LIBYA

Table 1	2023
Population, million	6.9
GDP, current US$ billion	50.5
GDP per capita, current US$	7327.2
School enrollment, primary (% gross)[a]	106.9
Life expectancy at birth, years[a]	71.9
Total GHG emissions (mtCO2e)	99.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2021).

Challenges in deploying a unified and effective State response to the devastating floodings in the eastern part of the country in September 2023 have highlighted Libya's fragilities. Competition over the control of the oil wealth and rent seeking continue to weaken the health of the economy and citizen trust. Libya's key challenges remain to find a peaceful resolution of the political divisions, improve the transparent and effective management of the oil wealth, and rebuild and diversify the economy.

Key conditions and challenges

The devastation of part of Libya's eastern coastal region caused by storm Daniel and the floodings led to a moment of national solidarity but did not trigger more lasting political reconciliation and consensus. The effectiveness of the authorities' response quickly ran into political divisions and two distinct reconstruction funds were announced by the parallel governments.

More recently influential Libyan political leaders from both the eastern and western parts of the country and some geopolitical leaders are renewing efforts to unlock the country's political deadlock through the formation of an interim government to organize elections. Diplomatic efforts from the United Nations and geopolitical leaders have also increased discussions with the internationally recognized Government of National Unity which rejects the formation of a caretaker government.

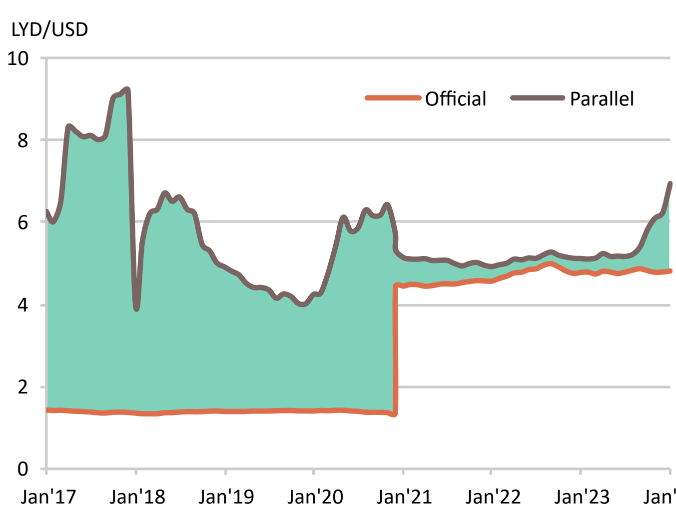
The Libyan economy is dominated by the hydrocarbon sector and remains undiversified with a bloated public sector. The oil and gas sector represents 60 percent of GDP, 94 percent of goods and services exports, and 97 percent of total government revenues in 2023. The private sector is underdeveloped and employs less than 14 percent of the workforce.

Social conditions have deteriorated over the past years due to high unemployment, low labor force participation, income disparities, and poor public infrastructure and services. Only half of the working-age population is active in the labor market and mostly engaged in the public sector (44 percent). The unemployment rate is estimated at 15.3 percent (National Labor Force Survey 2022), with higher rates among women and youth (18.4 and 23.1 percent respectively). While no official poverty estimates are available yet, the average monthly household consumption expenditure is 3094 libyan dinar or about US$645 according to the recently released Household Consumption Survey (2023). Reported consumption inequality, measured by a Gini coefficient of 0.31, is slightly lower than income inequality at 0.33 (Household Consumption Survey 2023). Access to basic services such as water has become more challenging, particularly in the aftermath of the floods in Derna and groundwater upsurge in Zliten.

Recent developments

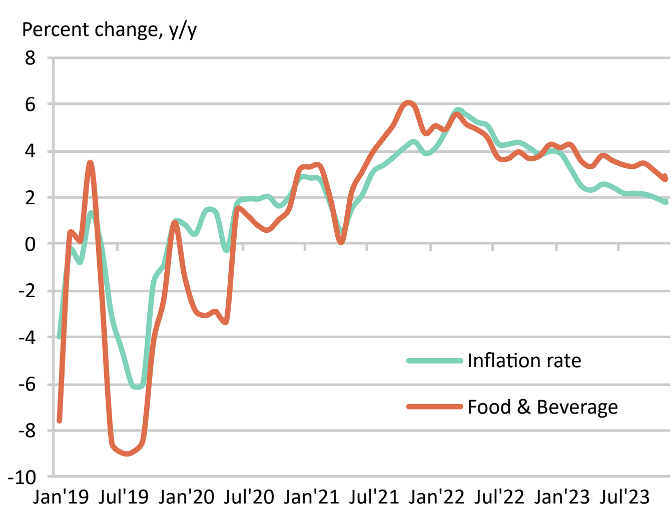
The Libyan GDP at factor prices grew by 10.5 percent in 2023 mainly driven by the hydrocarbon sector. Oil production increased by 11 percent on an annual basis to 1.18 million bpd thanks to the improved security conditions and limited disruptions from the Derna floodings,the resumption of activities by several companies, higher financing for investment and maintenance for the National Oil Company as well as exemption from the Organization

FIGURE 1 Libya / LYD/USD exchange rate in the official and parallel markets



Source: Central Bank of Libya.

FIGURE 2 Libya / Official inflation rate in the region of Tripoli



Sources: Central Bank of Libya and World Bank staff calculations.

of the Petroleum Exporting Countries (OPEC) output cuts.

External surpluses have narrowed in 2023 driven by lower global oil prices. During the initial ten months of 2023, the trade surplus contracted by 56 percent in nominal terms compared to the same period in 2022 as export revenues dropped by 44 percent and imports fell by 27 percent.

According to official figures, inflation eased from 4.6 to 2.3 percent between 2022 and 2023. Inflation remains mainly driven by food prices which affects more poor and vulnerable households. While the dinar was overall stable in nominal terms in 2023, the gap between the official and parallel market rates has widened since October 2023. The gap reached 27 and 43 percent in December 2023 and February 2024 respectively, in comparison to 7 percent on average during the first nine months of 2023. The widening gap is driven by higher demand for foreign exchange fueled by weak fiscal discipline and high public spending, trade and financial policies deficiencies translating into large informal and illicit trade. In March 2024, the Central Bank of Libya (CBL) announced the introduction of a tax on FX sales of 27 percent.

The GNU budget was overall balanced in 2023 with a deficit of 0.1 percent of GDP. Government revenues dropped by 6 percent in nominal terms compared to 2022 while spending decreased by 1.7 percent despite a 26 percent increase of the wage bill. In 2023, the GNU transferred an extra budgetary allocation of 11 percent of GDP to the NOC and General Electricity Company of Libya (GECOL). The public wage bill, subsidies, and social transfers represent respectively 51 and 16 percent of government spending. Notwithstanding oil revenues and fuel subsidies are underrepresented since 2021 when the NOC established a barter system oil for fuel.

Outlook

The Libyan economy is expected to grow between 4.8 and 5.8 percent over 2024-2026 assuming overall political and oil sector stability is maintained. On the demand side, growth would be driven by government spending and investment. A public investment rebound is also expected assuming at least part of a reconstruction program is implemented under agreed political and institutional arrangements.

Inflation is projected to stabilize at 2.4 percent in 2024 and 2025 thanks to less volatile global commodity prices and progress toward the full reunification of the central bank.

On the fiscal front, the Budget of the GNU is expected to be nearly balanced as improved government revenues are counterbalanced by more spending on wages and subsidies and part of the needed reconstruction. The current account surplus is projected to stabilize at around 26-28 percent of GDP during the 2024-2026 period assuming oil production stabilizes.

This outlook is subject to significant uncertainty and downside risks. Recent social unrests in January 2024 in southern Libya and threats to shut down oil fields across the country by the Petroleum Facility Guards (PFG) in February 2024, along with clashes in Tripoli, highlight the fragility of the situation. Prospects for political stability and consensus remain uncertain but would be a major upside for the Libyan economy and citizens.

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

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	153.5	1.3	-1.7	4.8	5.3	5.8
Private consumption	136.8	-4.2	-12.8	2.8	4.5	4.1
Government consumption	41.6	23.2	-2.2	3.9	5.4	7.2
Gross fixed capital investment	255.2	5.5	-19.6	8.4	1.6	-1.1
Exports, goods and services	126.1	-19.9	7.1	5.8	6.8	7.1
Imports, goods and services	46.6	-13.9	-16.5	5.4	5.7	5.2
Real GDP growth, at constant factor prices	114.5	2.4	10.5	4.8	5.3	5.8
Agriculture	6.0	10.0	6.8	4.0	6.0	4.0
Industry	223.0	-12.1	12.5	5.1	5.7	6.3
Services	28.8	32.4	7.8	4.4	4.7	5.1
Inflation (consumer price index)	2.8	4.6	2.3	2.5	2.4	2.9
Current account balance (% of GDP)	11.9	22.1	24.6	26.3	28.0	28.5
Fiscal balance (% of GDP)	9.2	2.1	-0.1	-0.1	-0.7	-2.2
Revenues (% of GDP)	49.0	49.6	51.7	51.6	52.9	52.2
Debt (% of GDP)	72.5	57.6	54.5	58.1	62.2	58.9
Primary balance (% of GDP)	9.2	2.1	-0.1	-0.1	-0.7	-2.2
GHG emissions growth (mtCO2e)	68.9	-10.1	-13.0	4.0	13.4	11.4
Energy related GHG emissions (% of total)	58.8	60.9	62.6	62.4	61.1	62.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.