Euler Hermes Economic Research

Country Report

Côte d'Ivoire

Let it grow

General Information

GDP	USD31.76bn (World Ranking 95, World Bank 2015)
Population	22.7mn (World Ranking 55, World Bank 2015)
Form of state	Multiparty Presidential Republic
Head of government	Alassane Dramane OUATTARA
Next elections	October 2020, presidential

Strengths

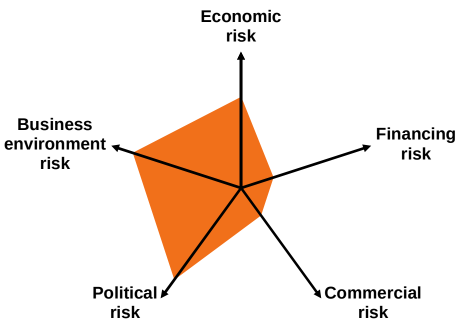
- Some political consolidation and signs that democratic evolution is deepening.
- Close links with France, which maintains a rapid-deployment force for regional interventions.
- World's leading producer of cocoa (approximately 35-40% of global supply).
- Membership of the West African Monetary Union (WAMU) and the CFA franc zone provide relative monetary stability, a common currency and access to a regional central bank. Low exchange rate and transfer risk.
- Considerable debt relief under the HIPC initiative and, latterly, through the Paris Club.

Weaknesses

- Despite recent advances, the domestic political environment retains some fragilities. Overall security still dependent on UN peacekeepers.
- Ethnic and regional tensions.
- Uncertain regional influences including borders with Mali, Liberia and Guinea.
- Vulnerability to climatic effects on agricultural output and to changes in internationally-determined commodity prices.
- Fiscal and current account deficits.
- Structural business environment is strengthening, but from a weak base.

Country Rating

C3



Source: Euler Hermes

Trade Structure

By destination/origin (% of total)

Exports		Rank		Imports
Netherlands	12%	1	15%	Nigeria
United States	8%	2	14%	France
Belgium	7%	3	12%	China
France	6%	4	4%	United States
Germany	6%	5	4%	Italy

By product (% of total)

Exports		Rank		Imports
Coffee, tea, cocoa, spices	45%	1	21%	Petroleum and related products
Petroleum and related products	16%	2	8%	Cereals and cereal preparations
Vegetables and fruits	8%	3	6%	Road vehicles
Gold, non-monetary (excluding gold ores and concentrates)	6%	4	5%	Manufactures of metal
Crude rubber (including synthetic and reclaimed)	4%	5	5%	Fish, crustaceans, molluscs

Source: UNCTAD 2015

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Economic Overview

The advantage of untapped potential

After several lost decades (either for political or commodity prices reasons), Côte d'Ivoire finally enjoys robust growth levels, with about +9% (on average, per year) during the last 5 years. The sudden political change provided an opportunity to pursue a reforms agenda. This, in turn, boosted the ease of doing business as reflected in the World Bank ranking which improved from 167 in 2012 to 142 in 2017 and governance indicators.

The diversification of the economy increased and the investment ratio climbed to acceptable levels (18% of GDP on average during the last 5 years, about +50% from the former 3-decades equilibria), with a sizable effect on growth. The ICOR indicator of investment efficiency stands at 2: Côte d'Ivoire needed only 2% of GDP of investment to deliver 1% of growth, an even better efficiency than China in boom years (ICOR of 3). New sectors are developing amidst a virtuous circle of improved governance and attractiveness for foreign investors.

Still vulnerable to commodity prices slump but financing risk is not a big issue

Food commodities still make the bulk of exports. As a consequence, foreign currency financing is still a by-product of commodity prices. The current juncture is not favourable for two Côte d'Ivoire's main exports since global oversupply sent cocoa and coffee prices lower by -33% and -15%, respectively. Given the vulnerability of local producers to price slumps, mechanisms to compensate for lower prices exist but will have a fiscal cost (fiscal deficit will rise to -4.5% of GDP in 2017 and public debt will increase to 51.5% of GDP). This fiscal cost will be limited in size because of some lowering of guaranteed farm gate prices by the regulator.

Yet the likelihood that foreign currency earnings will decrease for a significant period of time will put external liquidity under scrutiny. Per se, current levels of import cover are not alarming (4.8 months), but the country secured a USD660 million IMF facility in December 2016. But short-run disbursements will be quite low. Cote d'Ivoire has already requested more assistance. However, the fulfilment of IMF conditions helped the country to secure market financing, with hard currency bond issuance of USD 2 billion in June 2017 (over-subscribed by a factor of five).

Managing the growth dividend will be key

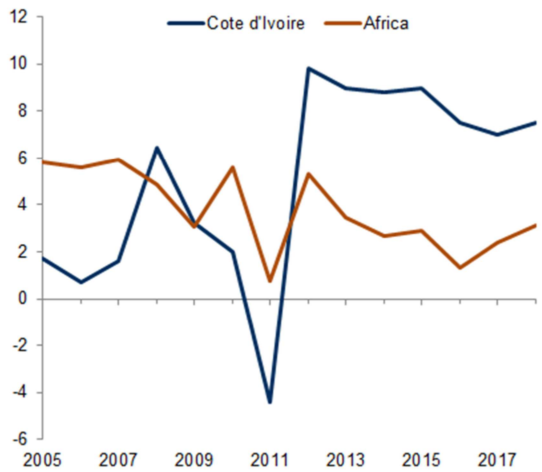
Political risk remains elevated. The divided landscape was evident even before President Ouattara took office. Policymakers face growing demands for salary raises, including by mutinous soldiers. In this context, lower commodity prices and the effort to keep fiscal balances in check will be difficult to manage.

Key Economic Forecasts

	2015	2016	2017f	2018f
GDP growth (% change)	9.0	7.5	7.0	7.5
Inflation (%)	1.2	1.0	1.5	2.0
Fiscal balance (% of GDP)	-3.0	-4.0	-4.5	-4.0
Public debt (% of GDP)	49.0	50.0	51.5	52.5
Current account (% of GDP)	-1.0	-2.0	-4.0	-3.0
External debt (% of GDP)	30.7	30.0	29.5	29.0

Sources: National Sources, IHS, Euler Hermes

GDP Growth (%)



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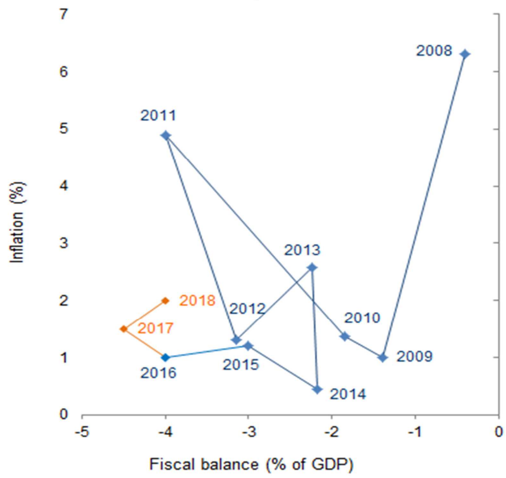
Policy-mix



Sources: National sources, IHS, Euler Hermes

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