

## Equatorial Guinea

During 2010, the economy grew by 1.2% of gross domestic product (GDP). One of the lowest growth rates since oil exploitation began in the mid-1990s.

Over 70% of the population in Equatorial Guinea still falls below the poverty line. A major challenge is to develop the policies to allow the majority of the population to benefit from the country's vast oil wealth.

Oil wealth has attracted the attention of emerging economies in recent years. The main emerging partner is China, followed by a small presence of Chinese Taipei, Cuba, Argentina, Brazil and Russia. Equatorial Guinea lacks the administrative capacity to engage strategically with the emerging partners.

Equatorial Guinea's economy experienced growth of 1.2% of gross domestic product (GDP) in 2010 as a result of the fall of oil output and the main oil-producing fields reaching their maturity. The economy has been on a downward trend since 2004, when real GDP growth peaked at 38%. The year 2010 experienced one of the lowest growth rates since oil exploitation of hydrocarbons began in the mid-1990s. It is expected to recover and return to high growth rates of 5.0% and 7.5% in 2011 and 2012. Despite lower outputs from the oil industry, growth will be sustained by the international demand for hydrocarbons and the construction of major infrastructure projects, including those for the hydrocarbon industry.

The recovery of oil prices has had a positive effect on the government budget with the deficit reaching 2.6% of GDP in 2010, up from a deficit of 9.6% of GDP in 2009. Driven by falling imports, the current account rose to a surplus of 2.7% of GDP in 2010, compared to a 7.6% deficit in 2009; it is projected to remain in surplus of 2.9% in 2011 and further 3.8% in 2012. The inflation rate for 2010 was 4.7%. As a result of continued high levels of capital expenditure, inflation is expected to remain in the region of 6.3% in 2011. Equatorial Guinea faces no debt problems due to a budget surplus and external reserves. External debt at the end 2010 was close to 5% of GDP, or XAF 307 billion (CFA franc BEAC).

Equatorial Guinea lost its Extractive Industries Transparency Initiative (EITI) candidate status in 2010. The government stated its intention to improve the management of the oil sector and reapply for admission. Furthermore, the environment for private-sector activity remains difficult. Equatorial Guinea still ranks among the bottom countries in the World Bank's *Doing Business Index*. It slipped three places in the ranking in 2011 to 164 from 161 in 2010. Key constraints include construction permits, import licences, the perceived high level of corruption, elaborate procedures and an unpredictable judicial environment.

Over 70% of the population in Equatorial Guinea falls below the poverty line, raising questions about the extent to which the country's oil wealth has benefitted the majority of the population. Maternal and infant mortality rates are still very high. Measuring progress towards the Millennium Development Goals (MDGs) with precision is an extremely difficult task because of data deficits and an ongoing controversy about the population census. The country is on track to achieve the MDGs of universal primary education, reducing child mortality, improving maternal health, and combating HIV/AIDS, malaria and other diseases. However, it is not on track to achieve the MDGs of ensuring environmental sustainability and promoting gender equality and empowering women.

On the political front, 2010 has been the first year in office of the new cabinet under the same government, which has been in power since 1979. There have been few signs of political opening or change. Tensions have, nevertheless, remitted since the attack on the presidential palace in early 2009. In 2010, a group of four top military and government officials were sentenced to death for their role in these events. The government is trying to pursue an open-door policy to the rest of the world during 2010 with important investments in major events, including hosting the 2011 summit of the African Union and the 2012 Africa Cup of Nations. The plans for a UNESCO-Obiang Nguema Mbasogo award for scientific achievement were put on hold after intense criticism by the international community. The president's eldest son and current Minister of Agriculture, Teodoro Nguema Obiang Mangue, has continued his ascension to power after being promoted to the rank of Lieutenant Colonel in the army and vice-president of the ruling party.

Oil wealth has attracted the attention of emerging economies in recent years. However, the country remains relatively closed. Equatorial Guinea's main emerging partner is China. There is a small presence of Chinese Taipei, Cuba, Argentina, Brazil and Russia. The country's hydrocarbons industry is still dominated by United States (US) companies but Chinese companies are increasingly active providing significant credit lines. Equatorial Guinea lacks the administrative capacity to engage strategically with the emerging partners.

Table 1: Macroeconomic indicators

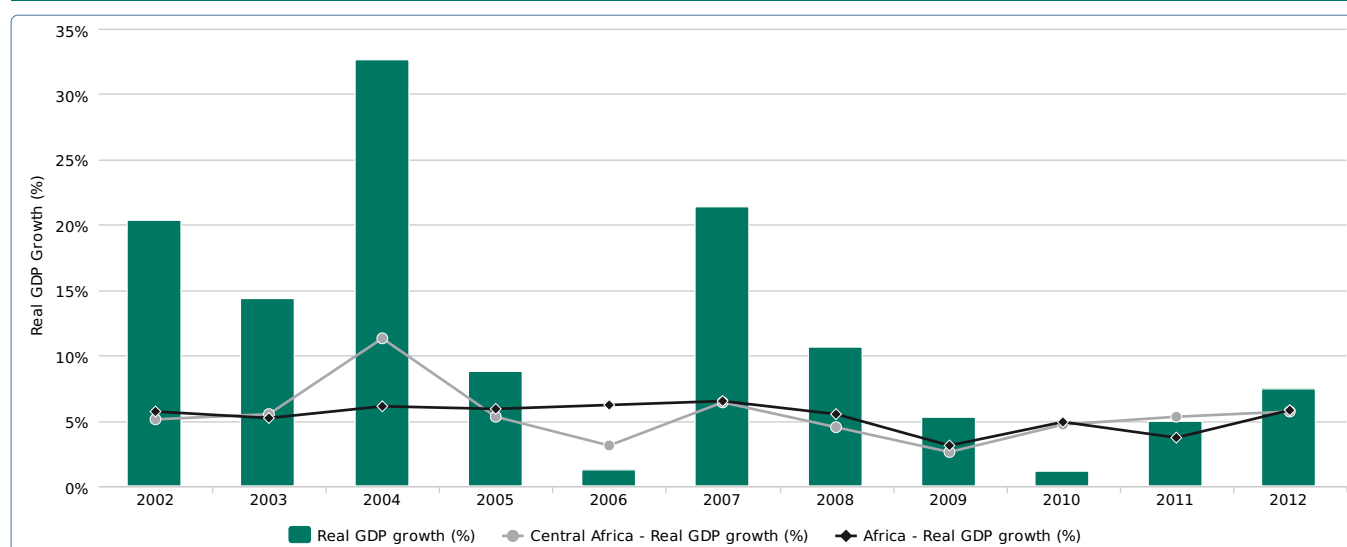
	2009	2010	2011	2012
<b>Real GDP growth</b>	5.3	1.2	5	7.5
<b>CPI inflation</b>	7.2	4.7	6.3	5.6
<b>Budget balance % GDP</b>	-9.6	-2.6	-2.8	-2.7
<b>Current account % GDP</b>	-7.6	2.7	2.9	3.8

**Source:** National authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

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Figure 1: Real GDP growth (C)



**Source:** IMF and local authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

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