LIBYA

Table 1	2021
Population, million	7.0
GDP, current US$ billion	41.6
GDP per capita, current US$	5977.9
School enrollment, primary (% gross)[a]	109.0
Life expectancy at birth, years[a]	72.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2019).

Since the delay of national elections in December 2021, political and security tensions and oil production disruptions have escalated. The confirmation of a new cabinet by the House of Representatives has returned Libya to a state of institutional division, with two parallel governments in the East and West. While soaring global oil prices will have a positive impact on growth and fiscal and external surpluses, this hinges on the persistence of oil production. Meanwhile the population faces increasing food insecurity as global wheat prices rise.

Key conditions and challenges

Contrary to 2021, when Libya made progress towards ending the decade-long conflict and reunifying competing public institutions in the East and West, the year 2022 has so far brought a return to political division. National elections, originally scheduled for December 2021, have been postponed and there is no agreement on a new date nor on the legal and constitutional basis for the elections. The eastern-based House of Representatives has granted confidence to a new cabinet, whereas the Government of National Unity considers that its mandate does not end until national elections take place. Libya finds itself again with two parallel governments in the East and West, with likely negative implications for policy making, economic recovery, and security.

COVID-19 vaccination coverage in Libya remains relatively low. By end-February 2022, 31 percent of people in Libya were vaccinated and only 16 percent were fully vaccinated.

The consecutive waves of the COVID-19 pandemic have placed a significant strain on the healthcare system which is already battered by the conflict. The United Nations Office for the Coordination of Humanitarian Affairs (OCHA) estimated that over 800,000 people lacked consistent access to primary and secondary healthcare services in 2021.

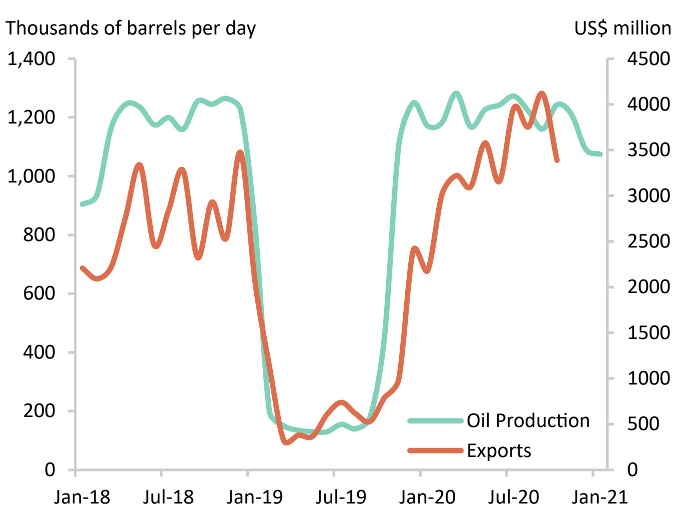
Household welfare has continued to deteriorate due to the loss of jobs and sources of income that accompanied the conflict, economic downturn and COVID-19 containment measures. According to the REACH initiative, 63 percent and 49 percent of Libyans and non-Libyans surveyed in mid-2021, respectively, reported having used or exhausted coping strategies classified as crisis or emergency strategies, thereby hindering their capacity to respond to potential future shocks.

Results of a World Food Program (WFP) phone survey conducted in August-September 2021 showed 8 percent of Libyan households have inadequate food consumption. Food insecurity was highest in the Southern region. Compared to April 2021, there was an increase in food insecurity reported in Tobruk, where 37 percent of surveyed households had inadequate food consumption.

Recent developments

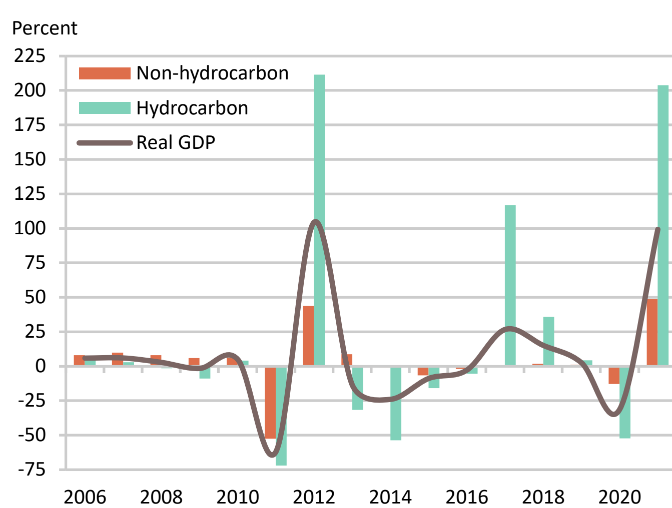
While official national accounts data have been unavailable for much of the conflict period, rough estimates of GDP can be made using data on night-time lights, oil production and government spending. Estimates reveal that growth rebounded in 2021, driven by a significant acceleration of oil production (average of 1.2 million barrels per day (mb/d) compared to 0.4 mb/d in 2020). However, since mid-December 2021, there have been multiple production disruptions due to weather-induced port closures, infrastructure

FIGURE 1 Libya / Oil production and exports



Sources: Organization of the Petroleum Exporting Countries (oil production) and IMF Direction of Trade Statistics (exports).

FIGURE 2 Libya / Real annual GDP growth



Sources: Libyan authorities and World Bank staff estimates.

maintenance issues, and shutdowns by armed groups. Oil production in January 2022 recorded its lowest level since October 2020 (1.08 mb/d).

Prices of essential goods rose in 2021 and accelerated during the second half of the year. The price of the Minimum Expenditure Basket (MEB) in December 2021 was 12.6 percent higher than in December 2020 and 24.5 percent higher than in March 2020 at the start of the COVID-19 pandemic. The rise was especially pronounced in the West and South. The MEB, measured by the REACH initiative, represents the minimum culturally adjusted items required to support a Libyan household for a month.

Prices of flour are reportedly on the rise in the aftermath of the Russia-Ukraine crisis and in the absence of food subsidies. Libya relies significantly on wheat and cereal imports from Russia and Ukraine (54 percent of wheat imports, 62 percent of barley imports, and 69 percent of maize or corn imports).

According to an August 2021 survey by WFP, more than half of surveyed households reported having experienced shocks in the last 12 months, with 38 percent reporting reduced ability to produce or purchase food. For households that experienced shocks, price fluctuations and increases (37 percent) rank highest among the types of shock experienced.

The fiscal balance witnessed a massive reversal from a 64.4 percent of GDP deficit in 2020 to a 10.6 percent of GDP surplus in 2021 owing to the jump in oil production and prices and the exchange rate devaluation (much of the spending (particularly wages) was denominated in LYD whereas 98 percent of revenues in 2021 were sourced from hydrocarbons denominated in US$). Government spending in LYD increased by 87 percent in 2021 with rises across all major budget categories or chapters; however, given the 70 percent depreciation of the exchange rate in January 2021, this represented a spending drop of 43 percent in USD equivalent.

There is no approved budget for 2022 to date, and chances for approval of a unified government budget soon are low given the return to two separate cabinets in the East and West.

Data for the first 11 months of 2021 reveal a trade balance surplus of 52 percent of GDP, driven by the major increase in oil exports and oil prices. The current account is estimated to have turned from a deficit of 34.8 percent of GDP to a surplus of 23.4 percent of GDP in 2020-2021.

Outlook

It is impossible to forecast economic outcomes with any degree of confidence due to the high level of uncertainty surrounding political and security developments. If oil production and exports continue without major extended disruptions, Libya will benefit from soaring global oil prices which will translate into higher fiscal revenues and inflow of hard currency. This will positively affect the trade, current account, and fiscal balances. Libya may face short-term wheat supply disruptions, higher wheat prices and in turn higher inflation and lower consumption.

Downside risks to the outlook are elevated. Political tensions relating to national elections and rival governments are high, which raises the specter of a potential backslide into violence. A deterioration of the security situation or shocks to the global economy or global commodity prices would adversely impact economic activity and household welfare.

TABLE 2 Libya / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020	2021e
Real GDP growth, at constant factor prices	15.1	2.5	-31.3	99.3
Hydrocarbon GDP	35.9	4.3	-52.3	203.9
Non-Hydrocarbon GDP	1.8	1.0	-12.8	48.7
Exchange Rate (USD/LYD)	1.4	1.4	1.4	4.5
Current Account Balance (% of GDP)	21.4	11.6	-34.8	23.4
Fiscal Balance (% of GDP)	-7.0	1.7	-64.4	10.6
Crude oil production (million barrels per day)	1.0	1.2	0.4	1.2

Sources: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate.