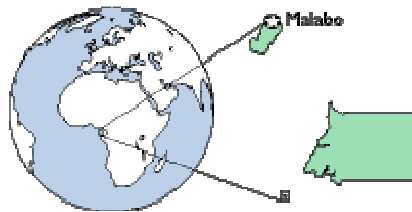


# COUNTRY REVIEW

## Equatorial Guinea



18 November 2010

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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:	USD13.7bn (2010f)
Population:	0.7mn (mid-2010e)
GDP per capita:	USD19,600 (2010f)
Currency:	CFA franc BEAC (XAF)
Form of state:	Republic
Head of state:	President Teodoro Obiang Nguema Mbasogo
Next elections:	Parliamentary by May 2013, presidential by November 2016

The 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 stability and 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 November 2009** but the election is considered to have been seriously flawed and Obiang's return of over 95% of the vote is unlikely to represent the genuine 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**. 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 98% of exports**—production of which 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 resulted in the country being classified as "high income" under World Bank definitions. **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. Moreover, the global economic slowdown and recession in some key markets in 2009, together with lower oil output, resulted in **weaker GDP growth of 5.3% in that year and a forecast 1% for 2010**. 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 turned into deficits in 2009-10 (forecast at 4.5% of GDP in the latter year) as oil demand and prices (and therefore revenues) remained weak compared with 2005-08. FX reserves had been stockpiled, rising from below USD100mn at the end of 2002 to USD4.4bn at end-2008 but have subsequently been depleted (USD2.4bn by end-Q2 2010).

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 the structural business environment is not supportive of long-term balanced growth for private-sector enterprises**. The oil and gas sector operates largely outside the mainstream economy and we do not envisage output disruptions in the short term.

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