GUINEA

Table 1	2020
Population, million	13.1
GDP, current US$ billion	15.2
GDP per capita, current US$	1159.3
International poverty rate ($1.9)[a]	36.1
Lower middle-income poverty rate ($3.2)[a]	70.9
Upper middle-income poverty rate ($5.5)[a]	92.5
Gini index[a]	33.7
School enrollment, primary (% gross)[b]	91.5
Life expectancy at birth, years[b]	61.2

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2012), 2011PPPs.
(b) WDI for school enrollment (2016); life expectancy (2018).

Growth was resilient to the pandemic, slowing to 4.7 percent in 2020. Capital investment was reduced to contain the increase in the fiscal deficit, following Covid-19 measures. The fiscal and external deficits were supported by increased donor financing and improved terms of trade. Growth and poverty reduction are expected to recover, supported by sustained mining growth and a rebound in services. Downside risks include prolonged COVID-19 and Ebola outbreaks, delayed vaccine rollouts, the slow pace of fiscal and structural reforms, and social unrest.

Key conditions and challenges

Over the past five years, Guinea's robust macroeconomic performance and growth has been supported by prudent fiscal management. However, the economy remains undiversified, highly dependent on mining (15 percent of GDP) and agriculture (25 percent of GDP). Mining (bauxite and gold) accounts for about 80 percent of exports, rendering the economy exposed to fluctuations in commodity prices Domestic credit amounts to less than 10 percent of GDP, reflecting the underdevelopment of financial markets. Growth is also constrained by low investment levels and large infrastructure gaps. Tax revenues have been declining, after reaching a peak of 14.2 percent of GDP in 2016, mainly as a result of tax exemptions for the mining sector. The low rate of tax collection is a key constraint to development given the large infrastructure and social needs. Guinea's human capital index (HCI) is below what would be predicted for its income level. Although income inequality is relatively low, gender gaps are widespread across all dimensions, with a substantial divide in school enrollment, wages, agricultural productivity, and political representation.

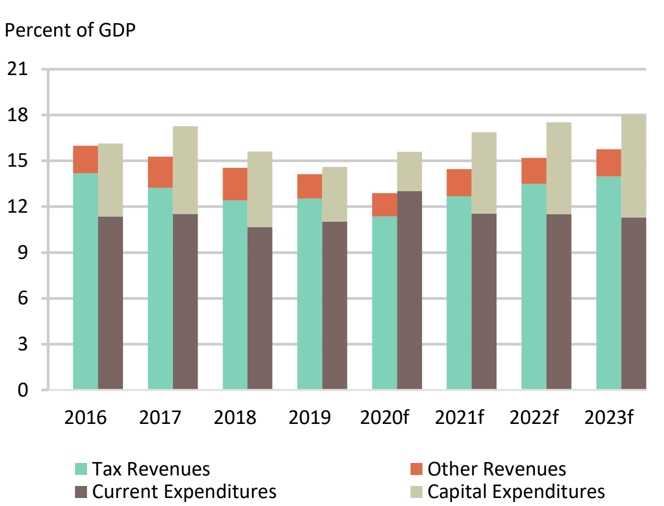
COVID-19 has exacerbated existing economic and social challenges, slowing poverty reduction. It has also underscored the urgent need to enact deeper structural reforms to diversify the economy and promote a more inclusive growth model. Guinea is at moderate risk of external debt distress, but with limited space to absorb shocks. This assessments hinges on commitments to maintain a prudent borrowing plan, respecting the limits embedded in the December 2020 Debt Sustainability Analysis (DSA). Risks to the economic outlook remain skewed to the downside, particularly due to the evolution of the COVID-19 pandemic and a recent Ebola outbreak, with the distribution of vaccines being critical factor to address both.

Recent developments

Economic growth decelerated to 4.7 percent in 2020, 1.8 percent in per capita terms, due to the COVID-19 pandemic. While mining production sustained growth in 2020, the service sector is estimated to have grown only 0.4 percent due to declining activity in the hotel, restaurant and transport sectors. Investments in the mining sector boosted bauxite production while higher gold prices bolstered artisanal gold exports. Inflation accelerated to 10.6 percent in 2020, from 9.5 percent in 2019, with higher food prices partly due to supply disruptions and an increase in central bank financing to meet the larger fiscal deficit resulting from COVID-19 impact.

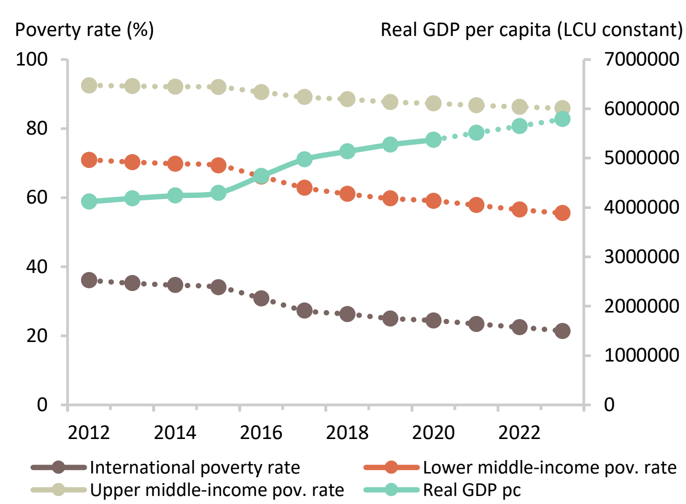
The current account deficit narrowed to 12.5 percent of GDP with higher mining exports compensating for higher imports of medicines, sugar, and intermediate and capital goods. Mining-related FDI continued to be the main source of external

FIGURE 1 Guinea / Fiscal revenues and expenditures



Sources: Guinean authorities; and World Bank staff projections.

FIGURE 2 Guinea / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

financing and declined to 10.7 percent of GDP in 2020. International reserves are estimated at 3.8 months of imports in 2020.

The overall fiscal deficit (including grants) widened to 2.7 percent of GDP in 2020, driven by two factors. First, at 11.4 percent of GDP in 2020, tax revenues reached its lowest level since 2011, due to tax exemptions for mining projects and under the COVID-19 response plan, as well as weak tax administration. Second, subsidies to the public electricity utility, which had more than doubled in 2019, further increased in 2020 because of electricity subsidies offered under the COVID-19 response plan, and reliance on expensive thermal technology. Under-executed capital expenditures partially offset higher current transfers and social spending to protect vulnerable households. The debt-to GDP ratio increased to 39.1 percent of GDP in 2020.

Projections based on GDP per capita growth suggest that extreme poverty incidence has declined from 25 percent in 2019 to 24 percent in 2020. This corresponds to over 3.2 million people living in extreme poverty in 2020. While this indicates that some of the extreme poor have been lifted out of extreme poverty, the COVID-19 pandemic has likely pushed part of the vulnerable population into poverty. Indeed, statistics from the COVID-19 household High-Frequency Phone Survey conducted in October-November 2020 show that over 8 out of 10 households experienced earning losses due to the COVID-19 pandemic with households receiving transfers and those owning nonfarm enterprises being the most affected. Non-monetary poverty – the Multidimensional Poverty Index – estimated at nearly 32 percent in 2018, remains high.

Outlook

Over the medium-term, mining-related infrastructure investment will continue to drive growth. Economic growth will accelerate to 5.5 percent in 2021 but will decline to 5.2 percent in 2022-2023 because of lower growth in the service sector. Public and private investment for infrastructure (energy and transport) will support the construction sector. Better provisioning of agriculture inputs and infrastructure investments should also improve agricultural productivity. The implementation of structural reforms to strengthen governance and the business climate, as well as more reliable electricity provision, following completion of the Souapiti hydropower project in 2020, should attract private investments and support private sector development. Inflation is expected to remain high but decline gradually to 7.8 percent by 2023.

The external current account deficit is projected to increase to 14.8 percent of GDP in 2021, reflecting higher imports for infrastructure spending and other capital goods. The deficit is projected to decline thereafter, to 11.6 percent of GDP by 2023, with exports projected to grow faster than imports after completion of the dam. FDI inflows will meet over 70 percent of financing requirements between 2021 and 2022, with long-term loans meeting the rest.

The extreme poverty rate is projected to decrease to 23.4 percent in 2021 aligned with modest expected growth and will further decrease to 21.4 percent by 2023 based on growth projections. However, according to results from the High-Frequency Phone Survey, the impact of the COVID-19 pandemic on job and income losses has not been subsiding. With the risk of a sustained negative impact of the COVID-19 pandemic combined with the Ebola outbreak, poverty reduction is likely to be undermined. The recovery of the service sector may support earnings and employment in urban areas.

TABLE 2 Guinea / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	6.2	5.6	4.7	5.5	5.2	5.2
Private Consumption	3.8	5.4	3.5	3.2	1.4	1.4
Government Consumption	-7.2	-6.3	42.9	-5.5	8.7	7.8
Gross Fixed Capital Investment	8.7	-8.4	16.5	40.9	7.1	7.6
Exports, Goods and Services	7.2	-0.6	8.9	6.0	5.6	5.6
Imports, Goods and Services	3.7	-9.5	26.9	8.6	3.6	3.6
Real GDP growth, at constant factor prices	6.7	6.5	4.7	5.5	5.2	5.2
Agriculture	5.4	4.8	3.1	3.9	4.4	4.4
Industry	6.4	8.0	11.3	8.6	7.8	7.8
Services	7.4	5.9	0.4	3.6	3.3	3.2
Inflation (Consumer Price Index)	9.8	9.5	10.6	8.0	7.9	7.8
Current Account Balance (% of GDP)	-18.7	-13.7	-12.4	-14.7	-11.9	-11.5
Net Foreign Direct Investment (% of GDP)	11.0	12.9	10.5	7.2	8.0	8.3
Fiscal Balance (% of GDP)	-1.1	-0.5	-2.7	-2.4	-2.3	-2.2
Debt (% of GDP)	37.4	33.1	39.1	41.7	42.1	41.0
Primary Balance (% of GDP)	-0.3	0.0	-2.1	-1.5	-1.3	-1.3
International poverty rate ($1.9 in 2011 PPP)[a,b]	26.3	25.0	24.4	23.4	22.5	21.4
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	61.1	59.8	59.1	57.8	56.6	55.5
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	88.5	87.7	87.3	86.7	86.3	85.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.
(a) Calculations based on 2012-ELEP. Actual data: 2012. Nowcast: 2013-2020. Forecast are from 2021 to 2023.
(b) Projection using neutral distribution (2012) with pass-through = 0.7 based on GDP per capita in constant LCU.