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São Tomé and Príncipe

São Tomé and Príncipe: Current Path

Enoch Randy Aikins

Table of contents

São Tomé and Príncipe: Current Path

São Tomé and Príncipe: Current Path forecast

Chart 1: Political map of São Tomé and Príncipe

Source: African Futures

This page provides an overview of the key characteristics of São Tomé and Príncipe 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 and 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.

São Tomé and Príncipe is a member of the Community of Sahel–Saharan States (CEN–SAD), the Economic Community of Central African States (ECCAS), and is one of 23 lower middle-income countries in Africa according to the World Bank's income classification.

It is an island country in the Gulf of Guinea, consisting of two archipelagos, and is located off the western coast of Gabon and Equatorial Guinea. Covering an area of about 1 000 km2, São Tomé and Príncipe is the second smallest and second least populous African sovereign state after Seychelles. The country gained independence in 1975 and while Portuguese is the official language of the country, a number of other local languages are recognised as regional languages. The population was estimated to be 218 000 people in 2019. The country's climate is tropical, cooling down further towards the interior.

São Tomé and Príncipe is divided into districts. The larger island of São Tomé is divided into six districts (Água Grande, Cantagalo, Caué, Lembá, Lobata, and Mé-Zóchi) and Príncipe is a single district (Pagué). The capital and largest city of São Tomé and Príncipe is São Tomé. The São Tomean economy relies heavily on agriculture, tourism, fishing, and limited industry. Key exports from São Tomé and Príncipe include gas turbines, cocoa beans, and other agricultural products like pepper, coconut and chocolate. While the islands have no known mineral resources, there have been some investments in exploring and developing the petroleum sector for the country off-shore.
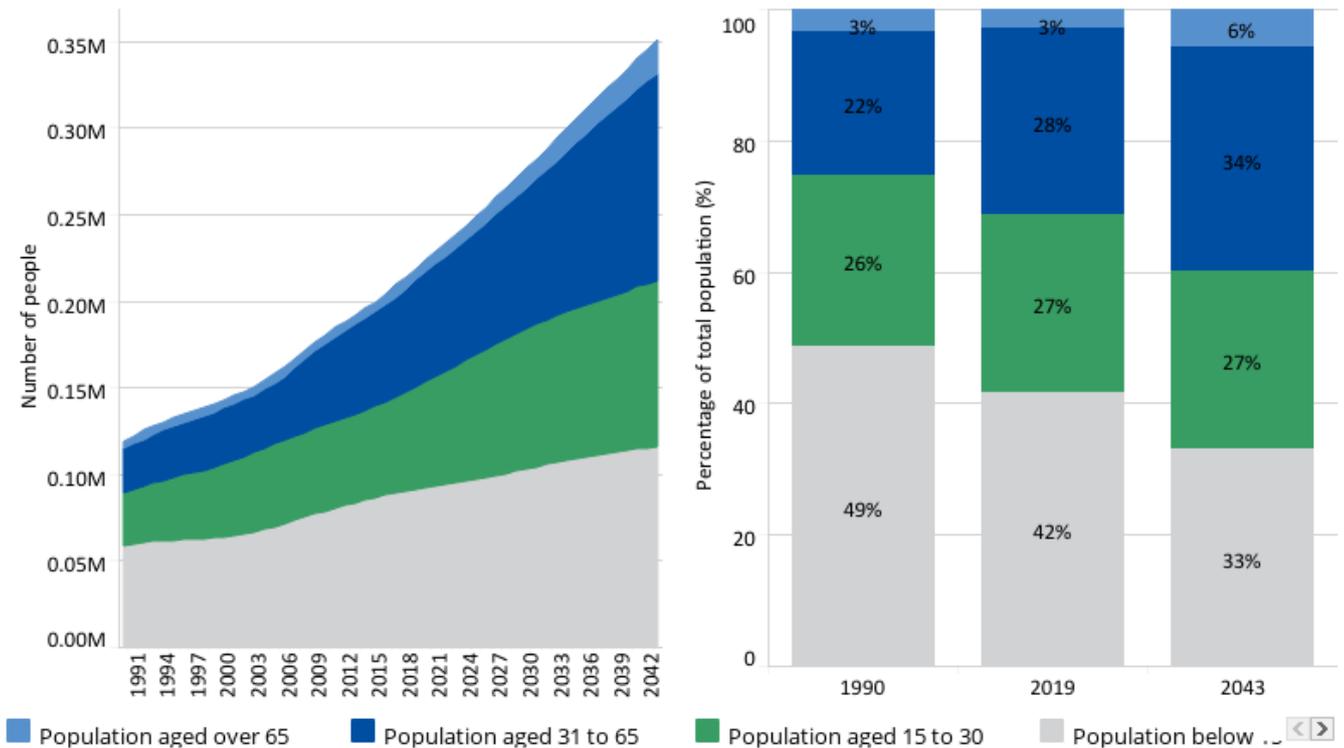
Demographics: Current Path

Chart 2: Population structure in CP, 1990–2043
By cohort and % of population

São Tomé and P ▾

Legend: Population aged over 65 | Population aged 31 to 65 | Population aged 15 to 30 | Population below ..

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

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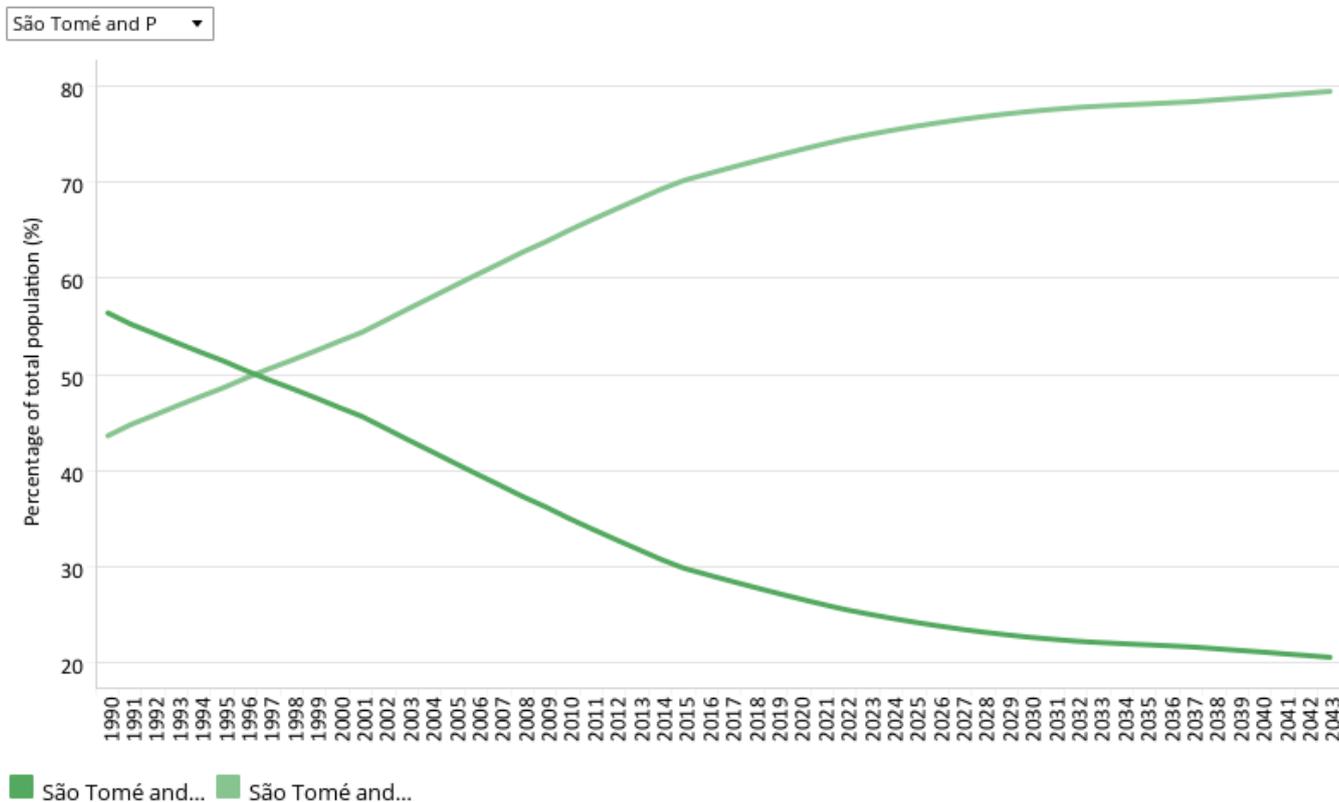
São Tomé and Príncipe is the second least populous country in Africa and the least populous country in East Africa. The country's population in 1990 was 119 000. Over the past 29 years, São Tomé and Príncipe's population has increased to 218 000, representing an increase of 83.2% over the period. The population of the country is forecast to increase to 351 000 by 2043 along the Current Path. This will constitute an increase of 61% over the period, suggesting that the projected population growth over the next 24 years will be slower than the preceding 29 years.

The projected slower growth of the population may be as a result of the expected decline in the fertility rate through the use of improved birth control methods such as contraceptives. The country has a youth bulge of 46.3% and a median age of 18.6 years in 2019. Despite the projected decline in the youth bulge, it will still remain above 40% across the forecast period. This raises concerns about youth unemployment in the country, which stood at 23.1% among people aged 15–24 years in 2020. The lack of a youth employment policy together with information asymmetry between employers and job seekers has worsened the challenges of integrating youth into the country, and has led to the failure of most of the policy interventions aimed at addressing youth unemployment in the country. In 2009, the government attempted to increase youth employment by reducing the minimum wage for young people without comparable qualifications; however, this was not successful due to the absence of legislation to support the initiative.

In addition, 41.7% of São Tomé and Príncipe's population is under the age of 15 years and 27.1% is under the age of 30 years. Given the projected decline in the fertility rate from 4.2 births per woman in 2019 to 2.9 births per woman in 2043,

the proportion of people under the age of 15 is also expected to decline to 33%. This decline coupled with extended life expectancy will impact the share of the adult population from 30 years and older that is projected to increase from 28.4% in 2019 to 34.2% in 2043.

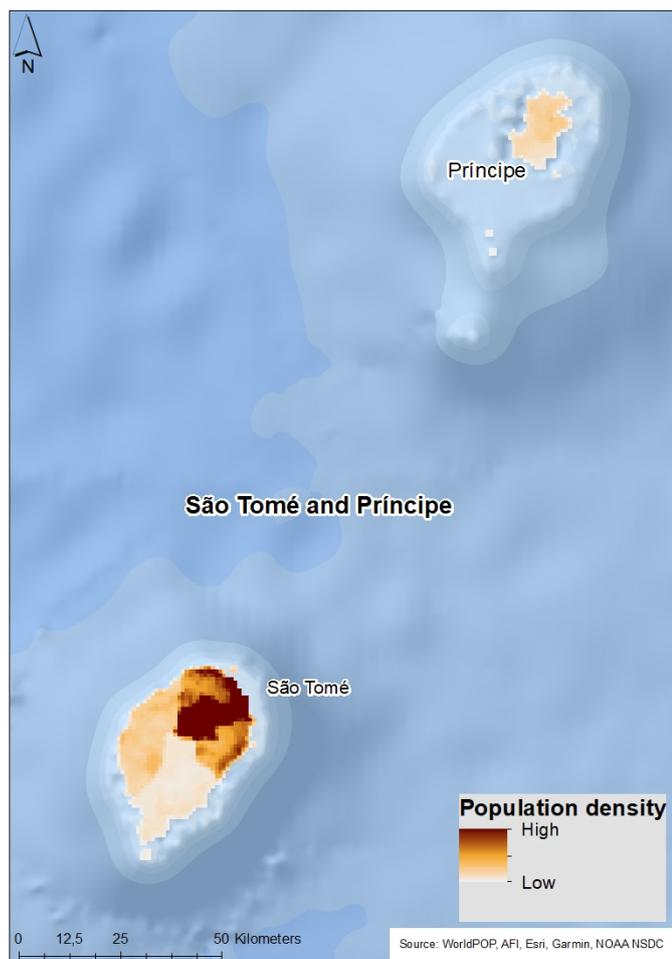## Chart 3: Urban and rural population in CP, 1990–2043
% of population

Source: IFs 7.63 initialising from UN World Urbanization Prospects estimate

São Tomé and Príncipe made the urban transition about 24 years earlier than the average for lower middle-income African countries. By the turn of the century, the country was the eighth most urbanised in Africa. In 1990, the majority of the São Tomé and Príncipe population (56.4%) resided in rural areas. By 1997, the country had already attained parity in urban–rural settlement and by 2019, urban residents constituted 72.7% of the population, signalling rapid urbanisation of the country. Rural–urban migration in the country can be attributed to the influx of young people from rural communities into urban areas, mainly the national capital São Tomé and Príncipe, in search of employment opportunities. This was intensified by weak cocoa prices in the country that drove young people out of the agriculture sector in search of other income opportunities. By 2043, it is projected that the proportion of the population that will reside in the urban areas will increase to 79.4%, meaning that the country's urbanisation rate will slow down.
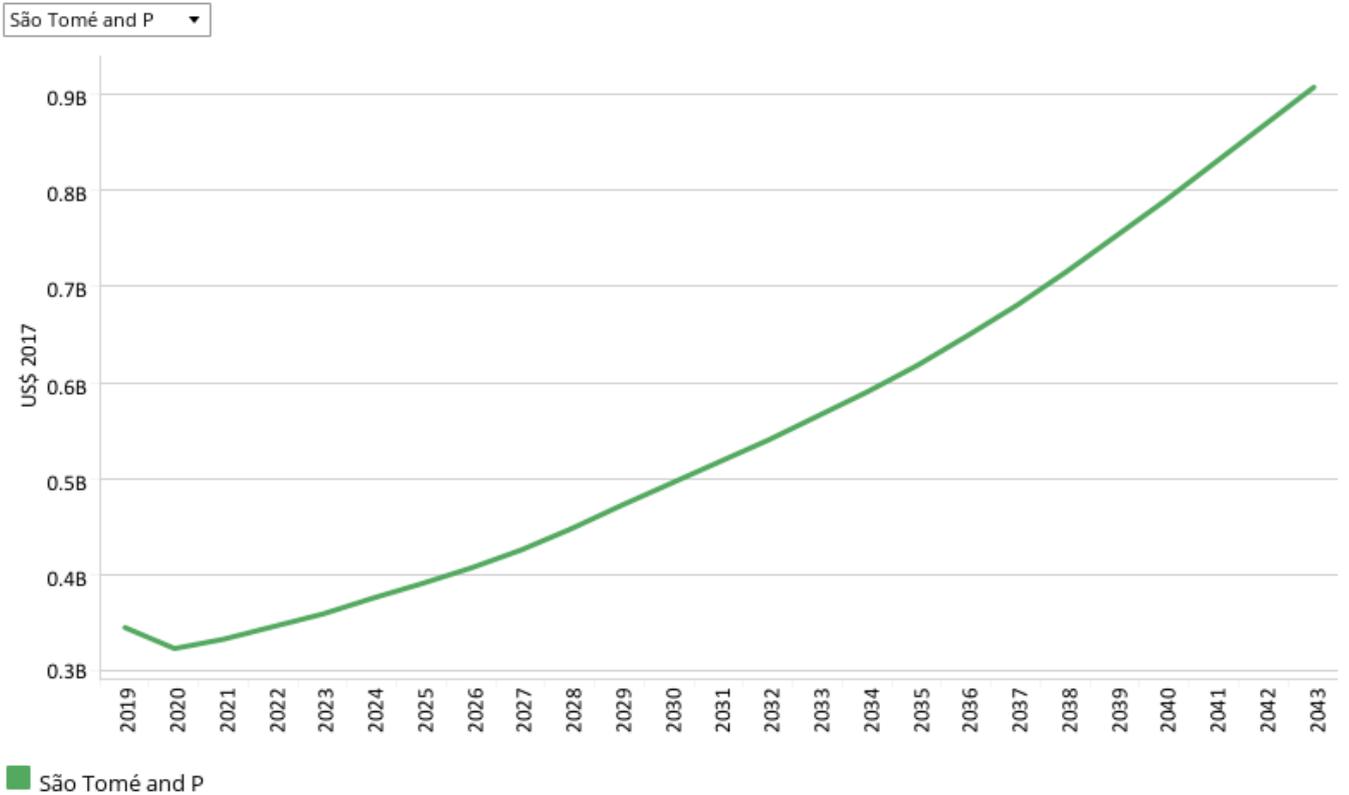
Chart 4: Population density map for 2019

Source: African Futures

The total land area for the country is small at only 1 001 km². In 2019, São Tomé and Príncipe was the most densely populated country in Central Africa and the sixth most densely populated country in Africa. The population density of the country is estimated to be about 2.3 people per hectare, which is far higher than the average of 0.45 for Africa and 0.6 for lower middle-income Africa. The population of São Tomé is highly concentrated on São Tomé island with only a minority residing on Príncipe island. The capital city São Tomé alone hosts over a third of the country's population. There is also quite a large number of people living in dispersed settlements locally known as lucháns.

Chart 5: GDP in CP, 1990–2043
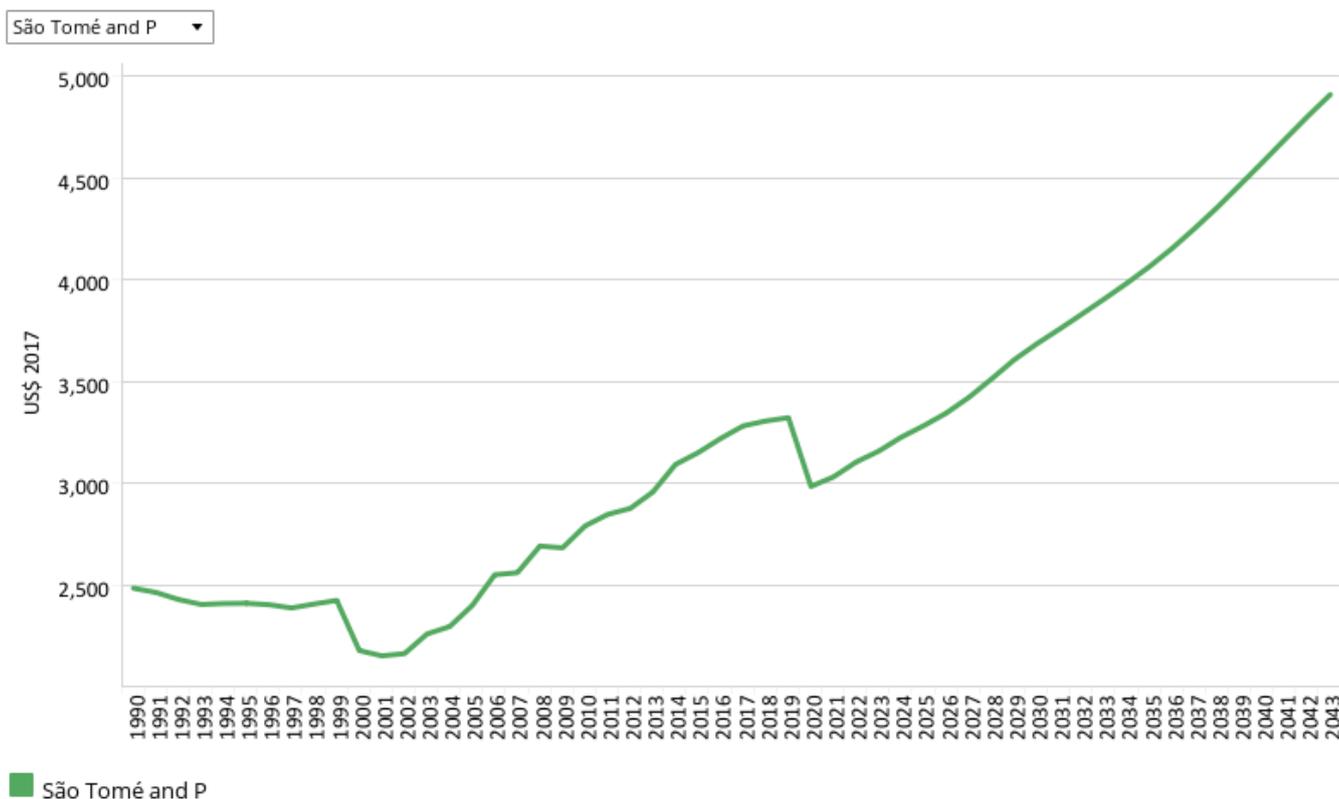Market exchange rates

São Tomé and P ▼

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

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From 1990 to 2019 the GDP of São Tomé and Príncipe increased from US$126.4 million to US$345.5 million, representing an increase of 173.3%. Economic growth in the country was hindered in the 1990s primarily due to political and macroeconomic instability coupled with the weak participation of the private sector of the country. From 1991 to 2014, the country witnessed 17 changes in government. Private investment was low during this period, especially in the tourism sector. There have been various reforms, such as the Heavily Indebted Poor Countries programme (HIPCs) in the 2000s, aimed at improving macroeconomic stability and economic performance. These reforms largely stabilised the exchange rate, led to debt forgiveness, increased private investment, improved the macroeconomic stability and restored the economy on the path of growth. Over the next 24 years, São Tomé and Príncipe's GDP is estimated to increase to US$906.9 million from its level in 2019, constituting a 162.5% increase. The increase in GDP reflects the higher economic growth expected to occur in the forecast horizon compared to previous years. The economy is projected to grow due to the expected increase in demand for exported commodities such as cocoa, palm oil and the resumption of tourism after the COVID-19 pandemic.

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

São Tomé and P ▼

São Tomé and P

Source: IFs 7.63 initialising from UN Population Division World Population Prospects and World Development Indicators data
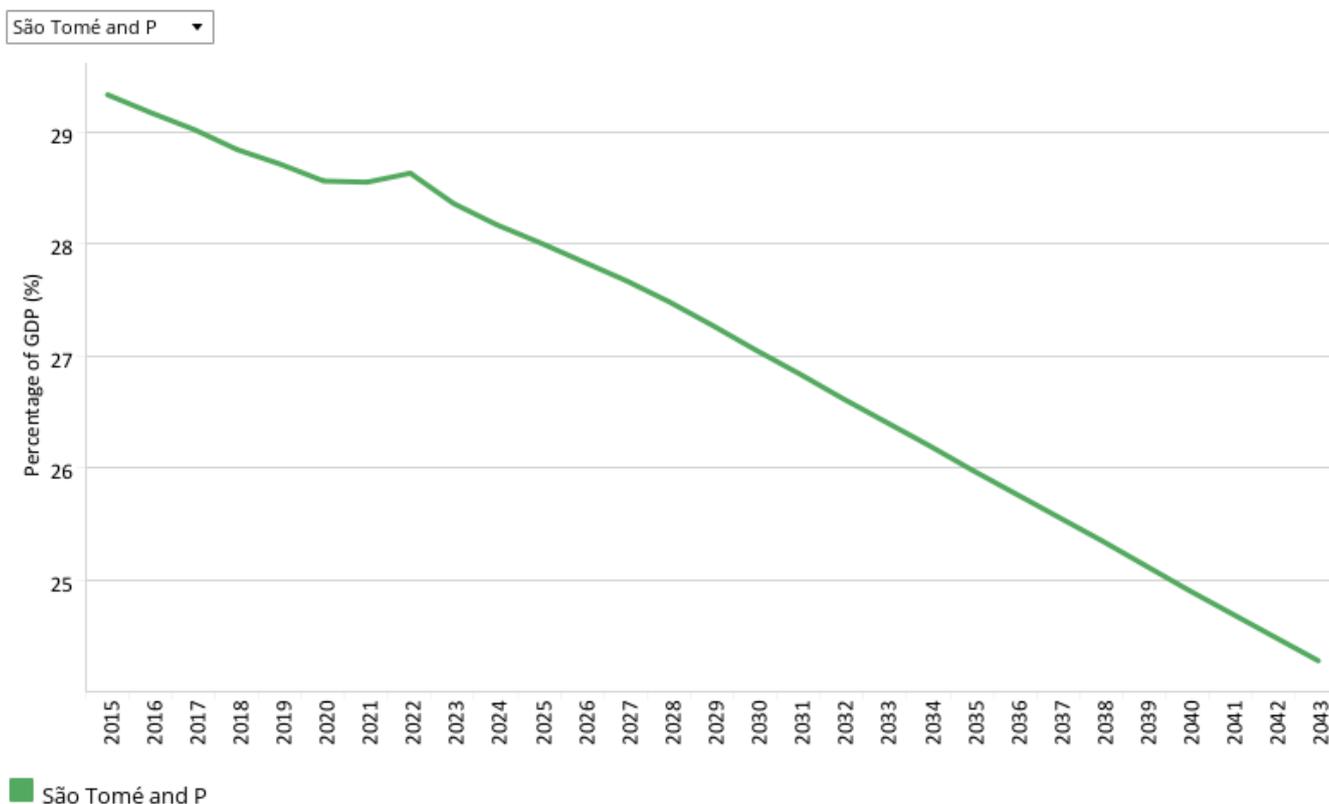
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Although many of the charts in the sectoral scenarios also include GDP per capita, this overview is an essential point of departure for interpreting the general economic outlook of São Tomé and Príncipe.

São Tomé and Príncipe's GDP per capita has seen a steady increase over time despite the country's rapid population growth. The GDP per capita increased by 33.7% from US$2 484 in 1990 to US$3 322 in 2019, reflecting the relatively high GDP growth compared to population size over this period. While population growth has hovered in the range of 1.4% to 2.9%, GDP growth was mostly above this range and reached as high as 9.1% in 2006. With the projected increase in GDP and decline in fertility rates, it is forecast that the GDP per capita will rise such that by 2043, the GDP per capita will increase to US$4 910. This represents an increase of about 47.8% over the period. While this growth is promising it should be noted that the country's GDP per capita was far lower than the average for lower middle-income countries in Africa. Indeed, the gap between São Tomé and Príncipe and its peers on the continent is expected to widen from US$3 667 in 2019 to US$4 232 by 2043. This suggests that São Tomé and Príncipe either has a higher population growth rate or slower economic growth or even both compared to the average lower middle-income country in Africa.

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

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Source: IFs 7.63 initialising from UN Economic Commission for Europe [2008]; Elgin and Oztunali [2012]; Schneider and Enste [2012]
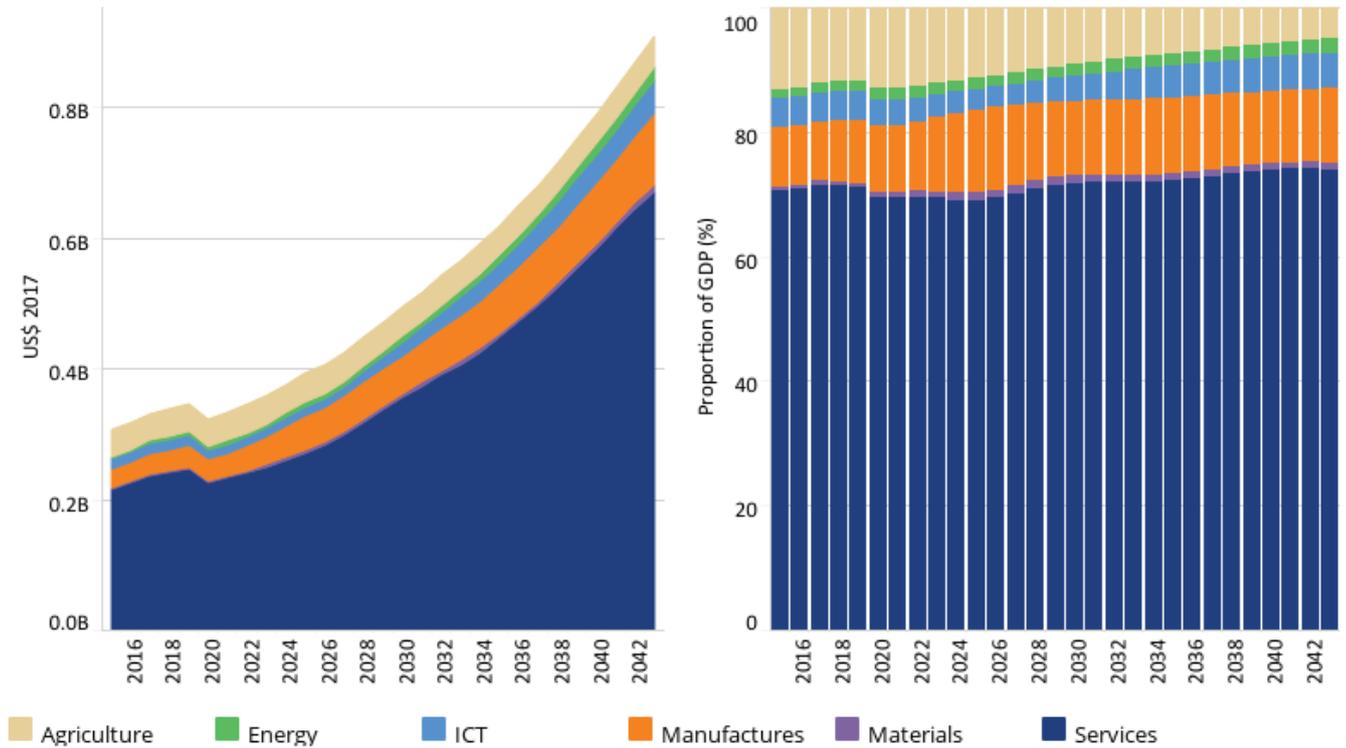
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In 2019, the size of the informal sector in São Tomé and Príncipe was equivalent to 28.7% of GDP, representing US$91 million, which was slightly lower than the average of 29.2% for lower middle-income African countries. This suggests that compared to its income peer group, São Tomé and Príncipe has performed relatively better at formalising its economy. The size of the informal sector is expected to decline to 24.3% by 2043, constituting a 4.4 percentage point decrease over the 24-year period. In 2019, the total number of people employed in the informal economy constituted 51.7% of the total labour force; this is expected to decline to 40.6% in 2043. It is therefore not surprising that the level of informality will also decline within the same period. The informal sector in São Tomé and Príncipe is dominated by women and youth. The country received a grant of US$10.7 million from the African Development Fund for the country to fund the first phase of the Zuntámon Lusophone Compact Initiative, which was supposed to improve the business environment and create incentives for informal businesses to formalise their operations. By 2043, the size of the informal sector in São Tomé and Príncipe is projected to be about 2.1 percentage points smaller than the average of 26.4% for lower middle-income African countries.

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

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

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), manufacturing, service and information and communication technologies (ICT). Most other sources use a threefold distinction between only agriculture, industry and services with the result that data may differ.
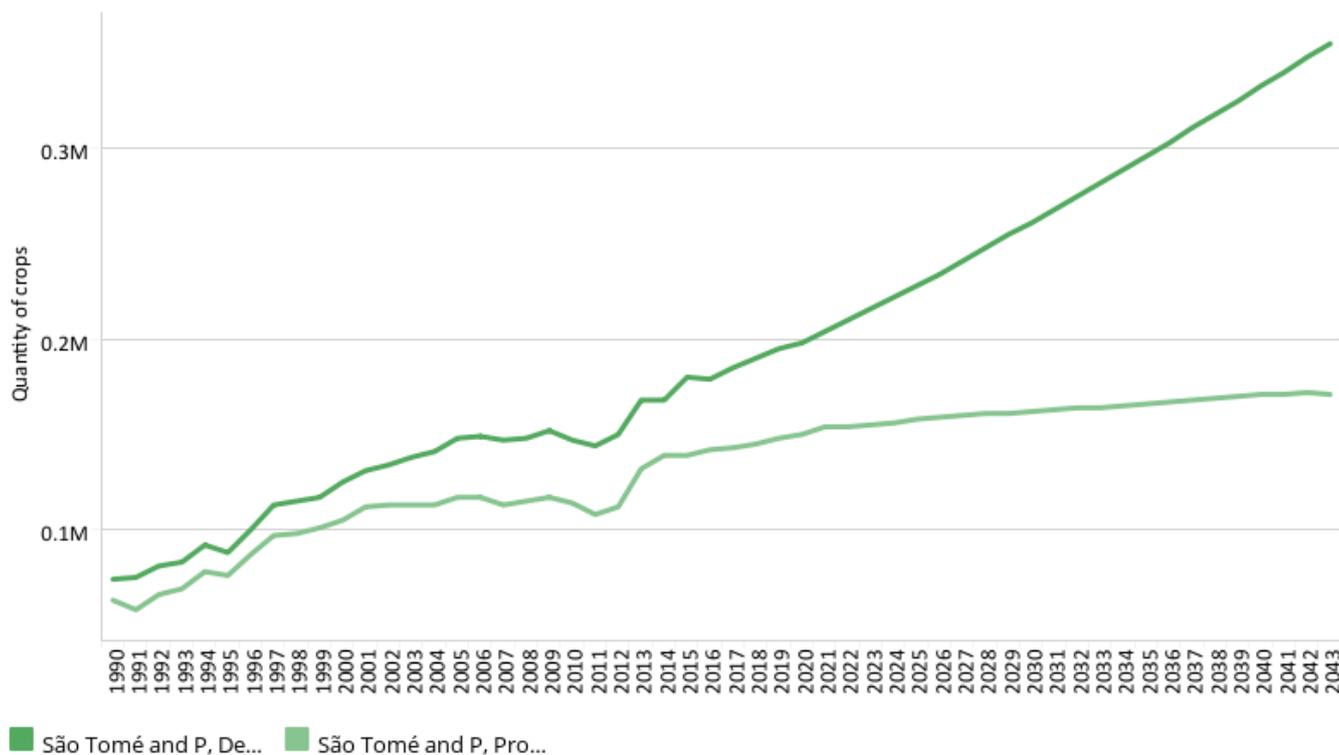
The three largest contributing sectors to GDP in São Tomé and Príncipe are the service, agriculture and manufacturing sectors, although the economy most heavily relies on the service sector. The service sector in São Tomé and Príncipe is dominated by tourism. In 2019, its contribution to GDP was about US$0.25 billion (71.1% of GDP), and is expected to increase to US$670 million by 2043 (74% of GDP). The agriculture sector is currently the second largest contributor to GDP with a share of US$40 million (11.9% of GDP) in 2019. However, the share of agriculture is projected to decline to US$50 million (5.1%). Manufacturing is the third most significant contributor to GDP, with a share of US$30 million (10.2%). The manufacturing sector will overtake the agriculture sector as the second largest contributor to GDP so that by 2043, the manufacturing sector will contribute 6.9 percentage points more to GDP than agriculture. This is indicative of a transforming economy shifting away from the primary sector.

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

São Tomé and P ▼

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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.

In 2018, the total agricultural land area of São Tomé and Príncipe was 440 km2, constituting 45.8% of the total land area. Cocoa is the main cash crop of the country, and its cultivation takes up about 60% of all arable land in the country. Other crops grown in the country include taro, cocoyam, bananas, cacao and oil palm. In 1990, São Tomé and Príncipe's demand for agricultural products exceeded domestic production by 10 000 metric tons; this gap widened to 50 000 metric tons in 2019. Some challenges facing the agriculture sector include lack of access to credit facilities, low productivity as a result of the lack of improved methods of farming, poor transportation networks and small farm sizes. Access to land for agriculture purposes and poor climatic conditions also continue to remain a challenge for many people, especially women and youth. Despite these challenges, yield per hectare for crops is expected to increase slightly from 3.4 metric tons in 2019 to 4.7 metric tons in 2043. Agriculture demand will continue to outstrip domestic production. In 2043 the shortfall is expected to be about 190 000 metric tons, representing a 280% increase over the forecast horizon. This raises concerns about food security in the country and emphasises the importance of intervention in this sector.
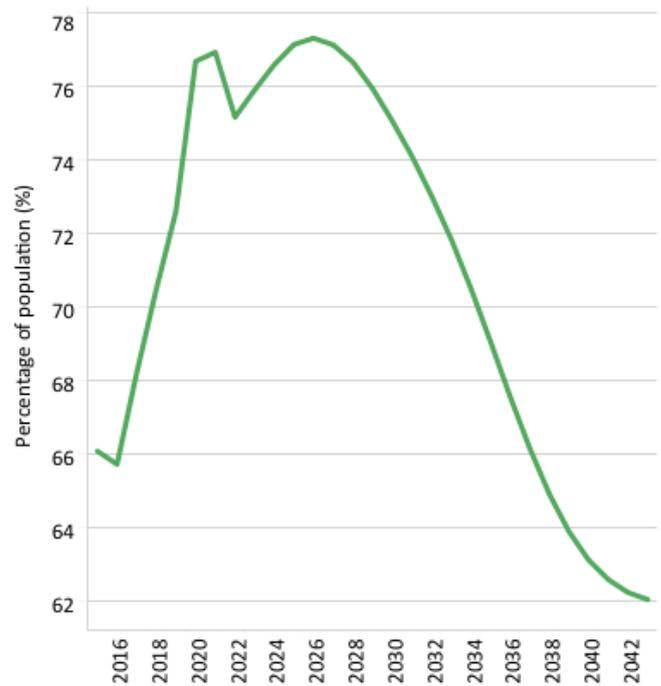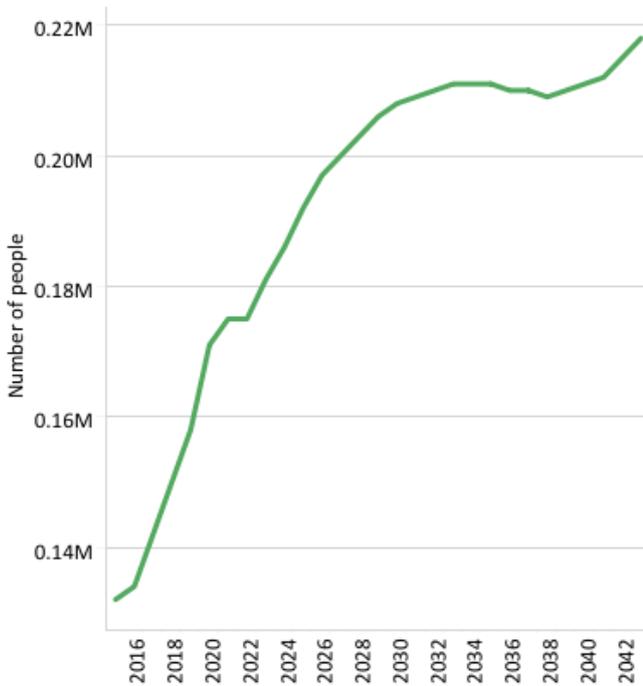
Chart 10: Poverty in CP, 2015–2043
Millions of people and % of total population

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■ São Tomé and P

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 for 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 per day (in 2011 international prices), also used to measure progress towards the achievement of Sustainable Development Goal (SDG) 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.

As a lower middle-income country, São Tomé and Príncipe uses the US$3.20 benchmark for extreme poverty. The incidence of poverty in the country is more prevalent among women than men, according to the 2010 household survey. The country suffers from high levels of systemic poverty. The underlying causes of poverty in the country include low incomes and the lack of means of production. Although the majority of poor people are in the rural areas, there is a gradual shifting of poverty from the rural areas to the urban centres, especially in the national capital. The growth in urban poverty can be attributed to growing youth unemployment and lack of opportunities in other sectors of the economy aside

from the traditional sectors, such as agriculture, as well as the large percentage of people residing in urban centres. As of 2019, 72.6% of São Tomé and Príncipe's population (158 000 people), were surviving on less than US$3.20 per day. The absolute number of poor people living below the poverty line of US$3.20 is projected to increase to 218 000 by 2043. The proportion of the population living below the poverty line will initially increase to 76.9% due to the impact of the COVID-19 pandemic and then slightly decline to 75.2% by 2022. It will then rise again, peaking in 2026 at about 77.3%. Thereafter, the proportion of people living below US$3.20 will assume a downward trend so that by 2043, the number of people in absolute poverty will be 62% of the population. This means that the proportion of the poor population will reduce by 10.6 percentage points in the forecast horizon. However, the number of poor people will increase by 60 000. Throughout the period under consideration, the proportion of poor people in São Tomé and Príncipe is significantly higher than the average for lower middle-income countries in Africa, such that by 2043, the extreme poverty rate in São Tomé and Príncipe is a 23.7 percentage points above the projected average of 38.3% for lower middle-income Africa.
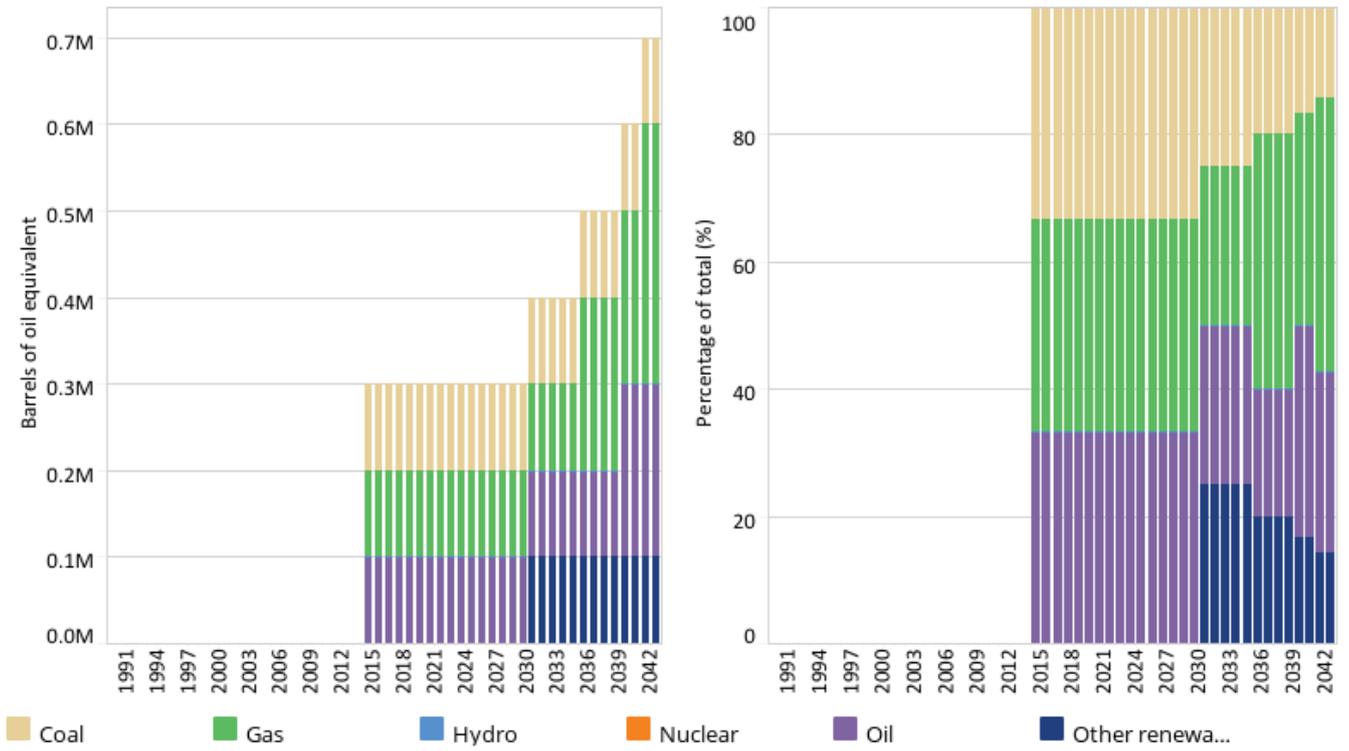
Chart 11: Energy production by type in CP, 1990–2043
Barrels of oil equivalent and % of energy production

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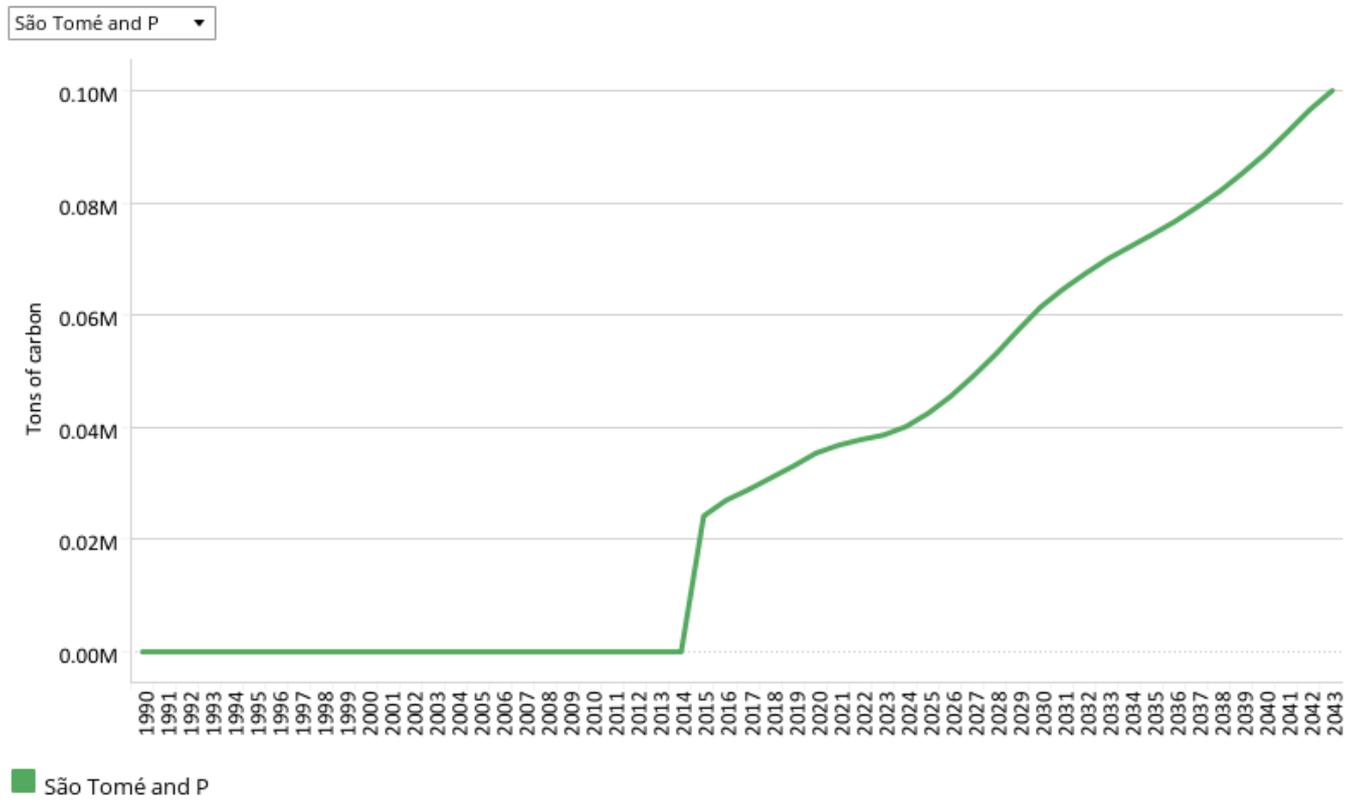Legend: Coal, Gas, Hydro, Nuclear, Oil, Other renewa...

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 (BBOE). 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.

The country has low energy production of oil, coal and gas, but it is sufficient to meet its current needs. In 2019, the total amount of oil produced in São Tomé and Príncipe was 0.1 million BOE, constituting about 33.3% of total energy production. This was complemented by gas and coal production also amounting to 0.1 million BOE (33.3%) each. By 2043, gas will become the dominant type of energy produced in São Tomé and Príncipe, with a total production amounting to 0.3 million BOE (42.9% of total energy production). This is followed by oil with a production capacity of 0.2 million BOE (28.6% of total production). From 2031, the country will begin production of other renewable energies so that by 2043, they will constitute 14.3% of total energy production in the country. Bioenergy currently makes up the majority of renewable energy used in São Tomé and Príncipe, but the country does boast great hydro/marine renewable potential as well as solar.

Chart 12: Carbon emissions in CP, 1990–2043
Million tons of carbon (note, not CO_2 equivalent)

São Tomé and P ▼

São Tomé and P

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_2), carbon monoxide (CO) and methane (CH_4). Since each has a different molecular weight, IFs uses carbon. Many other sites and calculations use CO2 equivalent.

São Tomé and Príncipe is one of the countries in Africa with significantly low levels of carbon emissions. Carbon emissions are projected to increase from negligible figures in 2019 to about 100 000 tons of carbon in 2043 on the Current Path. The power industry accounts for 62% of total carbon emissions in the country, followed by the transport industry, which contributes about 29.3% of emitted carbon.

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Mr Enoch Randy Aikins joined the AFI in May 2021. Before that, Enoch was a research and programmes officer at the Institute for Democratic Governance in Accra. He also worked as a research assistant (economic division) with the Institute for Statistical Social and Economic Research at the University of Ghana. Enoch's interests include African politics and governance, economic development, public sector reform, poverty and inequality. He has an MPhil in economics from the University of Ghana, Legon.

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