

COUNTRY PROFILE

Quarterly update

July 2016



United Nations
Economic Commission for Africa

SAO TOME AND PRINCIPE

Introduction

The main objective of this document is to provide an update to the 2015 Sao Tome and Principe Country Profile, with a particular focus on the recently released annual data for 2015.

Recent developments— Key highlights

- On 31 March 2016, the Government of Morocco adopted a bill approving an investment promotion and protection agreement between Morocco and Sao Tome and Principe. The agreement should make it possible to create appropriate conditions for investors in the two countries, who will in future benefit from guarantees as to protection of investments in Morocco and Sao Tome and Principe.
- On 6 April 2016, Sao Tome and Principe became a party to the agreement establishing the African Export-Import Bank (Afreximbank), and the 41st African country to join this financial institution. The agreement has the potential to facilitate the expansion of private investment in Sao Tome and Principe by offering local enterprises the opportunity to benefit from financial proposals from the Bank.
- On 6 May 2016 Sao Tome and Principe signed an investment promotion and protection agreement with Mauritius. This agreement should allow the two countries to expand their intra-African trade, since Mauritius plans to

position itself as a gateway for Sao Tome and Principe in Eastern Africa, while Sao Tome and Principe will be a gateway for Mauritius in West Africa.

Economic performance

Economic growth

Sao Tome and Principe's growth rate dropped from 4.5 per cent in 2014 to 4 per cent in 2015. On the supply side, the level of activity fell in 2015 because of a drop in cocoa production, while on the demand side the fall was due to a delay in the implementation of public investment projects. According to the International Monetary Fund (IMF), real GDP growth stands at around 5 per cent in 2016, thanks to resumed public investment, a recovery in cocoa production and foreign direct investment in the tourism sector.

Budgetary policy

Budgetary revenue rose from 25.9 per cent of GDP in 2014 to 28 per cent in 2015. Reasons included a rise in fiscal receipts and gifts. Public expenditure increased from 31.4 per cent of GDP to 34.2 per cent over the same period, following the recovery in externally funded public investment. In this context, the overall budget deficit (commitment basis, excluding gifts) grew from 5.5 per cent of GDP in 2014 to 6.3 per cent in 2015. In May 2016 Sao Tome and Principe repaid 202,776 million dobras of debt to the International Development Association (IDA), the Arab Bank for Economic Development in Africa (ABEDA) and the Organization of Petroleum-Exporting Countries (OPEC), after making no payments in April.

Inflation and monetary policy

The steady fall in the consumer price index which followed the linking of the dobra to the euro in January 2010 continued in 2015. The inflation rate was 4 per cent against 6.4 per cent in 2014, owing to a slackening of demand together with a fall in international commodity prices. In April 2016, the inflation rate stood at 1.6 per cent, compared with 0.8 per cent in March, as a result of price rises for food products, particularly grains, fruit and vegetables, as well as a rise in the prices of clothing and footwear. Since February 2015 the Central Bank has left unchanged both the benchmark interest rate and marginal lending rate at 10 per cent and 12.5 per cent respectively.

Current account

The current account deficit fell from 21.9 per cent of GDP in 2014 to 16.7 per cent in 2015 as the trade balance improved. There was a smaller drop in exports (-9.2 per cent) than in imports (-17.4 per cent). In May 2016 the trade balance worsened to 14,742.94 million dobras from 6,714.77 million dobras the previous month, following a boom in imports of petroleum products.

Macroeconomic performance

	Value	Year
Nominal GDP (billions of dobras)	7 065	2015
Real GDP growth rate (per cent)	4	2015
Inflation (annual average) (per cent)	4	2015

Budgetary policy (percentage of GDP)

	Value	Year
Total revenue	28	2015
Total expenditure	34.2	2015
Current expenditure	18.1	2015
Capital expenditure	15.5	2015
Primary fiscal balance (- = deficit)	-3	2015
Fiscal balance (commitment basis, excluding gifts) (- = deficit)	-6.3	2015

Current account (percentage of GDP)

	Value	Year
Imports	38	2015
Exports	3.9	2015
Trade balance (- = deficit)	-34.1	2015
Current account balance	-16.7	2015

Source: Sao Tome and Principe, National Institute of Statistics, June 2016; International Monetary Fund, June 2016.

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