LIBYA

Table 1	2023
Population, million	6.9
GDP, current US$ billion	45.1
GDP per capita, current US$	6544.3
School enrollment, primary (% gross)[a]	106.9
Life expectancy at birth, years[a]	72.2
Total GHG emissions (mtCO2e)	99.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2006); Life expectancy (2022).

Libya continues to suffer from political divisions over the transparency, control, and benefits of the oil wealth. Tensions recently escalated over the appointment of the Governor and Board of Directors for the recently unified Central Bank after efforts to prepare a single Budget stalled. A prolonged or escalated crisis could disrupt oil and gas production and exports, fuel and food import, salary payments, and the security conditions. The key medium-term challenge for Libya is to peacefully rebuild and diversify the economy.

Key conditions and challenges

Libya is embroiled in a political dispute over the management and governance of the Central Bank of Libya (CBL). In August 2024, the Presidential Council issued a decision to change the Governor and renew the Board of Directors which was rejected by other political forces. In response to the heightening tensions, the United Nations Mission in Libya started to mediate between the parties in the search for peaceful solution to the CBL crisis.

On top of its monetary policy functions, the CBL plays a pivotal role in the country's oil wealth and fiscal management. It receives the oil revenues from the National Oil Company and pays the salaries of civil servants in the entire territory, which is controlled by the two parallel governments, the Tripoli-based Government of National Unity and the Benghazi-based Government of National Stability. Political tensions over the transparency and sharing of the oil wealth have been common since 2021 due to the alleged misappropriation of oil revenues, large fuel imports and contraband to neighboring countries, high public spending on wages and energy subsidies, and investment spending in the Eastern part of the country financed by unauthorized printing of money. Progress was made over the past years to reunify the Benghazi and Tripoli branches of the CBL, but criticism remained over the absence of a full and well-functioning Board of Directors. Efforts to prepare a unified 2024 Budget for the entire territory stalled.

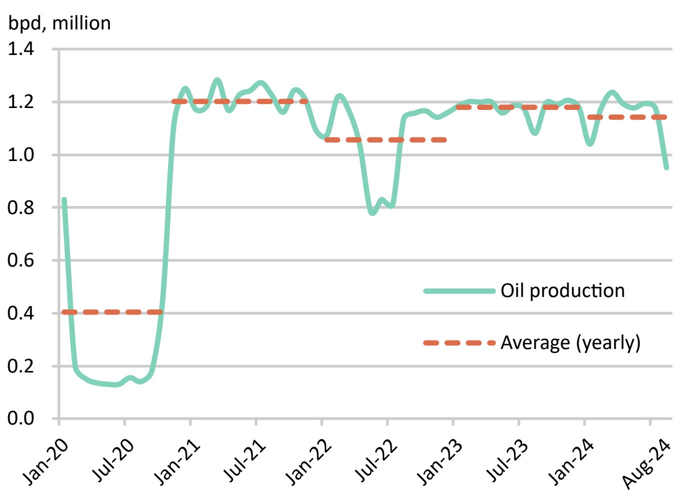
The Libyan economy is driven by the oil and gas sector and remains undiversified with a large public sector. In 2023, the oil and gas sector represented 60 percent of GDP, 94 percent of exports, and 97 percent of government revenues. The private sector is underdeveloped and employs less than 14 percent of the workforce.

Social conditions have deteriorated over the past years due to high unemployment, income disparities, and poor public infrastructure and services. The unemployment rate is estimated at 15.3 percent (National Labor Force Survey 2022) with higher rates among women and youth, estimated at 18.4 and 23.1 percent, respectively. Access to basic services, such as water, is becoming more challenging, particularly in the aftermath of the floods in Derna (2023) and Ghat and Tahala (2024), and the groundwater upsurge in Zliten.

Recent developments

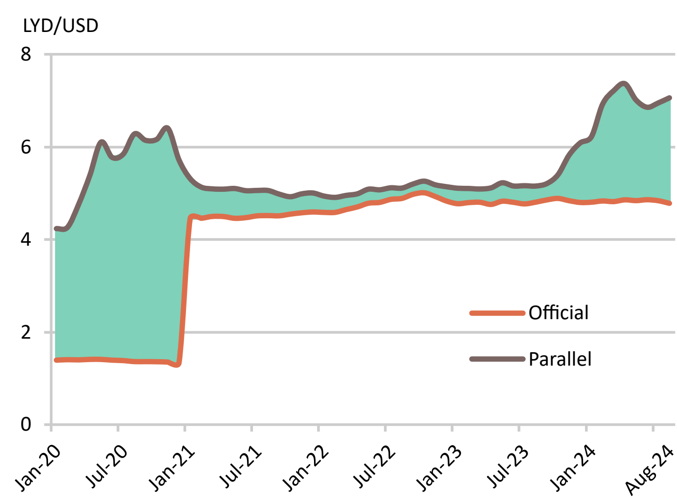
Oil production during the first seven months of 2024 hovered around the same level of the previous year or 1.2 million barrels per day (mbpd). With the closure of major oil fields announced by the East-based Government of National Stability on August 28 in the wake of the CBL crisis, oil production plummeted to 0.5 mbpd creating ripples in international oil markets. According to the National Oil Corporation, Libya

FIGURE 1 Libya / Crude oil production



Sources: Libyan authorities and World Bank staff calculations.

FIGURE 2 Libya / LYD/USD exchange rate in the official and parallel markets



Sources: Libyan authorities and World Bank staff calculations.

lost US$120 million of oil receipts during the first 3 days of the blockades.

Oil revenues were already declining prior to the CBL crisis due to lower energy prices. They reached US$10.5 billion in January-July 2024 or 5.4 percent lower than in 2023. Consequently, the fiscal surplus narrowed from 4.6 to 1.7 percent of GDP during the first seven months of 2023 and 2024 as spending also increased. According to official data, public spending increased by 9.7 percent during this period driven by higher wages and subsidies.

Although oil prices declined, the trade surplus widened during the first seven months of 2024 because Libyan firms found it more difficult to import. The trade surplus widened to 16 percent of GDP during the first five months of 2024, compared to 9 percent of GDP during the same period in 2023 due to a 12 percent contraction in imports. The latter is driven by the tighter access to foreign currencies and the implementation of foreign currency transaction fees in early March 2024. While the Libyan Dinar (LYD) was overall stable in nominal terms, the LYD to USD exchange rate gap between the official and parallel markets widened. During the first seven months of 2024, the gap averaged 43 percent compared to 7.2 percent during the same period in 2023 driven by the higher demand for foreign exchange fueled by high public spending, the reported money printing in the East to finance reconstruction projects, and higher fuel imports and contraband. The gap widened further to 53 percent during early September 2024 amid the CBL crisis.

The inflation rate, which is compiled for Tripoli region only, averaged 1.9 percent during the first seven months of 2024 compared to 2.7 percent during the same period in 2023 driven by lower food and housing prices. While not yet visible in the official data, the import financing constraints discussed above have likely increased inflationary pressures since Libya imports about 80 percent of its food consumption.

Outlook

Assuming the opposing political forces agree to appoint a new central bank governor and a Board of Directors and end the ongoing dispute, oil production is expected to resume and average 1 mbpd for 2024. As a result, oil GDP will contract by 15 percent driving overall GDP to shrink by 10 percent during this year. Growth of non-oil GDP is expected to average 1.3 percent during the forecast period driven primarily by consumption. As oil output recovers in 2025 and 2026, GDP growth is anticipated to rebound to 12 percent in the medium term.

Using official data, inflation in Tripoli is likely to stay controlled at 2.5 percent in 2024 and 2025 assuming the CBL crisis is resolved promptly and reflecting moderating global commodity prices, as well as a generous subsidy system in Libya.

Furthermore, with the fall of oil receipts and relaxing foreign currency constraints by the CBL, both fiscal and external balances are expected to deteriorate in 2024 registering a deficit of 5.7 and 21 percent of GDP, respectively. Both balances should improve in the medium term as oil output recovers.

A prompt and effective resolution of the CBL crisis is critical for Libya's economic prospects and citizens' welfare. A prolonged or escalated crisis could disrupt the ability of institutions to manage the economy and maintain basic services such as oil and gas production and exports, fuel and food import and distribution, salary payments, and in the worst scenario, it could lead to a deterioration in the security conditions.

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

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	28.3	-8.3	10.2	-10.1	10.7	13.1
Private consumption	-0.3	-1.3	5.3	0.7	2.9	2.8
Government consumption	-2.0	-1.1	5.5	1.0	1.1	1.1
Gross fixed capital investment	-6.9	-1.3	-10.7	-23.9	-24.9	16.7
Exports, goods and services	126.1	-19.9	7.1	-16.8	23.1	18.8
Imports, goods and services	46.6	-13.9	-16.5	-2.4	2.0	2.0
Real GDP growth, at constant factor prices	30.6	-11.8	11.7	-10.1	10.8	13.0
Agriculture	6.0	10.0	6.8	4.0	6.0	4.0
Industry	45.0	-17.0	17.8	-13.8	18.0	15.2
Services	9.2	-1.9	1.2	-3.4	-2.1	8.9
Inflation (consumer price index)	2.8	4.6	2.3	2.5	2.4	2.9
Current account balance (% of GDP)	16.1	21.2	3.0	-21.8	-5.7	4.8
Fiscal balance (% of GDP)	12.5	2.7	-0.1	-5.7	1.9	5.3
Revenues (% of GDP)	66.5	64.1	57.9	71.1	71.2	67.0
Debt (% of GDP)	98.3	74.5	61.0	90.4	83.2	64.3
Primary balance (% of GDP)	12.5	2.7	-0.1	-5.7	1.9	5.3
GHG emissions growth (mtCO2e)	51.0	-4.9	-4.0	-5.6	4.0	3.9
Energy related GHG emissions (% of total)	38.5	37.3	36.9	28.8	30.1	31.6

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