

# Eritrea

## Eritrea: Current Path

Kouassi Yeboua

Last updated 25 July 2024 using IFs v7.63

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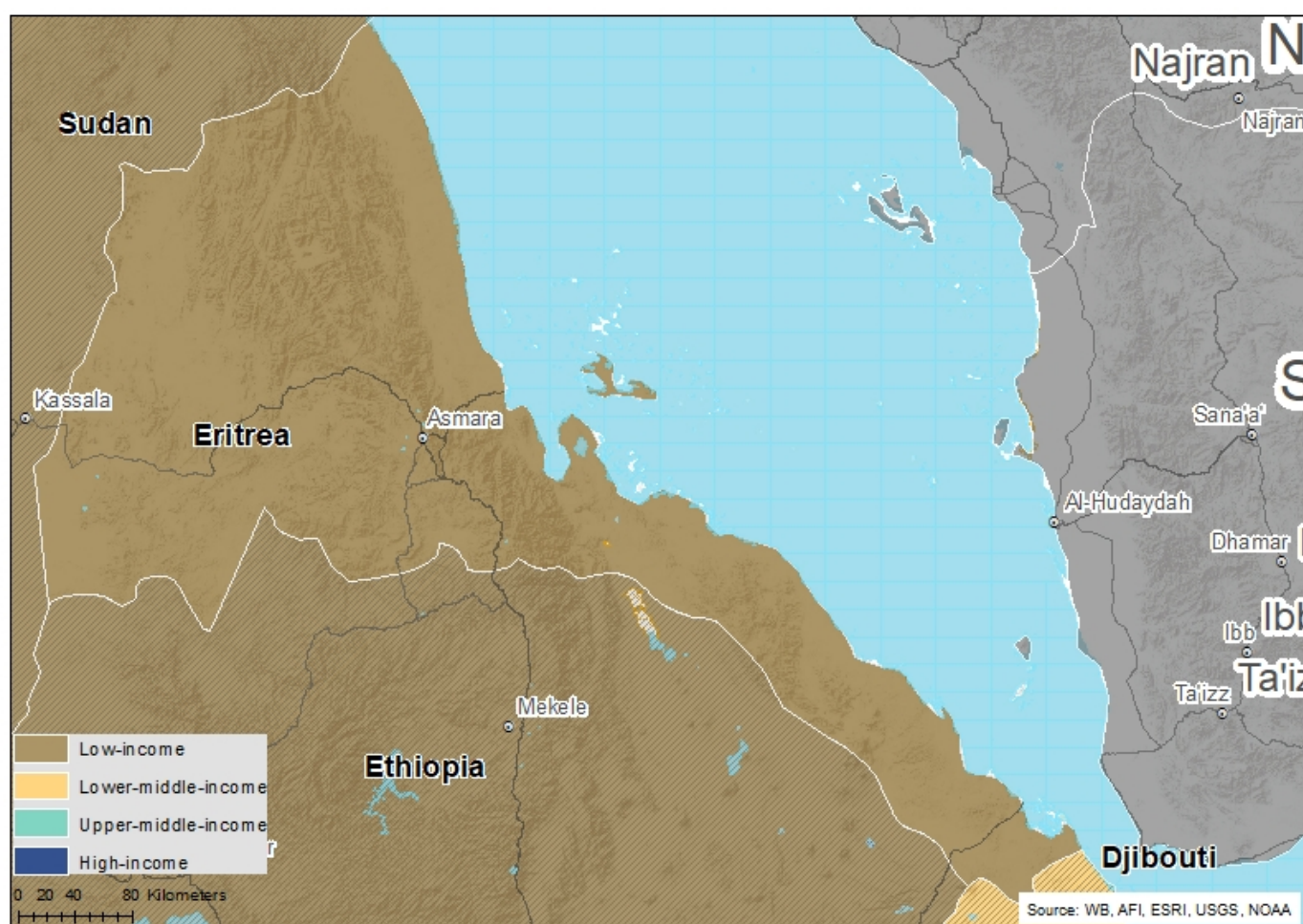
## Eritrea: Current Path

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### Eritrea: Current Path forecast

Chart 1: Political map of Eritrea



This page provides an overview of the key characteristics of Eritrea along its likely (or Current Path) development trajectory. The Current Path forecast from the International Futures forecasting (IFs) platform is a dynamic scenario that imitates the continuation of current policies and environmental conditions. The Current Path is therefore in congruence with historical patterns and produces a series of dynamic forecasts endogenised in relationships across crucial global systems. We use 2019 as a standard reference year. The forecasts generally extend to 2043 to coincide with the end of the third ten-year implementation plan of the African Union's Agenda 2063 long-term development vision.

Eritrea is a low-income country in the Horn of Africa in East Africa. Its coastline on the Red Sea gives it a strategically

beneficial location. Eritrea is bordered by Djibouti in the south-east, by Ethiopia in the south, and by Sudan in the west. The country also shares maritime borders with Saudi Arabia and Yemen.

Eritrea became an independent state from Ethiopia in 1993, after a war of independence that lasted nearly three decades.

It has a surface area of 117 000 km<sup>2</sup> and a population of about 3.5 million as of 2019. The country is also a member of the Intergovernmental Authority on Development (IGAD), an eight-country regional bloc in Africa with ambitions to embark on regional integration.

Eritrea is known as Africa's most secretive state. The ruling People's Front for Democracy and Justice is the only political party allowed to exist in the country. The president and a small ruling elite appear to steer political and economic affairs according to their specific interests. These realities, including the mandatory military training and national service, have depopulated the country as young people seek to emigrate. President Isaias Afwerki has been in office since independence in 1993.

By mid 2018, Eritrea experienced a turnaround in its external environment with a peace treaty being signed with Ethiopia in July, which began to normalise that country's relations with its neighbours. In November 2018, the UN Security Council lifted its sanctions on Eritrea. This raised expectations of a reorientation of Eritrean political and economic arrangements.



## Demographics: Current Path

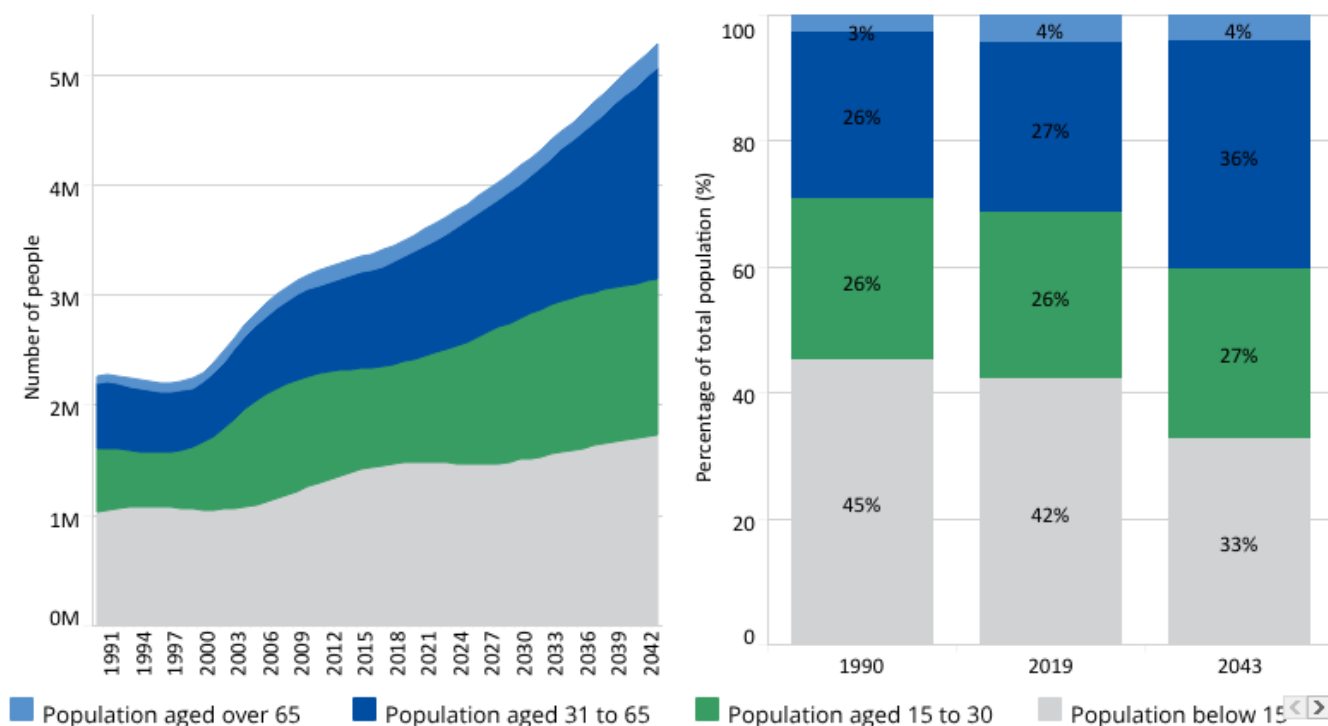
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Chart 2: Population structure in CP, 1990–2043

By cohort and % of population



Eritrea



Source: IFs 7.63 initialising from UN Population Division Population Prospects estimate and World Development Indicators population data

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The characteristics of a country's population can shape its long-term social, economic, and political foundations; thus, understanding a nation's demographic profile indicates its development prospects.

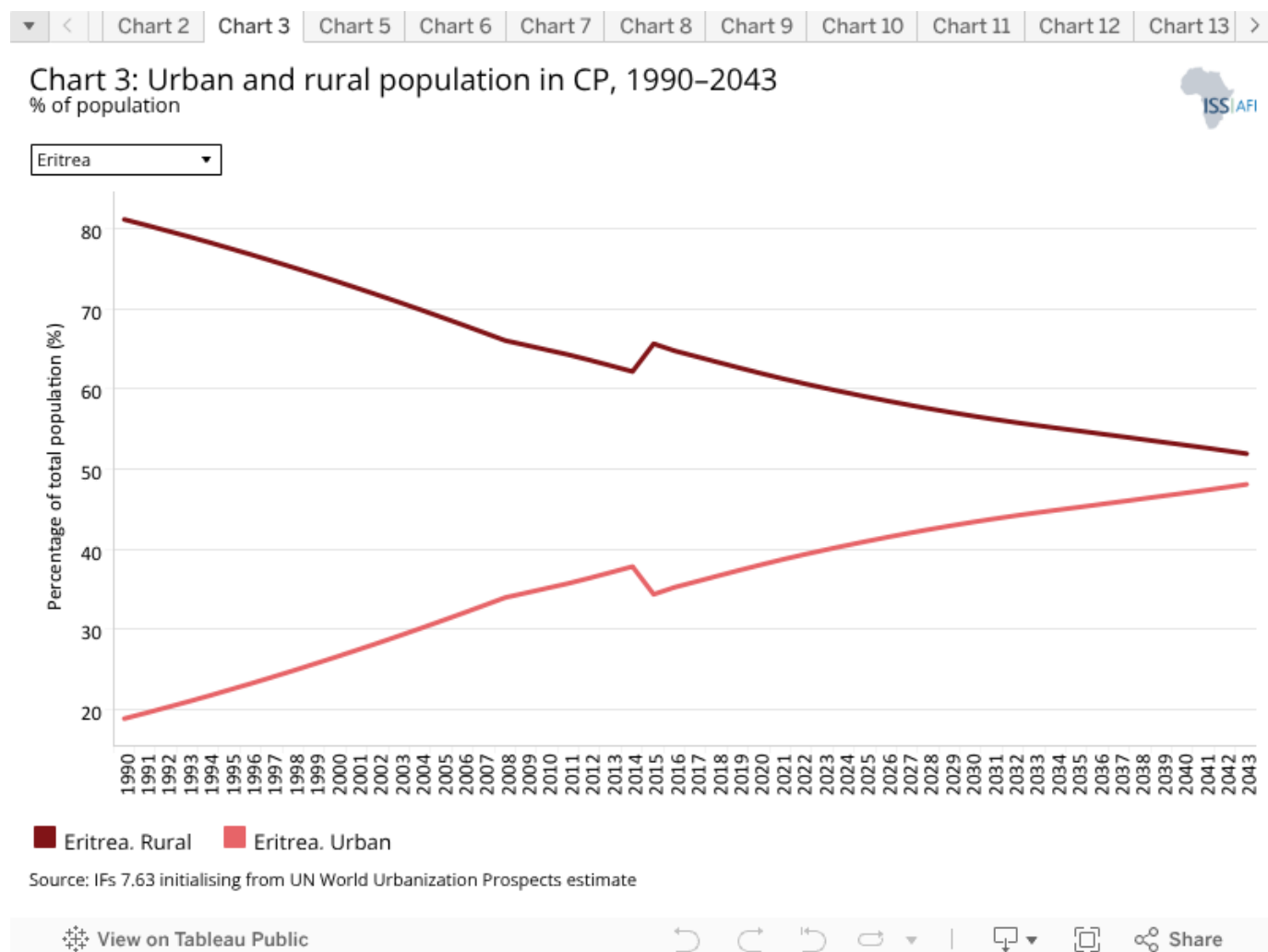
The population of Eritrea was about 3.5 million in 2019, and on the Current Path, it is forecast to be roughly 5.3 million by 2043, an increase of 51% over the next 24 years.

The population of Eritrea is young, with about 42% under the age of 15 and 26.4% under the age of 30 in 2019. Eritrea's population growth rate is slightly lower than the world average. Although the country's fertility rate is much higher than the world average, Eritrea's population growth rate is among the lowest globally because it is affected by its net migration rate (more people emigrate from the country than immigrate to it). Many people have fled the country under the increasingly repressive regime of President Afwerki, who has been in power since independence was obtained in 1993.

On the Current Path, the population younger than 15 years is expected to decline, but will constitute about 32.8% of the population by 2043. The elderly share (people 65 years and older) has been stable at 4% over time, and it is projected to remain around 4% across the forecast horizon.

Also, the youth bulge, defined as the ratio between the population aged 15–29 years and the total adult population, is currently about 45% for Eritrea, and it will remain above 40% across the Current Path forecast horizon. Although this large

youth bulge can usher in youth activism and positive political changes in the country, it can also increase the likelihood of criminal violence, conflicts and instability, mainly when the needs of the youth, such as employment, cannot be met.

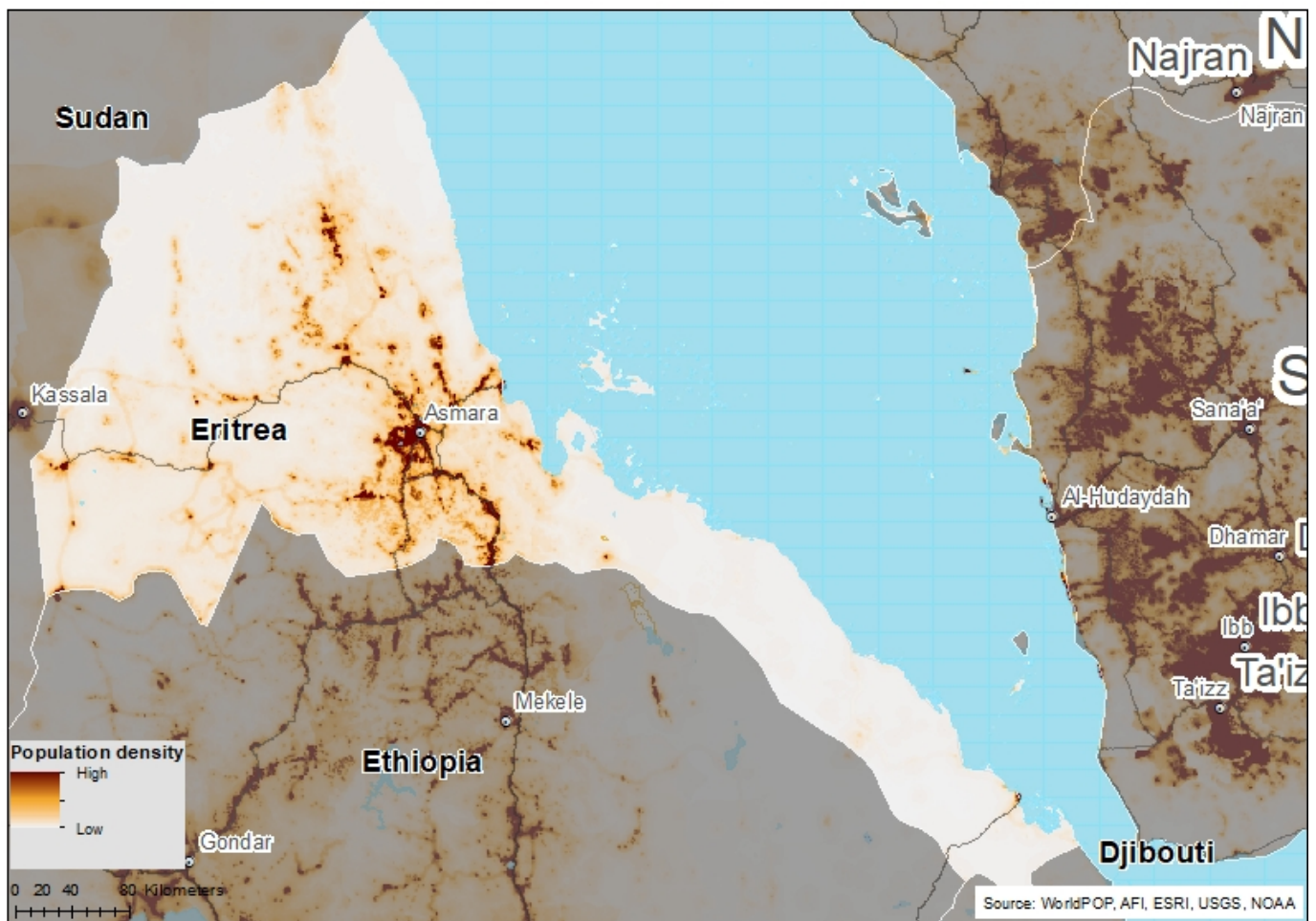


By 2019, most Eritreans lived in rural areas, with only 37.4% of the population living in urban areas. This makes Eritrea the 19th most rural country in Africa and the 4th most rural in the Horn of Africa.

On the Current Path, Eritrea's urbanisation rate is projected to increase to 48.1% by 2043, while the rural population will have dropped to 51.9% (from 62.6% in 2019). The country's population will therefore remain largely rural across the Current Path forecast horizon. Rural-to-urban migration is driven by the search for employment opportunities and education and 'push factors' such as poverty and food security.

If not well managed, urbanisation could lead to problems such as unemployment, poverty, inadequate health, poor sanitation, urban slums and environmental degradation. Good urban planning could foster an inclusive economy by improving service delivery and reducing urban poverty. In addition, adequate and appropriate urban planning is essential to mitigate the impacts of climate change, such as flooding.

Chart 4: Population density map for 2019



The environment is a determining factor in the distribution of Eritrea's population. Although the plateau represents only a quarter of the total land area, it is home to approximately half of the population, most of them sedentary agriculturalists. The lowlands on the east and west support a population of mainly pastoralists, although most also cultivate crops if weather conditions permit. As a rule, pastoralists follow seasonal movement patterns.

The population density in Eritrea was 0.34 inhabitants per hectare in 2019, below the average of 0.41 for low-income countries in Africa. The population density is forecast to increase to 0.5 inhabitants per hectare by 2043, still below the average for Africa and low-income Africa.



## Economics: Current Path

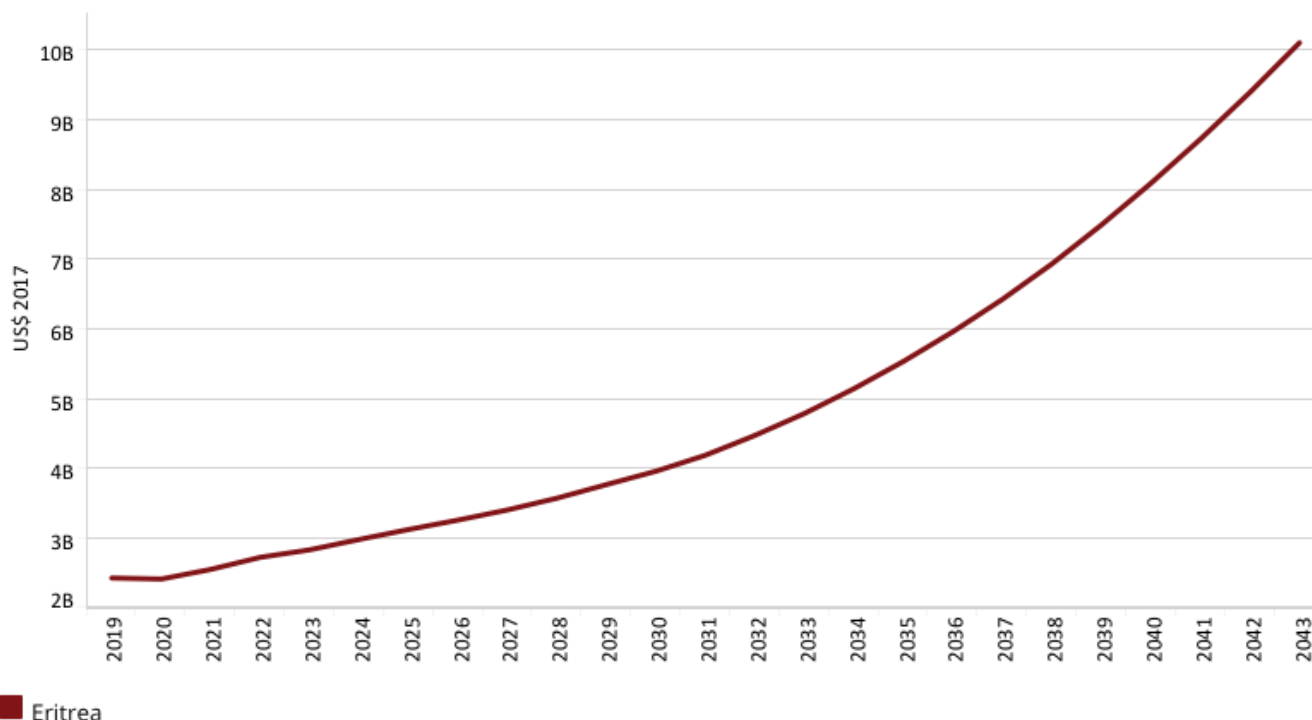
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Chart 5: GDP in CP, 1990–2043

Market exchange rates



Eritrea



Source: IFs 7.63 initialising from International Monetary Fund World Economic Outlook database

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Mining and agriculture constitute the main drivers of economic growth in Eritrea. The country's recent growth performance has been marked by significant volatility owing to its dependence on a predominantly rain-fed agriculture sector, accounting for about a third of the economy, and on a mining sector that accounts for 20% of the economy. Real GDP growth recovered to around 12% in 2018, while averaging –2.7% between 2015 and 2018 due to frequent droughts and a decline in mining production.

Increased investment in mining is expected to drive growth. However, Eritrea is already at high risk of debt distress. Although the large share of this debt is domestic, external debt represents 64.4% of GDP. This difficult macroeconomic situation limits the country's growth prospects.

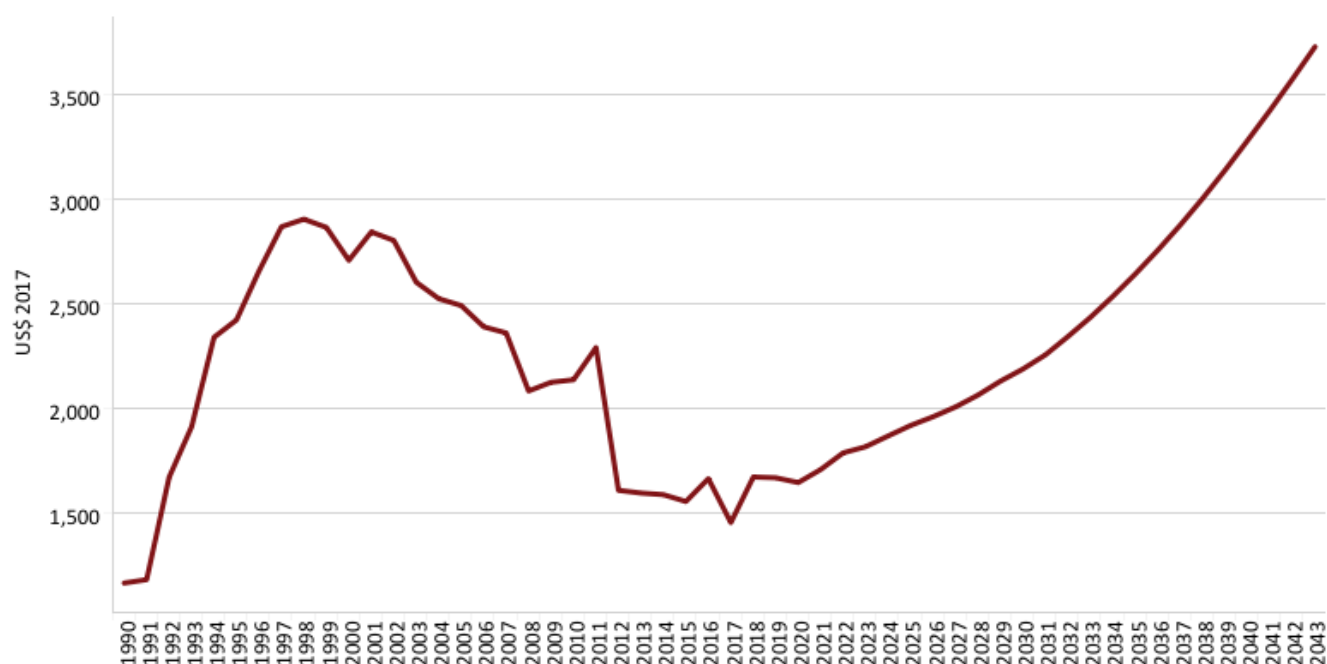
In 2019, the size of Eritrea's economy was US\$2.4 billion. By 2043, the economy is projected to have grown to US\$10.1 billion, which would make it the 44th largest economy in Africa under the Current Path assumptions.

Without significant structural transformation of the economy, growth will continue to be at the mercy of commodity price shocks and hazards associated with climatic change.

Chart 6: GDP per capita in CP, 1990–2043  
Purchasing power parity



Eritrea



Eritrea

Source: IFs 7.63 initialising from UN Population Division World Population Prospects and World Development Indicators data

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Although many of the charts in the sectoral scenarios also include GDP per capita, this overview is an essential point of departure for interpreting the general economic outlook of Eritrea.

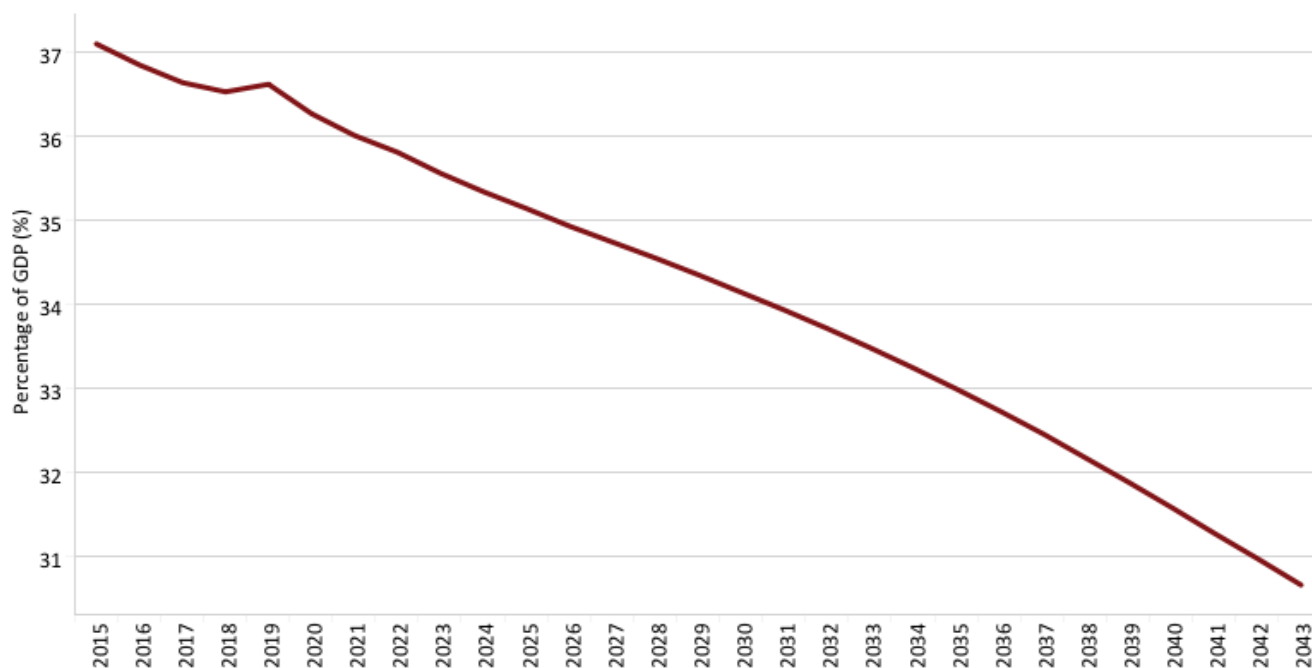
The trends in Eritrea's GDP per capita reflects the volatility in the country's economic growth performance. For example, in 2017, GDP per capita was about 36% lower than in 2011 owing to the economic slowdown between 2015 and 2018 (triggered by frequent droughts and a decline in mining production).

In 2019, GDP per capita was US\$1 671, forecast to increase to US\$3 728 by 2043 on the Current Path. This will be US\$62 lower than the projected average of US\$3 790 for low-income countries in Africa in the same year.

Chart 7: Informal sector value in CP, 2015–2043  
% of GDP



Eritrea



Eritrea

Source: IFs 7.63 initialising from UN Economic Commission for Europe [2008]; Elgin and Oztunali [2012]; Schneider and Enste [2012]

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The informal economy comprises activities that have market value and would add to tax revenue and GDP if they were recorded. The informal sector is a lifeline for many people in Eritrea.

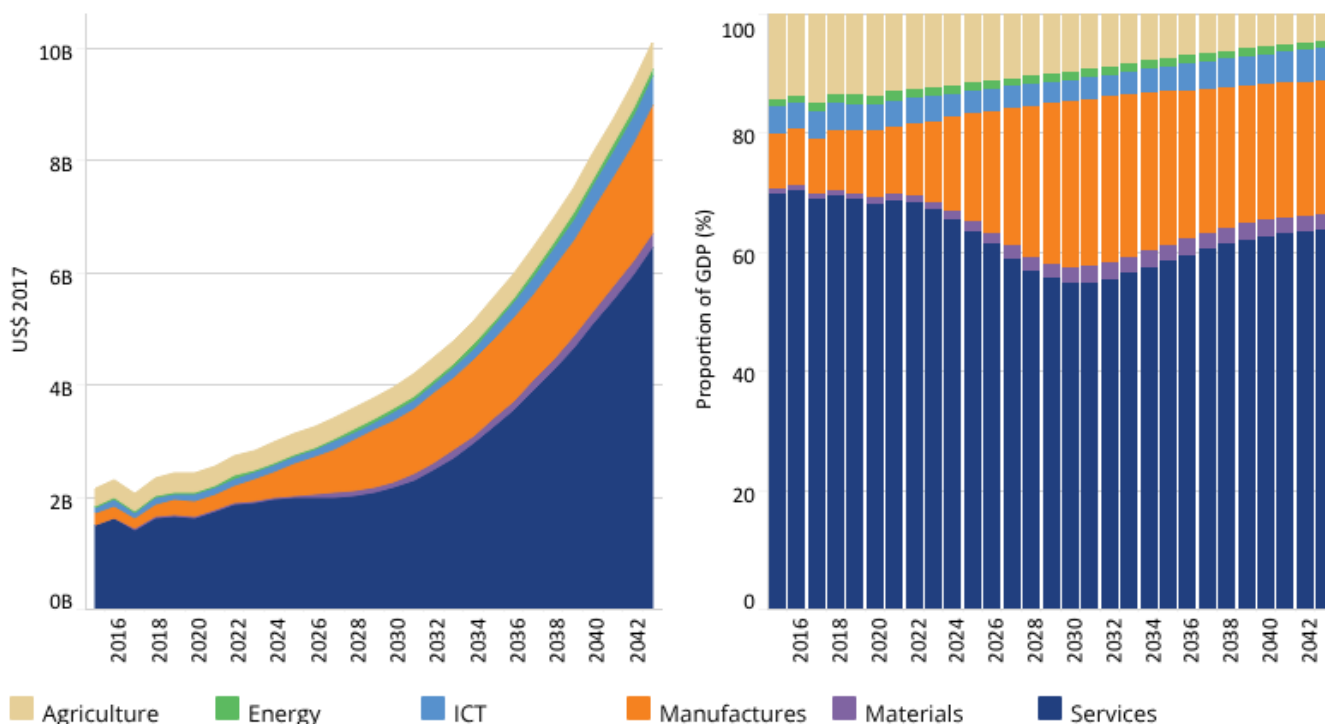
In 2019, the size of the informal economy represented 36.6% of the country's GDP, and it is projected to decline modestly, to 30.7%, by 2043. This will be above the average of 25.8% for low-income countries in Africa.

Although the informal economy provides a safety net for the country's large and growing working-age population, it impedes economic growth and hinders improved economic policies. Reducing informality will allow more people to benefit from better wages and redistributive measures. Therefore, Eritrea needs to reduce the size of its informal economy with the least friction possible by lowering the hurdles to registering a business, tackling corruption and improving access to education and finance.

**Chart 8: Value added by sector in CP, 2015–2043**  
Billions US\$ 2017 and % of GDP



Eritrea



Source: IFs 7.63 initialising from International Monetary Fund World Economic Outlook database

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The IFs platform uses data from the Global Trade and Analysis Project (GTAP) to classify economic activity into six sectors: agriculture, energy, materials (including mining), manufactures, services and information and communications technology (ICT). Most other sources use a threefold distinction between only agriculture, industry and services, with the result that data may differ.

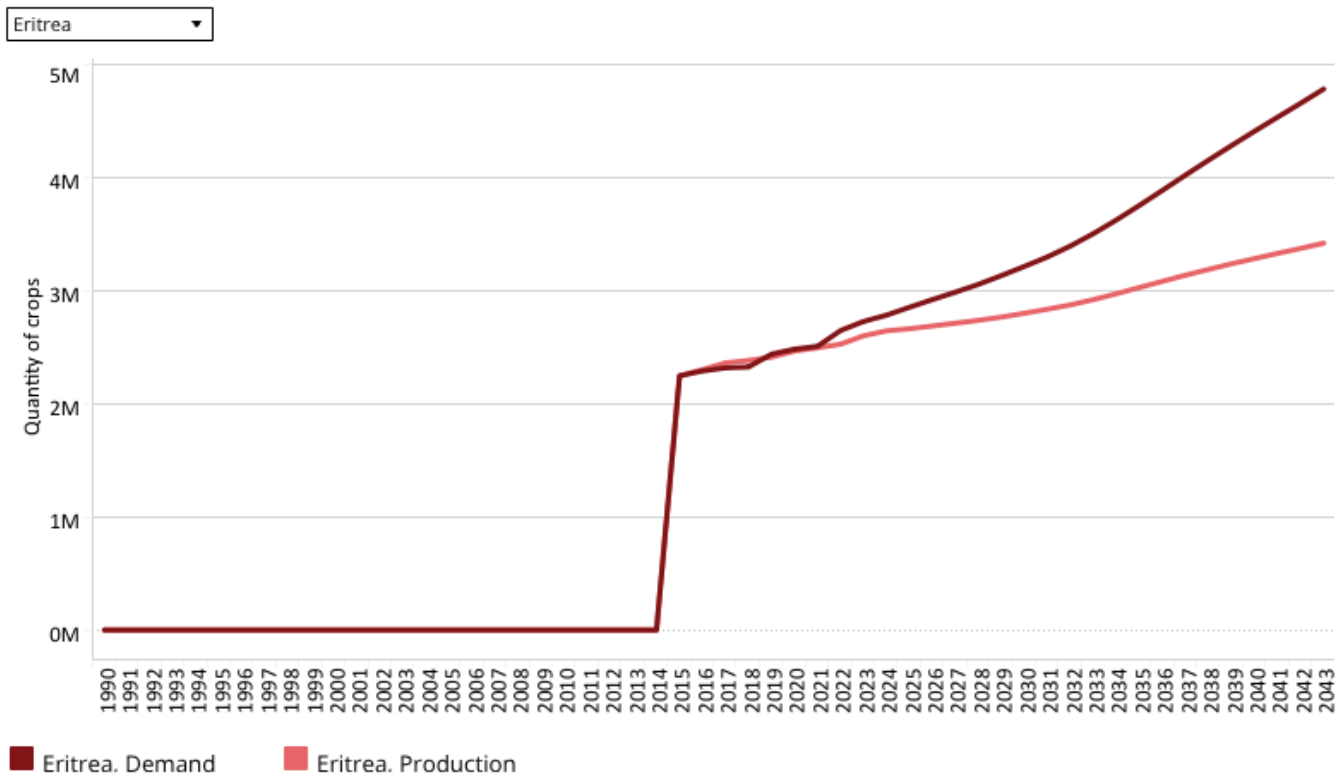
Like in many African countries, the service sector makes up the largest share of Eritrea's GDP, accounting for 68.8% of GDP (US\$1.7 billion) in 2019. The agriculture sector is the second largest contributor to GDP, and represented 13.7% (US\$300 million) in 2019. Manufacturing makes the third largest contribution and accounted for 10.6% of GDP in 2019.

A generation of war damaged Eritrea's modest manufacturing sector, which developed during the Italian colonial period and provided many Eritrean workers with skills that later enabled them to find work abroad. Today, as it was in the colonial era, the industry is mainly based on the processing of agricultural products; goods produced include food products, beer, tobacco products, textiles and leather. Asmara, the capital city, is the main industrial centre, although light manufacturing enterprises are found in and around Massawa (which has cement works), Keren and other urban areas.

On the Current Path, the service sector will continue to dominate and is expected to account for 63.7% of GDP by 2043. The manufacturing industry will overtake the agriculture sector to become the second most significant contributor to GDP by 2023. Thus, the share of the manufacturing industry in GDP is projected to reach 22.4% (US\$2.3 billion) by 2043 compared with 4.5% (US\$500 million) from the agriculture sector.

The ICT, materials and energy sectors contribute marginally to Eritrea's GDP.

Chart 9: Agriculture production/demand in CP, 1990–2043  
Crops million tons



Source: IFs 7.63 initialising from Food and Agriculture Organization Food Balance Sheets

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The data on agricultural production and demand in the IFs forecasting platform initialises from data provided on food balances by the Food and Agriculture Organization (FAO). IFs contains data on numerous types of agriculture but aggregates its forecast into crops, meat and fish, presented in million metric tons. Chart 9 shows agricultural production and demand as a total of all three categories.

Agriculture is a crucial sector for Eritreans, providing a livelihood for about four-fifths of the population and accounting for a large portion of the country's exports. Small-scale cultivation and traditional pastoralism are the main forms of agricultural activity. Both cultivators and pastoralists produce primarily for their own subsistence, and only small surpluses are available for trade. The area of cultivation is limited by climate, soil erosion and the uneven surface of the plateau. Approximately 70% of the land is classified as hot and arid and receives less than 350 mm of rainfall each year.

Agricultural production in 2019 stood at 2.4 million metric tons. This was slightly lower than the demand of 2.44 million tons for the year. Going forward, demand will significantly increase: by 2043, agricultural production and demand are forecast to be 3.4 million metric tons and 4.8 million metric tons, respectively. This is equivalent to excess demand of 1.4 million metric tons, which will likely have to be met through imports.



## Poverty: Current Path

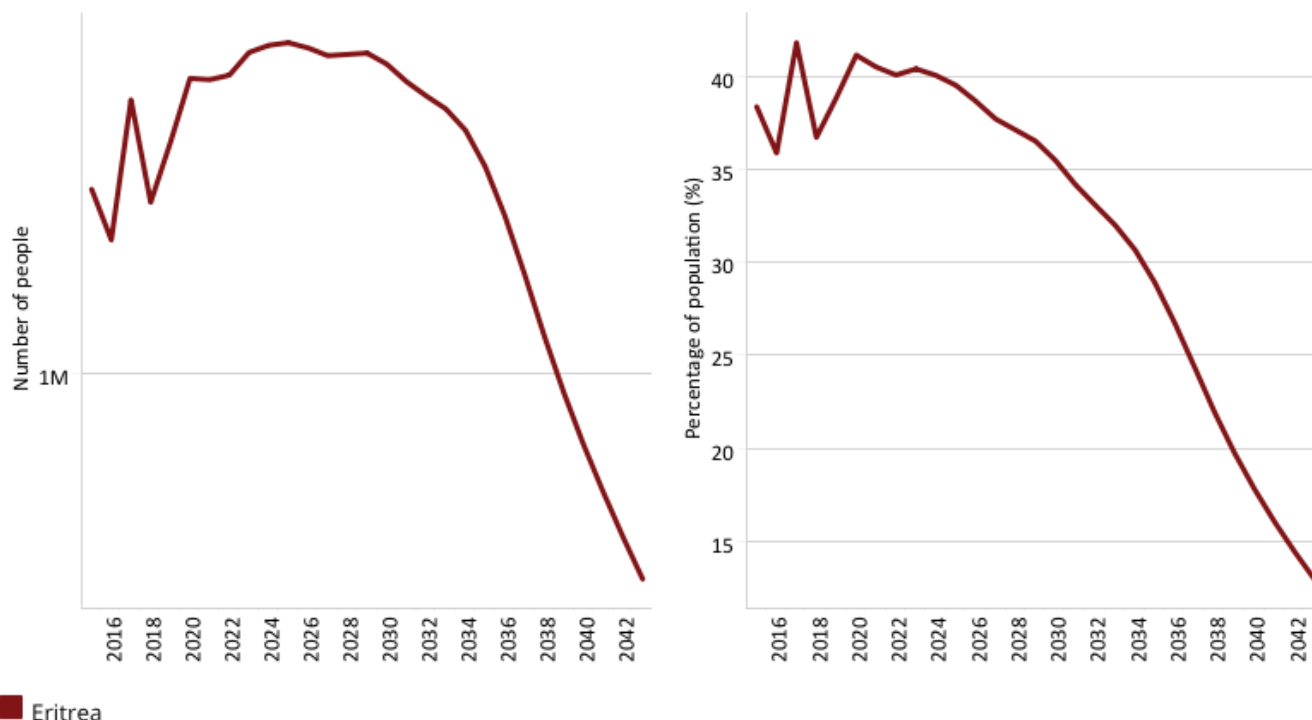
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### Chart 10: Poverty in CP, 2015–2043

Millions of people and % of total population



Eritrea \$1.90



Source: IFs 7.63 initialising from UN Population Division Population Prospects estimate, World Development Indicators population data and PovcalNet World Bank data

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There are numerous methodologies and approaches to defining poverty. We measure income poverty and use GDP per capita as a proxy. In 2015, the World Bank adopted the measure of US\$1.90 per person a day (in 2011 international prices), also used to measure progress towards the achievement of Sustainable Development Goal 1 of eradicating extreme poverty. To account for extreme poverty in richer countries occurring at slightly higher levels of income than in poor countries, the World Bank introduced three additional poverty lines in 2017:

- US\$3.20 for lower middle-income countries
- US\$5.50 for upper middle-income countries
- US\$22.70 for high-income countries.

Eritrea is among the world's poorest countries, but the lack of data limits available quantitative evidence. At the \$1.90 threshold, the forecast in IFs put the poverty rate in Eritrea at 38.9 % in 2019, equivalent to 1.36 million people. The rate is above the average of 47.7% for low-income countries in Africa.

Poverty is widespread and deep in Eritrea and is also highly gendered, as female-headed households tend to be the poorest. Women are generally excluded from economic participation and have no access to capital. This has led to high

levels of unemployment and lower incomes.

In the Current Path forecast, the extreme poverty rate (measured at US\$1.90) is projected to decline steadily to 13% (0.68 million people) by 2043, far below the projected average of 25.1% for low-income countries in Africa in the same year.

Policymakers in Eritrea should make growth more inclusive by integrating the most vulnerable segments of the population, especially women, into the economy and enhancing human capital formation to meet the needs of the labour market and hence create more gainful jobs and accelerate poverty reduction.



## Carbon Emissions/Energy: Current Path

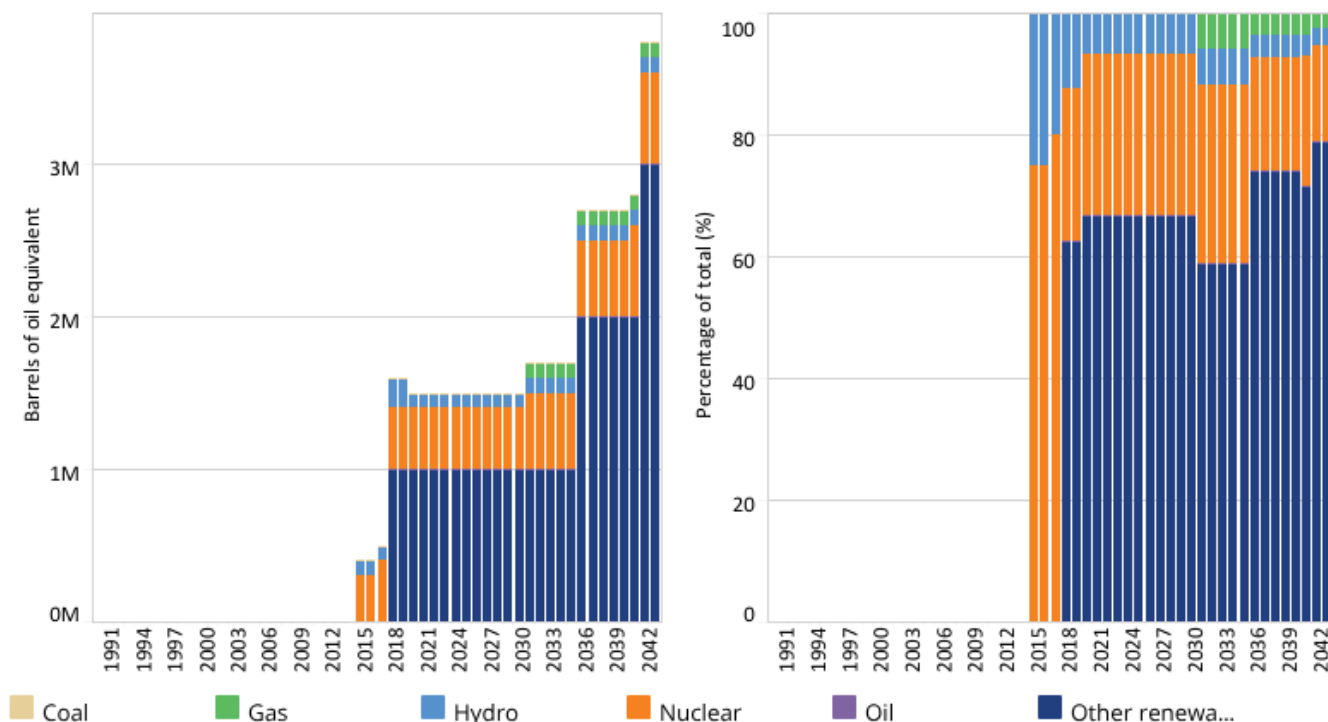
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### Chart 11: Energy production by type in CP, 1990–2043

Barrels of oil equivalent and % of energy production



Eritrea



Source: IFs 7.63 initialising from World Energy Outlook data

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The IFs platform forecasts six types of energy, namely oil, gas, coal, hydro, nuclear and other renewables. To allow comparisons between different types of energy, the data is converted into billion barrels of oil equivalent (BOE). The energy contained in a barrel of oil is approximately 5.8 million British thermal units (MBTUs) or 1 700 kilowatt-hours (kWh) of energy.

Energy production is very low in Eritrea. Other renewable energies accounted for 63% (1 million barrels of oil) of the total energy produced in Eritrea in 2019. Nuclear and hydro accounted for 25% and 13%, respectively. Over the Current Path forecast, other renewable energies will account for the country's largest share of energy production. Thus, by 2043, 79% of energy production (3 million BOE) is forecast to come from other renewable energies. Nuclear, hydro and gas will account for 16%, 16% and 3% of total energy production, respectively.

Chart 12: Carbon emissions in CP, 1990–2043  
Million tons of carbon (note, not CO<sub>2</sub> equivalent)



Eritrea



Eritrea

Source: IFs 7.63 initialising from Carbon Dioxide Information Analysis Center data

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Carbon is released in many ways, but the three most important contributors to greenhouse gases are carbon dioxide (CO<sub>2</sub>), carbon monoxide (CO) and methane (CH<sub>4</sub>). Since each has a different molecular weight, IFs uses carbon. Many other sites and calculations use CO<sub>2</sub> equivalent.

Carbon emissions are very low in Eritrea. In 2019, annual carbon emissions amounted to 200 000 tons and are forecast to reach 1 million tons by 2043, representing an increase of 450% over this period. However, this increase comes from a very low base. Developed economies must help developing countries in Africa deal with the impact of climate change, which will disproportionately affect them.

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Kouassi Yeboua (2025) Eritrea. Published online at [futures.issafrica.org](https://futures.issafrica.org). Retrieved from <https://futures.issafrica.org/geographic/countries/eritrea/> [Online Resource] Updated 25 July 2024.

## About the authors

Dr Kouassi Yeboua previously worked as a Senior Researcher at AFI, where he led significant ISS studies on the long-term development prospects of the Democratic Republic of Congo, the Horn of Africa, Nigeria, Malawi, and Mozambique. His research focuses on development economics, macroeconomics, gender, and economic modeling. He holds a PhD in Economics.

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