

# COUNTRY REVIEW

## Equatorial Guinea



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**EULER HERMES COUNTRY RISK GRADE: D**

**Country Risk Grades are on a scale of AA, A, BB, B, C, D  
where AA is the lowest and D the highest risk.**

## COUNTRY PROFILE

Capital city:	Malabo (on the island of Bioko)
GDP:	USD16.1bn(2008e)
Population:	0.6mn (2008e)
GDP per capita:	USD26,800 (2008e)
Currency:	CFA franc BEAC (XAF)
Form of state:	Republic
Head of government:	President Teodoro Obiang Nguema Mbasogo
Next elections:	Parliamentary by May 2012, presidential by December 2009

President Teodoro Obiang Nguema Mbasogo is **one of the world's longest-serving heads of state**, having led a military coup against his uncle in 1979. The all-embracing executive power has been concentrated in his hands since that time, despite numerous alleged coup attempts. There has been speculation as to the health of the president and this raises security issues, given the **lack of a transparent succession policy**. Obiang nominated his son as president-in-waiting but this controversial unilateral announcement received opposition even within the ruling elite and wider presidential family. **Political transfer, when it occurs, is therefore unlikely to be smooth** and instability may ensue.

Obiang was returned for another seven-year term in December 2002 but the election is considered to have been seriously flawed and Obiang's 97% unlikely to represent the feelings of the populace. Nevertheless, opposition forces are weak and divided and the military is—for now—supportive of the president and ruling elite. Accordingly, presidential health considerations aside, political continuity can be expected in the short- to mid- term, with **Obiang likely to win comfortably elections at the end of this year**. Internationally, there is no need of donor support and the US and France both seek to maintain stability because of the country's (and region's) oil and gas resources, which provide an alternative to dependence on the Middle East. Equatorial Guinea is Sub-Saharan Africa's fourth-largest oil producer.

Economic prospects were transformed in the early 1990s by the discovery and exploitation of oil—**hydrocarbons now account for over 90% of exports and GDP**—production of which has enabled annual growth of real GDP to record an average of over 31% 1991-2000 and an estimated 16% 2004-08. Oil revenue inflows and rising per capita incomes have led to the World Bank re-classifying the country as upper-middle income and less indebted. **Overall nominal GDP almost doubled between 2005 and 2008**. However, the provision of official and verifiable economic data is rudimentary and we are unable to conduct a full assessment of some key variables. Nevertheless, oil revenues will have allowed a cumulative surplus to be generated in the fiscal accounts in the period 2000-08 and **membership of the CFA franc zone** limits both inflationary pressures and the risks of transfer problems. While high oil revenues have boosted export earnings, the current account balance has been constrained because of the need to import inputs to the energy sector and through outward flows of oil-related profit and other remittances. Relatively small surpluses on the current account in 2006-08 will turn into deficits in 2009-10 as oil demand and prices (and therefore revenues) remain weak compared with 2005-08. FX reserves have been stockpiled, rising from below USD100mn at the end of 2002 to US\$4.4bn end-2008.

Despite some much improved economic data following the exploitation of energy resources, country risk is heightened by political considerations. There is potential for a succession crisis and significant instability. Moreover, the economy is run mainly for the benefit of the ruling elite and the non-oil sector receives little attention or support. **Social indicators remain poor** and Transparency International ranks the country 171= (with the Democratic Republic of Congo) out of 180 assessed, below Turkmenistan and Zimbabwe. **The structural business environment is not supportive of long-term balanced growth for private-sector enterprises**. However, as in Angola, the oil and gas sector is likely to operate largely outside the mainstream economy and we do not envisage output disruptions in the short term.

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