Equatorial Guinea

Recent macroeconomic and financial developments

In 2021, GDP growth bounced back to 1.4% after a 4.9% contraction in 2020, aided on the supply side by growth in the petroleum sector of 3.3% and the nonpetroleum sector of 1.3%, with positive changes particularly in the tertiary sector, where the following all rose: private education 4.1%, private health 3.4%, business 2.3%, and restaurants and hotels 1.7%. The primary source of recovery on the demand side was public consumption, up 13.6%. The budget deficit continued to narrow in 2021, to 1%, after a 1.7% decline in 2020. The public debt to GDP ratio decreased from 49% in 2020 to 43% in 2021. In 2021, inflation of 2.1% was below the CEMAC criterion of 3%, after 4.8% in 2020 due to monetary and budget policies responding to the economic and health crises. After mining resumed in 2021, the current account deficit narrowed to 3.6% of GDP, from 6.3% in 2020.

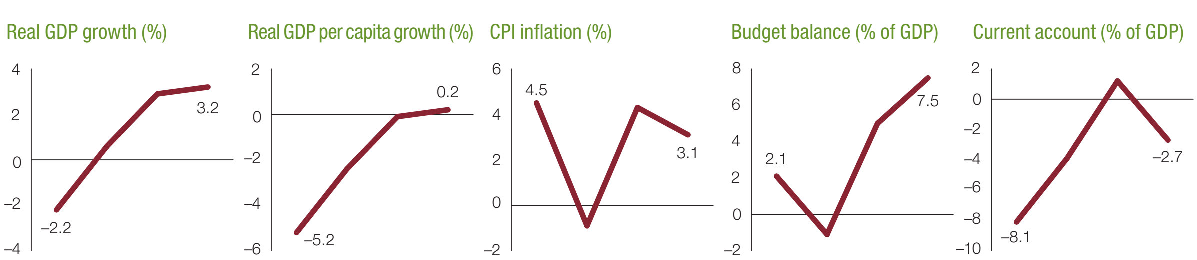
The banking sector remains poorly developed and focused on short-term financing of the economy. The banking sector has been weakened by its strong exposure to the building and public works sectors, which are themselves affected by state arrears. Short-term credit accounts for over 80% of total credit, long-term credit just 2.8%. Since 2016, foreign exchange reserves have come to less than 1 month of imports, that is, below the 3 months recommended by the BEAC. Unemployment was 9.2% in 2020, and higher among women and youth, as was job insecurity. The poverty rate, estimated at 67% in 2020, had grown from 43.7% in 2011, largely because of decreased petroleum revenues since 2016.

Outlook and risks

Growth is forecast to continue in 2022 at 5.0%, followed by a contraction of 1.9% in 2023. Inflation should ebb from its high in 2020, settling to 3.7% in 2022 and 3.8% in 2023, due to decreases in imported inflation. The budget balance is expected to be in surplus of 3.8% of GDP in 2022 and 4.4% in 2023, on the assumption that the oil price per barrel will increase from $63.20 in 2021 to $66.20 in 2022, given that 81.4% of tax revenue stems from petroleum income. Improvements in the trade balance should lead to a sharp decrease in the current account deficit by 2023. Authorities are expected to adopt regulations to comply with the anticorruption law passed in 2021, implementing a system of asset declaration for public officials. Likely bank stabilization measures include the clearance of domestic arrears and recapitalization of big banks. The health crisis may result in widening inequalities and increasing poverty and require targeted measures. Decree No. 43/2020 instituted an emergency budget system in support of SMEs and vulnerable populations.

Climate change issues and policy options

The country has 1,626 million acres of tropical forest, 58% of its area. Because deforestation at an estimated annual rate of 0.9% is one of the primary factors in declining biodiversity, the National Investment Plan REDD+ 2020 proposes a green economy model that aims to protect the forest and contribute to sustainable development. Rising sea levels caused by climate change expose the country to flooding and coastal erosion that threaten infrastructure and vital biodiversity reserves. Equatorial Guinea has crafted plans to ensure national resource management compatible with economic development. The National Plan for Climate Change Adaptation prioritizes resilience of ecosystems and communities, yet to date ineffective enforcement of environmental strategies and plans has forestalled expected results. The country has three power plants with a capacity of 154 MW, against maximum demand of 91.5 MW. Still, access to electricity is minimal in rural areas, even falling between 2011 and 2019, from 10.1% to 2.2%, on high prices among other factors. Implementing initiatives in the NDC (CDN-2015) will require about $3.94 billion. The country's economic crisis may, however, affect its capacity to mobilize climate change resources.



Source: Data are as of April 2022 and are from domestic authorities; figures for 2021 are estimates and figures for 2022 and 2023 are projections by the African Economic Outlook team.