Euler Hermes Economic Research

Country Report

Côte d'Ivoire

On a firmer footing and good prospects

General Information

GDP	USD34.25bn (World ranking 95, World Bank 2014)
Population	20.81mn (World ranking 56, World Bank 2014)
Form of state	Multiparty Presidential Republic
Head of government	Alassane Dramane OUATTARA
Next elections	December 2016, legislative; October 2020, presidential

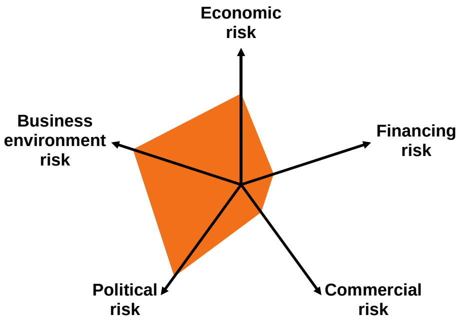
Strengths

- 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	9%	1	26%	Nigeria
United States	8%	2	12%	France
Nigeria	8%	3	7%	China
Germany	8%	4	4%	India
France	5%	5	4%	Colombia

By product (% of total)

Exports		Rank		Imports
Coffee, tea, cocoa, spices, and	33%	1	30%	Petroleum, petroleum products
Petroleum, petroleum products and related materials	29%	2	10%	Cereals and cereal preparations
Crude rubber (including synthetic and reclaimed)	7%	3	5%	Road vehicles
Gold, non-monetary (excluding gold ores and concentrates)	6%	4	5%	Other transport equipment

Source: Chelem (2013)

Economic Overview

Political Overview

A political crisis in the 1990s triggered a civil war and led to the division of the country in 2002 into a government-controlled south and rebel-held north. The Ouagadougou Accord of March 2007 brought a measure of stability, boosted by the presence of UN peacekeeping troops. Presidential elections were held in 2010 and parliamentary polls were held in 2011. Despite post-election violence in 2010-11, there were some improvements in the overall situation, although systemic political risk remained high, as was shown in the messy and protracted ousting of President Laurent Gbagbo in April 2011. In October 2015, incumbent President Alassane Ouattara was re-elected for a second term (almost 84% of the vote) in polls deemed free and fair and this should engender a period of stability. Indeed, the AfDB returned its HQ to the country in September 2014 and Côte d'Ivoire now has the prospect of regaining its status as an economic power in West Africa.

General Economy

The government's aim is for the country to achieve emerging market status by 2020. This will require further and deeper economic reforms, a more-business friendly regulatory environment and, above all, political and social stability/security. Perhaps, the aim is over-ambitious. However, it is possible for significant progress towards that goal to be achieved.

The overall policy stance appears generally sound. An IMF-approved Extended Credit Facility (ECF) expires at the end of December 2015. In its most recent review of progress (June 2015), the Fund indicated that performance under the Fund-supported reform programme "continued to be strong" and that all performance criteria and most indicative targets were met. The Fund is likely to look favourably on a request for a further facility.

The economy is recovering after a protracted period of recession and low GDP growth

Following years of low growth (see chart) resulting from political fragility and a debilitating civil war (the annual average increase in GDP in the period 1999-2007 was only +0.1%), the economy entered a period of relative stability from 2008, although GDP contracted by -4.7% in the politically-troubled 2011. Rapid expansion in 2012 resulted in GDP growth of +9.8% followed by +9% in 2013, partly reflecting a corrective bounce from earlier years and partly some policy adjustments, which also allowed expansion of +8% in 2014.

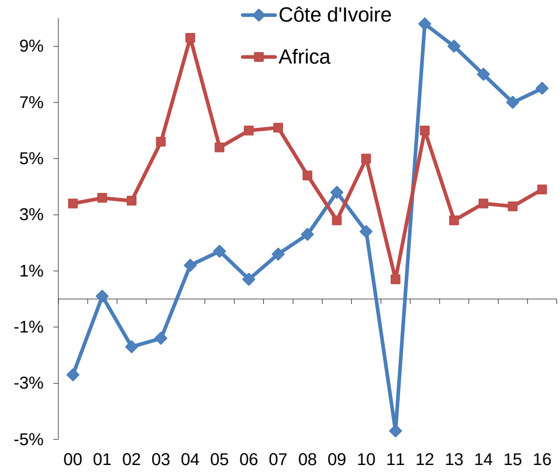
EH expects GDP growth in 2015 will be around +7% and we forecast rates of expansion of +7% or above in 2016 and 2017. However, there remain downside risks to these forecasts, particularly if politically-related violence escalates in the build-up to the legislative elections scheduled for the end of 2016. However, October 2015 presidential elections were peaceful and this suggests next year's polls and their results are likely to be broadly acceptable to the population at large. On a more positive note, regional (including the AfDB and UEMOA, see below) and multilateral agencies (including the IMF) remain supportive and there is recent evidence that capital markets are becoming more positive in relation to the country's outlook.

Key economic forecasts

	2014	2015f	2016f	2017f
GDP growth (% change)	8.0	7.0	7.5	7.0
Inflation (%, end-year)	0.9	2.2	2.0	2.5
Fiscal balance (% of GDP)	-3.2	-3.3	-3.5	-3.0
Public debt (% of GDP)	39.5	39.0	36.5	33.5
Current account (% of GDP)	-2.5	-1.0	-4.0	-5.0
External debt (% of GDP)	33.4	32.0	26.0	21.0

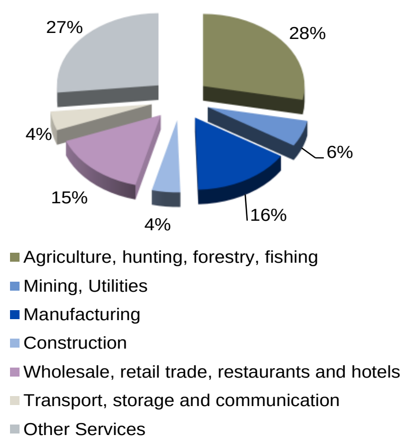
Sources: National sources, IHS, Euler Hermes

GDP growth (%)



Sources: National sources, IHS, Euler Hermes

GDP Breakdown(%)



Sources: National sources, IHS, Euler Hermes

CFA franc zone provides some stability in a volatile region

Membership of a regional economic bloc, UEMOA, with a common banking and financial structure, provides support and relative monetary stability. The CFA franc issued by the Central Bank of West African States (BCEAO) is pegged to the euro at a rate of 655.96 francs/euro. This arrangement has served to help keep inflationary pressures relatively low, even during periods of political and social disturbance. The rate of inflation this year and in 2016 is forecast to remain below 3%, on average and by end-period. Inflationary pressures in Côte d'Ivoire are consistently below those pertaining to Africa as a whole. Transfer/inconvertibility risk remains mitigated by membership of the CFA franc zone and EH does not expect that there will be a significant change within the regional system within the forecast period.

Weak commodity prices heighten external deficits

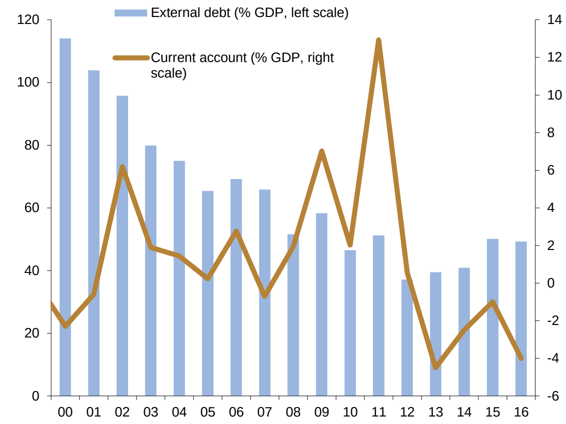
Export revenues have been sound (cocoa and oil account for over 60% of the total receipts from merchandise outflows) but current account surpluses in 2002-12 (with the exception of 2007) have disappeared and deficits are now recorded, partly reflecting the deepening of the economic recovery and associated growth in imports. EH expects the current account deficit will deteriorate to -4% in 2016 and -5% in 2017 (after -2.5% in 2014). FX reserves are increasing (see chart) and at the end of 2014 were USD4.5bn and covered around four months of import costs. EH forecasts further FX accumulation in 2015 and 2016 and that import cover will remain above the internationally-accepted comfort level of three months.

External debt declined through relief programmes but is again increasing

In June 2012, the Paris Club of official creditors cancelled the bulk of bilateral debt, amounting to around USD6.5bn. This followed shortly after it was announced that negotiations with the IMF and World Bank resulted in multilateral debt relief of around USD4bn. The effect of these combined debt actions was to halve the country's external debt stock and reduce repayment obligations, thereby freeing up financial resources for more productive use and aiding economic recovery.

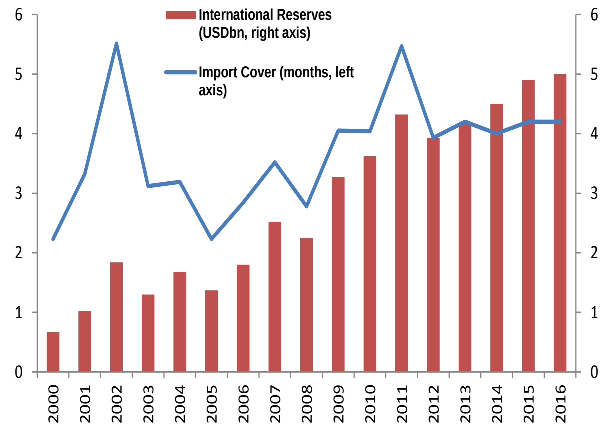
Despite external debt forgiveness in 2012, foreign obligations have increased recently (see chart). These take the form of non-concessional debt – including Eurobond issues of USD750mn in July 2014 and USD1bn (USD4bn in orders) in February 2015 – which is likely to increase debt-service costs in the longer term.

Current account and external debt (% of GDP)



Sources: National sources, IHS, Euler Hermes

Foreign exchange reserves and import cover



Sources: National sources, IHS, Euler Hermes

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