EQUATORIAL GUINEA

Table 1	2021
Population, million	1.4
GDP, current US$ billion	10.7
GDP per capita, current US$	7408.7
School enrollment, primary (% gross)[a]	61.8
Life expectancy at birth, years[a]	59.1
Total GHG emissions (mtCO2e)	14.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2015); Life expectancy (2020).

Equatorial Guinea's real GDP is projected to grow by 3.2 percent in 2022, mainly owing to a pick-up in hydrocarbon output. Barring new substantial hydrocarbon discoveries and progress in structural reforms, the economy is projected to enter recession in 2023-24 as oil production in several fields declines. Further increases in international food prices and social tensions, further tightening of global financial conditions, reduced oil prices, and a potential fiscal cliff due to declining oil production represent downside risks to the outlook.

Key conditions and challenges

While Equatorial Guinea is classified as an upper-middle-income country, seven consecutive years of negative growth combined with the COVID-19 pandemic has curtailed progress in shared prosperity and poverty reduction, with GDP per capita growth averaging -9.4 percent in 2015-2021. Progress in improving human capital has been slow because of insufficient social spending and poor public service delivery. Public health spending represents only 0.7 percent of GDP, significantly lower than the average of 3.2 percent of GDP for upper-middle-income countries, and life expectancy at birth is low at 59 years. The poor business environment and weak governance also weigh on private sector development. Moreover, given the country's heavy dependence on oil, the expected decline in oil production combined with the social and economic toll of COVID-19 adds urgency to the government's objective to diversify away from the hydrocarbon industry and change the current growth model.

Recent developments

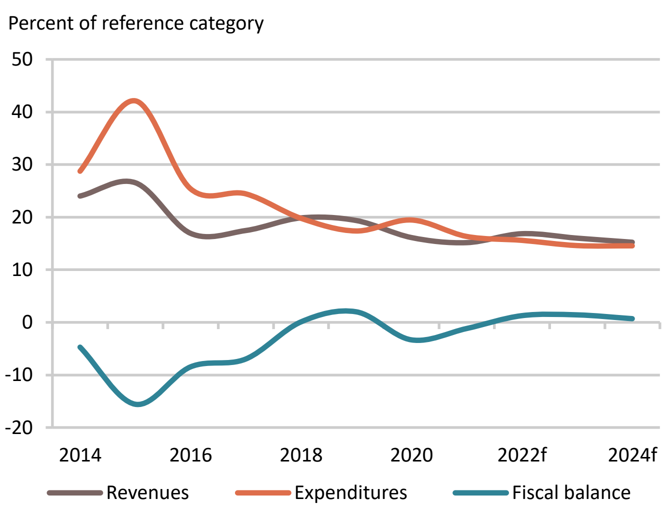
The economy is estimated to have contracted by 1.6 percent in 2021, due to lower-than-expected hydrocarbon production. The Bata explosions in March 2021 (with direct losses and damages estimated at 2.5 percent of 2020 GDP as per International Monetary Fund (IMF) estimates) and a slowdown in construction due to modest public investment also weighed on growth. The revival of the services sector partly cushioned the slowdown in 2021.

Economic activity rebounded in 2022H1, underpinned by a pick-up in hydrocarbon production (15 percent increase from 2021H2 to 2022H1), higher capital spending, and an upturn of the services sector following the phasing out of pandemic-related restrictive measures.

Stronger hydrocarbon revenues from higher production and prices improved the fiscal position in 2022H1. Fiscal revenues exceeded the budgeted levels by 13 percent in 2022H1 while the expenditure execution rate stood at 78 percent as of end-June 2022. The fuel subsidy reform implemented by the authorities in March 2022 is expected to protect the poor by keeping kerosene prices constant while adjusting gasoline prices and generate savings of about 0.1 percent of GDP in 2022 (IMF estimates). Higher hydrocarbon export earnings, with a 22.6 percent increase in export volumes from 2021H2 to 2022H1, also helped improve the trade balance and the external position in 2022H1.

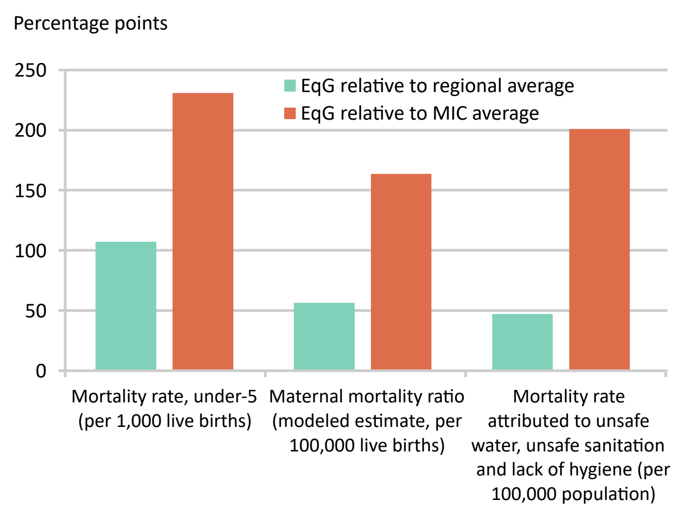
Inflation surged to 3.3 percent in July 2022 (from 1.8 percent in 2021), reflecting higher food and energy prices, which have been exacerbated by the war in Ukraine. Monetary conditions have continued to be tightened to contain inflationary pressures and support the external viability of the exchange rate arrangement. The Bank of Central African States (BEAC) further

FIGURE 1 Equatorial Guinea / Public finances



Source: World Bank.

FIGURE 2 Equatorial Guinea / Non-income poverty indicators



Source: World Bank.

increased the policy rate by 50 basis points to 4 percent on March 28, 2022. The BEAC also decreased its weekly liquidity injections from CFAF 250 billion to CFAF 160 billion in April 2022. The regional central bank has started to implement the new foreign exchange (FX) regulation, including strengthening FX repatriations, for the extractive sector in January 2022. Moreover, the COBAC (the regional supervisor) ended temporary forbearance measures in June 2022, which could lead to a deterioration of asset quality (increases in overdue loans and NPL ratios).

Phone surveys conducted in 2020 and 2021 showed that almost half of the working age population stopped working for up to 6 months during the COVID crisis, and only 14 percent of students continued their education at home. A sharp rise in food prices, due to the war in Ukraine, has likely added to an already challenging social situation due to the pandemic. As data to track poverty remain scarce, the Living Standard Measurement Survey (expected in 2023) will be key to benchmarking poverty incidence.

Outlook

After seven years of negative growth, real GDP is projected to grow by 3.2 percent in 2022, mainly driven by higher hydrocarbon production and revenues. With an expected gradual decline in hydrocarbon production and slow progress in structural reforms, Equatorial Guinea is projected to re-enter recession in 2023-24. Barring new substantial discoveries, hydrocarbon production will gradually decline as some of the country's largest oil fields are reaching maturity. Moreover, without significant progress in strengthening governance, the banking sector, and business confidence, growth in the service sector will deteriorate. Consequently, GDP growth is projected to contract by an average of 3 percent in 2023-24.

The fiscal position is projected to turn into a surplus of 1.3 percent of GDP in 2022 (from a deficit of 1.2 percent of GDP in 2021) as recent increases in hydrocarbon revenues are expected to more than offset the increase in fiscal expenditures including from the Bata reconstruction. The planned clearance of domestic arrears, using most of the IMF 2021 Special Drawing Rights allocation, is expected to reduce debt to GDP ratio to 34.5 percent in 2022, and support private sector confidence and investment. Higher hydrocarbon export earnings are expected to narrow the current account deficit to 0.8 percent of GDP (from a deficit of 2.4 percent of GDP in 2021), before deteriorating over the medium term.

The outlook is subject to major downside risks. Failure to settle outstanding arrears as planned could intensify financial sector risks; a protracted war in Ukraine could further increase international food prices which would increase domestic inflation and risks of food insecurity, possibly escalating social tensions; further tightening of global financial conditions could impact investment flows; reduced oil prices could undermine fiscal and external stability; and a potential fiscal cliff due to declining hydrocarbon production could further undermine medium-term growth.

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

	2019	2020	2021	2022f	2023f	2024f
Real GDP growth, at constant market prices	-6.0	-4.9	-1.6	3.2	-2.6	-3.4
Private Consumption	3.4	3.4	1.0	4.2	0.5	0.2
Government Consumption	-4.5	-5.3	2.3	1.8	-6.7	-9.3
Gross Fixed Capital Investment	-55.8	-42.1	-18.0	19.0	0.8	0.6
Exports, Goods and Services	-6.2	-9.0	-1.7	4.3	-1.4	-1.9
Imports, Goods and Services	-9.0	-7.8	2.0	6.5	1.0	0.5
Real GDP growth, at constant factor prices	-6.0	-5.0	-1.6	3.2	-2.6	-3.4
Agriculture	-5.8	0.4	2.8	1.2	1.4	1.4
Industry	-8.7	-6.8	-0.6	4.1	-2.4	-3.4
Services	-1.2	-2.1	-3.5	1.8	-3.2	-3.8
Inflation (Consumer Price Index)	1.2	5.8	1.8	3.8	3.6	3.0
Current Account Balance (% of GDP)	-1.6	-10.9	-2.4	-0.8	-1.5	-2.3
Net Foreign Direct Investment Inflow (% of GDP)	5.3	3.9	5.9	4.4	4.2	4.3
Fiscal Balance (% of GDP)	2.0	-3.3	-1.2	1.3	1.4	0.7
Debt (% of GDP)	45.9	52.3	47.4	34.5	36.7	35.7
Primary Balance (% of GDP)	2.7	-2.0	0.4	2.6	2.6	2.0
GHG emissions growth (mtCO2e)	-9.3	-12.4	6.2	-0.7	-7.1	-4.3
Energy related GHG emissions (% of total)	31.7	26.7	29.2	29.5	26.9	25.2

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