

## High economic growth, but uneasy stability/security

### General Information



|                           |   |
|---------------------------|---|
| <b>GDP</b>                | USD24.68bn (World ranking 97, World Bank 2012)    |
| <b>Population</b>         | 19.84 million (World ranking 58, World Bank 2012) |
| <b>Form of state</b>      | Multiparty Presidential Republic                  |
| <b>Head of government</b> | Alassane Dramane OUATTARA                         |
| <b>Next elections</b>     | 2015, presidential                                |



### Strengths

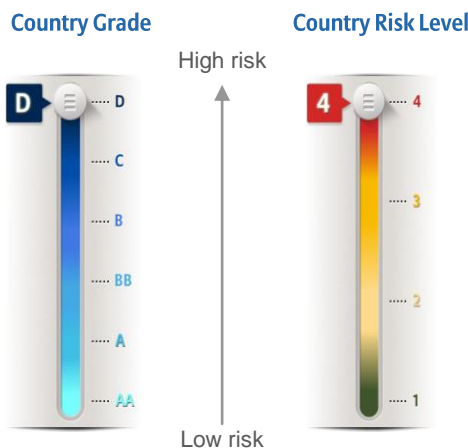
- World's leading producer of cocoa (approximately 35-40% of global supply).
- Membership of the West African Monetary Union (WAMU) and the CFA franc zone provides relative monetary stability, a common currency and access to a regional central bank. Low exchange rate and transfer risk.
- Considerable debt relief under the HIPC initiative and, latterly, through the Paris Club.

### Weaknesses

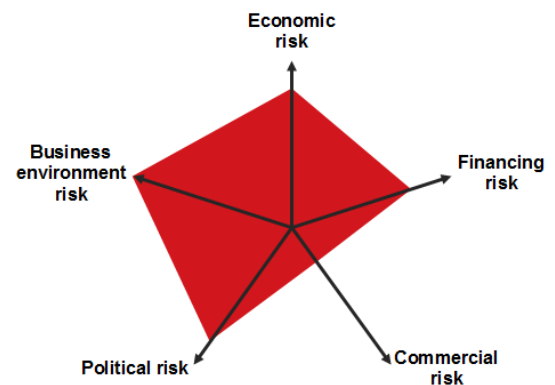
- The domestic political environment remains fragile and overall security depends on continuation of the operation of UN peacekeepers in the country.
- Ethnic and regional tensions.
- Uncertain regional influences including borders with Mali, Liberia and Guinea.
- Vulnerability to climatic effects on agricultural output and to changes in internationally-determined commodity prices.
- Fiscal deficits and low current account surpluses.
- Weak business environment, with a high level of government intervention, a bureaucratic regulatory environment and an inefficient judiciary.

### Country Rating

**D4**

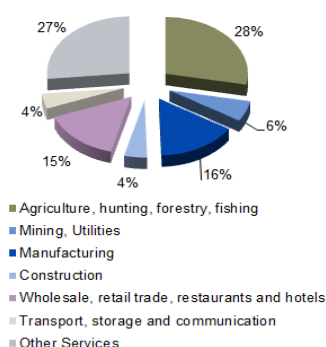


### Risk Dimensions



## Economic Structure

### GDP breakdown (% of total, 2011)



### Trade structure (% of total, 2011)

By destination/origin

| Exports        | Rank | Imports        |
|----------------|------|----------------|
| LDCs in Africa | 1    | Nigeria        |
| Germany        | 2    | France         |
| United States  | 3    | China          |
| Netherlands    | 4    | Thailand       |
| Nigeria        | 5    | LDCs in Africa |

By product

| Exports                        | Rank | Imports |     |                  |
|--------------------------------|------|---------|-----|------------------|
| Other Edible Agricultural Prod | 35%  | 1       | 23% | Crude Oil        |
| Non-Edible Agricultural Prod.  | 13%  | 2       | 11% | Cereals          |
| Refined Petroleum Products     | 11%  | 3       | 5%  | Meat             |
| Sugar                          | 11%  | 4       | 4%  | Plastic Articles |
| Crude Oil                      | 11%  | 5       | 4%  | Pharmaceuticals  |

Sources: Chelem, UnctadStat, IHS Global Insight, Euler Hermes

## Economic Forecast

|                            | 2009 | 2010 | 2011 | 2012 | 2013f | 2014f |
|----------------------------|------|------|------|------|-------|-------|
| GDP growth (% change)      | 3.8  | 2.4  | -4.7 | 9.5  | 7.5   | 8.0   |
| Inflation (% end-year)     | -1.4 | 5.1  | 2.0  | 3.5  | 3.4   | 3.4   |
| Fiscal balance (% of GDP)  | -3.0 | -2.8 | -2.7 | -2.6 | -2.4  | -2.3  |
| Public debt (% of GDP)     | 66.5 | 66.4 | 71.2 | 48.7 | 39.0  | 36.5  |
| Current account (% of GDP) | 2.5  | 3.5  | 3.7  | 0.9  | 0.0   | 0.0   |
| External debt (% of GDP)   | 52.1 | 49.8 | 45.8 | 24.9 | 20.1  | 17.1  |

Source: IHS Global Insight, National sources, Euler Hermes

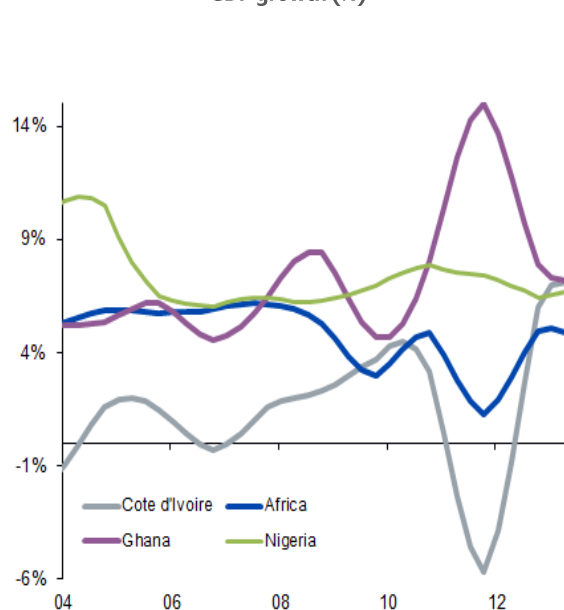
## Economic Overview

Following years of low growth 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, although GDP contracted by -4.7% in the politically-troubled 2011. Rapid GDP expansion resulted in 2012 (+9.5%), partly reflecting a bounce back from the previous year and partly some corrective policy adjustments.

EH expects GDP growth of +7.5% in 2013 and +8% in 2014, compared with a ten-year annual average of +1.6%. However, there remain downside risks to these forecasts, particularly if politically-related violence escalates in the build-up to the presidential elections scheduled for 2015.

The overall policy stance appears generally sound. The IMF agreed an Extended Credit Facility (ECF) in November 2011 (USD616 million), which expires towards the end of 2014. In its most recent review of progress under the ECF (October 2013), the Fund indicated that macro-economic performance in H1 2013 was above expectations and that all performance criteria and indicative targets were observed in that period. While noting that significant economic challenges remain in place, the Fund suggests that clear progress has been made in relation to structural reforms, particularly in relation to improving the business climate and strengthening the energy sector.

### GDP growth (%)



Sources: IHS Global Insight, Euler Hermes

## Economic Overview (continued)

---

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 the civil war. The rate of inflation this year and in 2014 is forecast to remain within a range of 2-3.5%. 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.

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 a forecast 39% in 2013, largely reflecting substantial external debt relief (see also below).

Although export revenue growth has been sound (leading exports are cocoa and oil), current account surpluses have narrowed in recent years as the economic recovery deepens and import growth increases. EH expects the current account balance will be less than +0.1% of GDP in 2013 and 2014. FX reserves at the end of 2012 were USD5.9 billion and provided an import cover of four months. EH forecasts that import cover will remain above the internationally-accepted comfort level of three months throughout the forecast period.

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

### DISCLAIMER

These assessments are, as always, subject to the disclaimer provided below.

This material is published by Euler Hermes SA, a Company of Allianz, for information purposes only and should not be regarded as providing any specific advice. Recipients should make their own independent evaluation of this information and no action should be taken, solely relying on it. This material should not be reproduced or disclosed without our consent. It is not intended for distribution in any jurisdiction in which this would be prohibited. Whilst this information is believed to be reliable, it has not been independently verified by Euler Hermes and Euler Hermes makes no representation or warranty (express or implied) of any kind, as regards the accuracy or completeness of this information, nor does it accept any responsibility or liability for any loss or damage arising in any way from any use made of or reliance placed on, this information. Unless otherwise stated, any views, forecasts, or estimates are solely those of the Euler Hermes Economics Department, as of this date and are subject to change without notice. Euler Hermes SA is authorised and regulated by the Financial Markets Authority of France.

© Copyright 2013 Euler Hermes. All rights reserved.