

On a firmer footing and good prospects

General Information



GDP	USD31.06 bn (World ranking 96, World Bank 2013)
Population	20 mn (World ranking 57, World Bank 2013)
Form of state	Multiparty Presidential Republic
Head of government	Alassane Dramane OUATTARA
Next elections	2015, presidential



Strengths

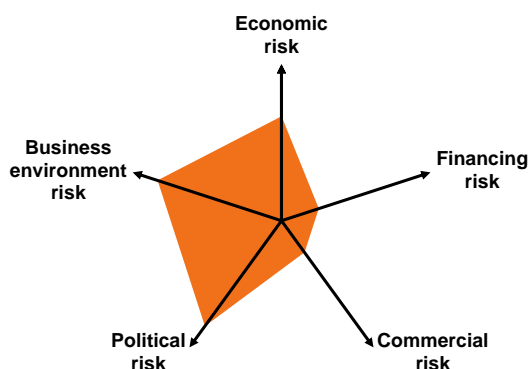
- Some political consolidation and signs that democratic evolution is deepening.
- Close links with France, which maintains a rapid-deployment force for regional interventions.
- World's leading producer of cocoa (approximately 35-40% of global supply).
- Membership of the West African Monetary Union (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

D3



Source: Euler Hermes

Trade structure

By destination/origin (% of total)

Exports	Rank	Imports
Netherlands	9% 1	26%
United States	8% 2	12%
Nigeria	8% 3	7%
Germany	8% 4	4%
France	5% 5	4%
		Nigeria
		France
		China
		India
		Colombia

By product (% of total)

Exports	Rank	Imports
Coffee, Tea	33% 1	30%
Petroleum products	29% 2	10%
Crude Rubber	7% 3	5%
Gold	6% 4	5%
Vegetables and Fruits	5% 5	3%
		Petroleum products
		Cereals
		Road Vehicles
		Other Transport
		Fish & crustaceans

Source: UNCTAD (2013)

Strong growth since 2012 followed a period of protracted weakness...

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 back from earlier years and partly some policy adjustments.

...but political stability and a reform agenda should maintain the growth spurt in to the medium term

EH expects GDP growth in 2014 will be around +8% and forecasts rates of expansion of +7% or above in 2015 and 2016. However, there remain downside risks to these forecasts, particularly if politically-related violence escalates in the build-up to the presidential elections scheduled for the end of October 2015. However, if the elections are peaceful and broadly acceptable to the population at large then there are also upside risks, particularly as international (including the IMF) and regional (AfDB and UEMOA) agencies remain supportive and there is recent evidence that capital markets are positive in relation to the country's outlook.

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. The accompanying chart shows that 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.

Fiscal deficits and public debt are manageable, for now...

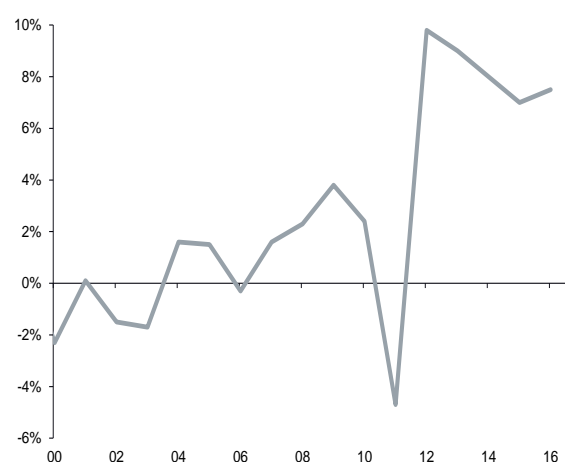
The annual fiscal balance registers deficits of around -3% of GDP, or below. The rebound in economic activity has boosted revenue generation and deficit financing is also supported by aid inflows and by regional support systems. Public debt has fallen markedly in the last few years, from around 75% of GDP in 2008 to around 35% currently, largely reflecting substantial external debt relief (see below).

Key economic forecasts

	2013	2014	2015f	2016f
GDP growth (% change)	9.0	8.0	7.0	7.5
Inflation (% end-year)	0.4	1.1	1.3	2.8
Fiscal balance (% of GDP)	-3.6	-3.4	-3.2	-3.1
Public debt (% of GDP)	39.9	39.6	43.2	42.2
Current account (% of GDP)	-4.8	-3.3	-2.1	-2.6
External debt (% of GDP)	39.5	39.3	49.9	47.5

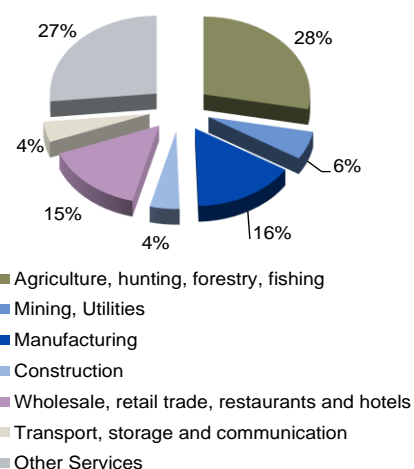
Sources: IHS, national sources, Euler Hermes

GDP growth profile (y/y %)



Sources: IHS, Euler Hermes

GDP breakdown (%)



Sources: UNCTAD

...as are current account deficits, as economic rebuilding continues

Export revenues have been sound (cocoa and oil account for over 60% of the total receipts from merchandise outflows) but current account surpluses in 2002-11 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 decline from -4.8% and -3.3% in 2013 and 2014, respectively, but will remain over -2% in 2015 and 2016. FX reserves are increasing and at the end of 2014 were USD4.5 bn and covered over 3.5 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.

In June 2012, the Paris Club of official creditors cancelled the bulk of bilateral debt, amounting to around USD6.5 bn. This followed shortly after it was announced that negotiations with the IMF and World Bank resulted in multilateral debt relief of around USD4 bn. 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.

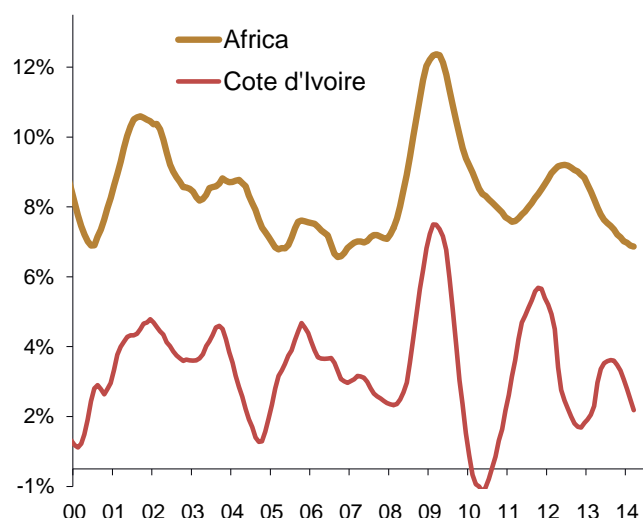
Despite external debt forgiveness in 2012, foreign obligations have increased recently. These take the form of non-concessional debt – including Eurobond issues of USD750 mn in July 2014 and USD1 bn (USD4 bn in orders) in February 2015 – which is likely to increase debt-service costs in the longer term.

Policy

The government's aim is for the country to achieve emerging market status by 2020. This will require further 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.

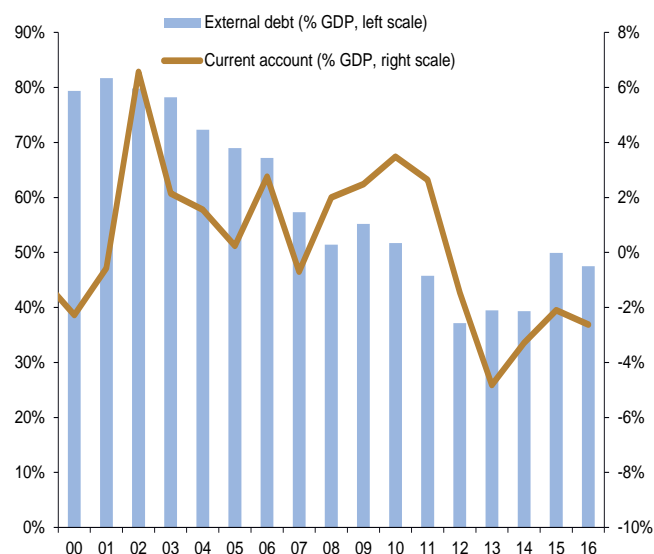
The overall policy stance appears generally sound. An IMF agreed Extended Credit Facility (ECF) expires in December 2015. In its most recent review of progress (April 2015), the Fund indicated that macro-economic performance in 2014 "remained strong" and that all performance criteria and indicative targets at end-2014 were met. Moreover, prospects "for 2015 and the medium-term are positive".

Inflation (%)



Sources: IHS, Euler Hermes

External debt and current account balance (% of GDP)



Sources: IHS, Euler Hermes

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