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EXECUTIVE BOARD MEETING

SM/23/108
Supplement 2

May 18, 2023

To: Members of the Executive Board

From: The Secretary

Subject: **Libya—Staff Report for the 2023 Article IV Consultation—Draft Press Release**

Board Action:	Executive Directors' **consideration** (Formal)
Tentative Board Date:	**Wednesday, May 24, 2023**
Publication:	Yes*
Questions:	Mr. Gershenson, MCD (ext. 39618) Mr. Matheson, MCD (ext. 34094) Mr. Ghawi, MCD (MGhawi@imf.org)

***Unless an objection from the authorities is received prior to the conclusion of the Board's consideration, the press release will be published.**

PRESS RELEASE

PR[YY/XX]

IMF Executive Board Concludes 2023 Article IV Consultation with Libya

FOR IMMEDIATE RELEASE

Washington, DC – **[May 24, 2023]:** The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] with Libya.

The Article IV consultation took place after a decade-long hiatus. The fragmentation of the country that followed the fall of the Ghaddafi regime in 2011 effectively suspended the production of key economic indicators and complicated policymaking, resulting in difficulties in conducting Article IV consultations. The authorities have recently made commendable progress towards improving data sharing and collection, and transparency. Together with the flexibility afforded by the IMF's new Fragile and Conflict-Affected States (FCS) strategy, this has paved the way for a resumption of Article IV consultations.

Libya's institutional framework has helped the country through a period of significant macroeconomic volatility and turmoil. There have been exceptional swings in oil production and revenues since 2011. Despite this, the Central Bank of Libya has managed to maintain a large stock of international reserves, supported by a combination of a fixed exchange rate, capital controls, and various other temporary arrangements.

The economy contracted sharply in 2020 due to an oil blockade and a decline in oil prices, resulting in ballooning external and fiscal deficits, and declining foreign exchange reserves. More recently, a rebound in oil prices and the resumption of oil production has resulted in budget and current account surpluses in both 2021 and 2022. Gross Domestic Product—which closely tracks oil production—remained volatile. Inflation has been relatively subdued despite a sizable depreciation of the dinar in 2021 and rising global commodity prices, rising from 2.9 percent in 2021 to 4.5 percent in 2022.

Libya's economic fortunes will hinge on oil and gas production for the foreseeable future. Hydrocarbon production is projected to grow by around 15 percent in 2023 following an increase in oil production from 1 million barrels per day in 2022 to around 1.2 million barrels per day in 2023 and increase gradually thereafter. Looking ahead, assuming fiscal spending remains contained, the baseline projection is for fiscal and external surpluses to gradually decline over coming years. The key risks to the outlook are lower oil prices due to lower-than-expected global growth, and renewed conflict and/or social unrest that leads to disruptions in oil production.

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

Executive Board Assessment[2]

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[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

Table 1. Libya: Selected Economic Indicators, 2018-2028

	2018	2019	2020	2021	Est. 2022	2023	2024	Proj. 2025	2026	2027	2028
(Annual percentage change, unless otherwise indicated)											
National income and prices											
Real GDP (at market price)	7.9	-11.2	-29.5	28.3	-11.4	18.8	8.2	7.4	4.7	2.5	2.6
Nonhydrocarbon	-8.5	-11.6	-19.4	5.9	-1.2	17.1	7.9	6.8	6.6	6.4	6.3
Hydrocarbon	21.0	-10.9	-35.5	45.0	-17.0	20.0	8.3	7.7	3.6	-0.1	0.0
Nominal GDP in billions of Libyan dinars 1/	104.7	96.8	65.1	159.0	178.5	198.8	210.0	221.9	231.6	236.8	242.9
GDP deflator	3.6	4.2	-4.8	90.4	26.8	-6.3	-2.3	-1.6	-0.3	-0.2	0.0
CPI inflation											
Period average	14.0	-2.9	1.5	2.9	4.5	3.4	2.9	2.9	2.9	2.9	2.9
End of period	-1.2	0.2	2.8	3.7	4.1	2.9	2.9	2.9	2.9	2.9	2.9
(In percent of GDP)											
Central government finances											
Revenues	46.9	59.2	35.1	79.5	100.0	64.4	62.4	61.4	59.0	56.3	53.6
Of which: Hydrocarbon	32.0	32.4	8.1	78.1	97.9	62.1	60.4	59.4	57.0	54.1	51.3
Surtax on foreign exchange purchases 2/	12.6	24.2	23.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expenditure and net lending	37.6	47.3	57.3	64.7	76.5	55.8	53.5	52.5	50.9	50.5	49.8
Of which: Capital expenditures	3.3	4.8	2.8	10.9	3.6	3.3	3.1	2.9	2.8	2.7	2.7
Overall balance	9.4	11.9	-22.3	14.8	23.6	8.5	8.9	8.8	8.1	5.8	3.8
(Annual percentage change unless otherwise indicated)											
Money and credit											
Base Money	-8.5	-14.2	2.2	2.8	-1.3	15.8	5.2	8.3	9.0	9.2	10.0
Currency in circulation	12.5	5.6	8.3	-20.0	-1.4	16.2	2.9	4.7	2.2	1.5	5.0
Money and quasi-money	-0.8	-2.4	16.0	-20.3	...	...	...	...	...	...	...
Net credit to the government (Libyan Dinar, billion)	-8.4	-20.4	-1.4	-94.1	...	...	...	...	...	...	...
Credit to the economy (% of GDP)	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
(In billions of U.S. dollars; unless otherwise indicated)											
Balance of payments											
Exports	29.8	29.1	10.3	28.0	31.2	27.6	27.8	28.9	29.4	28.9	28.5
Of which: Hydrocarbon	28.9	27.5	7.5	25.7	29.1	25.5	26.2	27.3	27.5	26.8	26.1
Imports	13.8	17.7	8.0	18.6	15.0	12.9	13.0	13.4	13.3	13.1	12.7
Current account balance	11.3	4.6	-4.0	-1.9	5.4	7.6	10.2	10.5	10.3	9.4	9.4
(As percent of GDP)	14.7	6.7	-8.5	-5.4	14.7	18.4	23.5	22.7	21.2	18.9	18.3
Capital Account (including E&O)	-4.1	-5.2	-7.5	9.3	3.3	-4.1	-6.3	-6.4	-6.4	-6.5	-7.4
Overall balance	6.3	-1.6	-6.6	7.4	8.8	3.5	3.9	4.1	3.9	2.9	1.9
Reserves											
Gross official reserves	77.6	76.0	69.4	77.7	82.0	85.5	89.4	93.5	97.4	100.3	102.2
In months of next year's imports	37.2	63.8	29.0	40.4	49.6	67.1	76.0	78.2	83.9	89.9	94.0
Gross official reserves in percentage of Broad Money	97.0	97.7	73.8	354.9	358.8	362.4	365.5	365.5	363.4	356.5	345.1
Total foreign assets (including LIA investments)	149.9	149.1	142.7	151.1	156.4	161.8	167.4	172.9	177.9	181.8	184.8
Exchange rate											
Official exchange rate (LD/US$, period average)	1.37	1.40	1.39	4.51	4.81	...	...	...	...	...	...
Parallel market exchange rate (LD/US$, period average)	6.15	4.28	5.57	5.06	5.08	...	...	...	...	...	...
Parallel market exchange rate (LD/US$, end of period)	4.42	4.08	5.05	5.03	5.18	...	...	...	...	...	...
Crude oil production (millions of barrels per day - mbd)	0.97	1.10	0.30	1.2	1.0	1.20	1.30	1.40	1.45	1.45	1.45
Of which: Exports	0.79	0.89	0.24	1.0	0.8	0.98	1.06	1.14	1.18	1.18	1.18
Crude oil price (US$/bbl, WEO adjusted for Libya)	68.5	57.1	37.8	64.4	89.6	68.0	64.1	62.3	60.8	59.4	58.0

Sources: Libyan authorities; and IMF staff estimates and projections

1/ National accounts data have been revised to reflect recent updates from the authorities. Nominal GDP data are at market prices.
2/ Assumes the CBL transfers LD 15.8 billion (27.4 percent of GDP) in FX surtax revenues in 2019 (out of the LD 20-25 billion it expects to collect) to the Ministry of Finance.