

EQUATORIAL GUINEA

Table 1 **2023**

Population, million	1.7
GDP, current US\$ billion	12.1
GDP per capita, current US\$	7051.5
School enrollment, primary (% gross) ^a	51.2
Life expectancy at birth, years ^a	60.6
Total GHG emissions (mtCO2e)	16.6

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

Equatorial Guinea's economy contracted by an estimated 5.8 percent in 2023, mainly due to declining oil reserves. The fiscal and external balances deteriorated amid declining oil export earnings. The economy is projected to remain in recession over the medium term. A more-pronounced-than-expected decline in oil production and prices, sustained tightening of global financial conditions, global trade disruptions, and a decline in demand from main export partners represent downside risks to the outlook.

Key conditions and challenges

As a result of declining oil reserves and lower investment, Equatorial Guinea's oil-dependent economy has contracted for more than a decade. Between 2013 and 2023, the country registered an average negative 4.2 percent growth per year. Gross national income (GNI) per capita has been declining and was at US\$ 5,240 in 2022, 58 percent lower than its peak level in 2008. Structural reforms are needed to prevent the economic decline, by diversifying the growth drivers and building fiscal stability through domestic revenue mobilization efforts and more efficient public spending.

Reforms have been adopted in recent years to improve governance and the business environment, including with the passage of an Anti-Corruption law in late 2021, the completion of the audits of the largest state-owned oil and gas companies, and the signature of a decree establishing a treasury single account. Yet, weaknesses persist in the governance of extractive revenues and the business environment, preventing the country from attracting investments and creating jobs to achieve sustained and diversified growth.

Actions are also needed to better protect and include the poor. Despite Equatorial Guinea's upper middle-income status, living standards remain low. Life expectancy at birth is estimated at 60.7 years, compared to 75 years for countries in the same

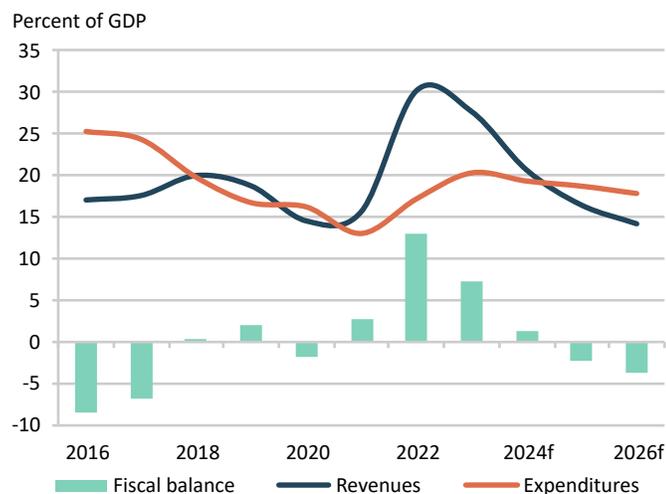
income group. Around 40 percent of households experience at least one day without electricity per month. Scarce poverty data remain a challenge to an effective protection of vulnerable groups. The II National Household Survey report, scheduled to be released in June 2024, will fill knowledge gaps in poverty and inequality, enabling more evidence-based social protection policies.

Recent developments

After two years of recovery, the Equatoguinean economy fell back into recession with an estimated real GDP growth rate of -5.8 percent in 2023 (from 3.8 percent in 2022), driven by the decline in the hydrocarbon sector (-19.3 percent growth in 2023H1 compared to 2022H2). Lower investment contributed to the contraction on the demand side. The current account deficit widened to 1.6 percent of GDP (from 1.0 percent of GDP in 2022) on account of declining export earnings.

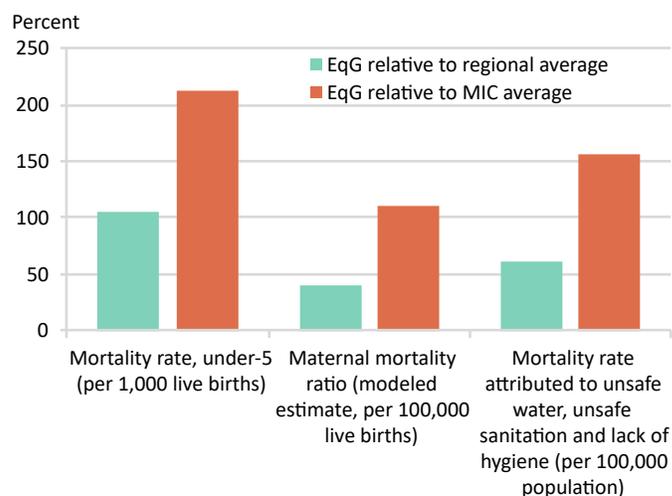
Lower oil production and prices led to a 74 percent decline in oil revenues in 2023Q3 (y-o-y). The overall fiscal surplus is estimated to have dropped to 7.3 percent of GDP in 2023 from 13.0 percent in 2022, while the non-oil fiscal balance in 2023 to 26.4 percent of GDP, compared to 21.3 percent in 2022. The debt-to-GDP ratio declined in 2023. Over the period 2019-23, CFAF 572.2 billion (or 9.5 percent of GDP) out of the CFAF 1,382.5 billion outstanding arrears was paid to construction companies: as of August 2023, outstanding domestic arrears with

FIGURE 1 Equatorial Guinea / Public finances



Sources: National authorities and World Bank.

FIGURE 2 Equatorial Guinea / Non-income poverty indicators



Source: World Bank.

construction companies was 7.9 percent of GDP. High levels of non-performing loans – 32 percent of total loans in 2023Q4 – are a source of banking system vulnerability.

The Bank of Central African States (BEAC) continued to tighten its monetary policy in 2022 and 2023 to contain inflationary pressures and support the exchange rate arrangement. The BEAC policy rate was maintained at five percent following a cumulative increase by 175 basis points between November 2021 and March 2023. Moreover, the BEAC ended its weekly liquidity injections in March 2023 after steadily scaling them back since June 2021. Inflation is estimated to have decreased from 4.9 percent in 2022 to 2.4 percent in 2023, including thanks to containment measures by the BEAC, the agreement to import food products from Serbia, and the reduction of some import tariffs. According to the national institute of statistics, the prices of food products increased by 7.1 percent between March 2020 and September 2023, which represents an average loss of the purchasing power of households of 4.5 percent.

Outlook

Equatorial Guinea is expected to remain in recession in 2024 (with growth of –4.3 percent) on the back of declining hydrocarbon production and domestic demand. Without significant diversification efforts and progress in structural reforms, declining hydrocarbon production and lower commodity prices are expected to keep impacting the economy with a negative average growth of 3.5 percent in 2025-2026. Decreasing exports would lead to current account deficits over the medium term. Albeit at a slower pace, imports would also decrease, on account of declining public spending due to limited fiscal space. The fiscal balance is projected to turn to deficits in 2025-2026, with public expenditure cuts unable to compensate for the larger decline in hydrocarbon revenues.

Risks to the outlook are tilted to the downside. A stronger decline in hydrocarbon production or prices would reduce the fiscal space and risks external

stability. Global trade disruptions affecting food prices amid a protracted war on Ukraine would increase food insecurity especially for the most vulnerable, as the country relies heavily on food import. A further tightening of global financial conditions and lower demand from China and India, Equatorial Guinea's main export partners, could also undermine growth. The decline in hydrocarbon reserves indicates the need for Equatorial Guinea to move to a new growth model by creating the conditions for successful private sector activities in non-oil sectors to reinvigorate growth. Ultimately, implementing the economic diversification vision will require efforts to advance the governance agenda, facilitate trade, improve the business environment and public financial management. Strengthening the social protection system would help protect the most vulnerable and reduce inequities, especially as social spending in Equatorial Guinea was estimated at 1.6 percent of GDP in 2022, three times lower than the West and Central Africa average.

TABLE 2 Equatorial Guinea / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	0.3	3.8	-5.8	-4.3	-3.3	-3.6
Private consumption	-0.8	9.6	-5.7	-4.8	2.8	2.0
Government consumption	5.2	-5.3	7.3	20.9	0.3	-6.2
Gross fixed capital investment	37.4	-2.0	-38.0	-25.2	-11.4	-9.0
Exports, goods and services	0.3	12.7	-3.7	-5.9	-8.2	-5.5
Imports, goods and services	8.5	19.0	-1.4	3.8	-3.3	-2.8
Real GDP growth, at constant factor prices	0.4	3.5	-5.8	-4.3	-3.3	-3.6
Agriculture	8.0	7.5	-9.1	-6.5	1.5	1.6
Industry	-5.9	3.1	-39.1	-23.1	-19.6	-14.8
Services	10.8	3.8	43.1	7.5	3.9	0.1
Inflation (consumer price index)	-0.1	4.9	2.4	4.0	2.5	2.2
Current account balance (% of GDP)	-2.1	-1.0	-1.6	-3.6	-4.2	-4.1
Net foreign direct investment inflow (% of GDP)	5.2	5.6	4.5	3.4	2.5	1.9
Fiscal balance (% of GDP)	2.6	13.0	7.3	1.2	-2.4	-3.7
Revenues (% of GDP)	15.6	30.1	27.6	20.5	16.3	14.1
Debt (% of GDP)	43.4	39.3	36.6	32.6	32.3	34.8
Primary balance (% of GDP)	3.7	14.2	8.7	2.4	-1.3	-2.6
GHG emissions growth (mtCO2e)	22.0	12.3	-9.6	-5.6	-3.7	-2.3
Energy related GHG emissions (% of total)	39.0	44.2	41.7	40.4	39.8	39.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.