

Guinea

Economic activity in 2010 was affected by a wait-and-see attitude resulting from delays in the presidential election process; growth should pick up in 2011.

Guinea suffers from persistent structural and institutional weaknesses and a business environment that does not encourage private sector development.

Partnership with new emerging countries remains weak, but fairly significant progress is being made.

Guinea is a poor, fragile country, despite considerable unexploited economic potential. It has the world's largest reserves of bauxite (two-thirds of global reserves), as well as large deposits of iron ore, gold and diamonds. It also has the potential to develop other metals, oil and gas. Persistent structural and institutional weaknesses have prevented Guinea from developing a strategic vision and implementing the type of policies needed to reap the full benefit of its mineral wealth.

From 1985 to 2002, Guinea engaged in a process of economic liberalisation and transformation that drove real gross domestic product (GDP) growth to an average of 4% per year over the period (equal to a 0.8% increase in per capita income), while stabilising prices and the exchange rate. Problems in the implementation of reforms between 2003 and 2006 resulted in a 0.6% fall in per capita income, and the economic slump subsequently worsened in 2007 as a result of the global crisis. In response to these difficulties, since 2007 Guinea has been conducting reforms under its second poverty reduction strategy (PRSP2), which is supported by the International Monetary Fund's (IMF) Poverty Reduction and Growth Facility (PRGF) and by other technical and financial partners. The reforms bore fruit in 2008, despite the difficult international context, as growth accelerated from 1.8% in 2007 to 4.9% in 2008. From 2009, however, the economic situation was marked by the combined effects of the economic and financial crisis and the socio-political crisis, resulting in a 0.3% fall in GDP.

The economic situation remains difficult, as reflected in the 2010 indicators. The rate of economic growth is 1.6%, too low to reduce poverty. The high rate of inflation (15.8%) continues to undermine the population's purchasing power. The poverty rate, which stood at 49% in 2002, reached 55% in 2010. Foreign exchange reserves have dwindled to only 1.9 months of imports. Domestic and foreign arrears have rocketed, making it difficult to improve the macroeconomic situation. Added to all this is a substantial reduction in official development assistance (ODA), both bilateral and multilateral, and increased prices for the main imported products, such as food and oil. If these trends are not reversed soon, it will be difficult for Guinea to reach the completion point of the Heavily Indebted Poor Countries (HIPC) Initiative, even though it had nearly attained this important milestone at the end of 2008.

Over the last decade, Guinea has experienced recurring socio-political instability marked by state violence against the civilian population. This socio-political environment is not conducive to private sector development.

The first free elections in Guinea's history were held on 27 June 2010. These elections should lead to a new constitutional order, the return of the army and security forces to barracks and their transformation into a national force for peace, democracy and development.

The stabilisation of the socio-political situation, following the presidential elections in 2010, and the global economic recovery should lead to a pick-up in growth beginning in 2011.

Table 1: Macroeconomic indicators

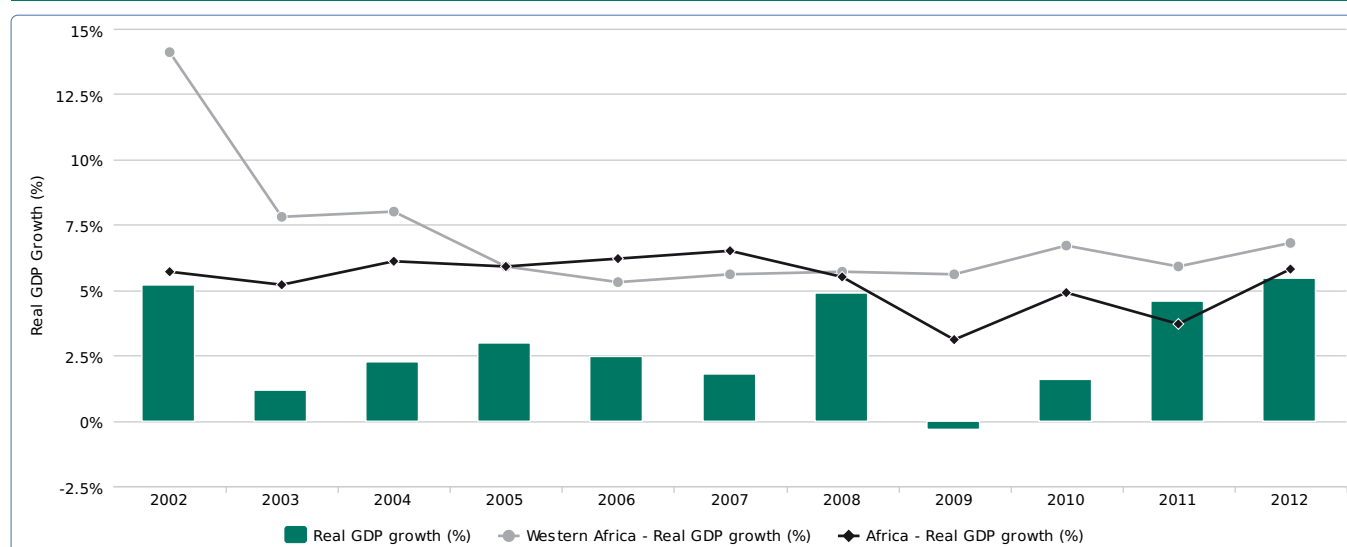
	2009	2010	2011	2012
Real GDP growth	-0.3	1.6	4.6	5.5
CPI inflation	4.7	15.8	13.5	8.2
Budget balance % GDP	-8.4	-12	-10.8	-9.3
Current account % GDP	-9.2	-8.3	-5.6	-3.6

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

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

StatLink  <http://dx.doi.org/10.1787/888932406517>

Figure 1: Real GDP growth (W)



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

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

StatLink  <http://dx.doi.org/10.1787/888932404161>