

# ERITREA

**Table 1** **2023**

Population, million	3.7
GDP, current US\$ billion	2.7
GDP per capita, current US\$	712.3
School enrollment, primary (% gross) <sup>a</sup>	72.0
Life expectancy at birth, years <sup>a</sup>	66.5
Total GHG emissions (mtCO <sub>2</sub> e)	7.0

Source: WDI, Macro Poverty Outlook, and official data.  
a/ WDI for School enrollment (2019); Life expectancy (2021).

*Economic growth is projected at 2.8 percent in 2024, supported by the Colluli potash project construction. Lower global food prices are expected to help reduce inflation to 5.1 percent in 2024. Downside risks to the outlook include production delays at the Colluli mine, global commodity price volatility, geopolitical and regional tensions, and climate vulnerabilities. Poverty is assessed to be widespread, although national accounts and poverty statistics have not been produced for more than a decade.*

## Key conditions and challenges

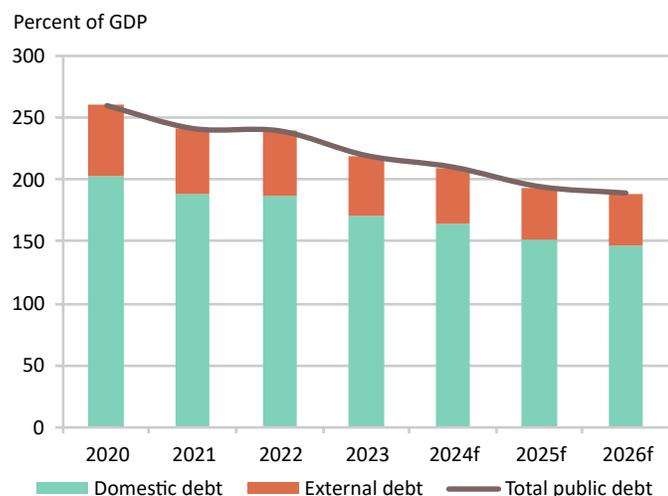
Eritrea emerged from a decade of international isolation with the lifting of UN sanctions in November 2018. During that period, the government relied on domestic sources of growth. As a result, the economy is dominated by large state-owned enterprises that crowded out the private sector. Zinc, copper, and gold account for over 90 percent of exports, so metal price fluctuations are a key source of vulnerability. Monetary policy under a fixed exchange rate regime (pegged to the US dollar) seems ineffective and has been undertaken through administrative measures. Its effectiveness is further weakened by fiscal dominance and an underdeveloped financial sector. The absence of a competition law framework discourages foreign capital inflows. Competition is severely constrained by state-owned enterprises dominance and government restrictions. Severe import restrictions limit the demand for foreign currency in the context of low foreign exchange reserves. The country is vulnerable to climate change, with frequent weather shocks posing a heavy burden on the economy and rural livelihoods. The COVID-19 crisis hit Eritrea when it paused its engagement with international development partners and faced challenges in accessing external funding. Informal cross-border trade seemed less affected as the conflict in northern Ethiopia ended, giving cross-border trade a boost.

The emergency conditions that prevailed in Eritrea over the past decade have led to severe data production capacity constraints. National accounts data are limited to unofficial GDP estimates produced by the Ministry of Finance that the government does not endorse. Inflation estimates cover only the capital city, Asmara, and the full balance of payment accounts is not produced. The last population census in Eritrea took place more than 25 years ago, and the last official poverty rate for the country dates from 1996/97, when it was calculated that 70 percent of urban households lived in poverty. Limited growth and the multiple economic shocks since then, affecting both urban and rural households, suggest that this figure may now be higher.

## Recent developments

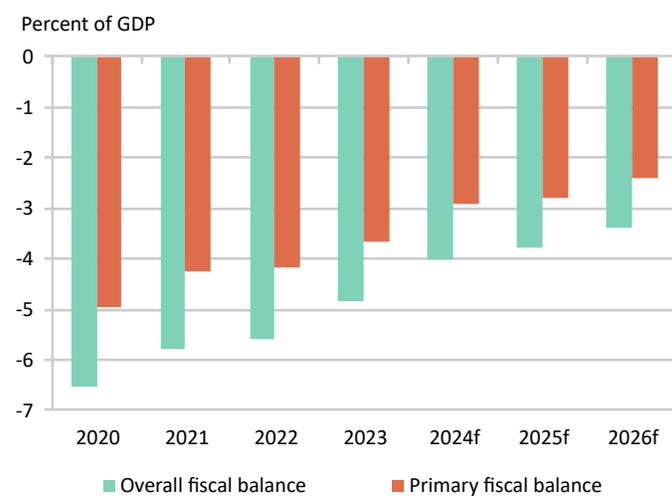
Real GDP growth is estimated to have remained relatively stable at 2.6 percent in 2023, underpinned mainly by the construction of the Colluli potash project. Meanwhile, inflation moderated to just over 6 percent, largely due to easing global food and energy prices, providing some respite for households. Although global zinc prices fell by 24 percent in 2023, relatively high gold and copper prices contributed to higher export revenues. Together with lower fuel and food imports, this helped maintain the current account surplus above 14 percent of GDP. Notwithstanding such large surpluses, international reserves are estimated at

**FIGURE 1 Eritrea / Evolution of total public debt**



Sources: Ministry of Finance, Planning, and Economic Development, and World Bank estimates.

**FIGURE 2 Eritrea / Primary and overall fiscal balances**



Sources: Ministry of Finance, Planning, and Economic Development, and World Bank estimates.

around three months of imports. Strong mining export revenues have also supported government revenues. Public debt was estimated at around 219 percent of GDP at end-2023, of which nearly 80 percent is owed to domestic banks. The country is in debt distress, and as of January 2023, Eritrea was at a pre-decision point in the Highly Indebted Poor Countries (HIPC) list.

Eritrea has begun to re-engage with development partners and revitalize some bilateral relations. In 2023, the African Development Bank Board approved US\$49.9 million to build a 30-megawatt solar photovoltaic power plant in Dekemhare, and the project is scheduled to be completed in 2027. The Chinese company Sichuan Road and Bridge Group has acquired a 50 percent stake in the Colluli project, and the mine is scheduled to start operating in 2026. In addition, Eritrea has rejoined the East African trade bloc, the Intergovernmental Authority on Development, nearly 17 years after withdrawing from the body.

## Outlook

GDP growth is projected to increase to 2.8 percent in 2024, as domestic demand is boosted in the short term by progress in the construction of the Colluli mine. Growth is projected to reach 3.3 percent in 2026 once the mine begins production. In line with easing global food prices, inflation is expected to decrease further to about 5 percent in 2024. The current account surplus is expected to widen to over 14 percent of GDP in 2024, helped by robust mining sector performance amid tight import controls. Gradual fiscal consolidation and sustained strong mining sector receipts should support a narrowing of the fiscal deficit to 4 percent of GDP in 2024, with fiscal consolidation continuing over the medium term. The economic recovery should support a reduction in the public debt-to-GDP ratio, from 211 percent of GDP in 2024 to 189 percent of GDP in 2026. The poverty rate is not expected to decline

significantly in the coming years. Significant improvements in the agricultural sector and increased productive employment in urban areas are critical to addressing the pervasive deprivation in the country.

Significant downside risks include weaker-than-expected global or Chinese demand for Eritrean commodity exports and related volatility in metals and minerals prices, production delays at the Colluli mine, spillovers from the conflict in Sudan, and heightened tensions in the Middle East. Moreover, severe climate vulnerabilities could worsen in the coming years, posing a high risk to food security in Eritrea.

Against this backdrop, Eritrea's re-engagement with the international community could help to significantly reduce external arrears and provide much-needed financing to build essential infrastructure over the medium term, help abate the risks associated with climate change, and jumpstart the private and financial sectors. Development of the private and financial sectors could enhance job creation and promote inclusive growth.

**TABLE 2 Eritrea /** Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
<b>Real GDP growth, at constant market prices</b>	2.9	2.5	2.6	2.8	3.0	3.3
Private consumption	3.0	3.6	4.0	4.3	4.1	4.1
Government consumption	14.0	5.7	3.7	4.1	4.1	4.1
Gross fixed capital investment	39.1	13.1	22.7	3.6	12.5	14.9
Exports, goods and services	31.0	9.2	5.1	3.7	4.1	4.1
Imports, goods and services	21.6	11.0	5.3	4.1	4.3	4.3
<b>Real GDP growth, at constant factor prices</b>	2.9	2.5	2.6	2.8	3.0	3.3
Agriculture	4.5	1.6	3.5	3.6	3.2	3.2
Industry	1.4	3.2	2.9	3.3	3.3	3.1
Services	5.3	1.3	1.5	1.2	2.2	3.8
<b>Inflation (consumer price index)</b>	6.6	7.4	6.4	5.1	5.2	5.2
<b>Current account balance (% of GDP)</b>	14.0	13.0	14.1	14.2	14.2	15.8
<b>Net foreign direct investment inflow (% of GDP)</b>	1.4	1.3	1.2	1.2	1.0	1.0
<b>Fiscal balance (% of GDP)</b>	-5.8	-5.6	-4.8	-4.0	-3.8	-3.4
<b>Revenues (% of GDP)</b>	26.7	27.0	27.6	27.9	27.7	26.9
<b>Debt (% of GDP)</b>	241.7	239.8	219.4	210.6	193.9	188.5
<b>Primary balance (% of GDP)</b>	-4.2	-4.2	-3.7	-2.9	-2.8	-2.4
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	1.6	1.6	1.4	1.6	1.5	1.5
<b>Energy related GHG emissions (% of total)</b>	11.7	11.7	11.5	11.7	11.9	12.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.