

GDP Growth Trends

Status	Done
Parent Task	Economic Indicators
Multi-select	Economy Report Trends

GDP Growth Trends: Somalia

Current State and Recent Trends

Somalia's economy has shown resilience and gradual recovery despite facing significant challenges including political instability, security concerns, climate shocks, and limited infrastructure. Recent GDP growth data from multiple authoritative sources provides a comprehensive picture of Somalia's economic trajectory.

Recent Annual GDP Growth Rates

Year	GDP Growth Rate	Source
2022	2.4%	African Development Bank, Trading Economics
2023	2.8%	African Development Bank, Trading Economics
2024	3.7% (projected)	African Development Bank
2025	3.8% (projected)	African Development Bank
2025	4.0% (projected)	International Monetary Fund

According to the African Development Bank, GDP growth accelerated from 2.4% in 2022 to 2.8% in 2023. This growth was primarily driven by:

- **Supply side factors:** Services sector expansion and agricultural sector recovery from drought
- **Demand side factors:** Household consumption and investment

The International Monetary Fund (IMF) projects Somalia's real GDP growth to reach 4% by 2025, slightly more optimistic than the African Development Bank's projection of 3.8% for the same year.

Historical Context

Trading Economics data shows that Somalia's GDP Annual Growth Rate has averaged 3.47% from 1961 until 2023, demonstrating significant volatility over this extended period:

- **All-time high:** 15.00% in 2015
- **Record low:** -17.90% in 1994

This volatility reflects Somalia's turbulent history, including civil war, state collapse, and recurring humanitarian crises. The significant growth spike in 2015 likely represents recovery momentum following the establishment of the Federal Government of Somalia in 2012 and subsequent security improvements.

GDP Size and Composition

Somalia's current GDP stands at approximately:

- **\$10.97 billion** (2023, Trading Economics)
- **\$13.89 billion** (2025 projection, IMF)

The economy remains heavily dependent on:

- Agriculture (particularly livestock)
- Remittances from the Somali diaspora
- International aid

Growth Drivers and Constraints

Growth Drivers

1. **Agricultural Recovery:** The return of rains has improved livestock output and agricultural production
2. **Remittance Flows:** A deceleration in global inflation has boosted remittances

3. **Services Sector:** Continued expansion, particularly in telecommunications and financial services
4. **Debt Relief:** Somalia's public debt-to-GDP ratio plummeted from 64% in 2018 to 6.4% in December 2023 as Somalia reached the completion point in the Heavily Indebted Poor Countries (HIPC) debt reduction initiative
5. **Increased Development Financing:** Following HIPC completion point achievement

Growth Constraints

1. **Security Concerns:** Ongoing conflict and terrorism threats
2. **Climate Vulnerability:** Recurring droughts and floods affecting agricultural production
3. **Limited Infrastructure:** Inadequate transportation, energy, and water systems
4. **Political Tensions:** Including Somalia-Ethiopia contestations over ports in the Red Sea
5. **Weak Domestic Revenue Mobilization:** Limited tax base and collection capacity

Regional and Global Context

Somalia's economic growth performance must be viewed in the context of regional and global economic trends:

- Somalia's growth rate of 2.8% in 2023 was below the average for Sub-Saharan Africa (3.8% in 2023)
- However, given Somalia's fragility and ongoing challenges, this growth rate represents significant resilience
- The projected acceleration to 3.7-4.0% by 2025 would bring Somalia closer to regional growth averages

Sectoral Shifts

Somalia has yet to achieve substantial structural transformation of its economy. Recent data shows:

- **Services sector:** Employment share rose marginally from 55.9% in 2020 to 56% in 2021
- **Industrial sector:** Employment share increased from 15% in 2020 to 17.7% in 2021
- **Agricultural sector:** Employment share declined from 39% in 2020 to 26.3% in 2021

Despite these shifts, the economy remains heavily dependent on primary sectors, with unprocessed livestock products accounting for 76% of total exports in 2022.

Future Outlook

The economic growth outlook for Somalia is cautiously optimistic, with projections indicating accelerating growth:

- **2024:** 3.7% growth projected (African Development Bank)
- **2025:** 3.8-4.0% growth projected (African Development Bank, IMF)

This growth is expected to be driven by:

- Gradually increasing spending on infrastructure and social sectors
- Agriculture and services on the supply side
- Private consumption and public investment on the demand side

However, significant downside risks remain, including:

- Regional political tensions, particularly with Ethiopia
- Climate shocks
- Security challenges
- Potential weakening of remittance inflows
- Slow domestic revenue growth

Conclusion

Somalia's GDP growth trends show a gradually recovering economy with increasing momentum. The acceleration from 2.4% in 2022 to 2.8% in 2023, and

projections of 3.7-4.0% by 2025, indicate positive trajectory despite significant challenges. The achievement of debt relief through the HIPC initiative represents a major milestone that could unlock additional development financing and support continued growth.

However, sustainable and inclusive growth will require addressing fundamental challenges including security, climate resilience, infrastructure development, and economic diversification. The current growth pattern, while positive, has not yet translated into substantial structural transformation of the economy or significant poverty reduction.

Sources

1. African Development Bank - Somalia Economic Outlook (2024)
2. Trading Economics - Somalia GDP Annual Growth Rate
3. International Monetary Fund - DataMapper (October 2024 World Economic Outlook)
4. Somali National Bureau of Statistics