

Mali reaping peace dividends amid a fragile security situation

General Information



GDP	USD13.1bn (World Ranking 122, World Bank 2015)
Population	17.6 Million (World Ranking 62, World Bank 2015)
Form of state	Republic
Head of government	Ibrahim Boubacar KEITA
Next elections	2017, legislative elections



Strengths

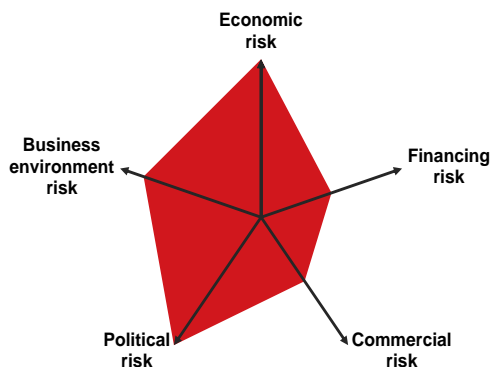
- Natural resource base includes gold and agricultural crops such as cotton.
- Low inflation and limited transfer and exchange rate risks as a result of membership of the CFA franc zone.
- Fast growing digital services sector
- Large-scale debt relief in 2003-06 resulted in a more manageable external debt burden.

Weaknesses

- Significant domestic and regional security and stability risks. Existential threat to the current sovereign state.
- High levels of poverty.
- Poor infrastructure and a landlocked position limit economic development and impose additional trading costs.
- Lack of significant economic diversification.
- Narrow fiscal base and inefficient tax administration partly explain large and recurrent fiscal deficits.
- Large current account deficits, only partly covered by FDI.
- Weak business environment.

Country Rating

D4



Source: Euler Hermes

Trade Structure

By destination/origin (% of total)

Exports	Rank	Imports
South Africa	30% 1 17%	France
China	21% 2 15%	Senegal
United Arab Emirates	8% 3 13%	Côte d'Ivoire
Switzerland	7% 4 11%	China
Malaysia	6% 5 5%	India

By product (% of total)

Exports	Rank	Imports
Gold, non-monetary (excluding gold ores and concentrates)	46% 1 14%	Petroleum, petroleum products and related materials
Textiles fibres and their wastes	31% 2 8%	Road vehicles
Fertilizers other than group 272	5% 3 6%	Medicinal and pharmaceutical products
Oil seeds and oleaginous fruits	3% 4 6%	Non metallic mineral manufactures, n.e.s.

Source: UNCTAD (2014)

Economic Overview

Growth outlook and fundamentals

Following subdued growth due to insecurity and war in 2012 and 2013, Mali has rebounded. Average growth from 2014-2016 reached a healthy 6%. This is aligned with the strong track record of fellow members of the West African Monetary Union (WAEMU) (see chart 1). The primary sector (gold, agriculture) accounts for 40% of GDP, and over 85% of the workforce.

EH expects continued solid growth of 5% in 2016, 2017 and 2018. Growth is mainly driven by the agricultural, mining, and services sectors. The former has returned to full capacity after insecurity disrupted production. Besides subsistence farming, Mali boasts the largest cotton production in sub-Saharan Africa. The mining sector has benefitted from a liberal mining code, which continues to attract investment.

An artisanal mining boom has pushed up gold exports. In services, the telecommunications sector has not only expanded through subscription growth (unique subscriber penetration at 80%) but also through the spread of more sophisticated services. International mobile operators have invested in Mali's digital consumer market as mobile money transactions increased by 150% between 2010 and 2015.

Financial Stability

Mali has a track record of financial stability following the large-scale debt relief of 2003-06. Public debt -, currently estimated at 30% of GDP - is far below the African average of 49%. Scarce liquidity has been an issue with the import cover just over 2 months. But stabilizing global cotton and gold prices are providing a vital inflow of foreign exchange (see chart 2).

This illustrates the export sector's continued vulnerability to global commodity price cycles, and changes in weather conditions, which are intertwined with recurring liquidity issues. To reduce the burden of frequent twin deficits, Mali will be wise to attract more FDI (currently covering only 45% of the current account deficit) and increase its domestic resource mobilization capacity.

Security risks remain

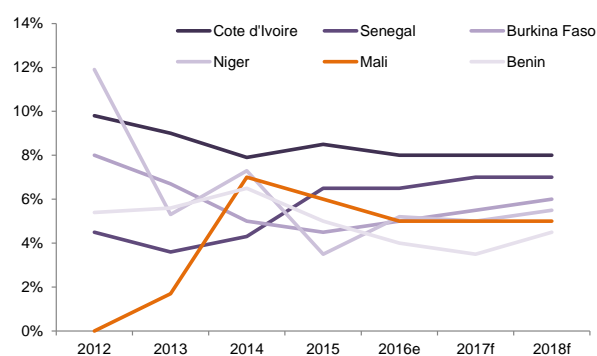
Following the deployment of French-led military forces in 2013, which were then handed over to the United Nations Multidimensional Integrated Stabilization Mission, most of the country has now been stabilized. A peace accord envisioning greater autonomy for the northern regions has been signed on May 15, 2015. Given the continued fragility of the Sahel region, and the illicit drugs and arms trafficking fuelled by instability in nearby Libya, risks abound. Much will hinge on the government's ability to balance control with the commitment to further decentralization in northern regions.

Key economic forecasts

	2015	2016e	2017f	2018f
GDP growth (% change)	6.0	5.0	5.0	5.0
Inflation (% end-year)	1.4	1.0	1.3	1.7
Fiscal balance (% of GDP)	-1.8	-4.5	-4.0	-3.5
Public debt (% of GDP)	31.0	30	30.5	32.0
Current account (% of GDP)	-5.0	-6.0	-5.0	-6.0
External debt (% of GDP)	28.5	29.0	31.0	33.0

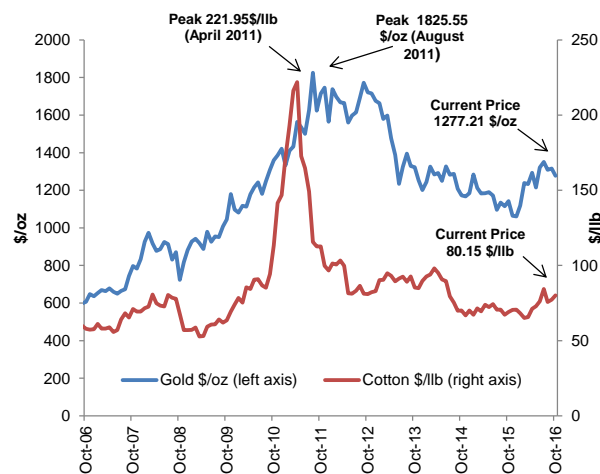
Sources: National statistics, IHS, Euler Hermes

GDP Growth vs. selected members of the West African Monetary Union (WAEMU)



Sources: Euler Hermes

Gold and Cotton Prices (October 2006-October 2016)



Sources: Bloomberg, Euler Hermes

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