023 stood at 77.5 million barrels of oil equivalent (BOE) compared with a total energy demand of 13.7 billion BOE, thus resulting in a production surplus of 63.8 million BOE. On the Current Path, total energy demand will increase to 28.3 million BOE and production will rise to 93.1 billion BOE, leading to a somewhat smaller surplus of 64.8 million BOE in 2043.

In the Combined scenario, total energy production will stand at 87.9 billion BOE. Demand will increase to 33.5 billion BOE, the production surplus will be 54.4 million BOE.

Currently, oil is Gabon’s dominant source of energy production by a great margin. In 2023, energy production from oil amounted to 73.7 million BOE, followed at great distance by energy production from gas at 2.7 million BOE. Energy production from hydro was 0.9 million BOE. Production from other sources is negligible.

On the Current Path, by 2043, oil will increase to 86.9 million BOE, and gas production will rise to 3.9 million BOE. Production from hydro stood at 0.94 million BOE. In the Combined scenario, however, oil production drops to 79.1 million BOE reflecting a change in Gabon’s energy mix while gas production will increase to 4.6 million BOE. In other words, oil production is set to drop by 9.9%, and gas production will increase by over 18.8%.

In Africa, Gabon has among the highest potential for **hydropower** which, however, remains largely untapped. The previous government intended to transition into sustainable energy sources and create a single national integrated grid using hydropower. The Kinguélé Aval Hydroelectric Power Station is a 35 megawatts (47 000 hp) hydroelectric power station, under construction across the Mbei River, a tributary of the Komo River, in Gabon. The power station is the first grid-ready, privately-owned hydroelectric power station in the country. In the Combined scenario, energy production from hydro will increase to 2.5 million BOE by 2043, representing a 75.2% increase relative to the Current Path production level.

Production from solar follows a steep growth curve in the Combined Scenario increasing from a base of zero to 1.2 million BOE.

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Mustapha Jobarteh joined the ISS in January 2022 as a Senior Researcher in the African Futures and Innovation programme in Pretoria. Before joining ISS, Mustapha was a senior lecturer and Head of the Department of Economics and Finance at the University of the Gambia and a research fellow with the Center for Policy, Research and Strategic Studies. His interests include macroeconomics, international trade and econometric modelling. Mustapha has a PhD in economics from Istanbul Medeniyet University, Istanbul, Turkey.

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