

Executive Briefing

- Real GDP growth is expected to rebound to 4.6% in 2021.
- The government implemented a broad plan to combat Covid-19, valued at approximately 2% of GDP.
- The IMF approved a USD282.8 million three-year programme to improve the country's macroeconomic stability.
- Chemical, industrial and fuel products account for over 95% of total export revenue.

Macroeconomic Outlook

Equatorial Guinea is one of the largest oil producers in sub-Saharan Africa. With one of the continent's highest GDPs per capita, Equatorial Guinea presents a number of opportunities for investors.

Real GDP growth is expected to rebound to 4.6% in 2021 after GDP contracted in 2020 by 7.5% as a result of the Covid-19 pandemic and persistently low global energy prices.

The government implemented a broad plan to combat Covid-19, valued at approximately 2% of GDP. The plan includes a spending package to improve the healthcare sector, social assistance to support vulnerable households, an education continuity plan and targeted support to the private sector.

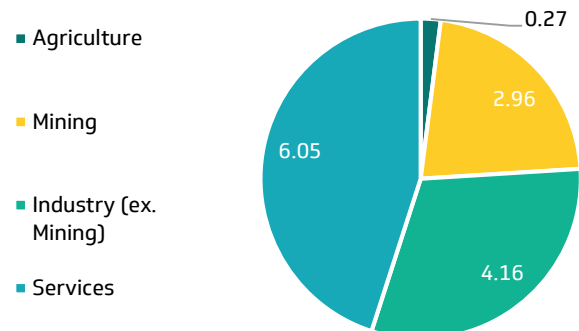
The long-term outlook for the Equatoguinean economy is bleak owing to its heavy reliance on the energy sector and the gloomy outlook for global oil prices and domestic oil production, with growth expected to average -0.2% between 2021 and 2030. Low oil prices and falling domestic crude production will negatively affect government revenues, which will impact capital spending and lead to a sharp slowdown in construction activity.

In December 2019, the IMF approved a USD282.8 million three-year programme to improve macroeconomic stability, create a business environment more conducive to investment, foster economic diversification and improve governance and transparency. Government consumption is set to fall steadily in real terms over the coming decade as the authorities are forced to implement fiscal consolidation.

Political Climate

Equatorial Guinea faces political challenges over the coming decade and some form of change to the political status quo is inevitable. Long-term leader President Teodoro Obiang Nguema Mbasogo (Obiang), in power since 1979, is ageing. The next presidential election is scheduled for 2023. His heir apparent is his son and Vice President Teodoro Nguema Obiang Mangue (Teodorin), but this choice is not universally popular in the ruling Partido Democrático de Guinea Ecuatorial (PDGE) and the country. The entire Equatoguinean government resigned in August 2020. The PDGE still dominates the National Assembly and the Senate.

Equatorial Guinea - GDP by Output, USD billion (2021)



Source: World Bank, Fitch Solutions

Equatorial Guinea is a mature oil producer and holds about 1.2 billion bbl of proven crude oil reserves and 142bcm of proven natural gas reserves. Most of its reserves and producing fields are located offshore in the Gulf of Guinea, near Bioko Island. The presence of a number of underexplored areas reinforces the attractiveness of several of the oil blocks in the Gulf of Guinea.

Key Macroeconomic Indicators	2018	2019	2020	2021	2021-25 ave	2021-30 ave
Population, mn	1.31	1.36	1.40	1.45	1.54	1.66
Real GDP Growth, % y-o-y	-4.69	-4.81	-7.51	4.55	0.85	-0.22
Real GDP per capita, USD	10601.57	9742.12	8708.33	8810.06	8409.04	7604.23
Inflation (%)	1.40	1.30	1.50	1.60	3.12	3.56
Fiscal balance, % of GDP	1.04	0.97	0.99	1.43	0.79	-0.75
Public debt, % of GDP	43.27	44.03	42.02	42.24	41.36	40.32
Current account balance, % of GDP	-18.73	-20.87	-19.34	-14.00	-10.11	-10.45
Exchange rate, XAF/USD, ave	555.70	585.96	575.59	542.11	534.20	531.60

Source: National Sources, Fitch Solutions

Business & Trade Climate

A future democratic transition would see the economy open up to increased foreign direct investment. As part of its drive to diversify the economy, the government has prioritised a number of sectors, including agriculture, fishing, hydrocarbons, transport and tourism, to attract investment.

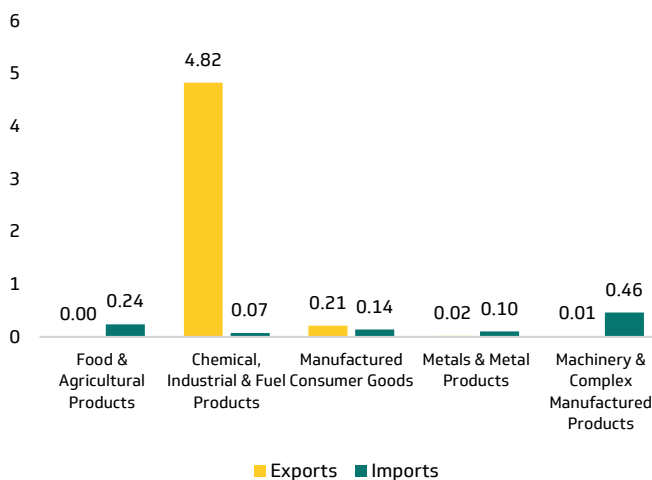
Exports are set to decline by an average of 0.9% per year in real terms over the coming ten years due to declining oil production, as key oil fields are depleted. Exports will receive a boost, however, in 2021-2022 when new oil and gas projects are set to come online. This will do little to reverse the decline in exports without any new investment decisions.

Chemical, industrial and fuel products account for over 95% of total export revenue and 80% of fiscal revenue. Crude oil accounts for about three-quarters of hydrocarbon exports, with gas accounting for the remaining 25%. Equatorial Guinea has little refining capacity and so exports almost all its crude oil output. The country is one of the largest liquefied natural gas (LNG) exporters in sub-Saharan Africa and is a net gas exporter.

China is the largest market for Equatorial Guinean oil and gas, followed by India, Spain and USA. Historically, the US used to be the Equatorial Guinea's largest export market, but US production of light sweet unconventional oil has replaced imports of similar crude from Africa. In reaction, Equatorial Guinea has increased exports to Asia and Europe, diversifying its buyers of crude. Almost all of Equatorial Guinea's LNG exports go to Asia, particularly Japan, China and Singapore.

The US is Equatorial Guinea's largest import partner, followed by Spain, China, Italy and UK. Manufactured goods such as machinery and vehicles - important inputs into the oil and construction industry - are Equatorial Guinea's main imports, followed by foodstuffs and refined fuels. Import growth is set to be muted as demand for imports is hit by contracting investment and weak final demand.

Equatorial Guinea Exports & Imports, USD billion (2018)



Source: UN Comtrade

Market Risk

Risk Factor	Impact on Business
There are perceptions of corruption and a lack of transparency.	Corruption is a potential risk. Equatorial Guinea ranks 173 out of 180 countries in Transparency International Corruption Perceptions Index 2020. This will dent investor sentiment.
There have been examples of commercial disputes with the government.	Delayed payment or non-payment for goods and services present potential problems for businesses.
There is a difficult business environment.	Equatorial Guinea ranks 178 out of 190 countries in the World Bank's Doing Business 2020 report. This does nothing to encourage investment.

Investment Opportunities

Forestry

Timber and wood products are Equatorial Guinea's second-largest export. The government has set the minimum processing rate at 100% and so all timber has to be processed within Equatorial Guinea's borders. Forest resources are managed by the Ministry for Agriculture, Livestock, Forests and the Environment. China-headquartered Sijifo Industrial owns two concessions in Equatorial Guinea.

Fisheries

The government has identified the fishing industry as a strategic investment sector and aims to develop the industry to supply the domestic market and neighbouring countries. Equatorial Guinea imports a significant volume of frozen fish, particularly from Spain and other countries in West Africa. According to the government, Equatorial Guinea has production potential of 74,000 tonnes. Production from aquaculture is low and also presents investment opportunities.



Mining

In 2019 the Ministry for Mines and Hydrocarbons launched the country's first mining bidding round. Three agreements were signed. Blue Magnolia signed three contracts for the prospecting of bauxite, gold, rare earth metals and precious metals. Gold exploration will be undertaken by US-based Manhattan Mining Investment and Shefa Gold. In June 2020, the country also launched a new mining legal framework in a bid to encourage investment in the sector.



Hydrocarbons

The government remains committed to catalysing activity in the upstream sector in order to stem production declines, even amid the lower oil price environment and weak global demand. Declining oil reserves reflect the rapid depletion of the flagship Zafiro field operated by ExxonMobil and the ageing Alba development. In May 2020, the feasibility study for a proposed modular crude oil refinery in Punta Europa was completed. The refinery would process raw condensate from the Alba and Alen fields. Marathon Oil has been selected as the operator of the project and the government expects the deal to be finalised in 2021. Growing gas consumption will be driven by government efforts to diversify the country's energy mix away from an over-reliance on expensive refined oil product imports towards utilising domestically produced gas. The commissioning of Noble Energy's Alen gas project by 2021 will see gas production in the country strengthen, peaking at 8.3bcm in 2023.

For more information please contact:

Trade Information Services, African Export-Import Bank [AFREXIMBANK], 72B El-Mahad El-Eshteraky Street, Roxy, Heliopolis, Cairo 11341, Egypt

afreximbank.com Tel: + 2 02 2456 4100/1/2/3/4 Email: trade.information@afreximbank.com