GUINEA

Table 1	2021
Population, million	13.5
GDP, current US$ billion	16.2
GDP per capita, current US$	1198.6
International poverty rate ($2.15)[a]	13.8
Lower middle-income poverty rate ($3.65)[a]	46.6
Upper middle-income poverty rate ($6.85)[a]	86.8
Gini index[a]	29.6
School enrollment, primary (% gross)[b]	100.8
Life expectancy at birth, years[b]	62.0
Total GHG emissions (mtCO2e)	43.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ Most recent WDI value (2020).

Mining and the continued post-pandemic recovery are expected to boost growth to 4.6 percent in 2022, with limited impacts from Ukraine conflict. The fiscal deficit is expected to widen to around 2.5 percent of GDP, reflecting higher capital spending while public debt would decline to 37.1 percent of GDP. Mining-related FDI is expected to sustain growth. Downside risks include a prolonged political transition and delayed structural reforms.

Key conditions and challenges

Growth averaged 6.2 percent during 2017-21 (3.3 percent per capita), buoyed by the mining sector (bauxite, gold) and low fiscal deficits (2.5 percent). Weak mining-sector linkages to the rest of the economy, including through employment, mean economic growth has limited impacts on poverty reduction and shared prosperity. The national poverty rate declined from 48.5 percent in 2014 to 43.7 percent in 2018/19, equivalent to a growth elasticity of poverty of 0.47. However, the annualized consumption growth of the bottom 40 percent of the population was negative, suggesting that economic growth during that period was not pro-poor; and about 32 percent of the population suffered deprivations in education, health, and access to basic infrastructure in 2018. Based on COVID-19 surveys, about 35 percent of the population experienced severe food insecurity in 2021.

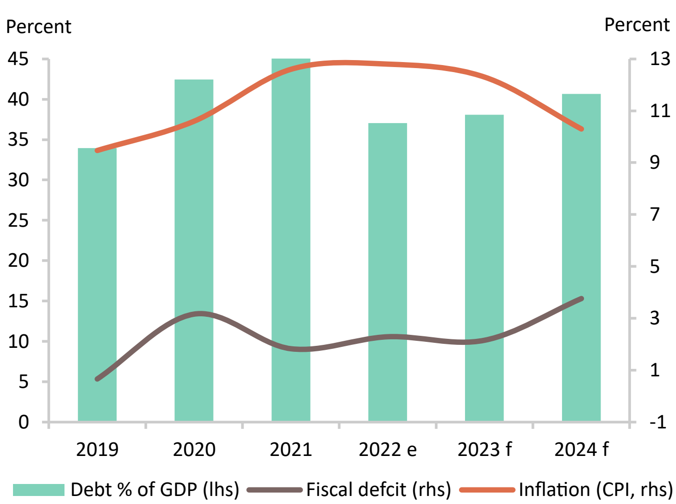
Guinea has exports dominated by few products (e.g., bauxite and gold) and concentrated in few markets, hence is exposed to commodity price volatility. The mining boom and high inflation affect competitiveness of other sectors through an appreciating local currency, hampering economic diversification. Guinea has low levels of human capital, weak institutional capacity, and widespread gender gaps in education, earnings, agricultural productivity, and political representation. Governance challenges are substantial. Other constraints include weak tax revenues, an underdeveloped financial sector, and large infrastructure gaps.

Recent progress with digitalizing economic and government transactions expanded mobile financial accounts and helped sustain economic activity during the pandemic; yet further digital expansion is needed in addition to structural reforms to boost diversification and inclusive growth. Guinea is at moderate risk of external debt distress with limited space to absorb shocks, with the government committed to maintain prudent borrowing that maximizes concessional financing.

Recent developments

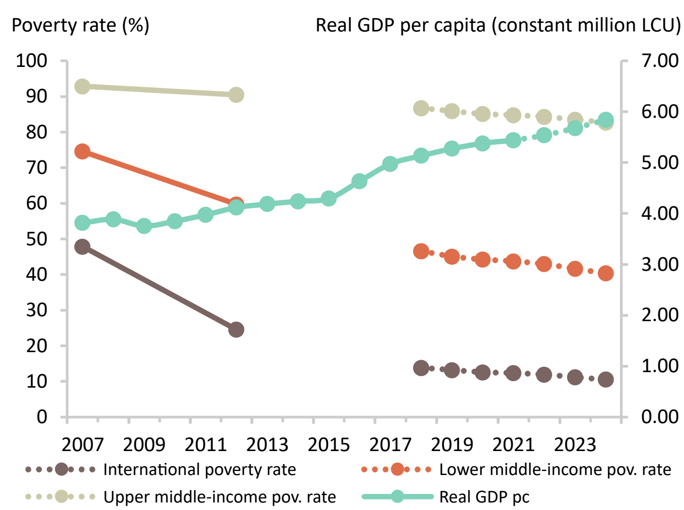
Growth accelerates to 4.6 percent in 2022 (1.9 percent per capita) due to higher mining growth (bauxite, gold) and continued recovery of the non-mining sector. Operations of Rusal, a Russian conglomerate that accounts for 7 percent of Guinea's bauxite exports, have not been significantly disrupted by global sanctions. Inflation is projected to accelerate slightly, from 12.6 percent in 2021 to 12.8 percent in 2022, due to higher food prices and supply disruptions (both domestic and external), disproportionally affecting the poorest and threatening food security. The external price pressures are partially offset by appreciation of the Guinean franc, the government's repayment of central bank advances earlier in the year, and the non-reliance on central bank financing.

FIGURE 1 Guinea / Debt, fiscal deficit, inflation



Source: World Bank.

FIGURE 2 Guinea / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

The overall fiscal deficit (including grants) will widen to 2.5 percent of GDP in 2022, as capital expenditures resume on delayed infrastructure projects. Tax revenues should increase by 0.8 percentage points, to 13.2 percent of GDP, due to better tax administration and mining tax collection. Subsidies (electricity and petrol) remain high due to low electricity tariffs and higher hydropower generation, though lessened by the increase in petrol pump prices mid-year. The debt-to-GDP ratio is set to decrease from 45.5 percent of GDP in 2021, to 37.1 percent in 2022, reflecting repayment of domestic bonds and securitized debts.

The current account balance flips from a surplus of 3.7 percent GDP in 2021, to a deficit of 4.8 percent in 2022, due to a smaller trade surplus. Mining-related FDI, the main source of external financing, is projected to increase from 3.9 percent of GDP in 2021 to 9.0 percent in 2022. Estimated international reserves decline slightly in 2022 while the currency appreciated in nominal terms.

Based on GDP growth projections, extreme poverty incidence (percent of the population living below the international poverty line of US$2.15 per capita per day, 2017 PPP) is estimated to decrease by 0.7 percentage points between 2021 and 2022. However, some nonpoor vulnerable populations who are close to the national poverty line (5,006,362 GNF per capita per year in 2018/19) are likely being pushed into poverty due to rising food prices. Indeed, the national poverty rate is estimated to increase by 1.4 percentage points between 2021 and 2022, disproportionately affecting rural populations who spend over 60 percent of their total expenditure on food (54 percent for the urban population).

Outlook

Mining-related FDI will continue to drive growth. As services and non-mining recover, growth is projected to accelerate to 5.5 percent on average in 2023–2024. Commensurately, extreme poverty is projected to decline by 0.7 percentage points annually in 2023-2024 though this will require redistribution mechanisms from the mining sector to vulnerable populations and inclusive growth in services. Investments in energy and transport could support construction growth. Better provisioning of fertilizer stocks could improve agricultural productivity, but higher fertilizer prices may dampen earnings. Poor transportation infrastructure quality is likely to keep driving up food prices, reducing household food purchasing power, and, consequently, undermining poverty reduction. The fiscal deficit initially falls as tax reforms bear fruit in 2023, then increases as mining-related investment growth persists into 2024. Inflation is expected to remain high, yet decline gradually to 11.3 percent during 2023-2024. Uncertainties around the political transition could slow implementation of reforms to strengthen governance and financial performance of the public electricity utility, potentially reducing private investment and slowing social spending.

The current account deficit is projected to deteriorate to about 7.5 percent of GDP in 2023-2024, reflecting a modest trade surplus that is outweighed by net outflows for non-factor services and transfers. The trade surplus is expected to persist due to strong mining exports that will outweigh higher imports for infrastructure and food costs. FDI inflows could also increase, reflecting planned new mining projects, and support financing requirements.

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

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	5.6	4.9	3.9	4.6	5.3	5.6
Private Consumption	5.4	3.5	5.5	4.1	5.0	4.7
Government Consumption	-6.3	42.9	-1.3	9.7	16.2	12.1
Gross Fixed Capital Investment	-8.4	-8.4	-15.8	44.4	28.6	34.9
Exports, Goods and Services	-0.6	33.5	14.0	3.1	18.3	13.6
Imports, Goods and Services	-9.5	39.4	7.2	11.9	25.2	20.3
Real GDP growth, at constant factor prices	6.5	4.9	3.9	4.6	5.3	5.6
Agriculture	7.6	-1.6	5.4	5.1	5.0	5.0
Industry	7.2	18.5	4.2	4.5	5.7	5.9
Services	5.5	-2.7	3.0	4.5	5.0	5.5
Inflation (Consumer Price Index)	9.5	10.6	12.6	12.8	12.3	10.3
Current Account Balance (% of GDP)	-10.8	-13.6	3.7	-4.8	-6.3	-8.8
Net Foreign Direct Investment Inflow (% of GDP)	9.1	10.7	3.9	9.0	11.4	10.1
Fiscal Balance (% of GDP)	-0.7	-3.2	-1.8	-2.5	-2.3	-3.2
Debt (% of GDP)	33.9	42.4	45.5	37.1	38.1	40.7
Primary Balance (% of GDP)	0.0	-2.3	-0.7	-1.3	-1.2	-2.2
International poverty rate ($2.15 in 2017 PPP)[a,b]	13.2	12.6	12.3	11.9	11.2	10.5
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	45.1	44.2	43.7	43.0	41.6	40.4
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	85.9	85.1	84.8	84.3	83.5	82.7
GHG emissions growth (mtCO2e)	4.4	2.4	4.4	4.0	3.9	3.8
Energy related GHG emissions (% of total)	9.7	10.0	10.1	10.2	10.4	10.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2018-EHCVM. Actual data: 2018. Nowcast: 2019-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2018) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.