



## *Casa África – Business Opportunities*

### *Republic of Guinea-Bissau*

The GDP of this country grew approximately 5% in 2019 and in 2020 the same projection is expected, driven mainly by private consumption and exports. Economic performance remains highly correlated with cashew nut volumes and prices, which is why lower cashew export yields in 2018 translated into lower income, as agriculture is the main source of national income. By 2019 and 2020, the reduction in cashew prices is expected to constrain the budget. Inflation is expected to remain below 3%. The budget deficit amounted to 5.1% in 2018 and then decreased to 2.8% in 2019. The current account deficit was also influenced by lower exports of its main product, from 1.6% of GDP in 2018 to 3.4% in 2019.

The country is heavily dependent on imports, dominated by construction machinery and materials, fuels and refined products, services, and food and agricultural products. India remains the largest trading partner and receives over 80% of exports of raw cashew nuts. The country is still in a reconstruction phase, so business opportunities may arise in the next few years in the areas of infrastructure, technical assistance and support to the productive structure. The regional integration commitments of the African Continental Free Trade Agreement should remove the trade and growth constraints imposed by the small economy.

Agriculture needs large-scale investment and a promising business environment for investors, but the lack of a budget undermines development planning and implementation. Moreover, repeated fluctuations in cashew prices could discourage many small producers and reduce both production and domestic exports. High levels of poverty and inequality persist in the country, with approximately one third of the population living in extreme poverty. Although unemployment is not as high as in other African countries, informal work is a major structural problem.

Institutional reforms are laying the groundwork for greater private participation, and efforts to attract such investment include the creation of an Investment and Export Promotion Agency and the signing of the Lusophone Pact specific to each country. For its part, the Central Bank of West African States has launched a mechanism to finance small and medium-sized domestic enterprises. The national initiatives are of great importance, as they are expected to increase the availability of electricity and water, improve the marketing of cashew nuts and address weaknesses in the banking sector, which should increase private sector confidence and contribute to growth and macroeconomic stability. New investments to improve employment opportunities include the operation of a new cement factory in Bissau, the completion of the Buba-Catió road and the creation of a subregional hydropower transmission line.

AEO: <https://www.afdb.org/en/documents/african-economic-outlook-2020>

ICEX:<https://www.icex.es/icex/es/navegacion-principal/todos-nuestros-servicios/informacion-de-mercados/paises/navegacion-principal/exportar-a/sectores-de-oportunidad/index.html?idPais=GW>