# Chapter 1
Taking stock of growth

The economies of Central Asia and the Caucasus emerged from the transition recession of the early 1990s with income per capita levels below those of the SSA economies today and surpassed those levels in the early 2000s. Since then, economies in Central Asia and the Caucasus have seen rapid income convergence towards the levels enjoyed by major advanced economies, while income convergence in SSA has been limited, at best.

Lower-income economies tend to enjoy faster economic growth

Lower-income economies tend to grow faster than their richer peers (see Chart 1.1).[2] For lower-income economies, it tends to be easier to copy techniques developed elsewhere and increase the quality of skills and physical capital from a relatively low base. As a result of these growth-rate differentials, incomes per capita tend to converge towards the levels enjoyed by advanced economies, albeit slowly and not universally.

Chart 1.1. Lower-income economies tend to enjoy faster economic growth
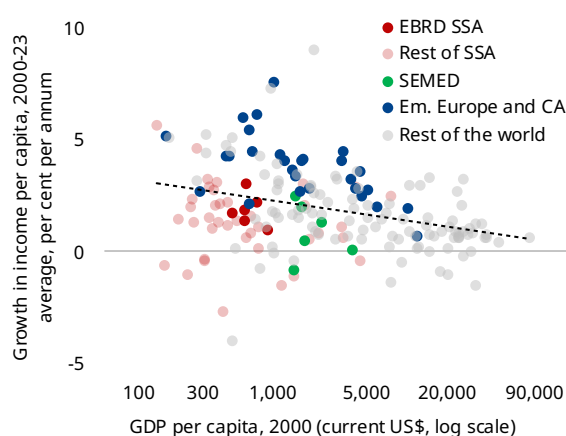
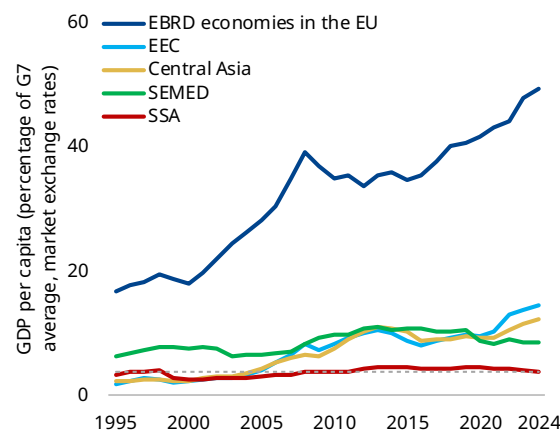Source: IMF WEO database (October 2025) and authors' calculations.

Note: GDP per capita at market exchange rates deflated by national GDP deflators.

However, economies in SSA have, on average, underperformed in growth terms compared with other economies at similar levels of GDP per capita (see Chart 1.1). Consequently, income convergence in SSA has been limited at best.[3] On average, GDP per capita in Benin, Côte d'Ivoire, Ghana, Kenya, Nigeria and Senegal has increased from around 3.3 per cent of the average of the G7 economies in 1995 to 3.7 per cent of the G7 average 30 years later when measured in current US dollars at market exchange rates (see Chart 1.2, panel 1).[4]
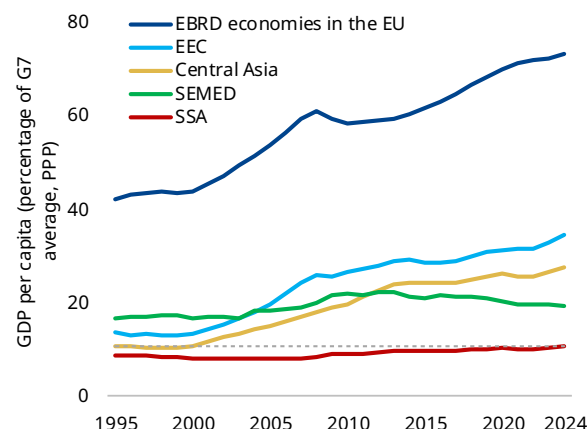
In the SEMED region, the rate of economic convergence has been similarly slow, although the levels of income per capita are somewhat higher than in SSA (see Chart 1.2).

Chart 1.2. SSA and SEMED economies have seen limited convergence towards G7 income levels

Panel 1. Market exchange rates

Panel 2. Purchasing power parity (PPP)

Source: IMF WEO database (October 2025) and authors' calculations.

Note: The dashed horizontal line represents the level of GDP per capita in SSA economies in 2024 as a percentage of the G7 average. In panel 2, ratios are based on GDP per capita in constant 2024 international dollars.

These slow rates of income convergence stand in stark contrast to the rapid, though incomplete, convergence in emerging Europe and Central Asia, where average GDP per capita rose from 10 per cent to 32 per cent of the G7 average over the same period. In part, this reflected rapid convergence in those EBRD economies that are members of the

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[2] See also EBRD (2019a).
[3] See also, for instance, Nchor and Rozmahel (2025) and Paprotny (2021).

[4] The G7 comprises Canada, France, Germany, Italy, Japan, the United Kingdom and the United States of America.

European Union (EU).[5] However, some economies in eastern Europe (Moldova and Ukraine), the Caucasus and Central Asia have also seen their per capita incomes converge towards those in advanced economies.

Incomes in SSA are somewhat higher when expressed in purchasing power parity (PPP) terms. Unlike market exchange rate-based measures, PPP calculations take into account differences in the price of the same basket of goods and services in various economies.

However, PPP measures point to similarly limited convergence in the SSA economies. In PPP terms, GDP per capita in SSA increased from 8.6 per cent of the G7 average in 1995 to an estimated 10.5 per cent in 2024, while in emerging Europe and Central Asia, it rose from 28 per cent to 53 per cent over the same period (see Chart 1.2, panel 2).

SSA GDP per capita around levels of EEC and Central Asia in the early 2000s

The economies of Central Asia and the EEC region emerged from the transition recession of the early 1990s with income per capita levels below those of the SSA economies today (in 1995, GDP per capita in Central Asia was around 70 per cent of the GDP per capita of SSA today, while in EEC, it was around half, both at market exchange rates). In 2024, average incomes per capita in the EEC region and Central Asia were 3.9 times and 3.3 times higher than those of the SSA economies, respectively (see Chart 1.3).

Chart 1.3. Central Asia and EEC had lower incomes per capita in 1995 than the SSA economies today
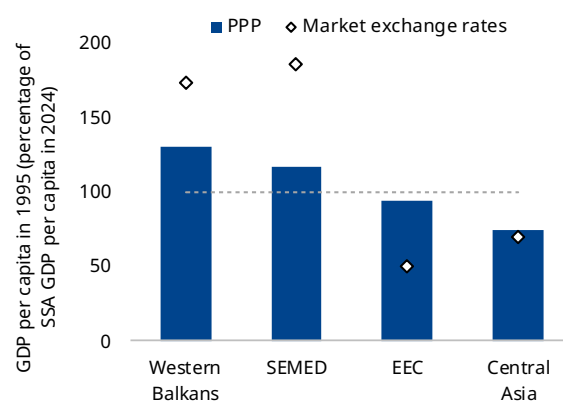
Source: IMF WEO database (October 2025) and authors' calculations.

Note: Bars show GDP per capita in constant 2024 international dollars. Diamonds show GDP per capita in 2024 prices, derived by multiplying GDP per capita in current US$ in 1995 by accumulated consumer price index (CPI) inflation in the United States of America from 1995 to 2024.

On their income convergence journey, Central Asian economies surpassed today's SSA income level in 2002 in PPP terms. EEC surpassed SSA's current income level in 2000 (see Chart 1.4). Calculated at market exchange rates, the results are similar: Central Asia passed the current SSA income level in 2004, while the EEC region surpassed it in 2005.

This was shortly before the first wave of the *Life in Transition Survey,* a large representative household survey conducted in 2006 by the EBRD in collaboration with the World Bank. That survey provides unique comparisons between Central Asia and the EEC region in 2006 and SSA in 2023, when the latest, fourth wave of the survey was conducted, as GDP per capita in SSA at the time was broadly comparable to that of the EEC region and Central Asian economies in the early 2000s.

Chapters 2 and 3 build on those comparisons and examine factors that might explain the differences in growth patterns observed across these geographies and time periods.

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[5] See also EBRD (2024a) on convergence 20 years after EU accession.

Chart 1.4. GDP per capita in SSA economies today is broadly comparable to that of EEC and Central Asia in the early 2000s
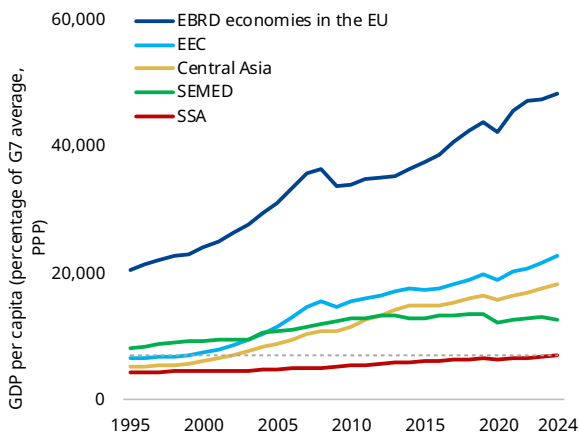
Source: IMF WEO database (October 2025) and authors' calculations.

Note: GDP per capita series in constant 2024 international dollars.

Lack of income convergence in SSA in the longer term

Longer-term GDP estimates are less precise, yet they suggest that incomes in SSA, as well as in SEMED, may have actually diverged from advanced economy income levels (see Chart 1.5). GDP per capita in SSA declined from an estimated peak of 20 per cent of the G7 average in 1933 to a low of 7 per cent of the G7 average in 2000. While such measurements, including adjustments for differences in price levels, are subject to great uncertainty, they are indicative of the lack of income convergence in the region not being limited to the most recent decades.

The next chapter briefly examines the potential constraints on growth in SSA, looking, in turn, at skills and physical capital, as well as market structures. The subsequent chapter explores the unique strengths of the SSA economies.

Chart 1.5. Longer term, SSA economies diverged from advanced economy income levels
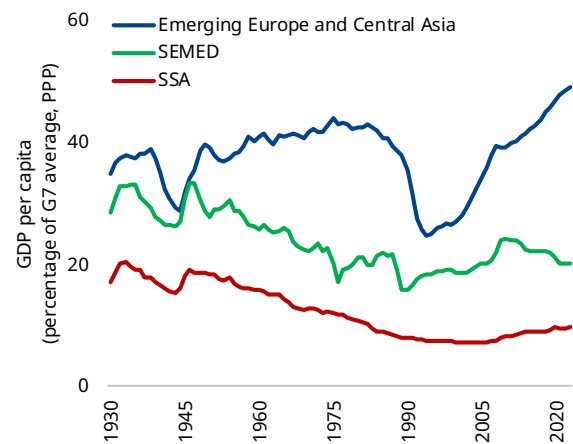
Source: Gapminder data and authors' calculations.

Note: The chart shows average GDP per capita in each region in constant international dollars (PPP) relative to the G7 average. Combined, emerging Europe and Central Asia comprise 29 economies.